

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

In the Matter of

NICHOLAS R. BLASI,
Former Member of the
Board of Directors of
Penn Federal Savings
Bank, S.A., Newark,
New Jersey.

Docket No. OTS AP 92-49

9/3/92

STIPULATION AND CONSENT TO ORDER TO CEASE AND DESIST AND ORDER
OF PROHIBITION

Nicholas R. Blasi ("Blasi" or "Respondent"), a former director of Penn Federal Savings Bank, S.A., Newark, New Jersey ("Penn Federal") hereby submits this Consent to Order to Cease and Desist and Order of Prohibition ("Consent") to the Office of Thrift Supervision of the United States Department of the Treasury ("OTS") for purposes of settlement and in consideration of OTS's forbearance from pursuing administrative proceedings on matters covered by the Notice of Charges and Hearing to Direct Restitution and Other Appropriate Relief and Notice of Intention to Prohibit Respondent from Participation in the Conduct of the Affairs of Federally Insured Depository Institutions ("Notice of Charges") and set forth in the accompanying Order to Cease and Desist and Order to Prohibit ("Order"). OTS is of the opinion that grounds exist to pursue an administrative cease and desist and prohibition proceeding against Blasi pursuant to Sections 8(b) and (e) 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. §§ 1818(b) and (e) (1988 & Supp. II 1990). Blasi desires to resolve the Notice of Charges issued against him by OTS, and, without admitting or denying that such grounds exist, except as to those allegations set forth in paragraph 1 below, which are admitted, Blasi consents to the entry of the attached Order pursuant to Sections 8(b) and (e) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1818(b) and (e) (1988 & Supp. II 1990).

1. Blasi admits the jurisdiction of OTS over him and over the subject matter of this action pursuant to Sections 8(b) and 8(e) of the FDIA, as amended by FIRREA, 12 U.S.C. §§ 1818(b) and (e), and admits that he was an "institution-affiliated party" as that term is defined in Section 3(u) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1813(u) (1988 & Supp. II 1990).

2. Blasi consents to the issuance of the accompanying Order, agrees to comply with its terms upon issuance, and stipulates that the Order complies with all requirements of law.

3. Blasi acknowledges and states that he enters into this Consent willingly and without any coercion or promises of any kind from OTS or any officer, attorney, agent or employee thereof.

4. Blasi hereby waives his rights to a hearing, all post-hearing proceedings, and the entry of findings of fact and conclusions of law under the Administrative Procedure Act ("APA"), 5 U.S.C. §§ 554-557, Sections 8(b), (e) and (i) of the FDIA, as amended by FIRREA, 12 U.S.C §§ 1818(b), (e) and (i) (1988 & Supp. II 1990), and the OTS Rules of Practice and Procedure in Adjudicatory Proceedings, 12 C.F.R. §§ 509.1 et seq. (1992), or any other applicable provision of law.

5. Blasi hereby waives his right to appeal the Order pursuant to Section 8(h) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1818(h) (1988 and Supp. II 1990), or any other applicable provision of law.

6. Blasi acknowledges and agrees that OTS reserves the right to assess further appropriate enforcement relief in the event Blasi fails to comply with the terms of this Consent and the Order, or has provided financial information that is materially inaccurate or incomplete, or in the event OTS determines it is necessary or appropriate to do so for other good cause.

7. Blasi acknowledges and agrees that this proceeding, the payment of money contemplated as part of the resolution hereof, and his Consent to the entry of the Order are for the purpose of resolving this OTS enforcement matter only, and do not resolve, affect or preclude any other civil or criminal

actions, charges against, or liability of the Respondent that arise pursuant to this action or otherwise, and that may be or have been brought by any other governmental entity other than OTS.

8. Blasi acknowledges and agrees that the payment of money contemplated as part of the resolution of this proceeding is nondischargeable in bankruptcy, pursuant to 11 U.S.C. §§ 523(a)(4) and (11) (1988 & Supp. II 1990).

9. Blasi agrees to dismiss all actions against Penn Federal Savings Bank and its directors and officers with prejudice.

WHEREFORE, intending to be legally bound thereby, Nicholas R. Blasi executes this Consent.

Date:

/S/

Nicholas R. Blasi

* * * *

NOTARIZATION

STATE OF NEW JERSEY)
COUNTY OF Union) ss.

Nicholas R. Blasi, being known to me, did subscribe to the foregoing in my presence, this 21st day of August 1992.

Cheryl Donahue
Notary Public
Notary Public of New Jersey

(SEAL)

My commission expires: My Commission Expires February 8, 1993

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NICHOLAS R. BLASI,
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Board of Directors of
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Bank, S.A., Newark,
New Jersey.

Docket No. OTS AP 92-49
Order No. OTS AP 92-90
Dated: September 3, 1992

ORDER TO CEASE AND DESIST, ORDER OF PROHIBITION &
RESTITUTION

WHEREAS, on May 15, 1992, the Office of Thrift Supervision ("OTS") approved and issued a Notice of Charges and Hearing to Direct Restitution and Other Appropriate Relief and Notice of Intention to Prohibit Respondent From Participation in the Conduct of the Affairs of Federally Insured Depository Institutions ("Notice") against Nicholas R. Blasi ("Blasi" or "Respondent"), a former Director of Penn Federal Savings Bank, S.A., Newark, New Jersey ("Penn Federal"), which Notice charged that Blasi violated applicable regulations, engaged in or participated in unsafe or unsound practices and committed or engaged in acts, omissions and/or practices that constitute self-dealing and breaches of his fiduciary duties in connection with the conduct of the affairs of Penn Federal;

WHEREAS, the Director of the OTS is of the opinion that Blasi acted for his own personal gain and contrary to the best interests of Penn Federal and that he took advantage of his

position as Director by selling contracts to Penn Federal through ICI, a company owned and operated by Blasi, that favored Blasi's interests;

WHEREAS, the Director of the OTS is of the opinion that Blasi took advantage of his position as a director of Penn Federal and breached the fiduciary duties he owed Penn Federal by failing to present to the Penn Federal Board of Directors, for prior approval, the agreements entered into between ICI and Penn Federal and by failing to comply with and adhere to requirements contained in directives issued by the Federal Home Loan Bank of New York ("FHLB-NY") regarding such agreements;

WHEREAS, the Director of the OTS is of the opinion that Blasi, as a director of Penn Federal, and as an institution-affiliated party, failed to act in the best interests of Penn Federal, failed to guard against unusual risks, failed to involve the Board in the decisions to seek supervisory authority for Penn Federal to do business with ICI, and actually to do business with ICI, failed to inform the Board of the supervisory conditions and limitations imposed on Penn Federal purchasing home improvement loans from Blasi and ICI, failed to disclose risks to other Board members, and failed to take actions to protect the interests of Penn Federal, its depositors, and the insurance fund;

WHEREAS, the Director of the OTS is of the opinion that as a result of the aforementioned acts, Blasi has violated laws and regulations, has engaged in unsafe and unsound practices, and has committed or engaged in acts, omissions and/or practices

that constitute self-dealing and breaches of his fiduciary duty in connection with the conduct of the affairs of Penn Federal;

WHEREAS, the Director of the OTS is of the opinion that Blasi's regulatory violations, unsafe or unsound practices, self-dealing, and breaches of fiduciary duty resulted in financial losses and damage to Penn Federal in the amount of approximately \$700,000, and personal gain or other benefit to Blasi, and that by virtue of these acts and practices Blasi was unjustly enriched;

WHEREAS, affirmative relief is required to correct the conditions that resulted from Blasi's self-dealing, his conflicts of interests and his breaches of his fiduciary duties;

WHEREAS, Nicholas X. Blasi, the Respondent, without admitting or denying the allegations set forth in the Notice of Charges, desires to resolve this matter and has executed a Stipulation and Consent to Issuance of Order to Cease and Desist and Order of Prohibition ("Consent") which is accepted and approved by the Director of the OTS;

NOW THEREFORE, it is ORDERED that:

PROHIBITION

1. Blasi is prohibited from further participation, in any manner, in the conduct of the affairs of Penn Federal.
2. Without prior written approval of the Regional Director

for the Northeast Region and, if appropriate, another federal financial institutions regulatory agency, Blasi may not hold any office in, or participate in any manner in the conduct of the affairs of any institution or other entity as set forth in Section 8(e)(7)(A) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(e)(7)) (1988 & Supp. II 1990)). Pursuant to Section 8(e)(6) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(e)(6) (1988 & Supp. II 1990)), conduct prohibited by this Order includes, inter alia, the solicitation, transfer, or exercise of any voting rights with respect to any securities issued by any insured depository institution.

3. As affirmative action to correct conditions resulting from violations and practices with respect to which the Order is issued, pursuant to 12 U.S.C. § 1818(b)(6)(A) (1988 & Supp. II 1990), Blasi agrees to pay restitution to Penn Federal Savings Bank ("Penn Federal") in the amount of \$40,000 on the terms set forth below. The amount of \$40,000 is accepted as full settlement of the liability of approximately \$700,000 charged by the OTS in its Notice of Charges, provided that all financial information submitted to the OTS by or on behalf of Blasi is true and correct and contains no misrepresentation of any material fact and no material inaccuracy or omission by Blasi, or by anyone acting on his behalf, about his financial condition. If representations concerning his financial condition are materially inaccurate or incomplete, full restitution of \$700,000 is immediately due and owing.

Blasi is ordered to pay the sum of \$40,000 as follows:
Within ten days of the entry of this Order, Blasi shall pay \$6,500 to Penn Federal as a partial payment of the restitution to be paid by him to Penn Federal. Blasi shall pay the balance of the restitution, \$33,500, to Penn Federal in equal annual installments of \$6,700, over a period of five years, on or before the anniversary date of his initial payment of \$6,500. Blasi may prepay this obligation at any time. Additionally, to the extent that Blasi has any claim or interest in, or receives, any proceeds from the sale of the home at 125 Hillcrest Avenue, Summit, New Jersey, he will immediately prepay his restitution obligation to the extent of those proceeds. If Blasi fails to make the foregoing payments as scheduled, full restitution of \$700,000 will be immediately due and owing.

Blasi's remittance of all sums due in restitution shall be payable to Penn Federal and shall be delivered to:

Penn Federal Savings Bank
c/o Joseph L. LaMonica, President
622 Eagle Rock Avenue
West Orange, NJ 07052

4. Copies of all transmittal letters to Penn Federal Savings Bank, together with copies of the respective payments, shall be sent to:

Harvey A. Levin
Assistant Chief Counsel
Office of Thrift Supervision
1700 G Street N.W.
Washington, D.C. 20552

5. In accordance with paragraph 9 of the Stipulation and Consent, Blasi is hereby ordered to dismiss his civil actions against Penn Federal Savings Bank with prejudice.

6. The Consent is made a part hereof and is incorporated herein by reference.

7. This Order is subject to the provisions of Section 8(j) of the FDIA, 12 U.S.C. § 1818(j) (1988 & Supp. II 1990), and shall become effective on the date it is issued.

The Office of Thrift Supervision

/S/

Timothy Ryan
Director