

THE UNITED STATES ATTORNEY'S OFFICE
NORTHERN DISTRICT *of* CALIFORNIA

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Department of Justice

U.S. Attorney's Office

Northern District of California

FOR IMMEDIATE RELEASE

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Bay Area Hospitality And Automotive Executive Charged With Fraud

Defendant Allegedly Orchestrated Kickback Scheme and Lied to Secure PPP Loan

SAN FRANCISCO – Geoffrey M. Palermo was charged in a criminal complaint with wire fraud and making false statements in a loan application in connection with multiple schemes to defraud spanning from 2013 to 2020, announced United States Attorney David L. Anderson, Federal Bureau of Investigation Special Agent in Charge John F. Bennett, and U.S. Small Business Administration (SBA) Office of the Inspector General (OIG) Western Region Special Agent in Charge Weston King.

“What is particularly galling about the conduct alleged in the complaint is that while Geoffrey Palermo was wrongfully receiving PPP funds, he was not paying required payroll taxes for his employees, making it difficult or impossible for his employees to obtain the benefits to which they were rightfully entitled,” said U.S. Attorney Anderson. “PPP funds are intended to protect the many, not to enrich the few. The fraud alleged in the indictment reversed Congressional intent by depriving employees and enriching Palermo.”

“The FBI, along with our federal partners, will actively pursue this type of criminal behavior—especially of those seeking to fraudulently profit from the current health crisis,” said FBI Special Agent in Charge Bennett. “This case exemplifies how collaboration with our federal partners is vital to these investigations.”

“Our office will aggressively investigate any false statements made to gain access to SBA’s programs,” said SBA OIG Special Agent in Charge King. “OIG and its law enforcement partners are poised to root out fraud in SBA’s programs and bring wrongdoers to justice.”

According to the complaint, Palermo, 56, of Novato, Calif., is alleged to have orchestrated multiple schemes to defraud his victims. While working as the manager of the San Francisco Hilton hotel between 2013 and 2016, Palermo allegedly embezzled large sums of money, including through capital improvement kickback schemes. One contractor frequently hired by Palermo for projects at the hotel is suspected of paying Palermo approximately \$1.5 million in kickbacks between March 2013 and June 2016. Palermo allegedly ensured that the contractor’s inflated or fraudulent invoices were paid by Justice Investors, LP, the owner of the hotel. After depositing Justice Investor checks to his business banking account, the contractor transferred funds into an illegitimate living trust bank account and then wrote checks back to Palermo or entities associated with Palermo.

After leaving the Hilton in 2016, Palermo worked for GMP Cars, a set of collision and auto repair centers in the Bay Area that he owned and operated. The complaint alleges that Palermo used GMP Cars funds to pay for lavish expenditures, including a Ferrari racing car and personal travel. The complaint explains that Palermo's reliance on the company's funds to finance his personal expenditures left the company in financial distress.

Then, in 2019, Palermo applied to an SBA Preferred Lender for two loans to GMP Cars for a total of approximately \$5 million. The SBA guaranteed 75% of the loans. According to the complaint, Palermo made several material omissions and false statements during the 2019 loan application process. For example, Palermo failed to disclose that in September 2019—during the loan application process—he had overdrawn his business bank accounts by more than \$700,000. Palermo also misrepresented amounts he owed German Motors Corporation in connection with GMP Cars' acquisition of a collision center in San Francisco, going so far as to submit an altered promissory note to the Preferred Lender.

Most recently, in April 2020, Palermo made false and misleading statements when he applied for and received approximately \$1.7 million through the SBA's Paycheck Protection Program (PPP). The PPP is a relief program offered through participating lenders to aid small businesses during the COVID-19 pandemic. In the PPP application, Palermo falsely certified that GMP Cars had employees for whom it paid salaries and payroll taxes. The criminal complaint includes an internal GMP Cars spreadsheet showing that Palermo had decided not to pay required payroll taxes since at least mid-2019. According to the complaint, laid-off GMP Cars employees have had difficulty in recent months collecting their full unemployment benefits due to GMP Cars' failure to pay payroll taxes and accurately report employee wages to California's Employment Development Department (EDD).

In sum, the complaint alleges that the investigation is ongoing and that, to date, the evidence has established that since 2013 Palermo fraudulently obtained at least \$8 million through his illegal conduct.

Palermo is charged with honest services wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346; wire fraud, in violation of 18 U.S.C. § 1343; and making a false statement in a loan application to an FDIC-insured lender, in violation of 18 U.S.C. § 1014. The wire fraud charges each carry maximum statutory penalties of up to 20 years in prison and a \$250,000 fine, while the false statement charge carries a maximum of 30 years in prison and a \$1,000,000 fine. However, any sentence following conviction would be imposed by the court only after consideration of the U.S. Sentencing Guidelines and the federal statute governing imposition of a sentence, 18 U.S.C. § 3553.

The charges contained in the criminal complaint are mere allegations. As in any criminal case, the defendant is presumed innocent unless and until proven guilty in a court of law.

Palermo is scheduled to make his initial appearance in federal court on June 10, 2020 before U.S. Magistrate Judge Laurel Beeler.

The case is being prosecuted by the Corporate Fraud Strike Force of the U.S. Attorney's Office. The case is being investigated by the FBI and SBA OIG.

Topic(s):

Financial Fraud

Component(s):

USAO - California, Northern