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News Release

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LeRoy man sentenced for bank fraud, tax evasion

A 54-year-old LeRoy man was sentenced today in federal court in connection with a scheme to defraud and to obtain more than \$200,000 from the bank he served as president.

On May 13 in Minneapolis, United States District Court Judge Ann Montgomery sentenced Gerald Alan Payne to 30 months in prison and five years of supervised release on one count of bank fraud and one count of tax evasion. Payne, who was the president and chief executive officer of the First State Bank Minnesota, was charged on Oct. 2, 2008, and pleaded guilty on Oct. 30.

Judge Montgomery said that Payne's crimes had "ripped a small town asunder," and added that she was struck by how someone who had worked his way up by his bootstraps would commit such crimes.

According to Payne's plea agreement, from January 2003 through June 2007, he knowingly and intentionally devised and executed a scheme to defraud First State Bank Minnesota by unlawfully obtaining more than \$200,000 in moneys, funds and credits owned by or under the custody of the bank by false and fraudulent pretenses.

Payne admitted that he misappropriated funds without authorization for his own personal use, including obtaining money from customer bank accounts, charging personal expenditures on the bank's credit cards and cashing checks written to the bank and other parties while retaining the proceeds.

From January 2003 through April 2008, Payne willfully attempted to evade payment of taxes for tax years 2003-2007 by taking various affirmative actions, including misappropriating funds from the bank and its customers, using those funds for personal use and filing false U.S. individual income tax returns that did not include the income he derived from the fraud. The resulting tax loss to the U.S. is more than \$200,000.

In addition to the bank fraud, Payne also admitted that he defrauded certain individuals for whom he served as trustee or in a comparable trust capacity. These individuals were directly and

proximately harmed as a result of the commission of his offense.

This case was the result of an investigation by the Federal Bureau of Investigation and the Internal Revenue Service-Criminal Investigation Division. It was prosecuted by Assistant U.S. Attorney Nicole A. Engisch.