

**UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION**

In the Matter of)
)
Bruce Kallemeyn, Controlling)
Stockholder, and Person)
Participating in the Conduct)
of the Affairs of)
Snyder Savings and Loan)
Association)
Snyder, Texas)
)

No.: DAL-94-40

Dated: November 21, 1994

ORDER TO CEASE AND DESIST

WHEREAS, Bruce Kallemeyn ("Kallemeyn") has executed a Stipulation and Consent to the Entry of an Order to Cease and Desist on _____ (Date); and

WHEREAS, Kallemeyn, by his execution of the Stipulation, the terms of which are incorporated herein by reference, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") by the Office of Thrift Supervision ("OTS"), pursuant to Section 8(b) of the Federal Deposit Insurance Act, ("FDIA"), 12 U.S.C. § 1818(b).¹

NOW THEREFORE, IT IS ORDERED that:

1. Kallemeyn shall make restitution to Snyder Savings and Loan Association, Snyder, Texas ("Snyder Savings"), in the amount of Ten Thousand Dollars (\$10,000.00). This sum represents an amount offered in mitigation of losses and expenses incurred, including legal fees and accrued interest and carrying costs resulting from loans made by Snyder Savings to Kayo Corporation on or about November 5, 1987 and February 25, 1988, and from which Kallemeyn received a benefit.

1. All references to the U.S.C. are as amended.

2. Kallemeyn shall comply with Paragraph 1 by sending a cashier's check for Five Thousand Dollars (\$5,000.00) to Snyder Savings and Loan Association, 2619 College Avenue, Snyder, Texas 79549, within 10 days of the effective date of this Order, and a second cashier's check for Five Thousand Dollars (\$5,000.00) to Snyder Savings and Loan Association within 90 days of the effective date of this Order. The checks should be made payable to Snyder Savings and Loan Association, and a copy of each check should be sent to Guadalupe Gonzalez, Assistant Regional Counsel, c/o Legal Department, OTS Midwest Regional Office, P.O. Box 619027, Dallas/Fort Worth, Texas 75261-9027.

NOW THEREFORE IT IS FURTHER ORDERED that:

3. Without first obtaining the prior written approval of the OTS (acting through the Midwest Regional Director or an authorized representative thereof), Kallemeyn may not participate in the conduct of the affairs of Snyder Savings and Loan Association, Snyder, Texas, and any holding company, subsidiary, and/or service corporation(s) thereof, as an institution-affiliated party as defined in Section 3(u) of the FDIA, 12 U.S.C. § 1813(u), including, but not limited to:
 - (a) voting any shares of stock of Snyder as a co-executor of the Estate of Roger B. Mize; and
 - (b) voting for a director as an institution-affiliated party as defined in Section 3(u) of the FDIA, 12 U.S.C. § 1813(u).
4. Kallemeyn shall cease and desist from any acts, omissions, or practices which constitute a breach of fiduciary duty and from

any unsafe or unsound practice as an institution-affiliated party within the meaning of Section 3(u) of the FDIA, 12 U.S.C. § 1813(u).

5. Upon becoming an institution-affiliated party within the meaning of Section 3(u) of the FDIA, 12 U.S.C. § 1813(u), Kallemeyn shall:

(a) obtain advice of competent counsel on his duties and responsibilities, both initially upon accepting such a position and when particular issues arise that may cause Kallemeyn to be uncertain about his responsibilities; and

(b) abstain from voting or participating in any manner on any proposals involving persons, corporations, business trusts, associations, or other similar entities of which Kallemeyn owns or controls, directly, individually or together with members of his immediate family, any interest; and

(c) at least annually, and with a continuing obligation in the event of a change of circumstances, make full disclosure of any and all loans, investments, partnership interests, stock ownership, and any other business relationships with persons who are customers or prospective customers of an institution or its affiliates of which he is an institution-affiliated party; and

(d) in connection with any transaction submitted for approval to the board of directors of a federally insured depository institution of which Kallemeyn is a director or officer, make full disclosure of any

Kallemeyn Cease and Desist Order

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and all loans, investments, partnership interests, stock ownership, and any other business relationships of any kind that Kallemeyn or members of his immediate family may have with the party or parties with whom the proposed transaction is to be made.

6. Kallemeyn shall not violate, directly or indirectly, the conflict of interest regulations at 12 C.F.R. §§ 563.40, 563.41, 563.42, and 563.43, the conflict of interest policy statement at 12 C.F.R. § 571.7, the conflict of interest statutes at Sections 23A, 23B, and 22(h) of the Federal Reserve Act, 12 U.S.C. §§ 371c, 371c-1 and 375b, respectively, and the provisions of Sections 10(d) and 11 of the Home Owners' Loan Act, 12 U.S.C. §§ 1467a(d) and 1468, respectively, as now in effect or as they may be hereafter amended or superseded.
7. Kallemeyn shall take any affirmative action necessary to correct any conditions resulting from violation of this Order, including but not limited to restitution, reimbursement, indemnification, and rescission.
8. The Stipulation is made a part hereof and is incorporated herein by this reference.

This Order shall remain in effect until terminated, modified or suspended in writing by the Regional Director or his designee.

THE OFFICE OF THRIFT SUPERVISION

By: _____

Frederick R. Casteel
Frederick R. Casteel
Regional Director
Midwest Region
Dallas, Texas

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Snyder Savings and Loan))
Association, Snyder, Texas))
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No.: DAL-94-40

Dated: November 21, 1994

STIPULATION AND CONSENT TO THE
ENTRY OF A CEASE AND DESIST ORDER

WHEREAS, The Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, has informed Bruce Kallemeyn ("Kallemeyn"), controlling stockholder of Snyder Savings and Loan Association, (OTS No. 6161), Snyder, Texas ("Association " or "Snyder Savings") and person participating in the conduct of the affairs of such Association, that the OTS is of the opinion that the grounds exist to initiate an administrative cease and desist proceeding against Kallemeyn pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b);¹

WHEREAS, Kallemeyn, desires to cooperate with the OTS and to avoid the time and expense of such administrative cease and desist proceeding; and

WHEREAS, for the purpose of this settlement only, without admitting or denying the allegations herein, Kallemeyn hereby stipulates and agrees to the terms of this Stipulation and Consent to the Entry of a Cease and Order, in consideration of the agreement of the OTS to forbear from initiating any other civil or administrative proceedings against Kallemeyn arising out of Kallemeyn's

1. All references to the U.S.C. are as amended.

actions at Snyder Savings relating to the matters as further described in Paragraph 2 of this Stipulation, known or discovered by the OTS prior to the entry of the accompanying Order:

1. **JURISDICTION**

- (a) Snyder Savings is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. § 1813(b), and Section 2(4) of the Home Owners' Loan Act, 12 U.S.C. § 1462(4). Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. § 1813(c).
- (b) Kallemeyn, at all times relevant to the allegations set forth herein, was a controlling stockholder of Snyder Savings and a person participating in the conduct of the affairs of Snyder Savings and as such is deemed to be an "institution-affiliated party" of Snyder Savings as defined in Section 3(u) of the FDIA, 12 U.S.C. § 1813(u), having served in such capacity within 6 years of the date hereof (See Section 8(i)(3) of the FDIA, 12 U.S.C. § 1818(i)(3)).
- (c) Pursuant to Section 3(q) of the FDIA, 12 U.S.C. § 1813(q), the OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such a savings association and/or its institution-affiliated parties. Therefore, Kallemeyn is subject to the authority of the OTS to initiate

and maintain a cease and desist proceeding against him pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b).

2. OTS FINDINGS OF FACTS

The grounds for this cease and desist action are

as follows:

- (a) With reckless disregard for safe and sound practices, in breach of fiduciary duty to Snyder Savings, and in violation of 12 C.F.R. §§ 564.40 and 571.7 (1987), Kallemeyn caused Snyder Savings to make \$800,000.000 in loans to Kayo Corporation ("Kayo"), from which Kallemeyn received personal benefit, and which resulted in losses to Snyder Savings including legal fees, accrued interest and carrying costs.
- (b) On or about November 4, 1987, at a special called meeting of Snyder Savings' board of directors, Kallemeyn and Rex Robinson presented a proposal for a \$750,000.00 loan to be made to Kayo, a company wholly owned by George Lambert, to purchase a fifty percent (50%) interest in oil and gas leases (known as the "Franklin Leases"). Kallemeyn and Rex Robinson had a personal interest in the loan being made to Kayo since both had already secured financing at another financial institution to purchase the remaining fifty percent (50%) interest in the Franklin Leases on which Kayo/Lambert held the option to purchase. The minutes of the November 4, 1987, board of directors' meeting do not indicate that Kallemeyn, as a controlling shareholder and person participating in

the conduct of the affairs of Snyder Savings, or Rex Robinson disclosed to the board of directors their interest in the Kayo loan transaction. The board of directors approved the loan to Kayo which also required Mr. Lambert to provide a personal guarantee. Mr. Lambert never provided a guarantee.

- (c) On or about February 25, 1988, Kayo applied for and received a \$50,000.00 loan from Snyder Savings, secured by the same collateral securing the \$750,000.00 loan to Kayo.
- (d) Subsequently, Kayo ceased making the loan payments on both loans to Snyder Savings, and on May 25, 1988, Snyder Savings entered into a certain agreement with Kayo, George Lambert, Geraldine Lambert (individually and doing business as S&J Royalty), Richardson Land Trust #1, Snyder National Bank, Rex Robinson, and Kallemeyn. Kayo agreed to assign all of its right, title and interest in the "Franklin Leases" to Snyder Savings and Snyder Savings released Kayo and its affiliates from any obligations or liabilities to Snyder Savings. Snyder Savings subsequently suffered losses, including legal fees, accrued interest and carrying costs.

3. CONSENT

- (a) Kallemeyn consents to the issuance by the OTS of the accompanying Cease and Desist Order ("Order"). He further agrees to comply with its terms upon issuance and stipulates that the Order complies with all requirements of law, including Section 8(b) of the

FDIA, 12 U.S.C. § 1818(b).

- (b) Kallemeyn acknowledges that the debt owed pursuant to the Order is not dischargeable under the Bankruptcy Code, in accordance with 11 U.S.C. § 523(a)(11) and (12).

4. **FINALITY**

The Order is issued by the OTS under the authority of Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). Upon issuance of the Order, it shall be a final order that is effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

5. **WAIVERS**

Kallemeyn waives the following rights:

- (a) the right to be served with a written notice of the OTS's charges against him (see Section 8(b) of the FDIA, 12 U.S.C. § 1818(b));
- (b) the right to an administrative hearing of the OTS's charges against him (see Section 8(b) of the FDIA, 12 U.S.C. § 1818(b));
- (c) the right to seek judicial review of the Order, including, without limitation, such right provided by Section 8(h) of the FDIA, 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and

6. **INDEMNIFICATION**

Kallemeyn shall neither cause nor permit Snyder Savings (or any subsidiary thereof) to incur, directly or indirectly, any expense for any legal fees (or other professional expenses) incurred relative to the negotiation and issuance of the Order, nor obtain any indemnification (or other

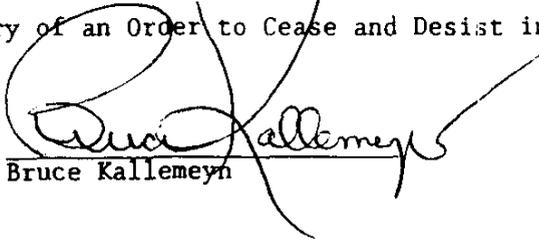
reimbursement) from Snyder Savings (or any subsidiary thereof) with respect to such amounts. Any such payments received by or on behalf of Kallemeyn in connection with this action shall be returned to Snyder Savings.

7. ACKNOWLEDGMENTS

- (a) Kallemeyn acknowledges and agrees that this Stipulation and Consent, the Order and the payment by Kallemeyn of any monies or providing any other financial relief as contemplated by the Order, does not compromise, settle, dismiss, resolve, or in any way affect any civil actions, charges against, or liability of Kallemeyn that arise pursuant to this action or otherwise, and that may be or have been brought by any other governmental entity other than the OTS.
- (b) Kallemeyn acknowledges that Section 8(i) of the FDIA, 12 U.S.C. § 1818(i), sets forth civil money penalties for violations of this Order.

WHEREFORE, Bruce Kallemeyn executes this Stipulation and Consent to the Entry of an Order to Cease and Desist intending to be legally bound hereby.

By:


Bruce Kallemeyn

Accepted by:
Office of Thrift Supervision


Frederick R. Casteel
Regional Director
Midwest Region

11-21-94
Date