

COMMONWEALTH OF MASSACHUSETTS

MIDDLESEX, ss

SUPERIOR COURT DEPARTMENT  
OF THE TRIAL COURT  
CIVIL ACTION NO. 90-6712

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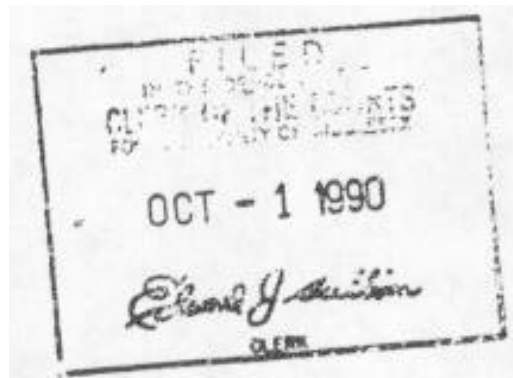
COMFED SAVINGS BANK, FSB, AND  
COMFED MORTGAGE CO., INC.,

Plaintiffs,

v.

JAMES G. BALDINI,  
RAYMOND F. MILLER, JR.,  
FREDERICK P. MALOOF,  
WILLIAM M. PORTER,  
CHARLES F. McCANNON, JR.,  
FRANK A. BUCO,  
JOHN E. DISTEFANO,  
MARK A. CAMPBELL,  
CYNTHIA R. LAWRENSON,  
VALERIE RYDELL,  
PETER G. SAVARD,  
JEFFERY L. ARSENAULT,  
VIVIAN OTA,  
MICHAEL J. FOX,  
KATHLEEN R. TARR,  
RICHARD HUNTER,  
THOMAS A. BENJAMIN,  
DAVID V. CHIRIACO,  
DONALD PIETRAFEASA,  
ANTHONY COLICCHIO,  
RICHARD A. SORDILLO,  
JOHN R. DELGAIZO,  
CHRISTOPHER J. ANISKOVICH,  
MICHAEL J. SIRACO,  
PATRICIA A. HAJJAR,  
JAMES F. DOYLE,  
W. HENRY COLEMAN,  
VINCENT CRUPI,  
WILLIAM H. MCKENNA,  
ANTHONY C. SMITH,  
CAROL L. JOHNSON,  
CARL MANCUSO,  
ROBERT A. LEVITRE,  
KEVIN ANZUNI, and  
RALPH DELDON,

Defendants.



## COMPLAINT

1. The allegations contained in this Complaint are made on the basis of personal knowledge insofar as they relate to the plaintiffs and certain matters alleged below, and on the basis of information and belief as to other matters alleged below.

### PRELIMINARY STATEMENT

2. Plaintiffs ComFed Savings Bank, FSB (the "Bank") and ComFed Mortgage Co., Inc. (the "Mortgage Company") (hereinafter collectively referred to as "ComFed") bring this action to recover damages for losses they have sustained as a result of the wrongful conduct of ComFed lending officers in connection with the origination of mortgage loans to residential and commercial borrowers in the Northeast region. Specifically, these lending officers caused ComFed to make numerous unsafe and unsound loans by falsifying data on loan applications and in loan-related documents, utilizing appraisers known to give inflated appraisals of properties, and permitting second mortgages in favor of the sellers to be secretly placed on numerous properties that were the subject of first mortgage loans by ComFed. By engaging in such wrongful conduct, these lending officers breached their fiduciary duties of care and loyalty to ComFed, violated federal banking statutes and regulations governing the thrift industry, and defrauded ComFed. As a result of their wrongful conduct, ComFed has suffered extensive damages.

3. ComFed also seeks by this action to recover damages for losses it has incurred as a result of the wrongful conduct of

certain high level officers and executives of ComFed. These high level officers and executives, who were responsible for ensuring that ComFed's lending operations were conducted in accordance with law and sound banking practices, breached their fiduciary duties to ComFed by actively encouraging, knowingly acquiescing in, or negligently failing to detect, the wrongful conduct of ComFed's lending officers in the origination of mortgage loans. These high level officers and executives further harmed ComFed by themselves engaging in transactions that involved intentional misconduct, self-dealing, or gross negligence. By engaging in such wrongful conduct, these high level officers and executives breached their fiduciary duties of care and loyalty to ComFed, violated federal banking statutes and regulations governing the thrift industry, breached their employment agreements, and defrauded ComFed. As a result of their wrongful conduct, ComFed has suffered extensive damages.

#### THE PARTIES

4. Plaintiff ComFed Savings Bank, FSB, is a federally chartered, federally insured savings bank having its principal place of business at 45 Central Street, Lowell, Middlesex County, Commonwealth of Massachusetts. ComFed Savings Bank, FSB, is in the business, inter alia, of originating, buying, selling, and servicing mortgage loans.

5. Plaintiff ComFed Mortgage Co., Inc., is a corporation duly organized under the laws of the Commonwealth of Massachusetts having its principal place of business at 44 Middle

Street, Lowell, Middlesex County, Commonwealth of Massachusetts. ComFed Mortgage Co., Inc., is in the business of originating, buying, selling, and servicing mortgage loans, and is a wholly-owned subsidiary of ComFed Savings Bank, FSB.

6. At all times relevant to the allegations contained in this Complaint until June 14, 1988, defendant Baldini was the President and Chief Executive Officer of the Mortgage Company and its two wholly-owned subsidiaries, ComFed Appraisal Services, Inc., and ComFed Advisory Co., Inc. Baldini resides at 709 Monument Street, Concord, Massachusetts.

7. At all times relevant to the allegations contained in this Complaint until November 30, 1988, defendant Miller was the President and Chief Executive Officer of the Bank. Miller resides at 287 Lindsay Pond Road, Concord, Massachusetts.

8. At all times relevant to the allegations contained in this Complaint until March 6, 1989, defendant Maloof was a Senior Vice President of ComFed Advisory Co., Inc. Maloof resides at 28 Daventry Court, Lynnfield, Massachusetts.

9. At all times relevant to the allegations contained in this Complaint until June 30, 1989, defendant Porter was a Senior Vice President of ComFed Advisory Co., Inc. Porter resides at 18 Samuel Parlin Drive, Acton, Massachusetts.

10. At all times relevant to the allegations contained in this Complaint until in or about June 1988, defendant McCannon was an attorney who regularly represented ComFed in connection

with loan transactions. McCannon maintained his law practice at 3 village Square, Chelmsford, Massachusetts.

11. At all times relevant to the allegations contained in this Complaint until August 2, 1987, defendant Buco was a loan originator in the Salem, New Hampshire office of ComFed Mortgage Co., Inc., and the branch manager of that office. From August 3, 1987, until April 7, 1989 Buco was an Executive Vice President of the Mortgage Company. Buco resides at 730 Boxford Street, North Andover, Massachusetts.

12. At all times relevant to the allegations contained in this Complaint until October 28, 1988, defendant DiStefano was a Senior Vice President of ComFed Mortgage Co., Inc. DiStefano resides at 271 Campbell Road, North Andover, Massachusetts.

13. At all times relevant to the allegations contained in this Complaint until December 15, 1987, defendant Campbell was a loan originator for ComFed Savings Bank in the loan origination office of the Lowell, Massachusetts branch of the Bank and the branch manager of that office and also of various satellite loan origination offices in other Bank branches, including the loan origination offices located in Burlington, Acton, Tewksbury, Pepperell, Leominster, and Littleton, Massachusetts. Campbell resides at Lot 16, Highland Street, Dunstable, Massachusetts.

14. At all times relevant to the allegations contained in this Complaint until September 30, 1988, defendant Lawrenson was a loan originator for ComFed Savings Bank in the loan origination

office of the Burlington, Massachusetts branch of the Bank. Lawrenson resides at 31 Springdale Road, Dracut, Massachusetts.

15. At all times relevant to the allegations contained in this Complaint until September 30, 1988, defendant Rydell was a loan originator for ComFed Savings Bank in the loan origination office of the Burlington, Massachusetts branch of the Bank. Rydell resides at 25 Juniper Street, #16, Lowell, Massachusetts.

16. At all times relevant to the allegations contained in this Complaint until July 20, 1988 defendant Savard was a loan originator for ComFed Savings Bank in the loan origination office of the Acton, Massachusetts branch of the Bank. Savard resides at 42 Whitman Street, Lawrence, Massachusetts.

17. At all times relevant to the allegations contained in this Complaint until August 5, 1988, defendant Arsenault was a loan originator for ComFed Savings Bank in the loan origination office of the Lowell, Massachusetts branch of the Bank. Arsenault resides at 741 Varnum Avenue, Lowell, Massachusetts.

18. At all times relevant to the allegations contained in this Complaint until January 20, 1989, defendant Ota was a loan originator for ComFed Savings Bank in the loan origination office of the Tewksbury, Massachusetts branch of the Bank. Ota resides at 140 Abbott Street, Lawrence, Massachusetts.

19. At all times relevant to the allegations contained in this Complaint until October 28, 1988, defendant Fox was a loan originator for ComFed Savings Bank in the loan origination office

of the Tewksbury, Massachusetts branch of the Bank. Fox resides at 8 Donmac Drive, Derry, New Hampshire.

20. At all times relevant to the allegations contained in this Complaint until in or about September 1988, defendant Tarr was a loan originator for ComFed Savings Bank in the loan origination office of the Tewksbury, Massachusetts branch of the Bank and, from in or about September 1988, until April 2, 1990, a loan originator for ComFed Mortgage Company in the Wakefield, Massachusetts office of the Mortgage Company. Tarr resides at 14 Boardman Street, Haverhill, Massachusetts.

21. At all times relevant to the allegations contained in this Complaint until September 25, 1988, defendant Hunter was a loan originator for ComFed Savings Bank in the loan origination office of the Pepperell, Massachusetts branch of the Bank. Hunter resides at 28 Suncook Terrace, Merrimack, New Hampshire.

22. At all times relevant to the allegations contained in this Complaint until on or about July 21, 1988, defendant Benjamin was a loan originator for ComFed Savings Bank in the loan origination office of the Leominster, Massachusetts branch of the Bank. Benjamin resides at 2 Watgen Road, Atkinson, New Hampshire.

23. At all times relevant to the allegations contained in this Complaint until June 5, 1989, defendant Chiriaco was a loan originator for ComFed Mortgage Co., Inc., in the White Plains, New York office of the Mortgage Company and the branch manager of

that office. Chiriaco resides at 40 Lee Avenue, Ossining, New York.

24. At all times relevant to the allegations contained in this Complaint until April 5, 1989, defendant Pietrafesa was a loan originator for ComFed Mortgage Co., Inc., in the White Plains, New York office of the Mortgage Company. Pietrafesa resides at 37 Woodbridge Court, Babylon, New York.

25. At all times relevant to the allegations contained in this Complaint until December 12, 1988, defendant Colicchio was a loan originator for ComFed Mortgage Co. Inc., in the White Plains, New York office of the Mortgage Company. Colicchio resides at 164-12 95th Street, Howard Beach, New York.

26. At all times relevant to the allegations contained in this Complaint until on or about March 6, 1990, defendant Sordillo was a loan originator for ComFed Mortgage Co., Inc., in the Wakefield, Massachusetts office of the Mortgage Company and the branch manager of that office. Sordillo resides at 4 Buttonwood Lane, Danvers, Massachusetts.

27. At all times relevant to the allegations contained in this Complaint until July 26, 1989, defendant DelGaizo was a loan originator for ComFed Mortgage Co., Inc., in the Wakefield, Massachusetts office of the Mortgage Company. DelGaizo resides at 5 Garland Street, Everett, Massachusetts.

28. At all times relevant to the allegations contained in this Complaint until on or about September 14, 1988, defendant Aniskovich was a loan originator for ComFed Savings Bank in the

loan origination office of the Littleton, Massachusetts branch of the Bank and, from September 15, 1988, until April 11, 1989, a loan originator for ComFed Mortgage Company in the Wakefield, Massachusetts office of the Mortgage Company. Aniskovich resides at 6 Brandee Lane, Methuen, Massachusetts.

29. At all times relevant to the allegations contained in this Complaint until April 2, 1990, defendant Siraco was a loan originator for ComFed Mortgage Co., Inc., in the Wakefield, Massachusetts office of the Mortgage Company. Siraco resides at 21 Worthen Place, Tewksbury, Massachusetts.

30. At all times relevant to the allegations contained in this Complaint, defendant Haijar was a loan originator for ComFed Mortgage Co., Inc., in the Salem, New Hampshire office of the Mortgage Company and, from in or about August 1987, until April 10, 1989, the branch manager of that office. Hajjar resides at 20 Lancaster Farm Road, Salem, New Hampshire.

31. At all times relevant to the allegations contained in this Complaint until May 12, 1989, defendant Doyle was a loan originator for ComFed Mortgage Co., Inc., in the Salem, New Hampshire office of the Mortgage Company. Doyle resides at 12 Hallisey Drive, Newburyport, Massachusetts.

32. At all times relevant to the allegations contained in this Complaint until March 20, 1988, defendant Coleman was a loan originator for ComFed Mortgage Co., Inc., in the Boston, Massachusetts office of the Mortgage Company and the branch

manager of that office. Coleman resides at 17 Follen Street, Unit 4, Boston, Massachusetts.

33. At all times relevant to the allegations contained in this Complaint, defendant Crupi was a loan originator for ComFed Mortgage Co., Inc., in the Boston, Massachusetts office of the Mortgage Company and, from in or about March 1988, until October 17, 1988, the branch manager of that office. Crupi resides at 6 Harrison Avenue, Peabody, Massachusetts.

34. At all times relevant to the allegations contained in this Complaint until November 22, 1988, defendant McKenna was a loan originator for ComFed Mortgage Co., Inc., in the Boston, Massachusetts office of the Mortgage Company. McKenna resides at 10 Hartford Road, Arlington, Massachusetts.

35. At all times relevant to the allegations contained in this Complaint until March 30, 1988, defendant Smith was a loan originator for ComFed Mortgage Co., Inc., in the Boston, Massachusetts office of the Mortgage Company. Smith resides at 316 Normandy Drive, Norwood, Massachusetts.

36. At all times relevant to the allegations contained in this Complaint until September 1, 1989, defendant Johnson was a loan originator for ComFed Mortgage Co. Inc., in the Kingston, New York office of the Mortgage Company and the branch manager of that office. Johnson resides at 431 Zena Road, Woodstock, New York.

37. At all times relevant to the allegations contained in this Complaint until July 31, 1989, defendant Mancuso was a loan

originator for ComFed Mortgage Co., Inc., in the East Greenwich, Rhode Island office of the Mortgage Company and the branch manager of that office. Mancuso resides at 150 Fletcher Road, North Kingston, Rhode Island.

38. At all times relevant to the allegations contained in this Complaint until September 18, 1989, defendant Levitre was a loan originator for ComFed Mortgage Co., Inc., in the Norwell, Massachusetts office of the Mortgage Company and, from September 19, 1989, until October 31, 1989, a loan originator in the West Bridgewater, Massachusetts office of the Mortgage Company. LeVitre resides at 8 Liane Way, Pembroke, Massachusetts.

39. At all times relevant to the allegations contained in this Complaint until August 26, 1988, defendant Anzuoni was a loan originator for ComFed Mortgage Co., Inc., in the Norwell, Massachusetts office of the Mortgage Company. Anzuoni resides at 34 Floret Circle, Hingham, Massachusetts.

40. At all times relevant to the allegations contained in this Complaint until July 14, 1988, defendant Deldon was a loan originator for ComFed Mortgage Co., Inc., in the Natick, Massachusetts office of the Mortgage Company. From July 15, 1988, until August 19, 1988, Deldon was a loan originator for ComFed Advisory Company in the Medford, Massachusetts office of the Advisory Company. Deldon resides at 5 Lucy Road, Burlington, Massachusetts.

BACKGROUND FACTS COMMON TO ALL

DEFENDANTS AND COUNTS

41. ComFed was founded in 1892, and is presently one of the largest savings and loan institutions in the State of Massachusetts. While ComFed traditionally engaged in retail banking, beginning in the early 1980's ComFed expanded its business to become actively involved in mortgage banking.

42. In connection with its move into the mortgage banking business, in 1982 ComFed formed ComFed Mortgage Co., Inc. (originally named Eastern Mortgage Company) as a wholly-owned subsidiary of ComFed Savings Bank. James G. Baldini was hired to run the mortgage lending operation. In his capacity as President and Chief Executive Officer of the Mortgage Company, Baldini played an active role in recruiting loan officers and designing loan products, and had supervisory and oversight responsibility for all mortgage lending activities of ComFed, including the lending operations of both the Bank and the Mortgage Company.

43. By the mid-1980's, under Baldini's leadership, ComFed had become the single largest mortgage lender in the State of Massachusetts. With 44 offices stretching from Maine to Florida, ComFed was also one of the largest mortgage lenders in the New England region. At its peak in early 1987, ComFed employed nearly 1300 people, including 190 loan originators, and sold more than \$2.2 billion worth of home mortgages. ComFed earned profits of \$23 million during its 1987 fiscal year (ending March 31, 1987) and its stock, which had sold for approximately \$10 per share at the beginning of the fiscal year, was selling for approximately \$23 per share by the close of the fiscal year.

44. During the period of ComFed's rapid growth in the mortgage lending business, Baldini -- whose income was tied to ComFed's profitability and based primarily upon the volume of mortgage loans originated and sold by ComFed -- was one of the highest paid bankers in America, earning more than \$7 million over a four-year period. During the same time period, the compensation of virtually every ComFed loan officer or manager engaged in the business of mortgage lending was tied, through incentive compensation agreements, bonuses or commissions, to the volume of loans originated, processed and approved by ComFed.

45. Beginning in approximately 1984, ComFed further expanded its business into, among other areas, construction lending. In February of 1987, ComFed formed ComFed Advisory Co., Inc., a wholly-owned subsidiary of the Mortgage Company, to engage in construction lending and commercial real estate lending. From the outset, Baldini was placed in charge of ComFed's construction lending operation and, in 1987, was named President and Chief Executive Officer of the Advisory Company. Until its origination business was disbanded in late 1988 and early 1989, the Advisory Company made numerous construction and real estate loans to developers and other commercial borrowers in the New England region.

46. Beginning in late 1987, ComFed began to experience serious and substantial losses in its residential and commercial mortgage lending business. Shortly thereafter, top management at ComFed first became aware that certain mortgages had been approved on

the basis of material misrepresentations made by loan originators on loan applications and in loan-related documents. ComFed's own investigation into such mortgage loan irregularities subsequently revealed widespread violations of federal banking statutes and regulations and gross negligence, mismanagement and fraud in connection with the origination, processing and approval of residential and commercial mortgage loans. Numerous officers and originators, including Baldini and each of the officers and originators named as defendants in this Complaint, were terminated or resigned during the course of ComFed's investigation.

47. As a result of the widespread mismanagement, gross negligence and fraud throughout the mortgage origination operation, ComFed has suffered extensive damage to its money and property and to its good name and reputation. The extent of this damage is best exemplified by the dramatic rise in delinquency rates for loans originated by ComFed lending officers during the time period from the spring of 1987 through the spring of 1989, and the equally dramatic decline in ComFed's financial health over roughly the same time period: from fiscal year 1987 to the present, ComFed has reported annual losses of \$1.5 million in 1988, \$3.5 million in 1989, and \$47.9 million in 1990. ComFed's portfolio of nonperforming assets has increased substantially, to \$175.8 million, over the same three-year period, and the price of its stock has plummeted from \$23 per share to less than \$1 per share.

CLAIMS AGAINST INDIVIDUAL DEFENDANTS

48. ComFed's claims against each of the individual defendants named in this Complaint are set forth in paragraphs 49 through 268, below.

A. CLAIMS AGAINST JAMES G. BALDINI

49. At all times relevant to the allegations contained in this Complaint until June 14, 1988, Baldini was the President and Chief Executive Officer of ComFed Mortgage Co., Inc., and its two wholly-owned subsidiaries, ComFed Appraisal Services, Inc., and ComFed Advisory Co., Inc. As President and Chief Executive Officer of the Mortgage Company and its wholly-owned subsidiaries, Baldini served as the principal lending officer of the Mortgage Company and the Advisory Company, and was responsible for directing, controlling and supervising all of the activities, including the lending operations, of the Mortgage Company and the Advisory Company. Specifically, Baldini played an active role in the recruitment of loan officers and the design of loan products, and was responsible, either personally or in a supervisory capacity, for reviewing and approving loans made by lending officers of the Mortgage Company and the Advisory Company. Baldini further was responsible for ensuring that the lending operations of both the Mortgage Company and the Advisory Company were conducted in accordance with law, the policies,

rules and procedures adopted from time to time by the Board of Directors of each company, and good banking practices. In carrying out his responsibilities as President and Chief Executive Officer,

Baldini owed to the Mortgage Company and its subsidiaries a duty to act in good faith, and in a manner he reasonably believed to be in the best interests of the Mortgage Company and its subsidiaries, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

50. In his capacity as President and Chief Executive Officer of the Mortgage Company and its subsidiaries, Baldini functioned at all times relevant to the allegations contained in this Complaint until June 14, 1988, as the de facto principal lending officer of ComFed savings Bank. As such, he was responsible, either personally or in a supervisory capacity, for reviewing and approving loans originated by the Bank's lending officers and generally for directing, controlling and supervising the lending operations of the Bank. In his capacity as a de facto officer of the Bank, Baldini owed to the Bank a duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Bank, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

51. In the exercise of his duties and responsibilities as the principal lending officer of the Mortgage Company, the

Advisory Company, and the Bank, Baldini breached his fiduciary duties to each of those entities by:

- a) actively encouraging, knowingly acquiescing in, or negligently failing to detect, the wrongful conduct of ComFed's lending officers under his supervision, as set forth in paragraphs 106-145, 148-154, 156-183, 188-198, 212-217, 222-247, 250-257, and 259-268 of this Complaint;
- b) himself engaging in transactions that involved self-dealing, as set forth in paragraphs 53 through 76 of this Complaint; and
- c) personally participating in transactions that violated federal banking statutes and regulations and ComFed's own internal policies, rules and procedures, as set forth in paragraphs 78 through 92 of this Complaint.

52. The unlawful transactions involving self-dealing referred to in paragraph 51(b), above, are exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. 214 Thorndike Street Properties

53. From late 1986 up to and including early 1987, Baldini, acting together with the defendants McCannon and Campbell, and a loan originator named Paul F. Mitchell, conspired to defraud ComFed, and in fact defrauded ComFed, by causing the Bank to make four unsafe and unsound loans that personally benefited each of the above-named defendants, in violation of Baldini's fiduciary duties of care and loyalty, federal banking regulations, ComFed's written lending policy, ComFed's written Policy Statement on Conflicts of Interest, and the terms of Baldini's employment agreement with ComFed.

54. Specifically, on or about December 31, 1986, Baldini and McCannon, who jointly owned five condominium units at 214 Thorndike Street, Lowell, Massachusetts, through an entity known as Highland Realty Trust, sold Units 6-10 to Campbell and Mitchell, then a Vice-President of the Bank and Loan Officer of the Bank, respectively, both of whom were under the supervision of Baldini, for \$360,000 (\$72,000/unit). In exchange therefor, Campbell and Mitchell gave to Baldini and McCannon \$26,666.67 in cash and a mortgage in the amount of \$333,333.

55. One week later, on January 6, 1987, Campbell and Mitchell sold four of the five units, via unrecorded deeds, to four separate purchasers for prices substantially in excess of their purchase price: Unit 6 to Richard and Sandra L. Leto for \$82,000; Unit 7 to Mark J. and Susan E. Fuller for \$81,000; Unit 8 to Donald J. Cardelle, Jr. for \$90,000; and Unit 9 to Mary Jo G. Cardelle for \$90,000. At the time of the sale, Donald Cardelle was employed as a loan originator for the Bank and reported directly to Campbell; Mary Jo Cardelle was an immediate relative of Donald Cardelle; and Sandra Leto was a former employee of the Bank. Each of the purchasers gave to Campbell and Mitchell unrecorded mortgages for 100% of the purchase price.

56. On or about January 6, February 3, January 10, and January 13, 1987, respectively, the purchasers of Units 6-9 separately applied to the Bank for "refinancing" mortgage loans.

57. On or about the same dates as set forth in paragraph 56, above, Campbell, with the knowledge and approval, or acquiescence, of Baldini and McCannon, intentionally misstated material facts on the four loan applications, such as the true residence of the purchasers, and omitted to state material facts, such as the personal financial stake of Baldini, McCannon, Campbell and Mitchell in the determination whether to disburse loan proceeds to the applicants. These false statements and omissions were made in order to: (1) cause the loans to be treated improperly as owner-occupant refinances; and (2) disguise the personal financial stake of Baldini, McCannon, Campbell and Mitchell in the outcome of the loan approval process.

58. On or about January 12, 1987, Campbell, with the knowledge and approval, or acquiescence, of Baldini and McCannon, formed an entity known as Banker Realty Trust and then provided the Bank with a favorable credit reference on each of the four applicants under the name of Banker Realty Trust in order to: (1) cause the Bank improperly to approve the loans on the basis of inadequate credit information; and (2) disguise the personal involvement of Baldini, McCannon of Baldini and McCannon, Campbell and Mitchell in the loan transactions.

59. On or about January 15, 1987, at the request of Campbell, and with the knowledge and approval, or acquiescence,

of Baldini and McCannon, Units 6-9 each were appraised at a value of \$120,000 by Alfred Marcele, then an employee of ComFed Appraisal Services, Inc., under the supervision of Baldini and defendant DiStefano, in order to cause the Bank to disburse loan proceeds in an amount equal to or greater than the purchase price of the Units.

60. On or about January 26, 1990, Campbell, with the knowledge and approval, or acquiescence, of Baldini and McCannon, requested and received a waiver for certain loan documentation to facilitate the closing of each of the four loans.

61. On or about January 31, 1987, as to Units 6, 8 and 9, and on or about February 25, 1987, as to Unit 7, Baldini, McCannon and Campbell caused the Bank improperly to approve the four loan requests as owner-occupant, 80% loan-to-value refinancing loans, and loan proceeds were thereafter disbursed to the purchasers in the aggregate amount of \$358,000. As a result of the defendants' conduct, the borrowers obtained financing, in the aggregate, in excess of the purchase price they paid for the Units. The loan proceeds, disbursed in full to Campbell and Mitchell by the loan applicants, were used to pay off the Campbell-Mitchell mortgages as well as the Baldini-McCannon mortgage, with the excess funds being retained by the defendants, and thus Baldini, McCannon and Campbell each received a substantial financial benefit from their unlawful, fraudulent, reckless and/or grossly negligent conduct in originating, processing, approving and disbursing funds in connection with the loan applications on Units 6-9 at 214 Thorndike Street, Lowell, Massachusetts.

62. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of the defendants' aforementioned violations.

## 2. Kennebunk. Maine Loan

63. On or about September 19, 1987, in violation of Baldini's fiduciary duties of care and loyalty, federal banking regulations, ComFed's lending policy, ComFed's written Policy Statement on Conflicts of Interest, and the terms of Baldini's employment agreement with the Mortgage Company, Baldini, acting together with the defendants McCannon and Campbell, caused the Mortgage Company to make a \$350,000 mortgage loan to Baldini and his spouse, Susan M. Baldini, on a second home purchased by the Baldini's in Kennebunk, Maine.

64. The loan application submitted by Baldini, and processed and approved by direct subordinates of Baldini, including Campbell, contained: (a) insufficient information, documentation and verification to demonstrate that the Baldini's had sufficient assets or income to make the loan payments required by the loan; (b) insufficient information regarding existing financial obligations of the Baldini's; and (c) material misrepresentations, including a false representation by Baldini that he intended to occupy the property that was the subject of the loan as his primary residence.

65. McCannon, representing the Mortgage Company in connection with the loan transaction, aided, abetted and assisted Baldini and

Campbell in causing the loan to be made in violation of federal banking regulations, ComFed's lending policy, and ComFed's written Policy Statement on Conflicts of Interest, or negligently failed to detect that the loan was not made in compliance with such regulations and policies.

66. The terms of the loan -- a one-year adjustable rate mortgage with an annual interest rate of 7.50% and an interest rate margin of 289 basis points -- failed to conform with any of the products or pricing then available to members of the general public, and thus was not made on substantially the same terms as those prevailing at the time for comparable loans to members of the general public. Moreover, the loan did not conform to any blanket-preapproval resolution of the Board of Directors specifying the terms on which loans could be made to officers and employees, nor was the loan approved in advance by a resolution of the Board of Directors, in violation of 12 C.F.R. §§ 563.43.b.2 and 563.43.b.4. Finally, because the loan was secured, not by a principal residence, but by a second home, the loan failed to comport with federal regulations governing loans to affiliated persons set forth in 12 C.F.R. § 563.43.b.1.i.

67. By causing the Mortgage Company to make the \$350,000 loan to Baldini and his spouse on the above-mentioned terms, Baldini, McCannon and Campbell also violated ComFed's written Policy Statement on Conflicts of Interest, which allows an employee only to borrow up to a maximum of \$200,000 for the purpose of financing the employee's principal residence at a nonpreferential rate of interest. Although loans in excess of the dollar limitation

may be approved in advance by the Board of Directors, no such approval was obtained in connection with the Baldini loan.

68. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of the defendants' aforementioned violations.

### 3. Gristmill Construction, Inc.

69. At all times relevant to the allegations contained in this Complaint, Gristmill Construction, Inc. ("Gristmill") was a customer of ComFed Savings Bank and periodically obtained financing from the Bank in order to purchase and/or finance the development of tracts of land in Marlborough, Massachusetts.

70. On or about January 9, 1987, a partnership including Baldini and McCannon (the "Partnership") borrowed \$425,000 from Gristmill, in violation of Baldini's and McCannon's fiduciary duties of care and loyalty to ComFed, the terms of Baldini's employment agreement, ComFed's written Policy Statement on Conflicts of Interest, and Sections 563.40 and 571.7 of Title 12 of the Code of Federal Regulations.

71. Specifically, on or about January 9, 1987, Gristmill sold to the Partnership a parcel of land in Marlborough, Massachusetts, contingent upon Gristmill obtaining an easement for a sewage line through the parcel, and took back from the

Partnership a note in the amount of \$425,000 to facilitate the sale of the parcel. The note was dated January 9, 1987, and matured on

July 9, 1987. The note included an option to extend the maturity date to December 31, 1988, at the latest, for a fee of \$20,000.

72. The Partnership did not pay the note on or before July 9, 1987, and did not pay to Gristmill the required \$20,000 extension fee. The Partnership also failed to give to Gristmill the agreed-upon easement.

73. On or about November 25, 1987, the Bank loaned to Gristmill \$4,892,000 to finance the development of a different parcel of the Marlborough tract.

74. In or about April 1988, in order to obtain the sewage line and ensure timely completion of the construction project, Gristmill repurchased from the Partnership a piece of the parcel previously sold to the Partnership. Gristmill paid to the Partnership \$375,000 (\$150,000 in cash and \$225,000 due and payable to Gristmill under the January 9, 1987 note) to reclaim the land.

75. By their conduct in borrowing money from Gristmill a company that had received financing from the Bank and had applications pending for additional financing -- Baldini and McCannon breached their fiduciary duties of care and loyalty to the Bank, and violated federal banking regulations and ComFed's written Policy Statement on Conflicts of Interest. Baldini's conduct also constituted a breach of his employment agreement.

Moreover, by failing to pay to Gristmill the \$20,000 extension fee required under the January 9, 1987 note, and by causing Gristmill to repurchase a piece of the parcel for \$375,000, Baldini violated § 563.40 of Title 12 of the Code of Federal Regulations, which prohibits affiliated persons of savings associations from receiving, directly or indirectly, any <sup>11</sup>thing of value" in connection with the procurement of any loan from such association or subsidiary thereof.

76. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of the defendants' unlawful conduct.

77. The unlawful transactions involving violations of banking regulations and ComFed's policies referred to in paragraph 51(c), above, are exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. DiStefano Loan

78. In or about December 1986, John E. DiStefano, then employed by ComFed Mortgage Co., Inc., as a Senior Vice president in charge of appraisal services, applied to ComFed Savings Bank for a residential mortgage loan in the amount of \$200,000.

79. In order to cause ComFed to make the loan to DiStefano, DiStefano and defendant Campbell, who originated the loan on behalf of the Bank, falsely stated that DiStefano's annual income at ComFed Mortgage Company was \$95,000 when, as they both well knew, his true annual income was only \$72,502.

80. Shortly thereafter, in or about December 1986, Baldini, who supervised DiStefano at the Mortgage Company, signed a verification

of employment form on behalf of DiStefano in which he falsely represented and "confirmed" that DiStefano earned \$95,000 per year.

81. By their unlawful, fraudulent, reckless and/or grossly negligent conduct, Baldini, Campbell and DiStefano caused ComFed to make a loan that it otherwise would not have made.

82. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of the defendants' unlawful conduct.

2. Willows at Winchester Condominium Project

83. At all times relevant to the allegations contained in this Complaint, the Construction Loan Lending Policy of ComFed Advisory Co., Inc., provided that, although Baldini and Miller jointly had authority to approve construction mortgage loan applications involving dollar amounts up to and including \$4,000,000, applications for loans exceeding \$4,000,000 required the additional approval of Edwin R. Biron and Gerald Schuster, members of the Bank's Board of Directors.

84. In or about April 1988, Baldini and Miller sought the approval of Edwin R. Biron and Gerald Schuster in connection with an application by the Willows at Winchester Condominium Project ("Willows at Winchester") for a construction loan in the amount of \$9.6 million.

85. On or about April 1, 1988, and April 12, 1988, respectively, Edwin R. Biron and Gerald Schuster declined to approve the Willows at Winchester loan request.

86. On or about April 30, 1988, Baldini, Miller, Maloof and Porter caused the Bank to loan \$9.6 million to Willows at Winchester.

87. By their conduct, Baldini, Miller, Maloof and Porter caused ComFed to make a loan in violation of the limits on Baldini's and Miller's lending authority, as the loan exceeded the lending authority of Baldini and Miller by \$5.6 million and was not approved by Edwin R. Biron and Gerald Schuster, designated members of the Bank's Board of Directors for approval of loans in excess of \$4 million. Their conduct violated ComFed's written lending policy and constituted a breach of their fiduciary duties to the Advisory Company and to the Bank. In addition, Baldini's and Miller's conduct constituted a breach of their respective employment agreements with the Mortgage Company and the Bank.

88. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of the defendants' unlawful conduct.

### 3. Improper Reinstatement and Utilization of Peter F. Reilly

89. On March 29, 1988, the Board of Directors of the Bank removed Peter F. Reilly from ComFed list of approved appraisers upon its determination that Reilly's qualifications as an appraiser were inadequate and that his performance in appraising

properties on behalf of ComFed had consistently fallen substantially below prevailing professional standards.

90. On or about July 1, 1988, without obtaining the prior approval of, or consulting with, the Board of Directors, Miller,

Maloof and Porter, acting together with Dennis J. Furey, unilaterally reinstated Reilly to the approved appraiser list and thereafter continued to utilize his services, notwithstanding Reilly's continued lack of qualifications to appraise properties as authorized by Miller, Maloof, Porter and Furey.

91. By their unlawful, fraudulent, reckless and/or grossly negligent conduct, Miller, Maloof and Porter breached their fiduciary duties to ComFed, and violated a directive of ComFed's Board of Directors, ComFed's written lending policy, and Section 563.171 of Title 12 of the Code of Federal Regulations, which requires directors and officers of savings associations to take appropriate measures to ensure that appraisers utilized by savings associations are professionally competent. In addition, Miller's conduct constituted a breach of his employment agreement with the Bank.

92. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of the defendants' aforementioned violations.

B. CLAIMS AGAINST RAYMOND F. MILLER. JR.

93. At all times relevant to the allegations contained in this Complaint until November 30, 1988, Miller was the President and Chief Executive Officer of ComFed Savings Bank and also served as a member of the Board of Directors of the Advisory Company. As such, Miller owed to the Bank and to the Advisory Company a duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Bank and the Advisory Company<sub>1</sub> and with such care as

an ordinarily prudent person in a like position would have used under similar circumstances.

94. In the exercise of his responsibilities as President and Chief Executive Officer of ComFed Savings Bank, and a director of ComFed Advisory Company, Miller breached his fiduciary duties to the Bank and the Advisory Company by:

- (a) knowingly, or through gross negligence, exceeding the limits of his lending authority, as set forth in paragraphs 83 through 88, above; and
- (b) knowingly, or through gross negligence, reinstating and utilizing an appraiser in violation of a directive from the Bank's Board of Directors, as set forth in paragraphs 89 through 92, above.

C. CLAIMS AGAINST FREDERICK P. MALOOF

95. At all times relevant to the allegations contained in this Complaint until March 6, 1989, Maloof was a Senior Vice President of ComFed Advisory Co., Inc., with responsibility for originating construction and income property loans on behalf of ComFed Savings Bank. As such, Maloof owed to the Bank and to the Advisory Company a duty to act in good faith, in a manner he

reasonably believed to be in the best interests of the Bank and the Advisory Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

96. In the exercise of his responsibilities as a Senior Vice President of the Advisory Company, Maloof breached his fiduciary duties to the Bank and the Advisory Company by:

(a) knowingly, or through gross negligence, causing a loan to be made without the requisite approvals, as set forth in paragraphs 83 through 88, above; and

(b) knowingly, or through gross negligence, causing an appraiser to be reinstated and utilized in violation of a directive from the Bank's Board of Directors, as set forth in paragraphs 89 through 92, above.

D. CLAIMS AGAINST WILLIAM M. PORTER

97. At all times relevant to the allegations contained in this Complaint until June 30, 1989, Porter was a Senior Vice President of ComFed Advisory Co., Inc., with responsibility for originating construction and income property loans on behalf of ComFed Savings Bank. As such, Porter owed to the Bank and to the Advisory Company a duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Bank and the Advisory Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

98. In the exercise of his responsibilities as a Senior Vice President of the Advisory Company, Porter breached his fiduciary duties to the Bank and the Advisory Company by:

- (a) knowingly, or through gross negligence, causing a loan to be made without the requisite approvals, as set forth in paragraphs 83 through 88, above; and
- (b) knowingly, or through gross negligence causing an appraiser to be reinstated and utilized in violation of a directive from the Bank's Board of Directors, as set forth in paragraphs 89 through 92, above.

E. CLAIMS AGAINST CHARLES F. McCannon. JR.

99. At all times relevant to the allegations contained in this Complaint until in or about June 1988, McCannon was engaged as an attorney to represent the interests of ComFed Savings Bank, ComFed Mortgage Co., Inc., and ComFed Advisory Co., Inc., in connection with various transactions, including loan closings. As such, he owed a duty of reasonable care to the Bank, the Mortgage Company, and the Advisory Company.

100. In the performance of his services as an attorney, McCannon negligently failed to exercise reasonable care to protect the Bank, the Mortgage Company and the Advisory Company from loss, by knowing of, or failing to detect, transactions that violated federal banking statutes and regulations, ComFed's lending policy, and ComFed's written Policy Statement on Conflicts of Interest, as set forth in paragraphs 53 through 76

of this Complaint. Alternatively, as a partner of Baldini in connection with the Thorndike Street and Gristmill projects, McCannon

engaged in conduct that was intended to, and that did, operate as a fraud on ComFed.

F. CLAIMS AGAINST FRANK A. BUCO

101. At all times relevant to the allegations contained in this Complaint until August 2, 1987, defendant Buco was a loan originator in the Salem, New Hampshire office of ComFed Mortgage Co., Inc., and the branch manager of that office. Beginning on August 3, 1987, and continuing until April 7, 1989, Buco served as the Executive Vice President of ComFed Mortgage Co., Inc., in charge of loan production.

102. As a loan originator and branch manager, Buco was responsible for originating loans, reviewing and approving loans originated by lending officers in the Salem, New Hampshire office of the Mortgage Company, and generally for ensuring that loans made by that office complied with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage Company's Board of Directors, and good banking practices. As the Executive Vice President of ComFed Mortgage Co., Inc., in charge of loan production, Buco was generally responsible for supervising and managing loan origination activities for both the Mortgage Company and the Bank.

103. In carrying out his responsibilities as a loan originator, branch manager and Executive Vice President in charge

of loan production, Buco owed to the Mortgage Company and to the Bank a duty to act in good faith, in a manner he reasonably believed to be

in the best interests of the Mortgage Company and the Bank, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

104. In the exercise of his duties and responsibilities as a loan originator and branch manager, and as the Mortgage Company's Executive Vice President in charge of loan production, Buco breached his fiduciary duties to the Mortgage Company and the Bank by:

- a) actively encouraging, knowingly acquiescing in, or negligently failing to detect, the wrongful conduct of ComFed lending officers under his supervision<sup>1</sup> as set forth in paragraphs 108-127, 130-205, 212-221, 227-249, 254-255, 258, and 261-268 of this Complaint;
- b) personally participating in the making of fraudulent loans by engaging in the wrongful conduct set forth in paragraphs 106-107, below.

105. The wrongful conduct of Buco described in paragraph 104(b) is exemplified by, but not limited to, the following specific incidents of wrongdoing.

Old English Estates Condominium Project

106. From in or about June 1987, up to and including in or about September 1987, Buco unlawfully, fraudulently, recklessly and/or through gross negligence, originated the below-listed ten first mortgage loans to borrowers purchasing properties at the Old English Estates Condominium Project located in Derry, New Hampshire. In direct violation of ComFed's lending policy and applicable underwriting standards, Buco caused the Mortgage Company

to make loans it otherwise would not have made by permitting second, and in some cases third, mortgages in favor of the developer Addallah Construction Corporation to be secretly placed on the properties that were the subject of first mortgage loans by ComFed, as set forth below:

<u>Closing Date</u>	<u>Borrower Last Name</u>	<u>Amount of Undisclosed Second or Third Mortgage</u>
June 12, 1987	Morin	\$19,980
June 25, 1987	Noe	\$20,000
July 2, 1987	Geraci	\$5,000
July 6, 1987	Antonoff	\$5,000
July 10, 1987	Lyles	\$15,000
July 10, 1987	Lyles	\$15,000
July 24, 1987	Lyles	\$14,985
July 24, 1987	Lyles	\$14,985
September 3, 1987	Walker	\$ 9,990
September 3, 1987	Walker	\$ 9,990

107. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Buco's unlawful conduct.

G. CLAIMS AGAINST JOHN E. DiStefano

108. At all times relevant to the allegations contained in this Complaint until October 28, 1988, defendant DiStefano was a Senior

Vice President of ComFed Mortgage Co., Inc., in charge of appraisal services. As such, DiStefano was responsible for supervising and managing all residential real estate appraisal activities and services for the Mortgage Company and the Bank. In carrying out his responsibilities as the Senior Vice President in charge of appraisal services, DiStefano owed to the Mortgage Company and to the Bank a duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company and the Bank, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

109. In the exercise of his duties and responsibilities as the Senior Vice President in charge of appraisal services, DiStefano breached his fiduciary duties to the Mortgage Company and the Bank by:

- a) actively encouraging, knowingly acquiescing in, or negligently failing to detect, the wrongful conduct of ComFed's appraisers under his direct supervision as set forth in paragraphs 59, 225, 238, 246, and 248 of this Complaint;
- b) himself participating in the making of fraudulent loans by engaging in wrongful conduct exemplified by, but not limited to, the conduct set forth in paragraphs 78 through 82, above, and the following specific incidents of wrongdoing.

Atwood Street Condominium Project

110. From in or about November 1987, through in or about February 1988, in connection with ComFed's origination of mortgage loans to borrowers purchasing condominium units located in a condominium project on Atwood Street in Revere, Massachusetts, DiStefano, acting together with the defendant Crupi, caused the Mortgage Company to make loans it otherwise would not have made by directing an appraiser under his immediate supervision, Phillip Ceccarossi, to inflate the value of the above-mentioned condominium units from \$170,000 in November of 1987 to \$210,000 in February of 1988, a period during which values for properties of this type generally were not increasing.

111. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of DiStefano's and Crupi's unlawful conduct.

H. CLAIMS AGAINST MARK A. CAMPBELL

112. At all times relevant to the allegations contained in this Complaint until December 15, 1987, Campbell was a loan originator for ComFed Savings Bank in the loan origination office of the Lowell, Massachusetts branch of the Bank and was the branch manager of that office and also of various satellite loan origination offices located in other Bank branches, including the loan origination offices in Burlington, Acton, Tewksbury, Pepperell, Leominster and Littleton, Massachusetts. As a loan originator and branch manager, Campbell was responsible for originating loans, for reviewing and approving loans originated by the Bank's lending officers, and generally for ensuring that loans made by the loan origination offices of the Bank complied with

federal banking statutes and regulations, the policies, rules and procedures adopted by the Bank's Board of Directors, and good banking practices. In his capacity as a loan originator and branch manager, Campbell owed to the Bank a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Bank, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

113. In the exercise of his responsibilities as a loan originator and branch manager for the Bank, Campbell breached his fiduciary duties to the Bank by:

- (a) actively encouraging, knowingly acquiescing in, or negligently failing to detect, the wrongful conduct of employees under his immediate supervision, as set forth in paragraphs 114-129, 133-140 and 162-164 of this Complaint;
- (b) himself engaging in transactions that involved self-dealing, as set forth in paragraphs 53 through 62 of this Complaint; and
- (c) personally participating in transactions and events that violated federal banking statutes and regulations

and ComFed's own internal policies, rules and procedures, as set forth in paragraphs 63-68, 78-82, and 133 of this Complaint.

I. CLAIMS AGAINST CYNTHIA R. LAWRENSEN

114. At all times relevant to the allegations contained in this Complaint until September 30, 1988, Lawrenson was a loan originator in the loan origination office of the Burlington, Massachusetts branch of ComFed Savings Bank. At all relevant times, loans originated by Lawrenson were processed through the Lowell, Massachusetts office of the Bank. As a loan originator, Lawrenson was responsible for originating loans on behalf of the Bank in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Bank's Board of Directors, and good banking practices. In her capacity as a loan originator, Lawrenson owed to the Bank a fiduciary duty to act in good faith, in a manner she reasonably believed to be in the best interests of the Bank, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

115. In the exercise of her responsibilities as a loan originator for the Bank, Lawrenson breached her fiduciary duties to the Bank.

116. Specifically, from in or about September 1987, up to and including in or about July 1988, Lawrenson unlawfully, fraudulently, recklessly and/or through gross negligence, caused

the Bank to make loans that it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations in documents used by the Bank to determine whether to make mortgage loans to borrowers, including loan

applications, mortgage loan questionnaires, verification of employment and verification of deposit forms, as set forth below:

<u>DATE OF FALSE STATEMENT</u>	<u>NAME OF BORROWER</u>	<u>SUBSTANCE OF FALSE STATEMENT</u>
8/14/87	Nazmiye Ertan	Statement that base income was \$1,785 monthly.
9/8/87	Ronald Tanner	Statement that monthly base income was \$5,150.
1/20/88	Subhas Pal	Statement that borrower's current street address was 461 Washington Street, Brighton and statement that borrower's signature was borrower's signature.
2/10/88	John F. McGlaughlin	Statement that base income was \$58,771.80 yearly.
2/27/88	Robin L. Preston	Statement that base income was \$5,687 monthly and statement that Preston owned 200 shares of AT&T stock.
3/9/88	Linda A. Carvalho	Statement that base income was \$1,300 monthly.
3/9/88	Eugena Revelas	Statement that base income was \$5,166.67 monthly.

3/9/88	Jane Machane	Statement that base income was \$3,300 monthly and statement that there was a balance of \$11,100 in a bank account.
6/15/88	John Ulcickas	Statement that base income was \$5,700 monthly.

117. On October 5, 1989, a federal grand jury in the District of Massachusetts returned an eighteen count Indictment charging Lawrenson with the precise misconduct alleged in paragraph 116, above.

118. On July 9, 1990, Lawrenson entered a plea of guilty to two counts of that Indictment.

119. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Lawrenson's aforementioned violations.

J. CLAIMS AGAINST VALERIE RYDELL

120. At all times relevant to the allegations contained in this Complaint until September 30, 1988, Rydell was a loan originator in the loan origination office of the Burlington, Massachusetts branch of ComFed Savings Bank. At all relevant times, loans originated by Rydell were processed through the Lowell, Massachusetts office of the Bank. As a loan originator, Rydell was responsible for originating loans on behalf of the Bank in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Bank's Board of Directors, and good banking practices. In her capacity as a loan originator, Rydell owed to the Bank a fiduciary

duty to act in good faith, in a manner she reasonably believed to be in the best interests of the Bank, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

121. In the exercise of her responsibilities as a loan originator for the Bank, Rydell breached her fiduciary duties to the Bank.

122. Specifically, from in or about July 1987 and continuing until in or about September 1988, Rydell unlawfully, fraudulently, recklessly and/or through gross negligence, caused the Bank to make mortgage loans that it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations in documents used by the Bank to determine whether to make mortgage loans to borrowers, including loan applications, mortgage loan questionnaires, verification of employment and verification of deposit forms, as set forth below:

<u>DATE OF FALSE STATEMENT</u>	<u>NAME OF BORROWER</u>	<u>SUBSTANCE OF FALSE STATEMENT</u>
8/24/87	Michael V. Velardi	Statement that base income was \$2,179 monthly.
10/6/87	Thomas A. Morris	Statement that base income was \$3,783.33 monthly.
10/15/87	Anthony M. Cudia	Statement that base income was \$3,100 monthly.
11/13/87	Curtis R. Nichols	Statements that base income was \$4,500.00 monthly and that Nichols had a checking account

		with a \$39,000 balance.
12/2/87	Roger Anderson	Statements that base income was \$2,916.67 monthly and that his "years on this job" was 3.
1/27/88	Anne Trent	Statement that Trent had base income of \$2,361.00 monthly.
2/13/88	Scott Hazel	Statement that base income was \$4,000 monthly.
2/22/88	Peter Agri	Statement that base income was \$7,500 monthly.
3/22/88	Douglas N. Dalessio	Statement that base income was \$20,000 monthly.
4/7/88	Linda B. Cobin	Statement that base income was \$4,800 monthly.
4/11/88	Carla R. Mond	Statement that base income was \$7,833.33 monthly.
4/14/88	Richard R. Olsen	Statement that base income was \$7,300 monthly.

123. On October 5, 1989, a federal grand jury in the District of Massachusetts returned a twenty-four count Indictment charging Rydell with the precise misconduct alleged in paragraph 122, above.

124. On December 71 1989, Rydell entered a plea of guilty to two counts of that Indictment.

125. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Rydell '5 aforementioned violations.

K. CLAIMS AGAINST PETER G. SAVARD

126. At all times relevant to the allegations contained in this Complaint until July 20, 1988, Savard was a loan originator in the loan origination office of the Acton, Massachusetts branch of ComFed Savings Bank. At all relevant times, loans originated by Savard were processed through the Lowell, Massachusetts office of the Bank. As a loan originator, Savard was responsible for originating loans on behalf of the Bank in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Bank's Board of Directors, and good banking practices. In his capacity as a loan originator, Savard owed to the Bank a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Bank, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

127. In the exercise of his responsibilities as a loan originator for the Bank, Savard breached his fiduciary duties to the Bank. Specifically, beginning in or about July 1987, and continuing until on or about July 20, 1988, Savard executed a scheme to defraud ComFed Savings Bank by causing false information as to material matters to be set forth on documents used by the Bank to determine whether to issue mortgage loans to borrowers, including mortgage loan questionnaires and verification of deposit forms.

128. The wrongful conduct of Savard described in paragraph 127, above, is exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. Cerchiaro Loan

129. On or about July 15, 1987, Savard originated a loan in the amount of \$208,000 to Rosemary and James Cerchiaro secured by real property located at 101 Pleasant Street in Dunstable, Massachusetts. In connection therewith, Savard unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding Mr. Cerchiaro's employment, income and ownership of two properties on the borrower's mortgage loan questionnaire. In addition, Savard falsified, caused to be falsified, or negligently failed to detect the falsification of, employment, salary, rental income, and life insurance information on the borrower's loan application and in the verification of employment form supporting the loan application.

2. Proposki Loan

130. On or about March 23, 1988, Savard originated a loan in the amount of \$50,000 to Michael T. Proposki secured by real property located at 26-28 Ames Street in Lawrence, Massachusetts. In connection therewith, Savard unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing

to be made, or negligently failing to detect, material misrepresentations regarding the borrower's income and earnings on the borrower's loan application and in the verification of employment form supporting the loan application. In addition, Savard forged, caused to be forged, or negligently failed to detect the forgery of, the employer's signature on the verification of employment form.

### 3. Yameen Loan

131. On or about March 8, 1988, Savard originated a loan in the amount of \$133,000 to George A. Yameen secured by real property located at 19-21 Magnolia Street in Lawrence, Massachusetts. In connection therewith, Savard unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by 'making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's account balance on the borrower's loan application and in the verification of deposit form supporting the loan application. In addition, Savard forged, caused to be forged, or negligently failed to detect the forgery of, the authorized depository signature on the verification of deposit form.

### 4. Natraj Loan

132. On or about January 8, 1988, Savard originated a loan in the amount of \$135,800 to Dinkar Natraj secured by real property located at 12 Sullivan Street in Burlington, Massachusetts. In connection therewith, Savard unlawfully,

fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's income on the borrower's loan application and in the verification of employment form supporting the loan application. In addition, Savard forged, caused to be forged, or negligently failed to detect the forgery of, the employer's signature on the verification of employment form.

133. In addition, at times relevant to this Complaint, Savard and defendant Campbell convened "classes" in order to train lending officers in the methods and means of defrauding ComFed through falsification of material information on loan applications and in loan-related documents.

134. On June 5, 1990, the United States Attorney for the District of Massachusetts filed a one count Information charging Savard with the misconduct alleged in paragraph 127, above.

135. On June 18, 1990, Savard entered a plea of guilty to the criminal Information and specifically to the conduct alleged in paragraph 129, above.

136. The Bank has suffered losses of money and property and/or damage to its good name and reputation as a result of Savard's and Campbell's aforementioned unlawful conduct.

137. At all times relevant to the allegations contained in this Complaint until August 5, 1988, Arsenault was a loan originator in the loan origination office of the Lowell, Massachusetts branch of ComFed Savings Bank. As such, he was responsible for originating loans on behalf of the Bank in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Bank's Board of Directors, and good banking practices. In his capacity as a loan originator, Arsenault owed to the Bank a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Bank, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

138. In the exercise of his responsibilities as a loan originator for the Bank, Arsenault breached his fiduciary duties to the Bank by engaging in conduct exemplified by, but not limited to, the following specific incident of wrongdoing.

Howard Loan

139. On or about September 16, 1987, Arsenault originated a loan in the amount of \$155,000 to P. Ronald Howard secured by real property located at Lots 15-16, Glen Drive in Hudson, New Hampshire. In connection therewith, Arsenault unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by

making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's income on the borrower's loan application.

140. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Arsenault's unlawful conduct in connection with the Howard loan.

M. CLAIMS AGAINST VIVIAN OTA

141. At all times relevant to the allegations contained in this Complaint until January 20, 1989, Ota was a loan originator in the loan origination office of the Tewksbury, Massachusetts branch of ComFed Savings Bank. At all relevant times, loans originated by Ota were processed through the Lowell, Massachusetts office of the Bank. As a loan originator, Ota was responsible for originating loans on behalf of the Bank in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Bank's Board of Directors, and good banking practices. In her capacity as a loan originator, Ota owed to the Bank a fiduciary duty to act in good faith, in a manner she believed to be in the best interests of the Bank, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

142. In the exercise of her responsibilities as a loan originator for the Bank, Ota breached her fiduciary duties to the Bank by engaging in wrongful conduct exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. Pena Loan

143. On or about March 1, 1988, Ota originated a loan in the amount of \$105,600 to Judith Pena secured by real property located at 64 Tremont Street in Lawrence, Massachusetts. In connection therewith, Ota unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's employment and income on the borrower's loan application and in the verification of employment form supporting the loan application. In addition, Ota forged, caused to be forged, or negligently failed to detect the forgery of, the employer's signature on the verification of employment form.

2. Murphy Loan

144. On or about December 14, 1987, Ota originated a loan in the amount of \$116,000 to Eugene Murphy secured by real property located at 4 Grace Avenue in Tewksbury, Massachusetts. In connection therewith, Ota unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the balance in the borrower's bank account on the borrower's loan application and in the verification of deposit form supporting the loan application. In addition, Ota forged, caused to be forged, or negligently failed to detect the forgery

of, the authorized depository signature on the verification of deposit form.

### 3. Toribio Loan

145. On or about November 6, 1987, Ota originated a loan in the amount of \$97,500 to Laura and Athis Toribio secured by real property located at 50 Spruce Street in Lawrence, Massachusetts. In connection therewith, Ota unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' employment and income on the borrowers' loan application and in the verification of employment forms supporting the loan application. In addition, Ota forged, caused to be forged, or negligently failed to detect the forgery of, the employers' signatures on the verification of employment forms.

### 4. Harrington Loan

146. On or about July 13, 1988, Ota originated a loan in the amount of \$70,500 to Sharon and Richard Harrington secured by real property located at 88 Currier Street in Methuen, Massachusetts. In connection therewith, Ota unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' credit history in a credit explanation letter supporting the borrowers' loan application.

147. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Ota's unlawful conduct.

N. CLAIMS AGAINST MICHAEL J. FOX

148. At all times relevant to the allegations contained in this Complaint until October 18, 1988, Fox was a loan originator in the loan origination office of the Tewksbury, Massachusetts branch of ComFed Savings Bank. At all relevant times, loans originated by Fox were processed through the Lowell, Massachusetts office of the Bank. As a loan originator, Fox was responsible for originating loans on behalf of the Bank in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Bank's Board of Directors, and good banking practices. In his capacity as a loan originator, Fox owed to the Bank a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Bank, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

149. In the exercise of his responsibilities as a loan originator for the Bank, Fox breached his fiduciary duties to the Bank by engaging in wrongful conduct exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. Gillan Loan

150. On or about January 11, 1988, Fox originated a loan in the amount of \$103,500 to Linda S. and Michael H. Gillan secured by real property located at Lot 13, Whittier Road in Fremont, New Hampshire. In connection therewith, Fox unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by failing to disclose, causing to be undisclosed, or negligently failing to detect the nondisclosure of, material information regarding the borrower's bank account on the borrowers' loan application and in the verification of deposit form supporting the loan application. In addition, Fox forged, caused to be forged, or negligently failed to detect the forgery of, the authorized depository signature on the verification of deposit form.

## 2. Todd Loan

151. On or about February 22, 1988, Fox originated a loan in the amount of \$208,000 to Michael R. Todd secured by real property located at 196 Shawsheen Road in Andover, Massachusetts. In connection therewith, Fox unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's income, bank account balance, and credit history on the borrower's loan application and in a credit explanation letter supporting the loan application. In addition,

Fox forged, caused to be forged, or negligently failed to detect the forgery of, the borrower's signature on the credit explanation letter.

### 3. Fox Loan

152. On or about February 11, 1988, Fox originated a loan in the amount of \$188,000 to himself secured by real property located at Lot 8, Donmac Drive in Derry, New Hampshire. In connection therewith, Fox unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the status of his indebtedness on certain real property on the verification of deposit form setting forth information pertinent to Mr. Fox's indebtedness on that property. In addition, Fox forged, caused to be forged, or negligently failed to detect the forgery of, the authorized depository signature on the verification of deposit form.

### 4. Kuipers, Ciak. and Swift Loans

153. On or about October 16, 1987, Fox originated a loan in the amount of \$102,000 to Donna J. and Michael T. Swift secured by real property located at 48 Ashworth Terrace in Haverhill, Massachusetts.

On or about June 20, 1988, Fox originated a loan in the amount of \$85,500 to Katherine H. Ciak secured by real property located at Lot 7-5, Bald Hill Road in Raymond, New Hampshire.

155. On or about June 30, 1988, Fox originated a loan in the amount of \$137,000 to Laurel and John W. Kuipers, Jr., secured by real property located at 68 Morton Street in Andover, Massachusetts

156. In connection with all three of the above loans, Fox unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make loans it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' income on their loan applications.

157. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Fox's unlawful conduct.

0. CLAIMS AGAINST KATHLEEN R. TARR

158. At all times relevant to the allegations contained in this Complaint until in or about September 1988, Tarr was a loan originator in the loan origination office of the Tewksbury, Massachusetts branch of ComFed Savings Bank. At all relevant times, loans originated by Tarr were processed through the Lowell, Massachusetts office of the Bank. From in or about September 1988, until on or about April 2, 1990, Tarr was a loan originator for ComFed Mortgage Co., Inc. in the Wakefield, Massachusetts office of the Mortgage Company. As a loan originator, Tarr was responsible for originating loans on behalf of the Bank and the Mortgage Company in accordance with federal

banking statutes and regulations, the policies, rules and procedures adopted by the Bank's and the Mortgage Company's Board of Directors, and good banking practices. In her capacity as a loan originator,

Tarr owed to the Bank and to the Mortgage Company a fiduciary duty to act in good faith, in a manner she reasonably believed to be in the best interests of the Bank and the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

159. In the exercise of her responsibilities as a loan originator for the Bank, Tarr breached her fiduciary duties to the Bank and the Mortgage Company by engaging in wrongful conduct exemplified by, but not limited to, the following specific incident of wrongdoing.

#### Budden Loan

160. On or about March 23, 1988, Tarr originated a loan to Herbert Budden in the amount of \$175,000 secured by real property located at 212 Pearl Street in Reading, Massachusetts. In connection therewith, Tarr unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' employment and income on the borrower's loan application and in the verification of employment form supporting the loan application. In addition, Tarr forged, caused to be forged, or negligently failed to detect the forgery

of, the employer's signature on the verification of employment form.

161. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Tarr's unlawful conduct.

P. CLAIMS AGAINST RICHARD HUNTER

162. At all times relevant to the allegations contained in this Complaint until September 25, 1988, Hunter was a loan originator in the loan origination office of the Pepperell, Massachusetts branch of ComFed Savings Bank. At all relevant times, loans originated by Hunter were processed through the Lowell, Massachusetts office of the Bank. As a loan originator, Hunter was responsible for originating loans on behalf of the Bank in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Bank's Board of Directors, and good banking practices. In his capacity as a loan originator, Hunter owed to the Bank a fiduciary duty to act in good faith, in a manner he believed to be in the best interests of the Bank and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

163. In the exercise of his responsibilities as a loan originator for the Bank, Hunter breached his fiduciary duties to the Bank by engaging in wrongful conduct exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. Sessa Loan

164. On or about August 25, 1987, Hunter originated a loan in the amount of \$104,000 to Aldo and Ann Marie Sessa secured by real property located at 6 Sunnydale Drive in Merrimack, New Hampshire. In connection therewith, Hunter unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding Ms. Sessa's employment and income on the borrowers' loan application.

## 2. Johnson Loan

165. On or about January 19, 1988, Hunter originated a loan in the amount of \$110,700 to Craig and Patricia A. Johnson secured by real property located at 42 Riverside Avenue in Hudson, New Hampshire. In connection therewith, Hunter unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' bank account balances on the borrowers' loan application and in the verification of deposit form supporting the loan application. In addition, Hunter forged, caused to be forged, or negligently failed to detect the forgery of, the authorized depository signature on the verification of deposit form.

## 3. Daine Loan

166. On or about February 9, 1988, Hunter originated a loan in the amount of \$100,500 to Perry Dame secured by real property located at 74 Greeley Street in Hudson, New Hampshire. In connection therewith, Hunter unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's employment and income on the borrower's loan application and in the verification of employment and W-2 wage and Tax Statement forms supporting the loan application. In addition, Hunter forged, caused to be forged, or negligently failed to detect the forgery of, the employer's signature of the verification of employment form.

167. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Hunter's unlawful conduct.

Q. CLAIMS AGAINST THOMAS A. BENJAMIN

168. At all times relevant to the allegations contained in this Complaint until in or about July 21, 1988, Benjamin was a loan originator in the loan origination office of the Leominster, Massachusetts branch of ComFed Savings Bank. At all relevant times, loans originated by Benjamin were processed through the Lowell, Massachusetts office of the Bank. As a loan originator, Benjamin was responsible for originating loans on behalf of the

Bank in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Bank's Board of Directors, and good banking practices. In his capacity as a loan originator, Benjamin owed to the Bank a fiduciary duty to act in good faith, in a manner he believed to be in the best interests of the Bank, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

169. In the exercise of his responsibilities as a loan originator for the Bank, Benjamin breached his fiduciary duties to the Bank by engaging in wrongful conduct exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. Johnson Loan

170. On or about May 26, 1988, Benjamin originated a loan in the amount of \$100,000 to Steven and Nancy C. Johnson secured by real property located at 54 Smith Street in Leominster, Massachusetts. In connection therewith, Benjamin unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' employment and income on the borrowers' loan application.

2. Bobillier Loan

171. On or about April 27, 1988, Benjamin originated a loan in the amount of \$112,500 to Daniel Bobillier secured by real property located at 27 Hartford Street in Fitchburg, Massachusetts. In connection therewith, Benjamin unlawfully,

fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's income on the borrower's loan application and in the verification of employment form supporting the loan application. In addition, Benjamin forged, caused to be forged, or negligently failed to detect the forgery of, the employer's signature on the verification of employment form.

### 3. Hurley Loan

172. On or about February 25, 1988, Benjamin originated a loan in the amount of \$91,000 to Daniel P. Hurley secured by real property located at 39 Allen Place in Fitchburg, Massachusetts. In connection therewith, Benjamin unlawfully, fraudulently, recklessly and/or through gross negligence caused the Bank to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding rental income on three of five Rent Agreements submitted in support of the borrower's loan application. In addition, Benjamin forged, caused to be forged, or negligently failed to detect the forgery of, the tenants' signatures on all five of those agreements.

173. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Benjamin's unlawful conduct.

R. CLAIMS AGAINST DAVID V. CHIRIACO

174. At all times relevant to the allegations contained in this Complaint until June 5, 1989, Chiriaco was a loan originator for ComFed Mortgage Co., Inc., in the White Plains, New York office of the Mortgage Company and the branch manager of that office. As such, Chiriaco was responsible for originating loans, reviewing and approving loans originated by lending officers in the White Plains, New York office of the Mortgage Company, and generally for ensuring that loans made by that office complied with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator and branch manager, Chiriaco owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

175. In the exercise of his responsibilities and duties as a loan originator and branch manager for the Mortgage Company, Chiriaco breached his fiduciary duties to the Mortgage Company by:

- (a) actively encouraging, knowingly acquiescing in, or negligently failing to detect the wrongful conduct of employees under his immediate supervision, as set forth in paragraphs 180 through 187 of this Complaint; and

(b) himself participating in the making of fraudulent loans by engaging in the wrongful conduct set forth in paragraphs 177 through 179, below.

176. The wrongful conduct of Chiriaco described in paragraph 175(b), above, is exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. Jones Loan

177. On or about September 1, 1987, Chiriaco originated a loan in the amount of \$112,500 to Dorothy Jones that was secured by real property located at 1180 Putnam Avenue, Brooklyn, New York. In connection therewith, Chiriaco unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's employment and income on the borrower's loan application and in the verification of employment form supporting the loan application.

2. Nieves Loan

178. On or about September 21, 1987, Chiriaco originated a loan in the amount of \$118,800 to Angel Nieves secured by real property located at 219 Warwick Street, Brooklyn, New York. In connection therewith, Chiriaco unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect,

material misrepresentations regarding the borrower's employment, income and bank account balance on the borrower's loan application and in the verification of employment and verification of deposit forms supporting the loan application.

179. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Chiriaco's unlawful conduct.

S. CLAIMS AGAINST DONALD PIETRAFESA

180. At all times relevant to the allegations contained in this Complaint until April 5, 1989, Pietrafesa was a loan originator in the white Plains, New York office of ComFed Mortgage Co., Inc. As such, he was responsible for originating loans on behalf of the Mortgage Company in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator, Pietrafesa owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

181. In the exercise of his responsibilities as a loan originator for the Mortgage Company, Pietrafesa breached his fiduciary duties to the Mortgage Company by engaging in wrongful

conduct exemplified by, but not limited to, the following specific incident of wrongdoing.

Hernandez Loan

182. On or about December 18, 1987, Pietrafesa originated a \$100,000 loan to Jeffrey A. and Aspacious P. Hernandez secured by real property located at 122 Westwood Drive in Brentwood, New York. In connection therewith, Pietrafesa unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' income on the loan application. Pietrafesa further forged, caused to be forged, or negligently failed to detect the forgery of, the borrowers' signatures on loan program disclosure documents.

183. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Pietrafesa's unlawful conduct.

T. CLAIMS AGAINST ANTHONY COLICCHIO

184. At all times relevant to the allegations contained in this Complaint until December 12, 1988, Colicchio was a loan originator in the White Plains, New York office of ComFed Mortgage Co., Inc. As such, he was responsible for originating loans on behalf of the Mortgage Company in accordance with federal banking statutes and regulations, the policies, rules and

procedures adopted by the Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator, Colicchio owed to the Mortgage company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

185. In the exercise of his responsibilities as a loan originator for the Mortgage Company, Colicchio breached his fiduciary duties to the Mortgage Company by engaging in wrongful conduct exemplified by, but not limited to, the following specific incident of wrongdoing.

#### Scott Loan

186. On or about August 23, 1988, Colicchio originated a loan to Mary E. Scott in the amount of \$164,000 secured by real property located at 111-05 95th Avenue in Richmond Hill, New York. In connection therewith, Colicchio unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's true name, employment and income on the loan application. In addition, Colicchio concealed, caused to be concealed, or negligently failed to detect the concealment of, the fact that the transaction was not a loan for the purchase of property but rather a loan to pay off a prior debt on the property.

187. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Colicchio's unlawful conduct.

U. CLAIMS AGAINST RICHARD A. SORDILLO

188. At all times relevant to the allegations contained in this Complaint until March 6, 1990, Sordillo was a loan originator for ComFed Mortgage Co., Inc., in the Wakefield, Massachusetts office of the Mortgage Company and the branch manager of that office. As such, Sordillo was responsible for originating loans, reviewing and approving loans originated by the lending officers in the Wakefield, Massachusetts office of the Mortgage Company, and generally for ensuring that loans made by that office complied with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator and branch manager, Sordillo owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

189. In the exercise of his responsibilities and duties as a loan originator and branch manager for the Mortgage company, Sordillo breached his fiduciary duties to the Mortgage Company by:

- (a) actively encouraging, knowingly acquiescing in, or negligently failing to detect the wrongful conduct of employees under his immediate supervision, as set forth in paragraphs 193 through 211 of this Complaint; and
- (b) himself engaging in the making of fraudulent loans by unlawfully, fraudulently, recklessly and/or through gross negligence permitting second mortgages in favor of the sellers to be placed on properties that were the subject of first mortgage loans by ComFed, and falsifying, causing to be falsified, or negligently failing to detect the falsification of, data on loan applications and in loan-related documents, as set forth in paragraphs 191-192, below.

190. The wrongful conduct of Sordillo described in paragraph 189(b), above, is exemplified by, but not limited to, the following specific incident of wrongdoing.

#### Chandler Loan

191. On or about September 24, 1987, Sordillo originated a loan in the amount of \$96,300 to Stephen L. and Linda A. Chandler secured by real property located at 114 Williams Avenue in Lynn, Massachusetts. In connection therewith, Sordillo unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the amount of the down payment made by the borrowers and the borrowers' source of

funds for closing on the loan application, in a gift letter, and in the HUD-1 Settlement Statement. In addition, in direct violation of ComFed's lending policy and applicable underwriting standards, Sordillo permitted a second mortgage in favor of the realtor to be secretly placed on the property that was the subject of the first mortgage loan made by ComFed.

192. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Sordillo's unlawful conduct.

V. CLAIMS AGAINST JOHN R. DELGAIZO

193. At all times relevant to the allegations contained in this Complaint until July 26, 1989, DelGaizo was a loan originator in the Wakefield, Massachusetts office of ComFed Mortgage Company. As such, DelGaizo was responsible for originating loans on behalf of the Mortgage Company in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Bank's Board of Directors, and good banking practices. In his capacity as a loan originator, DelGaizo owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

194. In the exercise of his responsibilities as a loan originator for the Mortgage Company, DelGaizo breached his

fiduciary duties to the Mortgage Company by engaging in wrongful conduct exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. Imperioso Loan

195. On or about August 6, 1987, DelGaizo originated a loan to Clarke E. Imperioso in the amount of \$114,300 secured by real property located at 86-88 Eastern Avenue, Unit 1, in Lynn, Massachusetts. In connection therewith, DelGaizo unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's income and bank account balance on the borrower's loan application and in the verification of employment and verification of deposit forms supporting the loan application. In addition, DelGaizo forged, caused to be forged, or negligently failed to detect the forgery of, the authorized employer and depository signatures on the verification of employment and verification of deposit forms.

2. Strom Loan

196. On or about March 22, 1988, DelGaizo originated a loan to Julie C. Strom in the amount of \$94,000 secured by real property located at 7 Duke Street in Lynn, Massachusetts. In connection therewith, DelGaizo unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by

making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's bank account balance on the borrower's loan application and in the verification of deposit form supporting the loan application. In addition, DelGaizo forged, caused to be forged, or negligently failed to detect the forgery of, the authorized depository signature on the verification of deposit form.

### 3. Florida Loans

197. From on or about September 3, 1987, up to and including on or about April 6, 1988, DelGaizo originated eight loans in the total dollar amount of \$484,800 to five different borrowers. The loans were secured by various real properties in the State of Florida. In connection with those loans, DelGaizo unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage company to make loans it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' bank account balances on the borrowers' loan applications and in the verification of deposit forms supporting the loan applications, as set forth below:

<u>Name of Borrower</u>	<u>Address of Property</u>	<u>Loan Amount</u>	<u>False Statement</u>
Nicholas C. Cornelio	2466 Dewey Street Hollywood, Florida	\$44,400	Existence of savings account and current and average balances therein

Paul R. Neal	1920 N.E. 2 Terrace, Pom- pano Beach, Florida	\$63,200	Existence of checking account and current and average balances therein
Paul R. Neal	4430 N.W. 11 Street, Lauder- hill, Florida	\$55,200	Existence of checking account and current and average balances therein
Neal Pantano	1541 N.W. 97 Terrace, Pembroke Pines, Florida	\$60,800	Current and average savings account balances
Rocco and Maria E. Iacoviello	5998 N.W. 19 St., Sunrise, Florida	\$80,000	Existence of savings account and current and average balances therein
Rocco and Maria E. Iacoviello	5211 NW. 16 St., Lauderhill, Florida	\$75,600	Existence of savings account and current and average balances therein
Horace Privitera	951 Alabama Avenue, Fort Lauderdale, Florida	\$56,000	Existence of savings account and current and average balances therein

Horace Privitera	221 N.W. 41 St., Pompano Beach, Florida	\$49,600	Existence of savings account and current and average balances therein
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198. In addition, DelGaizo forged, caused to be forged, or negligently failed to detect the forgery of, authorized depository signatures on the verification of deposit forms supporting the borrowers' loan applications.

#### 4. Bellanti Loan

199. On or about July 7, 1988, DelGaizo originated a loan to Joseph R. Bellanti in the amount of \$162,000 secured by real property located at 119 Trenton Street, East Boston, Massachusetts. In connection therewith, DelGaizo unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's bank account balance on the borrower's loan application and in the verification of deposit form supporting the loan application. In addition, DelGaizo forged, caused to be forged, or negligently failed to detect the forgery of, the authorized depository signature on the verification of deposit form.

200. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of DelGaizo's unlawful conduct.

201. At all times relevant to the allegations contained in this Complaint until on or about September 14, 1988, Aniskovich was a loan originator in the loan origination office of the Tewksbury, Massachusetts branch of ComFed Savings Bank and, from on or about September 15, 1988, until April 11, 1989, was a loan originator for ComFed Mortgage Co., Inc., in the Wakefield, Massachusetts office of the Mortgage Company. As a loan originator, Aniskovich was responsible for originating loans on behalf of the Bank and the Mortgage Company in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Bank's and the Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator, Aniskovich owed to the Bank and to the Mortgage Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Bank and the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

202. In the exercise of his responsibilities as a loan originator for the Bank and the Mortgage Company, Aniskovich breached his fiduciary duties to the Bank and the Mortgage Company by engaging in wrongful conduct exemplified by, but not limited to, the following specific incidents of wrongdoing.

#### Claremont Arms Loans

203. From on or about October 19, 1988, up to and including May 15, 1989, Aniskovich originated the below-listed twenty-four loans totaling \$1,184,500 to twelve different borrowers secured by condominium units located at the Claremont Arms Condominium Project in Claremont, New Hampshire. In connection therewith, Aniskovich unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make loans it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' employment, income and bank account balances on the borrowers' loan applications and in verification of employment and verification of deposit forms supporting the loan applications:

<u>Approximate Date of Loan Origination</u>	<u>Name of Borrower</u>
October 19, 1988	James F. Mello
October 19, 1988	Carol A. Sarro
October 19, 1988	Carol A. Sarro
October 19, 1988	Carol A. Sarro
October 19, 1988	Carol S. Sarro
February 10, 1989	Diane Bryett
February 10, 1989	Diane Bryett
February 10, 1989	John W. Gagne
February 10, 1989	Anson Sherman
February 10, 1989	Anson Sherman
February 24, 1989	Linda Correia and Philip Coli, Jr.

February 24, 1989	Linda Correia and Philip Cali, Jr.
February 24, 1989	Gayle M. Sarro
February 24, 1989	Gayle M. Sarro
February 24, 1989	Michael Sarro
February 24, 1989	Michael Sarro
March 9, 1989	Bent R. Anderson
March 9, 1989	Bent R. Anderson
March 22, 1989	Louis Bifolk
March 22, 1989	Louis Bifolk
March 22, 1989	J. Barry Dwyer
March 22, 1989	J. Barry Dwyer
April 6, 1989	Whently O. Williams
April 6, 1989	Whently O. Williams

204. In addition, Aniskovitch forged, caused to be forged, or negligently failed to detect the forgery of, the authorized employer and depository signatures on the verification of employment and verification of deposit forms supporting the above-referenced loan applications.

205. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Aniskovich's unlawful conduct.

X. CLAIMS AGAINST MICHAEL J. SIRACO

206. At all times relevant to the allegations contained in this Complaint until April 2, 1990, Siraco was a loan originator in the Wakefield, Massachusetts office of ComFed Mortgage Co., Inc. As such, he was responsible for originating loans on behalf of the Mortgage Company in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator, Siraco owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

207. In the exercise of his responsibilities as a loan originator for the Mortgage Company, Siraco breached his fiduciary duties to the Mortgage Company by engaging in wrongful conduct exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. Peterson Loans

208. On or about April 27, 1989, Siraco originated two loans in the amounts of \$44,000 and \$53,500 to Paul G. Peterson secured by real properties located at 1-9 Winter Street in Claremont, New Hampshire and V-7 Winter Street in Claremont, New Hampshire, respectively. In connection therewith, Siraco

unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make loans it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's employment and income on the borrower's loan applications and in the 1987 W-2 Wage and Tax Statement and verification of employment forms supporting the loan applications.

209. In addition, Siraco forged, caused to be forged, or negligently failed to detect the forgery of, the authorized employer signature on the verification of employment form.

## 2. Hilel Loans

210. On or about April 26, 1989, Siraco originated two loans, both in the amount of \$44,700, to Paulo Henrique Hilel secured by real properties located at D-10 Winter Street and D12 Winter Street in Claremont, New Hampshire. In connection therewith, Siraco unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make loans it otherwise would not have made by making, causing to be made, or negligently failing to detect<sup>1</sup> material misrepresentations regarding the borrower's employment, income, and bank account balances on the borrower's loan applications and in verification of employment and verification of deposit forms supporting the loan applications. In addition, Siraco forged, caused to be forged, or negligently failed to detect the forgery

of, the authorized employer and depository signatures on the verification of employment and verification of deposit forms.

211. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Siraco's unlawful conduct.

Y. CLAIMS AGAINST PATRICIA A. RAJJAR

212. At all times relevant to the allegations contained in this Complaint, Hajjar was a loan originator for ComFed Mortgage Co., Inc., in the Salem, New Hampshire office of the Mortgage Company and, from in or about August 1987, until April 10, 1989, the branch manager of that office. As a loan originator and branch manager, Hajjar was responsible for originating loans, reviewing and approving loans originated by lending officers in the Salem, New Hampshire office of the Mortgage Company, and generally for ensuring that loans made by that office complied with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage Company's Board of Directors, and good banking practices. In her capacity as a loan originator and branch manager, Hajjar owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner she reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

213. In the exercise of her responsibilities and duties as a loan originator and branch manager for the Mortgage Company, Hajjar breached her fiduciary duties to the Mortgage Company by:

- (a) actively encouraging, knowingly acquiescing in, or negligently failing to detect, the wrongful conduct of employees under her immediate supervision, as set forth in paragraphs 218-221 of this Complaint; and
- (b) herself participating in the making of fraudulent loans by: (1) permitting second mortgages in favor of the seller to be secretly placed on numerous properties that were the subject of first mortgage loans by ComFed, as set forth in paragraph 215, below; and  
(ii) falsifying, causing to be falsified, or negligently failing to detect the falsification of, data on loan applications and in loan-related documents, as set forth in paragraphs 216-217, below.

214. The wrongful conduct of Hajjar described in paragraph 213(b), above, is exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. Old English Estates Condominium Project

215. From in or about October 1987, up to and including October 1988, Hajjar unlawfully, fraudulently, recklessly and/or through gross negligence, originated twenty-nine first mortgage loans to borrowers purchasing properties at the Old English Estates Condominium Project located in Derry, New Hampshire. In direct violation of ComFed's lending policy and applicable

underwriting standards, Hajjar caused the Mortgage Company to make loans it otherwise would not have made by permitting second, and in some cases third, mortgages in favor of the developer Addallah Construction Corporation to be secretly placed on the properties that were the subject of first mortgage loans by ComFed, as set forth below:

<u>Closing Date</u>	<u>Borrower Last Name</u>	<u>Amount of Undisclosed Second or Third Mortgage</u>
October 15, 1987	Cappola	\$5,180
October 23, 1987	Merritt and McAndrew	\$19,980
November 13, 1987	Webber	\$ 5,000
November 27, 1987	Hannon	\$19,900
November 27, 1987	Moriarty	\$15,400
November 30, 1987	Houde	\$19,900
November 30, 1987	Kelley	\$19,900
December 22, 1987	Groleau	\$21,000
December 30, 1987	Ruggiero and Belino	\$21,000
January 6, 1988	DelSolio and Datillo	\$25,725
January 15, 1988	Bernard	\$25,725
January 15, 1988	Titchen	\$25,725
January 19, 1988	Moule	\$25,725
January 22, 1988	Grennell	\$10,290
January 22, 1988	Grennell	\$10,290
January 27, 1988	Bernardini	\$26,300
January 27, 1988	Wholley	\$26,300
January 28, 1988	Grant	\$25,000

January 29, 1988	Bussey	\$25,725
January 29, 1988	DiSessa	\$25,725
January 29, 1988	Martinez	\$16,725
February 12, 1988	Finnegan	\$21,300
February 18, 1988	Boutot	\$25,725
February 24, 1988	Ferrazzani	\$26,500
February 24, 1988	Ferrazzani	\$26,500
February 24, 1988	MacDonald	\$25,725
May 25, 1988	Florin	\$27,475
July 21, 1988	O'Dell	\$28,000
October 28, 1988	Renik	\$28,100

## 2. Armano Loan

216. On or about March 31, 1988, Hajjar originated a loan in the amount of \$196,000 to Joseph P. and Suzanne H. Armano that was secured by real property located at 54 Kilrea Road, Derry, New Hampshire. In connection therewith, Hajjar unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding Mr. Armano's income on the borrowers' loan application.

217. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Hajjar's unlawful conduct.

## Z. CLAIMS AGAINST JAMES F. DOYLE

218. At all times relevant to the allegations contained in this Complaint until May 12, 1989, Doyle was a loan originator in the Salem, New Hampshire office of ComFed Mortgage Company. As such, he was responsible for originating loans on behalf of the Mortgage Company in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator, Doyle owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

219. In the exercise of his responsibilities as a loan originator for the Mortgage Company, Doyle breached his fiduciary duties to the Mortgage Company by engaging in wrongful conduct exemplified by, but not limited to, the following specific incidents of wrongdoing.

#### Infante Loans

220. On or about September 22, 1988, Doyle originated a \$129,600 loan to Jose and Venecia Infante secured by real property located at 5-7 Bodwell Street in Lawrence, Massachusetts. On or about November 7, 1988, Doyle originated a second loan, in the amount of \$120,000, to the same borrowers to refinance real property located at 1-3 Bodwell Street. In connection with both of these loans, Doyle unlawfully, fraudulently, recklessly

and/or through gross negligence caused the Mortgage Company to make loans it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' employment, income, and intent to occupy the Bodwell Street properties on the loan applications. In addition, in connection with the second loan, Doyle failed to disclose, or negligently failed to detect the nondisclosure of, an outstanding mortgage obligation of the borrowers.

221. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Doyle's unlawful conduct.

AA. CLAIMS AGAINST W. HENRY COLEMAN

222. At all times relevant to the allegations contained in this Complaint until March 20, 1988, Coleman was a loan originator for ComFed Mortgage Co., Inc., in the Boston, Massachusetts office of the Mortgage Company and the branch manager of that office. As a loan originator and branch manager, Coleman was responsible for originating loans, reviewing and approving loans originated by lending officers in the Boston office of the Mortgage Company, and generally for ensuring that loans made by that office complied with federal banking statutes and regulations, the policies, rules and procedures adopted by

the Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator and branch manager,

Coleman owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

223. In the exercise of his responsibilities and duties as a loan originator and branch manager for the Mortgage Company, Coleman breached his fiduciary duties to the Mortgage Company by:

- (a) actively encouraging, knowingly acquiescing in, or negligently failing to detect, the wrongful conduct of employees under his immediate supervision, as set forth in paragraphs 235-237 and 240-243 of this Complaint; and
- (b) himself participating in the making of fraudulent loans by engaging in the wrongful conduct set forth in paragraphs 225-226, below.

224. The wrongful conduct of Coleman described in paragraph 223(b), above, is exemplified by, but not limited to, the following specific incident of wrongdoing.

225. On or about November 5, 1986, Coleman originated a loan in the amount of \$133,000 to himself secured by real property located at 1185 Nantasket Avenue in Hull, Massachusetts. In connection therewith, Coleman unlawfully, fraudulently, recklessly, and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by causing to be inflated, or negligently failing to detect the inflation of, the value of the Nantasket Avenue property in the Appraisal Report supporting his loan application.

226. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Coleman's unlawful conduct.

BB. CLAIMS AGAINST VINCENT J. CRUPI

227. At all times relevant to the allegations contained in this Complaint until October 17, 1988, Crupi was a loan originator for ComFed Mortgage Co., Inc., in the Boston, Massachusetts office of the Mortgage Company and, from in or about March 1988, until October 17, 1988, the branch manager of that office. As such, Crupi was responsible for originating loans, reviewing and approving loans originated by lending officers in the Boston, Massachusetts office of the Mortgage Company, and generally for ensuring that loans made by that office complied with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage

Company's Board of Directors, and good banking practices. In his capacity as a loan originator and branch manager, Crupi owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

228. In the exercise of his responsibilities as a loan originator and branch manager for the Mortgage Company, Crupi breached his fiduciary duties to the Mortgage Company by:

- (a) actively encouraging, knowingly acquiescing in, or negligently failing to detect, the wrongful conduct of employees under his immediate supervision, as set forth in paragraphs 235-236 and 238-239 of this Complaint; and
- (b) himself participating in the making of fraudulent loans by engaging in the wrongful conduct set forth in paragraphs 230 through 234 of this Complaint.

229. The wrongful conduct of Crupi described in paragraph 228(b), above, is exemplified by, but not limited to, the following specific incidents of wrongdoing.

#### Atwood Street Condominium Project

230. From in or about February 1988 through in or about April 1988, Crupi originated mortgage loans to borrowers purchasing condominium units developed by Ciambelli and Pagliuca Developing Corporation and located in a condominium project on

Atwood Street in Revere, Massachusetts. In connection therewith, Crupi caused the Mortgage Company to make loans it otherwise would not have made by offering to prospective purchasers of the Atwood Street condominium units "no money down"<sup>11</sup> financing from ComFed Savings Bank. He then created false ComFed loan documents which:

- (a) overstated the purchase price of the condominium units;
- (b) stated that the borrower paid a down payment of more than \$50,000 when, in fact, no such down payment had been made;
- (c) falsely overstated the assets and income of the borrower;  
and
- (d) inflated, or caused to be inflated, the market value of the condominium units, as set forth in paragraph 110, above.

231. Specifically, Crupi made false statements in the borrowers' loan applications regarding, among other things, the amount of money in the borrowers' bank accounts, as set forth below:

<u>Approximate Date of False Statement</u>	<u>Name of Borrower</u>	<u>Substance of False Statement</u>
February 22, 1988	Pasquale D. Buonopane	Falsely stated that borrower had \$95,000 in bank account
February 22, 1988	Karen Iantosca	Falsely stated that borrower had \$87,000 in bank account

March, 1988	Thomas E. Laidly	Falsely stated that borrower had \$84,000 in bank account
March, 1988	Louis Petruzelli	Falsely stated that borrower had \$110,000 in bank account
March, 1988	Roy DiCiccio	Falsely stated that borrower had \$110,000 in bank account

232. On October 5, 1989, a federal grand jury in the District of Massachusetts returned an eleven count Indictment charging Crupi with the precise misconduct alleged in paragraphs 230(a), (b), and (c) and 231, above.

233. On September 7, 1990, Crupi entered a plea of guilty to all eleven counts of that Indictment.

234. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Crupi's unlawful conduct.

CC. CLAIMS AGAINST WILLIAM H. MCKENNA

235. At all times relevant to the allegations contained in this Complaint until November 22, 1988, McKenna was a loan originator for ComFed Mortgage Co., Inc., in the Boston, Massachusetts office of the Mortgage Company. As such, he was responsible for originating loans on behalf of the Mortgage Company in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the

Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator, McKenna owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

236. In the exercise of his responsibilities as a loan originator for the Mortgage Company, McKenna breached his fiduciary duties to the Mortgage Company by engaging in wrongful conduct exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. Devis and Piard Loan

237. On or about October 2, 1987, McKenna originated a \$114,300 loan to Margalie Devis and Jeannette Piard secured by real property located at 229 Norfolk Street in Dorchester, Massachusetts. In connection therewith, McKenna unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' employment and income on the borrowers' loan application and in the verification of employment form supporting the loan application. In addition, McKenna forged, caused to be forged, or negligently failed to detect the forgery of, the employer's signature on the verification of employment form.

## 2. Lopes Loans

238. On or about May 23, 1988, McKenna originated four loans in the total amount of \$553,100 to John and Maria T. Lopes that were secured by real property located at 33-35 Fountain Avenue, Units 1-4, in Somerville, Massachusetts. In connection therewith, McKenna unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make loans it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the value of the Fountain Avenue properties in the Appraisal Reports supporting the borrowers' loan applications.

239. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of McKenna's unlawful conduct.

### DD. CLAIMS AGAINST ANTHONY C. SMITH

240. At all times relevant to the allegations contained in this Complaint until March 30, 1988, Smith was a loan originator in the Boston, Massachusetts office of ComFed Mortgage Co., Inc. As such, he was responsible for originating loans on behalf of the Mortgage Company in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator, Smith owed to the Mortgage Company a fiduciary duty to act in good faith, in a

manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

241. In the exercise of his responsibilities as a loan originator for the Mortgage Company, Smith breached his fiduciary duties to the Mortgage Company by engaging in wrongful conduct exemplified by<sub>1</sub> but not limited to, the following specific incident of wrongdoing.

#### Maxito Pean Loan

242. On or about November 16, 1987, Smith originated a loan to Maxito K. Pean in the amount of \$164,000 secured by real property located at 675 Montello Street in Brockton, Massachusetts. In connection therewith, Smith unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's employment, income and bank account balance on the borrower's loan application and in the verification of employment and verification of deposit forms supporting the loan application. In addition, Smith forged, caused to be forged, or negligently failed to detect the forgery of, the authorized depository signature on the verification of employment and verification of deposit forms.

243. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Smith's unlawful conduct.

EE. CLAIMS AGAINST CAROL L. JOHNSON

244. At all times relevant to the allegations contained in this Complaint until September 1, 1989, Johnson was a loan originator for ComFed Mortgage CO.<sub>1</sub> Inc., in the Kingston, New York office of the Mortgage Company and the branch manager of that office. As such, Johnson was responsible for originating loans, reviewing and approving loans originated by lending officers in the Kingston, New York office of the Mortgage Company, and generally for ensuring that loans made by that office complied with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage Company's Board of Directors, and good banking practices. In her capacity as a loan originator and branch manager, Johnson owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner she reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

245. In the exercise of her responsibilities and duties as a loan originator and branch manager for the Mortgage Company, Johnson breached her fiduciary duties to the Mortgage Company by

engaging in wrongful conduct exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. Butler Loan

246. On or about January 29, 1988, Johnson originated a loan to Jane A. Butler in the amount of \$243,000 secured by real property located at Lot No. 55, Stowe Drive, Poughquag, New York. In connection therewith, Johnson unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's name and income on the borrower's loan application. In addition, Johnson caused to be inflated, or negligently failed to detect the inflation of, the value of the Stowe Drive property in the Appraisal Report supporting the loan application.

2. Zimmerman Loan

247. On or about October 9, 1987, Johnson originated a loan to Seth S. Zimmerman in the amount of \$120,000 secured by real property located at 2 Mullen Road, Shandaken, New York. In connection therewith, Johnson unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by concealing, or negligently failing to detect the concealment of, other real estate-secured debts of the borrower that were required to be set forth on the borrower's loan application.

### 3. Job Loan

248. On or about March 19, 1988, Johnson originated a \$240,000 loan to Quisqueya Job secured by real estate located at Lot 56, Heather Hills, Poughquag, New York. In connection therewith, Johnson unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's true name on the loan application. In addition, Johnson caused to be inflated, or negligently failed to detect the inflation of, the value of the Heather Hills property in the Appraisal Report supporting the borrower's loan application.

249. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Johnson's unlawful conduct.

#### FF. CLAIMS AGAINST CARL MANCUSO

250. At all times relevant to the allegations contained in this Complaint until July 31, 1989, Mancuso was a loan originator for ComFed Mortgage Co., Inc., in the East Greenwich, Rhode Island office of the Mortgage Company and the branch manager of that office. As such, Mancuso was responsible for originating loans, reviewing and approving loans originated by lending officers in the East Greenwich, Rhode Island office of the Mortgage Company, and generally for ensuring that loans made by

that office complied with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator and branch manager, Mancuso owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

251. In the exercise of his responsibilities and duties as a loan originator and branch manager for the Mortgage Company, Mancuso breached his fiduciary duties to the Mortgage Company by engaging in wrongful conduct exemplified by, but not limited to, the following specific incidents of wrongdoing.

#### Ryan Loans

252. On or about December 15, 1986, Mancuso originated two loans of \$72,000 each to Norma J. Ryan secured by real property located at 36-38 and 40-42 Greenwich Street, respectively, in Providence, Rhode Island. On or about February 24, 1987, Mancuso originated a \$64,000 loan to the same borrower secured by real property at 11 Grant Street in Providence, Rhode Island. Finally, on or about March 24, 1987, Mancuso originated a \$136,000 loan to the same borrower secured by real property located at 155-157 Vinton Street in Providence, Rhode Island. In connection with these loans, Mancuso unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage

Company to make loans it otherwise would not have made by failing to disclose on three of the four loan applications, or negligently failing to detect the nondisclosure of, the borrower's ownership of, and indebtedness on, the other properties that were the subject of the above-mentioned mortgage loans made by ComFed.

253. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Mancuso's unlawful conduct.

GG. CLAIMS AGAINST ROBERT A. LEVITRE

254. At all times relevant to the allegations contained in this Complaint until September 18, 1989, Levitre was a loan originator for ComFed Mortgage Co., Inc. in the Norwell, Massachusetts office of the Mortgage Company and, from September 19, 1989, until October 31, 1989, a loan originator in the West Bridgewater, Massachusetts office of the Mortgage Company. As a loan originator, Levitre was responsible for originating loans on behalf of the Mortgage Company in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator, Levitre owed to the Mortgage company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as

an ordinarily prudent person in a like position would have used under similar circumstances.

255. In the exercise of his responsibilities as a loan originator for the Mortgage Company, Levitre breached his fiduciary duties to the Mortgage Company by engaging in wrongful conduct exemplified by, but not limited to, the following specific incidents of wrongdoing.

1. Fichtner Loan

256. On or about October 28, 1986, Levitre originated a \$161,900 loan to Lester R. and Barbara J. Fichtner secured by real property located at 100 Prospect Street in Brockton, Massachusetts. In connection therewith, Levitre unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's income, employment, and intent to occupy the Prospect Street property on the borrowers' loan application and in the verification of employment form supporting the loan application. In addition, Levitre forged, caused to be forged, or negligently failed to detect the forgery of, the employer's signature on the verification of employment form.

2. Willey Loan

257. On or about November 7, 1986, Levitre originated a \$125,900 loan to Ronald J. and Deborah L. Willey secured by real property located at 30 Dover Street in Brockton, Massachusetts.

In connection therewith, Levitre unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' employment and income on the borrowers' loan application and in the verification of employment forms supporting the loan application. In addition, Levitre forged, caused to be forged, or negligently failed to detect the forgery of, the employer's signature on the verification of employment forms.

### 3. Corson Loan

258. On or about November 17, 1987, Levitre originated a \$107,900 loan to Fred M. and Donna M. Corson secured by real property located at 130 Kevin Street in Brockton, Massachusetts. In connection therewith, Levitre unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' income and employment on the borrowers' loan application and in the verification of employment forms supporting the loan application. In addition, Levitre forged, caused to be forged, or negligently failed to detect the forgery of, the employer's signature on the verification of employment forms.

### 4. Nee Loan

259. On or about December 31, 1986, Levitre originated a \$134,900 loan to Ralph F. and Barbara A. Nee secured by real property located at 406 Montello Street in Brockton, Massachusetts. In connection therewith, Levitre unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' employment and income on the borrowers' loan application and in the verification of employment form supporting the loan application. In addition, Levitre forged, caused to be forged, or negligently failed to detect the forgery of, the employer's signature on the verification of employment form.

260. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Levitre's unlawful conduct.

HH. CLAIMS AGAINST KEVIN ANZUONI

261. At all times relevant to the allegations contained in this Complaint until August 26, 1988, Anzuoni was a loan originator in the Norwell, Massachusetts office of the Mortgage Company. As such, he was responsible for originating loans on behalf of the Mortgage Company in accordance with federal banking statutes and regulations, the policies, rules and procedures

adopted by the Mortgage Company's Board of Directors, and good banking practices. In his capacity as a loan originator, Anzuoni

owed to the Mortgage Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

262. In the exercise of his responsibilities as a loan originator for the Mortgage Company, Anzuoni breached his fiduciary duties to the Mortgage Company by engaging in wrongful conduct exemplified by, but not limited to, the following specific incident of wrongdoing.

#### Kerchner Loan

263. On or about March 23, 1988, Anzuoni originated a \$150,900 loan to Suzanne A. and James G. Kerchner secured by real property located at 7 Davis Street in Plymouth, Massachusetts. In connection therewith, Anzuoni unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrowers' credit history on a credit report supporting the borrowers' loan application.

264. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Anzuoni's unlawful conduct.

## II. CLAIMS AGAINST RALPH DELDON

265. At all times relevant to the allegations contained in this Complaint until July 14, 1988, Deldon was a loan originator for ComFed Mortgage Co., Inc., in the Natick, Massachusetts office of the Mortgage Company and, from July 15, 1988, until August 19, 1988, a loan originator for ComFed Advisory Co., Inc., in the Medford, Massachusetts office of the Advisory Company. As such, he was responsible for originating loans on behalf of the Mortgage Company and the Advisory Company in accordance with federal banking statutes and regulations, the policies, rules and procedures adopted by the Mortgage Company's and the Advisory Company's Board of Directors, and good banking practices. In his capacity as a loan originator, Deldon owed to the Mortgage Company and to the Advisory Company a fiduciary duty to act in good faith, in a manner he reasonably believed to be in the best interests of the Mortgage Company and the Advisory Company, and with such care as an ordinarily prudent person in a like position would have used under similar circumstances.

266. In the exercise of his responsibilities as a loan originator for the Mortgage Company and the Advisory Company, Deldon breached his fiduciary duties to the Mortgage Company and to the Advisory Company by engaging in wrongful conduct exemplified by, but not limited to, the following specific incident of wrongdoing.

Aposhian Loan

267. On or about October 16, 1987, Deldon originated a loan in the amount of \$97,100 to David L. Aposhian secured by real property located at 203 Pemberton Street, #6, in Cambridge, Massachusetts. In connection therewith, Deldon unlawfully, fraudulently, recklessly and/or through gross negligence caused the Mortgage Company to make a loan it otherwise would not have made by making, causing to be made, or negligently failing to detect, material misrepresentations regarding the borrower's bank account balance and outstanding loans on the borrower's loan application and in two verification of deposit forms supporting the loan application. In addition, Deldon forged, caused to be forged, or negligently failed to detect the forgery of, the authorized depository signatures on both verification of deposit forms

268. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of Deldon's unlawful conduct.

#### CLAIMS AGAINST MULTIPLE DEFENDANTS

269. Beginning in the early to mid-1980s and continuing until in or about 1989, the defendants Baldini, Buco, DiStefano, Campbell, Lawrenson, Rydell, Savard, Ota, Fox, Hunter, Benjamin, Chiriaco, Sordillo, DelGaizo, Aniskovich, Hajjar, Coleman, Crupi, McKenna, Johnson and Levitre devised a plan or scheme to enrich

themselves at the expense of ComFed. It was a part and object of the defendants' scheme or plan:

- (1) to increase their income -- pursuant to incentive compensation arrangements, through receipt of commissions, or by virtue of their ownership of ComFed stock -- by originating, processing and approving loans in flagrant disregard of, inter alia, federal banking statutes and regulations, ComFed's written lending policy and applicable underwriting standards; and
- (2) to enrich themselves through self-dealing by causing ComFed to make loans from which the defendants received direct and personal financial benefits.

270. In furtherance of this plan and scheme, the defendants engaged in a widespread pattern and practice of originating, processing, and approving loans, and encouraging ComFed employees under their direct and immediate supervision to originate, process and approve loans in a manner that defrauded ComFed and violated federal banking statutes and regulations, ComFed's written lending policy, ComFed's written Policy Statement on Conflicts of Interest, ComFed's applicable underwriting standards, the defendants' fiduciary duties to ComFed, and good banking practices.

271. Specifically, the defendants engaged in a pattern and practice of:

- a. falsifying data on loan applications and in loan-related documents in order to cause ComFed to make loans that it would not have made had the data been accurately reported,

as set forth in paragraphs 78-82 and 114-268 of this Complaint;

- b. utilizing inside and outside appraisers who were known to give inflated appraisals of properties, in order to cause ComFed to make loans that it would not otherwise have made, as set forth in paragraphs 59, 110-111, 225, 246 and 248 of this Complaint;
- c. permitting second mortgages in favor of the seller to be placed on numerous properties that were the subject of first mortgage loans by ComFed, and then concealing the existence of such second mortgages from ComFed, in order to cause ComFed to make loans on terms that violated federal banking regulations, ComFed's lending policy, and applicable underwriting standards, as set forth in paragraphs 106-107, 191-192, and 215 of this Complaint;
- d. exceeding the limits on their lending authority in order to cause ComFed to make loans that it otherwise would not have made, as set forth in paragraphs 83 through 88 of this Complaint;
- e. encouraging and instructing employees under their supervision to engage in activities described in (a), (b) and (c).

272. Certain of the defendants further engaged in a pattern and practice of self-dealing in which they:

- a. engaged in business transactions with customers of ComFed and utilized their positions at ComFed to extract financial benefits from such customers, as set forth in paragraphs 69 through 77 of this Complaint;
- b. caused ComFed to make unsafe and unsound loans to third parties in connection with transactions from which they received direct and personal financial benefits, as set forth in paragraphs 53 through 62 of this complaint; and
- c. received loans from ComFed through fraudulent misrepresentations and/or on preferential terms, in violation of federal banking statutes and regulations, ComFed's lending policy, applicable underwriting standards, and ComFed's written Policy Statement on Conflicts of Interest, as set forth in paragraphs 63 through 68, 78 through 82, and 222 through 226 of this Complaint.

273. The defendants repeatedly utilized the United States mails and interstate wire facilities to accomplish the unlawful objectives of their fraudulent scheme.

274. ComFed has suffered losses of money and property and/or damage to its good name and reputation as a result of the defendants' unlawful conduct.

CHARGED OFFENSES

COUNTS AGAINST INDIVIDUAL DEFENDANTS

A. COUNTS AGAINST BALDINI

COUNT I

Breach of Fiduciary Duty

275. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

276. Baldini's conduct as alleged herein constitutes a breach of his fiduciary duties of care and loyalty to ComFed.

277. As a direct and proximate result of Baldini's breach of his fiduciary duties, ComFed has suffered losses in an amount to be proved at trial.

COUNT II

Violation of Federal Banking Regulations

278. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

279. Baldini's activities and actions as alleged herein constitute a violation of federal banking regulations, including 12 C.F.R. §§ 563.40, 563.43 and 571.7.

280. As a direct and proximate result of Baldini's violations of federal banking regulations, ComFed has suffered losses in an amount to be proved at trial.

COUNT III

Common Law Fraud

281. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

282. Baldini's activities as alleged operated as a fraud on ComFed in violation of the common law.

283. As a direct and proximate result of Baldini's conduct, ComFed has suffered losses in an amount to be proved at trial.

COUNT IV

Breach of Employment Agreement

284. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

285. The activities of Baldini as alleged herein constitute a breach of his employment agreement with ComFed Mortgage Co., Inc.

286. As a direct and proximate result of Baldini's breach of his employment agreement, ComFed has suffered losses in an amount to be proved at trial.

B. COUNTS AGAINST MILLER

COUNT I

Breach of Fiduciary Duty

287. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

288. Miller's conduct as alleged constitutes a breach of his fiduciary duties of care and loyalty to ComFed.

289. As a direct and proximate result of Miller's breach of his fiduciary duties, ComFed has suffered losses in an amount to be proved at trial.

## COUNT II

### Violation of Federal Banking Regulations

290. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

291. Miller's activities and actions as alleged herein constitute a violation of federal banking regulations, including 12 C.F.R. §563.171.

292. As a direct and proximate result of Miller's violation of federal banking regulations, ComFed has suffered losses in an amount to be proved at trial.

## COUNT III

### Breach of Employment Agreement

293. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

294. The activities of Miller as alleged herein constitute a breach of his employment agreement with ComFed savings Bank.

295. As a direct and proximate result of Miller's breach of his employment agreement, ComFed has suffered losses in an amount to be proved at trial.

C. COUNTS AGAINST MALOOF

COUNT I

Breach of Fiduciary Duty

296. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

297. Maloof's conduct as alleged herein constitutes a breach of his fiduciary duties of care and loyalty to ComFed.

298. As a direct and proximate result of Maloof's breach of his fiduciary duties, ComFed has suffered losses in an amount to be proved at trial.

COUNT II

Violation of Federal Banking Regulations

299. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

300. Maloof's activities and actions as alleged herein constitute a violation of federal banking regulations, including 12 C.F.R. §563.171.

301. As a direct and proximate result of Maloof's violation of federal banking regulations, ComFed has suffered losses in an amount to be proved at trial.

D. COUNTS AGAINST PORTER

COUNT I

Breach of Fiduciary Duty

302. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

303. Porter<sup>1</sup>'s conduct as alleged herein constitutes a breach of his fiduciary duties of care and loyalty to ComFed.

304. As a direct and proximate result of Porter's breach of his fiduciary duties, ComFed has suffered losses in an amount to be proved at trial.

COUNT II

Violation of Federal Banking Regulations

305. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

306. Porter's activities and actions as alleged herein constitute a violation of federal banking regulations, including 12 C.F.R. §563.171.

307. As a direct and proximate result of porter's violation of federal banking regulations, ComFed has suffered losses in an amount to be proved at trial.

E. COUNTS AGAINST MCCANNON

COUNT I

Negligence

308. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint.

309. McCannon's conduct as alleged constitutes attorney malpractice and a breach of his duties to ComFed.

310. As a direct and proximate result of McCannon's breach of his duties, ComFed has suffered losses in an amount to be proved at trial.

COUNT II

Common Law Fraud

311. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

312. McCannon's activities as alleged operated as a fraud on ComFed in violation of the common law.

313. As a direct and proximate result of McCannon's conduct, ComFed has suffered losses in an amount to be proved at trial.

F. COUNTS AGAINST BUCO

COUNT I

Breach of Fiduciary Duty

314. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

315. Buco's conduct as alleged herein constitutes a breach of his fiduciary duties of care and loyalty to ComFed.

316. As a direct and proximate result of Buco's breach of his fiduciary duties, ComFed has suffered losses in an amount to be proved at trial.

COUNT II

Common Law Fraud

317. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

318. Buco's activities as alleged herein operated as a fraud on ComFed in violation of the common law.

319. As a direct and proximate result of Buco's conduct, ComFed has suffered losses in an amount to be proved at trial.

### COUNT III

#### Breach of Employment Agreement

320. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

321. The activities of Buco as alleged herein constitute a breach of his employment agreement with ComFed Mortgage Co., Inc.

322. As a direct and proximate result of Buco's breach of his employment agreement, ComFed has suffered losses in an amount to be proved at trial.

## G. COUNTS AGAINST DISTEFANO

### COUNT I

Breach of Fiduciary Duty

323. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

324. DiStefano's conduct as alleged herein constitutes a breach of his fiduciary duties of care and loyalty to ComFed.

325. As a direct and proximate result of DiStefano's breach of his fiduciary duties, ComFed has suffered losses in an amount to be proved at trial.

COUNT II

Violation of Federal Banking Regulations

326. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

327. DiStefano's activities and actions as alleged herein constitute a violation of federal banking regulations, including 12 C.F.R. §563.171.

328. As a direct and proximate result of DiStefano's violations of federal banking regulations, ComFed has suffered losses in an amount to be proved at trial.

COUNT III

Common Law Fraud

329. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

330. DiStefano's activities as alleged herein operated as a fraud on ComFed in violation of the common law.

331. As a direct and proximate result of DiStefano's conduct, ComFed has suffered losses in an amount to be proved at trial.

H. COUNTS AGAINST CAMPBELL

COUNT I

Breach of Fiduciary Duty

332. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

333. Campbell's activities as alleged herein constitute a breach of his fiduciary duties of care and loyalty to ComFed.

334. As a direct and proximate result of his breach of his fiduciary duties, ComFed has suffered losses in an amount to be proved at trial.

COUNT II

Violation of Federal Banking Regulations

335. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

336. Campbell's conduct as alleged herein constitutes a violation of federal banking regulations, including 12 C.F.R. §§563.40, 563.43 and 571.7.

337. As a direct and proximate result of Campbell's violations of federal banking regulations, ComFed has suffered losses in an amount to be proved at trial.

### COUNT III

#### Common Law Fraud

338. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

339. Campbell's activities as alleged operated as a fraud on ComFed in violation of the common law.

340. As a direct and proximate result of Campbell's conduct, ComFed has suffered losses in an amount to be proved at trial.

## I. COUNTS AGAINST REMAINING DEFENDANTS

### COUNT I

Breach of Fiduciary Duty

341. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

342. The defendants' conduct as alleged herein constitutes a breach of their fiduciary duties of care and loyalty to ComFed.

343. As a direct and proximate result of their breach of their fiduciary duties, ComFed has suffered losses in an amount to be proved at trial.

COUNT II

Common Law Fraud

344. ComFed repeats and incorporates by reference each of the allegations contained in paragraphs 1 through 274 of this Complaint as though fully set forth herein.

345. The defendants' activities as alleged herein operated as a fraud on ComFed in violation of the common law.

346. As a direct and proximate result of the defendants' conduct, ComFed has suffered losses in an amount to be proved at trial.

COUNTS AGAINST MULTIPLE DEFENDANTS

COUNT I

Violation of Rico Statute

347. The acts of the defendants Baldini, BUCO, DiStefano, Campbell, Lawrenson, Rydell, Savard, Ota, Fox, Hunter, Benjamin, Chiriaco, Sordillo, DelGaizo, Aniskovich, Hajjar, Coleman, Crupi, McKenna, Johnson and Levitre entitle the plaintiffs to redress under the provisions of the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. §§ 1961-68, and specifically 18 U.S.C. §§ 1962(c), because:

- (a) the defendants conducted or participated, directly or indirectly, in the conduct of the affairs of an enterprise -- including the Mortgage Company, the Bank, and the Advisory Company -- through a pattern of racketeering activity, in violation of 18 U.S.C. §1962(c);
  
- (b) The activities engaged in by the defendants constituted a "pattern of racketeering activity," as that term is defined in 18 U.S.C. § 1961(5) in that many of the activities of the defendants constitute mail fraud, in violation of 18 U.S.C. § 1341, and wire fraud, in violation of 18 U.S.C. § 1343.

348. As a result of the defendants' participation in the pattern of racketeering activity described in paragraphs 269 through 274, above, the plaintiffs have suffered extensive damages in an amount to be proved at trial.

RELIEF SOUGHT

WHEREFORE, plaintiffs respectfully pray:

1. That judgment be entered against each individual defendant for damages in an amount to be proved at trial for injuries suffered by ComFed by reason of defendants' conduct, together with interest as permitted by law, attorney's fees and costs.

2. That judgment be entered jointly and severally against defendants Baldini, Bucu, DiStefano, Campbell, Lawrenson, Rydell, Savard, Ota, Fox, Hunter, Benjamin, Chiriaco, Sordillo, DelGaizo, Aniskovich, Hajjar, Coleman, Crupi, McKenna, Johnson and Levitre for treble the amount of ComFed's damages to be proved at trial for injuries suffered by ComFed by reason of defendants' violation of the Racketeer Influenced and Corrupt Organization Act, together with interest as permitted by law, attorneys' fees and costs.

3. For such other and further relief as the Court deems just.

COMFED SAVINGS BANK, FSB  
COMFED MORTGAGE CO., INC.

By their attorneys,

  
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Dated: October 1, 1990

