



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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VIRGINIA DEVELOPER SENTENCED TO 50 MONTHS IN FEDERAL PRISON FOR ROLE IN MASSIVE FRAUD AT TARP APPLICANT BANK

WASHINGTON, DC - Dwight A. Etheridge, 49, of Chesapeake, Virginia, was sentenced today to fifty months in prison, followed by five years of supervised release, for conspiracy to commit bank fraud, bank fraud, false statements to a financial institution, and aiding and abetting misapplication of bank funds.

Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP); Kathleen M. Kahoe, Acting United States Attorney for the Eastern District of Virginia; Royce E. Curtin, Special Agent in Charge of the FBI's Norfolk Field Office; Thomas J. Kelly, Special Agent in Charge of the Internal Revenue Service Criminal Investigation's Washington, D.C., Field Office (IRS-CI); Jon T. Rymer, Inspector General of the Federal Deposit Insurance Corporation (FDIC-OIG); and Mark Bialek, Inspector General of the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau (Fed- CFPB-OIG) made the announcement today after sentencing by United States District Judge Raymond A. Jackson.

"Rather than tell the truth that Etheridge's millions in loans were past due, senior Bank of the Commonwealth officials engaged in an 'extend and pretend' criminal fraud scheme in conspiracy with Etheridge," said Christy Romero, Special Inspector General for TARP (SIGTARP). "The bank officials 'extended' to Etheridge what appeared on the bank's books as new loans and construction funds, but in reality the funds were used by bank officials to pay off Etheridge's past-due balance; the officials simply 'pretended' that Etheridge had paid the loans current with his own funds. Just as in all extend and pretend schemes, Etheridge had no intention of paying off the new loans, and he ultimately defaulted. Bank officials attempted unsuccessfully to get taxpayer money through TARP to fill the hole in the bank's books caused by this and other schemes perpetrated at the bank which ultimately led to the collapse of the bank and left the Tidewater area high and dry of a major source of lending. SIGTARP and its law enforcement partners will bring to justice those who commit crimes related to TARP."

Etheridge was found guilty after a lengthy, ten week, jury trial on May 24, 2013. The evidence presented at trial demonstrated that Etheridge, President of Tivest Development & Construction, LLC, and other corporate entities, conspired with numerous Bank of the Commonwealth ("Bank") insiders to engage in an illegal reciprocal relationship where he performed favors to mask the Bank's loan losses in exchange for preferential treatment. For example, at the request of Bank insiders and to prevent losses related to a failing loan, Etheridge arranged for Tivest to purchase a construction project located at 310 24th Street in Virginia Beach. The Bank gave Tivest a \$4.1 million loan to purchase and renovate this property. During the funding of this loan, Etheridge caused fraudulent construction draws to be submitted to the Bank which certain Bank insiders funded without inspecting whether Etheridge had

completed the work. In one draw request, Etheridge requested monies for a “final clean” when the project stood as an empty shell wrapped in building wrap. Etheridge used construction loan proceeds to make payments on his other loans at the Bank, to support his staffing company, Genesis Staffing, to obtain thousands of dollars in cash, to make political donations, and to make charitable contributions.

In exchange for performing this favor, Edward Woodard, Stephen Fields and Jeremy Churchill allowed Etheridge to amass large overdrafts without question, have easy access to millions in loans, and gave his company thousands of dollars to work on bank-owned property. As a result, Etheridge was able to prop up his failing businesses and portray himself as an upstanding, effective business leader. All the while, Etheridge was attempting to convince the Norfolk City Council to allow him to build a multi-million dollar office building called the MidTown Office Tower in the heart of Norfolk.

Additionally, Etheridge also defrauded the Bank and a new market tax credit fund called Paramount Community Development Fund (“Paramount”) in connection with a construction project called the Villas at Broad Creek. After the City of Norfolk gave acres of land in the Broad Creek section of Norfolk for a nominal fee, Etheridge obtained a construction loan totaling \$4,860,000 from Paramount where he promised to use the funds solely to construct a mixed use development project in the troubled Broad Creek neighborhood. Again, Etheridge caused fraudulent construction draws to be submitted to the Bank. Etheridge used a portion of the construction loan proceeds to support his staffing company, Genesis Staffing, to make payments on unrelated, overdue loans at the Bank, to cover large overdrafts at the Bank, to make political donations and to make charitable contributions.

At the end of 2010, after the Bank could no longer fund loans to Etheridge, his businesses collapsed. Etheridge defaulted on millions of dollars of loans at Paramount and the Bank, laid-off his employees at Tivest, and he declared personal bankruptcy. As a result of the Bank’s failure, the Federal Deposit Insurance Corporation currently has suffered \$333 million in losses to date.

The investigation was conducted by SIGTARP, the FBI’s Norfolk Office, IRS-CI, FDIC-OIG, and Fed-CFPB-OIG. Assistant United States Attorneys Melissa E. O’Boyle, Katherine Lee Martin, and Uzo Asonye prosecuted the case on behalf of the United States.

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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