American Banker – 10/7/04

FDIC Sues Relatives of Bank Embezzler

The Federal Deposit Insurance Corp. has filed a civil suit against relatives of Oakwood Deposit Bank Co.'s former chief executive, who pleaded guilty to embezzling more than $48.7 million.

The suit, filed Sept. 28 in the U.S. District Court for the Northern District of Ohio, seeks more than $30.3 million of damages, plus interest and attorney's fees, from the family of Mark Steven Miller. The FDIC claims Mr. Miller's family benefited from his crimes.

According to court papers, Mr. Miller created San-Lor Co. Inc. and funneled embezzled money through it. His two brothers, Greg and Jeff, were officers of San-Lor; they and their wives are defendants in the suit. The FDIC contends that the Miller family not only knew about the embezzlement but also aided it.

Oakwood failed in February 2002 after Mr. Miller confessed that had stolen the money and invested it in South Carolina gambling boats. The FDIC estimates that the $72.2 million-asset bank's failure cost the Bank Insurance Fund $61.8 million.

-Hannah Bergman

American Banker - 5/20/03

Former CEO Guilty
Of Stealing $48.7M

WASHINGTON - A former chief executive of Oakwood Deposit Bank Co. in Ohio pleaded guilty Friday to embezzling $48.7 million over nine years and investing the money in riverboat casinos, according to the Associated Press.

Mark Miller was arrested in February 2002 after regulators discovered the fraud and closed the bank. The FDIC estimates the cost of the failure at nearly $62 million.

The AP said that under a plea agreement Mr. Miller faces a sentence of 11 to 14 years.
No sentencing date was set. He must give up most of the property he acquired with the bank's money.

-W.A.Lee

3/6/02 – American Banker

Oakwood May Have More Deposit

WASHINGTON -A bizarre case became even stranger this week as federal regulators announced that the failed Oakwood Deposit Bank Co. may have had an additional $24.3 million in deposits — the second upward revision in as many weeks.

Federal Deposit Insurance Corp. officials on Monday raised the possibility of more deposits after hearing from brokers who claimed to have purchased certificates of deposit. The officials say they are working with the brokers to evaluate if the deposits were actually made.

Last month, after finding a second set of books in the home of the Ohio bank's chief executive officer, regulators said that they had discovered an additional $40 million of deposits.

Oakwood failed Feb. 1 after the CEO confessed that he had stolen $40 million and invested it in South Carolina gambling boats, authorities have said.

The additional deposits were bad news for the Defiance, Ohio-based State Bank and Trust Co., which purchased the insured deposits after Oakwood failed.

Stan Ivie, the assistant director of the FDIC's division of resolutions and receiverships, said in an interview Monday that State Bank and Trust had expected to receive $60 million of core local deposits but discovered that half were in brokered CDs.

Most of the newly uncovered money has been brokered deposits too, he said. These deposits are considered less valuable because they tend to exit quickly since acquirers of failed banks generally pay lower interest rates.

The FDIC has agreed to refund $2 million of the $4 million premium that State Bank and Trust paid for the deposits, Mr. Ivie said.

-Rob Blaclcwell

American Banker - 2/26/02

$42M More Deposits Found at Oakwood

WASHINGTON -A Federal Deposit Insurance Corp. spokesman said Monday that the agency had discovered $42 million more of deposits at the now-defunct Oakwood Deposit Bank Co. in Ohio.

That institution failed on Feb. 1 after the Federal Bureau of Investigation and regulators alleged that Oakwood's chief executive had stolen $40 million and pumped it into a South Carolina casino. The agency originally estimated that total deposits at the bank were $60.2 million, but federal authorities discovered another set of books at the executive's home that revealed more accounts.

As a result the FDIC raised its estimate of Oakwood's uninsured deposits by 27.5%, to $3.7 million. Another $5.3 million of deposits is still being assessed.

The discovery is an unexpected boon for State Bank and Trust Co. of Defiance, Ohio, which purchased Oakwood's insured accounts this month for a premium of $4 million. State Bank had expected to take in $57 million of insured deposits but now will get at least $93 million.

An FDIC spokesman said the extra deposits were mainly in CDs with high interest rates.

The agency has not changed its estimates of Oakwood's assets, which were valued at $72 million before Feb. 1, or of the collapse's ultimate cost to the Bank Insurance Fund - $47 million.

-Rob Blackwell

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THE FINANCIAL SERVICES RESOURCE

Washington

FBI Says Failed Ohio Bank's CEO Admitted to Fraud

Tuesday, February 5, 2002
By Rob Blackwell

WASHINGTON -The chief executive officer of the failed Oakwood Deposit Bank Co. confessed to embezzling $40 million and pumping it into a South Carolina casino he partly owns, according to an affidavit filed late last week in federal court.

M. Stephen Miller, who was also the $72 million-asset Oakwood, Ohio, bank's executive vice president, was charged Friday by federal authorities with bank embezzlement and was taken into custody. A preliminary hearing is scheduled for Feb. 11. His lawyer would not comment on the case on Monday.

An affidavit filed Friday in U.S. District Court in Toledo by Thomas J. Bailey, a special agent with the Federal Bureau of Investigation, said that Mr. Miller had admitted to federal regulators a day earlier that he took funds from certificates of deposit and sent the money to Stardancer Casinos, in which he has an ownership interest along with some of his brothers.

Mr. Miller (whose first name is alternatively spelled 'Steven' in the document) told regulators "that he was receiving Internet CDs for the bank, but not listing them on the bank's books," according to the affidavit. "He then admitted that he took this money and sent it to Stardancer Casinos in Myrtle Beach."

Mr. Miller let federal enforcement authorities search his home Thursday, where they discovered numerous records related to the funds he took from Oakwood, the affidavit said. Regulators shut down the bank the next day.

Despite the bank's relatively small size, it is expected to cost $47 million to the Bank Insurance Fund, most of it from the alleged fraud.

Mr. Miller's fellow bankers and colleagues expressed shock as details continued to be released concerning the alleged scheme.

Last year he was elected to the board of the Ohio Bankers Association, and he had been scheduled to attend the first meeting of the year tomorrow. But by Monday, Mr. Miller had been dropped from the board and his name was removed from the group's Web site. Though he has not yet been tried, an association official cited a bylaw that forbids conduct that reflects poorly on the industry.

"The depth of the problem shocked everybody," said Michael M. Van Buskirk, the association's president.

Mr. Miller's last payment to Stardancer Casinos was a $645,701 check written on Jan. 16, the affidavit said. It asserted that he started the fraud scheme more than two years ago and revealed it to federal regulators when they confronted him about irregularities in the bank's books.

The casino's other owner, Sam Gray, did not return phone calls seeking comment. Neither he nor any of Mr. Miller's brothers have been accused by authorities of wrongdoing.

A local news report said Mr. Miller had been a member of the area school board. One of his brothers is the principal at a local high school.

Analysts said that Oakwood's collapse, though inexpensive compared with the recent failures of much larger institutions such as West Virginia's First National Bank of Keystone, aptly demonstrates the need for examiners to look harder for signs of fraud.

"It does reinforce an important point: Bank fraud is a major, costly part of failures," said Bert Ely, an independent consultant in Alexandria, Va. "That is why the whole supervision process has to be focused very aggressively on detecting fraud."

The Federal Deposit Insurance Corp. announced over the weekend that it had found a buyer for the defunct bank. Oakwood's two offices were reopened Monday as part of the State Bank and Trust Co. of Defiance.

State Bank will assume all of Oakwood's $57.3 million of insured deposits and some of its assets and pay a premium of more than $4 million. The FDIC said State Bank will take Oakwood's cash, securities at market value, loans fully secured by deposits, and performing loans. State Bank will have a 30-day option to return any of the performing loans, the agency said.

The remaining assets are being retained by the FDIC for later disposition.

Though Oakwood was the third bank to fail in four weeks, it is unclear if Senate Banking Committee Chairman Paul Sarbanes plans to raise questions about any of the recent failures at his upcoming hearing on the July fall of Superior Bank FSB.

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THE FINANCIAL SERVICES RESOURCE

Markets

Fraud Alleged in New Bank Failure

Monday, February 4, 2002
By Rob Blackwell

WASHINGTON - Federal regulators on Friday shut down $72.3 million-asset Oakwood Deposit Bank Co. in Ohio, attributing its fall to a massive case of fraud.

Though the bank was small, the failure is expected to cost a disproportionate $47.3 million - the highest loss ratio since the 1999 collapse of the First National Bank of Keystone, W.Va. The Federal Deposit Insurance Corp. said that $40 million of the loss was due to fraud.

Details of the alleged scheme were sketchy, and as of Friday authorities' accusations had not named any bank employees.

A spokesman for the Federal Reserve Bank of Cleveland, which supervised Oakwood Deposit Bank, would not comment. State regulators made no mention of fraud in their own public release, instead commenting that Oakwood was in "unsafe and unsound condition to continue the business of banking." Ohio regulators also said the bank was insolvent and that its board of directors had requested that Oakwood be shut down.

Oakwood's fall is the third bank failure in just four weeks, the others being Sierra Blanca in Texas and Hamilton Bank in Miami. But unlike those institutions, which analysts said had problems that were immediately apparent on their balance sheets, Oakwood showed no signs of distress.

"This is a very typical-looking community bank," said Bert Ely, an independent consultant in Alexandria, Va. "There is nothing really horribly shocking about its balance sheet. At least on the surface, it is not readily evident where the fraud is, unless they booked a lot of phony assets."

The FDIC is still attempting to sell the institution, and said it would announce a decision about its future by Monday. If it is unable to sell the bank, the FDIC will return money to the insured depositors. The agency estimated that Oakwood had $60.2 million of deposits, nearly $3 million of which was uninsured.