

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

In the Matter of)
DOMINIC J. ALEGI, JR.,) OTS Order No. NE96-12
an officer of Naugatuck) Dated: December 9, 1996
Valley Savings and Loan)
Association, Naugatuck,)
Connecticut)
_____)

STIPULATION AND CONSENT TO ISSUANCE OF CONSENT ORDER

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, has informed DOMINIC J. ALEGI, JR., an Executive Vice President of Naugatuck Valley Savings and Loan Association, Naugatuck, Connecticut ("NVSLA"), that grounds exist for the OTS to initiate administrative enforcement proceedings against him pursuant to 12 U.S.C. § 1818;¹ and

WHEREAS, DOMINIC J. ALEGI, JR. wishes to cooperate with the OTS and to avoid the time and expense of such an administrative proceeding.

NOW, THEREFORE, DOMINIC J. ALEGI, JR. enters into this Stipulation and Consent to Issuance of Consent Order ("Stipulation"), and without admitting or denying that the aforesaid grounds exist, or the Findings of Fact or opinions and conclusions of the OTS, except those as to the OTS's jurisdiction over him, which is admitted (as provided by paragraph 1 below), hereby stipulates and agrees to the following terms:

1. All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

1. Jurisdiction.

(a) NVSLA is a "savings association" within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, it is an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c).

(b) DOMINIC J. ALEGI, JR. is an officer of NVSLA, and at pertinent times served as a Director and the Chief Lending Officer of NVSLA. Accordingly, DOMINIC J. ALEGI, JR. is an "institution-affiliated party" as that term is defined in 12 U.S.C. § 1813(u).

(c) Pursuant to 12 U.S.C. § 1813(g), the Director of the OTS is the "appropriate Federal banking agency" to maintain administrative cease-and-desist and civil money penalty proceedings, pursuant to 12 U.S.C. §§ 1818(b) and 1818(i)(2), against institution-affiliated parties of savings associations. Therefore, DOMINIC J. ALEGI, JR. is subject to the authority of the OTS to initiate and maintain cease-and-desist and civil money penalty proceedings against him pursuant to 12 U.S.C. §§ 1818(b) and 1818(i)(2).

(d) The Director of the OTS has delegated to the Regional Director of the Northeast Region or his designee ("Regional Director") the authority to issue administrative orders, pursuant to provisions of 12 U.S.C. § 1818, where the subjects of such orders have consented to the issuance thereof. Accordingly, the undersigned Regional Director is authorized to cause the OTS to issue the accompanying CONSENT CEASE-AND-DESIST ORDER DIRECTING AFFIRMATIVE RELIEF AND CONSENT ORDER OF CIVIL MONEY PENALTY ASSESSMENT (the "Order").

2. Findings of Fact. The OTS finds that:

(a) DOMINIC J. ALEGI failed to disclose to NVSLA's Board of Directors and officers that in 1989 he had entered into a personal financial relationship with major borrowers of NVSLA (hereinafter "B&G") by personally extending credit to B&G to partially finance their purchase of four condominium units from Mr. Alegi. Notwithstanding the lack of disclosure, DOMINIC J. ALEGI, JR. thereafter failed to recuse himself from NVSLA business decision-making regarding B&G and continued to participate in activities at NVSLA relating to NVSLA's loan relationships with B&G. In addition, DOMINIC J. ALEGI, JR. received personal loan payments from B&G at times when B&G failed to make required interest payments to NVSLA. In view of the foregoing, DOMINIC J. ALEGI, JR. engaged in a breach of his fiduciary duties owed to NVSLA, and engaged in a conflict-of-interest transaction within the meaning of 12 C.F.R. § 571.7 (1989).

(b) In 1988, DOMINIC J. ALEGI, JR., while the Chief Lending Officer of NVSLA, participated in the underwriting of and the granting by NVSLA of a real-estate-secured \$550,000 revolving credit line to B&G. In connection with the making of this loan, DOMINIC J. ALEGI, JR. participated in causing NVSLA to rely on a flawed appraisal report that was prepared by the appraiser for the borrowers and not for NVSLA's use in violation of 12 C.F.R. §§ 563.17-1(c) and 563.17-1a (1988) (now recodified at 12 C.F.R. § 563.171).

3. Consent. DOMINIC J. ALEGI, JR. consents to the issuance by the OTS of the accompanying Order. DOMINIC J. ALEGI, JR. further agrees to comply with the terms of the Order upon

issuance, and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued by the OTS under the authority of 12 U.S.C. §§ 1818(b) and 1818(i)(2). Upon its issuance by the OTS by and through its Regional Director for the Northeast Region, the Order shall be a final order that is effective and fully enforceable by the OTS under provisions of federal law, including, but not limited to, 12 U.S.C. § 1818(i).

5. Waivers.

(a) DOMINIC J. ALEGI, JR. waives the following:

(i) the right to be served with a written notice of the OTS's charges against him, which notice would be issued and served pursuant to 12 U.S.C. §§ 1818(b), 1818(i)(2), and other applicable law;

(ii) the right to an administrative adjudicatory hearing of the OTS's charges against him, which hearing is provided by 12 U.S.C. §§ 1818(b), 1818(i)(2), and 1818(h)(1);

(iii) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h)(2), or otherwise to challenge the validity of the Order; and

(iv) any and all claims against the OTS (including its employees and agents) and any other governmental entity for the award of fees, costs or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law or under the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412.

(b) By signing this Stipulation DOMINIC J. ALEGI, JR.

agrees that he will not assert in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity that anything related to this settlement, including but not limited to the civil money penalty or any other requirement or provision of the Order, provides the basis for a claim of double jeopardy.

(c) In any bankruptcy proceeding in which it is or may be contended that the financial obligations of DOMINIC J. ALEGI, JR. imposed by paragraphs 4 and 5 of the accompanying Order is subject to discharge, DOMINIC J. ALEGI, JR. will in no manner contest OTS's assertions, pursuant to 11 U.S.C. §§ 523(a)(7), 523(a)(11) or otherwise, that such financial obligations imposed by the Order arise out of acts that result in claims not dischargeable in bankruptcy.

6. Indemnification Limitations.

(a) DOMINIC J. ALEGI, JR. represents that he has not received, directly or indirectly, any sums from NVSLA that were for the purpose of indemnifying or reimbursing him for any expenses incurred by him in connection with OTS formal examination proceeding No. NE96-7. DOMINIC J. ALEGI, JR. shall neither cause nor permit NVSLA (or any successor institution, subsidiary or other affiliate thereof) to incur, directly or indirectly, any Covered Expenses (as defined below at paragraph 6(b)). DOMINIC J. ALEGI, JR. also shall not obtain any indemnification (or other reimbursement) from NVSLA (or any successor institution, subsidiary or other affiliate thereof) with respect to any such Covered Expenses directly or indirectly incurred by him. In the event that any such payments of indemnification or reimbursement

are received by or on behalf of DOMINIC J. ALEGI, JR. in a manner contrary to the limitations of this paragraph 6, DOMINIC J. ALEGI, JR. agrees to promptly notify the OTS of the receipt of such payments and to return such payments without delay to NVSLA (or the successor institution, subsidiary or other affiliate thereof).

(b) For purposes of paragraph 6(a) of this Stipulation, "Covered Expenses" refers to: (i) any and all legal or other professional expenses incurred by DOMINIC J. ALEGI, JR. in connection with the negotiation and other matters pertaining to the settlement effected by the OTS's issuance of the accompanying Order; (ii) any and all amounts that DOMINIC J. ALEGI, JR. is required to pay as indemnification (or otherwise) to NVSLA pursuant to paragraph 5 of the Order; and/or (iii) any and all legal or other professional expenses incurred by DOMINIC J. ALEGI, JR. in connection with OTS formal examination proceeding No. NE96-7 concerning NVSLA.

7. Scope of Release; Other Government Actions Not Affected.

(a) Upon the OTS's issuance of the accompanying Order, following the OTS's acceptance of this Stipulation executed by DOMINIC J. ALEGI, JR., the OTS does hereby forever release and discharge DOMINIC J. ALEGI, JR. from all potential claims and charges that have been or might have been asserted by the OTS based on the alleged violations, unsafe or unsound practices, and breaches of fiduciary duty summarized in the Findings of Fact set forth at paragraph 2 of this Stipulation.

(b) DOMINIC J. ALEGI, JR. acknowledges and agrees that his consent to the OTS's issuance of the accompanying Order is intended solely for purposes of settling and resolving the OTS's

administrative enforcement claims against him, as provided by paragraph 7(a) hereof. DOMINIC J. ALEGI, JR. further stipulates and agrees that the settlement effected by his entering into this Stipulation and by the the OTS's issuance of the Order does not release, discharge, compromise, settle, dismiss, resolve, preclude, or in any way affect any other actions, claims, liability of, charges against, or proceedings against DOMINIC J. ALEGI, JR. (whether administrative, civil, or criminal) that may be or have been brought by the OTS or any other government agency or entity.

8. Communications. All communications relating to the Order that are required or permitted to be sent by DOMINIC J. ALEGI, JR. to the OTS shall be sent to:

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

with a copy also sent to Steven A. Rosenberg, the OTS's Senior Enforcement Counsel, at the aforesaid address for the OTS's Northeast Regional Office, or such other addresses as may be the subject of written notice to DOMINIC J. ALEGI, JR. by the OTS.

9. Miscellaneous.

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

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

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

(d) The terms of this Stipulation represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters.

(e) This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through the Regional Director. The Regional Director may suspend, in his sole discretion, any or all provisions of this Stipulation or of the Order.

WHEREFORE, DOMINIC J. ALEGI, JR. executes this Stipulation, intending to be legally bound hereby.

Accepted by:

OFFICE OF THRIFT SUPERVISION

By:


Robert C. Albanese
Regional Director,
Northeast Region

Date: December 9, 1996


DOMINIC J. ALEGI, JR.

Date: November 21, 1996

I concur:

Joseph A. Pandiscia for
John P. Burke
Connecticut Banking Commissioner

Date: 11-26, 1996

(11.8)

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

In the Matter of)
DOMINIC J. ALEGI, JR.,) OTS Order No. NE96-12
an officer of Naugatuck) Dated: December 9, 1996
Valley Savings and Loan)
Association, Naugatuck,)
Connecticut)

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

WHEREAS, DOMINIC J. ALEGI, JR., an officer of Naugatuck Valley Savings and Loan Association, Naugatuck, Connecticut ("NVSLA"), has executed a Stipulation and Consent to Issuance of Consent Order ("Stipulation") on November 21, 1996; and

WHEREAS, DOMINIC J. ALEGI, JR., by his execution of the Stipulation, has consented and agreed to the issuance of this Consent Cease-and-Desist Order Directing Affirmative Relief and Consent Order of Assessment of Civil Money Penalty ("Order") by the Office of Thrift Supervision ("OTS").

NOW, THEREFORE, IT IS ORDERED pursuant to 12 U.S.C. §§ 1818(b) and 1818(i)(2)¹ that:

1. Fiduciary Duties.

(a) Whenever DOMINIC J. ALEGI, JR. is an officer, director, or other institution-affiliated party (within the meaning of 12 U.S.C. § 1813(u)) of NVSLA or any other Banking Institution (as defined below), he shall refrain from engaging in

1. All references to the United States Code (U.S.C.) are as amended as of the date of this Order, except as otherwise specifically provided.

activities that place his personal interests in conflict with the interests of the Banking Institution, and shall fulfill his fiduciary duties to such institution,, including but not limited to his fiduciary duties of loyalty, candor and care, which duties are the subject of, inter alia, common law and 12 C.F.R. §§ 571.7 and 571.9.

(b) Without limitation on the obligations under paragraph (a) hereof, whenever DOMINIC J. ALEGI, JR. is an officer, director, or other institution-affiliated party of NVSLA or any other Banking Institution, he shall:

(i) obtain written advice from competent counsel advising him about his fiduciary duties prior to entering into any transaction or engaging in any conduct where it appears that his personal interests and the interests of the Banking Institution are or may be placed in conflict;

(ii) promptly make written notification and provide full disclosure to the Banking Institution's Board of Directors about each and every personal relationship he has that is or might present a conflict of interests; and

(iii) abstain from participating in the Banking Institution's consideration of and/or authorization for any business transactions or activities where, directly or indirectly, DOMINIC J. ALEGI, JR. has a conflict of interest, whether arising from a personal financial relationship with the other party to the proposed business transaction or activity, or otherwise.

2. Regulatory Compliance. Whenever DOMINIC J. ALEGI, JR. is an officer, director, or other institution-affiliated party of

NVSLA or any other Banking Institution, he shall not engage or participate in any violations of 12 C.F.R. § 563.171 or any other federal banking laws or regulations, as now in effect or as they may be hereafter amended or superseded, including, but not limited to, the Home Owners' Loan Act, the Federal Deposit Insurance Act, the Federal Reserve Act, the Bank Holding Company Act, and the regulations of the federal banking agencies codified at Title 12 of the Code of Federal Regulations.

3. Operational Compliance.

(a) Lending. DOMINIC J. ALEGI, JR. shall not participate in the underwriting, approval, or origination of any loans or other extensions of credit by NVSLA or any other Banking Institution.

(b) Functions. Except with the prior written non-objection of the OTS, DOMINIC J. ALEGI, JR. shall not serve or act as the President, Chief Executive Officer, Chief Lending Officer, Corporate Secretary, Chairman of the Board, or a member of the Board of Directors of NVSLA (including any successor thereto that is regulated by the OTS).

4. Guaranty and Indemnification. DOMINIC J. ALEGI, JR. shall indemnify and guarantee NVSLA against loss with respect to NVSLA revolving credit line CL 718, provided, however, that the maximum amount of liability of DOMINIC J. ALEGI, JR. pursuant to this paragraph shall be Thirty Thousand Dollars (\$30,000.00 U.S.). If credit line CL 718 (including any replacement or renewal thereof) goes into default and NVSLA incurs a loss with respect to such credit line (including but not limited to a loss pursuant to a

regulatorily determined loss classification), then, unless the OTS allows otherwise by written notice, within thirty days after DOMINIC J. ALEGI, JR. is provided with written notice by NVSLA or the OTS of such loss, DOMINIC J. ALEGI, JR. shall make full payment of the amount he owes hereunder by submitting to NVSLA the required amount in cash, money order, and/or cashier's check. For purposes of this paragraph, the amount of loss shall include but not be limited to unpaid principal and interest.

5. Civil Money Penalty. Within five (5) calendar days of the date of this Order, DOMINIC J. ALEGI, JR. shall pay a civil money penalty in the amount of \$5,000.00 by delivering to the OTS a certified check or bank draft in said amount made payable to the order of the Treasurer of the United States. The check or bank draft and a copy of this Order shall be delivered, together with a cover letter referring to Naugatuck Valley Savings and Loan Association (OTS Docket No. 5234), to:

Ms. Elisabeth M. Gustafson
Director, Planning, Budget & Finance Division
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552.

A copy of the check or bank draft and the above-mentioned cover letter shall also be sent by facsimile to: Steven A. Rosenberg, Senior Enforcement Counsel for the OTS, at telecopier number (201) 413-5863.

6. Responses to Requests. DOMINIC J. ALEGI, JR. shall promptly and appropriately respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Order.

7. Definitions. For purposes of this Order --

(1) "Banking Institution" refers to any and all of the following: any "insured depository institution" as that term is defined at 12 U.S.C. § 1813(c) (including but not limited to banks and savings associations); any direct or indirect subsidiary of an insured depository institution, whether wholly or partly owned; any "insured credit union" within the meaning of 12 U.S.C. § 1752(7); any "savings and loan holding company" within the meaning of 12 U.S.C. § 1467a(a)(1); any "bank holding company" within the meaning of 12 U.S.C. § 1841; and any direct or indirect subsidiary of any such holding companies, whether wholly or partly owned;

(2) Any terms used herein that are defined in other paragraphs of this Order (including the Stipulation incorporated herein) shall have the meanings ascribed to them in such paragraphs; and

(3) Except as otherwise expressly provided in this Order, any terms used herein that are defined in the Home Owners' Loan Act or the Federal Deposit Insurance Act shall have the meanings ascribed to them in said statutes. See, e.g., 12 U.S.C. § 1813.

8. Stipulation. The Stipulation is made a part hereof and is incorporated herein by this reference.

9. Effectiveness of Order. This Order is and shall become effective on the date it is issued, as shown in the caption hereof. This Order shall remain in effect until it is terminated,

modified or suspended, which may occur only by formal written action of the OTS, acting by and through its Director, Regional Director, or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By: Robert C. Albanese
Robert C. Albanese
Regional Director,
Northeast Region

(11.8)