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KENTUCKY BUSINESSMAN PLEADS GUILTY TO \$53 MILLION TAX SCHEME AND MASSIVE FRAUD THAT INVOLVED THE BRIBERY OF SENIOR EXECUTIVES AT TARP APPLICANT BANK

WASHINGTON, DC - Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP); Preet Bharara, the United States Attorney for the Southern District of New York; and David A. Hubbert, Deputy Assistant Attorney General for the Tax Division of the U.S. Department of Justice announced that Wilbur Anthony Huff, a Kentucky businessman, pleaded guilty on December 23, 2014, in Manhattan federal court to various tax crimes that caused more than \$50 million in losses to the Internal Revenue Service (IRS), in addition to a massive fraud that involved the bribery of bank officials, the fraudulent purchase of an insurance company, and the defrauding of insurance regulators. Huff entered the guilty plea before U.S. District Judge Naomi Reice Buchwald.

“Huff, a Kentucky businessman, pleaded guilty to conspiring with senior executives at TARP applicant Park Avenue Bank to bribe those officials and to commit bank fraud in an illicit scheme to make the bank appear better capitalized in order to seek \$11 million in TARP bailout funds,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “Huff conspired with Park Avenue Bank president and CEO Charles Antonucci and others to orchestrate a \$6.5 million fraudulent ‘round trip’ financial transaction, essentially a shell game designed to disguise the bank’s own money as new money purportedly being invested by an outside source into the bank. Bank president and CEO Antonucci pleaded guilty for his role in the scheme in October 2010 and was the first person convicted of attempting to steal from TARP. We commend U.S. Attorney Preet Bharara and our law enforcement partners for their steadfast commitment to protecting federal taxpayers and bringing to justice perpetrators of fraud and other crimes related to TARP.”

According to the information, plea agreement, and statements made during court proceedings:

Background

Huff was a businessman who controlled numerous entities located throughout the United States (Huff-Controlled Entities). Huff controlled the companies and their finances, using them to orchestrate a \$53 million fraud on the IRS as well as other illegal schemes. However, rather than exercise control of these companies openly, Huff concealed his control by installing other individuals to oversee the companies’ day-to-day functions and to serve as the companies’ titular owners, directors, or officers. Huff also maintained a corrupt relationship with Park Avenue Bank and its executives, Charles J. Antonucci, Sr., the president and chief executive officer, and Matthew L. Morris, the senior vice president.

Tax Crimes

From 2008 to 2010, Huff controlled O2HR, a professional employer organization (PEO) located in Tampa, Fla. Like other PEOs, O2HR was paid to manage the payroll, tax, and workers' compensation insurance obligations of its client companies. However, instead of paying \$53 million in taxes that O2HR's clients owed the IRS, and instead of paying \$5 million to Providence Property and Casualty Insurance Company (Providence P&C) – an Oklahoma-based insurance company – for workers' compensation coverage expenses for O2HR clients, Huff stole the money that his client companies had paid O2HR for those purposes. Among other things, Huff diverted millions of dollars from O2HR to fund his investments in unrelated business ventures and to pay his family members' personal expenses. The expenses included mortgages on Huff's homes, rent payments for his children's apartments, staff and equipment for Huff's farm, designer clothing, jewelry, and luxury cars.

Conspiracy to Commit Bank Bribery, Defraud Bank Regulators, and Fraudulently Purchase an Oklahoma Insurance Company

From 2007 up to and including 2010, Huff engaged in a massive multi-faceted conspiracy, in which he schemed to (i) bribe executives of Park Avenue Bank, (ii) defraud bank regulators and the board and shareholders of a publicly-traded company, and (iii) fraudulently purchase an Oklahoma insurance company. As described in more detail below, Huff paid bribes totaling hundreds of thousands of dollars in cash and other items to Morris and Antonucci, in exchange for their favorable treatment at Park Avenue Bank.

As part of the corrupt relationship between Huff and the bank executives, Huff, Morris, Antonucci, and others conspired to defraud various entities and regulators during the relevant time period. Specifically, Huff conspired with Morris and Antonucci to falsely bolster Park Avenue Bank's capital by orchestrating a series of fraudulent transactions to make it appear that Park Avenue Bank had received an outside infusion of \$6.5 million, and engaged in a series of further fraudulent actions to conceal from bank regulators the true source of the funds.

Huff further conspired with Morris, Antonucci, and others to defraud Oklahoma insurance regulators and others by making material misrepresentations and omissions regarding the source of \$37.5 million used to purchase Providence Property and Casualty Insurance Company, an Oklahoma insurance company that provided workers' compensation insurance for O2HR's clients, and to whom O2HR owed a significant debt.

Bribery of Park Avenue Bank Executives

From 2007 to 2009, Huff paid Morris and Antonucci at least \$400,000 in exchange for which they: (1) provided Huff with fraudulent letters of credit obligating Park Avenue Bank to pay an investor in one of Huff's businesses \$1.75 million if Huff failed to pay the investor back himself, (2) allowed the Huff-Controlled Entities to accrue \$9 million in overdrafts, (3) facilitated intra-bank transfers in furtherance of Huff's frauds, and (4) fraudulently caused Park Avenue Bank to issue at least \$4.5 million in loans to the Huff-Controlled Entities.

Fraud on Bank Regulators and a Publicly-Traded Company

From 2008 to 2009, Huff, Morris, and Antonucci engaged in a scheme to prevent Park Avenue Bank from being designated as “undercapitalized” by regulators – a designation that would prohibit the bank from engaging in certain types of banking transactions and that would subject the bank to a range of potential enforcement actions by regulators. Specifically, they engaged in a series of deceptive, “round-trip” financial transactions to make it appear that Antonucci had infused the bank with \$6.5 million in new capital when, in actuality, the \$6.5 million was part of the bank’s pre-existing capital. Huff, Morris, and Antonucci funneled the \$6.5 million from the bank through accounts controlled by Huff to Antonucci. This was done to make it appear as though Antonucci was helping to stabilize the bank’s capitalization problem, so the bank could continue engaging in certain banking transactions that it would otherwise have been prohibited from doing, and to put the bank in a better posture to receive \$11 million from the Troubled Asset Relief Program. To conceal their unlawful financial maneuvering, Huff created, or directed the creation of, documents falsely suggesting that Antonucci had earned the \$6.5 million through a bogus transaction involving another company Antonucci owned. Huff, Morris, and Antonucci further concealed their scheme by stealing \$2.3 million from General Employment Enterprises, Inc., a publicly-traded temporary staffing company, in order to pay Park Avenue Bank back for monies used in connection with the \$6.5 million transaction.

Fraud on Insurance Regulators and the Investment Firm

From July 2008 to November 2009, Huff, Morris, Antonucci, and Allen Reichman, an executive at an investment bank and financial services company headquartered in New York, N.Y. (the Investment Firm), conspired to (i) defraud Oklahoma insurance regulators into allowing Antonucci to purchase the assets of Providence P&C – the Oklahoma insurance company that was owed \$5 million by O2HR and (ii) defraud the Investment Firm into providing a \$30 million loan to finance the purchase. Specifically, Huff and Antonucci devised a scheme in which Antonucci would purchase Providence P&C’s assets by obtaining a \$30 million loan from the Investment Firm, which used Providence P&C’s own assets as collateral for the loan. However, because Oklahoma insurance regulators had to approve any sale of Providence P&C, and because Oklahoma law forbade the use of Providence P&C’s assets as collateral for such a loan, Huff, Morris, Antonucci, and Reichman made, and conspired to make, a number of material misstatements and material omissions to the Investment Firm and Oklahoma insurance regulators concerning the true nature of the financing for Antonucci’s purchase of Providence P&C. Among other things, Reichman directed Antonucci to sign a letter that provided false information regarding the collateral that would be used for the loan, and Huff, Morris, and Antonucci conspired to falsely represent to Oklahoma insurance regulators that Park Avenue Bank – not the Investment Firm – was funding the purchase of Providence P&C.

After deceiving Oklahoma regulators into approving the sale of Providence P&C, Huff took \$4 million dollars of the company’s assets, which he used to continue the scheme to defraud O2HR’s clients. Ultimately, in November 2009, the insurance company became insolvent and was placed in receivership after Huff, Morris, and Antonucci had pilfered its remaining assets.

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Huff, 53, of Caneyville and Louisville, Ky., pleaded guilty to one count of corruptly endeavoring to obstruct and impede the due administration of the internal revenue laws, which carries a maximum penalty of three years in prison; one count of aiding and assisting with the preparation and presentation

of false and fraudulent tax returns, which carries a maximum penalty of three years in prison; one count of failing and causing the failure to pay taxes to the IRS, which carries a maximum penalty of one year in prison; and one count of conspiracy to (a) commit bank bribery, (b) commit fraud on bank regulators and the board and shareholders of a publicly-traded company, and (c) fraudulently purchase an Oklahoma insurance company, which carries a maximum penalty of five years in prison. He is scheduled to be sentenced by Judge Buchwald on April 8, 2015, at 2:30 p.m. Eastern. The maximum potential sentences are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendant will be determined by the judge. As part of his plea, Huff also agreed to forfeit \$10.8 million to the United States and to provide restitution in the following amounts to victims of his crimes: \$70,100,000 to the Receiver for Park Avenue Property and Casualty Insurance Company; \$4,857,266.62 to the Federal Deposit Insurance Corporation (FDIC); \$597,420.29 to Valley National Bank (the successor of Park Avenue Bank); and \$53,094,219 to the IRS.

Charles Antonucci, who was charged separately by complaint on March 15, 2010, pleaded guilty to his role in the crimes described above on October 8, 2010. Matthew L. Morris and Allen Reichman were charged by Indictment with Huff on October 1, 2012. Morris pleaded guilty in connection with the case on October 17, 2013.

Reichman is currently scheduled to go to trial before Judge Buchwald beginning on March 2, 2015. The charges against Reichman are allegations, and he is presumed innocent unless and until proven guilty beyond a reasonable doubt.

The case is being investigated by SIGTARP, the Federal Bureau of Investigation, the IRS, the New York State Department of Financial Services, Immigration and Customs Enforcement's Homeland Security Investigations, and the FDIC Office of Inspector General. The U.S. Department of Justice's Tax Division and the U.S. Attorney's Office for the Southern District of Florida assisted the investigation.

The case is being prosecuted by the U.S. Attorney's Office for the Southern District of New York Complex Frauds and Cybercrime Unit. Assistant U.S. Attorneys Janis Echenberg and Daniel Tehrani and Special Assistant U.S. Attorney Tino Lisella are in charge of the criminal case.

This prosecution was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President's Financial Fraud Enforcement Task Force, please visit www.StopFraud.gov.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

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