



Department of Justice

United States Attorney Sally Quillian Yates
Northern District of Georgia

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CONTACT: Patrick Crosby

(404)581-6016

FAX (404)581-6160

**TWO FORMER BANK EXECUTIVES AND HOTEL DEVELOPER
CHARGED WITH FRAUDS RELATING TO THE COLLAPSE OF
\$1 BILLION ATLANTA BANK**

ATLANTA, GA - A federal judge in Atlanta unsealed an indictment today charging two former Atlanta-based Integrity Bank executives, DOUGLAS BALLARD, 40, and JOSEPH TODD FOSTER, 42, both of Atlanta, Georgia, and hotel developer GUY MITCHELL, 50, of Coral Gables, Florida, with various acts of conspiracy, bribery, bank fraud and/or securities fraud relating to over \$80 million in loans that MITCHELL obtained from Integrity Bank. MITCHELL, BALLARD and FOSTER were indicted by a federal grand jury on April 14, 2010, and MITCHELL is expected to make his initial appearance before United States Magistrate Judge Gerrilyn Brill at noon today. Arraignments are expected to be scheduled shortly in federal court in Atlanta for the three defendants.

United States Attorney Sally Quillian Yates said, "We have charged two of Integrity Bank's former officers and its largest borrower with various acts of fraud, bribery, and insider trading. These officers of Integrity Bank sure weren't living up to the bank's name. After passing out \$80 million to the developer like it was monopoly money, both officers dumped their Integrity stock before the failed loans came to light. While the developer was living the good life, even buying a private island with Integrity's money, and the bank's senior loan officer was making huge commissions and taking payoffs from the developer, the bank was dying a slow death. The defendants were going to leave the bank's shareholders and the FDIC holding the bag, but now they are being held accountable."

Jon T. Rymer, Inspector General, Federal Deposit Insurance Corporation, said, "The Federal Deposit Insurance Corporation Office of Inspector General (FDIC-OIG) is pleased to join the U.S. Attorney's Office for the Northern District of Georgia and our law enforcement colleagues in defending the integrity of the financial services industry. We are particularly concerned when senior bank officials, who are in positions of trust within their institutions, are alleged to be involved in unlawful activity. Prosecutions of individuals and entities involved in criminal misconduct help maintain the safety and soundness of the Nation's financial institutions."

IRS-Criminal Investigation Special Agent in Charge Reginael McDaniel said, “This indictment is an important victory for America's taxpayers who play by the rules and have no tolerance for those who make up their own rules. This investigation serves to remind us that there is no such thing as free money and there are no awards or incentives for creativity when it comes to crime.”

According to United States Attorney Yates, the charges and other information presented in court: From 2004 to 2007, MITCHELL and companies he controlled obtained more than \$80 million in various supposed business loans from Integrity Bank, based in Atlanta. He allegedly obtained much of these funds under false pretenses, and deposited nearly \$20 million of these business loans in a personal checking account, in which he made millions of dollars worth of personal luxury expenses and withdrew substantial amounts of cash. Among his personal expenses was over \$1.5 million spent on a private island in the Bahamas.

While MITCHELL was spending much of the loan proceeds on himself, the indictment alleges that MITCHELL paid little, if any, of his money back to Integrity to satisfy interest payments. Rather, the indictment alleges that with the assistance of individuals within the bank, MITCHELL paid interest on existing loans by taking draws or disbursements from other loans, and continually borrowed more and more money to keep paying the ever-increasing interest payments.

The indictment specifically focuses on three loans totaling approximately \$20 million in 2006, which the indictment alleges were dispersed under false pretenses at the alleged approval and direction of DOUGLAS BALLARD, Integrity's former Executive Vice President. In one example charged in the indictment, MITCHELL requested and BALLARD helped disperse nearly \$7 million out of a construction loan relating specifically to supposed construction and renovation at the “Casa Madrona,” a luxury hotel owned by MITCHELL in Sausalito, California. The indictment alleges that none of this money was used for construction, and in fact no renovations had occurred. Rather, most of the funds were wired directly to MITCHELL's personal checking account, and used by him for personal purchases or cash, and the remainder was used to pay interest due on older MITCHELL loans.

The indictment also alleges several acts of bribery. The indictment charges that MITCHELL corruptly paid and DOUGLAS BALLARD corruptly received over \$230,000 in a 9-month period – half in cash and half in a cashier's check – as a reward for BALLARD's assistance in MITCHELL's fraud. The indictment alleges that both BALLARD and MITCHELL corruptly discussed other personal business opportunities that BALLARD would receive for assisting MITCHELL.

The indictment also alleges that BALLARD evaded bank reporting requirements to avoid scrutiny of his cash deposits. And the indictment alleges that BALLARD and his

colleague, fellow bank Vice President JOSEPH TODD FOSTER, committed securities fraud by engaging in what is commonly referred to as “insider trading.” Specifically, they allegedly sold nearly all of their shares of Integrity stock based on materially adverse secret information about the company – specifically relating to substantial problems with the loans to MITCHELL – which they knew was not generally known to the public. The indictment charges that in essence they allegedly took advantage of secret inside information to sell stock that they knew to be overvalued, to others who did not share the same information.

The bank fraud and bribery charges against MITCHELL and BALLARD each carry a maximum sentence of 30 years in prison, the evasion of reporting requirements charges against BALLARD carry a maximum of 10 years in prison, the securities fraud charges against BALLARD and FOSTER carry a maximum of 20 years in prison and the conspiracy charge against MITCHELL and BALLARD carries a maximum of 5 years in prison. Each of the charges also carries a potential fine of up to \$1 million. 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.

Members of the public are reminded that the indictment only contains charges. The defendant is presumed innocent of the charges and it will be the government's burden to prove the defendant's guilt beyond a reasonable doubt at trial.

President Barack Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

This case is being investigated by Special Agents of the Federal Bureau of Investigation, the Inspector General’s Office of the Federal Deposit Insurance Corporation, and the Internal Revenue Service, as part of President Barack Obama's Financial Fraud Enforcement Task Force.

Assistant United States Attorneys Justin S. Anand and Christopher C. Bly are prosecuting the case.

For further information please contact Sally Q. Yates, United States Attorney, or Charlyse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is www.justice.gov/usao/gan.