



SIGTARP

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

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

FOR IMMEDIATE RELEASE

Tuesday, May 15, 2012

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VIRGINIA REAL ESTATE PROJECT MANAGER PLEADS GUILTY TO BANK FRAUD CONSPIRACY WHICH CONTRIBUTED TO COLLAPSE OF BANK OF THE COMMONWEALTH

WASHINGTON, DC – Recardo S. Lewis, 61, of Norfolk, Va., pled guilty late yesterday in Norfolk federal court to conspiring with others to defraud the Bank of the Commonwealth by submitting fraudulent draws on a multi-million dollar construction project in Virginia Beach, Va.

Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP); Neil H. MacBride, United States Attorney for the Eastern District of Virginia; John Boles, Special Agent in Charge of the FBI's Norfolk Field Office; Eric C. Hylton, Acting Special Agent in Charge of the Internal Revenue Service Criminal Investigation's Washington, D.C., Field Office; and Jon T. Rymer, Inspector General of the Federal Deposit Insurance Corporation (FDIC-OIG), made the announcement after Lewis' plea was accepted by United States District Judge Arenda L. Wright Allen.

Lewis pled guilty to conspiracy to commit bank fraud and faces a maximum penalty of five years in prison when he is sentenced on September 19, 2012.

"Lewis is the fourth person to plead guilty in connection to schemes involving insiders at Bank of the Commonwealth that, ultimately, contributed to the collapse of the bank," said Special Inspector General Christy Romero. "Bank of the Commonwealth applied for federal TARP funds, and SIGTARP and its partners will hold those individuals responsible for contributing to the bank's failure accountable for their actions."

According to the statement of facts filed with his plea agreement, Lewis was employed by Tivest Development & Construction, LLC, a Virginia Beach-based residential and commercial developer. On March 5, 2010, Tivest obtained a \$4.1 million loan from the Bank of the Commonwealth to purchase and complete construction of an eight-unit condominium project located at 310 24th Street in Virginia Beach. The property cost \$2,075,000, but the Bank approved an additional \$2,036,000 for construction costs and interest carry on the loan.

Lewis was employed by Tivest as the project manager for the 24th Street condominium project, and he admitted that from March 2010 through October 2010, at another conspirator's direction, he signed and submitted eight fraudulent construction draws to the Bank. While the draws purported to represent costs incurred developing and constructing the project, Lewis admitted that the costs detailed in the requests were either inflated or for work that was not completed. These false claims included exterior

siding and trim, flooring, ceramic tile, insulation, drywall, interior trim, painting, landscaping, and purchasing and installing an elevator – none of which was actually done.

According to the statement of facts, by October 2010, the \$4.1 million loan was fully funded; however, construction of the condominiums was only about 50 percent complete. A conspirator who was an employee at the Bank caused the Bank to fund all of the draw requests without verifying that the work was actually completed or the costs itemized in the draw requests were accurate.

As a result of the conspiracy, in June 2011, the Bank charged off \$1,321,455 of the loan for the 24th Street condominium project as a loss. The 2011 city-assessed value of that property is \$650,600.

Court records indicate that in November 2008, the Bank of the Commonwealth sent to the Federal Reserve an application requesting approximately \$28 million from the Troubled Asset Relief Program (TARP). Based on its regulator's concerns about the health of the Bank, the Federal Reserve later requested that the Bank withdraw its TARP application, which the Bank did. A September 2009 examination of the Bank concluded that the overall financial condition of the Bank had deteriorated to an unsafe and unsound condition and raised concerns regarding numerous practices that management used to mask the past due status of loans, including extending new loans so that borrowers could pay on existing loans.

This ongoing investigation is being conducted by SIGTARP, the FBI's Norfolk Field Office, IRS-CI, and the FDIC-OIG. Assistant United States Attorneys Melissa E. O'Boyle, Katherine Lee Martin, and Uzo Asonye are prosecuting the case on behalf of the United States.

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

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

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