



SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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DELAWARE REAL ESTATE DEVELOPER PLEADS GUILTY TO BANK FRAUD AND ENVIRONMENTAL VIOLATION

Fraudulent Loans from TARP Bank Resourced Personal Projects

WASHINGTON DC – Christy Goldsmith Romero, Special Inspector General for the Troubled Asset Relief Program, and David C. Weiss, Acting United States Attorney for the District of Delaware, announced today that Joseph L. Capano, age 73, of Middletown, Delaware, pled guilty to one count of bank fraud and one count of knowingly violating the Clean Water Act. Capano faces up to 30 years of imprisonment and a \$1,000,000 fine for the bank fraud charge, and 3 years of imprisonment and a \$250,000 fine for the Clean Water Act charge.

According to the charging document and information provided in open Court, both charges relate to Capano's conduct during construction of the Riverbend at Old New Castle development off of State Route 9 in New Castle, Delaware ("Riverbend Development"). The Riverbend Development was funded in part by a \$1.5 million commercial line of credit from Cecil Bank, headquartered in Elkton Maryland. In October 2007, Capano signed an agreement for a line of credit on behalf of his company Riverbend Community, LLC, wherein he represented that the purpose of the line of credit was to fund construction and other costs associated with the Riverbend Development. From October 2007 until August 2008, Capano signed and submitted funding requests, referred to as draw requests, to Cecil Bank which contained false representations and statements concerning the reasons for the requests. In reliance on those false representations, Cecil Bank continued to lend Capano money.

"Capano committed fraud by using commercial loans from Cecil as a personal piggy bank," said Christy Goldsmith Romero, Special Inspector General for TARP (SIGTARP). "As managing member of Riverbend Community LLC, he obtained commercial loans from Cecil and then illegally transferred the money to bank accounts of other affiliated companies so he could take the money for his personal use. Cecil received more than \$11 million from the taxpayers during the financial crisis, and we will continue to aggressively investigate fraud committed at the expense of taxpayers' TARP investments. SIGTARP commends Acting U.S. Attorney Weiss and our law enforcement partners for their work."

Capano used some of the funds released by Cecil Bank for his personal use and not for construction of the Riverbend Development. For example, on December 21, 2007, Capano submitted a draw request seeking \$300,000 for various Riverbend Development expenses. Instead of using those funds for Riverbend Development expenses, Capano used some of the funds for personal expenses, including approximately \$63,000 to pay for a jewelry purchase. As part of his guilty plea, Capano has admitted that he converted at least \$146,909.96 in loan proceeds to his personal use.

In addition to his misrepresentations regarding bank loan funds, the information states that Capano knowingly discharged pollutants into wetlands without a permit during the Riverbend Development. Capano directed employees and contractors of his company to perform earthmoving, construction and excavation activities in wetlands areas. Specifically, Capano directed contractors and employees to expand the entrance road to the development, referred to as the causeway, into wetlands subject to federal jurisdiction. Capano also directed contractors and employees to place a water main pipe through the causeway wetlands area, even after the Army Corps of Engineers instructed Capano to stop performing construction in wetland areas and issued Capano a Cease and Desist letter to that effect.

“It is important to the integrity of the land use and development process that all developers operate under the same set of rules. Mr. Capano was determined to make his own rules, and to use whatever means necessary to get the Riverbend Development completed. In so doing, he lied to the bank about the use of project funds and he ignored federal wetland regulations and the directives of the Army Corps of Engineers. Now he stands as a convicted felon.” said Acting U.S. Attorney Weiss.

This case is the result of a joint investigation conducted by SIGTARP, the Federal Bureau of Investigation, and the United States Environmental Protection Agency, Criminal Investigation Division Philadelphia Area Office. The prosecution is being handled by Assistant U.S. Attorney Jennifer K. Welsh.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program was created as an independent law enforcement agency to investigate fraud, waste, and abuse related to the TARP bailout. To date, SIGTARP investigations have resulted in the recovery of over \$5.17 billion to the Government and 146 defendants sentenced to prison.

To report a suspected crime related to TARP, call **SIGTARP’s Crime Tip Hotline: 1-877-SIG-2009 (1-877-744-2009)**.

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