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Southern District of New York*

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**SENIOR BANKER SENTENCED TO FOURTEEN MONTHS IN
PRISON ON CHARGES OF LOAN FRAUD CONSPIRACY**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that DAVID CLAPMAN, a former senior banker at the now-defunct Connecticut Bank of Commerce ("CBC"), was sentenced today in Manhattan federal court to fourteen months' imprisonment on charges of conspiracy to make false statements in connection with bank loans, and the making and aiding and abetting of such statements, in connection with CBC loans extended to Culpeper Consulting Group, Inc. ("Culpeper"), also now defunct. CLAPMAN, 69, and a resident of Merrick, New York, pleaded guilty to these charges on May 31, 2006.

In sentencing CLAPMAN, United States District Judge WILLIAM H. PAULEY III cited the defendant's serious "abuse of trust" as the banker responsible for the Culpeper account and noted that, without CLAPMAN's participation in the conspiracy, the crime could not have been committed. In addition to the term of imprisonment, the Court imposed an order of restitution in favor of the FDIC in the amount of \$1.4 million.

According to the Indictment to which he pleaded and statements made during his guilty plea:

Culpeper, which was headquartered on Wall Street in New York City, provided consulting and business integration services to financial institutions. It was particularly active in advising banks in addressing "Y2K" concerns in the late nineties. At the time that CBC entered FDIC receivership, Culpeper owed the bank over \$7 million. CLAPMAN was the CBC loan officer in charge of the Culpeper account for CBC, and his compensation was based in part on this business relationship.

CLAPMAN conspired with Culpeper executives to make

false statements in connection with \$1.4 million in financing extended by CBC. Under a factoring agreement with CBC, Culpeper regularly sold at a discount its accounts receivable to CBC in return for immediate payment of between 80% to 90% of the receivable's value in cash. To establish the value of its accounts receivable, Culpeper was required to document its customer invoices to CBC. If Culpeper could not collect on an account, Culpeper was obligated to repay to CBC the amount borrowed against the relevant invoice.

In July 2001, CBC held at least \$1.4 million in past due invoices against which Culpeper had borrowed. Under the factoring agreement, Culpeper was therefore obligated to repay the funds that CBC had advanced. Conspiring with others, CLAPMAN instructed Culpeper to "refresh" its invoices by submitting false documentation indicating that another \$1.4 million in accounts receivable had been generated, thereby enabling Culpeper to avoid repayment for the uncollected invoices and to maintain its ability to obtain credit from CBC.

The conspirators distinguished the phony invoices from real ones by coding them as the "9 Series." By submitting the false "9 Series" invoices to CBC, Culpeper was able to conceal that substantial numbers of its accounts receivable were not collectible. A search warrant was executed at Culpeper's Wall Street offices by FBI agents in November 2002. Culpeper's former Chief Executive Officer, HARRY MINGLE, pleaded guilty to similar charges on March 21, 2005.

Assistant United States Attorney HARRY A. CHERNOFF is in charge of the prosecution.

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