

**UNITED STATES OF AMERICA**  
**Before The**  
**OFFICE OF THRIFT SUPERVISION, DEPARTMENT OF THE TREASURY**

In the Matter of )  
 )  
JOSEPH A. SERVIDONE, )  
 )  
a director and stockholder of )  
FAMILY FIRST FEDERAL SAVINGS )  
BANK, Clifton, New Jersey )  
 )

Re: OTS Order No. NE93-23  
Date: July 7, 1993

**STIPULATION AND CONSENT**

This Stipulation and Consent is entered into by and between JOSEPH A. SERVIDONE, a director and stockholder of FAMILY FIRST FEDERAL SAVINGS BANK ("FAMILY FIRST"), Clifton, New Jersey, and the OFFICE OF THRIFT SUPERVISION ("OTS"), an office within the United States Department of the Treasury, whose acceptance of this Stipulation and Consent is indicated by issuance of the attached CONSENT CEASE-AND-DESIST ORDER DIRECTING AFFIRMATIVE ACTION AND CONSENT ORDER OF CIVIL MONEY PENALTY ASSESSMENT (the "Order"). It is stipulated and agreed as follows:

1. Consideration. The OTS, based upon information derived from the OTS' investigation authorized by OTS Resolution No. EAST-91-2 (the "Investigation") and other exercises of its regulatory responsibilities, is of the opinion that the grounds exist to commence an administrative proceeding against JOSEPH A. SERVIDONE for the issuance of final agency orders, pursuant to provisions of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.A. § 1818 (West 1989 & Supp. 1993), and the Home Owners' Loan Act ("HOLA"), 12 U.S.C.A. § 1467a(i)(2) (West 1989 & Supp. 1993). JOSEPH A. SERVIDONE desires to cooperate with the OTS and

to avoid the time and expense of administrative litigation with the OTS, and, for the purposes of this settlement only, without either admitting or denying the factual or legal conclusions reached by the OTS or that such grounds exist, hereby stipulates and agrees to the terms of this Stipulation and Consent and to issuance of the accompanying Order in consideration for OTS forever releasing and discharging JOSEPH A. SERVIDONE from all potential claims and charges that:

- (i) have been or might have been asserted by the OTS arising out of facts known to the OTS or discovered by the OTS prior to issuance of the attached Order as a result of the Investigation; or
- (ii) otherwise have been or might have been asserted by the OTS based on findings set forth in the following written reports of examination of FAMILY FIRST: OTS report for the federal regular examination commenced on August 3, 1992; OTS report for the field visit commenced on October 29, 1991; OTS report for the special (compliance) examination commenced on September 30, 1991; OTS report for the federal regular examination commenced on April 29, 1991; OTS report for the federal regular examination commenced on May 29, 1990; the Federal Home Loan Bank Board/Federal Home Loan Bank ("FHLBB") report for the federal regular examination commenced on March 20, 1989; the FHLBB report for the special limited examination commenced on December 21, 1987; the FHLBB report for

the special limited examination commenced on August 3, 1987; and the FHLBB report for the federal regular examination commenced on April 27, 1987.

2. Jurisdiction. It is stipulated and agreed that the OTS, an appropriate Federal banking agency, is authorized to issue the Order pursuant to 12 U.S.C.A. §§ 1818(b), 1818(i)(2), and 1467a(i)(2) (West 1989 & Supp. 1993). FAMILY FIRST is a "federal savings association," as that term is defined at 12 U.S.C.A. §§ 1462(5) and 1813(b)(2), and is an "insured depository institution," as that term is defined at 12 U.S.C.A. § 1813(c)(2). JOSEPH A. SERVIDONE, a director and stockholder of FAMILY FIRST, acknowledges that at all pertinent times he has been an "institution-affiliated party" of FAMILY FIRST, within the meaning of 12 U.S.C.A. § 1813(u).

3. Consent. JOSEPH A. SERVIDONE consents to the jurisdiction of the OTS and to issuance of the accompanying Order. JOSEPH A. SERVIDONE agrees to comply with the terms of the Order, and he stipulates that the Order, which is remedial, complies with all requirements of law.

4. Finality. The Order is issued by the OTS under the authority of 12 U.S.C.A. §§ 1818(b), 1818(i)(2), and 1467a(i)(2) (West 1989 & Supp. 1993). JOSEPH A. SERVIDONE acknowledges and understands that, upon issuance, the Order will be a final order that is effective and fully enforceable by the OTS under provisions of federal law, including Section 8(i) of the FDIA (12 U.S.C.A. § 1818(i)).

5. Waivers. JOSEPH A. SERVIDONE, following consultation with his counsel, hereby waives the following legal rights:

- (1) the right to be served with a written notice of charges, notice of assessment or other similar notice pursuant to provisions of Sections 8(b) and 8(i)(2) of the FDIA (12 U.S.C.A. §§ 1818(b) and 1818(i)(2)) and Section 10(i)(2) of the HOLA (12 U.S.C.A. § 1467a(i)(2)), and other applicable law;
- (2) the right to an administrative adjudicatory hearing of the OTS' charges against him;
- (3) the right to seek judicial review of the Order, including (but not limited to) any such right provided by Section 8(h) of the FDIA (12 U.S.C.A. § 1818(h)) or otherwise to challenge the validity of the Order; and
- (4) any claims for attorneys' fees or expenses under the Equal Access to Justice Act, 5 U.S.C.A. § 504.

6. No Effect on Actions by Other Agencies.

(a) This Stipulation and Consent, the Order and the payment by JOSEPH A. SERVIDONE of any monies or providing any other financial relief as contemplated by the Order, does not release, discharge, compromise, settle, dismiss or resolve, or in any way affect any civil actions, charges against, or liability of JOSEPH A. SERVIDONE that arise pursuant to this action or otherwise, and that may be or have been brought by the Resolution Trust Corporation or any other governmental entity other than the OTS.

(b) JOSEPH A. SERVIDONE acknowledges and agrees that this Stipulation and Consent, the OTS' issuance of the Order, and JOSEPH A. SERVIDONE's payment of the civil money penalty assessed by the Order are not intended to and do not resolve, affect or preclude any proceedings, civil or otherwise, that may be or have been brought against JOSEPH A. SERVIDONE by (i) the OTS (except as

otherwise specifically provided by the release at paragraph 1 hereof) or (ii) any other governmental entity.

(c) By signing this document JOSEPH A. SERVIDONE agrees that he will not assert the assessment or payment of the civil money penalty as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

7. Cooperation. JOSEPH A. SERVIDONE shall cooperate fully with the OTS (including its enforcement and litigation lawyers) whenever requested in connection with any administrative proceeding or other litigation concerning FAMILY FIRST or any institution-affiliated parties thereof.

8. Communications.

(a) The OTS may send written notices and other communications to JOSEPH A. SERVIDONE care of his counsel:

William A. Fox, Esq.  
Cullen and Dykman  
One Riverfront Plaza  
Suite 1410  
Newark, New Jersey 07102

(b) All payments, notices or other communications required or permitted to be sent by JOSEPH A. SERVIDONE to the OTS' Enforcement Counsel shall be sent to:

Steven A. Rosenberg, Esq.  
Senior Enforcement Counsel  
Office of Thrift Supervision  
10 Exchange Place, 17th Floor  
Jersey City, New Jersey 07302.

(c) All communications required or permitted to be sent by JOSEPH A. SERVIDONE to the OTS shall be sent to:

Robert C. Albanese, Deputy Regional Director  
Office of Thrift Supervision  
10 Exchange Place, 18th Floor  
Jersey City, New Jersey 07302.

with a copy sent to the OTS' Enforcement Counsel.

(d) All communications required or permitted to be sent by JOSEPH A. SERVIDONE to FAMILY FIRST shall be sent to counsel for FAMILY FIRST.

8. Miscellaneous.

(a) The construction and validity of this Stipulation and Consent and the Order shall be governed by the laws of the United States of America.

(b) All references to the OTS in this Stipulation and Consent and the Order shall also mean any of the OTS' predecessors, successors, and assigns.

(c) The section and paragraph headings in this Stipulation and Consent and the Order are for convenience only, and such headings shall not affect the interpretation of this Stipulation and Consent and the Order.

(d) The terms of this Stipulation and Consent and the Order represent the final written agreement of the parties with respect to the subject matters hereof, and constitutes the sole agreement of the parties with respect to such subject matters. The terms of this Stipulation and Consent and the Order may not be amended except by a written document executed by JOSEPH A. SERVIDONE and the OTS, by and through its Director (or an appropriate designee).

WHEREFORE, JOSEPH A. SERVIDONE duly signs this Stipulation and Consent, which shall become effective upon acceptance by the OTS, as shown by its issuance of the attached Order.

/S/

JOSEPH A. SERVIDONE

STATE OF New Jersey

COUNTY OF Passaic )

SS:

On this 23<sup>rd</sup> day of June, 1993, before me the subscriber, a Notary Public in and for the aforesaid State, personally appeared JOSEPH A. SERVIDONE the individual who executed the foregoing Stipulation and Consent, and he acknowledged that he did examine and read the same and did sign the foregoing instrument, and that the same is his free act and deed.

/S/

William A. Fox  
attorney at law  
State of New Jersey

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BANK, Clifton, New Jersey )  
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OTS Order No. NE93-23  
Date: July 7, 1993

**CONSENT CEASE-AND-DESIST ORDER DIRECTING AFFIRMATIVE ACTION  
AND CONSENT ORDER OF CIVIL MONEY PENALTY ASSESSMENT**

WHEREAS, the Office of Thrift Supervision ("OTS") has conducted an investigation pursuant to OTS Resolution EAST-91-2 dated January 28, 1991 (the "Investigation") concerning Family First Federal Savings Bank ("FAMILY FIRST"), Clifton, New Jersey, and as a result of the Investigation, has concluded that:

At all times since November 1987 JOSEPH SERVIDONE has served as a director of FAMILY FIRST. JOSEPH SERVIDONE was invited to become a member of FAMILY FIRST's Board of Directors by Ronald L. Tobia and James Corrado, who are directors and major stockholders of FAMILY FIRST. JOSEPH SERVIDONE participated with others in the ownership and operation of construction companies (the "Construction Companies").

The S&L Holding Company Act

FAMILY FIRST is a stockholder-owned federally chartered savings bank that, prior to a stock split in November 1988, had 391,249 shares of common stock issued and outstanding. At all times, the provisions of the Savings and Loan Holding Company Act and the federal regulations thereunder (12 C.F.R. Parts 574 and 584) applied to purchases of FAMILY FIRST's stock by companies (including persons acting in concert with companies).<sup>1</sup> In general, this law prohibits companies from acquiring a controlling interest in a savings association's common stock without first obtaining regulatory approval.

In November 1987, JOSEPH SERVIDONE, Ronald L. Tobia, and James Corrado together purchased 49,650 shares of FAMILY

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1. Since August 9, 1989, this law has been codified at 12 U.S.C.A. § 1467a (West 1989) (formerly at 12 U.S.C. § 1730a).

FIRST common stock, and each of these individuals took one-third of those shares, i.e., 16,550 shares. JOSEPH SERVIDONE, together with Messrs. Tobia and Corrado, pledged the 49,650 shares of stock to a commercial bank that made a loan to these three individuals to finance the stock purchases. At this time, some FAMILY FIRST stock was placed in the name of two of the Construction Companies affiliated with JOSEPH SERVIDONE. Pursuant to regulations at 12 C.F.R. Part 574, JOSEPH SERVIDONE is deemed to have been: (i) "acting in concert" with Messrs. Tobia and Corrado; and (ii) a member of a "group" that included the two Construction Companies, Ronald Tobia, James Corrado, their spouses and certain members of Mr. Corrado's immediate family (collectively the "Control Group"). Following these stock purchases the Control Group owned and controlled 183,397 shares, i.e., 46.9%, of FAMILY FIRST's common stock. Under federal law and regulations the Control Group was deemed conclusively to have acquired control of FAMILY FIRST, because its members through one or more transactions and acting in concert acquired more than 25% of the stock.

The Control Group is considered a "company" for regulatory purposes, because it included companies. This made applicable the requirements of the S&L Holding Company Act and the regulations thereunder. Section 574.3(a) of the applicable federal regulations provided in pertinent part that, except under circumstances not applicable here, "no company shall acquire control . . . of an insured institution except upon receipt of the written approval of the [FSLIC]." 12 C.F.R. § 574.3(a) (1987). In order to seek such regulatory approval, the Control Group and its members were required to file an H-(e)1 application with the FSLIC. Nevertheless, neither JOSEPH SERVIDONE nor any other member of the Control Group filed such an application prior to the November 1987 stock purchases.<sup>2</sup> Accordingly, in connection with the November 1987 stock purchases, the FSLIC never granted the required regulatory approval to the Control Group. Therefore, the stock purchases by JOSEPH SERVIDONE and other members of the Control Group violated provisions of the S&L Holding Company Act and the regulations thereunder.

#### The Machinery and Equipment Loans

In 1989, federal conflict-of-interest regulations prohibited FAMILY FIRST from extending commercial credit of more than \$100,000 in the aggregate to an "affiliated person" of the bank. While JOSEPH SERVIDONE was a major stockholder,

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2. In addition, neither JOSEPH SERVIDONE nor any other member of the Control Group ever filed with the FSLIC a "rebuttal filing" that attempted to rebut the regulatory presumptions that the members of the group were acting in concert.

director, and officer of the Construction Companies, the Construction Companies clearly were affiliated persons of the bank within the meaning of federal regulations.

In late 1989, JOSEPH SERVIDONE (i) gave up his director and officer positions with the Construction Companies, and (ii) purported to sell his stock in those companies to his son and a close associate pursuant to installment sale contracts. After these events JOSEPH SERVIDONE remained actively involved in making business decisions on behalf of the Construction Companies and continued to derive substantial income from those companies. Under the circumstances and in view of 12 C.F.R. § 571.7, the OTS is of the opinion that the Construction Companies remained affiliated persons of FAMILY FIRST.

In late 1989, the Construction Companies (and a related company) applied to FAMILY FIRST for commercial loans totaling \$2.3 million. The loans were to be made to refinance and consolidate outstanding debt from other lenders on the security of machinery and equipment owned by the Construction Companies. In December 1989, FAMILY FIRST made and funded the loans, which provided over \$1.7 million to the Construction Companies. In 1991, after OTS examiners criticized FAMILY FIRST about these loans, the Construction Companies paid off their loans from FAMILY FIRST.

#### The ABK Enterprises Loans

ABK Enterprises is a partnership organized for the purchase and development of real estate. Among its original partners was Ronald L. Tobia, as trustee for the benefit of two of JOSEPH SERVIDONE's minor children. FAMILY FIRST's corporate minutes and other records show that since June 1989 FAMILY FIRST's directors, including JOSEPH SERVIDONE, were made aware that ABK Enterprises was an affiliated person of FAMILY FIRST. Accordingly, federal conflict-of-interest regulations prohibited FAMILY FIRST from extending commercial credit of more than \$100,000 to ABK Enterprises.

In February 1990, FAMILY FIRST granted applications by ABK Enterprises for two commercial loans totaling \$900,000. At about the same time, Ronald L. Tobia arranged for a reorganization of the ABK Enterprises partnership so that he, in his personal capacity, JOSEPH SERVIDONE, and certain other FAMILY FIRST directors would become general partners of ABK Enterprises upon funding of the loans.

In March 1990, FAMILY FIRST funded the two ABK loans. On the same day, the ABK Enterprises partnership was expanded to include JOSEPH SERVIDONE and other FAMILY FIRST directors as general partners. Within a month thereafter FAMILY FIRST sold the loans to Family Fidelity Insurance, an offshore company controlled by Ronald Tobia and James Corrado.

WHEREAS, as a result of the information obtained during the Investigation, the OTS is of the opinion that the grounds exist for the OTS to seek the issuance of certain agency orders against JOSEPH A. SERVIDONE, pursuant to provisions of the Federal Deposit Insurance Act ("FDIA") and the Home Owners' Loan Act ("HOLA"); and

WHEREAS, JOSEPH A. SERVIDONE neither admits nor denies the allegations arising from the Investigation; and

WHEREAS, JOSEPH A. SERVIDONE has stipulated and consented to the issuance of this Order by executing the attached Stipulation and Consent, the terms of which are hereby incorporated into this Order by this reference.

NOW THEREFORE, the Director of OTS, pursuant to 12 U.S.C.A. §§ 1818(b), 1818(i)(2), and 1467a(i)(2), HEREBY ORDERS as follows:

1. Activity Restrictions.

(a) JOSEPH A. SERVIDONE effective immediately upon issuance of this Order shall (i) resign from serving as a director of FAMILY FIRST; (ii) not serve as a director, officer, employee, agent, or other institution-affiliated party of FAMILY FIRST; and (iii) cease and desist from participating in any manner in the conduct of the affairs of FAMILY FIRST.

(b) JOSEPH A. SERVIDONE, without the prior written consent of the OTS or except as required by paragraph 2(b) of this Order, shall not, directly or indirectly, (i) exercise any stockholder voting rights with respect to the common stock of FAMILY FIRST; or (ii) otherwise solicit, procure, transfer, attempt to transfer, vote, or attempt to vote any proxy, consent,

or authorization with respect to any stockholder voting rights at FAMILY FIRST.

(c) JOSEPH A. SERVIDONE shall not, directly or indirectly, purchase or otherwise "acquire" (within the meaning of 12 C.F.R. § 574.2 (1993)) any FAMILY FIRST common stock or any other FAMILY FIRST securities.

(d) JOSEPH A. SERVIDONE, except following his receipt from the OTS of a written notice of non-objection based on JOSEPH A. SERVIDONE's written application for such non-objection, shall not be or serve as a director, officer, employee, agent or other institution-affiliated party of: (i) any "savings association" (within the meaning of 12 U.S.C.A. § 1813(b)(1) (West 1989)); (ii) any other "insured depository institution" (within the meaning of 12 U.S.C.A. § 1813(c)(2)); (iii) any "savings and loan holding company" (within the meaning of 12 U.S.C.A. § 1467a(1)(D) (West 1989)); (iv) any "service corporation" of a savings association (within the meaning of 12 U.S.C.A. § 1818(b)(8)); or (v) any other entity covered by 12 U.S.C.A. § 1818(b)(8).

## 2. Divestiture of Family First Stock.

(a) JOSEPH A. SERVIDONE, by June 30, 1994, shall consummate, or cause the consummation of, the sale or other bona fide disposition of any and all shares of FAMILY FIRST common stock that are owned or controlled, directly or indirectly, by him or his spouse, which shares are identified in Schedule 2(a) attached hereto (the "Stock"); provided, however, that:

- (i) the Stock shall not be sold or otherwise transferred, directly or indirectly, to: (x) any member of JOSEPH SERVIDONE's "immediate family" (within the meaning of 12 C.F.R. § 561.24 (1993)); (y) James Corrado, Ronald

Tobia, or any member of their respective immediate families; or (z) any corporation, partnership, trust, or other entity owned or controlled by any of the aforesaid persons;

- (ii) neither JOSEPH A. SERVIDONE nor any corporation, partnership, trust, or other entity owned or controlled by him or any member of his immediate family may, directly or indirectly, finance the sale or other disposition of the Stock; and
- (iii) the sale of the Stock conforms with the requirements of Section 2.2. of the attached form of Trust Agreement.

(b) JOSEPH A. SERVIDONE, by June 30, 1993 (or such later date authorized in writing by the OTS), shall:

- (i) place the Stock under the control of a trustee (the "Trustee"), who shall (x) be chosen by the OTS, and (y) be compensated and indemnified by JOSEPH A. SERVIDONE;
- (ii) execute and deliver a Trust Agreement (the "Trust Agreement"), which shall (x) grant the Trustee full power and authority, after June 30, 1994, to sell the Stock in accordance with the terms of the Trust Agreement; (y) be acceptable in form and content to the OTS; and (z) be substantially in the form attached hereto as Appendix 2(b); and
- (iii) execute and deliver the proxy required by the Trust Agreement.

### 3. Compliance with Federal Laws and Regulations.

(a) JOSEPH A. SERVIDONE and any corporation, partnership, trust, or other entity owned or controlled by JOSEPH A. SERVIDONE shall comply in all respects with (i) Section 7(j) of the FDIA (12 U.S.C.A. § 1817(j)); (ii) Section 10 of the HOLA (12 U.S.C.A. § 1467a); and (iii) the regulations of the federal banking agencies issued pursuant to the aforesaid federal laws, including but not limited to 12 C.F.R. Parts 574 and 584.

(b) JOSEPH A. SERVIDONE shall comply in all respects with (i) Section 11 of the HOLA (12 U.S.C.A. § 1468); (ii)

