

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

_____)
In the Matter of)

DAVID MARGOLIS and)
MILDRED MARGOLIS,)

Current or Former)
Institution-affiliated)
Parties of)
LEHIGH SAVINGS BANK, S.L.A.,)
Union, New Jersey)
_____)

Re: No. NE92-27

Dated: March 19, 1992

STIPULATION AND CONSENT TO ISSUANCE OF
CONSENT ORDER OF PROHIBITION;
ORDER OF CIVIL MONEY PENALTY ASSESSMENT; and
ORDER TO CEASE AND DESIST REQUIRING AFFIRMATIVE ACTION

This Stipulation and Consent is made and effective, as of the date of the attached Order, by and between the Office of Thrift Supervision ("OTS"), a bureau within the United States Department of the Treasury, and DAVID MARGOLIS and MILDRED MARGOLIS, husband and wife, residing at 249 Washington Drive, Watchung, New Jersey. Both DAVID MARGOLIS and MILDRED MARGOLIS are, or have been within the last six years, institution-affiliated parties of LEHIGH SAVINGS BANK, S.L.A. ("LEHIGH SAVINGS"), which maintains its principal office at 952 Stuyvesant Ave., Union Township, New Jersey. This Stipulation and Consent concerns the issuance by the OTS to DAVID MARGOLIS and MILDRED MARGOLIS of the attached CONSENT ORDER OF PROHIBITION; ORDER OF CIVIL MONEY PENALTY ASSESSMENT; and ORDER TO CEASE AND DESIST REQUIRING AFFIRMATIVE ACTION (the

"ORDER"). In consideration of the mutual undertakings set forth below and other good and valuable consideration the parties hereto hereby stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it or otherwise obtained by it, is of the opinion that the grounds exist to initiate administrative adjudicatory proceedings against DAVID MARGOLIS and MILDRED MARGOLIS pursuant to Sections 8(b), 8(e), and 8(i)(2) of the Federal Deposit Insurance Act ("FDIA") (12 U.S.C.A. §§ 1818(b), (e), (i)(2) (West 1989 & Supp. 1991)). DAVID MARGOLIS and MILDRED MARGOLIS each desire to cooperate with the OTS and to avoid the time and expense of such adjudicatory proceedings, and while neither admitting nor denying that such grounds exist, DAVID MARGOLIS and MILDRED MARGOLIS hereby stipulate and agree to the terms of this Stipulation and Consent in consideration of the settlement by the OTS of the administrative charges, claims and other matters described below in this paragraph. OTS hereby settles, compromises and resolves any and all charges and claims that OTS could bring in any administrative adjudicatory proceedings or civil actions against any member of the MARGOLIS GROUP (as defined at ¶ 9 hereof) with respect to any matter (i) reported in the OTS Report of Examination of LEHIGH SAVINGS for the examination commenced December 17, 1990, and ended February 6, 1991 (or any prior federal examination reports about LEHIGH SAVINGS), (ii) the subject of any OTS written correspondence directed to LEHIGH SAVINGS or any member of the MARGOLIS GROUP

on or before the date of the ORDER, or (iii) discovered or reviewed by the OTS in connection with OTS formal examination proceeding No. EAST-91-10.

2. Jurisdiction. It is stipulated and agreed that the OTS is authorized and empowered to issue the ORDER pursuant to subsections (b), (e), and (i)(2) of Section 8 of the FDIA (12 U.S.C.A. §§ 1818(b), (e), (i)(2)). It is further stipulated and agreed that LEHIGH SAVINGS is a "savings association" and that DAVID MARGOLIS and MILDRED MARGOLIS are, or have been within the last six years, "institution-affiliated parties" of that savings association, as those terms are defined in the FDIA.

3. Consent. DAVID MARGOLIS and MILDRED MARGOLIS each hereby consents to the issuance by the OTS of the ORDER. DAVID MARGOLIS and MILDRED MARGOLIS each further agrees to comply with the terms of the ORDER upon issuance, and each stipulates that the ORDER complies with all requirements of law.

4. No Effect on Actions by Other Agencies.

(a) This Stipulation and Consent, the Order and the payment by DAVID MARGOLIS and MILDRED MARGOLIS 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 DAVID MARGOLIS and MILDRED MARGOLIS 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) DAVID MARGOLIS and MILDRED MARGOLIS acknowledge and agree that this proceeding, the assessment or payment of the penalty contemplated as part of the resolution thereof, and the consent by DAVID MARGOLIS and MILDRED MARGOLIS to the entry of the Order are for the purposes of resolving this OTS enforcement matter only, and do not resolve, affect or preclude any other civil or criminal proceedings that may or have been brought against DAVID MARGOLIS and MILDRED MARGOLIS by the OTS or another governmental entity. By signing this document DAVID MARGOLIS and MILDRED MARGOLIS agree that neither of them will assert the assessment or payment of this 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.

5. Finality. The OTS is issuing the ORDER pursuant to subsections (b), (e), and (i)(2) of Section 8 of the FDIA (12 U.S.C.A. §§ 1818(b), (e), (i)(2)). Upon its issuance by the OTS, the ORDER shall be a final order that is effective and fully enforceable. See, e.g., 12 U.S.C.A. § 1818(i).

6. Waivers. DAVID MARGOLIS and MILDRED MARGOLIS, following consultation with their counsel, waive the following legal rights:

- (a) the right to be served with: (i) a Notice of Charges relative to a cease-and-desist proceeding; (ii) a Notice of Intention to Prohibit; and (iii) a Notice of

Assessment of Civil Money Penalties (see, e.g., 12 U.S.C.A. §§ 1818(b), (e), (i)(2)));

- (b) the right to an administrative adjudicatory hearing of the OTS's charges against them (see, e.g., 12 U.S.C.A. §§ 1818(b), (e), (i)(2)); and
- (c) the right to seek judicial review of the ORDER, including 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.

7. Communications.

(a) Except as otherwise provided in the ORDER, DAVID MARGOLIS and MILDRED MARGOLIS each shall send any and all notices, payments of civil money penalties, or other communications required or permitted under the ORDER and this Stipulation, by prepaid first class mail or express delivery service, to:

Regional Director, Northeast
Office of Thrift Supervision
10 Exchange Place, 18th Floor
Jersey City, New Jersey 07302

with a copy sent to:

Faith S. Hochberg, Esq.
Senior Deputy Chief Counsel for Enforcement
and Litigation
Office of Thrift Supervision
10 Exchange Place, 17th Floor
Jersey City, New Jersey 07302,

or to such other address as the Regional Director (or his designee or successor) may otherwise specify in writing to DAVID MARGOLIS and MILDRED MARGOLIS.

(b) The OTS will send communications to DAVID MARGOLIS and MILDRED MARGOLIS addressed as follows:

Mr. and Mrs. David Margolis
249 Washington Drive
Watchung, New Jersey

with a copy sent to:

Frederick B. Lacey, Esq.
LeBoeuf, Lamb, Leiby & MacRae
One Gateway Center
Newark, New Jersey 07102,

or to such other address as DAVID MARGOLIS and MILDRED MARGOLIS may specify in a written notice sent to the OTS. DAVID MARGOLIS and MILDRED MARGOLIS shall promptly provide the OTS with written notice of any change in their residential address.

8. Public Order. DAVID MARGOLIS and MILDRED MARGOLIS acknowledge that Section 8(u)(1) of the FDIA (12 U.S.C.A. § 1818(u)(1)) requires the OTS to publish and make available to the public a copy of the ORDER, unless the OTS, in its discretion, determines that publication would be contrary to the public interest. Also see 12 U.S.C.A. § 1818(u)(5).

9. Definitions. For all purposes of this Stipulation and Consent and the ORDER, terms not otherwise defined in this Stipulation and Consent or in the ORDER that are defined in the Rules and Regulations of the OTS shall have the meanings assigned in such Rules and Regulations. As used herein the "MARGOLIS GROUP" refers to the group comprised of DAVID MARGOLIS, MILDRED MARGOLIS, members of the Immediate Family of DAVID MARGOLIS or MILDRED MARGOLIS, and any business interest (whether a corporation,

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CONSENT ORDER OF PROHIBITION;
ORDER OF CIVIL MONEY PENALTY ASSESSMENT; and
ORDER TO CEASE AND DESIST REQUIRING AFFIRMATIVE ACTION

The Office of Thrift Supervision ("OTS"), a bureau within the United States Department of the Treasury, hereby issues this Order pursuant to subsections (e), (i)(2), and (b) of Section 8 of the Federal Deposit Insurance Act ("FDIA"),¹ 12 U.S.C.A. §§ 1818(e), (i)(2), (b) (West 1989 & Supp. 1991).

WHEREAS, DAVID MARGOLIS and MILDRED MARGOLIS each has executed the attached Stipulation and Consent, which is accepted and approved by the OTS; and

WHEREAS, DAVID MARGOLIS and MILDRED MARGOLIS, by the terms of the Stipulation and Consent, each has consented and agreed to the issuance of this Order by the OTS.

¹ As of the date hereof, the FDIA has been amended by, inter alia, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183.

NOW THEREFORE, IT IS ORDERED that:

1. Prohibition.

(a) DAVID MARGOLIS and MILDRED MARGOLIS each is prohibited from further participation, in any manner, in the conduct of the affairs of LEHIGH SAVINGS BANK, S.L.A., Union, New Jersey ("LEHIGH SAVINGS"), and any subsidiaries thereof. The provisions of paragraph 1 of this Order are issued pursuant to Section 8(e) of the FDIA (12 U.S.C.A. § 1818(e)).

(b) DAVID MARGOLIS and MILDRED MARGOLIS each is subject to the prohibitions of FDIA § 8(e)(7) (12 U.S.C.A. § 1818(e)(7)), and, except as provided in subparagraph (B) of FDIA § 8(e)(7), DAVID MARGOLIS and MILDRED MARGOLIS shall not hold any office in, or participate in any manner in the conduct of the affairs of, any institution or agency specified in subparagraph (A) of FDIA § 8(e)(7) (the "Covered Institutions").

(c) DAVID MARGOLIS and MILDRED MARGOLIS each shall not participate in any of the specified activities prohibited by FDIA § 8(e)(6) (12 U.S.C.A. § 1818(e)(6)).

(d) Nothing in this Order shall be construed as prohibiting DAVID MARGOLIS or MILDRED MARGOLIS from the following activities, even though such activities may involve or relate to a Covered Institution:

- (i) being a customer, including a depositor or a borrower, of a Covered Institution;
- (ii) entering into transactions with a Covered Institution on an arms-length basis;

- (iii) continuing their lease relationship, pursuant to the Lease Agreement dated August 17, 1987, with LEHIGH SAVINGS, concerning 952 Stuyvesant Ave., Union, New Jersey, or such other relationships permitted by the OTS, as provided by Part II of the Trust Agreement referred to in Paragraph 4 of this Order;
- (iv) subject to the restrictions of FDIA § 8(e)(6) (12 U.S.C.A. § 1818(e)(6)) and of Paragraph 4 of this Order, owning, directly or indirectly, less than a controlling interest (whether individually or as a member of a group) of the outstanding stock of a Covered Institution (other than LEHIGH SAVINGS); and
- (v) taking actions required or permitted by Paragraph 4 of this Order or by the Trust Agreement referred to therein, or, prior to execution of the Trust Agreement, engaging in activities, subject to the restrictions imposed on DAVID MARGOLIS by Part II of the Trust Agreement, with a view to the sale of LEHIGH SAVINGS to a Qualified Purchaser (as defined in the Trust Agreement).

2. Civil Money Penalties. Within five (5) days from the date of this Order, DAVID MARGOLIS and MILDRED MARGOLIS, jointly and severally, shall pay a final civil money penalty in the amount of One Hundred Fifty Thousand Dollars (U.S.) (\$150,000) by tendering one or more certified or cashiers checks to the OTS made payable to the order of the Treasurer of the United States. The payment shall be sent to the OTS's Senior Deputy Chief Counsel for Enforcement and Litigation (at the address set forth in the Stipulation and Consent). The civil-money-penalty provisions of this Order are made and issued pursuant to Section 8(i)(2) of the FDIA (12 U.S.C.A. § 1818(i)(2)).

3. Certain Affirmative Action. Within five (5) days from the date of this Order, DAVID MARGOLIS and MILDRED MARGOLIS shall pay \$27,142.54 to LEHIGH SAVINGS. DAVID MARGOLIS and MILDRED MARGOLIS

shall deliver to the OTS's Northeast Regional Director written evidence of such payment within one (1) day of the payment. The provisions of this Paragraph 3 of this Order are made and issued pursuant to Section 8(b) of the FDIA (12 U.S.C.A. § 1818(b)).

4. Other Affirmative Action.

(a) DAVID MARGOLIS shall divest himself of his controlling interest in LEHIGH SAVINGS in the manner provided by the Trust Agreement (referred to below) and in a manner consistent with applicable law. In furtherance of this, DAVID MARGOLIS, within two (2) business days following the Notification Date, shall execute and deliver a trust agreement to be made by and among DAVID MARGOLIS, the OTS, and a Trustee (the "Trust Agreement"), and the Trust Agreement shall be substantially in the form attached hereto as Appendix A. Immediately upon the effectiveness of the Trust Agreement, DAVID MARGOLIS shall: (i) place his LEHIGH SAVINGS stock under the control of the Trustee, pursuant to the Trust Agreement; and (ii) execute and deliver stock certificates, the stock proxy, and such other instruments required by the Trust Agreement. The Notification Date is the date on which DAVID MARGOLIS receives from the OTS a written notification directing DAVID MARGOLIS to execute the Trust Agreement. DAVID MARGOLIS shall abide by the Trust Agreement, once effective, and the terms and restrictions of the Trust Agreement are incorporated into this Order by this reference as if set forth herein in their entirety. Moreover, the restrictions placed on DAVID MARGOLIS in Part II of

the attached form of the Trust Agreement shall apply to DAVID MARGOLIS effective upon the issuance of this Order. The terms of this paragraph 4 are made and issued pursuant to Section 8(b) of the FDIA (12 U.S.C.A. § 1818(b)).

(b) In the event that (i) a proposed Trustee will not execute the Trust Agreement without revisions to the form of Trust Agreement attached hereto and (ii) the OTS has no objection to such revisions, DAVID MARGOLIS shall execute the Trust Agreement with such revisions, provided however that DAVID MARGOLIS shall not be required to so execute the Trust Agreement as so revised when such revisions would materially increase his obligations or decrease his rights as compared with his obligations and rights provided under the form of the Trust Agreement attached hereto.

5. Stipulation and Consent Incorporated. The Stipulation and Consent is made a part hereof and is incorporated herein by this reference.

6. Finality of Order; Date of Effectiveness. This Order is a final order, and is subject to the provisions of Section 8(j) of the FDIA (12 U.S.C.A. § 1818(j)). The requirements of this Order shall become effective and enforceable on the date of issuance hereof.

IT IS SO ORDERED on this 19th day of March, 1992.

OFFICE OF THRIFT SUPERVISION
By:

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Angelo A. Vigna
Regional Director