



U. S. Department of Justice

*Pamela C. Marsh
United States Attorney
Northern District of Florida*

FOR IMMEDIATE RELEASE

Friday, May 9, 2014

For more information contact:
First Assistant U.S. Attorney Robert O. Davis
(850) 942-8430
Rob.Davis@usdoj.gov

**BANKERS AND ATTORNEY CONVICTED OF FRAUD, FALSE
STATEMENTS, AND MAKING A FALSE CLAIM AGAINST THE UNITED STATES**

PANAMA CITY, FLORIDA – Late Wednesday night, a federal jury returned verdicts finding Donald Terry Dubose, a/k/a “Terry Dubose,” 66, of Panama City Beach, Florida, Elwood Ladon West, a/k/a “Woody West,” 40, of Monroeville, Alabama, and Frank Alfred Baker, 62, of Marianna, Florida, guilty of certain charges in a twelve count superseding indictment charging conspiracy to commit wire fraud, making false statements, and filing false claims against the Federal Deposit Insurance Corporation. Dubose was convicted on all twelve counts of the indictment. West was convicted on counts two through twelve of the indictment and acquitted on the first count, the conspiracy charge. Baker was convicted of the conspiracy charge and certain of the remaining wire fraud and false claim charges. The verdicts were handed down late Wednesday evening, following a trial that lasted almost three weeks.

The evidence at trial established that Coastal Community Investments (“Coastal”) was a bank holding company that owned Coastal Community Bank, based in Panama City Beach, Florida, and Bayside Savings Bank, based in Port St. Joe, Florida. Coastal Community Bank and Bayside Savings Bank both failed on July 30, 2010. Dubose was the Chairman and Chief

Executive Officer of Coastal and the largest Coastal shareholder. West was the Chief Financial Officer of Coastal and a Coastal shareholder. Baker was an attorney for Coastal and was Coastal's second largest shareholder.

The case involved a fraud committed against the Government relating to the FDIC's Temporary Liquidity Guarantee Program (TLGP), which was created at the height of the nation's financial crisis in October 2008. The purpose of the TLGP was to encourage banks to begin lending to one another again, and thereby, help to stabilize the economy. To accomplish this, the TLGP provided that the FDIC would guarantee a loan made by one financial institution (the "lender") to another financial institution (the "borrower") in an amount up to 125% of the borrower's existing unsecured debt, thus assuring repayment to the lender by the borrower or, in the event of default, by the FDIC.

The evidence at trial showed that in October 2008, Coastal had a \$3,000,000 secured loan with RBC Bank (USA), which was secured by 100% of the stock of Coastal Community Bank and Bayside Savings Bank (the "RBC Loan"). At that time, the RBC Loan was in default, thus giving RBC the ability to exercise its right to take the pledged stock that secured the loan and take over Coastal Community Bank and Bayside Savings Bank. Under pressure from RBC to repay this debt, the defendants falsely certified to the FDIC that the RBC Loan was unsecured, knowing for a fact that it was instead a secured loan, so that Coastal could get an FDIC-guaranteed loan under the TLGP.

The evidence at trial established that Coastal obtained a \$3,750,000 loan from central Florida-based CenterState Bank. Based on the defendants' misrepresentations, the CenterState Bank loan was guaranteed by the FDIC under the TLGP (the "TLGP Loan"), and as provided by

the program, represented 125% of the RBC Loan. Coastal used the proceeds of the TLGP Loan to repay the RBC Loan.

In June 2010, Coastal defaulted on the TLGP Loan, and on August 6, 2010, CenterState Bank filed a claim with the FDIC for payment of the full amount due on the TLGP Loan, plus interest. The FDIC paid CenterState's claim on August 13, 2010, by wiring \$3,805,833.34 in principal and interest from the FDIC to CenterState.

United States Attorney Marsh said, "These defendants – bank officers and a bank attorney – took advantage of the Temporary Liquidity Guarantee Program, which was designed to help the country avoid financial collapse, and instead used the program to enrich themselves. Such fraud committed by bank insiders against programs designed to help our citizens will not be tolerated. Not only is such conduct a breach of trust, it is harmful to our communities and our nation. My office will continue to investigate and prosecute any individual who would harm our banking system, our financial institutions, and our national economy."

Matt Alessandrino, Assistant Inspector General for Investigations, FDIC, said, "The Federal Deposit Insurance Corporation Office of Inspector General is pleased to have joined the U.S. Attorney's Office and our law enforcement colleagues in investigating the fraud that led to these convictions today. It is particularly troubling to the FDIC OIG when bank insiders and other professionals affiliated with the bank violate the public trust and engage in activities that cause losses to the Deposit Insurance Fund or harm FDIC programs designed to restore the strength of the banking system. We are committed in our efforts to maintain integrity in our nation's banks."

"Bank executives who commit fraud impact the safety and soundness of financial institutions," said Mark Bialek, Inspector General of the Board of Governors of the Federal

Reserve System and Consumer Financial Protection Bureau. “My office will continue its vigorous pursuit of those who undermine the Federal Reserve’s ability to carry out its supervisory responsibilities over banks and bank holding companies it regulates. I commend our agents and their federal law enforcement partners for their hard work and persistence, which ultimately led to these convictions.”

The defendants are facing a maximum of 30 years’ imprisonment on each count of conspiracy to commit wire fraud, wire fraud, and making false statements to the FDIC. Each defendant faces a maximum of five years’ imprisonment for causing the submission of CenterState Bank’s false claim against the United States.

This case was investigated by the Federal Reserve – Office of the Inspector General, the Federal Bureau of Investigation, the FDIC, and the Office of the Special Inspector General for the Troubled Asset Relief Program.

The case was prosecuted by Assistant U.S. Attorney Gayle Littleton and Assistant U.S. Attorney Ryan Love, with the invaluable assistance of Federal Reserve – Office of the Inspector General Special Agent Amy Whitcomb.

###