U. S. Department of Justice

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COASTAL COMMUNITY BANK EXECUTIVES AND ATTORNEY CHARGED WITH CONSPIRACY, WIRE FRAUD, FALSE STATEMENTS, AND MAKING A FALSE CLAIM AGAINST THE UNITED STATES

PANAMA CITY, FLORIDA – Donald Terry Dubose, aka "Terry Dubose," 65, of Panama City Beach, Florida; Elwood Ladon West, aka "Woody West," 39 of Monroeville, Alabama; and Frank Alfred Baker, 61, of Marianna, Florida, have been charged by a Federal Grand Jury with one count of conspiracy to commit wire fraud against the Federal Deposit Insurance Corporation (FDIC), seven counts of wire fraud, three counts of making false statements to the FDIC, and one count of aiding and abetting a false claim against the United States, announced United States Attorney Pamela C. Marsh for the Northern District of Florida. A sealed Indictment was returned by the Federal Grand Jury on July 9, 2013 and unsealed today.

The Indictment alleges that Coastal Community Investments ("Coastal") was a bank-holding company that owned Coastal Community Bank, based in Panama City Beach, and Bayside Savings Bank, based in Port St. Joe, Florida. Coastal Community Bank and Bayside Savings Bank both failed on July 30, 2010. Dubose was the Chairman and Chief Executive Officer of Coastal and the second largest Coastal shareholder. West was the Chief Financial Officer of Coastal and a Coastal shareholder. Baker was an attorney for Coastal and Coastal's largest shareholder.

The fraud alleged in the Indictment involved the FDIC's Temporary Liquidity Guarantee Program ("TLGP"), which was created at the height of the financial crisis in October 2008. The purpose of the TLGP was to encourage banks to begin lending to one another again and, thereby, help stabilize the economy. To do this, the TLGP provided that the FDIC would guarantee a loan made by one financial institution (the "lender") to another financial institution (the "borrower") in an amount up to 125% of the borrower's existing senior unsecured debt ("outstanding-unsecured debt"), thus assuring repayment to the lender by the borrower or, in the event of default, by the FDIC.

The Indictment further alleges that, in October 2008, Coastal had a $3,000,000 loan with RBC Bank (USA), which was secured by 100% of the stock of Coastal Community Bank and Bayside Savings Bank (the "RBC Loan"). At that time, the RBC Loan was in default, thus giving RBC the ability to exercise its right to take the pledged stock and potentially rendering defendants' shares in Coastal worthless. Under pressure from RBC to repay this debt, the indictment alleges that the defendants falsely certified to the FDIC that the RBC Loan was unsecured, knowing that it was secured, so that Coastal could get an FDIC guaranteed loan under the TLGP.

The Indictment further alleges that Coastal obtained a $3,750,000 (125% of the RBC Loan) loan from central Florida-based CenterState Bank, which - based on the defendants' misrepresentations - was guaranteed by the FDIC under the TLGP (the "TLGP Loan"). Coastal used the proceeds of the TLGP Loan to repay the RBC Loan. In June 2010, Coastal defaulted on the TLGP Loan, and, on August 7, 2010, CenterState Bank filed a claim with the FDIC for payment of the full amount due on the TLGP Loan, plus interest. The FDIC paid CenterState's claim on August 13, 2010 by wiring $3,805,833.34 in principal and interest from the FDIC to CenterState.

Finally, the Indictment alleges that Dubose, desiring to avoid losses to himself and his family as Coastal's financial condition deteriorated, fraudulently sold and converted Coastal stock owned by him and his family members to unwitting investors by misrepresenting the nature of the stock, by misrepresenting Coastal's financial condition, and by providing loans from Coastal Community Bank to finance the purchases of Coastal stock.

Defendants are scheduled for to appear in Federal court for their initial appearance and arraignment August 8, 2013 at 1:30 p.m. at the United States Courthouse, 30 West Government Street, Panama City, Florida.

The defendants are facing a maximum of 30 years' imprisonment on each count of conspiracy to commit wire fraud and wire fraud. The defendants face a maximum of five years' imprisonment for and making false statements to the FDIC and aiding and abetting CenterState Bank in making a false claim against the United States.

This Indictment results from an extensive investigation by agents of the Federal Reserve Board – Office of the Inspector General, the Federal Bureau of Investigations, the FDIC, and the Office of the Special Inspector General for the Troubled Asset Relief Program. The case is being prosecuted by Assistant U.S. Attorney Gayle Littleton.

An Indictment is merely an allegation by a grand jury that a defendant has committed a violation of federal criminal law and is not evidence of guilt. All defendants are presumed innocent and entitled to a fair trial, during which it will be the government's burden to prove guilt beyond a reasonable doubt.

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