SIGTARP | OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM
ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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# CEO, SENIOR EXECUTIVES, AND BORROWER CONVICTED IN MASSIVE FRAUD SCHEME THAT LED TO COLLAPSE OF TARP APPLICANT BANK OF THE COMMONWEALTH

*Bank Collapse Largest in Virginia Since 2008 Financial Crisis*

WASHINGTON, DC – The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) today announced that following a multi-week trial, three top executives and a favored borrower have been convicted by a federal jury in Norfolk, Va. Accused of masking non-performing assets at the Bank of the Commonwealth for their own personal benefit and to the detriment of the bank, this long-running scheme contributed to the failure of the bank in 2011, costing the Federal Deposit Insurance Corporation (FDIC) an estimated $268 million.

"Today's verdict shows that the same rules apply to bank executives as to any other citizen, and the verdict should stand as a warning to anyone engaged in fraud related to TARP; you will be held accountable and brought to justice for your crimes," said Christy Romero, Special Inspector General for TARP (SIGTARP). "Edward Woodard and other senior executives at Bank of the Commonwealth and their network of co-conspirators cultivated a culture of deceit and corruption at the bank, exchanging personal favors and lining their pockets while defrauding customers, shareholders, and federal regulators and driving the bank into the ground. The selfishness required to engage in such a fraud with the expectation that taxpayers and members of the community would clean up the mess is both legally and morally offensive. I would like to commend U.S. Attorney Neil MacBride and the Assistant U.S. Attorneys for their exceptional work prosecuting the case."

Edward J. Woodard, 70, served as the bank's chief executive officer and chairman of the board for more than three decades until he was forced to step down as chairman and ultimately retire from the bank in December 2010, was convicted of conspiracy to commit bank fraud, bank fraud, false entry in a bank record, unlawful participation in a loan, and false statement to a financial institution. He is scheduled to be sentenced on Sept. 26, 2013. Each charge carries a maximum penalty of 30 years in prison.

Stephen G. Fields, 49, served as an executive vice president and commercial loan officer until he was terminated in December 2010. Fields was convicted of conspiracy to commit bank fraud, false entry in a bank record, false statement to a financial institution, and misapplication of bank funds. He is scheduled to be sentenced on Sept. 16, 2013. Each charge carries a maximum penalty of 30 years in prison.

Troy Brandon Woodard, 36, the son of CEO Edward Woodard, was employed by a wholly-owned subsidiary of the bank as a vice president and mortgage loan specialist until he was terminated in January 2011. Brandon Woodard was convicted of conspiracy to commit bank fraud and unlawful participation in a loan. He is scheduled to be sentenced on Sept. 30, 2013. Each charge carries a maximum penalty of 30 years in prison.

Dwight A. Etheridge, 48, a favored borrower, owned and operated a residential and commercial development company, as well as an employment staffing company. Etheridge was convicted of conspiracy to commit bank fraud, misapplication of bank funds, and false statement to a financial institution. He is scheduled to be sentenced on September 18, 2013. Each charge carries a maximum penalty of 30 years in prison.

According to the evidence adduced at trial, in 2006, leaders at the Bank of the Commonwealth began an aggressive expansion to take the bank beyond its traditional focus area of Norfolk and Virginia Beach to include branches in northeastern North Carolina and the Outer Banks. By December 2009, the bank's assets reached approximately $1.3 billion. These assets were built largely through brokered deposits. Brokered deposits are a financial tool that allows investors to pool their money and receive higher rates of return. Because of the high-volatility of these deposits, an institution must remain well-capitalized to accept and renew brokered deposits.

Evidence showed that many of the bank's loans were funded and administered without regard to industry standards or the bank's own internal controls. By 2008, the volume of the bank's troubled loans and foreclosed real estate soared. From 2008 through 2011, bank insiders - Edward Woodard and Fields - masked the bank's true financial condition out of fear that the bank's declining health would negatively impact investor and customer confidence and affect the bank's ability to accept and renew brokered deposits.

To fraudulently hide the bank's troubled assets, these bank insiders overdrew demand deposit accounts to make loan payments, used funds from related entities - at times without authorization from the borrower - to make loan payments, used change-in-terms agreements to make loans appear current, and extended new loans or additional principal on existing loans to cover payment shortfalls.

In addition, the evidence showed that bank insiders also provided preferential financing to troubled borrowers to purchase bank-owned properties. The troubled borrowers were already having difficulty making payments on their existing loans; however, the financing allowed the bank to convert a non-earning asset into an earning asset, and the troubled borrowers obtained cash at closing to make payments on their other loans at the bank or for their own personal purposes. The troubled borrowers purchased or attempted to purchase property owned by bank insiders and Brandon Woodard. These real estate loans were fraudulently funded by the bank.

The evidence also established that in late 2008, Edward J. Woodard caused the bank to pay approximately $100,000 in fraudulent invoices purportedly for the bank's Suffolk branch when in fact they were for renovations at the personal residence of Troy Brandon Woodard.

In November 2008, the Bank of the Commonwealth submitted to the Federal Reserve, an application requesting approximately $28 million from the Troubled Asset Relief Program (TARP). Based on its regulator's concerns about the health of the bank, the Federal Reserve later requested that the bank withdraw its TARP application, which the bank did.

From 2008 up to its closing in 2011, the bank lost nearly $115 million. It is estimated that the bank's failure cost the federal government, through the deposit insurance fund, approximately $268 million.

Simon Hounslow, 48, served as an executive vice president and chief lending officer until the bank closed in September 2011. Hounslow was acquitted of all charges.

The investigation was conducted by SIGTARP, the FBI's Norfolk Field Office, IRS-CI, FDIC-OIG, and FRB-CFPB OIG. Assistant United States Attorneys Melissa E. O'Boyle, Katherine Lee Martin, and Uzo Asonye are prosecuting the case on behalf of the United States in the Eastern District of Virginia.

This prosecution was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President's Financial Fraud Enforcement Task Force, please visit www.StopFraud.gov.

**About SIGTARP**

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

To report suspected illicit activity involving TARP, dial the **SIGTARP Hotline**: 1-877-SIG-2009 (1-877-744-2009).

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