



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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KENTUCKY BUSINESSMAN, SENIOR PARK AVENUE BANK OFFICIAL, AND FINANCIAL SERVICES EXECUTIVE CHARGED IN FRAUD SCHEMES

WASHINGTON, DC - A 13-count Indictment charging Wilbur Anthony Huff, a Kentucky businessman, and Matthew L. Morris, the former Senior Vice President of Park Avenue Bank, with conspiracy to commit bank bribery, bank and insurance fraud, and theft of \$2.3 million from a publicly traded company was unsealed today in Manhattan federal court. Huff, who is also charged with tax evasion, is alleged to have participated in a variety of fraudulent schemes involving over \$100 million. Allen Reichman, the former Executive Director of Investments at an investment bank and financial services company, is also charged in the insurance fraud scheme, a scheme that left an Oklahoma-based insurance company in receivership.

The announcement was made today by Christy Romero, the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP"); Preet Bharara, the United States Attorney for the Southern District of New York; Mary Galligan, the Acting Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation; José A. Gonzalez, the Special Agent-in-Charge of the Miami Field Office of the Internal Revenue Service, Criminal Investigation Division ("IRS-CI"); Benjamin Lawsky, the Superintendent of the New York State Department of Financial Services; James T. Hayes, Jr., the Special Agent-in-Charge of the New York Field Office of the U.S. Immigration and Customs Enforcement's ("ICE") Homeland Security Investigations ("HSI"); and Jon T. Rymer, Inspector General of the Federal Deposit Insurance Corporation ("FDIC-OIG"),

SIGTARP Special Inspector General Christy Romero said: "Charles Antonucci, the former president and CEO of Park Avenue Bank, was the first person convicted of attempting to steal from TARP, and today his co-conspirators are charged with their role in fraud at Park Avenue Bank and elsewhere. Antonucci and his alleged co-conspirators falsely represented that he had invested \$6.5 million in the bank in order to convince regulators that the bank had improved its capital position and later attempted to get \$11 million in TARP funds. I want to thank Preet Bharara, the assistant United States attorneys, and our other partners in this case for joining SIGTARP's commitment to hold accountable those alleged to be involved in crimes related to TARP."

Manhattan U.S. Attorney Preet Bharara said: "Nearly two years ago, we secured the first conviction against a defendant, Park Avenue Bank President and CEO, Charles Antonucci, for attempting to steal \$11 million from the taxpayer-funded TARP. Today's indictment charging two of Antonucci's alleged co-conspirators represents 'Part Two' in our ongoing investigation into the misconduct at the bank that ultimately led to its collapse. As alleged, Wilbur Anthony Huff was a vortex of fraud who also evaded over \$50 million in taxes owed to the IRS and, along with Matthew Morris and Allen Reichman,

plundered the assets of an insurance company, leading to its business failure. We will not tolerate fraud or those who steal from taxpayers for their own personal gain.”

According to the allegations in the Indictment unsealed today in Manhattan federal court:

Background

Wilbur Anthony Huff is a businessman who controlled numerous entities located throughout the United States (“Huff-Controlled Entities”). 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. However, it was Huff who actually controlled the companies and their finances, using them to orchestrate a number of interrelated fraud schemes. Integral to the success of these schemes was Huff’s 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. Allen Reichman, the Executive Director of Investments at an investment bank and financial services company headquartered in New York, New York, also was involved in one of Huff’s and Morris’s corrupt schemes.

Fraud on the IRS and Huff’s Clients

From 2008 to 2010, Huff controlled O2HR, a professional employer organization (“PEO”) located in Tampa, Florida. 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 and his family members’ personal expenses. The expenses included mortgages on Huff’s homes, rent payments for Huff’s children’s apartments, staff and equipment for Huff’s farm, designer clothing, jewelry, and luxury cars.

Bribery of Park Avenue Bank Officials

From 2007 to 2009, Huff bribed Morris and Antonucci in their capacities as senior officials of Park Avenue Bank so that they would provide him and his businesses with illegal favors in return. Specifically, 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 in TARP funds. 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 round-trip transaction.

Fraud on Insurance Regulators

From July 2008 to November 2009, Huff, Morris, Reichman, and Antonucci conspired to 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. Specifically, Huff and Antonucci devised a scheme in which Antonucci would purchase Providence P&C's assets by obtaining a \$30 million loan from an investment bank and financial services company headquartered in New York, New York, (the "Investment Firm"), and by promising 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 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, Morris, and Antonucci took millions of dollars of the company's assets for themselves. Among other things, Morris and Antonucci each received \$500,000; Morris received another \$170,000 for serving as an executive at the company; and Huff took \$4 million, which he used to continue the scheme to defraud O2HR's clients. Reichman received hundreds of thousands of dollars in commissions as a result of the Investment Firm's loan – a loan that Reichman had been repeatedly warned not to extend because it was illegal. 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, 51, of Caneyville and Louisville, Kentucky; Morris, 37, of Queens, New York; and Reichman, 52, of Irvington, New York, were arrested at their homes earlier this morning, and they were presented in federal court this afternoon – Morris and Reichman in Manhattan, and Huff in Louisville, Kentucky. The case has been assigned to U.S. District Judge Naomi Reice Buchwald, and the first conference is scheduled for October 10, 2012 at 3:30 pm.

This matter is being handled by the Complex Frauds Unit of the United States Attorney's Office. Assistant U.S. Attorneys Zachary Feingold and Janis Echenberg and Special Assistant U.S. Attorney Tino Lisella are in charge of the criminal case.

The charges contained in the Indictment are merely accusations and the defendants are presumed innocent unless and until proven guilty.

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.

To report suspected illicit activity involving TARP, dial the **SIGTARP Hotline**: 1-877-SIG-2009 (1-877-744-2009).

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