

NEWS RELEASE



Monmouth County Prosecutor's Office
71 Monument Park
Freehold, New Jersey 07728
732/ 431-7160
Luis A. Valentin, Prosecutor

MONMOUTH COUNTY PROSECUTOR'S OFFICE CHARGES THREE MEN IN CONNECTION WITH MULTI-MILLION DOLLAR MORTGAGE FRAUD

INVESTIGATION FOCUSES ON HAWTHORNE CAPITAL CORP.

On July 21, 2010, Detectives from the Monmouth County Prosecutor's Office charged three men associated with Hawthorne Capital Corporation, a mortgage brokerage company previously operating out of locations in Manalapan, N.J., New York and Pennsylvania, with eleven counts of Theft by Failure to Make Required Disposition of Property and one count of Identity Theft, all second degree crimes. The charges are the result of an investigation conducted by the Monmouth County Prosecutor's Office into allegations that Hawthorne Capital Corporation had committed fraud.

Fredrick "Don" Tropeano, 44, of Holmdel, N.J., was arrested by Monmouth County Prosecutor's Office Detectives on July 21, 2010. Monmouth County Superior Court Judge Thomas F. Scully set bail for Fredrick Tropeano at \$3.6 million, "cash only." Conditions of Fredrick Tropeano's bail include that Tropeano must surrender his passport and that a bail source hearing will be required before bail can be posted on his behalf.

John Kosta, 39, of Brooklyn, N.Y., was arrested in New York City on Monmouth County's warrants by Detectives from the Monmouth County Prosecutor's Office with the assistance of the New York Police Department on July 21, 2010. Kosta is being held in custody in New York pending extradition to New Jersey.

Silvano Tropeano, 66, of Brooklyn, N.Y., has made arrangements through his attorney, John Fahy, Esquire, of Rutherford, N.J., to surrender to authorities at the Monmouth County Prosecutor's Office in Freehold, N.J., on July 22, 2010.

The preliminary investigation revealed that numerous New Jersey residents utilized Hawthorne Capitol Corporation to refinance their mortgages. Following the refinances, however, the original mortgages held on the homeowners' properties remained outstanding due

to the conduct of Hawthorne Capital Corporation officials. As a result, the homeowners were ultimately left with two outstanding mortgages on their properties.

Silvano Tropeano is listed as the Principal of Hawthorne Capital Corporation in the States of New Jersey and New York. In addition, Silvano Tropeano's signature appears on the disbursement checks which were issued to Hawthorne Capital Corporation's victims. Silvano Tropeano's son, Fredrick Tropeano, was responsible for the daily operations of Hawthorne Capital Corporation. Kosta conducted the closings on the new mortgages and also notarized documents which were required for the closings, despite the fact that Kosta was not a notary or licensed to conduct closings.

The investigation began in late May 2010 after a Monmouth County homeowner complained to the Monmouth County Prosecutor's Office that a check sent to her original mortgage company had been returned for insufficient funds after she had refinanced her home loan through Hawthorne Capital Corporation. The Monmouth County Prosecutor's Office immediately commenced an investigation into Hawthorne Capital Corporation which began to uncover widespread and ongoing fraud within the company. Detectives discovered numerous transactions in which Hawthorne Capital Corporation manipulated the refinance process in such a way as to significantly delay or completely eliminate the necessary disbursements that were needed to satisfy the homeowners' outstanding debts. As of the dates of the arrests, the investigation revealed that the initial mortgages of at least 11 homeowners remained outstanding, resulting in a cumulative outstanding debt of approximately \$4 million. Notwithstanding the arrests, the investigation is continuing and Detectives are continuing to examine records in an effort to identify additional potential victims.

The investigation further revealed that the Tropeanos and Kosta were able to perpetrate the fraud by maintaining control over entities which were utilized to conduct the mortgage refinances. Furthermore, it was determined that they stole the identity of an attorney licensed in New York and New Jersey and then utilized his/her information on the refinance documents to falsely indicate that the attorney was the settlement agent on the transactions.

Agencies which provided valuable information and assistance to the Monmouth County Prosecutor's Office during the investigation include, without limitation, the New York County District Attorney's Office, New Jersey Department of Banking and Insurance, the State of New York Banking Department, the Freddie Mac Fraud Investigation Unit and the Monmouth County Department of Consumer Affairs.

The maximum potential custodial sentence for each of the second degree crimes the three men have been charged with is a State Prison term of up to ten years.

Notwithstanding these arrests, the investigation into the alleged criminal activities at Hawthorne Capital Corporation is continuing. Members of the public possessing information regarding criminal activity on the part of any of the individuals who were arrested as a result of this investigation or who have reason to believe that they may be victims of fraud committed by

Hawthorne Capital Corporation are encouraged to contact Detective A. Maestrey of the Monmouth County Prosecutor's Office at 1-800/ 533-7443.

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 of the trial rights guaranteed by the United State Constitution and State law.

The Assistant Prosecutor assigned to the case is Nicole Colucci of the Special Prosecutions Division.

Released: July 22, 2010