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TWO FORMER CANOPY FINANCIAL CO-FOUNDERS SENTENCED TO 15 AND 13 YEARS IN PRISON FOR $75 MILLION INVESTMENT FRAUD AND RAIDING $18 MILLION FROM CUSTODIAL HEATH CARE EXPENSE ACCOUNTS OF 1,600 CUSTOMERS

CHICAGO — Two co-founders of Canopy Financial, Inc., a bankrupt health care transaction software company based here, have been sentenced to 15 and 13 years in prison for defrauding investors and clients of more than $93 million. **Anthony Banas**, Canopy's chief technology officer, was sentenced today to 160 months in prison, while **Jeremy Blackburn**, Canopy's former president and chief operating officer, was sentenced on Jan. 24 to 180 months in prison. Both men pleaded guilty in late 2010 to one count of wire fraud, admitting they engaged in a fraud scheme that cheated investors of approximately $75 million and also misappropriated more than $18 million from customer accounts intended for health care savings and expenses.

The sentences, imposed by U.S. District Judge Ruben Castillo in Federal Court, were announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois; Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; and James Vanderberg, Special Agent-in-Charge of the U.S. Department of Labor

Office of Inspector General in Chicago. The Securities and Exchange Commission's Chicago Regional Office assisted in the investigation.

In imposing sentence on both defendants, Judge Castillo noted that this case was the most aggravated financial fraud he had seen in his 18 years on the federal bench. The judge ordered both men to pay mandatory restitution and forfeiture totaling $93,125,918. Approximately $50 million has been recovered so far through Canopy's bankruptcy proceedings, and the government anticipates that the bankruptcy trustee will pay the claims of the health savings account customers. Banas, 34, of Homer Glen, was ordered to begin serving his sentence on April 18. Blackburn, 38, of Bolingbrook, was ordered to report to prison on March 20.

According to court documents, Blackburn and Banas used false information about Canopy's financial condition, including a bogus auditor's report and falsified bank statements, to fraudulently obtain approximately $75 million from several private equity investors in 2009. Approximately $39 million of that money was used to redeem shares of other Canopy investors, including approximately $1.6 million that went to Blackburn and $975,000 that went to Banas, while another $29 million obtained from investors was deposited into Canopy operating accounts. Blackburn and Banas also misappropriated Canopy operating funds for their own benefit.

Blackburn alone took approximately $6 million in unauthorized withdrawals and transfers from Canopy bank accounts during 2009. Blackburn typically directed a Canopy employee, or occasionally Banas, to transfer Canopy funds to his bank accounts or to pay for his personal expenses, including credit card balances, luxury car purchases, and funding his account with a private jet company. Among Blackburn's luxury car purchases with Canopy funds were the following: two 2010 Range Rover SUVs, a 2009 Bentley, a 2008 Lamborghini, a 2010 Lamborghini, a 2009 Rolls Royce Phantom, a 2009 Aston Martin DBS, a 2009 Bentley Continental, and a 2009 Ferrari 430. Blackburn also paid for personal home renovations, bought sports tickets and purchased jewelry and watches using misappropriated Canopy funds.

Banas used misappropriated Canopy money to invest $300,000 in a nightclub. Banas also spent $400,000 between 2007 and 2009 on other personal expenses.

Blackburn admitted that he created phony bank statements during 2009 to conceal the transfer of more than $18 million from special health care accounts in which Canopy held funds as custodian for the benefit of more than 1,600 clients and customers to make payments to medical providers. The funds were transferred to Canopy's own operating accounts, as well as to benefit Blackburn and Banas personally.

In 2004, Blackburn, Banas and a third individual co-founded Canopy, which reportedly was one of the country's fastest-growing privately-held companies before it entered bankruptcy proceedings in November 2009. Canopy, which had offices in Chicago, Plainsboro, N.J., and San Francisco, developed and marketed software programs for banks and health care payers to administer and process payments involving health-related savings and spending accounts. Canopy's products related to expense tracking, online bill payment and claims processing for healthcare transactions.

Beginning in March 2009, in connection with the offer and sale of Series D preferred stock by Canopy, Blackburn and Banas made materially false representations to prospective investors about Canopy's financial condition, including its revenues, profitability and total number of client accounts, and falsely represented to prospective investors that its financial statements had been audited by KPMG, the international network of audit, tax and consulting firms.

In addition to the phony audit report, Blackburn and Banas created falsified bank statements for the months of January through June 2009, purporting to show a Canopy account at Northern Trust Bank with monthly balances ranging between $5.7 million and $8.9 million. Blackburn admitted that these misrepresentations caused certain investors, including entities affiliated with Spectrum Equity Investors, to invest a total of nearly $75 million in shares of Canopy preferred stock in July and August 2009.

The government was represented by Assistant U.S. Attorneys Stephanie Zimdahl and Manish Shah.

The prosecution falls under the umbrella of the Financial Fraud Enforcement Task Force, which includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit: www.StopFraud.gov.

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