



SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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TOP ORION BANK EXECUTIVES AND BORROWER ARE SENTENCED TO FEDERAL PRISON

Bank Unsuccessfully Applied for TARP Funding in October 2008

WASHINGTON, DC - The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and U.S. Attorney for the Middle District of Florida Robert E. O'Neill today announced that U.S. District Judge Charlene E. Honeywell on Tuesday sentenced Thomas Hebble, former Executive Vice President of Orion Bank, to 2 ½ years in federal prison; Angel Guerzon, former Senior Vice President of Orion Bank, to 2 years in federal prison; and Francesco Mileto, a former Orion Bank borrower, to 5 ½ years in federal prison for their participation in a conspiracy to mislead State and Federal regulators that Orion Bank was in a better capital position than it was in truth and fact. As part of their sentence, the Court also entered a money judgment in the amount of \$2 million, part of the proceeds of Mileto's charged criminal conduct.

"These three co-conspirators are added to the growing list of criminals who will serve jail time for fraud that includes an attempt to use TARP rescue funds," said Christy Romero, Acting Special Inspector General for the Troubled Asset Relief Program. "Hebble and Guerzon falsified the bank's books to hide that Mileto's investment in the bank was nothing but an illusion. They lied to regulators that the bank's capital had improved, attempted to get \$64 million in TARP funds to fill the hole that turned out to be fraud, and drove the bank into the ground. Fraudsters who tried to profit from TARP's bailout during the financial crisis will meet swift justice by SIGTARP and its law enforcement partners."

In October 2008, Orion Bancorp, Inc. unsuccessfully sought \$64 million in Federal government assistance through the U.S. Department of the Treasury's Troubled Asset Relief Program (TARP).

Hebble, Guerzon, and Mileto pled guilty on May 2, 2011. According to court documents, the conspiracy to which the defendants were sentenced had two objectives: 1) to finance the sale of promissory notes secured by mortgages held by Orion Bank on distressed properties, thereby creating the illusion that non-performing loans were performing loans, and 2) to conceal the financing for the sale of Orion Bancorp, Inc. stock to a borrower in order to create the illusion of a legitimate capital infusion into the bank. The defendants accomplished these objectives by falsifying the books and records of Orion Bank and deceiving State and Federal regulators over a period of seven months, from May 2009 until November 13, 2009.

As part of the scheme to defraud, the defendants increased loans-in-process to nominee entities associated with Mileto to \$82 million, including a \$26.5 million line of credit. Within the lines of credit, the bank concealed \$15 million of financing for Mileto's purchase of Orion Bancorp, Inc. stock, despite knowing that banking laws and regulations prohibited the bank from financing the purchase of its, or its affiliates', own stock. Top bank executives closed on the loans after discovering that Mileto had submitted fraudulent financial documentation to Orion Bank in support of the current loans, and in support of \$41 million of previously acquired loans, in order to ensure the capital infusion to the bank.

Defendant Hebble was also sentenced for his participation in a second round-trip stock transaction which occurred in June and July 2009. As part of the scheme, Hebble and others increased the amounts of loans-in-process to an Orion Bank depositor to \$18 million, in order to provide and conceal \$7 million of financing for the purchase of Orion Bancorp, Inc. stock, despite knowing that banking laws and regulations prohibited the bank from financing the purchase of its, or its affiliates', own stock.

The Florida Office of Financial Regulation closed Orion Bank on November 13, 2009, and appointed the Federal Deposit Insurance Corporation (FDIC) as the receiver. The FDIC requested approximately \$33 million in restitution for Hebble and Guerzon's participation in the scheme and a restitution hearing will be held to apportion liability among the defendants. The Court ordered Mileto to pay restitution to the FDIC in the amount of approximately \$65 million.

This case was investigated by SIGTARP, the Federal Bureau of Investigation, FDIC - Office of Inspector General, Federal Reserve Board - Office of Inspector General, and Internal Revenue Service - Criminal Investigation. It was prosecuted by Assistant U.S. Attorney Nicole H. Waid.

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.

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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