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DELAWARE DEVELOPER PLEADS GUILTY TO DEFRAUDING TARP BANK

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 on Monday, Salvatore J. Leone, 50, of Dover, Delaware, entered a guilty plea before the Honorable Gregory M. Sleet to a one count felony information charging him with conspiracy to commit bank fraud in violation of Title 18, United States Code, Section 1349.

According to the criminal information and plea agreement, Leone was a project manager for and partner with Michael A. Zimmerman (previously charged; see here for additional information - http://www.sig tarp.gov/Press%20Releases/Zimmerman_Indictment_Press_Release.pdf) in several limited liability companies formed for the purpose of developing real estate in or around Dover.

Between September 24, 2007, and February 27, 2009, Leone and others, including Zimmerman and an employee of Zimmerman's real estate development company, BBC Enterprises, submitted or caused to be submitted false draw requests to Wilmington Trust Company (WTC), a TARP recipient bank. In particular, Leone admitted to the following acts during his plea hearing:

- On or about September 24, 2007, Leone agreed to create a bill for Zimmerman for \$231,000 purportedly for work performed on the Compass Pointe project, with intent to submit the bill to WTC for payment. However, as defendant and Zimmerman knew, the payment was not for work actually performed on Compass Pointe, but was to be used by Leone to fund a capital call on at least one unrelated real estate project.
- On or about October 28, 2008, Leone and Zimmerman submitted to WTC a fraudulent construction draw request for \$8,568. The conspirators represented that these loan proceeds would be used to fund a change order associated with the Salt Pond project. Instead, Leone and Zimmerman used the loan proceeds for construction costs associated with an unrelated project.
- On or about January 3, 2008, Leone and Zimmerman submitted to WTC a fraudulent construction draw request for approximately \$170,000. Leone and Zimmerman represented that these loan proceeds would be used to fund construction costs associated with the Compass Pointe project, but \$100,000 of these proceeds were instead converted into a check made payable to Zimmerman.
- On or about January 15, 2008, Leone and Zimmerman submitted to WTC a fraudulent construction draw request for \$375,000. Leone and Zimmerman represented that these loan proceeds would be used to fund architectural and engineering costs associated with the

Shoppes at Fieldstone project. Instead, Leone and Zimmerman each received a check for \$120,000, while the project account received only \$135,000.

- On or about February 27, 2009, Leone and Zimmerman misappropriated approximately \$260,000 in escalated lease payments received from a lessee for the Shoppes at Fieldstone project. In the loan agreement for the Shoppes at Fieldstone project, it had been represented that the escalated lease payments would be reinvested back into that project. Rather than comply with the terms of the loan agreement, Leone and Zimmerman used the loan proceeds for another purpose, namely the payment of checks to Leone and Zimmerman, each in the amount of \$130,000.

“Leone apparently thought that he could defraud a TARP bank out of hundreds of thousands of dollars to finance his own, personal bailout,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “He was wrong. Leone filed numerous false construction draws on real estate loans from TARP bank Wilmington Trust, and rather than use the funds in accordance with loan agreements with the bank, he lined his pockets and paid off delinquent debts on unrelated projects. SIGTARP and our law enforcement partners will bring to justice those responsible defrauding taxpayers’ TARP bailout and hold them accountable for their crimes.”

United States Attorney Oberly said, “The charge against Mr. Leone and his guilty plea represent another step forward in this Office’s investigation into the demise of the Wilmington Trust Corporation. We, and our investigative partners, remain determined to identify and prosecute abuses like this one that compromise the integrity of Delaware financial institutions.”

Leone faces a maximum penalty of 30 years imprisonment, a \$1,000,000 fine, and mandatory restitution.

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