



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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FORMER PRESIDENT OF ORION BANK SENTENCED TO 6 YEARS IN FEDERAL PRISON FOR CONSPIRACY TO COMMIT BANK FRAUD AND FOR DECEIVING REGULATORS

WASHINGTON, DC - The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and United States Attorney for the Middle District of Florida Robert E. O'Neill today announced that United States District Judge Charlene Edwards Honeywell yesterday sentenced Jerry J. Williams (52, Fort Worth, Texas), former President, Chief Executive Officer, and Chairman of the Board of Directors of Orion Bank of Naples, Florida, to 6 years in federal prison for conspiracy to misapply funds by a bank officer; to make false entries in the books and records of Orion Bank; to commit bank fraud and to obstruct a bank examination, as well as for making false statements to bank examiners. A restitution hearing will be set by the Court at a later date.

"When Orion Bank faced mounting past-due loans and low capital like thousands of banks during the financial crisis, Williams turned to crime," said Special Inspector General Christy Romero of SIGTARP. "He made false sales of foreclosed property to get it off the bank's books and conspired to make a round-trip transaction that created the illusion of a \$15 million capital infusion. To hide his crime, he ordered that the books get cooked, and he lied to regulators. SIGTARP is working with its law enforcement partners to root out and shut down fraud by banks that applied for or received TARP funds."

"The observance of laws and regulations specifically enacted to protect the interest of consumers' investments and financial transactions are crucial to the integrity of our economy," said U.S. Attorney Robert O'Neill. "When financial institutions and their principals willfully break these laws, they must be enforced and prosecuted to the fullest extent of the law."

According to court documents, Williams was the President, Chief Executive Officer, and Chairman of the Board of Directors at Orion Bancorp, Inc. and the former Orion Bank, a federally insured financial institution that was headquartered in Naples, Florida. Williams orchestrated a complex conspiracy to fraudulently raise capital and falsify bank records in order to mislead state and federal regulators as to the bank's true financial condition.

Orion Bancorp, Inc., the parent company of Orion Bank, unsuccessfully sought \$64 million in federal government assistance through the U.S. Department of the Treasury's Troubled Asset Relief Program (TARP).

According to the facts mentioned in his plea agreement, beginning in May 2009, Williams directed executives and officers of Orion Bank to provide financing for a stock purchase, the result of which was a

\$15 million infusion into Orion Bancorp, Inc. The capital infusion created the illusion to regulators that Orion Bank's capital position had improved considerably.

In order to secure the capital infusion, Williams directed Orion Bank executives to increase to \$82 million the amount of loans-in-process to straw borrowers on behalf of Francesco "Frank" Mileto. Williams directed the increase in loan proceeds in order to provide and conceal \$15 million for Mileto's purchase of Orion Bancorp, Inc. stock, despite knowing that banking laws and regulations prohibited Orion Bank from financing the purchase of its own stock.

Mileto provided fraudulent financial documents to Orion Bank, reporting millions of dollars of annual income from an Italian family trust. At one point, top Orion Bank executives discovered that Mileto had submitted fraudulent documents to support the June 2009 loans, as well as approximately \$41 million of prior loans. However, Williams directed that the loans close, despite this information, in order to secure the capital infusion to the bank. The stock was purchased through a series of transactions designed to conceal the true source of the funds from federal regulators. Williams was the only Orion Bank employee who had the authority to approve loans over \$2 million for submission to the Orion Bank Board of Directors Loan Committee.

The investigation revealed that Williams caused Orion Bank Executive Vice President Thomas Hebble to present loan packages for approval to the Orion Bank Board Loan Committee, despite knowing that the loan packages contained materially false and misleading information. After Senior Vice President Angel Guerzon signed the fraudulent loans on behalf of Orion Bank, Williams lied to regulators about the true source of the funds, fraudulently categorizing the stock purchase as new capital, despite knowing that \$15 million of the capital raise was financed by the bank. When questioned about the transactions by state and federal examiners, Williams and other bank executives provided false documentation to examiners, in order to mislead the regulatory authorities as to the source of the capital infusion, and the true financial condition of Orion Bank.

The Federal Reserve Bank of Atlanta and the State of Florida Office of Financial Regulation entered Orion Bank in the summer of 2009 and quickly uncovered the fraud. The Federal Reserve Board of Governors issued a Prompt Corrective Action on November 9, 2009, dismissing Williams from his position as President, Chief Executive Officer, and Chairman of the Board for Orion Bank. The State of Florida Office of Financial Regulation closed Orion Bank on November 13, 2009, and named the Federal Deposit Insurance Corporation as Receiver. The FDIC estimates that the cost to the Deposit Insurance Fund as a result of Orion Bank's failure is \$884 million.

Francesco Mileto (40, Tamarac), Thomas Hebble (50, Naples), and Angel Guerzon (42, West Palm Beach) were separately charged as a result of their participation in the scheme. Mileto was sentenced to 5 ½ years in federal prison, Hebble was sentenced to 2 ½ years in federal prison, and Guerzon was sentenced to 2 years in federal prison.

This case was investigated by SIGTARP, the Federal Reserve Board - Office of Inspector General, the Federal Deposit Insurance Corporation - Office of Inspector General, the Federal Bureau of Investigation, and the Internal Revenue Service - Criminal Investigation. The case was prosecuted by Assistant United States 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. 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.

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