

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of:)

MARTIN LIPPETH)

Former Senior Vice President)
and Institution-Affiliated)
Party of:)

Peerless Federal Savings Bank)
Chicago, Illinois)

Resolution No. CHI-93-15

Dated: June 29, 1993

STIPULATION AND CONSENT TO ENTRY
OF AN ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Central Regional Office ("Regional Director"), and Martin Lippeth ("Lippeth"), former Senior Vice President and institution-affiliated party of Peerless Federal Savings Bank, Chicago, Illinois ("Peerless Federal" or "Institution"), hereby stipulate and agree as follows:

1. Consideration. The OTS, based upon information derived from the exercise of its supervisory and regulatory powers, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Lippeth pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.A. § 1818(b) (West 1989 and Supp. 1992). Lippeth desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation. Without admitting or denying that such grounds exist,

Lippeth hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease and desist litigation against Lippeth with respect to the matters covered in the accompanying Order to Cease and Desist ("Order"). Lippeth, without trial, presentation of any evidence, or findings of fact pursuant to an administrative judicial hearing, has consented to the terms of this Stipulation and Consent to Entry of an Order to Cease and Desist ("Stipulation"). The OTS has determined that it is appropriate, and in the best interest of the public to execute this Stipulation and the attached Order. This Stipulation and Order are not intended to, nor shall they be construed to have the effect of, limiting the right of any governmental or administrative agency to initiate or pursue any other action, civil or otherwise, against Lippeth. Further, this Stipulation and Order are not intended to, nor shall they be construed to have the effect of, limiting the right or authority of the OTS to initiate or pursue any other action, civil or otherwise, against Lippeth for conduct that occurs, or is first disclosed to or discovered by the OTS, after the entry of the Order.

2. Jurisdiction and Facts. The OTS is of the opinion that:
 - (a) The Institution, at all times relevant to the allegations set forth herein, was a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C.A. § 1813(b) (West 1989 and Supp. 1992) and Section 2(4) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C.A. § 1462(4) (West Supp. 1992).

Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C.A. § 1813(c).

(b) Pursuant to Section 3(q) of the FDIA, 12 U.S.C.A. § 1813(q), the OTS is the "appropriate Federal Banking agency" with jurisdiction over the Institution and persons participating in the conduct of the affairs thereof.

(c) The Director of the OTS has the authority to bring administrative cease and desist proceedings against persons participating in the conduct of the affairs of the Institution and against institution-affiliated parties, pursuant to Section 5(d)(1)(A) of HOLA, 12 U.S.C.A. § 1464(d)(1)(A) and Section 8(b) of the FDIA, 12 U.S.C.A. § 1818(b).

(d) Lippeth was a Senior Vice President and chief lending officer of the Institution and is deemed to be an "institution-affiliated party" of the Institution as that term is defined in Section 3(u) of the FDIA, 12 U.S.C.A. § 1813(u), having served in such capacity within six (6) years of the date hereof.

(e) Lippeth is subject to the authority of the OTS to initiate and maintain cease and desist proceedings pursuant to Section 8(b) of the FDIA, 12 U.S.C.A. § 1818(b).

(f) In November 1989, two individuals ("the Borrowers") purchased 90 acres of vacant land in Sugar Grove, Illinois ("the Property") for \$1.3 million. The acquisition of the Property was financed by another lending institution ("the Bank"), which placed a \$1.4 million first mortgage on the Property. In December 1989,

the Borrowers applied to Peerless Federal for a \$250,000 second mortgage on the Property. Peerless Federal's loan underwriting standards ("LUS") required that loans such as this, which were to be secured by undeveloped land, be approved by the Institution's Mortgage Loan Committee ("MLC"). The LUS also required MLC approval for any second mortgages in excess of \$100,000. Lippeth was aware of the existence of these LUS at all times relevant hereto.

(g) In violation of the LUS and principles of safe and sound lending, Lippeth approved the \$240,000 loan to the Borrowers without seeking or obtaining the required approval of the MLC or informing Peerless Federal's Board of Directors. This loan was closed by Lippeth on December 15, 1989.

(h) On November 28, 1989, Lippeth issued a letter of credit in the amount of \$500,000 in favor of the Bank ("the LOC"). The LOC, which was entirely unsecured, provided that it could be drawn upon if the Borrowers defaulted in any way on their \$1,400,000 loan from the Bank. In contravention of the Institution's policies, Lippeth failed to seek or obtain approval of his superiors, the MLC or Peerless Federal's Board of Directors. If Lippeth had sought such approval, it would have been denied and the LOC would not have been issued. Furthermore, in violation of 12 C.F.R. § 563.170(c), Lippeth failed to cause the LOC to be recorded in the books and records of the Institution. Nor did Lippeth charge the Borrowers any fee for the issuance of the unsecured LOC.

(i) In February 1991, Lippeth approved the purchase by Peerless Federal of a \$500,000 subordinated participation in the Bank loan to the Borrowers. Lippeth's purchase of this \$500,000 subordinated participation was beyond the scope of his lending authority at the Institution. Moreover, the LUS required that such a participation be approved by both the Institution's Executive Committee and its full Board of Directors. Lippeth never sought or obtained the approval of either the Executive Committee or the Institution's Board of Directors for the purchase of the loan participation. Lippeth's conduct also violated 12 C.F.R. § 563.161(a) relating to the maintenance of safe and sound management and financial policies.

(j) The Borrowers' loans went into default and later into foreclosure. The Institution has recognized losses on these loans.

(k) Lippeth also extended personal loans to the Borrowers. In November 1990 and December 1991, Lippeth made personal loans to the Borrowers totalling in excess of \$41,000. Lippeth failed to inform anyone at the Institution that he had made these personal loans to the Borrowers. These loans, and Lippeth's failure to inform the Institution of their existence, were violations of Lippeth's fiduciary duty to the Institution and of the conflict of interest provisions set forth in 12 C.F.R. § 571.7.

3. Consent. Without admitting or denying the foregoing allegations, Lippeth consents to the issuance by the OTS of the

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of:)	
)	
MARTIN LIPPETH)	
)	
Former Senior Vice President and Institution-Affiliated Party of:)	Resolution No. CHI-93-15
)	Dated: June 29, 1993
)	
Peerless Federal Savings Bank Chicago, Illinois)	
)	

ORDER TO CEASE AND DESIST

WHEREAS, Martin Lippeth ("Lippeth"), former officer of Peerless Federal Savings Bank, Chicago, Illinois ("Peerless") is an "institution-affiliated party" within the meaning of Section 3(u) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA"), 12 U.S.C. § 1813(u) (1988 & Supp. I 1989); and

WHEREAS, Lippeth has executed a Stipulation and Consent to the Entry of an Order to Cease and Desist ("Stipulation"), which is incorporated herein by reference and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director; and

WHEREAS, without admitting or denying that the grounds exist therefor, Lippeth has consented and agreed in the Stipulation to

the issuance of this Order to Cease and Desist ("Order"), pursuant to Section 8(b) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1818(b) (1988 & Supp. I 1989);

NOW, THEREFORE, IT IS ORDERED THAT:

1. Lippeth shall cease and desist from any violation of, or the aiding and abetting of any violation of, 12 C.F.R. Sections 563.170(c), 563.161(a) and/or 571.7.

2. With respect to his employment at any "insured depository institution," as that term is defined in 12 U.S.C. § 1813(c), or any holding company or subsidiary of an insured depository institution, Lippeth shall not:

a. seek, accept, or exercise any authority to underwrite, approve, or disburse funds on loans;

b. seek, accept, or exercise any authority to approve checks or disburse funds in any manner; or

c. seek, accept, or exercise any authority to approve or issue letters of credit in any manner.

3. Lippeth shall comply in all respects with all lending or other internal policies of any insured depository institution at which he may become employed or with which he may become affiliated.

4. Whenever issues arise that cause Lippeth to be unsure about statutory and/or regulatory compliance, or compliance with his obligations under this Order, Lippeth shall seek and obtain advice and guidance from competent legal counsel.

5. Lippeth shall provide a copy of this Order to any insured depository institution, or other related entity identified

in Section 8(e)(7)(A) of the FDIA, 12 U.S.C. § 1818(e)(7)(A) ("related entity"), where he is currently employed or where he, at any time in the future, seeks or accepts employment as an employee, consultant or director.

6. A copy of this Order, as provided for in Paragraph 5, shall be presented to his current employer, if such employer is an insured depository institution or related entity, within three (3) business days of the effective date of this Order and to any other appropriate insured depository institution(s) or related entity(ies) from which he is seeking employment as an employee, director, or consultant upon the initial presentation by Lippeth of his resume, application and/or credentials, or their functional equivalents.

7. On or before June 15, 1994, and on or before every subsequent June 15, for every year this Order remains in effect, Lippeth shall submit a signed statement, under oath, affirming that he has complied with all the terms of the Order. As part of that statement, Lippeth shall list any and all insured depository institutions or related entities at which he has been offered, or has accepted employment, as an employee, director, or consultant, including the full name and address of the institution and the name of the individual to whom a copy of this Order was presented.

8. All technical words or terms used in this Order, for which meanings are not specified or otherwise provided for by the provisions of this Order, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, FDIA, or HOLA, or as such definition is amended after the execution of this Order, and any such technical

