



# PRESS RELEASE

Federal Deposit Insurance Corporation

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## **MASSACHUSETTS ATTORNEY PLEADS GUILTY TO WRONGFULLY CONVERTING GOVERNMENT FUNDS TO PERSONAL USE; FINED \$100,000**

Federal Deposit Insurance Corporation (FDIC) Inspector General Gaston L. Gianni, Jr., has announced that attorney Michael J. Harrington of Beverly, MA, pled guilty on September 20, 2001, in U.S. District Court, Boston, MA, to wrongfully converting to his personal use \$226,771 in money and funds of the Hawthorne Hotel, Salem, MA. Harrington was ordered to pay a \$100,000 fine.

The Hawthorne Hotel had been pledged as collateral for a \$6.25 million loan that the FDIC was administering as receiver for the failed Bank of New England, N.A. At the time of the conversions, the Hawthorne Hotel loan was in default and Harrington, as trustee of the realty trust that owned the hotel, was failing to pay the principal and interest on the loan.

This case was investigated by the FDIC's Office of Inspector General and the Federal Bureau of Investigation.

At the plea hearing, Harrington admitted that from January 1991 to December 1993, he wrongfully converted \$226,771 in hotel funds to his personal use by means of weekly checks in the approximate amount of \$1,500 each. The checks were made payable to the realty trust that Harrington controlled. On 151 occasions, over a three-year period, Harrington endorsed the checks as trustee of the realty trust, but then deposited the checks into his personal checking accounts for his personal use.

Harrington also admitted that in 1992 and 1993, in connection with the defaulted Hawthorne Hotel loan, he submitted personal financial statements to RECOLL



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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Management Corporation, an agent for the FDIC, from which he intentionally omitted any reference to the funds he was wrongfully taking out of the hotel for his personal use.

Harrington's guilty plea was pursuant to a plea agreement with the U.S. Attorney's Office in which it was agreed that the appropriate sentence in the case was a \$100,000 fine. As part of the plea agreement, the U.S. Attorney agreed to dismiss a pending 12-count information against Harrington. In June 1995, as part of an offer to compromise the Hawthorne Hotel loan, Harrington repaid \$200,000 to the FDIC.

Harrington was a member of the U.S. Congress from Massachusetts' 6th District from 1969 to 1979. After leaving Congress, Harrington returned to Massachusetts and became active in real estate development activities. He is a former Director of the Federal Reserve Bank of Boston.

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