

PRESS RELEASE

# Former CEO of Failed Bank Sentenced to Prison

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U.S. Attorney's Office, District of Kansas

WICHITA, KAN. – A Kansas man was sentenced to 293 months in prison for using his former position as chief executive officer (CEO) of a bank to embezzle tens of millions of dollars in a cryptocurrency scheme which led the bank to fail at a complete loss of equity for investors.

According to court documents, Shan Hanes, 53, of Elkhart pleaded guilty to one count of embezzlement by a bank officer.

While the CEO of Heartland Tri-State Bank (HTSB) in Elkhart, Kansas, Hanes initiated 11 outgoing wire transfers between May 2023 and July 2023 totaling \$47.1 million of Heartland's funds to a cryptocurrency wallet in a cryptocurrency scheme referred to as "pig butchering." The funds were transferred to multiple cryptocurrency accounts controlled by unidentified third parties during the time HTSB was insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC absorbed the \$47.1 million loss. Hanes' fraudulent actions caused HTSB to fail and the bank investors to lose \$9 million.

A federal judge ordered that restitution be finalized at a separate hearing within the next 90 days.

"Hanes' greed knew no bounds. He trespassed his professional obligations, his personal relationships, and federal law. Not only did Shan Hanes betray Heartland Bank and its investors, but his illegal schemes also jeopardized confidence in financial institutions," said U.S. Attorney Kate E. Brubacher. "Today's sentence is a measure of justice for the victims, and a statement that the U.S. Department of Justice will hold those accountable who violate positions of trust for their own gain."

"Mr. Hanes, as the CEO of Heartland Tri-State Bank, held the trust and confidence of the community of Elkhart, KS, but he violated that trust. He attempted to benefit financially by embezzling funds from the bank. His idea to get rich quick, in all reality, was a pig

butchering scheme. His involvement in this scheme ultimately led to the bank's collapse. His job, the bank's job was to protect its customers and identify fraudulent scams – not to participate in them," said Special Agent in Charge Stephen Cyrus of the FBI Kansas City Field Office.

"As the CEO, the defendant had a duty to conduct business honestly but instead abused that trust and committed insider fraud, contributing to the failure of a bank and causing catastrophic losses to bank customers who relied on the bank for the safekeeping of their savings," said Korey Brinkman, Special-Agent-in-Charge of FHFA-OIG's Central Region. "We will continue to vigorously investigate criminal offenses involving frauds that impact the integrity, safety, and soundness of Federal Home Loan Banks and member banks. We are proud to partner with our colleagues and the United States Attorney's Office with this investigation."

"Shan Hanes was sentenced today for his role in a \$47.1 million embezzlement scheme that ultimately caused Heartland Tri-State Bank to fail," said Special Agent in Charge Justin R. Bundy of the Federal Deposit Insurance Corporation Office of Inspector General (FDIC OIG) Kansas City Region. "We are pleased to join our law enforcement partners in bringing Mr. Hanes to justice, and we will continue to investigate and hold accountable bank insiders who violate their positions of trust and threaten to undermine the safety and soundness of our Nation's financial institutions."

"Today's sentencing makes clear that bank executives who undermine the safety and soundness of community banks will be brought to justice," said Jon Ellwanger, Special Agent in Charge, Western Region, Office of Inspector General for the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau. "We are proud to have worked with our federal law enforcement partners to achieve this result, and we thank the U.S. Attorney's Office for prosecuting this case and holding Mr. Hanes accountable for his crimes."

The Federal Bureau of Investigation (FBI), Federal Deposit Insurance Corporation – Office of Inspector General (FDIC-OIG), Federal Reserve Board - Office of Inspector General (FRB-OIG), and Federal Housing Finance Agency – Office of Inspector General ((FHFA-OIG) investigated the case.

Assistant U.S. Attorney Aaron Smith prosecuted the case.

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