



SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

FOR IMMEDIATE RELEASE

Friday, April 5, 2013

Media Inquiries: 202-927-8940

Twitter: @SIGTARP

Web: www.SIGTARP.gov

FORMER OFFICER OF DEFUNCT BANK SENTENCED TO FEDERAL PRISON FOR BANK FRAUD CONSPIRACY

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 Adam Teague, former senior vice president of defunct Appalachian Community Bank of Ellijay, Ga., was sentenced today to serve more than five years in federal prison for conspiring to defraud the bank.

“Teague contributed to the failure of TARP-applicant Appalachian Community Bank by fraudulently masking the bank’s true financial condition while enriching himself,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “Driven by greed and risky behavior, Teague engaged in an ‘extend and pretend’ scheme using the proceeds of new bank loans to hide past-due loans. He also hid the bank’s growing inventory of foreclosed property by directing the bank to finance sales of the properties to buyers including two Teague-controlled shell companies, GPH (“God Please Help”) Investments and PHL (“Please Help Lord”) Investments. SIGTARP and our law enforcement partners will root-out fraud related to TARP, hold fraudsters accountable, and bring justice to American taxpayers.”

“Bank fraud is a critical problem throughout the United States, but it has hit Georgia especially hard,” said United States Attorney Yates. “Our state has led the nation in bank failures since 2008, with 85 banks failing - including this one. This bank was robbed from the inside, not by a bandit carrying a gun, but a bank officer carrying a pen.”

According to United States Attorney Yates, the charges and other information presented in court, Teague was senior vice president of Appalachian Community Bank. Due to its poor financial condition, Appalachian was forced to close on March 19, 2010, and the FDIC was appointed as receiver. The investigation of Appalachian’s loan transactions uncovered extensive fraudulent activity in which Teague was involved.

Concealment of Past-Due Loans

In an attempt to prevent the FDIC from discovering certain past-due loans on Appalachian’s books, between June 2008 and August 2009, Teague and unindicted coconspirator T.N, arranged a number of sham real estate transactions and caused the bank to make approximately \$7 million in fraudulent loans to unindicted coconspirator M.L. Teague and M.L. intended to make it appear as if M.L. had purchased certain properties from Appalachian’s foreclosure inventory and was making regular monthly payments on the new mortgages.

Panama City Beach Condominiums

In April 2009, Teague and unindicted coconspirator T.N., used shell corporations to purchase two condominiums in Panama City Beach, Fla. and caused Appalachian to finance them at a total cost of approximately \$566,000. Approximately two months later, the two refinanced their mortgages and pocketed more than \$875,000 which they then used to pay other personal debts, make monthly loan payments on the refinanced mortgages, pay condominium fees, and purchase new furniture for their condominiums.

GPH Investments, LLC and PHL Investments LLC

In August 2009, Teague and unindicted coconspirator T.N. created two shell companies: GPH Investments, LLC and PHL Investments, LLC. GPH is an acronym for "God Please Help," and PHL is an acronym for "Please Help Lord." Teague and T.N. then engaged in a sham real estate transaction designed to make it appear as if GPH had purchased 11 residential properties from Appalachian's foreclosure inventory for a total of approximately \$3.7 million.

Teague and T.N. then caused Appalachian to loan GPH 90 percent of the purchase price and caused GPH to represent at closing that it was paying the other 10 percent of the purchase price out of its own funds, even though the two of them knew that to be untrue. The 10 percent down payment, closing costs, and monthly interest payments on this loan were all paid out of the proceeds from a \$500,000 line of credit that Teague and unindicted coconspirator T.N. fraudulently caused Appalachian to extend to PHL.

Soak Creek Preserve Partners Land Flips

Teague and three other individuals owned Soak Creek Preserve Partners, LLC (Soak Creek), a Georgia limited liability company formed for the sole purpose of engaging land flips, that is, buying real estate and immediately reselling it at a higher price. Specifically, Soak Creek was formed to purchase and resell two adjoining tracts of land in Tennessee. One tract consisted of approximately 5,043 acres and the other tract consisted of approximately 2,160 acres. Before Soak Creek purchased either tract, Teague and his partners made arrangements to resell both tracts to an investment group from Texas.

Teague then caused Appalachian to make three separate \$100,000 loans to unindicted coconspirator B.H. under false pretenses between March 7, and September 4, 2007. Teague knew that B.H. was a silent partner in Soak Creek. He also knew that in obtaining these loans from the bank, B.H. was acting as a straw borrower for Soak Creek. And Teague also knew that Soak Creek intended to use the proceeds of these loans as down payments on the 5,043 acres and the 2,160 acres. But Teague did not disclose any of these facts to Appalachian Community Bank. In fact, he actively hid his involvement in at least one of these loan transactions by altering the bank's records to make it appear that someone else had acted as the loan officer. By not disclosing to Appalachian's loan committee that he had a personal financial interest in these transactions, Teague violated the bank's conflict-of-interest policy.

To finance Soak Creek's purchase of the 5,043 acres, on April 20, 2007, Teague caused Appalachian to wire transfer approximately \$7.2 million of the bank's money to the escrow account of the Tennessee law firm that handled the loan closing. He did not record this wire transfer in the bank's books and records. At the time of this transfer, Soak Creek's account at Appalachian had a zero balance. Therefore, this wire transfer caused Soak Creek's account to be overdrawn by approximately \$7.2 million. The amount of this overdraft exceeded Teague's lending authority at the bank.

On April 24, 2007, Soak Creek flipped the 5,043 acres to the Texas investment group for approximately \$9.3 million, thereby realizing a same-day profit of approximately \$2 million.

To finance Soak Creek's purchase of the 2,160 acres, on September 28, 2007, Teague caused Appalachian to wire transfer approximately \$3 million of the bank's money to the escrow account of the Tennessee law firm that handled the loan closing. He also did not record this wire transfer in Appalachian's books and records. At the time of this wire transfer, there was only four dollars in Soak Creek's account at the bank. The wire transfer caused Soak Creek's account to be overdrawn by approximately \$3 million. The amount of this overdraft exceeded Teague's lending authority at the bank.

On September 28, 2007, Soak Creek flipped the 2,160 acres to the Texas investment group for approximately \$3.7 million, thereby realizing a same-day profit of approximately \$500,000.

Teague, 39, of Ellijay, was convicted on these charges on August 22, 2012, after he pleaded guilty. United States District Judge Richard W. Story sentenced him to five years, ten months in federal prison to be followed by five years of supervised release. Teague was also ordered to forfeit \$5,840,517.98, which is equal to the amount of the illegal proceeds he obtained as a result of the conspiracy, as well as all of the real property that he purchased with the proceeds of the conspiracy.

This case was investigated by Special Agents of SIGTARP, the Federal Bureau of Investigation, the Federal Deposit Insurance Corporation - Office of Inspector General, and the Federal Housing Finance Agency - Office of Inspector General.

Assistant United States Attorneys Russell Phillips and Mike Brown prosecuted 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.

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

To receive alerts about quarterly reports, new audits, and media releases issued by SIGTARP, sign up at www.SIGTARP.gov/pages/press.aspx. Follow SIGTARP on Twitter @SIGTARP.

###