FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of **RANDOLPH W. LENZ, J. DONALD WEAND, JR., MARCIAL CUEVAS, JACK W. DUNLAP, STEVEN B. LEVINE, TIMOTHY S. REED, BRIAN A. MARKS, and MARSHALL C. ASCHE, individually and as former institution-affiliated parties of** **CONNECTICUT BANK OF COMMERCE** **STAMFORD, CONNECTICUT** **(INSURED STATE NONMEMBER BANK)** **(IN RECEIVERSHIP)**	**FDIC-02-174e** **FDIC-02-158e** **FDIC-02-171b** **FDIC-02-170b** **FDIC-02-160c&b** **FDIC-02-161c&b** **FDIC-02-175k** **FDIC-02-176k** **FDIC-02-177k** **FDIC-02-178k** **FDIC-02-179k** **FDIC-02-180k** **FDIC-02-181k** **FDIC-02-182k**

NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION; NOTICE OF CHARGES FOR ORDERS OF RESTITUTION AND OTHER APPROPRIATE RELIEF; NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES, FINDINGS OF FACT AND CONCLUSIONS OF LAW; ORDER TO PAY; AND NOTICE OF HEARING

The Federal Deposit Insurance Corporation ("FDIC") has determined that Randolph W. Lenz ("Respondent Lenz") and J. Donald Weand, Jr. ("Respondent Weand"), individually and as former institution-affiliated parties of Connecticut Bank of Commerce, Stamford, Connecticut ("CBC" or "Bank"), have each directly or indirectly participated or engaged in violations of an order to cease and desist, violation of a condition imposed in writing by the FDIC in connection with the grant of a CBC application, unsafe or unsound banking practices which involved a reckless disregard for the law, violations of laws, rules, and regulations, and/or acts, omissions, or practices which constituted breaches of their fiduciary duty as officers or directors of CBC; that CBC has suffered financial loss or other damage, that the interests of its depositors have been prejudiced or could be prejudiced and/or that Respondent Lenz and Respondent Weand have each received financial gain or other benefit by reason of such violations, practices and/or breaches of fiduciary duty; and that such violations, practices and/or breaches of fiduciary duty demonstrate Respondent Lenz's and Respondent Weand's personal dishonesty and/or their willful or continuing disregard for the safety or soundness of CBC. Therefore, the FDIC institutes this proceeding for the purpose of determining whether an appropriate order should be issued against Respondent Lenz and Respondent Weand under the provisions of section 8(e) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(e), prohibiting said Respondents from further participation in the conduct of the affairs of CBC and any other insured depository institution or organization listed in section 8(e)(7)(A) of the Act, 12 U.S.C. § 1818(e)(7)(A), without prior written approval of the FDIC and any other appropriate Federal financial institutions regulatory agency, as that term is defined in section 8(e)(7)(A) of the Act, 12 U.S.C. § 1818(e)(7)(A).

The FDIC, further being of the opinion that Respondent Lenz and Respondent Weand, individually and as former institution-affiliated parties of CBC, have each engaged in an unsafe or unsound practice in conducting the business of CBC, or have each violated a law, rule, or regulation, or a condition imposed in writing by the FDIC in connection with the grant of a CBC application, institutes this proceeding for the purpose of determining whether an appropriate order should be issued against Respondent Lenz and

Respondent Weand under the provisions of section 8(b) of the Act, 12 U.S.C. § 1818(b), to take affirmative action to correct the conditions resulting from such practices and/or violations.

The FDIC, further being of the opinion that Respondent Lenz and Respondent Weand, individually and as former institution-affiliated parties of CBC, have each knowingly violated a law, a regulation, a final order issued by the FDIC pursuant to section 8(b) of the Act, 12 U.S.C. § 1818(b), or a condition imposed in writing by the FDIC in connection with the grant of a CBC application; knowingly engaged in unsafe or unsound practices in conducting the affairs of CBC, and/or knowingly breached a fiduciary duty; and knowingly or recklessly caused a substantial loss to CBC and/or the FDIC as receiver for CBC, or received a substantial pecuniary gain or other benefit by reason of such violations, practices or breaches; hereby assesses civil money penalties against Respondent Lenz and Respondent Weand in the amounts set forth in the accompanying Order to Pay.

The FDIC, further being of the opinion that former CBC directors (hereinafter referred to collectively as "Respondent Directors") Marcial Cuevas ("Respondent Cuevas"), Jack W. Dunlap ("Respondent Dunlap"), Steven B. Levine ("Respondent Levine"), Timothy S. Reed ("Respondent Reed"), Brian A. Marks ("Respondent Marks"), and Marshall C. Asche ("Respondent Asche"), individually and as former institution-affiliated parties of CBC, have violated a law, regulation, or final order issued pursuant to subsection 8(b) of the Act, recklessly engaged in an unsafe or unsound practice in conducting the affairs of CBC, and/or breached a fiduciary duty to CBC; which violation, practice, or breach is part of a pattern of misconduct, caused or is likely to cause more than a minimal loss to CBC, or has resulted in pecuniary gain or other benefit to such individuals; hereby assesses civil money penalties against the Respondent Directors in the amounts set forth in the accompanying Order to Pay.

The FDIC hereby issues:

A. A NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION against Respondent Lenz and Respondent Weand pursuant to section 8(e) of the Act, 12 U.S.C. § 1818(e), and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308 ("FDIC Rules");
B. A NOTICE OF CHARGES FOR ORDERS OF RESTITUTION AND OTHER AFFIRMATIVE RELIEF against Respondent Lenz and Respondent Weand, pursuant to section 8(b) of the Act, 12 U.S.C. § 1818(b) and the FDIC Rules;
C. A NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES; FINDINGS OF FACT AND CONCLUSIONS OF LAW; ORDER TO PAY; AND NOTICE OF HEARING ("NOTICE OF ASSESSMENT") against all Respondents, pursuant to section 8(i) of the Act, 12 U.S.C. § 1818(i), and the FDIC Rules; and alleges as follows:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

FDIC'S JURISDICTION

1. At all times pertinent to this proceeding until its failure on June 26, 2002, CBC was a corporation existing and doing business under the laws of the State of Connecticut, having its principal place of business at Stamford, Connecticut. CBC had been, at all times pertinent to this proceeding, an insured State nonmember bank, subject to the Act, 12 U.S.C. §§ 1811-1831y, the Rules and Regulations of the FDIC, 12 C.F.R., Chapter III, Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R., Part 215 ("Reg O") (made applicable to CBC by section 337.3 of the Rules and Regulations of the FDIC, 12 C.F.R. § 337.3), and the laws of the State of Connecticut.

2. At all times pertinent to the charges herein, Respondent Lenz was the Chairman of CBC's Board of Directors, served on CBC's Credit Committee of the Board ("Credit Committee"), and owned in excess of 80% of CBC's common stock.

3. Respondent Lenz was an "institution-affiliated party" of CBC as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of §§ 8(b), 8(c), 8(e), and 8(i) of the Act, 12 U.S.C. §§ 1818(b), 1818(c), 1818(e) and 1818(i).

4. At all times pertinent to the charges herein, Respondent Weand served as CBC's President, and, up to August 2001, served as CBC's Chief Lending Officer. On or about May 10, 2000, Respondent Weand was approved by CBC's Board of Directors as Chief Executive Officer. At various times pertinent to the charges herein, Respondent Weand served as an "ex-officio" member of the Credit Committee.

5. Respondent Weand was an "institution-affiliated party" of CBC as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of §§ 8(b), 8(c), 8(e), and 8(i) of the Act, 12 U.S.C. §§ 1818(b), 1818(c), 1818(e) and 1818(i).

6. At all times pertinent to the charges herein, Respondent Cuevas was a member of CBC's Board of Directors and served on the Credit Committee.

7. Respondent Cuevas was an "institution-affiliated party" of CBC as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of 8(i) of the Act, 12 U.S.C. § 1818(i).

8. At all times pertinent to the charges herein, Respondent Dunlap was a member of CBC's Board of Directors and served on the Credit Committee.

9. Respondent Dunlap was an "institution-affiliated party" of CBC as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of § 8(i) of the Act, 12 U.S.C. § 1818(i).

10. At all times pertinent to the charges herein, Respondent Levine was a member of CBC's Board of Directors and served on the Credit Committee.

11. Respondent Levine was an "institution-affiliated party" of CBC as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of § 8(i) of the Act, 12 U.S.C. § 1818(i).

12. At all times pertinent to the charges herein up to November 28, 2001, Respondent Marks was a member of CBC's Board of Directors and served on the Credit Committee.

13. Respondent Marks was an "institution-affiliated party" of CBC as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of § 8(i) of the Act, 12 U.S.C. § 1818(i).

14. At all times pertinent to the charges herein beginning February 14, 2001, Respondent Reed was a member of CBC's Board of Directors and served on the Credit Committee.

15. Respondent Reed was an "institution-affiliated party" of CBC as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of § 8(i) of the Act, 12 U.S.C. § 1818(i).

16. At all times pertinent to the charges herein beginning November 21, 2001, Respondent Asche was a member of CBC's Board of Directors and served on the Credit Committee.

17. Respondent Asche was an "institution-affiliated party" of CBC as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of § 8(i) of the Act, 12 U.S.C. § 1818(i).

18. Prior to joining CBC's Board of Directors, Respondent Asche was employed by BDO Seidman, L.L.P., and served as the client service partner in charge of CBC's external audits from 1993 until he retired in June 2000. From July 1, 2000 through September 30, 2001, Respondent Asche was employed as Chief Financial Officer of Northern Healthcare Inc., an entity affiliated with Respondent Lenz. In that capacity, he was responsible for the financial oversight of three related hospitals, including Fort Lauderdale Hospital Management, a 3/22 Borrower (as hereinafter defined).

19. The FDIC has jurisdiction over CBC, Respondent Lenz, Respondent Weand, Respondent Cuevas, Respondent Dunlap, Respondent Levine, Respondent Marks, Respondent Reed, Respondent Asche, and the subject matter of this proceeding.

Background

20. In or around August, 1992, Respondent Lenz acquired more than 80% of the common stock of Amity Bank, which became CBC upon a change of name in January 1993. From the time Lenz acquired control and continuing until CBC's failure on June 26, 2002, CBC was a troubled institution, with a

CAMELS composite rating of either "3", "4" or "5." Throughout the period of time during which the transactions and incidents described hereafter occurred, CBC operated under either a Memorandum of Understanding or a Cease and Desist Order.

21. On or about March 23, 1999, CBC entered into a Memorandum of Understanding ("MOU") with the FDIC. Among its other provisions, the MOU was created to improve the following areas of CBC's operations:

a. prudent limitations on extensions of credit to a single obligor;

b. management's adherence to bank policies;

c. reduction in levels of adversely classified assets; and

d. Board of Directors' oversight of transactions with affiliates.

22. On or about November 30, 2001, the FDIC issued a Cease and Desist Order ("C&D"), pursuant to section 8(b) of the Act, 12 U.S.C.§1818(b), against CBC. Among its other provisions, the C&D was designed to improve the following areas of CBC's operations:

a. the Bank's risk management practices;

b. management's supervision of the Bank's lending function;

c. hazardous lending practices, including, but not limited to, failing to follow loan policy guidelines and the need to amend CBC's loan policy to conform to Appendix A to Part 364 of the FDIC's Rules and Regulations; and,

d. management's inadequate disclosure, due diligence, and oversight of insider-related transactions and potential conflicts of interest.

23. At all times pertinent to the charges herein, Respondent Lenz was an "executive officer" and an "insider" of CBC, as those terms are used in 12 CFR §§ 215.2 (e)(1) and (h), respectively.

24. At all times pertinent to the charges herein, some of the 3/22 Straw Borrowers and some of the 6/23 Extension borrowers (as hereinafter defined) were "related interests" of Respondent Lenz, as that term is used in 12 CFR § 215.2 (n).

25. Respondent Lenz received the "tangible economic benefit," as that term is used in 12 CFR § 215.3(f), of the 3/22 Loans and the 6/21 Loans, the Additional Related Loans, and the 6/23 Extensions (as hereinafter defined).

26. At all times pertinent to the charges herein, Respondent Lenz exercised substantial control and influence over CBC's directors, officers, and employees.

27. At all times pertinent to the charges herein, Respondent Lenz exercised substantial control and influence over CBC's operations, particularly the credit decisions made by the Bank.

28. Respondent Lenz also controlled and was a principal owner of Equity Merchant Banking Corporation ("EMBC"), a merchant banking firm located in Fort Lauderdale, Florida. A substantial portion of CBC's largest commercial loans and credit facilities during the period from January, 2000 through June 26, 2002, were referrals from EMBC and/or Respondent Lenz, and the borrowers were related to, affiliated with, or associated with Respondent Lenz.

29. The allegations that follow demonstrate a pattern and practice of abuse by Respondent Lenz of his fiduciary duties to CBC for his personal benefit. Respondent Lenz was aided and abetted in this course of action by the active participation of Respondent Weand. The Respondent Directors failed to exercise independent judgment and care in the performance of their duties and instead consistently and without question approved every credit referred by Respondent Lenz and recommended by Respondent

Weand, notwithstanding numerous indicia that the loans were at best unsafe or unsound. Respondent Lenz's abusive activities include, but are not limited to, the following general categories:

a. a straw or nominee loan scheme in order to avoid using personal funds to satisfy a regulatory requirement to increase the Bank's capital in connection with an acquisition transaction;

b. a second straw or nominee loan scheme which was designed to remove non-performing loans associated with Respondent Lenz's adult children and business partner from the Bank's books;

c. a number of additional related loans, the proceeds of which were used to make payments on or to pay off many of the prior straw or nominee loans, or to provide funds to Respondent Lenz or Lenz-affiliated entities; and

d. a last minute attempt to obtain CBC's Board of Directors' approval of new loans and extensions to the maturity of loans to individuals and entities closely associated with Respondent Lenz, in order to circumvent anticipated regulatory action that might prohibit or restrict the Bank's ability to extend credit.

30. The misconduct described in general in paragraph 29 above, and set forth in more detail hereafter, caused CBC to make fraudulent loans that had an aggregate unpaid balance of at least $34 million when CBC was closed, exposed CBC and the FDIC as receiver for CBC to losses of at least $34 million, and directly contributed to CBC's failure on June 26, 2002.

The MTB Transaction

31. Following months of discussions with the FDIC, CBC submitted an application to the FDIC on or about August 4, 1999, for permission to purchase substantially all of the banking assets and to assume the deposits and certain liabilities of MTB Bank, New York, NY ("MTB Transaction").

32. MTB Bank was a substantially larger institution than CBC at the time of the MTB Transaction. As of December 31, 1999, MTB Bank had assets of approximately $278,000,000, while CBC had assets of only approximately $99,000,000. Consequently, as a condition of its approval of CBC's application, the FDIC required CBC to increase its Tier 1 Capital by not less than $20,000,000 ("FDIC's Required Capital Injection"), so that CBC would have an adequate capital structure to support its much higher level of assets after the transaction.

33. Respondent Lenz, Respondent Weand and other representatives of CBC made representations to the FDIC that the FDIC's Required Capital Injection would be satisfied by Respondent Lenz using his personal assets to fund his purchase of $10,000,000 of CBC common stock and $10,000,000 of CBC preferred stock. In reliance upon those representations, the FDIC approved CBC's application.

34. On or around March 31, 2000, the FDIC's Required Capital Injection was purportedly satisfied, as Respondent Lenz purchased $10,000,000 of CBC common stock and CBC Investment Partners ("CBCIP"), a related interest of Respondent Lenz, purchased $10,000,000 of CBC preferred stock.

35. On or around March 31, 2000, the MTB Transaction was consummated.

The 3/22 Straw Loan Scheme

36. Contrary to his representations to the FDIC that he would use personal funds to satisfy the FDIC's Required Capital Injection, prior to March 31, 2000, Respondent Lenz initiated and implemented a straw or nominee loan scheme. Respondent Lenz used this scheme as a means of purporting to satisfy the FDIC's Required Capital Injection without the use of his personal funds. Consequently, the representations to the FDIC described in paragraph 33 were false.

37. Upon information and belief, Respondent Lenz caused CBCIP to be formed in order to facilitate this straw or nominee loan scheme. At all times pertinent to this proceeding, Respondent Lenz controlled and was the managing member of CBCIP. On the surface, CBCIP was made to appear to be a

legitimate investment partnership. In fact, it was a vehicle used to facilitate the straw or nominee loan scheme.

38. Respondent Lenz could not have obtained one or more loans totaling $20,000,000 from CBC in or around that time due to the restrictions and prohibitions on loans to "insiders" contained in Reg O.

39. On or about March 22, 2000, just days prior to the consummation of the MTB Transaction, CBC's Board of Directors and the Credit Committee held a joint meeting ("3/22 Meeting"). At that time, the memberships of the Board and the Credit Committee were identical. At the 3/22 Meeting, the Credit Committee approved a number of large, commercial loans or other credit facilities totaling approximately $20,000,000. All of these loans were in an amount of $1,000,000 or greater.

40. The 3/22 Meeting was held at EMBC's offices in Fort Lauderdale, Florida, with Respondent Lenz presiding. Respondents Lenz, Weand, Cuevas and Dunlap attended the meeting in person. Respondents Marks and Levine attended via telephone conference from offices in Connecticut.

41. Written loan presentations ("Status Reports") for some of the loans or credit facilities presented at the 3/22 Meeting were prepared by or under the direction of Respondent Weand, and were given to the members of the Credit Committee within a few hours prior to the 3/22 Meeting.

42. Most of the Status Reports generally lacked adequate financial analysis and contained inaccurate or incomplete information about the borrowers.

43. Most of the Status Reports represented that the purpose of the proposed credit was working capital or investments of the borrowers.

44. Members of the Credit Committee were not given Status Reports or other written loan presentations in advance or at the 3/22 Meeting to review for many of the loans and credit facilities presented at the 3/22 Meeting, in contravention of CBC's loan policy and safe and sound banking practice.

45. In presenting loans during the 3/22 Meeting, Respondent Weand referred to the Status Reports, to the extent they were available, drawing the Respondent Directors' attention to sections purportedly containing underwriting information about the loans or credit facilities.

46. Respondent Weand orally presented and personally recommended the approval of all the loans and credit facilities presented at the 3/22 Meeting. Upon information and belief, five additional loans or credit facilities were not voted upon at the 3/22 Meeting. Respondent Weand caused them to be made and funded without Board or Credit Committee approval, exceeding his lending authority. All of the loans and credit facilities presented at the 3/22 Meeting plus the five loans and credit facilities that Respondent Weand caused to be made without Board or Credit Committee approval are hereinafter collectively referred to as the "3/22 Loans," and the borrowers are hereinafter collectively referred to as the "3/22 Straw Borrowers."

47. For some of the 3/22 Loans, Respondent Lenz recruited a number of social acquaintances or business associates to obtain, enter into or increase loans or other credit facilities from CBC in their own names, or in the names of their business entities, and to then turn some or all of the proceeds over to CBCIP. The names of these borrowers and the dates and amounts of the loans are:

Borrower Name	Loan Date	Loan Amount
Fort Lauderdale Hospital Management	3/23/2000	$3,000,000
Fort Lauderdale Hospital Management	3/24/2000	$1,500,000
Lawrence Kessler	3/28/2000	$1,000,000
James Loomis	3/24/2000	$1,000,000

Patrick Moran	3/24/2000	$1,100,000
Anthony Piano	3/24/2000	$1,500,000
Texas Encore, LLC	3/24/2000	$1,000,000
Triumph Financial, LLC	3/24/2000	$1,300,000
Western Oil Processors, LTD	3/27/2000	$1,700,000

48. For other 3/22 Loans, Respondent Lenz caused companies that he, his family members, or his business associates owned or controlled, directly or indirectly, to obtain or enter into loans or other credit facilities from CBC and to then turn the proceeds directly over to Respondent Lenz. The names of these borrowers and the dates and amounts of the loans are:

Borrower Name	Loan Date	Loan Amount
Almonte Fire Trucks, LTD	3/24/2000	$1,500,000
AnPac Securities Group, Inc.	3/24/2000	$1,350,000
Aerialscope, Inc.	3/28/2000	$1,450,000
Carjon International Corp.	3/24/2000	$1,400,000
National Pallet Leasing Systems, LLC	3/23/2000	$1,000,000
NetTech Solutions, LLC	3/24/2000	$1,500,000
FWD Corporation	4/07/2000	$1,000,000

49. The number and aggregate dollar amount of loans and credit facilities presented for approval at the 3/22 Meeting were far in excess of CBC's typical monthly loan activity.

50. Most, if not all, of the principal and interest payments subsequently made to CBC on the 3/22 Loans did not come from the borrowers' own resources. Instead, payments came directly or indirectly from Respondent Lenz, CBCIP, or the proceeds of additional loans made by CBC.

51. The Respondent Directors who participated in the 3/22 Meeting breached their fiduciary duties by voting to approve some or all of the 3/22 Loans under circumstances that should have caused those Respondent Directors to question the propriety of the loans. These circumstances include, but are not limited to:

a. the volume and aggregate dollar amount of the loans was significantly greater than normal for the Bank;

b. the Directors were or should have been aware of prior regulatory criticism regarding the Bank's lending function;

c. many of the loans were presented verbally only, with no Status Reports or other written presentation;

d. the Status Reports presented to the Respondent Directors lacked information necessary to make an informed credit decision, such as the financial condition of the borrower and an analysis of the borrower's ability to repay; and

e. many of the loans were in contravention of the Bank's loan policy.

52. The 3/22 Loans would not have been approved as presented by a bank that operated with customary and prudent credit underwriting procedures and risk standards.

53. Most, if not all, of the 3/22 Loans had a maturity date substantially longer than normal for a working capital or an investment loan.

54. At the time of their approval by the Credit Committee, most of the 3/22 Loans exhibited more than the normal risk of repayment. At the first examination of CBC after the 3/22 Loans were approved, the joint FDIC/State of Connecticut Department of Banking examination of March 5, 2001, the majority of the 3/22 Loans were either adversely classified or Listed for Special Mention.

55. The proceeds advanced as a result of the 3/22 Meeting ("3/22 Loan Proceeds") were not used for the purposes stated in the Status Reports.

56. The 3/22 Loan Proceeds were initially deposited into accounts of the 3/22 Straw Borrowers.

57. Within a day or two of these initial deposits, the 3/22 Loan Proceeds were wired by the 3/22 Straw Borrowers either to a deposit account in the name of Respondent Lenz or to one in the name of CBCIP, at SunTrust Bank ("SunTrust"). Both accounts were controlled by Respondent Lenz.

58. On or about March 28, 2000 through March 30, 2000, the 3/22 Loan Proceeds were wired from the two SunTrust deposit accounts controlled by Respondent Lenz to two deposit accounts at CBC owned and/or controlled by Respondent Lenz. Thereafter, the 3/22 Loan Proceeds were transferred internally at CBC and used to fund the purchase of $20,000,000 of CBC common and preferred stock issued to Lenz and his related interest, CBCIP, and to purportedly satisfy the FDIC's Required Capital Injection.

59. During the joint FDIC/State of Connecticut Department of Banking examination dated March 5, 2001, Respondent Lenz told FDIC and State examiners that the 3/22 Loan Proceeds were not the source of funds for the FDIC's Required Capital Injection, and that Respondent Lenz used his own assets for that purpose.

60. These statements were false. The source of the funds for the FDIC's Required Capital Injection was not Respondent Lenz's personal assets, but, instead, the 3/22 Loan Proceeds. Respondent Weand was aware that Respondent Lenz's statements to examiners were false, and failed to correct them.

61. Under applicable Generally Accepted Accounting Principles and the FFIEC's Instructions for Preparation of Consolidated Reports of Condition and Income ("Call Report Instructions"), CBC was required to deduct from its capital account any capital contributions that were funded by CBC loans. Consequently, the FDIC's Required Capital Injection, a written condition of the FDIC's approval of the MTB Transaction, was not satisfied prior to the MTB Transaction, nor on any date thereafter.

62. State non-member banks are required to file Reports of Condition and Income ("Call Reports") with the FDIC no later than thirty days after the last calendar day of each calendar quarter. These reports contain data on the bank's financial condition and results of operations. This information is extensively used by the FDIC in its off-site monitoring of banks to supplement on-site, full scope examinations.

63. As a result of the failure to comply with the FDIC's Required Capital Injection, CBC's Call Reports filed with the FDIC for the quarters ending March 31, 2000, June 30, 2000, September 30, 2000, December 31, 2000, March 31, 2001, June 30, 2001, September 30, 2001, December 31, 2001, and March 31, 2002 were materially inaccurate.

64. Upon information and belief, certain CBC records were falsified under the direction of Respondent Lenz and/or Respondent Weand, or with their consent and knowledge.

65. At the time that the 3/22 Loans were presented to the Credit Committee for approval, Respondent Lenz did not disclose that the proceeds of these loans were going to be transferred to him for his use.

Respondent Lenz voted for some of the 3/22 Loans knowing that the proceeds would be transferred to him or for his benefit. Thereafter, Respondent Lenz continued to conceal such information from CBC's Board of Directors and from FDIC and State bank examiners.

66. At the time that he presented the 3/22 Loans to the Credit Committee, Respondent Weand knew or should have known the 3/22 Loan Proceeds were not going to be used for the purposes represented to the directors, and he did not disclose such information. Thereafter, Respondent Weand continued to conceal such information from CBC's Board of Directors and from FDIC and State bank examiners.

The 6/21 Straw Loan Scheme

67. In or around June 2000, CBC had loans or other credit facilities outstanding to National Pallet Leasing Systems, LLC ("NPLS") in excess of $5,000,000 ("NPLS Loans").

68. At the time, NPLS was owned, indirectly, by F. Ross Walpole ("Walpole"), a social acquaintance and close business associate of Respondent Lenz; by Respondent Lenz's two adult children, Corbett Lenz and Stacie Daley; and by another individual who held a minority interest.

69. In or around June 2000, the NPLS Loans were seriously delinquent, and NPLS did not have the financial capacity to repay its loans or other credit facilities to CBC.

70. The delinquent status of the NPLS Loans and the financial condition of NPLS at the time made it difficult to dispose of the NPLS Loans at book value.

71. Upon information and belief, in or around June 2000, Respondent Lenz and Respondent Weand initiated and implemented another straw or nominee loan scheme in order to facilitate the sale or other disposition of the NPLS Loans.

72. In furtherance of that scheme, in or around June 2000, Peachtree Group, LLC ("Peachtree") was formed. Peachtree's Limited Liability Company Agreement lists the initial owners of Peachtree as Walpole and his wife, Carol Walpole. At the time of its formation, Peachtree had only $10 in capital.

73. Upon information and belief, the Walpoles were acting as agents for Respondent Lenz with respect to the ownership and/or control of Peachtree.

74. On or about June 21, 2000, the Credit Committee took action that included but was not limited to the approval of seven loans totaling approximately $11,000,000, of which $6,500,000 was new money advanced ("6/21/ Loans"). All of the borrowers were entities controlled by Respondent Lenz, Respondent Lenz's adult children, or Respondent Lenz's business associates ("6/21 Straw Borrowers"). The names of the borrowers and the dates and amounts of the loans or loan modifications are set forth in the following chart:

Borrower Name	Loan Date	Loan Amount
Almonte Investment Partners, LLC	6/15/2000	$1,500,000
Carjon International Corp.	6/29/2000	$ 500,000
Carjon International Corp.	6/29/2000	$2,000,000
CLSD Properties, LLC	6/29/2000	$4,000,000
CLSD Properties, LLC	6/28/2000	$1,000,000
NetTech Solutions, LLC	6/22/2000	$ 750,000
Texas Encore Corporation	6/29/2000	$1,500,000

75. At the time of their approval by the Credit Committee, most of the 6/21 Loans exhibited more than the normal risk of repayment and/or other unsafe or unsound characteristics. At the first examination of CBC after the 6/21 Loans were approved, the joint FDIC/State of Connecticut Department of Banking examination of March 5, 2001, all of the 6/21 Loans were either adversely classified or Listed for Special Mention.

76. Upon information and belief, the 6/21 Meeting was conducted through a telephone conference call, with Respondents Weand, Dunlap, Cuevas, and Levine taking part in the call.

77. The Status Reports for the 6/21 Loans that were presented to the Credit Committee represented the purpose of the 6/21 Loans to be working capital or commercial mortgages for the 6/21 Straw Borrowers.

78. Respondent Weand orally presented, personally recommended, and voted to approve each of the 6/21 Loans at the 6/21 Meeting.

79. The Respondent Directors who participated in the 6/21 Meeting breached their fiduciary duties by voting to approve the 6/21 Loans under circumstances that should have caused the Respondent Directors to question the propriety of the loans. These circumstances include, but are not limited to:

a. the Respondent Directors were or should have been aware of prior regulatory criticism regarding the Bank's lending function;

b. the Status Reports presented to the Respondent Directors lacked information necessary to make an informed credit decision, such as the financial condition of the borrower and an analysis of the borrower's ability to repay; and

c. many of the loans were in contravention of the Bank's loan policy.

80. Instead of being used for the stated purposes, within a few days, $5,500,000 of the loan proceeds from the 6/21 Loans were transferred by the 6/21 Straw Borrowers to Peachtree.

81. On or about June 30, 2000, Peachtree entered into a Purchase and Sale Agreement with CBC by which Peachtree paid approximately $5,000,000 to CBC, representing 100% of the principal and interest outstanding on the NPLS Loans at the time, for a 100% participation in the majority of the NPLS Loans ("NPLS Sale"). Under the agreement, CBC agreed to service the NPLS Loans for Peachtree.

82. The NPLS Sale was never presented to CBC's Board of Directors for prior approval, although Board members learned of it some time later.

83. At the time of the 6/21 meeting, Respondent Weand was aware of the fraudulent nature of the 6/21 Loans.

84. At the 6/21 Meeting, Respondent Weand did not disclose to the members of the Credit Committee that the proceeds of the 6/21 Loans were not going to be used for the stated purposes, but instead would be transferred to Peachtree to fund its purchase of the problem NPLS Loans.

85. By selling the NPLS Loans prior to June 30, 2000, CBC would have substantially reduced its ratio of past due loans to total loans and would have avoided having to increase its Allowance for Loan and Lease Losses. Instead, by virtue of the 6/21 Loans scheme, CBC's condition appeared in the Bank's June 30, 2000 Call Reports to be materially better than it actually was. In addition, by virtue of the 6/21 Loans scheme, CBC appeared to be meeting certain provisions of the MOU, when in fact it was not.

86. On or about December 18, 2001, the Walpoles executed an Assignment and Conveyance of Undivided Membership Interests in Peachtree Group, LLC, transferring their interests in Peachtree to Respondent Lenz. Upon information and belief, no valid consideration passed from Respondent Lenz to the Walpoles in exchange for the Walpoles' purported interests in Peachtree, as would have occurred in a legitimate, arm's length transaction.

Additional Related Loans

87. In and after March 2000, additional loans or loan modifications were made by CBC to one or more of the 3/22 Straw Borrowers or other individuals or entities ("Additional Related Loans"). Proceeds of some loans were transferred to CBCIP and used to make interest and/or principal payments on the 3/22 Loans or 6/21 Loans. Proceeds of other loans were used to provide operating funds for Respondent Lenz and his various related entities. In some instances, proceeds of these loans were used to pay off the entire outstanding balance of a 3/22 Loan or 6/21 Loan. The Additional Related Loans include, but are not limited to, the following:

Borrower Name	Loan Date	Loan Amount
Aerialscope, Inc.	06/29/00	$2,850,000
Almonte Fire Trucks LTD	04/24/00	$1,500,000
Almonte Investment Partners, LP	06/15/00	$1,500,000
FWD Corporation	04/17/00	$2,000,000
NetTech Solutions, LLC	11/28/00	$4,750,000
F. Ross Walpole	10/11/00	$1,000,000
F. Ross Walpole	10/24/00	$ 215,000
F. Ross Walpole	11/15/00	$ 650,000
F. Ross Walpole	11/27/00	$ 400,000
F. Ross Walpole	12/22/00	$2,600,000
F. Ross Walpole	01/16/01	$ 425,000
F. Ross Walpole	01/24/01	$ 200,000
F. Ross Walpole	02/02/01	$ 267,000

88. Respondent Weand orally presented many of the Additional Related Loans to CBC's Credit Committee and recommended their approval.

89. Upon information and belief, Respondent Lenz referred the Additional Related Loans to CBC and caused CBC to make the loans, knowing that the proceeds would not be used for their stated purposes.

90. Respondent Weand recommended the Additional Related Loans for approval, knowing that many of the loans, like the 3/22 Loans and 6/21 Loans, were poorly underwritten, violated the Bank's loan policy, or exhibited other unsafe or unsound characteristics.

91. The Respondent Directors who approved the Additional Related Loans breached their fiduciary duties by voting to approve many of the Additional Related Loans under circumstances that should have caused those Respondent Directors to question the propriety of the loans. These circumstances include, but are not limited to:

a. the Respondent Directors were or should have been aware of prior regulatory criticism regarding the Bank's lending function;

b. some of the loans were presented verbally only, with no Status Reports or other written presentation;

c. the Status Reports presented to the Respondent Directors lacked information necessary to make an informed credit decision, such as the financial condition of the borrower and an analysis of the borrower's ability to repay; and

d. many of the loans were in contravention of the Bank's loan policy.

92. Among the Additional Related Loans are the loans aggregating approximately $5,700,000 to F. Ross Walpole ("Walpole Loans"), a social acquaintance and business partner of Respondent Lenz and a principal of at least three of the 3/22 and 6/21 borrowers. The stated purposes of the Walpole Loans were "investment in closely held companies" and " Federal tax lien."

93. The proceeds of the Walpole Loans were not used for the stated purposes, but rather used to: a) pay off two loans to Carjon International Corp., a company owned by Walpole and a 3/22 and 6/21 borrower; b) provide funds to CBCIP so that CBCIP could send money periodically to some of the 3/22 and 6/21 borrowers to enable them to keep their loans current; and c) provide funds to Respondent Lenz and his various related entities.

94. At the time Respondent Weand recommended the Walpole Loans for approval, Respondent Weand was aware of the true purpose of the Walpole Loans.

95. Respondent Weand did not disclose the true purpose of the Walpole Loans to the Board or Credit Committee.

96. Another of the Additional Related Loans is the $2,000,000 loan to FWD Corporation ("FWD Loan"). The stated purpose of that loan was working capital.

97. The proceeds of the FWD Loan were not used for the stated purpose, but rather transferred to the account of Respondent Lenz and used to pay Respondent Lenz's federal tax obligation in the amount of $2,000,000.

98. Upon information and belief, at the time Respondent Weand recommended the FWD Loan for approval, Respondent Weand was aware of the true purpose of the FWD Loan.

99. Respondent Weand did not disclose the true purpose of the FWD Loan to the Board or Credit Committee.

The 6/23 Sunday Night Board Meeting

100. On or about April 1, 2002, a joint FDIC/State of Connecticut Department of Banking examination of CBC began ("2002 Examination").

101. In or around June 2002, the FDIC and the State of Connecticut Department of Banking (hereinafter referred to collectively as the "Regulators") informed CBC that the Regulators planned to have meetings with CBC management and its Board of Directors, on June 24, 2002 and June 25, 2002, respectively.

102. On June 23, 2002, a Sunday evening, an interim meeting of CBC's Board of Directors was conducted by telephone ("Sunday Night Meeting"). Respondents Lenz, Weand, Cuevas, Dunlap, Levine, Reed, and Asche participated in the Sunday Night Meeting.

103. Prior to the Sunday Night Meeting, Respondent Lenz and Respondent Weand were aware that results of the 2002 Examination were likely to show a severe deterioration in CBC's condition from the prior examination and, consequently, that there was a possibility of additional regulatory actions being taken by the Regulators against either the Bank or themselves personally.

104. The members of the Board of Directors were given no more than two days' notice of the Sunday Night Meeting. One of the main reasons given to the members of the Board of Directors at the Sunday

Night Meeting was the fear that, at the meetings scheduled for the two following days, the Regulators might prohibit or restrict CBC's ability to extend credit.

105. A number of one-year extensions of maturity on loans to close business associates of Respondent Lenz and entities owned or controlled by these individuals, Respondent Lenz, or Respondent Lenz's family were presented to, and approved by the Board of Directors ("6/23 Extensions"). All of the 6/23 Extensions were approved based solely upon oral presentations. No Status Reports or other written loan presentations were prepared and given to the members of the Board of Directors to review in support of these proposed extensions. The names of the borrowers and the original dates and amounts of the loans are:

Borrower Name	Loan Date	Loan Amount
Almonte Investment Partners, LP	06/15/2000	$1,500,000
Richard Kresch	03/20/2000	$1,100,000
NetTech Solutions, LLC	11/28/2000	$4,750,000
NetTech Solutions, LLC	11/28/2000	$ 600,000
Northern Healthcare Associates	10/10/1996	$ 500,000
Texas Encore Materials	11/14/2001	$ 100,000
F. Ross Walpole	05/07/2001	$4,200,000
F. Ross Walpole	05/07/2001	$1,540,000

106. The 6/23 Extensions violated the C&D and exhibited numerous unsafe or unsound characteristics including, but not limited to the fact that the CBC Board of Directors did not affirmatively determine that:

a. the extension of credit was in full compliance with CBC's loan policy;
b. that the extension was necessary to protect the Bank's interest or was adequately secured;
c. that based upon a credit analysis, the borrower was deemed creditworthy; and
d. that all necessary loan documentation was on file, including, but not limited to, current financial and cash flow information.

107. In addition, two large, structured finance proposals totaling approximately $11,500,000 ("6/23 New Loans") were presented to and approved by CBC's Board of Directors at the meeting, despite the fact that the members of the Board either did not have any written loan presentations to review, or, if they had written loan presentations, they were inadequate and they only had them in their possession for a few hours.

108. The 6/23 New Loans violated the C&D and exhibited numerous unsafe or unsound characteristics including, but not limited to:

a. violation of CBC's loan policy guidelines and standards;
b. lack of adequate financial statements of borrowers;
c. lack of adequate analysis regarding borrowers' ability to repay and credit risk; and
d. deficient loan documentation.

109. The Respondent Directors described in Paragraph 102 above breached their fiduciary duties by voting to approve some or all of the 6/23 Extensions and 6/23 New Loans under circumstances that should have caused the Respondent Directors to question the propriety of the loans and extensions. These circumstances include, but are not limited to:

a. the Respondent Directors were or should have been aware of prior regulatory criticism regarding the Bank's lending function;

b. many of the loans and extensions were presented verbally only, with no Status Reports or other written presentation;

c. the written loan proposals presented to the Respondent Directors lacked information necessary to make an informed credit decision, such as the financial condition of the borrower and an analysis of the borrower's ability to repay; and

d. many of the loans were in contravention of the Bank's loan policy.

110. The following day, June 24, 2002, $11,500,000 of loan proceeds from the 6/23 New Loans were wired out of CBC to a law firm which was temporarily holding the funds in escrow.

111. On June 26, 2002, CBC was closed by the Banking Commissioner of the State of Connecticut. After CBC failed, the FDIC, as receiver for CBC, was able to secure the return of the 6/23 New Loans funds.

Allegations Particular to Respondent Lenz

112. Unsafe or unsound practices, breaches of fiduciary duties, or violations of law committed by Respondent Lenz in carrying out his responsibilities as the Chairman of CBC's Board of Directors with respect to the transactions, incidents, and/or series of events described above, include, but are not limited to, the following:

a. Initiating and implementing straw or nominee loan schemes.

b. Receiving, directly or indirectly, in excess of $20,000,000 in straw or nominee loan proceeds.

c. Causing the misapplication of approximately $40,000,000 in straw or nominee loan proceeds.

d. Knowingly making material misrepresentations of fact, and/or failing to disclose material information to CBC's Board of Directors and Credit Committee regarding the 3/22 Loans, the 6/21 Loans, the Additional Related Loans, the 6/23 Extensions, and the 6/23 New Loans.

e. Knowingly making material misrepresentations of fact, and/or failing to disclose material information to the FDIC and/or the State of Connecticut Department of Banking.

f. Conducting the affairs of CBC for his own benefit rather than for the benefit of the Bank, in breach of his duty of loyalty to CBC.

g. Knowingly causing CBC to violate a written condition imposed by the FDIC with respect to its approval of CBC's application to enter into the MTB Transaction.

h. Knowingly causing or knowingly or recklessly allowing CBC to file Call Reports containing false or materially inaccurate information.

i. Participating in the Sunday Night Meeting, and voting for approval of the 6/23 Extensions and the 6/23 New Loans, knowing that the credits were poorly underwritten and risky, and that the Board of Directors did not have sufficient time or information to adequately evaluate the proposed credits.

j. Voting for approval of some or all of the 3/22 Loans, the Additional Related Loans, the 6/23 New Loans, and the 6/23 Extensions, despite the fact that he knew they were fraudulent, unsafe or unsound, in violation of the Bank's loan policy, and/or in violation of law or regulation.

k. Violating CBC's conflict of interest policy.

l. Causing CBC to violate the C&D by voting for and participating in the discussion and approval of the 6/23 New Loans and 6/23 Extensions, knowing that such loans did not comply with the requirements of the Order.

m. Causing or permitting the inclusion of false or materially inaccurate information in the Officer's Questionnaire provided to the FDIC as part of the 2001 and 2002 examinations.

n. Violating, or causing or permitting CBC to violate Reg O with respect to some or all of the 3/22 Loans, the 6/21 Loans, the Additional Related Loans, and the 6/23 Extensions, in that those loans:

i. were not made on substantially the same terms and following credit underwriting procedures that were not less stringent than those prevailing at the time for comparable transactions by CBC with other persons not covered by Reg O;

ii. involved more than the normal risk of repayment or presented other unfavorable features;

iii. were not approved in advance by a majority of CBC's Board of Directors with the interested party abstaining from participating directly or indirectly in the voting;

iv. exceeded the "Individual Lending Limit" set forth in paragraphs 215.2(i) and 215.4(c) of Reg O;

v. exceeded the "Aggregate Lending Limit" set forth in paragraph 215.4(d) of Reg O, when aggregated with all of the other outstanding extensions of credit by CBC to "insiders;" or,

vi. exceeded the additional limitations on loans to executive officers set forth in paragraph 215.5(a) of Reg O.

o. Causing or permitting CBC to operate with materially false records.

Allegations Particular to Respondent Weand

113. Unsafe or unsound practices, breaches of fiduciary duties, or violations of law committed by Respondent Weand in carrying out his responsibilities as the CBC's President, Chief Executive Officer, and Chief Lending Officer with respect to the transactions, incidents, and/or series of events described above include, but are not limited to, the following:

a. Implementing and participating in straw or nominee loan schemes.

b. Causing the misapplication of approximately $40,000,000 in straw or nominee loan proceeds.

c. Knowingly making material misrepresentations of fact, and/or failing to disclose material information to CBC's Board of Directors and Credit Committee regarding the 3/22 Loans, the 6/21 Loans, the Additional Related Loans, the 6/23 Extensions, and the 6/23 New Loans.

d. Knowingly making material misrepresentations of fact, and/or failing to disclose material information to the FDIC and/or the State of Connecticut Department of Banking.

e. Knowingly causing CBC to violate a written condition imposed by the FDIC with respect to its approval of CBC's application to enter into the MTB Transaction.

f. Knowingly causing or knowingly or recklessly allowing CBC to file Call Reports containing false or materially inaccurate information.

g. Participating in the Sunday Night Meeting, and recommending or acquiescing in the approval of the 6/23 New Loans and the 6/23 Extensions, knowing that the credits were poorly underwritten and risky, and that the Board of Directors did not have sufficient time or information to adequately evaluate the proposed credits.

h. Recommending or acquiescing in the approval of some or all of the 3/22 Loans, the 6/21 Loans, the Additional Related Loans, the 6/23 New Loans, and the 6/23 Extensions, despite the fact that he knew they were fraudulent, unsafe or unsound, in violation of the Bank's loan policy, and/or in violation of law or regulation.

i. Voting for approval of some or all of the 6/21 Loans, and the Additional Related Loans, despite the fact that he was not a CBC director and that he knew the credits were fraudulent, unsafe or unsound, in violation of the Bank's loan policy, and/or in violation of law or regulation.

j. Aiding and abetting Respondent Lenz in violating CBC's conflict of interest policy.

k. Causing CBC to violate the C&D by participating in the discussion and approval of the 6/23 New Loans and 6/23 Extensions, knowing that such loans did not comply with the requirements of the Order.

l. Violating, or causing or permitting CBC to violate Reg. O with respect to some or all of the 3/22 Loans, the 6/21 Loans, the Additional Related Loans, and the 6/23 Extensions, in that those loans:

i. were not made on substantially the same terms and following credit underwriting procedures that were not less stringent than those prevailing at the time for comparable transactions by CBC with other persons not covered by Reg O;

ii. involved more than the normal risk of repayment or presented other unfavorable features;

iii. were not approved in advance by a majority of CBC's Board of Directors with the interested party abstaining from participating directly or indirectly in the voting;

iv. exceeded the "Individual Lending Limit" set forth in paragraphs 215.2(i) and 215.4(c) of Reg O;

v. exceeded the "Aggregate Lending Limit" set forth in paragraph 215.4(d) of Reg O, when aggregated with all of the other outstanding extensions of credit by CBC to "insiders;" or,

vi. exceeded the additional limitations on loans to executive officers set forth in paragraph 215.5(a) of Reg O.

m. Causing or permitting CBC to operate with materially false records.

n. Preparing or directing the preparation of Status Reports containing incomplete, misleading or false underwriting information.

o. Recommending large, high risk loans for approval by CBC's Board and/or Credit Committee in disregard of prudent loan underwriting criteria and safe and sound banking practices, for the benefit of Respondent Lenz.

p. Causing or permitting the inclusion of false or materially inaccurate information in the Officer's Questionnaire provided to the FDIC as part of the 2001 and 2002 examinations.

q. Knowingly exceeding his lending authority by directing the disbursement of loan proceeds for loans that lacked requisite CBC Board or Credit Committee approval.

r. Failing to provide adequate supervision and direction to the operating management and lending staff of the Bank.

Allegations Particular to Respondent Cuevas

114. Unsafe or unsound practices, breaches of fiduciary duties, or violations committed by Respondent Cuevas in carrying out his responsibilities as a member of CBC's Board of Directors with respect to the transactions, incidents, and/or series of events described above constitute a pattern of misconduct, and include, but are not limited to, the following:

a. voting for approval of the 3/22 Loans, the 6/21 Loans, the Additional Related Loans, the 6/23 New Loans, and the 6/23 Extensions, despite numerous unsafe or unsound characteristics including, but not limited to:

  i. absence of sufficient financial and credit underwriting information to make an informed decision;

  ii. terms and conditions inconsistent with the size of the Bank, typical types of credit offered, and levels of expertise of Bank lending officers;

  iii. failure to follow loan policy guidelines and standards;

  iv. failure to allow for adequate review; and/or

  v. unjustified reliance on verbal assurances of Bank management and insiders rather than prudent and customary written analysis and documentation.

b. violating or causing or permitting CBC to violate the C&D by approving the 6/23 New Loans and the 6/23 Extensions;

c. failing to exercise independent judgment, particularly with respect to his role in reviewing and approving proposed loans;

d. inadequately implementing prior regulatory recommendations, including but not limited to operating with inadequate disclosure, due diligence, and oversight of insider-related transactions and potential conflicts of interest.

Allegations Particular to Respondent Dunlap

115. Unsafe or unsound practices, breaches of fiduciary duties, or violations committed by Respondent Dunlap in carrying out his responsibilities as a member of CBC's Board of Directors with respect to the transactions, incidents, and/or series of events described above constitute a pattern of misconduct, and include, but are not limited to, the following:

a. voting for approval of the 3/22 Loans, the 6/21 Loans, the Additional Related Loans, the 6/23 New Loans, and the 6/23 Extensions, despite numerous unsafe or unsound characteristics including, but not limited to:

  i. absence of sufficient financial and credit underwriting information to make an informed decision;

  ii. terms and conditions inconsistent with the size of the Bank, typical types of credit offered, and levels of expertise of Bank lending officers;

  iii. failure to follow loan policy guidelines and standards;

  iv. failure to allow for adequate review; and/or

  v. unjustified reliance on verbal assurances of Bank management and insiders rather than prudent and customary written analysis and documentation.

b. violating or causing or permitting CBC to violate the C&D by approving the 6/23 New Loans and the 6/23 Extensions;

c. failing to exercise independent judgment, particularly with respect to his role in reviewing and approving proposed loans;

d. inadequately implementing prior regulatory recommendations, including but not limited to operating with inadequate disclosure, due diligence, and oversight of insider-related transactions and potential conflicts of interest.

Allegations Particular to Respondent Levine

116. Unsafe or unsound practices, breaches of fiduciary duties, or violations committed by Respondent Levine in carrying out his responsibilities as a member of CBC's Board of Directors with respect to the transactions, incidents, and/or series of events described above constitute a pattern of misconduct, and include, but are not limited to, the following:

a. voting for approval of some or all of the 3/22 Loans, upon information and belief; and voting for approval of the 6/21 Loans, some or all of the Additional Related Loans, the 6/23 New Loans, and the 6/23 Extensions, despite numerous unsafe or unsound characteristics including, but not limited to:

i. absence of sufficient financial and credit underwriting information to make an informed decision;

ii. terms and conditions inconsistent with the size of the Bank, typical types of credit offered, and levels of expertise of Bank lending officers;

iii. failure to follow loan policy guidelines and standards;

iv. failure to allow for adequate review; and/or

v. unjustified reliance on verbal assurances of Bank management and insiders rather than prudent and customary written analysis and documentation.

b. violating or causing or permitting CBC to violate the C&D by approving the 6/23 Loans and the 6/23 Extensions;

c. failing to exercise independent judgment, particularly with respect to his role in reviewing and approving proposed loans;

d. inadequately implementing prior regulatory recommendations, including but not limited to operating with inadequate disclosure, due diligence, and oversight of insider-related transactions and potential conflicts of interest.

Allegations Particular to Respondent Marks

117. Unsafe or unsound practices, breaches of fiduciary duties, or violations committed by Respondent Marks in carrying out his responsibilities as a member of CBC's Board of Directors with respect to the transactions, incidents, and/or series of events described above constitute a pattern of misconduct, and include, but are not limited to, the following:

a. voting for approval of the 3/22 Loans, despite numerous unsafe or unsound characteristics including, but not limited to:

i. absence of sufficient financial and credit underwriting information to make an informed decision;

ii. terms and conditions inconsistent with the size of the Bank, typical types of credit offered, and levels of expertise of Bank lending officers;

iii. failure to follow loan policy guidelines and standards;

iv. failure to allow for adequate review; and/or

v. unjustified reliance on verbal assurances of Bank management and insiders rather than prudent and customary written analysis and documentation.

b. abdicating his fiduciary duties as a director by, among other things, a pattern and practice of frequent absences from Board and Credit Committee meetings;

c. failing to exercise independent judgment, particularly with respect to his role in reviewing and approving proposed loans;

d. inadequately implementing prior regulatory recommendations, including but not limited to operating with inadequate disclosure, due diligence, and oversight of insider-related transactions and potential conflicts of interest.

Allegations Particular to Respondent Reed

118. Unsafe or unsound practices, breaches of fiduciary duties, or violations committed by Respondent Reed in carrying out his responsibilities as a member of CBC's Board of Directors with respect to the transactions, incidents, and/or series of events described above constitute a pattern of misconduct, and include, but are not limited to, the following:

a. voting for approval of the 6/23 New Loans and some or all of the Additional Related Loans, despite numerous unsafe or unsound characteristics including, but not limited to:

i. absence of sufficient financial and credit underwriting information to make an informed decision;

ii. terms and conditions inconsistent with the size of the Bank, typical types of credit offered, and levels of expertise of Bank lending officers;

iii. failure to follow loan policy guidelines and standards;

iv. failure to allow for adequate review; and/or

v. unjustified reliance on verbal assurances of Bank management and insiders rather than prudent and customary written analysis and documentation.

b. violating or causing or permitting CBC to violate the C&D by approving the 6/23 New Loans;

c. failing to exercise independent judgment, particularly with respect to his role in reviewing and approving proposed loans;

d. inadequately implementing prior regulatory recommendations, including but not limited to operating with inadequate disclosure, due diligence, and oversight of insider-related transactions and potential conflicts of interest.

Allegations Particular to Respondent Asche

119. Unsafe or unsound practices, breaches of fiduciary duties, or violations committed by Respondent Asche in carrying out his responsibilities as a member of CBC's Board of Directors with respect to the transactions, incidents, and/or series of events described above constitute a pattern of misconduct, and include, but are not limited to, the following:

a. voting for approval of the 6/23 New Loans, some of the 6/23 Extensions, and some of the Additional Related Loans, despite numerous unsafe or unsound characteristics including, but not limited to:

i. absence of sufficient financial and credit underwriting information to make an informed decision;

ii. terms and conditions inconsistent with the size of the Bank, typical types of credit offered, and levels of expertise of Bank lending officers;

iii. failure to follow loan policy guidelines and standards;

iv. failure to allow for adequate review; and/or

v. unjustified reliance on verbal assurances of Bank management and insiders rather than prudent and customary written analysis and documentation.

b. violating or causing or permitting CBC to violate the C&D by approving the 6/23 New Loans and some of the 6/23 Extensions;

c. failing to exercise independent judgment, particularly with respect to his role in reviewing and approving proposed loans;

d. inadequately implementing prior regulatory recommendations, including but not limited to operating with inadequate disclosure, due diligence, and oversight of insider-related transactions and potential conflicts of interest.

NOTICE OF INTENTION
TO PROHIBIT FROM FURTHER PARTICIPATON
(RESPONDENT LENZ AND RESPONDENT WEAND)

120. Paragraphs 1 through 113 are realleged and incorporated herein by reference.

121. By reason of the acts, omissions and/or practices set forth above, Respondent Lenz and Respondent Weand have engaged in violations of laws, rules and regulations; violations of a cease-and-desist order which had become final; violation of a condition imposed in writing by the FDIC in connection with the grant of an application by CBC; unsafe or unsound practices in connection with CBC; and breaches of fiduciary duty.

122. By reason of the violations, unsafe or unsound practices and breaches of fiduciary duty set forth above, CBC has suffered or will probably suffer financial loss or other damage, the interests of CBC's depositors have been or could be prejudiced, and Respondent Lenz and Respondent Weand have received financial gain or other benefit.

123. The violations, unsafe or unsound practices, and breaches of fiduciary duty committed by Respondent Lenz and Respondent Weand as set forth above involve personal dishonesty and demonstrate a willful or continuing disregard for the safety or soundness of CBC.

NOTICE OF CHARGES FOR ORDERS OF RESTITUTION
AND OTHER APPROPRIATE RELIEF
(RESPONDENT LENZ AND RESPONDENT WEAND)

124. Paragraphs 1 through 113 are realleged and incorporated herein by reference.

125. Respondent Lenz was unjustly enriched in the amount of at least $20 million as a result of the violations and unsafe or unsound practices set forth above, in that, among other things, he received the proceeds of the 3/22 Loans and used those proceeds, instead of personal assets, to make the FDIC Required Capital Injection, as more particularly alleged in paragraphs 31 through 66 above.

126. By reason of the allegations set forth above, Respondent Lenz and Respondent Weand have engaged in unsafe or unsound practices in conducting the business of CBC, and have violated laws, rules, and regulations and a condition imposed in writing by the FDIC in connection with the grant of an application by CBC.

127. The violations and practices set forth above involved a reckless disregard for the law, applicable regulations, and the 2001 FDIC Cease and Desist Order by Respondent Lenz and Respondent Weand.

128. By reason of the violations and practices involving reckless disregard set forth above, Respondent Lenz and Respondent Weand caused or were primarily responsible for causing CBC to make the 3/22 Loans, the 6/21 Loans, the Additional Related Loans, and the 6/23 Extensions, which had

an aggregate unpaid balance of at least $34 million when CBC was closed and exposed CBC and the FDIC as receiver for CBC to losses of at least $34 million.

NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES,
FINDINGS OF FACT AND CONCLUSIONS OF LAW

129. Paragraphs 1 through 128 are realleged and incorporated herein by reference and constitute FINDINGS OF FACT AND CONCLUSIONS OF LAW for the purposes of this NOTICE OF ASSESSMENT.

130. By reason of the acts, omissions and/or practices set forth above, the following Respondents violated a law or regulation:

a. Respondent Lenz; and

b. Respondent Weand

131. By reason of the acts, omissions and/or practices set forth above, the following Respondents violated a final order issued by the FDIC pursuant to subsection 8(b) of the Act, 12 U.S.C. § 1818(b):

a. Respondent Lenz

b. Respondent Weand

c. Respondent Cuevas

d. Respondent Dunlap

e. Respondent Levine

f. Respondent Reed

g. Respondent Asche

132. By reason of the acts, omissions and/or practices set forth above, the following Respondents violated a condition imposed in writing by the appropriate Federal banking agency, the FDIC, in connection with the grant of an application by CBC:

a. Respondent Lenz; and

b. Respondent Weand

133. By reason of the acts, omissions and/or practices set forth above, the following Respondents recklessly engaged in unsafe or unsound practices in conducting the affairs of CBC and breached their fiduciary duties to CBC:

a. Respondent Lenz

b. Respondent Weand

c. Respondent Cuevas

d. Respondent Dunlap

e. Respondent Levine

f. Respondent Marks

g. Respondent Reed

h. Respondent Asche

134. The violations, practices and breaches of fiduciary duty set forth above were part of a pattern of misconduct, or caused or were likely to cause more than a minimal loss to CBC and/or the FDIC as receiver for CBC, on the part of the following Respondents:

a. Respondent Cuevas

b. Respondent Dunlap

c. Respondent Levine

d. Respondent Marks

e. Respondent Reed

f. Respondent Asche

135. The violations, practices and breaches of fiduciary duty set forth above were committed knowingly, and knowingly or recklessly caused a substantial loss to CBC and/or the FDIC as receiver for CBC, or knowingly or recklessly caused a substantial pecuniary gain or other benefit by reason of such violations, practices, or breaches, by the following Respondents:

a. Respondent Lenz; and

b. Respondent Weand

ORDER TO PAY

136. By reason of the knowing violations, practices and breaches, which knowingly or recklessly caused a substantial loss to CBC and/or to the FDIC as receiver for CBC, or which knowingly or recklessly caused a substantial pecuniary gain or other benefit to Respondent Lenz and Respondent Weand, as set forth in the NOTICE OF ASSESSMENT, the FDIC has concluded that civil money penalties should be assessed against Respondent Lenz and Respondent Weand pursuant to section 8(i)(2)(C) of the Act, 12 U.S.C. § 1818(i)(2)(C).

137. By reason of the violations, reckless engagement in unsafe or unsound practices, and breaches of fiduciary duty, which were part of a pattern of misconduct and caused or were likely to cause more than minimal loss to CBC and/or FDIC as receiver of CBC, by Respondent Cuevas, Respondent Dunlap, Respondent Levine, Respondent Marks, Respondent Reed and Respondent Asche, as set forth in the NOTICE OF ASSESSMENT, the FDIC has concluded that civil money penalties should be assessed against the aforesaid Respondent Directors pursuant to section 8(i)(2)(B) of the Act, 12 U.S.C. § 1818(i)(2)(B).

138. After taking into account the appropriateness of the penalties with respect to the size of the financial resources and good faith of each of the Respondents, the gravity of the violations, practices or breaches, the history or previous violations, unsafe or unsound practices, or breaches of fiduciary duty, and other matters as justice may require, it is:

ORDERED, that by reason of the violations, practices, and breaches of fiduciary duty set forth above, penalties be and hereby are assessed against Respondent Lenz and Respondent Weand pursuant to section 8(i)(2)(C) of the Act, 12 U.S.C. § 8(i)(2)(C), as follows:

a. against Respondent Lenz, a penalty of $2,000,000;

b. against Respondent Weand, a penalty of $1,000,000.

FURTHER ORDERED, that by reason of the violations, practices, and breaches of fiduciary duty set forth above, penalties be and hereby are assessed against the Respondent Directors pursuant to section 8(i)(2)(B) of the Act, 12 U.S.C. § 1818(i)(2)(B) as follows:

a. against Respondent Cuevas, a penalty of $500,000;

b. against Respondent Dunlap, a penalty of $500,000;

c. against Respondent Levine, a penalty of $500,000;

d. against Respondent Reed, a penalty of $250,000;

e. against Respondent Marks, a penalty of $250,000;

f. against Respondent Asche, a penalty of $250,000.

FURTHER ORDERED, that the effective date of this ORDER TO PAY be, and hereby is, stayed until 20 days after the date of receipt of the NOTICE OF ASSESSMENT by the Respondent, during which time each of the Respondents may file an Answer and Request a Hearing pursuant to section 8(i)(2)(H) of the Act, 12 U.S.C. § 1818(i)(2)(H), and section 308.19 of the FDIC Rules, 12 C.F.R. § 308.19.

NOTICE OF HEARING

139. Notice is hereby given that a hearing shall commence at Hartford, Connecticut, sixty (60) days from the date of service of this NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION with respect to Respondent Lenz and Respondent Weand; NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES upon each of the Respondents; and NOTICE OF CHARGES FOR ORDERS OF RESTITUTION AND OTHER APPROPRIATE RELIEF with respect to Respondent Lenz and Respondent Weand, or on such date as the parties to this action and the Administrative Law Judge appointed to hear this matter may agree, or at such other place as the parties to this proceeding and the Administrative Law Judge may agree, for the purpose of taking evidence on the charges herein specified, in order to determine whether a permanent order should be issued to prohibit Respondent Lenz and Respondent Weand from further participation in the conduct of the affairs of any insured depository institution or organization enumerated in section 8(e)(7)(A) of the Act, 12 U.S.C. § 1818(e)(7)(A), without the prior permission of the FDIC and the appropriate Federal financial institutions regulatory agency, as that term is defined in section 8(e)(7)(D) of the Act, 12 U.S.C. § 1818(e)(7)(D). Except that with respect to the NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES as to each of the Respondents, the Respondents must specifically request a hearing within 20 days pursuant to section 8(i)(2)(H) of the Act, 12 U.S.C. § 1818(i)(2)(H), and section 308.19 of the FDIC Rules, 12 C.F.R. § 308.19. If any Respondent fails to file a request for a hearing within 20 days of the service of the NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES on him, the penalty assessed against him pursuant to the ORDER TO PAY will be final and shall be paid within 60 days after the NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES is served on him.

140. With respect to the NOTICE OF CHARGES FOR ORDERS OF RESTITUTION AND OTHER APPROPRIATE RELIEF against Respondent Lenz and Respondent Weand, notice is hereby given that a hearing will be held in Hartford, Connecticut, commencing 60 days from the date of service on Respondent Lenz and Respondent Weand of this NOTICE, or on such date as may be set by the Administrative Law Judge appointed to hear the matter, for the purpose of taking evidence on the charges herein before specified in order to determine whether an appropriate ORDER should be issued under the Act requiring Respondent Lenz to make restitution, reimbursement, and/or guarantee against loss in the amount of at least $34 million, including at least $20 million, the amount by which Respondent Lenz was unjustly enriched, and requiring Respondent Weand to make restitution, reimbursement, and/or guarantee against loss in the amount of at least $34 million.

141. The hearing will be public, and in all respects, conducted in accordance with the provisions of the Act, 12 U.S.C. §§ 1811-1831y, the Administrative Procedure Act, 5 U.S.C. §§ 551-559, and the FDIC Rules of Practice and Procedure, 12 C.F.R. Part 308. The hearing will be held before an Administrative Law Judge to be appointed by the Office of Financial Institution Adjudication pursuant to 5 U.S.C. § 3105. The exact time and precise location of the hearing will be determined by the Administrative Law Judge.

142. Respondent Lenz and Respondent Weand are hereby directed to file an answer to the NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION and NOTICE OF CHARGES FOR ORDERS OF RESTITUTION AND OTHER APPROPRIATE RELIEF within twenty (20) days from the

date of service, as provided by section 308.19 of the FDIC Rules of Practice and Procedure, 12 C.F.R. § 308.19. Each of the Respondents are directed to file an answer to the NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY within twenty (20) days from the date of service, as provided by section 308.19 of the FDIC Rules, 12 C.F.R. § 308.19. Respondent Lenz and Respondent Weand are also directed to file an answer to the NOTICE OF CHARGES FOR ORDERS OF RESTITUTION AND OTHER APPROPRIATE RELIEF within twenty (20) days from the date of service, as provided by section 308.19 of the FDIC Rules, 12 C.F.R. § 308.19. An original and one copy of all papers filed in this proceeding shall be served upon the Office of Financial Institution Adjudication, 1770 G Street, N.W., Washington, D.C. 20552, pursuant to section 308.10 of the FDIC Rules, 12 C.F.R. § 308.10. Copies of all papers filed in this proceeding shall be served upon the Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th St., N.W. (MB-3094), Washington, D.C. 20429; A. T. Dill, III, Senior Counsel, Legal Division, Compliance and Enforcement Section, Federal Deposit Insurance Corporation, 550 17th St., N.W., Washington, D.C. 20429; and upon David A. Schecker, Regional Counsel, Federal Deposit Insurance Corporation, 15 Braintree Hill Office Park, Braintree, MA 02184.

Pursuant to delegated authority.

Dated at Washington, D.C., this ______ day of ______, 2002.

Michael J. Zamorski, Director
Division of Supervision and Consumer Protection