



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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Media Inquiries:

202-927-8940

FORMER TOP LOAN OFFICER AT FAILED FIRSTCITY BANK PLEADS GUILTY TO BANK FRAUD

WASHINGTON, DC - The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and United States Attorney for the Northern District of Georgia Sally Quillian Yates today announced that Clayton A. Coe, 45, of McDonough, Georgia, the former Senior Commercial Loan Officer for FirstCity Bank of Stockbridge, Georgia, which failed and was seized by the FDIC and state banking authorities in March 2009, pleaded guilty yesterday to bank fraud. The plea is in connection with an \$800,000 loan that Coe tricked FirstCity Bank's Board of Directors into approving and from which he personally profited. He also pleaded guilty to filing a false federal income tax return with the IRS that omitted nearly a half million dollars of income from his job at the bank. Coe was previously indicted by a federal grand jury on March 16, 2011.

"Coe's greed helped drive FirstCity Bank into the ground," said Special Inspector General Christy Romero of SIGTARP. "He defrauded the bank to fund his ultimate payday and placed his interest in ill-gotten personal gain ahead of the interests of the bank, its customers, its investors, and the community the bank served. It's precisely that sort of behavior that has robbed the public of its confidence in the banking industry and its institutions, and for his fraud, Coe will be banned for life from ever again practicing banking."

"Today's guilty plea demonstrates that corrupt bank insiders will be held accountable for the damage they cause to their financial institutions and the country's economy," said U.S. Attorney Sally Quillian Yates. "This defendant used his position to make a bad bank loan to fund a one-day land flip from which he personally profited. This type of fraud, involving inflated real estate prices, did tremendous damage to our economy. He will now be punished accordingly."

According to United States Attorney Yates, the charges, and other information presented in court, Coe served as a Vice President and as Senior Commercial Loan Officer at FirstCity Bank between 2003 and its failure in March 2009. In this position, Coe was primarily responsible for recommending to the bank's loan committee approval of commercial loans to real estate developers.

In January 2005, Coe recommended that the bank's loan committee approve a loan for \$800,000 to a borrower to purchase and develop 16 lots in a DeKalb County subdivision. Coe concealed from the bank's loan committee that this loan was part of the funding for a one-day land flip involving these and other lots in the subdivision from which he and his wife would make approximately \$100,000. When the bank's loan closed on January 12, 2005, the borrower used the loan proceeds to purchase the 16 lots from a company that Coe and his wife owned and controlled. Coe and his wife used this company to

purchase these lots earlier that same day from the true owner for a lower sales price. In addition, although Coe misrepresented to the bank that the borrower would make a down payment, in reality the borrower received approximately \$35,000 back when the one-day land flip closed.

Coe caused FirstCity Bank to sell, or "participate," this loan to two other Georgia banks without disclosing his personal interest, the one-day flip, or that the borrower had received money back at closing. FirstCity Bank eventually repurchased this loan from the two participating banks. Coe eventually paid off FirstCity Bank's loan to this borrower by causing the borrower to quitclaim the property to Coe in December 2006 and obtaining additional loans from other Georgia banks to retire the debt owed FirstCity Bank. Coe received approximately \$100,000 in additional funds in connection with this round of financing.

With respect to the tax charge, during 2007 Coe received approximately \$476,000 in commissions from FirstCity Bank from the loans that he originated as FirstCity Bank's Senior Commercial Loan officer. Coe did not report these commissions, which were paid outside of the bank's payroll process, on his 2007 tax return. Coe knew that these commissions were taxable income because he had reported to the IRS commissions that he had received in prior years. In 2010, upon being informed that he was a target of the criminal investigation, Coe amended his tax returns twice - once falsely - in a belated attempt to report this income. Coe would have owed an additional \$122,000 in federal taxes in 2007 if he had reported them as he was required on his 2007 federal tax return.

Coe tendered a guilty plea to one count of bank fraud and one count of making a false statement on his tax return. Coe was originally indicted in March 2011, along with FirstCity Bank's former President, Mark A. Conner, on 12 counts of conspiracy to commit bank fraud, bank fraud, and making a false statement to a financial institution. In superseding indictments returned in June 2011 and March 2012, the grand jury charged Coe with additional crimes, including two counts of making a false statement on his tax return. The June 2011 superseding indictment also added FirstCity Bank's former inside attorney, Robert E. Maloney, Jr., as a defendant in the case. Conner tendered a guilty plea in October 2011, and his sentencing is set for July 12, 2012. A trial date has not been set for Maloney.

In February 2009, FirstCity Bank unsuccessfully sought \$6.1 million in federal government assistance through the U.S. Department of the Treasury's Troubled Asset Relief Program (TARP). On March 20, 2009, the bank failed and was seized by federal and state regulators.

Coe could receive a maximum sentence of 33 years in prison and a fine of up to \$1,100,000. In determining the actual sentence, the Court will consider the United States Sentencing Guidelines, which are not binding but provide appropriate sentencing ranges for most offenders.

Sentencing is scheduled for September 18, 2012, at 10:00 a.m. Eastern before United States District Judge Steve C. Jones.

This case is being investigated by Special Agents of SIGTARP; the FDIC, Office of Inspector General; IRS Criminal Investigations; and the FBI.

Assistant United States Attorneys Douglas W. Gilfillan and David M. Chaiken are prosecuting the case.

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.

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