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FORMER SMALL BUSINESS ADMINISTRATION LOAN OFFICER INDICTED IN ALLEGED SCHEME TO PROFIT FROM SALE OF SBA LOANS TO RELATIVES

CHICAGO — A former U.S. Small Business Administration employee is facing federal fraud charges for allegedly selling-off delinquent loans on behalf of the agency to two relatives, while failing to disclose his relationship to them, and sharing the profit from the private collection of two of the loans. The defendant, **Thomas Butler**, a former lenders relations officer with the SBA, was indicted by a federal grand jury yesterday on eight counts of wire fraud, Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, announced today .

Butler, 64, of Bolingbrook, will be arraigned at a later date in U.S. District Court in Chicago. Mr. Fitzgerald announced the charges with Keith Hohimer, Special Agent-in-Charge of the Central Regional Office of the Small Business Administration Office of Inspector General, and Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation.

According to the indictment, Butler was responsible, in part, for resolving issues related to the charge-off of more than 400 SBA business and disaster loans that were secured with real estate collateral. Butler's duties included determining the current market value of the properties securing the loans, as well as determining if the assets could be recovered from SBA loan debtors. He also bore responsibility for selling various delinquent loans, which were in litigation, through arms length transactions to private equity investors.

Between 2005 and January 2007, Butler allegedly recommended selling 25 delinquent loans for substantially less than they were worth to Individual A, Butler's brother and owner of Butler Investments, LLC., and Individual B, Butler's son-in-law and owner of Ryan Alex, Inc., and Ryan Alex Properties. Butler never disclosed to the SBA the true value of each loan or his familial relationship with Individuals A and B in making his recommendations, the charges allege.

When his superiors approved the loan sales, Butler sold two loans to his brother and allegedly shared at least $120,000 in profits with him, and he sold 23 loans to his son-in-law,

The indictment seeks forfeiture of at least $120,000 representing proceeds of the alleged fraud scheme.

The government is being represented by Assistant U.S. Attorney Stephen P. Baker.

Wire fraud carries a maximum penalty of 20 years in prison and a maximum fine of $250,000 and restitution is mandatory. The Court may also impose a fine totaling twice the loss to any victim or twice the gain to the defendant, whichever is greater. If convicted, however, the Court would determine a reasonable sentence to impose under the advisory United States Sentencing Guidelines.

An indictment contains only charges and is not evidence of guilt. The defendant is presumed innocent and is entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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