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FORMER OFFICER AT TARP BANK WILMINGTON TRUST PLEADS GUILTY TO CONSPIRACY CHARGES

WASHINGTON, DC – Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and Charles M. Oberly, III, United States Attorney for the District of Delaware, today announced that Brian D. Bailey, 51, of Middletown, Del., entered a plea of guilty to conspiracy to commit an offense against the United States, as charged in a previously-filed Indictment, and to a one count felony Information also charging him with conspiracy to commit an offense against the United States, both in violation of Title 18, United States Code, Section 371. The plea was entered before U.S. District Court Judge Richard G. Andrews in Wilmington, Del.

According to the criminal Information and plea agreement, Bailey, who was employed by Wilmington Trust Company (the “bank”) as the Delaware market manager overseeing all lending in the state, conspired with Joseph Terranova and others to conceal the bank’s true financial condition. The conspiracy involved, among other things, extending credit to keep existing loan interest payments current, thereby causing the bank to misrepresent its reporting of past due and non-performing loans. The misrepresentations extended to, among others, the Federal Deposit Insurance Corporation, agents and examiners appointed to examine the bank, and the Board of Governors of the Federal Reserve System. The criminal conduct enabled the bank to file false statements of condition, or “Call Reports,” with federal financial regulators on a quarterly basis throughout 2009. As set forth in the Information, the bank underreported its past due and nonperforming loans by approximately \$186,000,000 in the first quarter of 2009; \$234,000,000 in the second quarter of 2009; \$463,000,000 in the third quarter of 2009; and \$373,000,000 in the fourth quarter of 2009. Terranova previously entered a plea of guilty to the same underlying conduct in a separate case.

According to the Indictment and plea agreement, Bailey participated in a separate conspiracy with James Ladio, the former chief executive officer of MidCoast Community Bank, whereby over a 12-year period they provided multiple loans to each other, through their respective financial institutions, under terms and conditions that would be unavailable to the general public.

“With today’s plea, former Wilmington Trust bank official Brian Bailey admitted that before and during the time the bank held taxpayer bailout funds, he and others at the TARP recipient bank conspired in criminal ‘extend and pretend’ and ‘delay and pray’ schemes to hide hundreds of millions of dollars in non-performing, past-due commercial real estate loans from federal bank examiners in order to conceal the true financial condition of the bank,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “Over a 12-year period, Bailey also authorized bank loans for purported commercial real estate projects to a bank official, James A. Ladio, at another bank in exchange for sweetheart loans from Ladio’s bank. SIGTARP will bring justice for crimes related to the taxpayer-funded TARP bailout.”

United States Attorney Oberly said, "With today's guilty plea we take another step forward in bringing to justice individuals whose criminal conduct contributed to the failure of Wilmington Trust. Mr. Bailey's participation in both conspiracies demonstrates an abuse of power and betrayal of public trust. Mr. Bailey's underlying conduct of approving supplemental financing for failing borrowers contributed substantially to the bank's demise. His conduct, and that of others, further enabled the bank to falsely underreport its level of nonperforming loans to federal regulators and the public by hundreds of millions of dollars throughout 2009. We hope that this conviction serves to demonstrate my office's commitment to protecting the integrity of financial institutions and makes clear the consequences to those contemplating similar conduct."

At sentencing, Bailey faces a maximum penalty of five years imprisonment and a \$250,000 fine for each count.

The case was investigated by SIGTARP, the Federal Bureau of Investigation, the Internal Revenue Service Criminal Investigation Division, and the Office of Inspector General for the Board of Governors of the Federal Reserve System. The case is being prosecuted by Assistant United States Attorneys Robert Kravetz and Lesley Wolf.

This prosecution was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President's Financial Fraud Enforcement Task Force, please visit www.StopFraud.gov.

About SIGTARP

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