SIGTARP | Office of the Special Inspector General for the Troubled Asset Relief Program
Advancing Economic Stability Through Transparency, Coordinated Oversight and Robust Enforcement

FOR IMMEDIATE RELEASE
Friday, February 27, 2015

Media Inquiries: 202-927-8940
Twitter: @SIGTARP
Web: www.SIGTARP.gov

INVESTMENT EXECUTIVE PLEADS GUILTY TO PARTICIPATING IN $30 MILLION INSURANCE FRAUD SCHEME

WASHINGTON, DC - Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and Preet Bharara, United States Attorney for the Southern District of New York, today announced that Allen Reichman, a former executive director of investments at a New York investment firm, pleaded guilty on February 20, 2015, in Manhattan federal court to participating in a massive scheme to defraud his employer and insurance regulators in connection with the fraudulent purchase of an Oklahoma insurance company. Reichman pleaded guilty before U.S. Magistrate Judge Henry B. Pitman.

SIGTARP Christy Romero said: "Reichman, a former investment banker, pleaded guilty for his role in a $37.5 million fraud scheme involving Kentucky businessman Wilbur Anthony Huff and the former president and CEO of TARP applicant Park Avenue Bank, Charles Antonucci. Ignoring warnings that his plan to secure a $30 million loan from his employer to Antonucci was illegal, Reichman provided misleading information and deceived the investment firm into issuing the loan. Reichman received hundreds of thousands of dollars in commissions as a result of his fraud. Those who engage in fraud related to TARP will be held accountable and brought to justice by SIGTARP and our law enforcement partners."

Manhattan U.S. Attorney Preet Bharara said: "As Allen Reichman has now admitted, he deceived his employer to enable the illegal purchase of an insurance company. His associates looted the assets of the company, leaving it unable to pay policyholders, and Reichman pocketed over $200,000 in commissions on the fraudulent $30 million loan. He now awaits sentencing for his deceit and self-dealing."

According to the information, plea agreement, and statements made during court proceedings:
During the relevant time period, Reichman was an executive at an investment bank and financial services company headquartered in New York, N.Y., (the "Investment Firm"). From July 2008 to November 2009, Reichman conspired with Charles J. Antonucci, Sr. and Matthew L. Morris, the president and senior vice president, respectively, of Park Avenue Bank, a New York bank, and Wilbur Anthony Huff, a Kentucky businessman who controlled numerous entities located throughout the United States, to defraud the Investment Firm and Oklahoma insurance regulators regarding Antonucci's purchase of Providence Property and Casualty Insurance Company ("Providence P&C"), an Oklahoma insurance company that was owed $5 million by a company Huff controlled. Providence P&C was licensed to operate by the Oklahoma Insurance Department ("OID"), which regulated various practices of Oklahoma insurance companies. Under the OID's regulations and applicable Oklahoma law,

Providence P&C was required to maintain a certain amount of assets to ensure that adequate funds were on hand to pay policyholders' claims and anticipated claims.

Reichman and his co-conspirators schemed to defraud the Investment Firm into providing a $30 million loan to finance Antonucci's purchase of Providence P&C and to defraud Oklahoma insurance regulators into approving the purchase. The $30 million loan from the Investment Firm to purchase Providence P&C was secured by Providence P&C's own assets, including the reserve assets. 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, Reichman, Huff, Morris, and Antonucci, 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 the purchase. Specifically, Investment Firm executives and others warned Reichman on several occasions that using Providence P&C's assets as collateral for the loan was illegal and that he should not cause the loan to be issued. Reichman ignored these warnings and instead provided misleading information to various individuals at the Investment Firm and elsewhere regarding the loan, including directing Antonucci to sign a letter that provided false information regarding the collateral that would be used for the loan. Despite the warnings from Investment Firm executives and others, and Reichman's knowledge that the loan was in fact illegal, on or about January 30, 2009, Reichman caused the Investment Firm to issue the illegal $30 million loan, which was secured by the very assets that were supposed to be unencumbered and maintained in reserve to pay Providence P&C's policyholder claims.

After deceiving the Investment Firm into issuing the $30 million loan, Reichman received at least $200,000 in commissions from the Investment Firm as a result of the illegal loan. Ultimately, in November 2009, Providence P&C became insolvent and was placed in receivership because its surplus was encumbered by the $30 million loan, and therefore unavailable to pay policyholder claims, and because Huff, Morris, and Antonucci had pilfered Providence P&C's remaining assets.

Reichman, 54, of Irvington, N.Y., pleaded guilty to one count of conspiracy to commit wire fraud, which carries a maximum penalty of five years in prison. He will be sentenced by U.S. District Court Judge Naomi Reice Buchwald on a date to be determined. 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, Reichman also agreed to forfeit $200,000 to the United States and to provide restitution of $10 million to the Investment Firm.

Charles Antonucci, who was charged separately, pleaded guilty for his role in the scheme on October 8, 2010. Matthew L. Morris and Wilbur Anthony Huff pleaded guilty in connection with the case on October 17, 2014, and December 24, 2014, respectively.

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

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

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).

To receive alerts about quarterly reports, new audits, and media releases issued by SIGTARP, sign up at www.SIGTARP.gov/pages/press.aspx. Follow SIGTARP on Twitter @SIGTARP.

###