



# Department of Justice

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Northern District of Georgia

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## **FORMER OFFICERS OF FAILED “INTEGRITY BANK” IN ATLANTA PLEAD GUILTY TO FRAUD**

ATLANTA, GA - DOUGLAS BALLARD, 40, pleaded guilty today in federal district court to one count of conspiracy to commit bank fraud and to receive bribes, and to one count of tax evasion, and JOSEPH TODD FOSTER, 42, pleaded guilty to securities fraud. BALLARD and FOSTER, both of Atlanta, Georgia, were senior Vice Presidents of “Integrity Bank,” a \$1 billion financial institution that failed and was taken over by the Federal Deposit Insurance Corporation in August 2008.

United States Attorney Sally Quillian Yates said, “Among the roots of our nation’s financial crisis were criminal acts by bank insiders and major borrowers that contributed to the failures or bailouts of financial institutions previously believed to be secure. Today we announce that two of these corrupt insiders here in Atlanta will be trading in their corporate offices for federal prison.”

IRS-Criminal Investigation Special Agent in Charge Reginael McDaniel said, “Those who line their pockets with profits of bank fraud schemes should know they will not go undetected and they will be held accountable. IRS Criminal Investigation is proud to be part of the Law Enforcement dragnet bringing these individuals to justice.”

According to United States Attorney Yates, the charges and other information presented in court: BALLARD, Integrity Bank’s former Executive Vice President in charge of lending, admitted that he conspired with the bank’s major customer, co-defendant GUY MITCHELL, to receive bribes from MITCHELL and to assist MITCHELL in receiving millions in loan draws under false pretenses. BALLARD admitted in court to receiving over \$200,000 in cash and other corrupt payments from MITCHELL in exchange for BALLARD’s assistance in distributing millions of loan draws. During this same time, BALLARD caused Integrity Bank to distribute nearly \$20 million in loan proceeds to MITCHELL’s personal account, much of which was allegedly used for MITCHELL’s personal consumption (including the purchase of a private island in the Bahamas). MITCHELL requested and BALLARD paid nearly \$7 million of these draws 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.

FOSTER, Integrity's former Vice President in charge of Risk Management, pleaded guilty to charges that he committed securities fraud by way of what is commonly referred to as "insider trading." Specifically, he admitted to having sold nearly all his shares of Integrity's stock on the basis of material adverse information about the company of which FOSTER was aware by virtue of his inside position, but of which the public was generally unaware. Specifically, FOSTER dumped his shares of Integrity stock based on his knowledge that the bank was facing an increasingly substantial but undisclosed risk that its major customer, MITCHELL, would default on over \$80 million in outstanding loans.

BALLARD was indicted in April 2010 on over 20 counts of bank fraud, receipt of bribes, securities fraud, evasion of currency reporting requirements, and conspiracy. He pleaded guilty to conspiracy and one additional new count of tax evasion. He could receive a maximum sentence of up to 10 years in prison and a fine of up to \$500,000. FOSTER, also indicted in April 2010, was indicted on two counts of securities fraud, and today pleaded guilty to one count. He could receive up to 20 years in prison and a fine of up to \$5 million. A date for sentencing has not yet been set before United States District Judge Julie E. Carnes.

In determining the actual sentences, the Court will consider the United States Sentencing Guidelines, which are not binding but provide appropriate sentencing ranges for most offenders.

This case is being investigated by Special Agents of the FBI, Federal Deposit Insurance Corporation-Office of the Inspector General, and the Internal Revenue Service, as part of President Barack Obama's Financial Fraud Enforcement Task Force. The investigation remains ongoing as to other potential misconduct relating to the failure of this major Atlanta bank. Both defendants have agreed to cooperate in that ongoing investigation.

This law enforcement action is part of President Barack Obama's Financial Fraud Enforcement Task Force. President 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.

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 Charysse 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](http://www.justice.gov/usao/gan).