

NEWS RELEASE



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SEVEN DEFENDANTS INDICTED IN MULTI-MILLION DOLLAR MORTGAGE FRAUD SCHEME INVOLVING HAWTHORNE CAPITAL CORPORATION

On Monday June 27, 2011, a Monmouth County Grand Jury returned a 100-count Indictment charging seven defendants with various crimes relating to a multi-million dollar mortgage refinance fraud scheme that victimized dozens of homeowners throughout New Jersey and New York.

A year-long investigation by the Monmouth County Prosecutor's Office revealed that a mortgage fraud scheme perpetrated by associates of Hawthorne Capital Corporation, a mortgage brokering firm previously operating out of Manalapan, New Jersey, resulted in approximately \$7.5 million in losses to homeowners and financial institutions. The defendants charged include: Frederick "Don" Tropeano, 45, of Holmdel; Silvano Tropeano, 67, of Brooklyn, NY; John Kosta, 41, of Brooklyn, NY; Elektra Tropeano, 41 of Holmdel; Krista Selig, Esq., 39, of Long Island, NY; Paul Voltaire, 40, of Brooklyn, NY; and Harry Voltaire, 44, of Brooklyn, NY.

The investigation began in late May 2010 after a homeowner contacted the Monmouth County Prosecutor's Office regarding a concern about her refinance with Hawthorne Capital Corporation. The homeowner indicated that a check received from Hawthorne Capital, that was to be used to pay off her original mortgage, had bounced. The Monmouth County Prosecutor's Office immediately commenced an investigation into Hawthorne Capital, which uncovered widespread and ongoing fraudulent practices within the company. The initial investigation revealed that 11 homeowners who had used Hawthorne Capital to refinance their homes had been victimized, as well as an attorney in New York whose identity had been stolen and used to facilitate the fraud.

In July 2010, Frederick Tropeano, Silvano Tropeano and John Kosta were arrested and charged with 11 counts of Theft by Failure to Make Required Disposition of Property and one count of Identity Theft. Silvano Tropeano and John Kosta were released on bail following the arrests; Frederick Tropeano remains in custody on \$1.5 million bail, cash only. Following the Indictment, bail was set on the other individuals as follows: Krista Selig \$50,000 with 10%

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option; Paul Voltaire \$100,000 with 10% option; Harry Voltaire \$50,000 with 10% option; and Elektra Tropeano \$50,000 with 10% option.

As the investigation progressed, members of the Monmouth County Prosecutor's Office continued to receive information of additional homeowners victimized as part of the Hawthorne Capital refinance scam. In some instances, the funds that were intended to pay off the homeowners' original mortgages were significantly delayed, resulting in negative reports on their credit scores and the need to hire legal counsel. In other instances, the payoffs never occurred, leaving the homeowners with two mortgages attached to their properties. Additionally, on two occasions, the identity of homeowners, who had only completed an initial application for refinance, was stolen and illegally used to cause financial lending institutions to fund refinances that never actually occurred. In total, the amount of calculated theft perpetrated by the defendants exceeded \$7.5 million. With respect to this conduct, the Indictment charges Frederick Tropeano and Silvano Tropeano with 26 counts of Theft, 16 counts of attempted theft and 2 counts of identity theft. Those defendants, along with Paul Voltaire, Krista Selig, John Kosta and Harry Voltaire, were charged with Conspiracy to commit theft.

The President of Hawthorne Capital was identified in corporate filings as Silvano Tropeano. Hawthorne Capital had offices in New Jersey, New York and Pennsylvania, although the principal location of its operations was in Manalapan, New Jersey. Frederick Tropeano, the son of Silvano Tropeano, was identified in the investigation as the person responsible for the daily operations at Hawthorne Capital. Paul Voltaire was identified as the Chief Financial Officer for Hawthorne Capital.

The investigation determined that the defendants were able to perpetuate the mortgage fraud refinance scheme because they had the ability to manipulate and control the entire property settlement process. Two title companies, one known as "Hawthorne Abstract" and owned by Silvano Tropeano, and another known "Rapid Abstract," both directly related to Hawthorne Capital, failed to conduct proper records checks to determine whether prior mortgages were being paid. Additionally, Krista Selig, an attorney licensed to practice in New York, was indicted on the Conspiracy charge for allowing her name and law firm to be identified as the settlement agent on the refinance transactions when, in fact, the money was actually being wired to the bank accounts associated with Hawthorne Capital.

The investigation further revealed that Frederick and Silvano Tropeano established fraudulent bank accounts in the names of two other attorneys and listed them as settlement agents on mortgages refinances without their knowledge or consent. Additionally, it was discovered that John Kosta processed and closed those refinance transactions. In that regard, the Tropeanos and Kosta are charged in the Indictment with 21 counts of Impersonation.

The Indictment includes several additional charges against various defendants for instances of forgery, uttering, insurance fraud and conspiracy. Frederick and Silvano Tropeano are charged with Financial Facilitation of Criminal Activity (Money Laundering) for conduct involving various corporate and personal bank accounts. Additionally, Frederick, Silvano and Elektra Tropeano were charged with Financial Facilitation of Criminal Activity regarding the laundering of stolen money following the thefts from the victims.

Despite these charges, every defendant is presumed innocent, unless and until found guilty beyond a reasonable doubt, following a trial at which the defendant has all of the trial rights guaranteed by the United States Constitution and State law.

This case is being prosecuted by Assistant Prosecutor Nicole Colucci.

Defense counsel:

Frederick Tropeano: Robert Honecker, Jr., Esq. of Ocean and Jerome Ballarotto, Esq. of Trenton

Silvano Tropeano: Robin Lord, Esq. Trenton

John Kosta: Michael J. Pappa, Esq. Hazlet

Krista Selig: Marvin Hirsch, Esq. Mineola, NY

Paul Voltaire: To be determined

Elektra Tropeano: To be determined

Harry Voltaire: To be determined

Released: June 27, 2011