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FORMER CHAIRMAN OF FAILED WESTERN SPRINGS BANK PLEADS GUILTY TO CONCEALING PERSONAL INTEREST IN LOANS FROM U.S. REGULATORS

CHICAGO — The chairman of a failed west suburban bank pleaded guilty today to engaging in a scheme involving making false statements in regulatory documents regarding his undisclosed personal interest in loans that resulted in the bank losing more than \$680,000. The defendant, **James A. Regas**, who was chairman of the board of directors of the former Western Springs National Bank & Trust, admitted that he falsified and concealed material facts that should have been fully disclosed to the bank's directors and government regulators during 2008 and 2009. The bank's two branches were closed by federal regulators in April 2011, and its assets were purchased by Heartland Bank and Trust Company, which assumed approximately \$182 million in deposits.

Regas, 82, of Oak Brook, was charged with one count of scheming to make false statements in a criminal information that was filed on June 19. He pleaded guilty today at his arraignment before U.S. District Judge Gary Feinerman in Federal Court in Chicago. Sentencing was scheduled for Oct. 25, 2012. Regas faces a maximum penalty of five years in prison and a \$250,000 fine, and he has agreed to pay full restitution.

According to his plea agreement, Regas caused bank employees to file false quarterly Reports of Condition and Income, also known as a "Call Report," with the Federal Deposit

Insurance Corp., and he signed the reports knowing they contained false information regarding the delinquency status of certain loans.

Regas admitted that between 2004 and 2009 he referred business associates to Western Springs for loans, without disclosing to the bank that he had financial partnerships with such business associates and that he intended to benefit from the loans. Regas knowingly submitted false conflict-of-interest statements to the bank, in which he denied having any financial relationship with any of the bank's borrowers.

Among the loans from which Regas benefitted, directly or indirectly, without the knowledge and approval of disinterested bank directors, were:

- ▶ an \$803,000 loan to North Park Webster LLC in December 2004, which was used partially to finance the purchase of three properties in Evanston — 917 Edgemere Ct.; 925 Edgemere Ct.; and 1216 North Sheridan Rd., in which Regas and family members had financial interests;
- ▶ a \$500,000 loan to one of Regas' associates in November 2005, from which Regas received approximately half of the proceeds indirectly through a third-party; and
- ▶ a \$750,000 loan to a certain real estate investor in September 2008 to finance the investor's purchase of an apartment building at 814-816 Mulford St., in Evanston, from Regas. That building served as collateral for the bank on another loan that Regas acquired and sold through a nominee company.

These loans enabled Regas to use bank funds for his own benefit without having to apply for loans himself, posting collateral, or signing any promises to repay the bank's money, while evading federal restrictions on insider loans. Because the loans were not fully repaid, Western Springs suffered a loss of approximately \$681,617, according to the plea agreement.

The guilty plea was announced by Gary S. Shapiro, Acting United States Attorney for the Northern District of Illinois, and Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation.

The government is being represented by Assistant U.S. Attorneys Brian Havey and Andrianna Kastanek.

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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