



Department of Justice

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**7 FORMER BANK OFFICERS SENTENCED IN LOAN-FRAUD SCHEME THAT
PRECEDED COLLAPSE OF FIRST NATIONAL BANK OF SAVANNAH**

SAVANNAH, GA: 7 former officers of First National Bank of Savannah were sentenced during three days of hearings last week before United States District Court Chief Judge Lisa Godbey Wood. Each of the defendants had earlier pled guilty to their role in a massive loan-fraud scheme against First National Bank and other federally insured banks.

The 7 convicted former officers of First National Bank received the following sentences:

- **Heys Edward McMath III**, 59, the former President and CEO of First National Bank, was sentenced to serve 42 months in prison, to pay \$9,749,264.83 in restitution, and to serve 3 years of supervised release after his release from prison;
- **Stephen Michael Little**, 65, the former Executive Vice President and CFO of First National Bank, was sentenced to serve 20 months in prison, to pay \$72,571.25 in restitution, to pay a fine of \$100,000, and to serve 3 years of supervised release after his release from prison;
- **Robert Wilson Dailey**, 52, the former City President and Senior Lending Officer of First National Bank, was sentenced to serve 38 months in prison, to pay \$158,518.13 in restitution, and to serve 3 years of supervised release after his release from prison;
- **Jay Patrick Gardner**, 63, the former Vice President of Credit Administration of First National Bank, was sentenced to serve 2 years of probation and to pay \$14,800 in restitution.
- **Isaac Jefferson Mulling**, 55, a former Senior Vice President and commercial loan officer of First National Bank, was sentenced to serve 22 months in

prison, to pay \$157,543.60 in restitution, and to serve 3 years of supervised release after his release from prison.

- **Alan Robert Fleming**, 38, the former City President of the Tybee Island branch and a commercial loan officer of First National Bank, was sentenced to serve 38 months in prison, to pay \$3,891,870.28 in restitution, and to serve 3 years of supervised release after his release from prison;
- **Jeffrey Allen Farrell**, 45, the former City President of the Richmond Hill branch and a commercial loan officer of First National Bank, was sentenced to serve 10 months in prison, to pay \$57,771.25 in restitution, and to serve 3 years of supervised release after his release from prison.

United States Attorney Edward J. Tarver said, “These Defendants handed out millions of dollars in fraudulent loans, falsified countless bank records, and lied to federal bank regulators, all in an effort to gamble with other people’s money and to hide the failing condition of the bank that they ran. Their fraudulent conduct put at risk the deposits of those who sought a safe place to keep their money, and ultimately caused a payout of enormous losses by the Federal Deposit Insurance Corporation (FDIC). No matter the complexity of the scheme, this United States Attorney’s Office will bring those bank officers who place FDIC-funds at risk through fraud and other criminal conduct to justice.”

Fred Gibson, Jr., Principal Deputy Inspector General of the FDIC, said, “The Federal Deposit Insurance Corporation Office of Inspector General is pleased to join our law enforcement colleagues in announcing the sentencing resulting from our investigation of the fraud that contributed to the failure of the First National Bank of Savannah and a loss to the Deposit Insurance Fund of more than \$90 million. We are particularly concerned when financial institution insiders abuse their positions of trust to commit crimes and seek to undermine the integrity of the financial services industry. We are committed to continuing our efforts throughout the country to bring guilty parties to justice, help maintain public trust and confidence in the banking system, and protect the FDIC’s Deposit Insurance Fund from further losses.”

“The sentences of the seven bank officers involved in this complex scheme make it clear that criminals who undermine banks or bank-holding companies regulated by the Federal Reserve Board will be vigorously prosecuted,” said Mark Bialek, Inspector General of the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau. “I commend all those involved in this complex investigation for their hard work and dedication, which led to this outcome.”

“This investigation conducted with our law enforcement counterparts demonstrated that bank officials and persons in positions of trust who violate the law will be thoroughly investigated and held accountable for their actions,” said AIGI John L. Phillips of the Department of Treasury.

According to evidence presented during the guilty plea and sentencing hearings, as First National Bank's financial condition began to deteriorate, the Defendants schemed to hide from the bank, members of the bank's Board of Directors, and from federal regulators millions of dollars in non-performing loans. The Defendants accomplished their scheme by unlawfully loaning money to unqualified nominees to make interest and other payments on other non-performing loans; by enticing others to take over non-performing loans with hidden promises, side deals and other terms unfavorable to First National Bank; and by recruiting other banks to fund non-performing loans based upon fraudulent misrepresentations about the quality of the loans. To assist in their scheme, the Defendants falsified and fabricated numerous bank documents and records. First National Bank failed and was taken over by the FDIC on June 25, 2010. The FDIC estimates that First National's failure will cost the Deposit Insurance Fund over \$90 million.

This case was the result of a joint investigation conducted by Special Agent Amy Whitcomb of the Office of Inspector General of the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau; Special Agent Lance Endy of the FDIC Office of Inspector General; Assistant Special Agent In Charge Anthony Scott of the U.S. Department of Treasury Office of Inspector General; and, Forensic Auditor Karen Hartley of the United States Attorney's Office. First Assistant United States Attorney James Durham and Assistant United States Attorney Jennifer Solari prosecuted the case on behalf of the United States.