



SIGTARP

Office of the Special Inspector General
For The Troubled Asset Relief Program

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DEFENDANT IN EXCEL BANK CASE SENTENCED TO THREE YEARS IN PRISON

Michael Litz, 63, of Ladue, Missouri, was sentenced today to three years in federal prison after pleading guilty to his role in a bank fraud scheme involving unlawful insider loans at Excel Bank. The sentence was handed down by United States District Judge Audrey G. Fleissig who also ordered Litz to pay restitution in the amount of \$5,048,003.67.

“Michael Litz was sentenced to three years in federal prison and ordered to pay more than \$5 million in restitution for criminally defrauding TARP recipient Excel Bank, a bank that later failed and taxpayers lost \$4 million in TARP funds,” said Special Inspector General Christy Goldsmith Romero of SIGTARP. “The fraud involved concealing the true purpose of loans from the bank’s board of directors and bank regulators. The judge said at the sentencing that the fraud likely jeopardized the soundness of a bank, one that taxpayers bailed out in TARP. I thank the Office of the U.S. Attorney for the Eastern District of Missouri for bringing justice in this case.”

Litz was charged in April, 2016 with Shaun Hayes on bank fraud and related charges involving a series of insider loans and straw party loans at Excel Bank. Hayes pled guilty in January and is scheduled to be sentenced on May 23. Excel Bank failed in October, 2009 and Simmons Bank succeeded it. In imposing the sentence, Judge Fleissig noted the seriousness of the offense and the fact that Hayes and Litz’s actions likely jeopardized the soundness of Excel Bank.

Hayes was the controlling shareholder in Excel Bank which had main offices in Sedalia, Missouri and a loan production office in Clayton. Litz was a principal in Bellington Realty and Eighteen Investments which managed over 1,000 residential and commercial rental properties in the area and bought and sold hundreds of residential properties each year. Litz’s business offices were also in Clayton. In 2009, Eighteen Investments was delinquent on over \$100,000,000.00 in loans at banks throughout the area. Litz and Hayes were also partners in a number of real estate development projects. One of those was McKnight Man I which involved the development of the property at the intersection of Manchester and McKnight Roads in Rock Hill. Litz and Hayes were guarantors on a McKnight Man loan at Centru Bank in the amount of \$900,000.00. That loan was delinquent in July, 2009. At the same time Eighteen Investments was delinquent on \$3,600,000.00 in loans at Centru Bank.

At his guilty plea earlier this year, Litz admitted that he recruited a close friend to sign on to a \$3,300,000.00 loan at Excel Bank to assist Litz in his business. The friend was assured that he would not be held liable on the note and that the loan would be taken care of. According to court papers, that individual was simply acting as a friend to help Litz. The loan proceeds were used to pay off Litz’s and

Hayes's McKnight Man debt at Centru Bank as well as the Eighteen Investments debt at that bank. Since Hayes was a principal at Excel Bank, the use of the loan funds to pay off the Hayes-Litz liability at Centru Bank constituted unlawful self-dealing. Litz admitted that he participated in that transaction and directly benefitted from it.

According to court papers, Litz and Hayes set up other straw party loans at Excel Bank to cover millions of dollars in other delinquent loans of Eighteen Investments. The restitution amount ordered by the court consisted largely of losses incurred by Excel Bank on the straw party loans with most of the restitution being owed to Federal Deposit Insurance Corporation.

"There are ways to remedy troubled businesses without committing fraud," said Special Agent in Charge Richard Quinn of the FBI St. Louis Division. "Instead, Michael Litz chose greed and indirectly victimized taxpayers who bailed out his bad business decisions. Now he will be held accountable for his criminal behavior."

Timothy Murphy, former Executive Vice President at Excel Bank, pled guilty earlier this year to defrauding Excel Bank and received a sentence of probation. Murphy cooperated with authorities in the investigation.

This case has been investigated by SIGTARP, the Federal Bureau of Investigation, the Federal Finance Agency Office of Inspector General, and the Federal Deposit Insurance Corporation Office of Inspector General. Criminal Chief James E. Crowe, Jr. and Assistant United States Attorney Gilbert Sison are handling the case for the U.S. Attorney's Office.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency that targets crime at financial institutions or in TARP housing programs and is an independent watchdog protecting the interests of the America people. SIGTARP investigations have resulted in the recovery of \$10 billion and 246 defendants sentenced to prison.

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