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FORMER SMALL BUSINESS ADMINISTRATION LOAN OFFICER SENTENCED TO 33 MONTHS IN PRISON FOR UNDISCLOSED SALE OF LOANS TO RELATIVES

CHICAGO — A former U.S. Small Business Administration employee was sentenced to 33 months in federal prison for selling-off delinquent loans on behalf of the agency to two relatives, while failing to disclose his relationship to them. The defendant, **Thomas Butler**, fraudulently obtained approximately \$120,000 from the profit he shared with his brother from the private collection of two of the loans. Butler, a former loan relations officer with the SBA, was ordered to forfeit \$120,000 and to pay \$400,000 in restitution to the SBA in connection with sales of additional loans to his son-in-law's company.

Butler, 65, of Bolingbrook, who pleaded guilty in May to one count of wire fraud, after having been indicted in September 2010, was ordered to begin serving his sentence on Jan. 3, 2012. U.S. District Judge John Darrah, imposed the sentence yesterday in Federal Court in Chicago.

The sentence was announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois; 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 court records, 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 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.

When his superiors approved the loan sales, Butler sold two loans to his brother and shared at least \$120,000 in profits with him, and he sold 23 loans to his son-in-law's company, which resulted in SBA losses exceeding \$400,000.

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

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