

News Release

U.S. Department of Justice

*United States Attorney
Northern District of Ohio*

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Gregory A. White, United States Attorney for the Northern District of Ohio, announced today that John D. Chiappetta, age 61, of 25608 Chardon Road, Richmond Heights, Ohio, was sentenced yesterday to 38 months imprisonment, followed by 3 years of supervised release, based on his previous guilty pleas to two counts of embezzlement from a health care benefit plan sponsored by his now-defunct company, Euclid & Wickliffe Services, Inc. (“E&W”) and one count of bank fraud involving loans E&W had with Provident Bank during 1999 through 2001. Chiappetta was sentenced by U.S. District Judge Peter C. Economus, in Youngstown, who also ordered Chiappetta to pay restitution of \$1,070,253 to National City Bank (the successor bank to Provident Bank) and \$8,986 to a former E&W employee. Chiappetta was ordered to self-surrender to the U.S. Marshal’s Office to begin his sentence on Friday, June 31, 2006.

Chiappetta was the President and majority shareholder of Euclid & Wickliffe Services, Inc. (“E&W”), a corporation engaged in business as a custom sheet metal fabricating company, with a primary place of business initially in Mentor, Ohio, and subsequently in Eastlake, Ohio. Chiappetta admitted that from approximately January 1 through June 4, 2001, he embezzled \$29,137.50 of health care premiums withheld from the payroll of 90 employees and \$2,199.33 of COBRA premiums paid by two former employees health care premiums by causing E&W to make substantial expenditures for his personal benefit and for other E&W business purposes, while at the same time failing to make

timely payments of those withheld and COBRA premiums. As a result of the non-payment of premiums, the insurance provider, United HealthCare, canceled the group policy on June 4, 2001, retroactive to December 31, 2000.

Chiappetta admitted to defrauding Provident Bank (which subsequently became National City Bank) in connection with a number of loans E&W obtained from the bank, including a \$3.5 million asset-based line of credit, primarily by submitting false documents (known as “Borrowing Base Certificates”), on which he falsely inflated the company’s prior day’s sales and resulting current (“eligible”) accounts receivable. The bank relied on the certificates on a daily basis to determine the amount of E&W’s daily draw on the line of credit. Chiappetta also concealed the fact that E&W was paying him more than the \$20,000 monthly payments (in addition to his salary) permitted under the loan agreement. The inflating of reported eligible accounts receivable gradually increased until, from December 2000 - May 2001, the eligible receivables were consistently overstated by more than \$1,000,000 on each daily Borrowing Base Certificate. In May 2001, after the loan went into default and the bank demanded full payment, E&W surrendered all of its assets to the bank, which incurred a substantial loss after making efforts to collect on receivable and dispose of the assets.

The government’s case was prosecuted by Assistant United States Attorney John M. Siegel, following an investigation by the Federal Bureau of Investigation, Painesville, Ohio, and the U.S. Department of Labor, Employee Benefits Security Administration, Ft. Wright, Kentucky, with the assistance of the Eastlake, Ohio, Police Department.

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