



Department of Justice

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FORMER AUBURN UNIVERSITY PROFESSOR PLEADS GUILTY TO WIRE, TAX, AND SBA FRAUD CHARGES

Agrees to Pay More than \$1.3M in Restitution,
Including Losses from 9/11 Disaster Loans

MONTGOMERY, ALABAMA—A former Auburn University Professor and Army Lt. Col., Loyd Frank Lawing, Jr., age 53, pleaded guilty this morning to embezzling over \$940,000 in monies that he was entrusted with as the Chapter Advisor, Secretary, and Treasurer of the Auburn University branch of the social fraternity Alpha Tau Omega, Leura G. Canary, United States Attorney for the Middle District of Alabama, announced today. Lawing also pleaded guilty to tax evasion and to a fraud in connection with Small Business Administration 9/11 Disaster Loans. Sentencing will be scheduled at a later date.

During the plea hearing, Lawing admitted that from approximately June 2002, and continuing until approximately July 13, 2005, when he had access to the fraternity's banking accounts, he embezzled nearly all the fraternity's funds from area Auburn banks. Lawing was able to accomplish the scheme because he controlled proceeds of the fraternity's sale of its building, totaling nearly \$1M. He also accepted donations on behalf of the fraternity. Lawing admitted that he diverted some of the funds to his personal accounts in order to pay for personal expenses, including a luxury SUV, as well as a \$124,199.63 down payment for a new house. Lawing also allegedly diverted monies from the fraternity to Bold Horizon Aerospace, Inc.—where Lawing was employed as its President and Chief Operating Officer—in order to keep the company financially solvent.

Lawing also admitted that he implemented a series of lulling tactics designed to conceal the fraternity's increasingly depleted funds. These tactics first included false assurances to other fraternity board members that the initial proceeds from the sale of the property had been prudently invested in a CD and a money market account. Later, Lawing falsely assured other members of the Board that a "nest egg" had been created in the form of a fraternity trust with the assistance of a local Auburn, Alabama, attorney.

Lawing also pleaded guilty to a Small Business Administration (SBA) fraud, totaling nearly \$100,000. Previously, Lawing and Bold Horizons had applied for and received loans for businesses affected by the events of 9/11. Later, in 2005, Lawing created fraudulent releases of SBA liens on parcels of land owned by Lawing and his wife, although the SBA had not released its liens on Lawing's property. Lawing sold these parcels of land, failed to satisfy the SBA liens, and instead kept the proceeds of the sale. Finally, Lawing admitted that he failed to report his embezzled income on his and his wife's Federal Income Tax Return.

"Prosecution of white collar fraud cases, especially those involving loss of public monies and the abuse of a position

of trust, continue to be a high priority of our office,” stated U.S. Attorney Leura Canary. “Thanks to the diligent investigatory efforts of the SBA, IRS and the Auburn Police Department, significant fraudulent acts involving both public funds and private funds from a non-profit entity have been uncovered and the perpetrator brought to justice.”

Eric M. Thorson, Inspector General for the Small Business Administration, stated “Deterring Disaster Fraud is one of the highest priorities of the Small Business Administration-Office of Inspector General, Investigations Division. We will continue to use all our resources to ensure that the process for assistance in the face of any disaster is not compromised and that the people who really need help actually receive it. This type of diligence will be maintained before, during, and after the funding has been received. We appreciate the support provided by the Department of Justice in furtherance of our mission.”

Rebecca A. Sparkman, Special Agent in Charge, IRS Criminal Investigation, added that “IRS-CI will vigorously investigate those individuals who abuse their positions of trust in a Non Profit Organization to defraud organizations such as the Small Business Administration as well as the IRS.”

In total, Lawing has agreed to pay restitution of at least \$1,335,836.88 to the victims in this case. Lawing could face up to twenty years imprisonment for his offenses and an additional fine of up to \$250,000.

This matter is the result from a year-long joint investigation. The case originated from the City of Auburn Police Department. It has been investigated jointly with the Auburn Police Department, IRS’s Criminal Investigation Division, and SBA Office of Inspector General, Investigation Division. Additional assistance was provided from Lee County District Attorney Nick Abbett.

The case is being prosecuted by Assistant United States Attorney Christopher A. Snyder, and it is only the second 9/11 SBA disaster loan case prosecuted outside of the City of New York.

