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Thursday, July 16, 2015

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INVESTMENT EXECUTIVE SENTENCED TO 21 MONTHS IN FEDERAL PRISON FOR \$37.5 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 bank and financial services company, was sentenced on July 15, 2015, to 21 months in federal prison and ordered to pay \$10 million in restitution for defrauding his employer in connection with the fraudulent purchase of an Oklahoma-based insurance company. Reichman pleaded guilty in February 2015 before Magistrate Judge Henry B. Pitman. U.S. District Judge Naomi Reice Buchwald imposed Reichman's sentence.

Christy Romero, Special Inspector General for TARP (SIGTARP) said: "Reichman, a former investment banker, was sentenced to 21 months in federal prison for his role in a \$37.5 million fraud scheme he helped perpetrate alongside Kentucky businessman Wilbur Anthony Huff and the former president and CEO of TARP applicant Park Avenue Bank, Charles Antonucci. Reichman devised a scheme to mislead his employer in order to induce the employer into funding a \$30 million loan that Reichman had been warned earlier was illegal. That didn't stop Reichman, and as a result of his crime, he pocketed hundreds of thousands of dollars in compensation, essentially doubling his compensation over the prior year. SIGTARP commends U.S. Attorney Bharara and his team of prosecutors and our law enforcement partners for standing united with SIGTARP in enforcing justice and accountability related to TARP."

Manhattan U.S. Attorney Preet Bharara said: "To line his own pockets, Allen Reichman fraudulently induced his investment firm to enter into a \$30 million loan transaction with an Oklahoma insurance company. His dishonest scheme caused the collapse of the insurance company, and has now led to his loss of liberty."

According to documents filed in Manhattan federal court and statements made during court proceedings:

Background

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-based 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. Antonucci's purchase of Providence P&C was financed by a \$30 million loan from the Investment Firm, which used Providence P&C's own assets, including the reserve assets, as collateral for the loan. 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.

At his guilty plea, Reichman admitted that he attended a meeting where he was advised by Providence P&C's general counsel that "under Oklahoma regulations Providence's assets could not be pledged to secure a loan." Reichman "never passed on to [the Investment Firm] what Providence's lawyers had said at the meeting." Instead, he 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 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, encumbered by the \$30 million loan, the insurance company became insolvent and was placed in receivership. The Investment Firm incurred losses totaling \$10 million as a result of the insurance company's insolvency. The amount of restitution ordered today as part of the sentencing is based on the \$10 million loss.

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In addition to prison, Reichman, 54, of Irvington, N.Y., was sentenced to two years of supervised release and ordered to forfeit \$200,000 to the United States and to pay \$10 million in restitution to the Investment Firm, his former employer.

Wilbur Anthony Huff, who pleaded guilty to his role in the above-described offense and other interrelated frauds in December 2014, was sentenced by Judge Buchwald on June 4, 2015, to 12 years in federal prison. Charles Antonucci and Matthew Morris pleaded guilty for their roles in the criminal

conduct on October 8, 2010, and October 17, 2013, respectively. They are scheduled to be sentenced before Judge Buchwald on August 19, 2015, and August 20, 2015, respectively.

This case is being investigated by SIGTARP, the Federal Bureau of Investigation, the New York State Department of Financial Services, Immigration and Customs Enforcement's Homeland Security Investigations, and the Federal Deposit Insurance Corporation Office of Inspector General.

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 and co-chairs the Rescue Fraud Working Group. To learn more about the President's Financial Fraud Enforcement Task Force, visit www.StopFraud.gov.

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