

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

)	
In the Matter of	)	NOTICE OF INTENTION TO
	)	PROHIBIT FROM FURTHER
GREGG WARD and SUSAN WARD,	)	PARTICIPATION,
individually, and as institution affiliated parties of	)	NOTICE OF RESTITUTION, AND
	)	NOTICE OF ASSESSMENT
	)	AND ORDER TO PAY
THE FIRST STATE BANK)	
CAMARGO, OKLAHOMA)	
	)	FDIC-16-0248e
	)	FDIC-13-034e
(IN RECEIVERSHIP)	)	FDIC-16-0243b
(INSURED STATE NONMEMBER BANK)	)	FDIC-16-0194k
	)	FDIC-16-0205k
)	

The Federal Deposit Insurance Corporation (“FDIC”) has determined that GREGG WARD was President and Vice Chairman of the Board of Directors (“Board”) of THE FIRST STATE BANK, CAMARGO, OKLAHOMA (IN RECEIVERSHIP) (“Bank”), that SUSAN WARD was a member of the Board (collectively, “Respondents”), and that each was an institution-affiliated party (“IAP”) of the Bank. The Respondents recklessly engaged in unsafe or unsound practices, violated laws, rules or regulations, and breached their fiduciary duty to the Bank. The violations, practices and breaches were part of a pattern of misconduct which caused more than minimal loss to the Bank, resulted in pecuniary gain or other benefits to the Respondents, and involved personal dishonesty or a willful or continuing disregard for the safety or soundness of the Bank. The FDIC, therefore, institutes this combined proceeding to:

- i. Determine whether appropriate orders should be issued against the Respondents under 12 U.S.C. § 1818(e), prohibiting the Respondents from further participation in the conduct of the affairs of the Bank or any other insured depository institution or organization listed under 12 U.S.C. § 1818(e)(7)(A), without the prior written approval of the FDIC and such other appropriate federal financial institutions regulatory agency, as that term is defined in 12 U.S.C. § 1818(e)(7)(D).
- ii. Determine whether an appropriate order for restitution should be issued against Respondent Gregg Ward under the provisions of 12 U.S.C. § 1818(b)(6).
- iii. Assess civil money penalties against each of the Respondents, individually, pursuant to the provisions of 12 U.S.C. § 1818(i)(2)(B).

The FDIC issues this NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION (“NOTICE OF PROHIBITION”) pursuant to 12 U.S.C. § 1818(e) and 12 C.F.R. Part 308; this NOTICE OF RESTITUTION (“RESTITUTION”) pursuant to 12 U.S.C. § 1818(b)(6) and 12 C.F.R. Part 308; and this NOTICE OF ASSESSMENT (“NOTICE OF ASSESSMENT”) AND ORDER TO PAY under 12 U.S.C. § 1818(i)(2) and 12 C.F.R. Part 308.

In support thereof, the FDIC alleges as follows:

NOTICE OF PROHIBITION, RESTITUTION, NOTICE OF ASSESSMENT

Jurisdiction

1. At all relevant times, the Bank was a corporation existing and doing business under the laws of the State of Oklahoma, having its principal place of business in Camargo, Oklahoma.

2. At all times relevant, the Bank was an insured State nonmember bank, subject to the Federal Deposit Insurance Act, 12 U.S.C. §§ 1811-1831aa, 12 C.F.R. Part 308, and the laws of the State of Oklahoma.

3. The Bank was closed on January 28, 2011 by the Oklahoma Banking Commissioner. On the same day, the FDIC was appointed as Receiver for the Bank.

4. At all relevant times, Respondent Gregg Ward was the President and Vice Chairman of the Bank, as well as an executive officer of the Bank pursuant to 12 C.F.R. § 215.2(e)(1).

5. At all relevant times, Respondent Susan Ward was a director of the Bank.

6. Respondents acted in these capacities at the time the Bank was closed.

7. At all relevant times, Respondents were IAPs of the Bank, as that term is defined under 12 U.S.C. § 1813(u), and for the purposes of 12 U.S.C. §§ 1818(e), (b)(6), and (i)(2).

8. At all relevant times, Camargo Financial Company, Inc. (“CFC”), was the holding company of the Bank and considered an affiliate of the Bank, pursuant to 12 U.S.C. § 371c(b)(1).

9. At all relevant times, pursuant to 12 U.S.C. § 1828(j)(2), the Bank and the Respondents were subject to Regulation O, promulgated by the Board of Governors of the Federal Reserve System at 12 C.F.R. Part 215, which imposes restrictions on loans to executive officers, directors and principal shareholders.

10. At all relevant times, Gregg Ward owned 100% of the outstanding shares of CFC and held control of CFC pursuant to 12 C.F.R. § 215.2(c)(1).

11. The FDIC is the “appropriate Federal banking agency” under 12 U.S.C. § 1813(q)(2), with respect to the Bank.

12. The FDIC has jurisdiction over the Bank, the Respondents and the subject matter of this proceeding.

Findings of Fact

13. Respondents are husband and wife and remained married during all relevant times from 2006-2011, when Respondents' misconduct occurred.

14. During all relevant times from 2006-2011, Respondents had personal joint accounts at the Bank.

15. At all relevant times, the Respondents were involved in a fraudulent overdraft scheme, which provided them with personal benefits and resulted in more than minimal losses to the Bank.

FLOATING CHECKS SCHEME

16. A fraudulent scheme in which the Respondents actively participated was known as the Floating Checks Scheme ("FCS").

17. As part of the FCS, Gregg Ward and Susan Ward separately and knowingly wrote checks from their personal joint accounts at the Bank when the accounts had insufficient balances, with the knowledge that the Bank would not deduct the amount of those checks from Respondents' joint checking account balances as was required.

18. As part of the FCS, these checks written on the Respondent's personal joint accounts were inappropriately debited to either the Bank's general ledger Account 2010 or to Account ***170, an unrelated dormant Bank customer account, instead of being properly debited to Respondents' personal joint checking account.

19. During 2006-2011, Respondents wrote over 400 checks, totaling at least \$827,605, which were not immediately debited from their personal joint accounts, but instead

were paid by the Bank and debited to the Bank's general Account 2010. Through their personal bank statements, the Respondents were made aware that the Bank was not deducting these checks from their joint personal accounts.

20. Over time, the Respondents reimbursed the Bank all sums that the Bank had paid related to their joint personal account as part of the FCS and that the Respondents had charged to Bank general ledger Account 2010.

21. Representative examples of Respondents' fraudulent use of Bank Account 2010 are as follows:

- i. On July 29, 2010, Gregg Ward wrote check # 1976 for \$187,114, from Respondents' personal joint account # ***428, payable to ***. On July 29, 2010, Respondents' balance in their joint account #***428 was \$142.67. Check # 1976 cleared in cash letter *****3705 and was charged to Bank general ledger Account 2010, instead of to Respondents' personal joint account #***428. This transaction is reflected in the Bank's September 14, 2010 non-sufficient funds ("NSF") Not Processed Report. Respondents did not reimburse the Bank until December 20, 2010, when they deposited checks totaling \$172,228.56 from *** into their personal joint account #***2428.
- ii. On June 7, 2010, Gregg Ward wrote check # 1970 for \$80,000 from Respondents' personal joint account #***428, payable to ***. On June 7, 2010, Respondents' balance in their joint account #***428 was \$2,130.34. Check #1970 cleared in cash letter *****2431 and was charged to Bank general ledger Account 2010, instead of to Respondents' personal joint

account # ***428. This transaction is reflected in the Bank's September 14, 2010 NSF Not Processed Report. Respondents did not reimburse the Bank the sum of \$80,000 until September 24, 2010, when Respondents deposited \$250,000 into their joint account #***428.

22. During 2008-2009, Gregg Ward wrote at least two checks from Respondents' personal joint account #***428 totaling approximately \$16,269, which were paid by the Bank from Account # ***170. The amount of \$16,269 still remained outstanding up until the time the Bank failed.

23. Two representative examples of Gregg Ward's fraudulent use of Account ***170 are as follows:

- i. On December 31, 2008, Gregg Ward wrote check # 5187 for \$15,185.47, payable to *** from Respondents' personal joint account # ***428. The check was paid by the Bank and debited to Bank Account ***170 but was never charged to Respondents' personal joint account # ***428. On December 31, 2008, the balance on Respondents' personal joint account # ***428 was \$19,712.26.
- ii. On March 31, 2009, Gregg Ward wrote check # 9410 for \$1,083.33, payable to ***. The check was paid by the Bank and debited to Account ***170 but was never charged to Respondents' personal joint account # ***428. On March 31, 2009, the balance on Respondents' personal joint account # ***428 was \$169.46.

24. In addition to the FCS activity described above, Gregg Ward also used the same scheme in connection with two of his affiliated business accounts in which he had controlling ownership interests, Western Quick Stops LLC (“WQS”) and CFC.

25. WQS was an Oklahoma limited liability company which, on information and belief, Gregg Ward owned jointly with J***C***and therefore held a controlling interest pursuant to 12 C.F.R. § 215.2(c)(1).

26. CFC was an Oklahoma corporation incorporated in 2001 to serve as the Bank’s holding company and therefore an affiliate of the Bank pursuant to 12 U.S.C. § 371c(b)(1).

27. Since at least 2007, Gregg Ward owned 100% of the stock of CFC and therefore controlled CFC pursuant to 12 C.F.R. § 215.2(c)(1).

28. CFC and WQS are related interests of Gregg Ward pursuant to 12 C.F.R. § 215.2(n) as he owned 100% of the stock of CFC and, on information and belief, at least 50% of WQS.

29. Susan Ward, as Gregg Ward’s spouse, on information and belief, benefitted from Gregg Ward’s misconduct regarding WQS and CFC.

30. From 2008-2011, numerous checks were written by Gregg Ward on the three accounts of WQS maintained at the Bank, those being accounts ***004, ***037 and ***455. These checks were paid by the Bank and debited to Bank general ledger Account 2010 but never directly charged to WQS accounts on which the checks were written.

31. As of January 28, 2011, there were 30 transactions outstanding totaling \$584,073 that the Bank paid through general ledger Account 2010 on behalf of WQS that have not been repaid by WQS.

32. From 2009-2010 Gregg Ward wrote at least five checks from CFC account #***104, totaling \$98,920.86. These five checks were paid by the Bank, debited to Bank Account 2010, but never directly charged to CFC account #***104. Over time, CFC repaid the Bank the sum of \$72,621, leaving an outstanding loss of \$26,300 at the time of the Bank's failure and a benefit of the same amount to CFC and its sole shareholder, Gregg Ward.

33. At all relevant times, as directors of the Bank, the Respondents were covered under the applicable regulations promulgated pursuant to Regulation O by the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 215, concerning loans to executive officers, directors and principal shareholders.

34. Based upon the fact that Gregg Ward was the President of the Bank and therefore an executive officer as defined at 12 C.F.R. § 215.2(e)(1), he was under the regulatory restrictions for obtaining extensions of credit from the Bank, as promulgated at 12 C.F.R. § 215.5.

35. Respondents' participation in the FCS set forth in paragraphs 13-34 above constituted violations of 12 C.F.R. Part 215 as follows:

- i. 12 C.F.R. § 215.4(a): the unsecured extensions of credit to the Respondents were not made on substantially the same terms, and following the same underwriting procedures, as those prevailing for comparable transactions with non-insiders. In addition, such extensions of credit to the Respondents involved more than the normal risk of repayment (i.e., unsecured, no demonstrated ability to repay, etc.) or presented other unfavorable features (i.e., no interest);

- ii. 12 C.F.R. § 215.4(b): the transactions when aggregated from time to time, exceeded the higher of \$25,000 or 5% of the Bank's unimpaired capital and unimpaired surplus, and failed to receive advanced approval by a majority of the Board. Furthermore, there is no evidence that if in fact such extensions of credit were presented to the Board, that the Respondents abstained from voting as required under 12 C.F.R. § 215.4(b);
- iii. 12 C.F.R. § 215.4(e): paying overdrafts from the usage of general ledger account 2010 and account ***170 constituted a violation of 12 C.F.R. § 215.4(e) because these overdrafts were not paid pursuant to a written, preauthorized, interest-bearing extension of credit plan that specified a method of repayment or a written, preauthorized transfer of funds from another account of the account holder of the Bank;
- iv. Regarding Gregg Ward, 12 C.F.R. § 215.5(c)(4): the overdrafts exceeded \$100,000 at various points in time and were for purposes not specified in 12 C.F.R. §§ 215.5(c)(1-3);
- v. With regard to Gregg Ward, 12 C.F.R. § 215.5(d): the overdrafts were not preceded by the submission of a detailed current financial statement of Gregg Ward and were not made subject to the condition in writing that the extension of credit would, at the option of the Bank, become due and payable at any time that Gregg Ward was indebted to any other bank or banks in an aggregate amount greater than the amount specified for a category of credit under 12 C.F.R. § 215.5(c); and

- vi. 12 C.F.R. § 215.6: the Respondents' knowingly received unauthorized extensions of credit.

36. Gregg Ward's participation in the FCS relating to CFC resulted in violations of 12 U.S.C. §§ 371c and 371c-1, as CFC was an "affiliate" of the Bank pursuant to 12 U.S.C. § 371c(a) and his actions in perpetrating overdrafts on behalf of CFC resulted in "covered transactions" which were not made on terms and circumstances, including credit standards, that were substantially the same as, or at least as favorable for comparable transactions.

APPROPRIATION OF BANK FEES

37. During all relevant times from 2006 through 2010, Gregg Ward misappropriated for his own personal benefit fees generated by the Bank from the administration/origination of loans, the sale of credit life insurance, and the sale of GAP insurance.

38. The Bank fees fraudulently misappropriated by Gregg Ward totaled \$653,186.82 and are broken down as follows:

- i. Forty-nine (49) Bank Administration/Loan Origination fees totaling \$405,500.00.
- ii. Thirty (30) Credit Life transaction fees totaling \$241,186.82.
- iii. Four (4) GAP insurance transaction fees totaling \$6,500.00.

39. Gregg Ward's misappropriation of the foregoing Bank fees occurred as follows:

- i. Gregg Ward deposited the fees into a joint checking account held by himself and Susan Ward;
- ii. Gregg Ward deposited the fees into Susan Ward's personal account ***308;
- iii. Gregg Ward purchased money orders to pay for personal expenses; and/or
- iv. Gregg Ward withdrew the fees as cash.

UNAUTHORIZED ISSUANCE OF DIVIDENDS

40. From 2009 through 2010, Gregg Ward directed the payment of three separate dividend payments totaling \$600,000 from the Bank to its holding company, CFC, in violation of State of Oklahoma law. The three dividends were paid without the Board having declared the dividends as required under a State of Oklahoma statute, Okla. Stat. Ann. 6 § 409 (1997). Of the \$600,000 in undeclared dividends issued and paid by the Bank to CFC, Gregg Ward transferred at least \$397,000 of the dividends into his personal account for his own personal benefit.

Conclusions of Law

41. Respondents engaged in violations of law and regulations, including, but not limited to 12 C.F.R. Part 215.

42. Gregg Ward also engaged in violations of 12 U.S.C. §§ 371c and 371c-1, as well as Okla. Stat. Ann. 6 § 409 (1997).

43. Respondents recklessly engaged in unsafe or unsound practices and breached their fiduciary duty to the Bank.

44. As a result of Respondents' violations, practices, and breaches the Bank suffered financial loss or other damage, and Respondents received financial gain or other benefit, and the interests of the Bank's depositors have been prejudiced.

45. Respondents' violations, practices, and breaches demonstrated the Respondents' personal dishonesty and their willful or continuing disregard for the safety and soundness of the Bank.

46. Gregg Ward caused losses to the Bank totaling \$1,686,829 and was unjustly enriched in the same amount.

PRAYER FOR ORDER OF PROHIBITION

47. The FDIC prays that Orders of Prohibition under 12 U.S.C. § 1818(e) be issued against the Respondents.

ACTION REQUIRED TO CONTEST THE NOTICE OF PROHIBITION

Under 12 C.F.R. § 308.19, if Respondents want to contest the NOTICE OF PROHIBITION Respondents must file an Answer to the allegations in the NOTICE OF PROHIBITION within twenty (20) calendar days of service the NOTICE OF PROHIBITION. Failure to file an Answer to the allegations in the NOTICE OF PROHIBITION within the 20-day period shall result in a waiver of Respondents' right to appear and contest the NOTICE OF PROHIBITION and may result in a default order under 12 C.F.R. § 308.19(c). If a default order is issued, the administrative law judge ("ALJ") shall recommend to the FDIC Board of Directors that Respondents' failure to submit an Answer to the allegations in the NOTICE OF PROHIBITION be deemed a consent to an Order of Prohibition based on the Findings of Fact and Conclusions of Law above in support of the NOTICE OF PROHIBITION.

PRAYER FOR RESTITUTION

48. Based on the Findings of Fact and Conclusions of Law, the FDIC prays that an ORDER OF RESTITUTION should be issued against Gregg Ward in the sum of \$1,686,829 based on the following personal benefits received, for which the Bank suffered corresponding losses:

i.	Misappropriation of Bank Fees:	\$653,187
ii.	WQS Losses from FCS:	\$594,073
iii.	Unauthorized Dividends:	\$397,000
iv.	CFC Losses from FCS:	\$ 26,300

v.	Losses from Gregg Ward's Personal Participation in FCS:	<u>\$ 16,269</u>
	Total:	\$1,686,829

ACTION REQUIRED TO CONTEST THE RESTITUTION

Under 12 C.F.R. § 308.19, if Gregg Ward wants to contest the RESTITUTION, Gregg Ward must file an Answer to the allegations in support of the RESTITUTION within twenty (20) calendar days of service of this NOTICE. Failure to file an Answer to the allegations in the RESTITUTION within the 20-day period shall result in a waiver of Gregg Ward's right to appear and contest the RESTITUTION and may result in a default order under 12 C.F.R. § 308.19(c). If a default order is issued, the ALJ shall recommend to the FDIC Board of Directors that Respondents' failure to submit an Answer to the allegations in the RESTITUTION be deemed a consent to an Order of Prohibition and Restitution based on the Findings of Fact and Conclusions of Law above in support of the RESTITUTION.

NOTICE OF ASSESSMENT

Jurisdiction

49. Paragraphs 1 through 12 are realleged and incorporated herein by reference.

Findings of Fact

50. Paragraphs 13 through 46 are realleged and incorporated herein by reference.

Conclusions of Law

51. Respondents committed violations of law and regulations, recklessly engaged in unsound banking practices in conducting the affairs of the Bank, and committed breaches of their fiduciary duties, as set forth in paragraphs 1-46 above, and such violations, practices, and breaches were part of a pattern of misconduct, resulted in more than a minimal loss to the Bank and/or caused pecuniary gain to Respondents.

ORDER TO PAY

Based on the Findings of Fact and Conclusions of Law in support of the NOTICE OF ASSESSMENT, the FDIC concluded that Respondents' violations, practices, and breaches merit a penalty under 12 U.S.C. § 1818(i)(2). After taking into account the appropriateness of the penalty with respect to the size of Respondents' financial resources, the gravity of Respondents' misconduct, Respondent's history of previous misconduct, if any, and such other matters as justice may require, it is:

ORDERED that by reason of Respondents' violations, practices, and breaches set forth in the NOTICE OF ASSESSMENT, a penalty of one hundred seventy-five thousand (\$175,000) is hereby assessed against Gregg Ward and a penalty of thirty-five thousand (\$35,000) is hereby assessed against Susan Ward under 12 U.S.C. § 1818 (i)(2); and it is

FURTHER ORDERED that the effective date of the ORDER TO PAY is stayed until twenty (20) calendar days after the date of service of the NOTICE OF ASSESSMENT and ORDER TO PAY.

ACTION REQUIRED TO CONTEST THE NOTICE OF ASSESSMENT AND ORDER TO PAY

Under 12 U.S.C. § 1818(i)(2)(H) and 12 C.F.R. § 308.19, if Respondents want to contest the NOTICE OF ASSESSMENT and ORDER TO PAY, within twenty (20) calendar days of service of this NOTICE OF ASSESSMENT and ORDER TO PAY, Respondent must file **both**:

- 1) a Request for Hearing on the NOTICE OF ASSESSMENT; **and**
- 2) an Answer to the allegations in the NOTICE OF ASSESSMENT.

Filing an Answer to the allegations in the NOTICE OF ASSESSMENT, or filing an Answer to the allegations in the NOTICE OF PROHIBITION AND/OR ORDER OF RESTITUTION without filing a clear and unambiguous Request for a Hearing on

the NOTICE OF ASSESSMENT, WILL NOT preserve Respondent's right to contest the NOTICE OF ASSESSMENT and ORDER TO PAY.

If Respondents fail to file a Request for Hearing on the NOTICE OF ASSESSMENT within twenty (20) calendar days of service, the penalty assessed against Respondents pursuant to the ORDER TO PAY will be final and unappealable under 12 U.S.C. § 1818(i)(E)(ii) and 12 C.F.R. § 308.19(c)(2), and shall be paid within sixty (60) calendar days of the date of service of the NOTICE OF ASSESSMENT.

PLACE AND MANNER OF FILING

All documents filed in these proceedings must be filed with the Office of Financial Institution Adjudication ("OFIA"), ofia@fdic.gov, 3501 N. Fairfax Drive, Suite VS-D8116, Arlington, VA, 22226-3500, in the manner specified under 12 C.F.R. §308.10. Also, copies of all documents filed in these proceedings shall be served upon: Robert E. Feldman, Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Room F-1058, Washington, D.C. 20429; A. T. Dill III, Assistant General Counsel, Enforcement Section, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Room MB-3030, Washington, D.C. 20429; and Stephen C. Zachary, Regional Counsel, Federal Deposit Insurance Corporation, Dallas Regional Office, 1601 Bryan St., 37th Floor, Dallas, Texas 75201.

OPPORTUNITY FOR HEARING

Any hearing requested will be held before an ALJ assigned by OFIA under 5 U.S.C. § 3105. The hearing will be open to the public, unless the FDIC shall determine that an open hearing would be contrary to the public interest, and in all respects will be conducted in compliance with the provisions 12 U.S.C. §§ 1811-1831aa and 12 C.F.R. Part 308. The hearing will be held in Oklahoma City, Oklahoma within sixty (60) calendar days from the date of

service of the NOTICE OF PROHIBITION on Respondents, and the NOTICE OF RESTITUTION on Gregg Ward, or on such other date and at such other place designated by the ALJ.

The purpose of the hearing will be for the taking of evidence on the allegations in the NOTICE OF PROHIBITION and NOTICE OF RESTITUTION to determine whether a permanent order should be issued to prohibit Respondents from further participation in the conduct of the affairs of the Bank and any insured depository institution or organization listed in 12 U.S.C. § 1818(e)(7)(A) without the prior permission of the FDIC and such other appropriate Federal financial institutions regulatory agency, as that term is defined in section 12 U.S.C. § 1818(e)(7)(D), as well as to determine whether and Order of Restitution in the sum of \$1,686,829, pursuant to 12 U.S.C. § 1818(b)(6), should be issued against Gregg Ward.

If Respondents timely file (1) a Request for Hearing on the NOTICE OF ASSESSMENT and (2) an Answer to the allegations in the NOTICE OF ASSESSMENT, evidence on the allegations shall also be taken at the hearing to determine whether the ORDER TO PAY assessed against Respondents should be sustained. The hearing on the NOTICE OF ASSESSMENT may be consolidated with the hearing on the NOTICE OF PROHIBITION AND NOTICE OF RESTITUTION and evidence may be taken at the hearing on the allegations in all Notices.

Pursuant to delegated authority.

Dated this 15th day of December, 2016.

/s/
Patricia A. Colohan
Associate Director
Division Risk Management Supervision