

FHFA-OIG CASE CLOSING CHECKLIST		
ADMINISTRATIVE ACTIONS	INITIAL IF APPLICABLE or "N/A"	
INITIALS IN THE COLUMNS REPRESENTS CERTIFICATION OF COMPLETION	Agent	SAC / MANAGER
(b)(7)(E)	PC	
	D PC	
	S PC	
	PC	
	NA	
	PC	
	PC	
	D PC	
	NA	
	PC	
	PC	
	PC	
COMMENTS		
AUTHORIZED BY SAC	RENE FEBLES	DATE: 09/10/2014

BEGINNING IN EARLY 2002, TBW BEGAN TO EXPERIENCE SIGNIFICANT CASH FLOW PROBLEMS. IN AN EFFORT TO COVER THESE SHORTFALLS, A GROUP OF CONSPIRATORS DEvised VARIOUS SCHEMES, WHICH INVOLVED DEFRAUDING COLONIAL BANK (WHICH PROVIDED SHORT-TERM FUNDING TO MORTGAGE LENDING COMPANIES LIKE TBW), OCALA FUNDING LLC ("OCALA"), A TBW SPECIAL PURPOSE ENTITY, AND U.S. TAXPAYERS. BY THE MIDDLE OF 2009, THE CONSPIRATORS HAD DIVERTED NEARLY \$3 BILLION FROM COLONIAL BANK AND OCALA; ATTEMPTED TO MISAPPROPRIATE OVER \$500 MILLION FROM TREASURY; AND FILED NUMEROUS FALSE RECORDS WITH FREDDIE MAC, GINNIE MAE, AND THE SEC.



JUN 06 2011

Office of General Counsel
Departmental Enforcement Center

VIA UNITED PARCEL SERVICE and FACSIMILE

Mr. Paul R. Allen
c/c [REDACTED] (b)(7)(C)
Carr. Morris & Graeff, P.C.
Attorneys at Law
8300 Boone Boulevard
Suite 250
Tysons Corner
Vienna, VA 22182-2681

Re: Notice of Final Determination

Dear Mr. Allen:

By notice dated August 4, 2009 (Notice), you were told that the Department of Housing and Urban Development (HUD) proposed your debarment for an eighteen (18) month period. You were informed of your right to submit, within 30 days of your receipt of the Notice, a written argument and a request for a hearing in opposition to the proposed debarment action. You also were advised that if you did not respond to the Notice within 30 days, a final determination would be issued.

Since you, through your attorney, [REDACTED] (b)(7)(C) have advised the Department that you are withdrawing your opposition to the above referenced proposed debarment action, your debarment has become final. During the debarment, you are excluded from procurement and nonprocurement transactions, as either a principal or participant, with HUD and throughout the Executive Branch of the Federal Government. Your debarment is effective for eighteen (18) months from the date of this notice.

Sincerely,

[REDACTED] (b)(7)(C)

Craig T. Clemmensen
Director
Departmental Enforcement Center

cc: Mr. Paul R. Allen

[REDACTED] (b)(7)(C)

CONCURRENCES

(b)(7)(C)

(b)(7)(C)

TO C. CLEMMENSEN FOR SIGNATURE

Sharepoint: Allen Paul Final Debarment without Suspension Subject – revised 5-26-11

cc:
 HU Deputy Assistant Secretary for Single Family Housing (Bott, Vicki B.) 9282
 T President, Government National Mortgage Association (Tozer, Theodore W.) PC 3FL
 CACB Director, DEC (Clemmensen, Craig T.) Port#200
 CACB Deputy Director, DEC (Beaudette, James M.) Port#200
 CACC Associate General Counsel for Program Enforcement (Narode, Dane M.) Port#200
 CACCB Attorney, Office of Program Enforcement (Power, Brendan) Port#200
 HUL Director, Office of Lender Activities & Program Compliance (Hadley, Joy L.) P3214
 HUL Director, Mortgagee Review Board (Murray, Nancy A.) 3150
 HUP Director, Office of Single Family Program Development (Hill, Karin B.) 9278

Christopher R. Sharpley
 Deputy Inspector General for Investigations
 Office of Inspector General
 Federal Housing Finance Agency
 1625 Eye Street, NW
 Washington, DC 20006

Peter Emerzian
 Special Agent in Charge
 Office of Inspector General
 Federal Housing Finance Agency
 1625 Eye Street, NW
 Washington, DC 20006

Bryan Saddler
 Chief Counsel
 Office of Inspector General
 Federal Housing Finance Agency
 1625 Eye Street, NW
 Washington, DC 20006

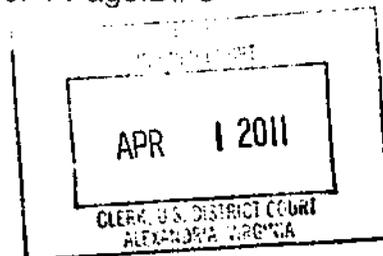
Brian W. Baker
 Deputy Chief Counsel
 Office of Inspector General
 Federal Housing Finance Agency
 1625 Eye Street, NW
 Washington, DC 20006

4OGI Special Agent in Charge, Tampa, OIG
 (b)(7)(C) OIG No.: n/a
 4OGI Special Agent, Tampa, OIG (b)(7)(C)
 4OMA Director, Tampa (Gadsden, Rosemary S.)
 4HC Chief Counsel, Jacksonville (Cox, Earl)

3GMA	Director, Washington, DC (Turner, Marvin W.)	
3GC	Chief Counsel, Washington, DC (Conlan, Russell S.)	
4AHHQ3	Branch Chief, QAD, Atlanta SF HOC (Kittrell, Nora)	
8AHHQ	Director, Quality Assurance Division, Denver SF HOC (Baker, Karen K.)	
8AHHO	Management Analyst, Denver SF HOC (Friedland, Marc A.)	
3AHH	Director, Philadelphia SF HOC (Ott, Richard M.)	
3AHHQ	Director, QAD, Philadelphia SF HOC (Shaffer, Julie)	
3AHHQ1	Supervisory Housing Specialist, QAD, Philadelphia SF HOC	
	(b)(7)(C)	
3AHHIP	Chief, Technical Team 2, Processing and Underwriting Division, Philadelphia SF HOC	(b)(7)(C)
9JHHQ	Director, Quality Assurance Division and Acting Director, Operations & Customer Service Division, Santa Ana SF HOC (O'Toole, Shannon)	
CACC	Docket Clerk, Office of Program Enforcement	
	(b)(7)(C)	
CACBB	Fire	Port#200
CACBB	(b)(7)(C)	Port#200
		Port#200

Document Template

Template Name: Final Debarment without Suspension Subject
Date Last Modified: 2011-03-12



IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA)	
)	
v.)	
	)	CRIMINAL NO. 1:11cr165
PAUL ALLEN)	
)	
Defendant.)	

CRIMINAL INFORMATION

THE UNITED STATES CHARGES THAT:

Count 1

(Conspiracy to Commit Bank Fraud, Wire Fraud and Securities Fraud)

1. From in or about 2005 through in or about August 2009, in the Eastern District of Virginia and elsewhere, the defendant

PAUL ALLEN

did knowingly and intentionally combine, conspire, confederate, and agree with others known and unknown to commit certain offenses against the United States, namely:

- a. bank fraud, that is, to knowingly and intentionally execute a scheme and artifice to defraud a financial institution, and to obtain any of the moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, a financial institution, by means of materially false and fraudulent pretenses, representations, and promises, in violation of Title 18, United States Code, § 1344;

b. wire fraud, that is, having intentionally devised and intending to devise a scheme and artifice to defraud a financial institution, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, to knowingly transmit and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, § 1343; and

c. securities fraud, that is, to knowingly and intentionally execute a scheme and artifice to defraud any person in connection with any security of an issuer with a class of securities registered under § 12 of the Securities Exchange Act of 1934 (Title 15, United States Code, § 781), in violation of Title 18, United States Code, § 1348.

2. Among the manner and means by which defendant ALLEN and others would and did carry out the conspiracy included, but were not limited to, the following:

a. A co-conspirator tracked and reported to ALLEN the size of a collateral deficit ("hole") in Ocala Funding.

b. In an effort to cover up the hole, ALLEN told a TBW co-conspirator to produce reports that concealed the shortfall and that were sent to Ocala Funding investors.

c. In or around 2008, a co-conspirator told ALLEN that the co-conspirator had moved the hole from Ocala Funding to Colonial Bank.

d. Allen learned that part of the reason for the hole was that co-conspirators at TBW misappropriated funds from Ocala Funding bank accounts and used the money for non-Ocala Funding purposes.

e. After TBW undertook to lead Colonial BancGroup's effort to raise \$300 million in private equity in order to receive over \$550 million in funds from the government's Troubled Asset Relief Program ("TARP"), a co-conspirator informed ALLEN that TBW would list a private equity investor as a \$50 million investor in the Capital Raise despite the fact that the co-conspirator and ALLEN knew that the private equity investor was unable to invest.

f. ALLEN and co-conspirators subsequently submitted materially false information to the FDIC in furtherance of Colonial BancGroup's application for Troubled Asset Relief Program funds.

3. In furtherance of the conspiracy and to effect the objects thereof, ALLEN and other co-conspirators committed or caused others to commit the following overt act, among others, in the Eastern District of Virginia and elsewhere:

a. On or about May 15, 2008, a co-conspirator sent by email from TBW in Ocala Florida, to ALLEN in the Eastern District of Virginia, and to investors and other third parties, an Ocala Funding Facility report that inflated the assets reportedly held in Ocala Funding by approximately \$680 million.

b. On or about April 1, 2009, at the direction of a co-conspirator, ALLEN called the private equity investor who was unable to invest in the Capital Raise and suggested ways in which the investor could act as a straw investor with TBW providing the necessary investment money.

(All in violation of Title 18, United States Code, § 371.)

Count 2
(False Statements)

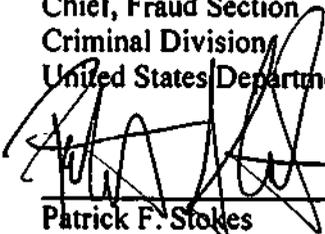
YMP
in the Eastern District of Virginia,

4. On or about July 6, 2009, PAUL ALLEN sent to Ginnie Mae, a wholly-owned government corporation within the U.S. Department of Housing and Urban Development, a letter in which ALLEN knowingly and intentionally omitted material facts related to the delay in TBW's submission of audited financial statements, as required by the Guaranty Agreement between TBW and Ginnie Mae.

(In violation of 18 U.S.C. § 1001)

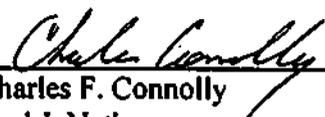
DENIS J. MCINERNEY
Chief, Fraud Section
Criminal Division
United States Department of Justice

By:

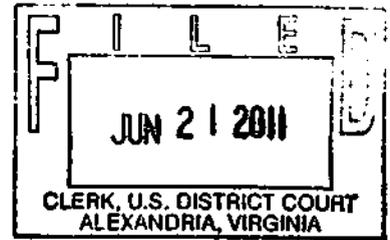

Patrick F. Stokes
Deputy Chief
Robert A. Zink
Trial Attorney

NEIL H. MACBRIDE
United States Attorney

By:


Charles F. Connolly
Paul J. Nathanson
Assistant United States Attorneys

**UNITED STATES DISTRICT COURT
Eastern District of Virginia
Alexandria Division**



UNITED STATES OF AMERICA

v.

Case Number 1:11CR00165-001

PAUL RICHARD ALLEN,

Defendant.

JUDGMENT IN A CRIMINAL CASE

The defendant, PAUL RICHARD ALLEN, was represented by Stephen Graeff and Thomas Berger, Esquires.

The defendant pleaded guilty to Counts 1 and 2 of the Criminal Information. Accordingly, the defendant is adjudged guilty of the following counts, involving the indicated offense:

<u>Title & Section</u>	<u>Nature of Offense</u>	<u>Date Offense Concluded</u>	<u>Count Number</u>
18 U.S.C. § 371	Conspiracy to Commit Bank Fraud, Wire Fraud, and Securities Fraud (Felony)	08/2009	1
18 U.S.C. §1001	False Statements	07/06/2009	2

As pronounced on June 21, 2011, the defendant is sentenced as provided in pages 2 through 8** of this Judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

IT IS FURTHER ORDERED that the defendant shall notify the United States Attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid.

Signed this 21st day of June, 2011.



Leonie M. Brinkema
United States District Judge

** Page 8 of this document contains sealed information

Defendant: PAUL RICHARD ALLEN
Case Number: 1:11CR00165-001

IMPRISONMENT

The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a total term of FORTY (40) MONTHS, which consists of TWENTY-SEVEN (27) MONTHS as to Count 1, and THIRTEEN (13) MONTHS as to Count 2, to run consecutive to Count 1.

The Court makes the following recommendations to the Bureau of Prisons:

The defendant be designated to F.C.C. Cumberland, Maryland.

The defendant shall surrender for service of sentence at the institution designated by the Bureau of Prisons as notified by the United States Marshal. Until he self surrenders, the defendant shall remain under the Order Setting Conditions of Release entered on April 1, 2011.

RETURN

I have executed this Judgment as follows:

Defendant delivered on _____ to _____ at _____, with a certified copy of this Judgment.

c: P.O. (2) (3)
Mshl. (4) (2)
U.S. Atty.
U.S. Coll.
Dft. Cnsl.
PTS
Financial
Registrar
ob

By _____
United States Marshal

Deputy Marshal

Defendant: PAUL RICHARD ALLEN
Case Number: 1:11CR00165-001

SUPERVISED RELEASE

Upon release from imprisonment, the defendant shall be on supervised release for a term of TWO (2) YEARS, as to each of Counts 1 and 2, to run concurrently.

The Probation Office shall provide the defendant with a copy of the standard conditions and any special conditions of supervised release.

The defendant shall report to the probation office in the district to which the defendant is released within 72 hours of release from the custody of the Bureau of Prisons.

While on supervised release, the defendant shall not commit another federal, state, or local crime.

While on supervised release, the defendant shall not illegally possess a controlled substance.

While on supervised release, the defendant shall not possess a firearm or destructive device.

If this judgment imposes a fine or a restitution obligation, it shall be a condition of supervised release that the defendant pay any such fine or restitution in accordance with the Schedule of Payments set forth in the Criminal Monetary Penalties sheet of this judgment.

STANDARD CONDITIONS OF SUPERVISED RELEASE

The defendant shall comply with the standard conditions that have been adopted by this Court (set forth below):

- 1) The defendant shall not leave the judicial district without the permission of the Court or probation officer.
- 2) The defendant shall report to the probation officer and shall submit a truthful and complete written report within the first five days of each month.
- 3) The defendant shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer.
- 4) The defendant shall support his or her dependents and meet other family responsibilities.
- 5) The defendant shall work regularly at a lawful occupation unless excused by the probation officer for schooling, training, or other acceptable reasons.
- 6) The defendant shall notify the Probation Officer within 72 hours, or earlier if so directed, of any change in residence.
- 7) The defendant shall refrain from excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any narcotic or other controlled substance, or any paraphernalia related to such substances, except as prescribed by physician.
- 8) The defendant shall not frequent places where controlled substances are illegally sold, used, distributed or administered.
- 9) The defendant shall not associate with any persons engaged in criminal activity, and shall not associate with any person convicted of a felony unless granted permission to do so by the probation officer.
- 10) The defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view of the probation officer.
- 11) The defendant shall notify the probation officer within seventy-two hours of being arrested or questioned by a law enforcement officer.
- 12) The defendant shall not enter into any agreement to act as an informer or a special agent of a law enforcement agency without the permission of the Court.
- 13) As directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics, and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.

Defendant: PAUL RICHARD ALLEN
Case Number: 1:11CR00165-001

SPECIAL CONDITIONS OF SUPERVISION

While on supervised release, pursuant to this Judgment, the defendant shall also comply with the following additional conditions:

- 1) The defendant shall provide the probation officer access to any requested financial information, and waive all privacy rights.
- 2) The defendant shall not open any new lines of credit or engage in any significant financial transactions without prior approval of the probation officer.
- 3) As directed by the probation officer, the defendant shall apply monies received from income tax refunds, lottery winnings, inheritances, judgments, and any unanticipated or unexpected financial gain to the outstanding court ordered financial obligation.
- 4) The defendant shall make a good faith effort to pay his full restitution obligation during supervised release, to begin 60 days after release from custody, until paid in full. The defendant shall pay restitution jointly and severally with his co-defendants.
- 5) The defendant shall advise any employers of the nature of his conviction and sentence.
- 6) Although mandatory drug testing is waived pursuant to 18 U.S.C. §3563(a)(4), defendant must remain drug free and his probation officer may require random drug testing at any time.

Defendant: PAUL RICHARD ALLEN
Case Number: 1:11CR00165-001

CRIMINAL MONETARY PENALTIES

The defendant shall pay the following total monetary penalties in accordance with the schedule of payments set out below.

<u>Count</u>	<u>Special Assessment</u>	<u>Fine</u>
1	\$100.00	
2	\$100.00	
<u>Total</u>	<u>\$200.00</u>	<u>\$0.00</u>

FINE

No fines have been imposed in this case.

SCHEDULE OF PAYMENTS

Payments shall be applied in the following order: (1) assessment; (2) restitution; (3) fine principal; (4) cost of prosecution; (5) interest; (6) penalties.

The special assessment is due in full immediately. If not paid immediately, the Court authorizes the deduction of appropriate sums from the defendant's account while in confinement in accordance with the applicable rules and regulations of the Bureau of Prisons.

Any special assessment, restitution, or fine payments may be subject to penalties for default and delinquency.

If this judgment imposes a period of imprisonment, payment of Criminal Monetary penalties shall be due during the period of imprisonment.

All criminal monetary penalty payments are to be made to the Clerk, United States District Court, except those payments made through the Bureau of Prisons' Inmate Financial Responsibility Program.

Defendant: PAUL RICHARD ALLEN
Case Number: 1:11CR00165-001

RESTITUTION AND FORFEITURE

RESTITUTION

Restitution to be determined and reflected in a separate order to be issued in the future.

Total

Payments of restitution are to be made to Clerk, U. S. District Court, 401 Courthouse Square, Alexandria, VA 22314.

Restitution is due and payable immediately and shall be paid in equal monthly payments to be determined and to commence within 60 days of release, until paid in full.

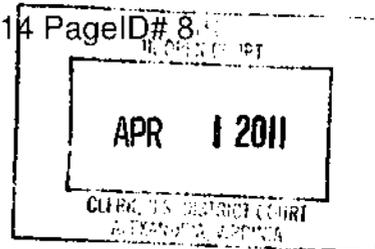
Interest on Restitution has been waived.

If there are multiple payees, any payment not made directly to a payee shall be divided proportionately among the payees named unless otherwise specified here:

Defendant is jointly and severally liable with co-defendants.

FORFEITURE

Forfeiture has not been ordered in this case.



IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA)
)
 v.)
)
 PAUL ALLEN)
)
 Defendant.)

CRIMINAL NO. 1:11cr165

PLEA AGREEMENT

Denis J. McInerney, Chief, Fraud Section of the Criminal Division of the United States Department of Justice ("Fraud Section"), Patrick F. Stokes, Deputy Chief, Robert Zink, Trial Attorney, and Neil H. MacBride, United States Attorney for the Eastern District of Virginia, Charles F. Connolly and Paul J. Nathanson, Assistant United States Attorneys, and the defendant, PAUL ALLEN, and the defendant's counsel have entered into an agreement pursuant to Rule 11 of the Federal Rules of Criminal Procedure. The terms of the agreement are as follows:

1. Offense and Maximum Penalties

The defendant agrees to plead guilty to a two-count criminal information charging the defendant with one count of conspiracy (in violation of Title 18, United States Code, Section 371) to commit bank fraud (in violation of 18 U.S.C. Section 1344), securities fraud (in violation of 18 U.S.C. Section 1348), and wire fraud (in violation of 18 U.S.C. Section 1343); and one count of false statements (in violation of Title 18, United States Code, Section 1001). The maximum penalties for the conspiracy count are a maximum term of five years of imprisonment, a fine of \$250,000 or twice the amount of the loss or gross gain, full restitution, a special

assessment, and three years of supervised release. The maximum penalties for the false statements count are a maximum term of five years of imprisonment, a fine of \$250,000, full restitution, a special assessment, and three years of supervised release. The defendant understands that these supervised release terms are in addition to any prison term the defendant may receive, and that a violation of a term of supervised release could result in the defendant being returned to prison for the full term of supervised release.

2. Factual Basis for the Plea

The defendant will plead guilty because the defendant is in fact guilty of the charged offense. The defendant admits the facts set forth in the statement of facts filed with this plea agreement and agrees that those facts establish guilt of the offense charged beyond a reasonable doubt. The statement of facts, which is hereby incorporated into this plea agreement, constitutes a stipulation of facts for purposes of Section 1B1.2(a) of the United States Sentencing Guidelines (U.S.S.G. or Sentencing Guidelines).

3. Assistance and Advice of Counsel

The defendant is satisfied that the defendant's attorney has rendered effective assistance. The defendant understands that by entering into this agreement, defendant surrenders certain rights as provided in this agreement. The defendant understands that the rights of criminal defendants include the following:

- a. the right to plead not guilty and to persist in that plea;
- b. the right to a jury trial;
- c. the right to be represented by counsel - and if necessary have the court appoint counsel - at trial and at every other stage of the proceedings; and

- d. the right at trial to confront and cross-examine adverse witnesses, to be protected from compelled self-incrimination, to testify and present evidence, and to compel the attendance of witnesses.

4. Role of the Court and the Probation Office

The defendant understands that the Court has jurisdiction and authority to impose any sentence within the statutory maximum described above but that the Court will determine the defendant's actual sentence in accordance with Title 18, United States Code, Section 3553(a). The defendant understands that the Court has not yet determined a sentence and that any estimate of the advisory sentencing range under the U.S. Sentencing Commission's Sentencing Guidelines Manual the defendant may have received from the defendant's counsel, the United States, or the Probation Office, is a prediction, not a promise, and is not binding on the United States, the Probation Office, or the Court. Additionally, pursuant to the Supreme Court's decision in *United States v. Booker*, 543 U.S. 220, 261 (2005), the Court, after considering the factors set forth in Title 18, United States Code, Section 3553(a), may impose a sentence above or below the advisory sentencing range, subject only to review by higher courts for reasonableness. The United States makes no promise or representation concerning what sentence the defendant will receive, and the defendant cannot withdraw a guilty plea based upon the actual sentence.

5. Waiver of Appeal, FOIA and Privacy Act Rights

The defendant also understands that Title 18, United States Code, Section 3742 affords a defendant the right to appeal the sentence imposed. Nonetheless, the defendant knowingly waives the right to appeal the conviction and any sentence within the statutory maximum described above (or the manner in which that sentence was determined) on the grounds set forth

in Title 18, United States Code, Section 3742 or on any ground whatsoever, in exchange for the concessions made by the United States in this plea agreement. This agreement does not affect the rights or obligations of the United States as set forth in Title 18, United States Code, Section 3742(b). The defendant also hereby waives all rights, whether asserted directly or by a representative, to request or receive from any department or agency of the United States any records pertaining to the investigation or prosecution of this case, including without limitation any records that may be sought under the Freedom of Information Act, Title 5, United States Code, Section 552, or the Privacy Act, Title 5, United States Code, Section 552a.

6. Recommended Sentencing Factors

Based upon the information now available to the United States (including representations by the defense), the defendant's Criminal History Category is one. In accordance with Rule 11(c)(1)(B) of the Federal Rules of Criminal Procedure, the United States and the defendant will recommend to the Court that the following provisions of the Sentencing Guidelines apply:

- a. pursuant to U.S.S.G. Section 2B1.1(a)(2), the base offense level for the conduct charged in Count One is 6 and for Count Two is 6;
- b. pursuant to U.S.S.G. Section 2B1.1(b)(1)(P), the conduct charged in Count One resulted in a loss of more than \$400,000,000.00 and qualifies for a 30-level upward adjustment;
- c. pursuant to U.S.S.G. Section 2B1.1(b)(2)(C), the conduct charged in Count One involved 250 or more victims resulting in a 6-level upward adjustment.
- d. pursuant to U.S.S.G. Section 2B1.1(b)(9), the conduct charged in Count One involved sophisticated means and qualifies for a 2-level upward adjustment;
- e. pursuant to U.S.S.G. Section 3D1.2(c), Count Two groups with Count One;

f. pursuant to U.S.S.G. Section 3E1.1(b), the defendant has assisted the government in the investigation and prosecution of the defendant's own misconduct by timely notifying authorities of the defendant's intention to enter a plea of guilty, thereby permitting the government to avoid preparing for trial and permitting the government and the Court to allocate their resources efficiently. If the defendant qualifies for a two-level decrease in offense level pursuant to U.S.S.G. Section 3E1.1(a) and the offense level prior to the operation of that section is a level 16 or greater, the government agrees to file, pursuant to U.S.S.G. Section 3E1.1(b), a motion prior to, or at the time of, sentencing for an additional one-level decrease in the defendant's offense level.

g. No agreements regarding the applicability of any other Sentencing Guidelines provision have been reached, and the parties reserve the right to argue for or against the applicability of any other Guidelines provision at sentencing.

7. Special Assessment

Before sentencing in this case, the defendant agrees to pay a mandatory special assessment of one hundred dollars (\$100.00) per count of conviction.

8. Payment of Monetary Penalties

The defendant understands and agrees that, pursuant to Title 18, United States Code, Section 3613, whatever monetary penalties are imposed by the Court will be due and payable immediately and subject to immediate enforcement by the United States as provided for in Section 3613. Furthermore, the defendant agrees to provide all of his financial information to the United States and the Probation Office and, if requested, to participate in a pre-sentencing debtor's examination. If the Court imposes a schedule of payments, the defendant understands that the schedule of payments is merely a minimum schedule of payments and not the only

method, nor a limitation on the methods, available to the United States to enforce the judgment. If the defendant is incarcerated, the defendant agrees to participate in the Bureau of Prisons' Inmate Financial Responsibility Program, regardless of whether the Court specifically directs participation or imposes a schedule of payments.

9. Restitution for Offense of Conviction

The defendant agrees to the entry of a Restitution Order for such amount as may be determined by the Court. At this time, the defendant understands that the Government believes the following victims have suffered the following losses: [To be determined]

10. Limited Immunity from Further Prosecution

The Fraud Section and the Criminal Divisions of the United States Attorneys' Offices for the Eastern District of Virginia and the Middle District of Florida, will not further criminally prosecute the defendant for the specific conduct described in the information or statement of facts or related conduct. The defendant understands that this agreement is binding only upon the Fraud Section and the Criminal Divisions of the United States Attorneys' Offices for the Eastern District of Virginia and Middle District of Florida. This agreement does not bind the civil divisions of the United States Department of Justice, the United States Attorneys' Offices for the Eastern District of Virginia or Middle District of Florida, or any other United States Attorney's Office. Nor does it bind any other Section of the Department of Justice, nor does it bind any other state, or local, or federal prosecutor. It also does not bar or compromise any civil, tax, or administrative claim pending or that might be made against the defendant.

11. Defendant's Cooperation

The defendant agrees to cooperate fully and truthfully with the United States, and provide all information known to the defendant regarding any criminal activity as requested by the government. In that regard:

- a. The defendant agrees to testify truthfully and completely as a witness before any grand jury or in any other judicial or administrative proceeding when called upon to do so by the United States.
- b. The defendant agrees to be reasonably available for debriefing and pre-trial conferences as the United States may require.
- c. The defendant agrees to provide all documents, records, writings, or materials of any kind in the defendant's possession or under the defendant's care, custody, or control relating directly or indirectly to all areas of inquiry and investigation.
- d. The defendant agrees that the Statement of Facts is limited to information to support the plea. The defendant will provide more detailed facts relating to this case during ensuing debriefings.
- e. The defendant is hereby on notice that the defendant may not violate any federal, state, or local criminal law while cooperating with the government, and that the government will, in its discretion, consider any such violation in evaluating whether to file a motion for a downward departure or reduction of sentence.
- f. Nothing in this agreement places any obligation on the government to seek the defendant's cooperation or assistance.

12. Use of Information Provided by the Defendant Under This Agreement

The United States will not use any truthful information provided pursuant to this agreement in any criminal prosecution against the defendant in the Eastern District of Virginia, except in any prosecution for a crime of violence or conspiracy to commit, or aiding and abetting, a crime of violence (as defined in Title 18 United States Code, Section 16). Pursuant to U.S.S.G. Section 1B1.8, no truthful information that the defendant provides under this agreement will be used in determining the applicable guideline range, except as provided in Section 1B1.8(b). Nothing in this plea agreement, however, restricts the Court's or Probation Officer's access to information and records in the possession of the United States. Furthermore, nothing in this agreement prevents the government in any way from prosecuting the defendant should the defendant knowingly provide false, untruthful, or perjurious information or testimony, or from using information provided by the defendant in furtherance of any forfeiture action, whether criminal or civil, administrative or judicial. The United States will bring this plea agreement and the full extent of the defendant's cooperation to the attention of other prosecuting offices if requested.

13. Prosecution in Other Jurisdictions

The Fraud Section and the Criminal Division of the United States Attorney's Office for the Eastern District of Virginia will not contact any other state or federal prosecuting jurisdiction and voluntarily turn over truthful information that the defendant provides under this agreement to aid a prosecution of the defendant in that jurisdiction. Should any other prosecuting jurisdiction attempt to use truthful information the defendant provides pursuant to this agreement against the defendant, the Fraud Section and the Criminal Division of the United States Attorney's Office for Eastern District of Virginia agree, upon request, to contact that jurisdiction and ask that

jurisdiction to abide by the immunity provisions of this plea agreement. Prior to turning over any information, the Fraud Section or United States Attorney's Office for the Eastern District of Virginia will contact undersigned counsel for the defendant in order to permit the defendant the opportunity to contact the requesting jurisdiction and speak with that jurisdiction about its request. The parties understand that the prosecuting jurisdiction retains the discretion over whether to use such information.

14. Defendant Must Provide Full, Complete and Truthful Cooperation

This plea agreement is not conditioned upon charges being brought against any other individual. This plea agreement is not conditioned upon any outcome in any pending investigation. This plea agreement is not conditioned upon any result in any future prosecution which may occur because of the defendant's cooperation. This plea agreement is not conditioned upon any result in any future grand jury presentation or trial involving charges resulting from this investigation. This plea agreement is conditioned upon the defendant providing full, complete and truthful cooperation.

15. Motion for a Downward Departure

The parties agree that the United States reserves the right to seek any departure from the applicable sentencing guidelines, pursuant to Section 5K1.1 of the Sentencing Guidelines and Policy Statements, or any reduction of sentence pursuant to Rule 35(b) of the Federal Rules of Criminal Procedure, if, in its sole discretion, the United States determines that such a departure or reduction of sentence is appropriate.

16. The Defendant's Obligations Regarding Assets Subject to Forfeiture

The defendant agrees to identify all assets over which the defendant exercises or exercised control, directly or indirectly, within the past eight years, or in which the defendant has

or had during that time any financial interest. The defendant agrees to take all steps as requested by the United States to obtain from any other parties by any lawful means any records of assets owned at any time by the defendant. The defendant agrees to undergo any polygraph examination the United States may choose to administer concerning such assets and to provide and/or consent to the release of the defendant's tax returns for the previous six years. Defendant agrees to forfeit to the United States all of the defendant's interests in any asset of a value of more than \$1,000 that, within the last eight years, the defendant owned, or in which the defendant maintained an interest, the ownership of which the defendant fails to disclose to the United States in accordance with this agreement.

17. Forfeiture Agreement

The defendant agrees to forfeit all interests in any bank fraud asset that the defendant owns or over which the defendant exercises control, directly or indirectly, as well as any property that is traceable to, derived from, fungible with, or a substitute for property that constitutes the proceeds of his offense if in fact, and to the extent that, the defendant received bank fraud assets as part of the commission of the offense. The defendant further agrees to waive all interest in the asset(s) in any administrative or judicial forfeiture proceeding, whether criminal or civil, state or federal. If the Court deems forfeiture to be appropriate, the defendant agrees to consent to the entry of orders of forfeiture for such property and waives the requirements of Federal Rules of Criminal Procedure 32.2 and 43(a) regarding notice of the forfeiture in the charging instrument, announcement of the forfeiture at sentencing, and incorporation of the forfeiture in the judgment. The defendant understands that the forfeiture of assets is part of the sentence that may be imposed in this case. The Fraud Section and the Criminal Division of the United States Attorney's Office for the Eastern District of Virginia

agree to recommend to the Department of Justice, Criminal Division, Asset Forfeiture and Money Laundering Section that any monies obtained from the defendant through forfeiture be transferred to the Clerk to distribute to the victims of the offense in accordance with any restitution order entered in this case

18. Waiver of Further Review of Forfeiture

The defendant further agrees to waive all constitutional and statutory challenges in any manner (including direct appeal, habeas corpus, or any other means) to any forfeiture carried out in accordance with this Plea Agreement on any grounds, including that the forfeiture constitutes an excessive fine or punishment. The defendant also waives any failure by the Court to advise the defendant of any applicable forfeiture at the time the guilty plea is accepted as required by Rule 11(b)(1)(J). The defendant agrees to take all steps as requested by the United States to pass clear title to forfeitable assets to the United States, and to testify truthfully in any judicial forfeiture proceeding. The defendant understands and agrees that all property covered by this agreement is subject to forfeiture as proceeds of illegal conduct, property facilitating illegal conduct, property involved in illegal conduct giving rise to forfeiture, and substitute assets for property otherwise subject to forfeiture if in fact, and to the extent that, the defendant received bank fraud assets as part of the commission of the offense.

19. Breach of the Plea Agreement and Remedies

This agreement is effective when signed by the defendant, the defendant's attorney, and an attorney for the United States. The defendant agrees to entry of this plea agreement at the date and time scheduled with the Court by the United States (in consultation with the defendant's attorney). If the defendant withdraws from this agreement, or commits or attempts to commit

any additional federal, state or local crimes, or intentionally gives materially false, incomplete, or misleading testimony or information, or otherwise violates any provision of this agreement, then:

- a. The United States will be released from its obligations under this agreement, including any obligation to seek a downward departure or a reduction in sentence. The defendant, however, may not withdraw the guilty plea entered pursuant to this agreement;
- b. The defendant will be subject to prosecution for any federal criminal violation, including, but not limited to, perjury and obstruction of justice, that is not time-barred by the applicable statute of limitations on the date this agreement is signed. Notwithstanding the subsequent expiration of the statute of limitations, in any such prosecution, the defendant agrees to waive any statute-of-limitations defense; and
- c. Any prosecution, including the prosecution that is the subject of this agreement, may be premised upon any information provided, or statements made, by the defendant, and all such information, statements, and leads derived therefrom may be used against the defendant. The defendant waives any right to claim that statements made before or after the date of this agreement, including the statement of facts accompanying this agreement or adopted by the defendant and any other statements made pursuant to this or any other agreement with the United States, should be excluded or suppressed under Fed. R. Evid. 410, Fed. R. Crim. P. 11(f), the Sentencing Guidelines or any other provision of the Constitution or federal law.

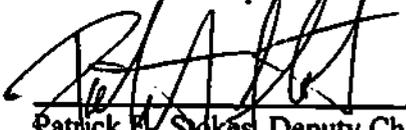
Any alleged breach of this agreement by either party shall be determined by the Court in an appropriate proceeding at which the defendant's disclosures and documentary evidence shall be admissible and at which the moving party shall be required to establish a breach of the plea agreement by a preponderance of the evidence. The proceeding established by this paragraph

does not apply, however, to the decision of the United States whether to file a motion based on “substantial assistance” as that phrase is used in Rule 35(b) of the Federal Rules of Criminal Procedure and Section 5K1.1 of the Sentencing Guidelines and Policy Statements. The defendant agrees that the decision whether to file such a motion rests in the sole discretion of the United States.

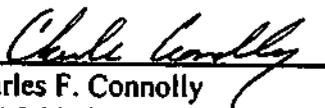
20. Nature of the Agreement and Modifications

This written agreement constitutes the complete plea agreement between the United States, the defendant, and the defendant’s counsel. The defendant and his attorney acknowledge that no threats, promises, or representations have been made, nor agreements reached, other than those set forth in writing in this plea agreement, to cause the defendant to plead guilty. Any modification of this plea agreement shall be valid only as set forth in writing in a supplemental or revised plea agreement signed by all parties.

Denis J. McInerney
Chief, Criminal Division, Fraud Section
United States Department of Justice

By: 
Patrick F. Stokes, Deputy Chief
Robert Zink, Trial Attorney

Neil H. MacBride
United States Attorney

By: 
Charles F. Connolly
Paul J. Nathanson
Assistant United States Attorneys

Defendant's Signature: I hereby agree that I have consulted with my attorney and fully understand all rights with respect to the pending criminal information. Further, I fully understand all rights with respect to Title 18, United States Code, Section 3553 and the provisions of the Sentencing Guidelines Manual that may apply in my case. I have read this plea agreement and carefully reviewed every part of it with my attorney. I understand this agreement and voluntarily agree to it.

Date: 4/1/11



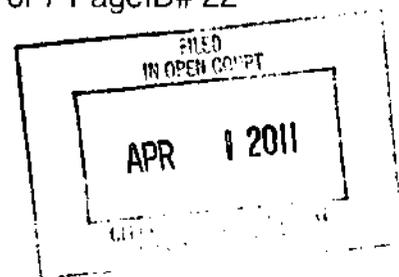
Paul Allen
Defendant

Defense Counsel Signature: I am counsel for the defendant in this case. I have fully explained to the defendant the defendant's rights with respect to the pending information. Further, I have reviewed Title 18, United States Code, Section 3553 and the Sentencing Guidelines Manual, and I have fully explained to the defendant the provisions that may apply in this case. I have carefully reviewed every part of this plea agreement with the defendant. To my knowledge, the defendant's decision to enter into this agreement is an informed and voluntary one.

Date: 4/1/11



Aitan Goelrman, Esq.
Miles Clark, Esq.
Counsel for the Defendant



IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA)
)
 v.)
)
 PAUL ALLEN)
)
 Defendant.)

CRIMINAL NO. 1:11cr165

STATEMENT OF FACTS

The United States and the defendant, PAUL ALLEN, agree that had this matter proceeded to trial the United States would have proven the facts set forth in this Statement of Facts beyond a reasonable doubt. Unless otherwise stated, the time periods for the facts set forth herein are at all times relevant to the charges in the Information.

I. OVERVIEW

1. On or about August 1, 2003, the defendant joined Taylor, Bean & Whitaker Mortgage Corp. (TBW), in Ocala, Florida, as its Chief Executive Officer. The defendant reported directly to the chairman of TBW, Lee Farkas. The defendant worked primarily out of his home in Oakton, Virginia, which is in the Eastern District of Virginia.

2. From in or about 2005 through in or about August 2009, co-conspirators, including the defendant, engaged in a scheme to defraud investors in Ocala Funding. One of the goals of the scheme to defraud was to mislead investors and auditors about Ocala Funding's assets. This aspect of the fraud scheme allowed TBW to misappropriate over \$1 billion in collateral from Ocala Funding. By participating in the fraud scheme described below, the defendant knowingly and intentionally misled investors in Ocala Funding in order to induce

them to invest in the facility and/or to dissuade them from pulling their investments out of the facility.

II. OCALA FUNDING

3. In or about January 2005, TBW established a wholly-owned special purpose entity called Ocala Funding. Ocala Funding was a bankruptcy-remote facility designed to provide TBW additional funding for mortgage loans. The facility obtained funds for mortgage lending from the sale of asset-backed commercial paper to investors.

4. Ocala Funding was managed by TBW and had no employees of its own. The defendant served as the lead manager of Ocala Funding. The defendant knew and understood that Ocala Funding's assets, including mortgage loans and cash, had to be greater than or equal to its liabilities, including outstanding commercial paper held by investors and a relatively small amount of subordinated debt.

5. Shortly after Ocala Funding was established, the defendant learned that there was a shortage of assets in Ocala Funding. By in or around September 2006, the collateral deficit had grown to about \$150 million, by September 2007 it had grown to about \$500 million, and by June 2008 the hole had grown to over \$700 million. The defendant kept Farkas informed about the significant collateral shortfall at Ocala Funding and requested Farkas to take corrective action.

6. Although the defendant had difficulty obtaining information from TBW's treasury department, he learned that cash from Ocala Funding was being used by TBW for purposes unrelated to Ocala Funding. The defendant never directed anyone at TBW to use cash from Ocala Funding for purposes unrelated to Ocala Funding.

7. In an effort to cover up the collateral shortfall and to mislead investors, the defendant told a co-conspirator to produce reports that concealed the shortfall in Ocala Funding. The defendant knew that these materially misleading reports were sent to Ocala Funding investors and to other third parties.

8. On or about June 30, 2008, TBW restructured the Ocala Funding facility. The new facility consisted of two investors, Deutsche Bank and BNP Paribas, and was capped at \$1.75 billion. At that time, Ocala Funding had a collateral shortfall of approximately \$700 million. The defendant understood that cash from the new investors was used to pay down investors in the old facility.

9. In or about the fall of 2008, Farkas told the defendant that Farkas had moved the hole from Ocala Funding to Colonial Bank. Although the defendant did not know how Farkas had moved the hole, the defendant believed that Farkas could not have legitimately moved the hole to Colonial Bank under the terms of the financing agreements between TBW and Colonial Bank that existed at the time.

10. At or about the time that TBW ceased operations in August 2009, Ocala Funding had outstanding commercial paper of approximately \$1.7 billion. The defendant learned shortly thereafter that Ocala Funding had less than \$200 million in collateral.

11. As the government would prove at a trial, as a result of the Ocala Funding fraud scheme, Freddie Mac, Colonial Bank, and the Ocala Funding investors believed they had an undivided ownership interest in thousands of the same mortgage loans.

12. The defendant did not personally receive any funds TBW misappropriated from Ocala Funding.

III. THE \$300 MILLION CAPITAL RAISE

13. In or about December 2008, the United States Treasury Department conditionally approved \$553 million of TARP funding to Colonial BancGroup if, among other things, Colonial BancGroup could first raise \$300 million in private capital (Capital Raise).

14. In or around February 2009, TBW began to lead the Capital Raise and undertook efforts to recruit investors. As part of this effort, in late March 2009, Farkas directed the defendant to contact a potential private equity investor (Investor 1) to gauge his interest in investing. The defendant spoke with Investor 1 on a number of occasions, but Investor 1 was unable to participate in the Capital Raise. The defendant informed Farkas that Investor 1 could not invest. Nevertheless, as the defendant knew, Farkas represented to others that Investor 1 was a \$50 million participant and the alleged agreement to invest \$50 million was material to Colonial BancGroup's March 31, 2009 public announcement that it had met the \$300 million capital raise contingency. In addition, at Farkas's direction, the defendant called Investor 1 on or about April 1, 2009, and suggested ways in which Investor 1 could be a straw investor with TBW providing the necessary money.

15. The defendant also knew that, to signify Investor 1's intention to invest in the Capital Raise, Farkas arranged to deposit \$5 million in the name of Investor 1, without Investor 1's knowledge or permission, into an escrow account. The defendant learned that this money had come from Ocala Funding and knew that a misleading letter had been sent to the FDIC falsely confirming that all investors had met the 10% escrow deposit requirement.

16. On or around April 6, 2009, during a meeting with Colonial BancGroup senior management and others at Colonial BancGroup headquarters in Montgomery, Alabama, the

defendant informed Colonial BancGroup that Investor I was unable to participate in the Capital Raise but did not disclose that Investor I had not been an actual investor.

17. Colonial Bank never received any TARP funds.

IV. FALSE STATEMENTS TO HUD

18. Pursuant to applicable Guaranty Agreements between TBW and Ginnie Mae, TBW was required to submit to Ginnie Mae, a wholly-owned government corporation within the U.S. Department of Housing and Urban Development, by June 30, 2009 audited financial statements for TBW's fiscal year ending on March 31, 2009.

19. In or around mid-June 2009, TBW's independent auditor, Deloitte LLP (Deloitte), notified Farkas that it had serious concerns about certain debt transactions between TBW and Colonial Bank. Deloitte also recommended that TBW retain outside counsel to conduct an independent investigation into the matter. On or around June 19, 2009, TBW retained the law firm of Troutman Sanders LLP (Troutman) to investigate issues raised by Deloitte.

20. On or about July 6, 2009, the defendant sent a letter to Ginnie Mae that attributed TBW's delay in submitting audited financial statements to TBW's switch to a compressed 11-month fiscal year, TBW's acquisition of Platinum Bancshares, Inc., and TBW's planned equity investment in Colonial BancGroup. The defendant's letter intentionally omitted disclosing the material facts that Deloitte had raised concerns about the propriety of the financing relationship between TBW and Colonial and that TBW, at Deloitte's request, had retained Troutman to conduct an investigation into the matter.

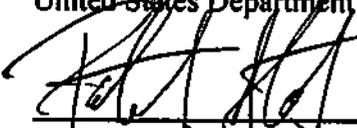
V. CONCLUSION

21. The defendant admits that this statement of facts does not represent and is not intended to represent an exhaustive factual recitation of all the facts about which he has knowledge relating to the scheme to defraud as described herein.

22. The defendant admits that his actions, as recounted herein, were in all respects intentional and deliberate, reflecting an intention to do something the law forbids, and were not in any way the product of any accident or mistake of law or fact.

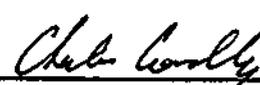
Denis J. McInerney
Chief, Criminal Division, Fraud Section
United States Department of Justice

By:


Patrick F. Stokes, Deputy Chief
Robert Zink, Trial Attorney

Neil H. MacBride
United States Attorney

By:


Charles F. Connolly
Paul J. Nathanson
Assistant United States Attorneys

After consulting with my attorney and pursuant to the plea agreement entered into this day between the defendant, PAUL ALLEN, and the United States, I hereby stipulate that the above Statement of Facts is true and accurate to the best of my knowledge, and that had the matter proceeded to trial, the United States would have proved the same beyond a reasonable doubt.

Date: 4/1/11



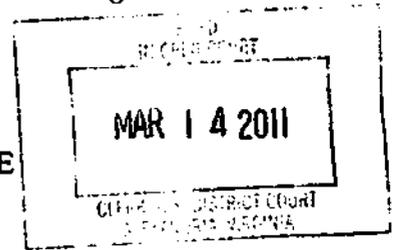
Paul Allen
Defendant

I am PAUL ALLEN's attorney. I have carefully reviewed the above Statement of Facts with him. To my knowledge, his decision to stipulate to these facts is an informed and voluntary one.

Date: 4/1/11



Aitan Goelman, Esq.
Miles Clark, Esq.
Counsel for the Defendant



IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA	)	CRIMINAL NO. 1:11-CR-118
)	
v.	)	Count 1: Conspiracy
	)	(18 U.S.C. § 371)
RAYMOND BOWMAN)	
	)	Count 2: False Statements
Defendant.	)	(18 U.S.C. § 1001)

CRIMINAL INFORMATION

THE UNITED STATES CHARGES THAT:

Count 1
(Conspiracy to Commit Bank Fraud, Wire Fraud, and Securities Fraud)

1. From in or about late 2003 through in or about August 2009, in the Eastern District of Virginia and elsewhere, the defendant

RAYMOND BOWMAN

did knowingly and intentionally combine, conspire, confederate, and agree with others known and unknown to commit certain offenses against the United States, namely:

a. bank fraud, that is, to knowingly and intentionally execute a scheme and artifice to defraud a financial institution, and to obtain any of the moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, a financial institution, by means of materially false and fraudulent pretenses, representations, and promises, in violation of Title 18, United States Code, § 1344;

b. **wire fraud, that is, having intentionally devised and intending to devise a scheme and artifice to defraud a financial institution, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, to knowingly transmit and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, § 1343; and,**

c. **securities fraud, that is, to knowingly and intentionally execute a scheme and artifice to defraud any person in connection with any security of an issuer with a class of securities registered under § 12 of the Securities Exchange Act of 1934 (Title 15, United States Code, § 78l), in violation of Title 18, United States Code, § 1348.**

2. **Among the manner and means by which defendant BOWMAN and others would and did carry out the conspiracy included, but were not limited to, the following:**

a. **Co-conspirators caused the transfer of funds between Taylor, Bean & Whitaker Mortgage Corp. (TBW) bank accounts at Colonial Bank in an effort to hide TBW overdrafts and cash shortfalls.**

b. **BOWMAN and co-conspirators caused TBW to sell to Colonial Bank mortgage loan assets, via the COLB facility, that included loans that the defendant believed did not exist and that were worthless to Colonial Bank. The conspirators referred to this as "Plan B."**

c. **Colonial Bank co-conspirators caused the Plan B loan data to be recorded in Colonial Bank's books and records to give the false appearance that Colonial Bank had purchased legitimate interests in mortgage loans from TBW through COLB.**

d. Co-conspirators subsequently caused the deficit created by Plan B to be moved from the COLB facility to Colonial Bank's Assignment of Trade (AOT) facility.

e. Co-conspirators covered up their misappropriations of funds from the COLB and AOT facilities by providing false documents and information to Colonial Bank.

f. BOWMAN and co-conspirators caused the manipulation of TBW's mortgage servicing rights (MSR) in order to inflate artificially MSR valuations and to avoid margin calls.

g. TBW co-conspirators caused mortgage loans held by Ocala Funding to be sold to both Colonial Bank and Freddie Mac.

h. Co-conspirators caused Colonial BancGroup to file with the Securities and Exchange Commission (SEC) materially false annual reports contained in Forms 10-K and quarterly reports contained in Forms 10-Q that misstated the value and nature of assets held by Colonial BancGroup.

3. In furtherance of the conspiracy and to effect the objects thereof, BOWMAN and other co-conspirators committed or caused others to commit the following overt act, among others, in the Eastern District of Virginia and elsewhere:

a. On or about October 22, 2004, BOWMAN and other co-conspirators caused Colonial Bank to wire approximately \$3.6 million in connection with the purported purchase of Plan B loan data from TBW, which data was to be held on Colonial Bank's books as loans held for sale.

b. On or about March 2, 2009, co-conspirators caused Colonial BancGroup to file with the SEC's EDGAR Management Office of Information and Technology, in

Alexandria, Virginia, a Form 10-K for the year ending December 31, 2008, which materially misstated the total assets under management.

(All in violation of Title 18, United States Code, § 371.)

**Count 2
(False Statements)**

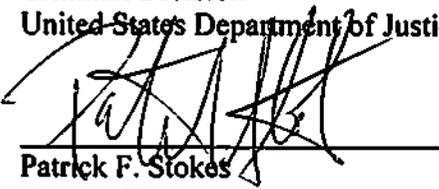
4. On August 3, 2009, as part of an ongoing criminal investigation into potential fraudulent activity at TBW, agents from the Federal Bureau of Investigation ("FBI") and the Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP"), interviewed BOWMAN.

5. In response to questions from the FBI and SIGTARP agents, the defendant
RAYMOND BOWMAN
falsely stated a material fact, that is that he was not aware of Plan B loans, and that he was not aware of any fraudulent activities between Colonial Bank and TBW.

(In violation of 18 U.S.C. § 1001)

DENIS J. MCINERNEY
Chief, Fraud Section
Criminal Division
United States Department of Justice

By:



Patrick F. Stokes
Deputy Chief
Robert A. Zink
Trial Attorney

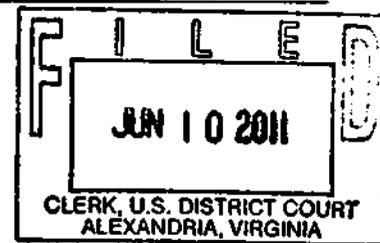
NEIL H. MACBRIDE
United States Attorney

By:



Charles F. Connolly
Paul J. Nathanson
Assistant United States Attorneys

**UNITED STATES DISTRICT COURT
Eastern District of Virginia
Alexandria Division**



UNITED STATES OF AMERICA

v.

Case Number 1:11CR00118-001

RAYMOND EDWARD BOWMAN,

Defendant.

JUDGMENT IN A CRIMINAL CASE

The defendant, RAYMOND EDWARD BOWMAN, was represented by Eric L. Yaffe, Esquire.

The defendant pleaded guilty to Counts 1 and 2 of the Criminal Information. Accordingly, the defendant is adjudged guilty of the following counts, involving the indicated offense:

<u>Title & Section</u>	<u>Nature of Offense</u>	<u>Date Offense Concluded</u>	<u>Count Number</u>
18 U.S.C. § 371	Conspiracy to Commit Bank Fraud, Wire Fraud, and Securities Fraud (Felony)	08/2009	1
18 U.S.C. §1001	False Statements	08/03/2009	2

As pronounced on June 10, 2011, the defendant is sentenced as provided in pages 2 through 8** of this Judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

IT IS FURTHER ORDERED that the defendant shall notify the United States Attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid.

Signed this 10th day of June, 2011.



 Leonie M. Brinkema
 United States District Judge

** Page 8 of this document contains sealed information

Defendant: RAYMOND EDWARD BOWMAN
Case Number: 1:11CR00118-001

IMPRISONMENT

The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a term of EIGHTEEN (18) MONTHS as to Count 1, and TWELVE (12) MONTHS as to Count 2, to run consecutive to Count 1, for a total sentence of 30 MONTHS.

The Court makes the following recommendations to the Bureau of Prisons:

The defendant be designated to a camp level facility as close to Atlanta, Georgia area as possible.

The defendant shall surrender for service of sentence at the institution designated by the Bureau of Prisons as notified by the United States Marshal. Until he self surrenders, the defendant shall remain under the Order Setting Conditions of Release entered on March 14, 2011.

RETURN

I have executed this Judgment as follows:

Defendant delivered on _____ to _____ at _____, with a certified copy of this Judgment.

c: P.O. (2) (3)
Mshl. (4) (2)
U.S.Atty.
U.S.Coll.
Dft. Cnsl.
PTS
Financial
Registrar
ob

By

United States Marshal

Deputy Marshal

Defendant: RAYMOND EDWARD BOWMAN

Case Number: 1:11CR00118-001

SUPERVISED RELEASE

Upon release from imprisonment, the defendant shall be on supervised release for a term of TWO (2) YEARS, as to each of Counts 1 and 2, to run concurrently.

The Probation Office shall provide the defendant with a copy of the standard conditions and any special conditions of supervised release.

The defendant shall report to the probation office in the district to which the defendant is released within 72 hours of release from the custody of the Bureau of Prisons.

While on supervised release, the defendant shall not commit another federal, state, or local crime.

While on supervised release, the defendant shall not illegally possess a controlled substance.

While on supervised release, the defendant shall not possess a firearm or destructive device.

If this judgment imposes a fine or a restitution obligation, it shall be a condition of supervised release that the defendant pay any such fine or restitution in accordance with the Schedule of Payments set forth in the Criminal Monetary Penalties sheet of this judgment.

STANDARD CONDITIONS OF SUPERVISED RELEASE

The defendant shall comply with the standard conditions that have been adopted by this Court (set forth below):

- 1) The defendant shall not leave the judicial district without the permission of the Court or probation officer.
- 2) The defendant shall report to the probation officer and shall submit a truthful and complete written report within the first five days of each month.
- 3) The defendant shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer.
- 4) The defendant shall support his or her dependents and meet other family responsibilities.
- 5) The defendant shall work regularly at a lawful occupation unless excused by the probation officer for schooling, training, or other acceptable reasons.
- 6) The defendant shall notify the Probation Officer within 72 hours, or earlier if so directed, of any change in residence.
- 7) The defendant shall refrain from excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any narcotic or other controlled substance, or any paraphernalia related to such substances, except as prescribed by physician.
- 8) The defendant shall not frequent places where controlled substances are illegally sold, used, distributed or administered.
- 9) The defendant shall not associate with any persons engaged in criminal activity, and shall not associate with any person convicted of a felony unless granted permission to do so by the probation officer.
- 10) The defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view of the probation officer.
- 11) The defendant shall notify the probation officer within seventy-two hours of being arrested or questioned by a law enforcement officer.
- 12) The defendant shall not enter into any agreement to act as an informer or a special agent of a law enforcement agency without the permission of the Court.
- 13) As directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics, and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.

Defendant: RAYMOND EDWARD BOWMAN
Case Number: 1:11CR00118-001

SPECIAL CONDITIONS OF SUPERVISION

While on supervised release, pursuant to this Judgment, the defendant shall also comply with the following additional conditions:

- 1) The defendant shall provide the probation officer access to any requested financial information, and waive all privacy rights.
- 2) The defendant shall not open any new lines of credit or engage in any significant financial transactions without prior approval of the probation officer.
- 3) The defendant shall advise any employers of the nature of his conviction and supervision.
- 4) As directed by the probation officer, the defendant shall apply monies received from income tax refunds, lottery winnings, inheritances, judgments, and any unanticipated or unexpected financial gain to the outstanding court ordered financial obligation.
- 5) The defendant shall make a good faith effort to pay his full restitution obligation during supervised release, to begin 60 days after release from custody, until paid in full. The defendant shall pay restitution jointly and severally with his co-defendants.
- 6) Although mandatory drug testing is waived pursuant to 18 U.S.C. §3563(a)(4), defendant must remain drug free and his probation officer may require random drug testing at any time.

Defendant: RAYMOND EDWARD BOWMAN
Case Number: 1:11CR00118-001

CRIMINAL MONETARY PENALTIES

The defendant shall pay the following total monetary penalties in accordance with the schedule of payments set out below.

<u>Count</u>	<u>Special Assessment</u>	<u>Fine</u>
1	\$100.00	
2	\$100.00	
Total	\$200.00	\$0.00

FINE

No fines have been imposed in this case.

SCHEDULE OF PAYMENTS

Payments shall be applied in the following order: (1) assessment; (2) restitution; (3) fine principal; (4) cost of prosecution; (5) interest; (6) penalties.

The special assessment is due in full immediately. If not paid immediately, the Court authorizes the deduction of appropriate sums from the defendant's account while in confinement in accordance with the applicable rules and regulations of the Bureau of Prisons.

Any special assessment, restitution, or fine payments may be subject to penalties for default and delinquency.

If this judgment imposes a period of imprisonment, payment of Criminal Monetary penalties shall be due during the period of imprisonment.

All criminal monetary penalty payments are to be made to the Clerk, United States District Court, except those payments made through the Bureau of Prisons' Inmate Financial Responsibility Program.

Defendant: RAYMOND EDWARD BOWMAN
Case Number: 1:11CR00118-001

RESTITUTION AND FORFEITURE

RESTITUTION

Restitution to be determined and reflected in a separate order to be issued in the future.

Total

Payments of restitution are to be made to Clerk, U. S. District Court, 401 Courthouse Square, Alexandria, VA 22314.

Restitution is due and payable immediately and shall be paid in equal monthly payments to be determined and to commence within 60 days of release, until paid in full.

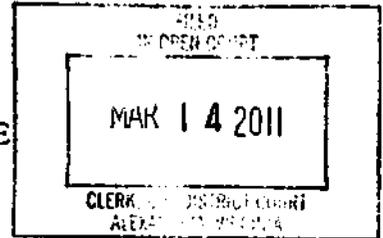
Interest on Restitution has been waived.

If there are multiple payees, any payment not made directly to a payee shall be divided proportionately among the payees named unless otherwise specified here:

Defendant is jointly and severally liable with co-defendants.

FORFEITURE

Forfeiture has not been ordered in this case.



IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA)

v.)

RAYMOND BOWMAN)

Defendant.)

CRIMINAL NO. 1:11CR 118

PLEA AGREEMENT

Denis J. McInerney, Chief, Fraud Section of the Criminal Division of the United States Department of Justice ("Fraud Section"), Patrick F. Stokes, Deputy Chief, Robert Zink, Trial Attorney, and Neil H. MacBride, United States Attorney for the Eastern District of Virginia, Charles F. Connolly and Paul J. Nathanson, Assistant United States Attorneys, and the defendant, RAYMOND BOWMAN, and the defendant's counsel have entered into an agreement pursuant to Rule 11 of the Federal Rules of Criminal Procedure. The terms of the agreement are as follows:

1. **Offense and Maximum Penalties**

The defendant agrees to plead guilty to a two-count criminal information charging the defendant with one count of conspiracy (in violation of Title 18, United States Code, Section 371) to commit bank fraud (in violation of 18 U.S.C. § 1344), securities fraud (in violation of 18 U.S.C. § 1348) and wire fraud (in violation of 18 U.S.C. § 1343); and one count of false statements (in violation of Title 18, United States Code, Section 1001). The maximum penalties for the conspiracy count are a maximum term of five years of imprisonment, a fine of \$250,000

or twice the amount of the loss or gross gain, full restitution, a special assessment, and three years of supervised release. The maximum penalties for the false statements count are a maximum term of five years of imprisonment, a fine of \$250,000, full restitution, a special assessment, and three years of supervised release. The defendant understands that these supervised release terms are in addition to any prison term the defendant may receive, and that a violation of a term of supervised release could result in the defendant being returned to prison for the full term of supervised release.

2. Factual Basis for the Plea

The defendant will plead guilty because the defendant is in fact guilty of the charged offenses. The defendant admits the facts set forth in the statement of facts filed with this plea agreement and agrees that those facts establish guilt of the offense charged beyond a reasonable doubt. The statement of facts, which is hereby incorporated into this plea agreement, constitutes a stipulation of facts for purposes of Section 1B 1.2(a) of the Sentencing Guidelines.

3. Assistance and Advice of Counsel

The defendant is satisfied that the defendant's attorney has rendered effective assistance. The defendant understands that by entering into this agreement, defendant surrenders certain rights as provided in this agreement. The defendant understands that the rights of criminal defendants include the following:

- a. the right to plead not guilty and to persist in that plea;
- b. the right to a jury trial;
- c. the right to be represented by counsel - and if necessary have the court appoint counsel - at trial and at every other stage of the proceedings; and

- d. the right at trial to confront and cross-examine adverse witnesses, to be protected from compelled self-incrimination, to testify and present evidence, and to compel the attendance of witnesses.

4. Role of the Court and the Probation Office

The defendant understands that the Court has jurisdiction and authority to impose any sentence within the statutory maximum described above but that the Court will determine the defendant's actual sentence in accordance with Title 18 United States Code, Section 3553(a).

The defendant understands that the Court has not yet determined a sentence and that any estimate of the advisory sentencing range under the U.S. Sentencing Commission's Sentencing Guidelines Manual the defendant may have received from the defendant's counsel, the United States, or the Probation Office, is a prediction, not a promise, and is not binding on the United States, the Probation Office, or the Court. Additionally, pursuant to the Supreme Court's decision in *United States v. Booker*, 543 U.S. 220, 261 (2005), the Court, after considering the factors set forth in Title 18 United States Code, Section 3553(a), may impose a sentence above or below the advisory sentencing range, subject only to review by higher courts for reasonableness. The United States makes no promise or representation concerning what sentence the defendant will receive, and the defendant cannot withdraw a guilty plea based upon the actual sentence.

5. Waiver of Appeal, Venue, FOIA and Privacy Act Rights

The defendant also understands that Title 18, United States Code, Section 3742 affords a defendant the right to appeal the sentence imposed. Nonetheless, the defendant knowingly waives the right to appeal the conviction and any sentence within the statutory maximum described above (or the manner in which that sentence was determined) on the grounds set forth in Title 18, United States Code, Section 3742 or on any ground whatsoever, in exchange for the

concessions made by the United States in this plea agreement. This agreement does not affect the rights or obligations of the United States as set forth in Title 18, United States Code, Section 3742(b). The defendant also understands that Federal Rule of Criminal Procedure 18 affords the defendant the right to have his offense prosecuted in the district in which the offense was committed. Nonetheless, the defendant knowingly consents to have the offense set forth in Count 2 of the criminal information prosecuted in the Eastern District of Virginia. The defendant also hereby waives all rights, whether asserted directly or by a representative, to request or receive from any department or agency of the United States any records pertaining to the investigation or prosecution of this case, including without limitation any records that may be sought under the Freedom of Information Act, Title 5, United States Code, Section 552, or the Privacy Act, Title 5, United States Code, Section 552a.

6. Recommended Sentencing Factors

Based upon the information now available to the United States (including representations by the defense), the defendant's Criminal History Category is 1. In accordance with Rule 11(c)(1)(B) of the Federal Rules of Criminal Procedure, the United States and the defendant will recommend to the Court that the following provisions of the Sentencing Guidelines apply:

- a. pursuant to USSG § 2B1.1 (a)(2), the base offense level for the conduct charged in Count One is 6 and for Count Two is 6;
- b. pursuant to USSG § 2B1.1 (b)(1)(P), the conduct charged in Count One resulted in a loss of more than \$400,000,000.00 and qualifies for a 30-level upward adjustment;
- c. pursuant to USSG § 2B1.1 (b)(2)(C), the conduct charged in Count One involved 250 or more victims, and pursuant to USSG § 2B1.1(b)(14)(B), the conduct charged in Count

One substantially jeopardized the safety and soundness of a financial institution; accordingly, the defendant qualifies for an 8-level upward adjustment (*see* USSG § 2B1.1(b)(14)(C));

d. pursuant to USSG § 2B1.1 (b)(9), the conduct charged in Count One involved sophisticated means and qualifies for a 2-level upward adjustment;

e. pursuant to USSG § 3D1.2(c), Count Two groups with Count One;

f. pursuant to USSG § 3E1.1(b), the defendant has assisted the government in the investigation and prosecution of the defendant's own misconduct by timely notifying authorities of the defendant's intention to enter a plea of guilty, thereby permitting the government to avoid preparing for trial and permitting the government and the Court to allocate their resources efficiently. If the defendant qualifies for a two-level decrease in offense level pursuant to USSG § 3E1.1(a) and the offense level prior to the operation of that section is a level 16 or greater, the government agrees to file, pursuant to USSG § 3E1.1(b), a motion prior to, or at the time of, sentencing for an additional one-level decrease in the defendant's offense level.

g. No agreements regarding the applicability of any other Sentencing Guidelines provision have been reached, and the parties reserve the right to argue for or against the applicability of any other Guidelines provision at sentencing.

7. Special Assessment

Before sentencing in this case, the defendant agrees to pay a mandatory special assessment of one hundred dollars (\$100.00) per count of conviction.

8. Payment of Monetary Penalties

The defendant understands and agrees that, pursuant to Title 18, United States Code, Section 3613, whatever monetary penalties are imposed by the Court will be due and payable immediately and subject to immediate enforcement by the United States as provided for in

Section 3613. Furthermore, the defendant agrees to provide all of his financial information to the United States and the Probation Office and, if requested, to participate in a pre-sentencing debtor's examination. If the Court imposes a schedule of payments, the defendant understands that the schedule of payments is merely a minimum schedule of payments and not the only method, nor a limitation on the methods, available to the United States to enforce the judgment. If the defendant is incarcerated, the defendant agrees to participate in the Bureau of Prisons' Inmate Financial Responsibility Program, regardless of whether the Court specifically directs participation or imposes a schedule of payments.

9. Restitution for Offense of Conviction

The defendant agrees to the entry of a Restitution Order for such amount as may be determined by the Court. At this time, the defendant understands that the Government believes the following victims have suffered the following losses: [To be determined]

10. Limited Immunity from Further Prosecution

The Fraud Section and the Criminal Divisions of the United States Attorneys' Offices for the Eastern District of Virginia and the Middle District of Florida will not further criminally prosecute the defendant for the specific conduct described in the information or statement of facts or related conduct. The defendant understands that this agreement is binding only upon the Fraud Section and the Criminal Divisions of the United States Attorneys' Offices for the Eastern District of Virginia and Middle District of Florida. This agreement does not bind the civil divisions of the United States Department of Justice, the United States Attorneys' Offices for the Eastern District of Virginia or Middle District of Florida, or any other United States Attorney's Office. Nor does it bind any other Section of the Department of Justice, nor does it bind any

other state, or local, or federal prosecutor. It also does not bar or compromise any civil, tax, or administrative claim pending or that might be made against the defendant.

11. Defendant's Cooperation

The defendant agrees to cooperate fully and truthfully with the United States, and provide all information known to the defendant regarding any criminal activity as requested by the government. In that regard:

- a. The defendant agrees to testify truthfully and completely as a witness before any grand jury or in any other judicial or administrative proceeding when called upon to do so by the United States.
- b. The defendant agrees to be reasonably available for debriefing and pre-trial conferences as the United States may require.
- c. The defendant agrees to provide all documents, records, writings, or materials of any kind in the defendant's possession or under the defendant's care, custody, or control relating directly or indirectly to all areas of inquiry and investigation.
- d. The defendant agrees that the Statement of Facts is limited to information to support the plea. The defendant will provide more detailed facts relating to this case during ensuing debriefings.
- e. The defendant is hereby on notice that the defendant may not violate any federal, state, or local criminal law while cooperating with the government, and that the government will, in its discretion, consider any such violation in evaluating whether to file a motion for a downward departure or reduction of sentence.
- f. Nothing in this agreement places any obligation on the government to seek the defendant's cooperation or assistance.

12. Use of Information Provided by the Defendant Under This Agreement

The United States will not use any truthful information provided pursuant to this agreement in any criminal prosecution against the defendant in the Eastern District of Virginia, except in any prosecution for a crime of violence or conspiracy to commit, or aiding and abetting, a crime of violence (as defined in Title 18, United States Code, Section 16). Pursuant to USSG § 1B1.8, no truthful information that the defendant provides under this agreement will be used in determining the applicable guideline range, except as provided in § 1B1.8(b). Nothing in this plea agreement, however, restricts the Court's or Probation Officer's access to information and records in the possession of the United States. Furthermore, nothing in this agreement prevents the government in any way from prosecuting the defendant should the defendant knowingly provide false, untruthful, or perjurious information or testimony, or from using information provided by the defendant in furtherance of any forfeiture action, whether criminal or civil, administrative or judicial. The United States will bring this plea agreement and the full extent of the defendant's cooperation to the attention of other prosecuting offices if requested.

13. Prosecution in Other Jurisdictions

The Fraud Section of the Criminal Division of the United States Department of Justice and the Criminal Division of the United States Attorney's Office for the Eastern District of Virginia will not contact any other state or federal prosecuting jurisdiction and voluntarily turn over truthful information that the defendant provides under this agreement to aid a prosecution of the defendant in that jurisdiction. Should any other prosecuting jurisdiction attempt to use truthful information the defendant provides pursuant to this agreement against the defendant, the Fraud Section of the Criminal Division of the United States Department of Justice and the

Criminal Division of the United States Attorney's Office for Eastern District of Virginia agree, upon request, to contact that jurisdiction and ask that jurisdiction to abide by the immunity provisions of this plea agreement. Prior to turning over any information, the Fraud Section or United States Attorney's Office for the Eastern District of Virginia will contact undersigned counsel for the defendant in order to permit the defendant the opportunity to contact the requesting jurisdiction and speak with that jurisdiction about its request. The parties understand that the prosecuting jurisdiction retains the discretion over whether to use such information.

14. Defendant Must Provide Full, Complete and Truthful Cooperation

This plea agreement is not conditioned upon charges being brought against any other individual. This plea agreement is not conditioned upon any outcome in any pending investigation. This plea agreement is not conditioned upon any result in any future prosecution which may occur because of the defendant's cooperation. This plea agreement is not conditioned upon any result in any future grand jury presentation or trial involving charges resulting from this investigation. This plea agreement is conditioned upon the defendant providing full, complete and truthful cooperation.

15. Motion for a Downward Departure

The parties agree that the United States reserves the right to seek any departure from the applicable sentencing guidelines, pursuant to Section 5K1.1 of the Sentencing Guidelines and Policy Statements, or any reduction of sentence pursuant to Rule 35(b) of the Federal Rules of Criminal Procedure, if, in its sole discretion, the United States determines that such a departure or reduction of sentence is appropriate.

16. Order of Prohibition

The defendant agrees that he will consent to an Order of Prohibition by entering into a Stipulation and Consent to the Issuance of an Order of Prohibition with the Office of Thrift Supervision.

17. The Defendant's Obligations Regarding Assets Subject to Forfeiture

The defendant agrees to identify all assets over which the defendant exercises or exercised control, directly or indirectly, within the past eight years, or in which the defendant has or had during that time any financial interest. The defendant agrees to take all steps as requested by the United States to obtain from any other parties by any lawful means any records of assets owned at any time by the defendant. The defendant agrees to undergo any polygraph examination the United States may choose to administer concerning such assets and to provide and/or consent to the release of the defendant's tax returns for the previous six years. Defendant agrees to forfeit to the United States all of the defendant's interests in any asset of a value of more than \$1000 that, within the last eight years, the defendant owned, or in which the defendant maintained an interest, the ownership of which the defendant fails to disclose to the United States in accordance with this agreement.

18. Forfeiture Agreement

The defendant agrees to forfeit all interests in any bank fraud asset that the defendant owns or over which the defendant exercises control, directly or indirectly, as well as any property that is traceable to, derived from, fungible with, or a substitute for property that constitutes the proceeds of his offense if in fact, and to the extent, that the defendant received bank fraud assets as part of the commission of the offense. The defendant further agrees to waive all interest in the asset(s) in any administrative or judicial forfeiture proceeding, whether

criminal or civil, state or federal. If the Court deems forfeiture to be appropriate, the defendant agrees to consent to the entry of orders of forfeiture for such property and waives the requirements of Federal Rules of Criminal Procedure 32.2 and 43(a) regarding notice of the forfeiture in the charging instrument, announcement of the forfeiture at sentencing, and incorporation of the forfeiture in the judgment. The defendant understands that the forfeiture of assets is part of the sentence that may be imposed in this case. The Fraud Section and the Criminal Division of the United States Attorney's Office for the Eastern District of Virginia agree to recommend to the Department of Justice, Criminal Division, Asset Forfeiture and Money Laundering Section that any monies obtained from the defendant through forfeiture be transferred to the Clerk to distribute to the victims of the offense in accordance with any restitution order entered in this case

19. Waiver of Further Review of Forfeiture

The defendant further agrees to waive all constitutional and statutory challenges in any manner (including direct appeal, habeas corpus, or any other means) to any forfeiture carried out in accordance with this plea agreement on any grounds, including that the forfeiture constitutes an excessive fine or punishment. The defendant also waives any failure by the Court to advise the defendant of any applicable forfeiture at the time the guilty plea is accepted as required by Rule 11(b)(1)(J). The defendant agrees to take all steps as requested by the United States to pass clear title to forfeitable assets to the United States, and to testify truthfully in any judicial forfeiture proceeding. The defendant understands and agrees that all property covered by this agreement is subject to forfeiture as proceeds of illegal conduct, property facilitating illegal conduct, property involved in illegal conduct giving rise to forfeiture, and substitute assets for

property otherwise subject to forfeiture if in fact, and to the extent, that the defendant received bank fraud assets as part of the commission of the offense.

20. Breach of the Plea Agreement and Remedies

This agreement is effective when signed by the defendant, the defendant's attorney, and an attorney for the United States. The defendant agrees to entry of this plea agreement at the date and time scheduled with the Court by the United States (in consultation with the defendant's attorney). If the defendant withdraws from this agreement, or commits or attempts to commit any additional federal, state or local crimes, or intentionally gives materially false, incomplete, or misleading testimony or information, or otherwise violates any provision of this agreement, then:

- a. The United States will be released from its obligations under this agreement, including any obligation to seek a downward departure or a reduction in sentence. The defendant, however, may not withdraw the guilty plea entered pursuant to this agreement;
- b. The defendant will be subject to prosecution for any federal criminal violation, including, but not limited to, perjury and obstruction of justice, that is not time-barred by the applicable statute of limitations on the date this agreement is signed. Notwithstanding the subsequent expiration of the statute of limitations, in any such prosecution, the defendant agrees to waive any statute-of-limitations defense; and
- c. Any prosecution, including the prosecution that is the subject of this agreement, may be premised upon any information provided, or statements made, by the defendant, and all such information, statements, and leads derived therefrom may be used against the defendant. The defendant waives any right to claim that statements made before or after the date of this agreement, including the statement of facts accompanying this agreement or adopted by the defendant and any other statements made pursuant to this or any other

agreement with the United States, should be excluded or suppressed under Fed. R. Evid. 410, Fed. R. Crim. P. 11(f), the Sentencing Guidelines or any other provision of the Constitution or federal law.

Any alleged breach of this agreement by either party shall be determined by the Court in an appropriate proceeding at which the defendant's disclosures and documentary evidence shall be admissible and at which the moving party shall be required to establish a breach of the plea agreement by a preponderance of the evidence. The proceeding established by this paragraph does not apply, however, to the decision of the United States whether to file a motion based on "substantial assistance" as that phrase is used in Rule 35(b) of the Federal Rules of Criminal Procedure and Section 5K1.1 of the Sentencing Guidelines and Policy Statements. The defendant agrees that the decision whether to file such a motion rests in the sole discretion of the United States.

21. Nature of the Agreement and Modifications

This written agreement constitutes the complete plea agreement between the United States, the defendant, and the defendant's counsel. The defendant and his attorney acknowledge that no threats, promises, or representations have been made, nor agreements reached, other than those set forth in writing in this plea agreement, to cause the defendant to plead guilty. Any modification of this plea agreement shall be valid only as set forth in writing in a supplemental or revised plea agreement signed by all parties.

Denis J. McInerney
Chief, Criminal Division, Fraud Section
United States Department of Justice

By:



Patrick F. Stokes, Deputy Chief
Robert Zink, Trial Attorney

Neil H. MacBride
United States Attorney

By:



Charles F. Connolly
Paul J. Nathanson
Assistant United States Attorneys

Defendant's Signature: I hereby agree that I have consulted with my attorney and fully understand all rights with respect to the pending criminal information. Further, I fully understand all rights with respect to Title 18, United States Code, Section 3553 and the provisions of the Sentencing Guidelines Manual that may apply in my case. I have read this plea agreement and carefully reviewed every part of it with my attorney. I understand this agreement and voluntarily agree to it.

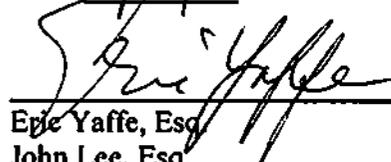
Date: 3/14/11



Raymond Bowman
Defendant

Defense Counsel Signature: I am counsel for the defendant in this case. I have fully explained to the defendant the defendant's rights with respect to the pending information. Further, I have reviewed Title 18, United States Code, Section 3553 and the Sentencing Guidelines Manual, and I have fully explained to the defendant the provisions that may apply in this case. I have carefully reviewed every part of this plea agreement with the defendant. To my knowledge, the defendant's decision to enter into this agreement is an informed and voluntary one.

Date: 3/14/11



Eric Yaffe, Esq.
John Lee, Esq.
Michael Kelly, Esq.
Counsel for the Defendant



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-0500

MAR - 7 2012

OFFICE OF GENERAL COUNSEL
DEPARTMENTAL ENFORCEMENT CENTER

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Mr. Raymond Edward Bowman
Register Number: 78019-083
USP McCreary
Satellite Camp
Post Office Box 3000
Pine Knot, KY 42635

Re: Notice of Proposed Extension of Existing Debarment

Dear Mr. Bowman:

On October 4, 2010, as a result of the Department of Housing and Urban Development's proposing your debarment for your alleged false certification of information in a Title II Yearly Verification Report, you were debarred for eighteen (18) months pursuant to a Settlement Agreement you entered into with HUD.

HUD now proposes an extension of your existing debarment from future participation in procurement and nonprocurement transactions as a participant or principal, with HUD and throughout the Executive Branch of the Federal Government, for an indefinite period from the final determination of this proposed action. This action complies with the procedures set forth at Title 2, Code of Federal Regulations (C.F.R.), Parts 180 and 2424. Copies of those regulations accompany this Notice. The proposed extension of your existing debarment is based upon your conviction in the United States District Court for the Eastern District of Virginia, Alexandria Division, for violations of 18 U.S.C. §§ 371 [Conspiracy to Commit Bank Fraud, Wire Fraud, and Securities Fraud (Felony)], and 1001 [False Statements].

During your tenure as the President of Taylor, Bean & Whitaker Mortgage Corporation (TBW), an FHA-approved lender, you participated in a conspiracy to conceal that TBW was in such a poor financial condition that it was likely to fail and go out of business. Specifically, you engaged in and supported criminal activities that were designed to make it appear that TBW was solvent, such as artificially inflating the value of its mortgage servicing rights, illegally transferring funds between its various bank accounts, selling fictitious mortgage assets to Colonial Bank, and providing federal regulators and others with false financial information. You also told agents of the Federal Bureau of Investigation and the Office of the Special Inspector General for the Troubled Asset Relief Program that you were unaware of any fraudulent activities between TBW and Colonial Bank, even though you knew your statements were false. Your actions are evidence of serious irresponsibility and are cause for debarment under the provisions of 2 C.F.R. § 180.800(a)(1), (3) and (4).

Since you were the President of TBW, an FHA-approved lender, you have been involved in, or may reasonably be expected to be involved in, covered transactions, and are subject to these regulations.

If you decide to contest this proposed extension of your existing debarment, you may do so by two means—a submission of documents and written argument, and a request for an informal hearing, which you may attend in person, by telephone or through a representative. Pursuant to 2 C.F.R. § 180.825, your written submission must identify: 1) specific facts that contradict the statements contained in this Notice of Proposed Extension of Existing Debarment (a general denial is insufficient to raise a genuine dispute over facts material to the debarment); 2) all existing, proposed, or prior exclusions against you under regulations implementing Executive Order 12549, and all similar actions taken by Federal, State, or local agencies, including administrative agreements that affect only those agencies; 3) all criminal and civil proceedings against you not included in this Notice of Proposed Extension of Existing Debarment that grew out of the facts relevant to the cause(s) stated in this Notice; and 4) all of your affiliates as defined in the enclosed regulations at 2 C.F.R. § 180.905. If you provide false information, the Department may seek further criminal, civil or administrative action against you as appropriate.

Your written opposition and hearing request must be submitted within 30 days of your receipt of this Notice of Proposed Extension of Existing Debarment. The response may be mailed to Stanley E. Field, Director, Compliance Division, U.S. Department of Housing and Urban Development, Departmental Enforcement Center, 451 7th Street, S.W., B-133 - Portals 200, Washington, DC 20410. If you wish to use a courier or overnight mail, send your response to Stanley E. Field, Director, Compliance Division, Departmental Enforcement Center, 1250 Maryland Avenue, S.W., Suite 200, Washington, DC 20024.

(b)(7)(C) is my designee in this matter. If you request a hearing, Mr. (b)(7)(C) will set a briefing and hearing schedule as necessary. He has the authority to review any written submissions, conduct an informal hearing, make a recommendation as to whether there is a genuine dispute over material facts and propose a recommended decision. If I determine that a genuine dispute over material facts exists, I will refer this matter to a Hearing Officer, who is an administrative judge, for a formal hearing to make findings of fact pursuant to 2 C.F.R. § 180.845. After receiving those findings of fact, and any related submissions from the parties, I will make a final decision. If you have any questions, please call (b)(7)(C) Director, Compliance Division. (b)(7)(C) may be reached at (b)(7)(C)

The final decision regarding this proposed extension of your existing debarment will be based upon evidence and information, including any written information and argument, that both you and the Government may submit in this matter. If you fail to respond to this Notice within 30 days, this proposed extension of your existing debarment will be affirmed.

If this matter is referred to a Hearing Officer for a formal hearing, this Notice of administrative action shall also serve as a Complaint, in compliance with 24 C.F.R. § 26.13(a), (b) and (c).

Sincerely,

(b)(7)(C)

 Craig T. Clemmensen
Director
Departmental Enforcement Center

Enclosures

cc:

CACB	Director, DEC (Clemmensen, Craig T.)	Port#200
CACB	Deputy Director, DEC (Beaudette, James M.)	Port#200
CACC	Associate General Counsel for Program Enforcement (Narode, Dane M.)	Port#200
HUL	Director, Office of Lender Activities & Program Compliance (Hadley, Joy L.)	P3214
HUL	Director, Mortgagee Review Board (Murray, Nancy A.)	3150
HUP	Director, Office of Single Family Program Development (Hill, Karin B.)	9278
13AGI	Special Agent in Charge, Baltimore, OIG [redacted] (b)(7)(C) OIG #: n/a	
GIP	Assistant Special Agent in Charge, Criminal Investigation Division, OIG [redacted] (b)(7)(C)	
3GMA	Director, Washington, DC (Turner, Marvin W.)	
3GC	Associate Regional Counsel, Washington, DC [redacted] (b)(7)(C)	
4AHHQ3	Branch Chief, QAD, Atlanta SF HOC [redacted] (b)(7)(C)	
8AHHQ	Director, Quality Assurance Division, Denver SF HOC (Baker, Karen K.)	
8AHHO	Management Analyst, Denver SF HOC (Friedland, Marc A.)	
3AHH	Director, Philadelphia SF HOC (Shaffer, Julie)	
3AHH	Deputy Director, Philadelphia SF HOC (Ott, Richard M.)	
3AHHQ1	Director, QAD, Philadelphia SF HOC (DiPietro, Andy V.)	
3AHP	Chief, Technical Team 2, Processing and Underwriting Division, Philadelphia SF HOC [redacted] (b)(7)(C)	
9JHHQ	Director, Quality Assurance Division and Acting Director Operations & Customer Service Division, Santa Ana SF HOC [redacted] (b)(7)(C)	
CACC	Docket Clerk, Office of Program Enforcement [redacted] (b)(7)(C)	Port#200

Christopher R. Sharpley, Deputy Inspector General for Investigations, Office of Inspector General, Federal Housing Finance Agency - **E-mail address:** christopher.sharpley@fhfaoig.gov

Peter Emerzian, Special Agent in Charge, Office of Inspector General, Federal Housing Finance Agency - **E-mail address:** peter.emerzian@fhfaoig.gov

Bryan Saddler, Chief Counsel, Office of Inspector General, Federal Housing Finance Agency – **E-mail address:** bryan.saddler@fhfaoig.gov

Brian W. Baker, Deputy Chief Counsel, Office of Inspector General, Federal Housing Finance Agency - **E-mail address:** brian.baker@fhfaoig.gov

Fernando T. Tonolet, Procurement Analyst, Office of the Procurement Executive, Department of the Treasury – **E-mail Address:** fernando.tonolet@treasury.gov

CACBB	File	Port#200
CACBB	[redacted] (b)(7)(C)	Port#200

CONCURRENCES

(b)(7)(C)

(b)(7)
(C) 2/10/12

(b)(7)(C)

(b)(7)(C)

Reviewed for Legal Sufficiency

(b)(7)
(C) 2/22/12

OGC, CACC

TO C. CLEMMENSEN FOR SIGNATURE

Sharepoint: Bowman Raymond Edward Proposed Extension of Existing Debarment Criminal Conviction

Document Template

Template Name: Proposed Debarment Criminal Conviction

Date Last Modified: 2011-12-12



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-0000

MAY 25 2011

Office of General Counsel
Departmental Enforcement Center

MEMORANDUM FOR: Christopher R. Sharpley, Deputy Inspector General for Investigations,
Federal Housing Finance Agency's Office of Inspector General

FROM: (b)(7)(C)
Craig J. Clemmensen, Director,
Departmental Enforcement Center, CACB

SUBJECT: Response to Debarment Referral of Raymond Bowman

This is in response to your March 22, 2011, debarment referral of Raymond Bowman. Mr. Bowman, a former principal of Taylor, Bean & Whittaker (TBW), plead guilty to crimes he committed while employed at TBW.

Prior to your referral, HUD determined that Mr. Bowman had engaged in other misconduct that subsequently became the subject of a debarment action. As the ultimate result of a Notice of Proposed Debarment issued to Mr. Bowman on August 4, 2009, Mr. Bowman was debarred for eighteen months, beginning on October 4, 2010. Thus, Mr. Bowman is currently debarred through April 3, 2012.

However, the misconduct that resulted in his debarment is not related to his activities described in the Criminal Information you provided. Please see the attached copy of the Notice, the Agreement, and the debarment entry in the Excluded Parties List System.

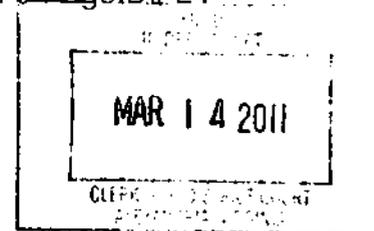
Accordingly, as Mr. Bowman is scheduled to be sentenced on June 10, 2011, on the charges related in the Criminal Information, I will consider proposing a lengthening of his debarment. Per our legal counsel's policy, we will not consider a debarment until a conviction has been rendered.

If you have any questions, please contact me at (b)(7)(C) or Stanley E. Field, Director, Compliance Division, (b)(7)(C)

Attachments

cc:

HU	Deputy Assistant Secretary for Single Family Housing (Bott, Vicki B.)	9282
CACB	Director, DEC (Clemmensen, Craig T.)	Port#200
CACB	Deputy Director, DEC (Beaudette, James M.)	Port#200
CACC	Associate General Counsel for Program Enforcement (Narode, Dane M.)	Port#200
HUL	Director, Office of Lender Activities & Program Compliance (Hadley, Joy L.)	P3214
HUI	Director, Mortgage Review Board (Murray, Nancy A.)	3150
HUP	Director, Office of Single Family Program Development (Hill, Karin B.)	9278
4OGI	Special Agent in Charge, Tampa, OIG [redacted] (b)(7)(C) OIG No.: n a	
4OGI	Special Agent, Tampa, OIG [redacted] (b)(7)(C)	
4OMA	Director, Tampa (Gadsden, Rosemary S.)	
4HC	Chief Counsel, Jacksonville (Cox, Earl)	
3GMA	Director, Washington, DC (Turner, Marvin W.)	
3GC	Chief Counsel, Washington, DC (Conlan, Russell S.)	
4AHHQ3	Branch Chief, QAD, Atlanta SF HOC (Kittrell, Nora)	
8AHHQ	Director, Quality Assurance Division, Denver SF HOC (Baker, Karen K.)	
8AHHO	Management Analyst, Denver SF HOC (Friedland, Marc A.)	
3AHH	Director, Philadelphia SF HOC (Ott, Richard M.)	
3AHHQ	Director, QAD, Philadelphia SF HOC (Shaffer, Julie)	
3AHHQ1	Supervisory Housing Specialist, QAD, Philadelphia SF HOC [redacted] (b)(7)(C)	
3AHP	Chief, Technical Team 2, Processing and Underwriting Division, Philadelphia SF HOC (Roe, Kathleen E.)	
9JHHQ	Director, Quality Assurance Division and Acting Director, Operations & Customer Service Division, Santa Ana SF HOC (O'Toole, Shannon)	
CACC	Docket Clerk, Office of Program Enforcement [redacted] (b)(7)(C)	Port#200
CACBB	File	Port#200
CACBB	[redacted] (b)(7)(C)	Port#200



IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA)	
)	
v.)	
	)	CRIMINAL NO. 1:11CR 118
RAYMOND BOWMAN)	
)	
Defendant.)	

STATEMENT OF FACTS

The United States and the defendant, RAYMOND BOWMAN, agree that had this matter proceeded to trial the United States would have proven the facts set forth in this Statement of Facts beyond a reasonable doubt. Unless otherwise stated, the time periods for the facts set forth herein are at all times relevant to the charges in the Information.

I. Overview

1. From in or about October 1999 through in or about 2002, the defendant was the vice president and director of secondary marketing at Taylor, Bean & Whitaker Mortgage Corp. (TBW) in Ocala, Florida. In or about 2002, the defendant was promoted to president, and reported directly to the chairman, Lee Farkas.

2. From in or about late 2003 through in or about August 2009, co-conspirators, including the defendant, engaged in a scheme to defraud various entities and individuals, including Colonial Bank, a federally insured bank; Colonial BancGroup, Inc.; shareholders of Colonial BancGroup; investors in Ocala Funding, LLC; and the investing public. One of the goals of the scheme to defraud was to obtain funding for TBW to assist it in covering expenses

related to operations and servicing payments owed to third-party purchasers of loans and/or mortgage-backed securities. The defendant knowingly and intentionally participated in the fraud scheme described below and the defendant's actions placed Colonial Bank and Colonial BancGroup at significant risk of incurring losses as a result of the scheme and, in fact, caused Colonial Bank to purchase tens of millions of dollars of purported assets from TBW that in fact had no value and were held on Colonial Bank's and Colonial BancGroup's books as if they had actual value. Additionally, the defendant participated in the artificial inflation of the value of TBW mortgage servicing rights, was aware of significant collateral deficits in a mortgage funding facility operated by TBW, and knew that his actions and those of his co-conspirators caused Colonial BancGroup to report false information in its financial statements.

II. Colonial Bank's Purchase of Worthless Assets from TBW

3. In or about mid-2002, the defendant learned that TBW was running significant overdrafts in its master account at Colonial Bank and that Colonial Bank employees were temporarily transferring, or "sweeping," funds into the account in order to disguise the overdraft. As the overdraft amount continued to increase, the defendant knew that other co-conspirators, including Lee Farkas, the chairman of TBW; a senior vice president and the head of the Mortgage Warehouse Lending Division (MWLD) of Colonial Bank; were causing Colonial Bank to continue to temporarily "sweep" funds into the master account to hide the overdraft amount.

4. In or about the fall of 2003, the defendant, Lee Farkas, the head of MWLD, an operations supervisor at MWLD, and other co-conspirators, including eventually a vice president of special operations at TBW, began to carry out a fraudulent scheme, known as "Plan B," to help TBW hide the significant overdraft in its master account at Colonial Bank and to obtain additional funds through fictitious "sales" of "dummy" mortgage loans to Colonial Bank.

5. Plan B involved "COLB" - a mortgage loan purchase facility at MWLD through which Colonial Bank purchased interests in individual residential mortgage loans from TBW pending resale of the loans to third-party investors. The purpose of the COLB facility was to provide mortgage companies, like TBW, with liquidity to generate new mortgage loans pending the resale of the existing mortgage loans to investors. The COLB facility was designed such that Colonial Bank would recoup its outlay only after TBW resold a mortgage loan to a third-party investor, which generally was supposed to take place within 90 days after being placed on the COLB facility.

6. The defendant, Farkas and other co-conspirators used Plan B to misappropriate tens of millions of dollars of Colonial Bank funds disguised as payments related to Colonial Bank's purchase through the COLB facility of legitimate TBW mortgage loans. The defendant was not a direct participant in all Plan B transactions. Those funds were then used to cover up TBW cash shortfalls and overdrafts of TBW's accounts at Colonial Bank. The defendant, Farkas, and co-conspirators accomplished this by causing TBW to provide false mortgage loan data to Colonial Bank under the pretense that it was selling the bank interests in mortgage loans. As the defendant believed, however, the Plan B data included data for loans that did not exist. As a result, these loans were not, in fact, available for sale to Colonial Bank. Whether a particular Plan B loan was fictitious or owned by a third party, the defendant knew and understood that the conspirators had caused Colonial Bank to pay TBW for an asset that was worthless to Colonial Bank.

7. The defendant, Farkas, and other co-conspirators at TBW caused Plan B loan data to be delivered to co-conspirators at Colonial Bank. As the defendant knew, Colonial Bank co-conspirators caused the Plan B loan data to be recorded in Colonial Bank's books and records to

give the false appearance that Colonial Bank had purchased legitimate interests in mortgage loans from TBW through COLB.

8. The defendant knew, based upon how the Colonial Bank warehouse program and other warehouse lines were set up, that Farkas and other co-conspirators must have devised and implemented a plan that gave the false appearance that TBW was periodically selling the Plan B loans off of the COLB facility. In fact, Plan B loans were unable to be sold off of the COLB facility, and the conspirators instead created a document trail that disguised the existence of the Plan B loans. In addition, the conspirators agreed not to discuss Plan B with others.

9. The defendant understood from Farkas that without Plan B, TBW would likely fail and go out of business.

10. In or about mid-2005, the defendant figured out that his co-conspirators caused the deficit created by Plan B to be moved from the COLB facility to MWLD's Assignment of Trade (AOT) facility. The AOT facility was designed for the purchase of interests in pools of loans, which were referred to as "Trades," that were in the process of being securitized and/or sold to third-party investors. Defendant knew that Farkas and other co-conspirators moved the deficit to the AOT facility.

11. After moving the Plan B deficit from the COLB facility to the AOT facility, TBW did not have enough cash to meet its existing obligations. From in or about mid-2005 through in or about 2009, the defendant knew that Farkas, and other co-conspirators continued to cause TBW to sell additional fictitious Trades to Colonial Bank through the AOT facility. These Trades had no pools of loans collateralizing them. Moreover, the defendant knew that other co-conspirators caused the creation of false documents to reflect agreements, as required under the AOT facility, for third-party investors to purchase the Trades within a short period of time. This

fraudulent AOT funding was typically provided in an ad hoc fashion based on requests from Farkas or other co-conspirators at TBW for, among other reasons, servicing obligations, operational expenses, and covering overdrafts.

III. MSR Valuations

12. TBW used its mortgage servicing rights (MSR) to collateralize a working capital line of credit at Colonial Bank. In order to ensure that the MSR were sufficient to collateralize the working capital line, TBW retained third-party companies to conduct periodic MSR valuations.

13. On a number of occasions, the MSRs were not sufficient and the defendant, Farkas and other co-conspirators caused the manipulation of mortgage loan data in order to inflate artificially the MSR valuations and to avoid a margin call.

14. The manipulation included instances in which the defendant, at Farkas's request, directed co-conspirators to increase the borrowing base by billions of dollars. Other co-conspirators would then provide the inflated borrowing base to third parties in order to obtain a fabricated MSR valuation and to meet the necessary collateral thresholds.

IV. Ocala Funding LLC

15. In or about January 2005, TBW established a wholly-owned special purpose entity called Ocala Funding, LLC, as a financing vehicle to provide it with additional funding for mortgage loans. Ocala Funding was managed by TBW and had no employees of its own. The facility obtained funds for mortgage lending from the sale of asset-backed commercial paper to financial institutions.

16. The defendant learned from Farkas and other co-conspirators at TBW that within a year of its formation, Ocala Funding had a significant collateral deficit. The defendant was

aware that the commercial paper should have been fully backed by collateral. By in or about 2008, the defendant learned that the size of the collateral deficit had grown to hundreds of millions of dollars.

17. The defendant understands that the government would prove at trial that by August 2009, the total collateral deficit in Ocala Funding was approximately \$1.5 billion and that TBW co-conspirators caused Colonial Bank and the Federal Home Loan Mortgage Corporation (Freddie Mac) to falsely believe that they each had an undivided ownership interest in thousands of the same loans worth hundreds of millions of dollars.

V. False Financial Statements

18. BOWMAN knew that Colonial BancGroup was a public company that filed with the United States Securities and Exchange Commission (SEC) public reports, including annual reports on Form 10-K and quarterly reports on Form 10-Q. As the government would prove, Colonial BancGroup's Forms 10-K and Forms 10-Q were filed electronically with the SEC's EDGAR Management Office of Information and Technology, in Alexandria, Virginia, during the period set forth in the Information. The defendant was aware that co-conspirators took steps to hide the fraud scheme described in this statement of facts from Colonial Bank's and Colonial BancGroup's senior management, auditors, and regulators, and Colonial BancGroup's shareholders, including by providing materially false information that significantly overstated assets held on COLB and AOT. The defendant knew that these actions caused materially false financial data to be reported to Colonial BancGroup and incorporated in its publicly filed statements.

19. The defendant also knew that the fraudulent scheme described in the statement of facts caused TBW to materially misstate its assets in its financial statements. The defendant

knew that TBW provided annually the materially false financial statements to Ginnie Mae and Freddie Mac for purposes of renewing TBW's authority to issue and service Ginnie Mae and Freddie Mac securities.

VI. False Statements to the FBI

20. On August 3, 2009, as part of an ongoing criminal investigation into potential fraudulent activity at TBW, agents from the Federal Bureau of Investigation ("FBI") and the Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP"), interviewed the defendant.

21. In response to questions from the FBI and SIGTARP agents, the defendant falsely stated that he was not aware of Plan B loans, and that he was not aware of any fraudulent activities between Colonial Bank and TBW.

VII. Conclusion

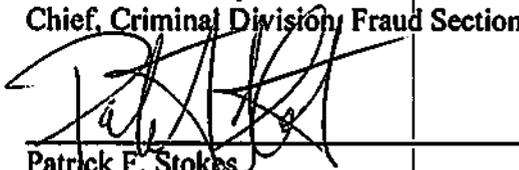
22. The defendant admits that this statement of facts does not represent and is not intended to represent an exhaustive factual recitation of all the facts about which he has knowledge relating to the scheme to defraud as described herein.

23. The defendant admits that his actions, as recounted herein, were in all respects intentional and deliberate, reflecting an intention to do something the law forbids, and were not in any way the product of any accident or mistake of law or fact.

Respectfully submitted,

Denis J. McInerney
United States Department of Justice
Chief, Criminal Division, Fraud Section

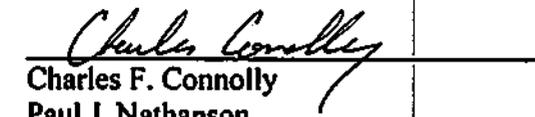
By:



Patrick F. Stokes
Deputy Chief
Robert Zink
Trial Attorney

Neil H. MacBride
United States Attorney

By:



Charles F. Connolly
Paul J. Nathanson
Assistant United States Attorneys

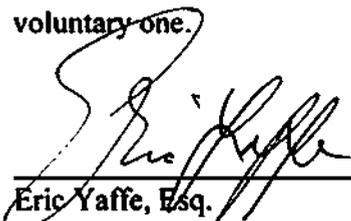
After consulting with my attorney and pursuant to the plea agreement entered into this day between the defendant, RAYMOND BOWMAN, and the United States, I hereby stipulate that the above Statement of Facts is true and accurate to the best of my knowledge, and that had the matter proceeded to trial, the United States would have proved the same beyond a reasonable doubt.



Raymond Bowman
Defendant

Date: 3/14/11

I am RAYMOND BOWMAN's attorney. I have carefully reviewed the above Statement of Facts with him. To my knowledge, his decision to stipulate to these facts is an informed and voluntary one.



Eric Yaffe, Esq.
John Lee, Esq.
Michael Kelly, Esq.
Attorneys for Defendant

Date: 3/14/11

property by means of materially false and fraudulent pretenses, representations, and promises, to knowingly transmit and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, § 1343; and,

c. securities fraud, that is, to knowingly and intentionally execute a scheme and artifice to defraud any person in connection with any security of an issuer with a class of securities registered under § 12 of the Securities Exchange Act of 1934 (Title 15, United States Code, § 781), in violation of Title 18, United States Code, § 1348.

2. Among the manner and means by which defendant BROWN and others would and did carry out the conspiracy included, but were not limited to, the following:

a. Co-conspirators caused the transfer of funds between Taylor, Bean & Whitaker Mortgage Corp. (TBW) bank accounts at Colonial Bank in an effort to hide TBW overdrafts.

b. BROWN and co-conspirators caused TBW to sell to Colonial Bank mortgage loan assets, via the COLB facility, that included loans that did not exist or that had been committed or sold to third parties.

c. BROWN and co-conspirators caused TBW to sell to Colonial Bank, via the AOT facility, fictitious Trades that had no mortgage loans collateralizing them and that had fabricated agreements reflecting commitments by investors to purchase them in the near future.

d. BROWN and co-conspirators caused TBW to sell to Colonial Bank, via the AOT facility, Trades backed by impaired-value loans and real estate owned that had

fabricated agreements reflecting commitments by investors to purchase them in the near future.

e. BROWN and co-conspirators periodically “recycled” fraudulent loans, identified as Plan B loans, on the COLB facility and the fictitious and impaired Trades on the AOT facility to give the false appearance that old loans and Trades had been sold and replaced by new loans and Trades.

f. BROWN and co-conspirators covered up their misappropriations of funds from the COLB and AOT facilities by providing false documents and information to Colonial Bank.

g. BROWN and TBW co-conspirators misappropriated funds from Ocala Funding bank accounts.

h. BROWN and TBW co-conspirators covered up shortfalls in collateral held by Ocala Funding to back commercial paper by sending investors and others documents containing material misrepresentations.

i. BROWN and TBW co-conspirators caused mortgage loans held by Ocala Funding to be sold to both Colonial Bank and Freddie Mac.

j. BROWN and co-conspirators caused Colonial BancGroup to file with the Securities and Exchange Commission (SEC) materially false annual reports contained in Forms 10-K and quarterly reports contained in Forms 10-Q that misstated the value and nature of assets held by Colonial BancGroup.

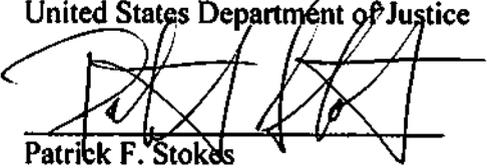
k. BROWN and co-conspirators caused TBW to submit materially false information to Ginnie Mae and Freddie Mac to obtain an extension of authority to issue Ginnie Mae and Freddie Mac mortgage-backed securities.

I. **BROWN and co-conspirators caused Colonial BancGroup to submit materially false information to the FDIC and to the SEC in furtherance of its application for Troubled Asset Relief Program funds.**

(All in violation of Title 18, United States Code, § 1349.)

**DENIS J. MCINERNEY
Chief, Fraud Section
Criminal Division
United States Department of Justice**

By:


Patrick F. Stokes
Deputy Chief
Robert A. Zink
Trial Attorney

**NEIL H. MACBRIDE
United States Attorney**

By:


Charles F. Connolly
Paul J. Nathanson
Assistant United States Attorneys



Office of General Counsel
Departmental Enforcement Center

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Ms. Desiree Elizabeth Brown
Inmate Number: 77923-083
FCI Coleman Medium
Satellite Camp
P.O. Box 1027
Coleman, FL 33521

Re: Notice of Final Determination

Dear Ms. Brown:

By notice dated October 14, 2011 (Notice), you were told that the Department of Housing and Urban Development (HUD) proposed your debarment for an indefinite period. You were informed of your right to submit, within 30 days of your receipt of the Notice, a written argument and a request for a hearing in opposition to the proposed debarment action. You also were advised that if you did not respond to the Notice within 30 days, a final determination would be issued.

You did not respond to the Notice within the required 30 days and your debarment has become final. During your debarment, you are excluded from procurement and nonprocurement transactions, as either a principal or participant, with HUD and throughout the Executive Branch of the Federal Government. Your debarment is effective for an indefinite period from the date of this notice.

Sincerely,

(b)(7)(C)

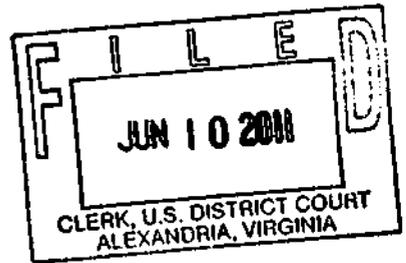
Craig T. Clemmensen
Director
Departmental Enforcement Center

cc:		
CACB	Director, DEC, Craig T. Clemmensen	Portals 200
CACC	Associate General Counsel for Program Enforcement (Dane M. Narode.)	Portals 200
C	Deputy General Counsel for Enforcement and Fair Housing (Michelle M. Aronowitz)	
OIG	Special Agent In Charge, Tampa, (b)(7)(C)	4OGI
OIG	Asst. SAIC, Tampa, (b)(7)(C)	4OGI
Field Office Dir.	Miami Field Office, Armando Fana	4DMA
Chief Counsel	Miami Office, Sharon Swain	4DC
Director	Atlanta SF HOC, N. Daniel Rogers, III	4AHH
Chief	QAD, Atlanta SF HOC, Nora G. Kittrell	4AHHQ3
CID	cid_dec@hudoig.gov	
CACBB	(b)(7)(C)	Portals 200
CACBB	File	Portals 200

Mail: Christopher R. Sharpley
Deputy Inspector General for Investigations
Office of Inspector General
Federal Housing Finance Agency
1625 Eye Street, NW
Washington, DC 20006

Sharepoint:V.M Williams\BROWN_Dcsiree Elizabeth\Final Determination/typed 12/12/2011

**UNITED STATES DISTRICT COURT
Eastern District of Virginia
Alexandria Division**



UNITED STATES OF AMERICA

v.

Case Number 1:11CR00084-001

DESIREE ELIZABETH BROWN,

Defendant.

JUDGMENT IN A CRIMINAL CASE

The defendant, **DESIREE ELIZABETH BROWN**, was represented by Jack Maro, Esquire.

The defendant pleaded guilty to Count 1 of the Criminal Information. Accordingly, the defendant is adjudged guilty of the following count, involving the indicated offense:

<u>Title & Section</u>	<u>Nature of Offense</u>	<u>Date Offense Concluded</u>	<u>Count Number</u>
18 U.S.C. § 1349	Conspiracy to Commit Bank Fraud, Wire Fraud, and Securities Fraud (Felony)	08/2009	1

As pronounced on June 10, 2011, the defendant is sentenced as provided in pages 2 through 8** of this Judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

IT IS FURTHER ORDERED that the defendant shall notify the United States Attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid.

Signed this 10th day of June, 2011.



 Leonie M. Brinkema
 United States District Judge

** Page 8 of this document contains sealed information

Defendant: DESIREE ELIZABETH BROWN
Case Number: 1:11CR00084-001

IMPRISONMENT

The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a term of SEVENTY-TWO (72) MONTHS, with credit for time served.

The Court makes the following recommendations to the Bureau of Prisons:

The defendant be designated to F.C.C. Coleman, Florida.

The defendant shall surrender for service of sentence at the institution designated by the Bureau of Prisons as notified by the United States Marshal. Until she self surrenders, the defendant shall remain under the Order Setting Conditions of Release entered on February 24, 2011.

RETURN

I have executed this Judgment as follows:

Defendant delivered on _____ to _____ at _____, with a certified copy of this Judgment.

c: P.O. (2) (3)
Mshl. (4) (2)
U.S.Atty.
U.S.Coll.
Dft. Cnsl.
PTS
Financial
Registrar
ob

By _____
United States Marshal

Deputy Marshal

Defendant: DESIREE ELIZABETH BROWN
Case Number: 1:11CR00084-001

SUPERVISED RELEASE

Upon release from imprisonment, the defendant shall be on supervised release for a term of THREE (3) YEARS.

The Probation Office shall provide the defendant with a copy of the standard conditions and any special conditions of supervised release.

The defendant shall report to the probation office in the district to which the defendant is released within 72 hours of release from the custody of the Bureau of Prisons.

While on supervised release, the defendant shall not commit another federal, state, or local crime.

While on supervised release, the defendant shall not illegally possess a controlled substance.

While on supervised release, the defendant shall not possess a firearm or destructive device.

If this judgment imposes a fine or a restitution obligation, it shall be a condition of supervised release that the defendant pay any such fine or restitution in accordance with the Schedule of Payments set forth in the Criminal Monetary Penalties sheet of this judgment.

STANDARD CONDITIONS OF SUPERVISED RELEASE

The defendant shall comply with the standard conditions that have been adopted by this Court (set forth below):

- 1) The defendant shall not leave the judicial district without the permission of the Court or probation officer.
- 2) The defendant shall report to the probation officer and shall submit a truthful and complete written report within the first five days of each month.
- 3) The defendant shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer.
- 4) The defendant shall support his or her dependents and meet other family responsibilities.
- 5) The defendant shall work regularly at a lawful occupation unless excused by the probation officer for schooling, training, or other acceptable reasons.
- 6) The defendant shall notify the Probation Officer within 72 hours, or earlier if so directed, of any change in residence.
- 7) The defendant shall refrain from excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any narcotic or other controlled substance, or any paraphernalia related to such substances, except as prescribed by physician.
- 8) The defendant shall not frequent places where controlled substances are illegally sold, used, distributed or administered.
- 9) The defendant shall not associate with any persons engaged in criminal activity, and shall not associate with any person convicted of a felony unless granted permission to do so by the probation officer.
- 10) The defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view of the probation officer.
- 11) The defendant shall notify the probation officer within seventy-two hours of being arrested or questioned by a law enforcement officer.
- 12) The defendant shall not enter into any agreement to act as an informer or a special agent of a law enforcement agency without the permission of the Court.
- 13) As directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics, and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.

Defendant: DESIREE ELIZABETH BROWN
Case Number: 1:11CR00084-001

SPECIAL CONDITIONS OF SUPERVISION

While on supervised release, pursuant to this Judgment, the defendant shall also comply with the following additional conditions:

- 1) The defendant shall provide the probation officer access to any requested financial information, and waive all privacy rights.
- 2) The defendant shall not open any new lines of credit or engage in any significant financial transactions without prior approval of the probation officer.
- 3) The defendant shall make a good faith effort to pay her full restitution obligation during supervised release, to begin 60 days after release from custody, until paid in full. The defendant shall pay restitution jointly and severally with her co-defendants.
- 4) As directed by the probation officer, the defendant shall apply monies received from income tax refunds, lottery winnings, inheritances, judgments, and any unanticipated or unexpected financial gain to the outstanding court ordered financial obligation.
- 5) The defendant shall advise any employers of the nature of her conviction and supervision.
- 6) Although mandatory drug testing is waived pursuant to 18 U.S.C. §3563(a)(4), defendant must remain drug free and her probation officer may require random drug testing at any time.

Defendant: DESIREE ELIZABETH BROWN

Case Number: 1:11CR00084-001

CRIMINAL MONETARY PENALTIES

The defendant shall pay the following total monetary penalties in accordance with the schedule of payments set out below.

<u>Count</u>	<u>Special Assessment</u>	<u>Fine</u>
1	\$100.00	
<u>Total</u>	<u>\$100.00</u>	<u>\$0.00</u>

FINE

No fines have been imposed in this case.

SCHEDULE OF PAYMENTS

Payments shall be applied in the following order: (1) assessment; (2) restitution; (3) fine principal; (4) cost of prosecution; (5) interest; (6) penalties.

The special assessment is due in full immediately. If not paid immediately, the Court authorizes the deduction of appropriate sums from the defendant's account while in confinement in accordance with the applicable rules and regulations of the Bureau of Prisons.

Any special assessment, restitution, or fine payments may be subject to penalties for default and delinquency.

If this judgment imposes a period of imprisonment, payment of Criminal Monetary penalties shall be due during the period of imprisonment.

All criminal monetary penalty payments are to be made to the Clerk, United States District Court, except those payments made through the Bureau of Prisons' Inmate Financial Responsibility Program.

Defendant: DESIREE ELIZABETH BROWN
Case Number: 1:11CR00084-001

RESTITUTION AND FORFEITURE

RESTITUTION

Restitution to be determined and reflected in a separate order to be issued in the future.

Total

Payments of restitution are to be made to Clerk, U. S. District Court, 401 Courthouse Square, Alexandria, VA 22314.

Restitution is due and payable immediately and shall be paid in equal monthly payments to be determined and to commence within 60 days of release, until paid in full.

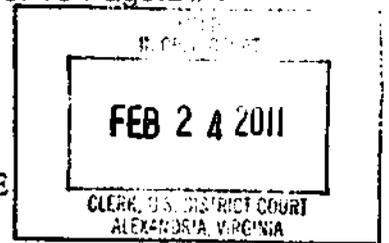
Interest on Restitution has been waived.

If there are multiple payees, any payment not made directly to a payee shall be divided proportionately among the payees named unless otherwise specified here:

Defendant is jointly and severally liable with co-defendants.

FORFEITURE

Forfeiture has not been ordered in this case.



IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA)	
)	
v.	)	CRIMINAL NO. 1:11CR84
)	
DESIREE BROWN,)	
)	
Defendant.)	

PLEA AGREEMENT

Denis J. McInerney, Chief, Fraud Section of the Criminal Division of the United States Department of Justice, Patrick F. Stokes, Deputy Chief, and Robert A. Zink, Trial Attorney, and Neil H. MacBride, United States Attorney for the Eastern District of Virginia, Charles F. Connolly and Paul J. Nathanson, Assistant United States Attorneys, and the defendant, DESIREE BROWN, and the defendant's counsel have entered into an agreement pursuant to Rule 11 of the Federal Rules of Criminal Procedure. The terms of the agreement are as follows:

1. Offenses and Maximum Penalties

The defendant agrees to waive indictment and plead guilty to a one-count criminal information charging the defendant with conspiracy (in violation of Title 18, United States Code, Section 1349) to commit bank fraud (in violation of Title 18, United States Code, Section 1344), securities fraud (in violation of Title 18, United States Code, Section 1348), and wire fraud (in violation of Title 18, United States Code, Section 1343). The maximum penalties for conspiracy are a maximum term of thirty (30) years of imprisonment; a fine of \$250,000, or alternatively, a fine of not more than the greater of twice the gross gain or twice the gross loss; full restitution; a special

assessment; and five (5) years of supervised release. The defendant understands that this supervised release term is in addition to any prison term the defendant may receive, and that a violation of a term of supervised release could result in the defendant being returned to prison for the full term of supervised release.

2. Factual Basis for the Plea

The defendant will plead guilty because the defendant is in fact guilty of the charged offense. The defendant admits the facts set forth in the statement of facts filed with this plea agreement and agrees that those facts establish guilt of the offenses charged beyond a reasonable doubt. The statement of facts, which is hereby incorporated into this plea agreement, constitutes a stipulation of facts for purposes of Section 1B1.2(a) of the Sentencing Guidelines.

3. Assistance and Advice of Counsel

The defendant is satisfied that the defendant's attorneys have rendered effective assistance. The defendant understands that by entering into this agreement, the defendant surrenders certain rights as provided in this agreement. The defendant understands that the rights of criminal defendants include the following:

- a. the right to plead not guilty and to persist in that plea;
- b. the right to a jury trial;
- c. the right to be represented by counsel – and if necessary have the court appoint counsel – at trial and at every other stage of the proceedings; and
- d. the right at trial to confront and cross-examine adverse witnesses, to be protected from compelled self-incrimination, to testify and present evidence, and to compel the attendance of witnesses.

4. Role of the Court and the Probation Office

The defendant understands that the Court has jurisdiction and authority to impose any sentence within the statutory maximum described above but that the Court will determine the defendant's actual sentence in accordance with 18 U.S.C. § 3553(a). The defendant understands that the Court has not yet determined a sentence and that any estimate of the advisory sentencing range under the U.S. Sentencing Commission's Sentencing Guidelines Manual the defendant may have received from the defendant's counsel, the United States, or the Probation Office, is a prediction, not a promise, and is not binding on the United States, the Probation Office, or the Court. Additionally, pursuant to the Supreme Court's decision in *United States v. Booker*, 543 U.S. 220, 125 S. Ct. 738 (2005), the Court, after considering the factors set forth in 18 U.S.C. § 3553(a), may impose a sentence above or below the advisory sentencing range, subject only to review by higher courts for reasonableness. The United States makes no promise or representation concerning what sentence the defendant will receive, and the defendant cannot withdraw a guilty plea based upon the actual sentence.

5. Waiver of Appeal, FOIA and Privacy Act Rights

The defendant also understands that Title 18, United States Code, Section 3742 affords a defendant the right to appeal the sentence imposed. Nonetheless, the defendant knowingly waives the right to appeal the conviction and any sentence within the statutory maximum described above (or the manner in which that sentence was determined) on the grounds set forth in Title 18, United States Code, Section 3742 or on any ground whatsoever, in exchange for the concessions made by the United States in this plea agreement. This agreement does not affect the rights or obligations of the United States as set forth in Title 18, United States Code, Section 3742(b). The defendant also

hereby waives all rights, whether asserted directly or by a representative, to request or receive from any department or agency of the United States any records pertaining to the investigation or prosecution of this case, including without limitation any records that may be sought under the Freedom of Information Act, Title 5, United States Code, Section 552, or the Privacy Act, Title 5, United States Code, Section 552a.

6. Recommended Sentencing Factors

In accordance with Rule 11(c)(1)(B) of the Federal Rules of Criminal Procedure, the United States and the defendant will recommend to the Court that the following provisions of the Sentencing Guidelines apply:

- a. pursuant to USSG § 2B1.1(a)(1), the base offense level for the conduct charged in Count One is 7;
- b. pursuant to USSG § 2B1.1(b)(1)(P), the conduct charged in Count One resulted in a loss of more than \$400,000,000.00 and qualifies for a 30-level upward adjustment;
- c. pursuant to USSG § 2B1.1(b)(2)(C), the conduct charged in Count One involved 250 or more victims and qualifies for a 6-level upward adjustment, and pursuant to USSG § 2B1.1(b)(14)(B), the conduct charged in Count One substantially jeopardized the safety and soundness of a financial institution; accordingly, the defendant qualifies for an 8-level upward adjustment pursuant to USSG § 2B1.1(b)(14)(C);
- d. pursuant to USSG § 2B1.1(b)(9), the conduct charged in Count One involved sophisticated means and qualifies for a 2-level upward adjustment;

- e. pursuant to USSG § 3B1.1(b), the defendant's role in the offense charged in Count One was one of a manager or supervisor in a criminal activity that involved five or more participants or was otherwise extensive and qualifies for a 3-level upward adjustment; and
- f. pursuant to U.S.S.G. § 3E1.1(b), the defendant has assisted the government in the investigation and prosecution of the defendant's own misconduct by timely notifying authorities of the defendant's intention to enter a plea of guilty, thereby permitting the government to avoid preparing for trial and permitting the government and the Court to allocate their resources efficiently. If the defendant qualifies for a 2-level decrease in offense level pursuant to U.S.S.G. § 3E1.1(a) and the offense level prior to the operation of that section is a level 16 or greater, the government agrees to file, pursuant to U.S.S.G. § 3E1.1(b), a motion prior to, or at the time of, sentencing for an additional 1-level decrease in the defendant's offense level.

The United States and the defendant may argue at sentencing that additional provisions of the Sentencing Guidelines apply.

7. Special Assessment

Before sentencing in this case, the defendant agrees to pay a mandatory special assessment of one hundred dollars (\$100.00) per count of conviction.

8. Payment of Monetary Penalties

The defendant understands and agrees that whatever monetary penalties are imposed by the Court pursuant to Title 18, United States Code, Section 3613, will be due and payable immediately

and subject to immediate enforcement by the United States. Furthermore, the defendant agrees to provide all of her financial information to the United States and the Probation Office and, if requested, to participate in a pre-sentencing debtor's examination. If the Court imposes a schedule of payments, the defendant understands that the schedule of payments is merely a minimum schedule of payments and not the only method, nor a limitation on the methods, available to the United States to enforce the judgment. If the defendant is incarcerated, the defendant agrees to participate in the Bureau of Prisons' Inmate Financial Responsibility Program, regardless of whether the Court specifically directs participation or imposes a schedule of payments.

9. Restitution for Offenses of Conviction

The defendant agrees to the entry of a Restitution Order for the full amount of the victims' losses. At this time, the Government is aware that the following victims have suffered the following losses: To Be Determined

10. Limited Immunity from Further Prosecution

The Fraud Section of the Criminal Division of the United States Department of Justice and the Criminal Division of the United States Attorney's Office for the Eastern District of Virginia will not further criminally prosecute the defendant for the specific conduct described in the information or statement of facts. The defendant understands that this agreement is binding only upon the Fraud Section of the Criminal Division of the United States Department of Justice and the Criminal Division of the United States Attorney's Office for the Eastern District of Virginia. This agreement does not bind the Civil Division of the United States Department of Justice or the United States Attorney's Office for the Eastern District of Virginia or any other United States Attorney's Office, nor does it bind any other Section of the Department of Justice, nor does it bind any other state, local,

or federal prosecutor. It also does not bar or compromise any civil, tax, or administrative claim pending or that might be made against the defendant.

11. Defendant's Cooperation

The defendant agrees to cooperate fully and truthfully with the United States, and provide all information known to the defendant regarding any criminal activity as requested by the United States. In that regard:

- a. The defendant agrees to testify truthfully and completely as a witness before any grand jury or in any other judicial or administrative proceeding when called upon to do so by the United States.
- b. The defendant agrees to be reasonably available for debriefing and pre-trial conferences as the United States may require.
- c. The defendant agrees to provide all documents, records, writings, or materials of any kind in the defendant's possession or under the defendant's care, custody, or control relating directly or indirectly to all areas of inquiry and investigation by the United States or at the request of the United States.
- d. The defendant agrees that the Statement of Facts is limited to information to support the plea. The defendant will provide more detailed facts relating to this case during ensuing debriefings.
- e. The defendant is hereby on notice that the defendant may not violate any federal, state, or local criminal law while cooperating with the government, and that the government will, in its discretion, consider any such violation in

evaluating whether to file a motion for a downward departure or reduction of sentence.

- f. Nothing in this agreement places any obligation on the government to seek the defendant's cooperation or assistance.

12. Use of Information Provided by the Defendant Under This Agreement

Pursuant to Section 1B1.8 of the Sentencing Guidelines, no truthful information that the defendant provides pursuant to this agreement will be used to enhance the defendant's guidelines range. The United States will bring this plea agreement and the full extent of the defendant's cooperation to the attention of other prosecuting offices if requested. Nothing in this plea agreement, however, restricts the Court's or Probation Office's access to information and records in the possession of the United States. Furthermore, nothing in this agreement prevents the government in any way from prosecuting the defendant should the defendant provide false, untruthful, or perjurious information or testimony or from using information provided by the defendant in furtherance of any forfeiture action, whether criminal or civil, administrative or judicial.

13. Prosecution in Other Jurisdictions

The Fraud Section of the Criminal Division of the United States Department of Justice and the Criminal Division of the United States Attorney's Office for the Eastern District of Virginia will not contact any other state or federal prosecuting jurisdiction and voluntarily turn over truthful information that the defendant provides under this agreement to aid a prosecution of the defendant in that jurisdiction. Should any other prosecuting jurisdiction attempt to use truthful information the defendant provides pursuant to this agreement against the defendant, the Fraud Section of the

Criminal Division of the United States Department of Justice and the Criminal Division of the United States Attorney's Office for the Eastern District of Virginia agree, upon request, to contact that jurisdiction and ask that jurisdiction to abide by the immunity provisions of this plea agreement. The parties understand that the prosecuting jurisdiction retains the discretion over whether to use such information.

14. Defendant Must Provide Full, Complete and Truthful Cooperation

This plea agreement is not conditioned upon charges being brought against any other individual. This plea agreement is not conditioned upon any outcome in any pending investigation. This plea agreement is not conditioned upon any result in any future prosecution which may occur because of the defendant's cooperation. This plea agreement is not conditioned upon any result in any future grand jury presentation or trial involving charges resulting from this investigation. This plea agreement is conditioned upon the defendant providing full, complete and truthful cooperation.

15. Motion for a Downward Departure

The parties agree that the United States reserves the right to seek any departure from the applicable sentencing guidelines, pursuant to Section 5K1.1 of the Sentencing Guidelines and Policy Statements, or any reduction of sentence pursuant to Rule 35(b) of the Federal Rules of Criminal Procedure, if, in its sole discretion, the United States determines that such a departure or reduction of sentence is appropriate.

16. Order of Prohibition

The defendant agrees that she will consent to an Order of Prohibition From Further Participation pursuant to section 8(e) of the Federal Deposit Insurance Act, 12 U.S.C. § 1818(e), by

entering into a Stipulation and Consent to the Issuance of an Order of Prohibition From Further Participation. The defendant also agrees that she will consent to an Order of Prohibition by entering into a Stipulation and Consent to the Issuance of an Order of Prohibition with the Office of Thrift Supervision.

17. The Defendant's Obligations Regarding Assets Subject to Forfeiture

The defendant agrees to identify all assets over which the defendant exercises or exercised control, directly or indirectly, within the past seven years, or in which the defendant has or had during that time any financial interest. The defendant agrees to take all steps as requested by the United States to obtain from any other parties by any lawful means any records of assets owned at any time by the defendant. The defendant agrees to undergo any polygraph examination the United States may choose to administer concerning such assets and to provide and/or consent to the release of the defendant's tax returns for the previous six years. Defendant agrees to forfeit to the United States all of the defendant's interests in any asset of a value of more than \$1000 that, within the last eight years, the defendant owned, or in which the defendant maintained an interest, the ownership of which the defendant fails to disclose to the United States in accordance with this agreement.

18. Forfeiture Agreement

The defendant agrees to forfeit all interests in any asset that the defendant owns or over which the defendant exercises control, directly or indirectly, as well as any property that is traceable to, derived from, fungible with, or a substitute for property that constitutes the proceeds of her offense, including any existing property purchased with funds improperly obtained from TBW or the proceeds of the sale of such property. The defendant further agrees to waive all interest in the

asset(s) in any administrative or judicial forfeiture proceeding, whether criminal or civil, state or federal. The defendant agrees to consent to the entry of orders of forfeiture for such property and waives the requirements of Federal Rules of Criminal Procedure 32.2 and 43(a) regarding notice of the forfeiture in the charging instrument, announcement of the forfeiture at sentencing, and incorporation of the forfeiture in the judgment. The defendant understands that the forfeiture of assets is part of the sentence that may be imposed in this case. The Fraud Section of the Criminal Division of the United States Department of Justice and the Criminal Division of the United States Attorney's Office for the Eastern District of Virginia agree to recommend to the Department of Justice, Criminal Division, Asset Forfeiture and Money Laundering Section that any monies obtained from the defendant through forfeiture be transferred to the Clerk to distribute to the victims of the offense in accordance with any restitution order entered in this case.

19. Waiver of Further Review of Forfeiture

The defendant further agrees to waive all constitutional and statutory challenges in any manner (including direct appeal, habeas corpus, or any other means) to any forfeiture carried out in accordance with this Plea Agreement on any grounds, including that the forfeiture constitutes an excessive fine or punishment. The defendant also waives any failure by the Court to advise the defendant of any applicable forfeiture at the time the guilty plea is accepted as required by Rule 11(b)(1)(J). The defendant agrees to take all steps as requested by the United States to pass clear title to forfeitable assets to the United States, and to testify truthfully in any judicial forfeiture proceeding. The defendant understands and agrees that all property covered by this agreement is subject to forfeiture as proceeds of illegal conduct, property facilitating illegal conduct, property involved in illegal conduct giving rise to forfeiture, and substitute assets for property otherwise subject to

forfeiture.

20. Breach of the Plea Agreement and Remedies

This agreement is effective when signed by the defendant, the defendant's attorney, and an attorney for the United States. The defendant agrees to entry of this plea agreement at the date and time scheduled with the Court by the United States (in consultation with the defendant's attorney). If the defendant withdraws from this agreement, or commits or attempts to commit any additional federal, state or local crimes, or intentionally gives materially false, incomplete, or misleading testimony or information, or otherwise violates any provision of this agreement, then:

- a. The United States will be released from its obligations under this agreement, including any obligation to seek a downward departure or a reduction in sentence. The defendant, however, may not withdraw the guilty plea entered pursuant to this agreement;
- b. The defendant will be subject to prosecution for any federal criminal violation, including, but not limited to, perjury and obstruction of justice, that is not time-barred by the applicable statute of limitations on the date this agreement is signed. Notwithstanding the subsequent expiration of the statute of limitations, in any such prosecution the defendant agrees to waive any statute-of-limitations defense; and
- c. Any prosecution, including the prosecution that is the subject of this agreement, may be premised upon any information provided, or statements made, by the defendant, and all such information, statements, and leads

derived therefrom may be used against the defendant. The defendant waives any right to claim that statements made before or after the date of this agreement, including the statement of facts accompanying this agreement or adopted by the defendant and any other statements made pursuant to this or any other agreement with the United States, should be excluded or suppressed under Fed. R. Evid. 410, Fed. R. Crim. P. 11(f), the Sentencing Guidelines or any other provision of the Constitution or federal law.

Any alleged breach of this agreement by either party shall be determined by the Court in an appropriate proceeding at which the defendant's disclosures and documentary evidence shall be admissible and at which the moving party shall be required to establish a breach of the plea agreement by a preponderance of the evidence. The proceeding established by this paragraph does not apply, however, to the decision of the United States whether to file a motion based on "substantial assistance" as that phrase is used in Rule 35(b) of the Federal Rules of Criminal Procedure and Section 5K1.1 of the Sentencing Guidelines and Policy Statements. The defendant agrees that the decision whether to file such a motion rests in the sole discretion of the United States.

21. Nature of the Agreement and Modifications

This written agreement constitutes the complete plea agreement between the United States, the defendant, and the defendant's counsel. The defendant and her attorney acknowledge that no threats, promises, or representations have been made, nor agreements reached, other than those set forth in writing in this plea agreement, to cause the defendant to plead guilty. Any modification of this plea agreement shall be valid only as set forth in writing in a supplemental or revised plea agreement signed by all parties.

Denis J. McInerney
Chief
Criminal Division, Fraud Section
United States Department of Justice

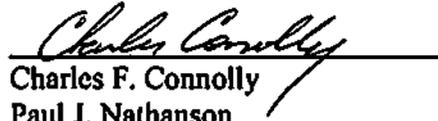
By:



Patrick F. Stokes
Deputy Chief
Robert A. Zink
Trial Attorney

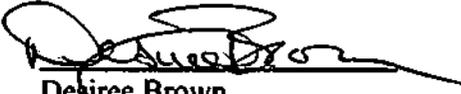
Neil H. MacBride
United States Attorney

By:



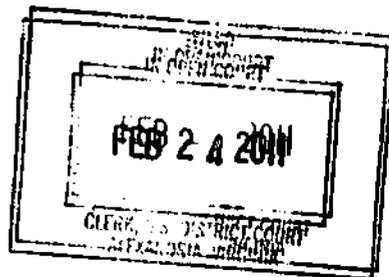
Charles F. Connolly
Paul J. Nathanson
Assistant United States Attorneys

Defendant's Signature: I hereby agree that I have consulted with my attorney and fully understand all rights with respect to the pending criminal information. Further, I fully understand all rights with respect to 18 U.S.C. § 3553 and the provisions of the Sentencing Guidelines Manual that may apply in my case. I have read this plea agreement and carefully reviewed every part of it with my attorney. I understand this agreement and voluntarily agree to it.

Date: 2/24/11 
Desiree Brown
Defendant

Defense Counsel Signature: I am counsel for the defendant in this case. I have fully explained to the defendant the defendant's rights with respect to the pending information. Further, I have reviewed 18 U.S.C. § 3553 and the Sentencing Guidelines Manual, and I have fully explained to the defendant the provisions that may apply in this case. I have carefully reviewed every part of this plea agreement with the defendant. To my knowledge, the defendant's decision to enter into this agreement is an informed and voluntary one.

Date: 2/24/11 
Jack Maro, Esq.
Thomas D. Hughes, Esq.
Counsel for the Defendant



IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA

v.

DESIREE BROWN,

Defendant.

)
)
)
)
)
)
)

CRIMINAL NO. 1:11 cr 84

STATEMENT OF FACTS

The United States and the defendant, DESIREE BROWN, agree that had this matter proceeded to trial the United States would have proven the facts set forth in this Statement of Facts beyond a reasonable doubt. Unless otherwise stated, the time periods for the facts set forth herein are at all times relevant to the charges in the Information.

I. Overview

1. From in or about October 2002 through in or about 2004, the defendant was a vice president of special projects at Taylor, Bean & Whitaker Mortgage Corp. (TBW) in Ocala, Florida. In or about 2004, the defendant took over the responsibilities of the controller of TBW, and she was later given the title of treasurer.

2. From in or about late 2003 through in or about August 2009, co-conspirators, including the defendant, engaged in a scheme to defraud various entities and individuals, including Colonial Bank, a federally insured bank; Colonial BancGroup, Inc.; shareholders of Colonial BancGroup; investors in Ocala Funding, LLC; the Troubled Asset Relief Program (TARP); and the investing public. One of the goals of the scheme to defraud was to obtain funding for TBW to assist it in covering expenses related to operations and servicing payments

owed to third-party purchasers of loans and/or mortgage-backed securities. By participating in the fraud scheme described below, the defendant knowingly and intentionally placed Colonial Bank and Colonial BancGroup at significant risk of incurring losses as a result of the scheme and, in fact, caused Colonial Bank to purchase purported assets from TBW of substantially more than \$400 million that in fact had no value and were held on Colonial Bank's and Colonial BancGroup's books as if they had actual value. Additionally, the defendant, along with other co-conspirators, caused TBW to misappropriate over \$1 billion in collateral from Ocala Funding, LLC, and to cover up this aspect of the fraud scheme.

II. Colonial Bank's Purchase of Worthless Assets from TBW

3. In or about December 2003, the defendant learned of and intentionally joined co-conspirators, including Lee Farkas, the chairman of TBW; a senior vice president and the head of the Mortgage Warehouse Lending Division (MWLD) of Colonial Bank; an operations supervisor at Colonial Bank; and other co-conspirators in carrying out a fraudulent scheme, known as "Plan B," to help TBW obtain funds through fictitious "sales" of mortgage loans to Colonial Bank.

4. Plan B involved "COLB"—a mortgage loan purchase facility at MWLD through which Colonial Bank purchased interests in individual residential mortgage loans from TBW pending resale of the loans to third-party investors. The purpose of the COLB facility was to provide mortgage companies, like TBW, with liquidity to generate new mortgage loans pending the resale of the existing mortgage loans to investors. The COLB facility was designed such that Colonial Bank would recoup its outlay only after TBW resold a mortgage loan to a third-party investor, which generally was supposed to take place within 90 days after being placed on the COLB facility.

5. Under "Plan B," the defendant, Farkas, and other co-conspirators sought to disguise the misappropriations of tens of millions of dollars of Colonial Bank funds to cover up TBW shortfalls and overdrafts of TBW's accounts at Colonial Bank as payments related to Colonial Bank's purchase through the COLB facility of legitimate TBW mortgage loans. The defendant, Farkas, and co-conspirators accomplished this by causing TBW to provide false mortgage loan data to Colonial Bank under the pretense that it was selling the bank interests in mortgage loans. As the defendant, Farkas, and co-conspirators knew, however, the Plan B data included data for loans that TBW had already committed or sold to other third-party investors or that did not exist. As a result, these loans were not, in fact, available for sale to Colonial Bank. Whether a particular Plan B loan was fictitious or owned by a third party, the defendant knew and understood that she and her co-conspirators had caused Colonial Bank to pay TBW for an asset that was worthless to Colonial Bank.

6. BROWN, Farkas, and other co-conspirators at TBW caused the Plan B loan data to be delivered to co-conspirators at Colonial Bank. As the defendant knew, Colonial Bank co-conspirators caused the Plan B loan data to be recorded in Colonial Bank's books and records to give the false appearance that Colonial Bank had purchased legitimate interests in mortgage loans from TBW through COLB.

7. To avoid scrutiny from regulators, auditors, and Colonial Bank management of Plan B loans sold to Colonial Bank, the defendant, Farkas, and other co-conspirators devised and implemented a plan that gave the false appearance that TBW was periodically selling the Plan B loans off of the COLB facility. In fact, Plan B loans were unable to be sold off of the COLB facility, and the conspirators instead created a document trail that disguised the existence of the Plan B loans.

8. In or about mid-2005, the defendant and co-conspirators caused the deficit created by Plan B to be moved from the COLB facility to MWLD's Assignment of Trade (AOT) facility. The AOT facility was designed for the purchase of interests in pools of loans, which were referred to as "Trades," that were in the process of being securitized and/or sold to third-party investors. The conspirators moved the deficit to the AOT facility in part because, unlike the COLB facility, Colonial Bank generally did not track in its accounting records loan-level data for the Trades held on the AOT facility, thus making detection of the scheme by regulators, auditors, Colonial Bank management, and others less likely.

9. In an effort to transfer the deficit caused by the Plan B loans on the COLB facility to the AOT facility, the defendant, Farkas, and other co-conspirators caused TBW to engage in sales to Colonial Bank of fictitious Trades purportedly backed by pools of Plan B loans. In fact, the Trades had no collateral backing them. As the defendant and other co-conspirators knew, Colonial Bank held these fictitious Trades in its accounting records at the amount Colonial Bank paid for them.

10. After moving the Plan B deficit from the COLB facility to the AOT facility, TBW continued to experience significant operating losses. From in or about mid-2005 through in or about 2009, the defendant, Farkas, and other co-conspirators continued to cause TBW to sell additional fictitious Trades to Colonial Bank through the AOT facility. These Trades had no pools of loans collateralizing them. Moreover, the defendant and other co-conspirators caused the creation of false documents to reflect agreements, as required under the AOT facility, for third-party investors to purchase the Trades within a short period of time. This fraudulent AOT funding was typically provided in an ad hoc fashion based on requests from the defendant,

Farkas, or other co-conspirators at TBW for, among other reasons, servicing obligations, operational expenses, and covering overdrafts.

11. To obtain funding, the defendant, Farkas, or other co-conspirators would contact a co-conspirator(s) at Colonial Bank to request an advance from AOT. Once an advance had been agreed to, the defendant and/or other co-conspirators at TBW caused a wire request to be generated for the funds and provided Colonial Bank co-conspirators with false documentation purporting to represent the sale of pools to Colonial Bank to support the release of the funds. Colonial Bank co-conspirators caused the false information to be entered on Colonial Bank's books and records, giving the appearance that Colonial Bank owned interests in legitimate Trades on AOT in exchange for the advances, when in fact those Trades had no value and could not be sold.

12. In addition to causing Colonial Bank to hold in its accounting records fictitious AOT Trades with no collateral backing them, the defendant, Farkas, and other co-conspirators caused Colonial Bank to hold in its accounting records AOT Trades backed by assets that TBW was unable to sell, including but not limited to impaired-value loans, charged-off loans, previously sold loans, loans in foreclosure, and real-estate owned (REO) property. The defendant, Farkas, and other co-conspirators also caused the creation of false documents to reflect agreements, as required under the AOT facility, for third-party investors to purchase these impaired Trades within a short period of time.

13. As with the Plan B loans, the defendant, Farkas, and other co-conspirators took steps to cover up the fictitious and impaired Trades on AOT by giving the false appearance that, periodically, the fictitious and impaired Trades were sold to third parties. The conspirators did this by, among other things, engaging in sham sales to hide the fact that the vast majority of

assets backing the AOT Trades could not be resold because the assets were either wholly fictitious or consisted of, among other things, impaired-value loans and REO and, in either case, had no corresponding, legitimate commitment to be purchased by third parties. The defendant, Farkas, and other co-conspirators engaged in these sham sales to deceive others, including regulators, auditors, and certain Colonial Bank management.

14. The size of the deficit created by providing fraudulent advances to TBW through Plan B loans and the fictitious AOT Trades fluctuated during the conspiracy, and it reached into the hundreds of millions of dollars. During the course of the conspiracy, the defendant and other co-conspirators negotiated the transfer of funds to Colonial Bank from TBW bank accounts or lending facilities and obtained other collateral from TBW and Farkas in order to reduce the deficit caused by the Plan B loans and the fictitious AOT Trades. Despite these efforts, the government would prove at a trial that during the course of the conspiracy charged in count one of the Information the defendant and co-conspirators caused Colonial Bank to pay TBW more than \$400 million for Plan B loans and fictitious AOT Trades, i.e., loans and Trades that had no value to Colonial Bank. Moreover, the government would prove that numerous wire transfers between Colonial Bank and TBW involved transfers to LaSalle Bank, which had been purchased by Bank of America. Some of these wires were processed from Chicago, Illinois, through a Bank of America server located in Richmond, Virginia.

III. False Financial Statements

15. BROWN knew that Colonial BancGroup was a public company that filed with the United States Securities and Exchange Commission (SEC) public reports, including annual reports on Form 10-K and quarterly reports on Form 10-Q. As the government would prove, Colonial BancGroup's Forms 10-K and Forms 10-Q were filed electronically with the SEC's

EDGAR Management Office of Information and Technology, in Alexandria, Virginia, during the period set forth in the Information. The defendant and her co-conspirators took steps to hide the fraud scheme described in this statement of facts from Colonial Bank's and Colonial BancGroup's senior management, auditors, and regulators, and Colonial BancGroup's shareholders, including by providing materially false information that significantly overstated assets held on COLB and AOT. The defendant knew that these actions caused materially false financial data to be reported to Colonial BancGroup and incorporated in its publicly filed statements.

16. For example, in its Form 10-K for the year ending December 31, 2008, which was filed on or about March 2, 2009, Colonial BancGroup reported that MWLD had total assets under management of approximately \$4.3 billion, of which approximately \$1.55 billion, or 36%, were held as AOT Trades reported as Securities Purchased under Agreements to Resell. In its last Form 10-Q filed with the SEC, for the period ended March 31, 2009, which was filed on or about May 8, 2009, Colonial BancGroup reported that MWLD managed assets valued at approximately \$4.9 billion, with approximately \$1.6 billion, or approximately 33%, held as AOT Trades reported as Securities Purchased under Agreements to Resell. As the defendant knew, the vast majority of the Trades held on AOT at that time were fictitious or impaired and were not under legitimate agreements to be resold to third-party investors.

17. The defendant also knew that the fraudulent scheme described in the statement of facts caused TBW to materially misstate its assets in its financial statements. The defendant knew that TBW provided annually the materially false financial statements to Ginnie Mae for purposes of renewing TBW's authority to issue and service Ginnie Mae securities.

IV. TARP Funding

18. In or about October 2008, Colonial BancGroup submitted an application to the FDIC seeking approximately \$570 million in TARP funding under the Capital Purchase Program. In connection with the application, regulators and the United States Treasury Department (Treasury) reviewed Colonial BancGroup's financial data and filings, including the materially false information related to mortgage loan and securities assets held by Colonial Bank's MWLD resulting from the fraudulent conduct of the defendant and co-conspirators. In or about December 2008, Treasury conditionally approved \$553 million of TARP funding to Colonial BancGroup if, among other things, Colonial BancGroup could first raise \$300 million in private capital.

19. The TARP application submitted by Colonial BancGroup relied on financial statements that included the false financial information described above that was a direct result of the fraud scheme perpetrated by the defendant and co-conspirators. The defendant learned that Colonial BancGroup had submitted a TARP application and understood that the application contained financial information based, in part, on the materially false information described above. The defendant also understood that the United States government considered the financial statements of Colonial BancGroup in determining whether to approve TARP funding. The defendant and co-conspirators assisted Colonial BancGroup in a capital raise to meet TARP's outside funding condition in order to obtain a significant cash infusion into Colonial BancGroup from the United States government, despite knowing that the Colonial BancGroup's application was based on materially false information. Colonial BancGroup never received TARP funding.

V. Ocala Funding LLC

20. In or about January 2005, TBW established a wholly-owned special purpose entity called Ocala Funding, LLC, as a financing vehicle to provide it additional funding for mortgage loans. Ocala Funding was managed by TBW and had no employees of its own. The defendant was one of the employees of TBW that managed Ocala Funding. The facility obtained funds for mortgage lending from the sale of asset-backed commercial paper to financial institutions.

21. The defendant, Farkas, and other co-conspirators at TBW caused the diversion of hundreds of millions of dollars from Ocala Funding bank accounts, located at LaSalle Bank, to pay TBW operating expenses, such as mortgage loan servicing payments owed to investors in Freddie Mac and Ginnie Mae securities, payroll, and other unrelated obligations. As a result of these diversions, Ocala Funding experienced significant shortfalls in the amount of collateral it possessed to back the outstanding commercial paper owned by its financial institution investors, including Deutsche Bank and BNP Paribas. In addition, the defendant and co-conspirators caused Ocala Funding to sell loans owned by Colonial Bank to Freddie Mac without paying Colonial Bank for the loans. As a result, the defendant and co-conspirators caused at least Freddie Mac and Colonial Bank to each believe it had an undivided ownership interest in thousands of the same loans.

22. To cover up the collateral shortfalls, the defendant, Farkas, and co-conspirators caused false information to be sent to the financial institution investors, including Deutsche Bank and BNP Paribas, in documents that inaccurately and intentionally inflated figures representing the aggregate value of the loans held in the Ocala Funding facility or under-reported the amount of outstanding commercial paper. By doing so, the defendant, Farkas, and co-

conspirators sought to mislead investors into believing that there was sufficient cash and mortgage loan collateral to back the outstanding commercial paper owned by the investors. The conspirators also sent LaSalle Bank falsified collateral lists that misrepresented the ownership status of mortgage loans held by Ocala Funding. As the government would prove at a trial, in total the misappropriated funds and double-sold mortgage loans amounted to more than \$1 billion.

VI. Conclusion

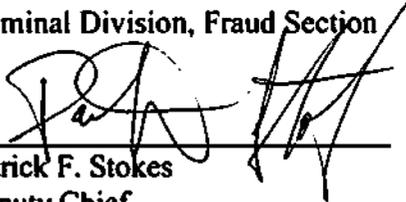
23. The defendant admits that this statement of facts does not represent and is not intended to represent an exhaustive factual recitation of all the facts about which she has knowledge relating to the scheme to defraud as described herein.

24. The defendant admits that her actions, as recounted herein, were in all respects intentional and deliberate, reflecting an intention to do something the law forbids, and were not in any way the product of any accident or mistake of law or fact.

Respectfully submitted,

Denis J. McNerney
United States Department of Justice
Chief
Criminal Division, Fraud Section

By:

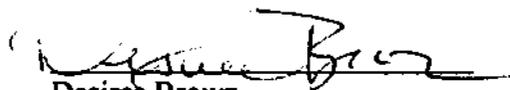

Patrick F. Stokes
Deputy Chief
Robert A. Zink
Trial Attorney

Neil H. MacBride
United States Attorney

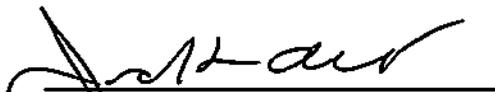
By:


Charles F. Connolly
Paul J. Nathanson
Assistant United States Attorneys

After consulting with my attorney and pursuant to the plea agreement entered into this day between the defendant, DESIREE BROWN, and the United States, I hereby stipulate that the above Statement of Facts is true and accurate to the best of my knowledge, and that had the matter proceeded to trial, the United States would have proved the same beyond a reasonable doubt.


Desiree Brown
Defendant

I am DESIREE BROWN's attorney. I have carefully reviewed the above Statement of Facts with her. To my knowledge, her decision to stipulate to these facts is an informed and voluntary one.

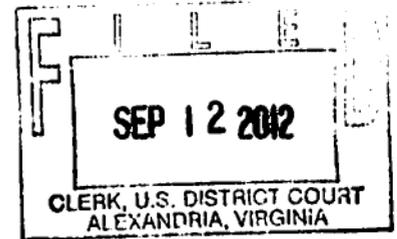


Jack Maro, Esq.
Attorney for Defendant



Thomas D. Hughes, Esq.
Attorney for Defendant

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
Alexandria Division



UNITED STATES OF AMERICA

v.

DELTON DE ARMAS,

Defendant.

)
)
)
)
)
)
)
)
)
)
)

Case No. 1:12-CR-96

Honorable Leonie M. Brinkema

RESTITUTION JUDGMENT

1. The defendant is sentenced to pay restitution of \$1,201,785,000 to Deutsche Bank, \$500,000,000 to BNP Paribas, and \$898,873,958 to the Federal Deposit Insurance Corporation, all jointly and severally with co-defendants ordered to pay restitution for the same losses as set forth in *United States v. Lee Bentley Farkas* (restitution judgments located at docket numbers 351 and 402 in 1:10-CR-200), *United States v. Catherine Kissick* (restitution judgments located at docket numbers 33 and 36 in 1:11-CR-88), *United States v. Desiree Brown* (restitution judgments located at docket numbers 31 and 34 in 1:11-CR-84), *United States v. Paul Allen* (restitution judgments located at docket numbers 32 and 35 in 1:11-CR-165), *United States v. Raymond Bowman* (restitution judgments located at docket numbers 33 and 36 in 1:11-CR-118), *United States v. Sean Ragland* (BNP Paribas only; restitution judgment located at docket number 31 at 1:11-CR-162), and *United States v. Teresa Kelly* (FDIC only; restitution judgment located at docket number 29 at 1:11-CR-119). Addresses for Deutsche Bank, BNP Paribas, and the Federal Deposit Insurance Corporation are set forth in Attachment A.

2. In order to insure that the defendant is able to pay the amounts which the Clerk may distribute to the victims, the defendant is hereby restrained and enjoined from dissipating, disposing of, encumbering or otherwise diminishing the value of any assets with a value of more than \$5,000 in which the defendant has an interest without first obtaining permission of the United States Probation Office and providing notice to the government. The United States may take all steps it deems appropriate to obtain a lien on the defendant's assets and may provide a copy of this order to any person or entity holding assets of the defendant, and may take any other steps provided by law to preserve the availability of property to satisfy the defendant's restitution obligation.
3. The Clerk is directed to pay victims the full amounts, as set forth in paragraph 1.
4. The amount of restitution paid to any victim, collectively, shall not exceed the victim's total loss from the offenses of conviction.
5. Interest:
 X is waived.
 accrues as provided in 18 U.S.C. § 3612(f).
6. Restitution is due immediately, and notwithstanding any other provision of this Restitution Judgment, the Government may enforce restitution at any time.
7. If incarcerated, the defendant shall participate in the Bureau of Prisons' Inmate Financial Responsibility Program at a rate of at least \$25 per quarter, or if assigned as a UNICOR grade 1 through 4 employee, at least 50% of the prisoner's monthly pay.
8. The defendant shall pay to the Clerk at least \$ 500.⁰⁰ ^{7ms} per month beginning 60 days after release from custody.
9. All payments shall be made to the Clerk of Court, United States District Court, 401 Court House Square, Alexandria, VA 22314.

10. The defendant shall notify, within 30 days, the Clerk of Court and the United States Attorney's Office, Financial Litigation Unit, 8000 World Trade Center, Norfolk, VA 23510 of: (a) any change of name, residence, or mailing address; and (b) any material change in economic circumstances that affects the ability to pay restitution.
11. No delinquent or default penalties will be imposed except upon Order of the Court.
12. Priority of Payments to Victims: Because there is more than one victim, and full amount due as restitution has not been paid, the Clerk shall make payments in \$100.00 increments to each of the victims until all victims have been paid in full.

SO ORDERED:



Leonie M. Brinkema
United States District Judge

ENTERED this 12th day of ~~June~~^{September}, 2012
in Alexandria, Virginia

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA	)	Case No. 1:12cr0096
)	
v.	)	Count 1: Conspiracy
	)	(18 U.S.C. § 371)
DELTON DE ARMAS,)	
	)	Count 2: False Statements
Defendant.	)	(18 U.S.C. § 1001)
)	

CRIMINAL INFORMATION

THE UNITED STATES CHARGES THAT:

Count 1

(Conspiracy to Commit Bank Fraud and Wire Fraud)

1. From in or about 2005 through in or about August 2009, in the Eastern District of Virginia and elsewhere, the defendant

DELTON DE ARMAS

did knowingly and intentionally combine, conspire, confederate, and agree with others known and unknown to commit certain offenses against the United States, namely:

a. bank fraud, that is, to knowingly and intentionally execute a scheme and artifice to defraud a financial institution, and to obtain any of the moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, a financial institution, by means of materially false and fraudulent pretenses, representations, and promises, in violation of Title 18, United States Code, Section 1344; and,

b. wire fraud, that is, having intentionally devised and intending to devise a scheme and artifice to defraud a financial institution, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, to knowingly transmit and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, Section 1343.

2. Among the manner and means by which defendant DE ARMAS and others would and did carry out the conspiracy included, but were not limited to, the following:

a. A co-conspirator tracked and reported to DE ARMAS the size of a collateral deficit (the “hole”) in Taylor Bean & Whitaker Mortgage Corp. (TBW) financing facility Ocala Funding LLC.

b. In an effort to conceal the hole from Ocala Funding’s investors, a co-conspirator and DE ARMAS subordinate, with DE ARMAS’s consent, produced reports that concealed the shortfall.

c. DE ARMAS and co-conspirators created a false theory for the Ocala Funding collateral shortfall, termed “loans in transit” or “intercompany receivable,” and used this explanation to mislead investors into believing there was no such collateral shortfall.

d. DE ARMAS and co-conspirators falsified mortgage loan data to inflate the valuations of TBW’s mortgage servicing rights (MSRs) in order to ensure the MSRs were sufficient to collateralize a TBW line of credit.

e. DE ARMAS instructed subordinates to falsify a loan participation receivable on TBW's books in order to inflate TBW's assets in financial statements provided to Ginnie Mae, Freddie Mac, Colonial Bank, and others, who relied on such financial statements in their dealings with TBW.

f. TBW conspirators caused false statements to be made to the FDIC regarding the identity of potential investors in a \$300 million capital raise on behalf of Colonial BancGroup, Inc., in an effort to secure the bank approximately \$550 million in TARP funding. The federal government had made the capital raise a prerequisite to the bank receiving the TARP funding.

3. In furtherance of the conspiracy and to effect the objects thereof, DE ARMAS and co-conspirators committed or caused others to commit the following overt acts, among others, in the Eastern District of Virginia and elsewhere:

a. On or about May 15, 2008, a co-conspirator sent by email from TBW in Ocala Florida, to DE ARMAS, to a co-conspirator in the Eastern District of Virginia, and to investors and other third parties, an Ocala Funding facility report that inflated the assets reportedly held in Ocala Funding by approximately \$680 million.

(All in violation of Title 18, United States Code, Section 371.)

Count 2

(False Statements)

1. On or about July 6, 2009, in the Eastern District of Virginia and elsewhere, the defendant

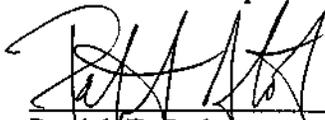
DELTON DE ARMAS

sent to Ginnie Mae, a wholly-owned government corporation within the U.S. Department of Housing and Urban Development, a letter in which DE ARMAS knowingly and intentionally omitted material facts related to the delay in TBW's submission of audited financial statements, as required by the Guaranty Agreement between TBW and Ginnie Mae.

(In violation of Title 18, United States Code, Sections 1001 & 2.)

DENIS J. MCINERNEY
Chief, Fraud Section
Criminal Division
United States Department of Justice

By:



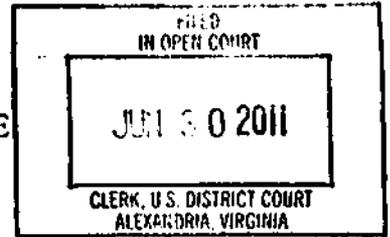
Patrick F. Stokes
Deputy Chief
Robert A. Zink
Trial Attorney

NEIL H. MACBRIDE
United States Attorney

By:



Charles F. Connolly
Paul J. Nathanson
Assistant United States Attorneys



IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
Alexandria Division

UNITED STATES OF AMERICA)
)
 v.)
) CRIMINAL NO. 1:10-CR-200-LMB
 LEE BENTLEY FARKAS,)
)
 Defendant.)
)

PRELIMINARY ORDER OF FORFEITURE

WHEREAS the Defendant, LEE BENTLEY FARKAS, was convicted by jury verdict on April 19, 2011, of conspiracy to commit bank fraud, wire fraud, and securities fraud, and substantive counts of bank fraud, wire fraud, and securities fraud, as charged in Counts 1–11 and 14–16 of the Indictment as violations of 18 U.S.C. §§ 2, 1343, 1344, 1348, and 1349; and,

WHEREAS the Indictment notified the Defendant that, upon conviction of any offenses charged in the Indictment, the United States would seek the forfeiture of “any property, real or personal, which constitutes or is derived from the proceeds traceable to the count of conviction”; and,

WHEREAS the United States has filed a Motion for Preliminary Order of Forfeiture and Forfeiture of Substitute Assets, and a Motion to Amend the Proposed Preliminary Order of Forfeiture and Order Forfeiting Substitute Assets, seeking a forfeiture of a total amount of \$38,541,209.69, which represents the amount of criminal proceeds that were received by the Defendant from the offenses of conviction;

IT IS HEREBY ORDERED THAT:

1. As a result of the guilty verdict on Counts 1–11 of the Indictment for conspiracy, bank fraud, and wire fraud, and pursuant to 18 U.S.C. §§ 982 and 981, the Defendant shall forfeit to the United States all property constituting, or derived from, proceeds the Defendant obtained directly or indirectly as the result of his violations of 18 U.S.C. §§ 1343, 1344, and 1349.
2. The Court has determined, based on the evidence already in the record, that the Defendant received \$38,541,209.69, constituting the proceeds of the offenses charged in Counts 1–11 of the Indictment, for which the Defendant has been convicted.
3. As a result of the offenses for which the Defendant was convicted, the Defendant shall forfeit a money judgment in the amount of \$38,541,209.69 as the value of the property constituting or derived from proceeds the defendant obtained directly or indirectly as the result of such violations.
4. The Court further finds that, because of the acts or omissions of the defendant, the proceeds of the offenses are no longer available for forfeiture for one or more of the reasons set forth in 21 U.S.C. § 853(p). As a result, pursuant to Fed. R. Crim. P. 32.2(e), the United States is entitled to an order forfeiting other property of the defendant as a substitute for the unavailable proceeds.
5. Accordingly, it is hereby ORDERED that all right, title and interest of the defendant, LEE BENTLEY FARKAS, in the following property is hereby forfeited to the United States:
 - a) real property known as 808 South Street, Unit 204, Key West, Florida;
 - b) real property known as 2010 NE 18th Street, Fort Lauderdale, Florida;

- c) real property known as 7785 SW 62nd Court, Ocala, Florida;
- d) real property known as 3064 Bay Street, Gulf Breeze, Florida;
- e) real property known as 2301 Solar Plaza Drive, Fort Lauderdale, Florida;
- f) real property known as 1222 SE 7th Street, Ocala, Florida;
- g) real property known as 101 NE 2nd Street, Ocala, Florida;
- h) real property known as 75 Rioux Lane, Surry, Maine;
- i) real property known as 815 S. Pine Avenue, Ocala, Florida;
- j) real property known as 1506 N. Magnolia Avenue, Ocala, Florida;
- k) real property known as 1433 NW 1st Avenue, Ocala, Florida;
- l) real property known as 1416 N. Magnolia Avenue, Ocala, Florida;
- m) real property known as 517 NE 14th Ave, Ft Lauderdale, Florida;
- n) \$190,000 note and mortgage on 10590 Shallowford Rd., Roswell, Georgia, by I Control LLC;
- o) 2008 Infiniti, VIN: 5N3AA08C18N900648;
- p) 1963 Rolls Royce, VIN: LSCX11;
- q) 1929 Ford Model A Woody, VIN: A1766832;
- r) 1970 Cadillac Eldorado, VIN: H0270364;
- s) 1932 Ford, VIN: 18128880;
- t) 1965 Shelby Cobra, VIN: KMP210;
- u) 2005 Morgan, VIN: SA9RA260150A11055;
- v) 1958 Mercedes, VIN: 128030N8500042;
- w) 1973 Triumph, VIN: CF10020U;
- x) 1976 Cadillac, VIN: 6L67S6Q130374; and,

y) 1966 Cadillac, VIN: E6262667.

6. Pursuant to Fed. R. Crim. P. 32.2(b)(3), this Money Judgment Forfeiture Order shall become final as to the Defendant at the time of his sentencing and shall be made a part of the sentence and included in the judgment against the Defendant.
7. Upon the entry of this Order the Attorney General or his designee is authorized to seize the above-listed property, whether held by the defendant or by a third party, to take any other steps deemed warranted to preserve its availability for forfeiture pending the conclusion of any third-party proceedings which may be conducted in this matter, and to conduct any discovery proper in identifying, locating, or disposing of the property subject to forfeiture, in accordance with Fed. R. Crim. P. 32.2(b)(3).
8. The United States shall, promptly after the seizure of said property, initiate proceedings necessary to protect any third-party interests in the substitute property, pursuant to and in accordance with Fed. R. Crim. P. 32.2(e) and 21 U.S.C. § 853(n), prior to requesting entry of a final order of forfeiture with respect thereto.
9. It is further ORDERED that upon adjudication of all third-party interests, this Court will enter a Final Order of Forfeiture pursuant 21 U.S.C. § 853(n) in which all interests will be addressed. If no claims are filed within 30 days of the final publication or receipt of actual notice, whichever is earlier, then, pursuant to 21 U.S.C. § 853(n)(7), this Order shall be deemed a final order of forfeiture and the United States Marshals Service, or any duly authorized law enforcement official, shall dispose of the property forfeited hereunder according to law.
10. The Court shall retain jurisdiction to enforce this Order, and to amend it as necessary, pursuant to Fed. R. Crim. P. 32.2(e), if the Government locates specific assets traceable

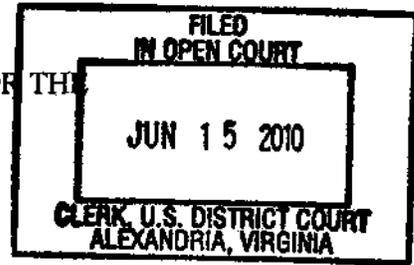
to the violations or additional assets subject to forfeiture as substitute assets pursuant to
21 U.S.C. § 853(p).

This 30th day of June, 2011.

1st LMB
Leonie M. Brinkema
United States District Judge

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division



UNITED STATES OF AMERICA

v.

LEE BENTLEY FARKAS,

Defendant.

) CRIMINAL NO. 1:10-CR-200

) Count 1: Conspiracy
) (18 U.S.C. § 1349)

) Counts 2-7: Bank Fraud
) (18 U.S.C. §§ 1344 and 2)

) Counts 8-13: Wire Fraud
) (18 U.S.C. §§ 1343 and 2)

) Counts 14-16: Securities Fraud
) (18 U.S.C. §§ 1348 and 2)

) Forfeiture Notice
) (18 U.S.C. §§ 981, 982)

) **Under Seal Pursuant to**
) **Fed. R. Crim. P. 6(e)(4)**

JUNE 2010 TERM - AT ALEXANDRIA, VIRGINIA

INDICTMENT

THE GRAND JURY CHARGES THAT:

At all times relevant to this Indictment, unless otherwise stated:

INTRODUCTION

I. Relevant Entities

A. Taylor, Bean & Whitaker Mortgage Corp.

1. Taylor, Bean & Whitaker Mortgage Corp. (TBW), based in Ocala, Florida, was founded in 1982 and was one of the largest privately held mortgage lending companies in the United States. TBW was principally involved in the origination, purchase, sale, and servicing of residential mortgage loans. TBW generally sold these loans in the secondary mortgage market to third-party investors, including the Federal Home Loan Mortgage Corporation (Freddie Mac) and commercial financial institutions, either individually, pooled, or as part of mortgage-backed securities that received guarantees by Freddie Mac or the Government National Mortgage Association (Ginnie Mae). TBW originated and purchased billions of dollars in new residential loans on an annual basis. To fund its mortgage loan originations and acquisitions, TBW relied on various purchase facilities, credit lines, and financing vehicles, primarily with Colonial Bank and, starting in or about January 2005, Ocala Funding, LLC. On or about August 24, 2009, TBW filed for bankruptcy in the United States Bankruptcy Court for the Middle District of Florida in Jacksonville.

2. TBW's principal source of income came from servicing mortgage loans it sold to Freddie Mac and it sold as part of securities guaranteed by Ginnie Mae. TBW's loan servicing responsibilities required it to, among other things, collect principal and interest payments on mortgage loans from borrowers and disburse those "pass-through" payments to the third-party

investors in the loans. TBW earned a servicing fee, which amounted to a small portion of a borrower's payment. As a loan servicer for Freddie Mac and Ginnie Mae, TBW was generally obligated to advance the pass-through payments to investors in the mortgage loans even where borrowers failed to make principal and interest payments in a timely manner. If TBW failed to advance the required pass-through payments, it risked losing its right to act as a loan servicer, and thus the associated fees, on behalf of Freddie Mac and Ginnie Mae.

B. Ocala Funding

3. Ocala Funding, LLC, was a TBW wholly owned entity formed on or about January 14, 2005. TBW formed Ocala Funding as a financing vehicle to provide it additional funding for mortgage loans. Ocala Funding was managed by TBW and had no employees of its own. Ocala Funding sold commercial paper to financial institution investors and used the funds raised to acquire mortgage loans originated or purchased by TBW. Generally, Ocala Funding then sold the loans to Freddie Mac. As of on or about June 30, 2008, Ocala Funding had two dedicated financial institution investors: Deutsche Bank, which agreed to purchase up to \$1.25 billion of commercial paper, and BNP Paribas Bank, which agreed to purchase up to \$500 million of the commercial paper. Ocala Funding, in turn, was required to maintain collateral in the form of cash and/or mortgage loans at least equal to the value of outstanding commercial paper.

4. LaSalle Bank, N.A., was headquartered in Illinois and was retained by Ocala Funding to, among other things, maintain custody of mortgage loan files for mortgage loans purchased by Ocala Funding, and to operate bank accounts for Ocala Funding. LaSalle Bank was purchased in or about October 2007 by Bank of America, N.A.

C. Colonial BancGroup and Colonial Bank

5. Colonial BancGroup, Inc., was a Delaware corporation organized in 1974 as a bank holding company that managed Colonial Bank and other, smaller subsidiaries. Colonial BancGroup, headquartered in Montgomery, Alabama, derived most of its income from Colonial Bank. Colonial BancGroup's securities were registered pursuant to § 12(b) of the Securities and Exchange Act of 1934 and traded on the New York Stock Exchange under trading symbol "CNB." On or about August 25, 2009, Colonial BancGroup filed for bankruptcy in the United States Bankruptcy Court for the Middle District of Alabama in Montgomery.

6. Colonial Bank was headquartered in Montgomery, Alabama, and since in or about June 2008 was an Alabama state-chartered bank with the Federal Deposit Insurance Corporation (FDIC) as its primary federal regulator. Colonial Bank was primarily involved in retail and commercial banking. As of December 31, 2008, Colonial Bank held approximately \$26 billion in assets, which accounted for nearly all of Colonial BancGroup's consolidated assets. As of on or about December 31, 2008, Colonial Bank had approximately 350 branches in Florida, Alabama, Georgia, Nevada, and Texas, with deposits of approximately \$19 billion. On or about August 14, 2009, the Alabama State Banking Department, the state regulator for Colonial Bank, seized Colonial Bank and appointed the FDIC as receiver.

7. Colonial Bank's Mortgage Warehouse Lending Division (MWLD) was based in Orlando, Florida, and provided short-term, secured funding to mortgage lending companies. MWLD's largest customer was TBW. During 2008, MWLD provided approximately \$70 billion in interim funding to mortgage companies to fund approximately 400,000 residential mortgages.

MWLD accounted for at least 20% of Colonial Bank's pre-tax income from 2005 through 2009, and in 2008 and 2009 was one of Colonial Bank's few banking segments that reported a profit.

D. Freddie Mac and Ginnie Mae

8. Freddie Mac was a government-sponsored enterprise established by Congress to provide liquidity and stability to the housing market in the United States. Freddie Mac purchased residential mortgages in the secondary mortgage market, securitized those mortgages, and then sold them to investors as mortgage-backed securities. Freddie Mac also purchased mortgages and mortgage-backed securities for its own mortgage-related investment portfolios. Freddie Mac guaranteed the timely payment of principal and interest for its mortgage-backed securities. Freddie Mac was headquartered in McLean, Virginia.

9. Ginnie Mae was a government-owned corporation within the United States Department of Housing and Urban Development. Ginnie Mae did not buy or sell loans or issue mortgage-backed securities. Rather, Ginnie Mae guaranteed mortgage-backed securities issued by companies such as TBW that were backed by federally insured or guaranteed loans. Ginnie Mae was headquartered in Washington D.C.

E. TARP

10. The Troubled Asset Relief Program (TARP) was created by the Emergency Economic Stabilization Act of 2008 and was designed, among other things, to restore liquidity and stability to the financial system in the wake of the financial crisis. One of the sub-programs created under TARP was the Capital Purchase Program (CPP), in which government funds would be invested in financial institutions in exchange for preferred shares in those institutions. Financial institutions seeking TARP funds under CPP would apply through their primary federal

bank regulator, and both an institution's eligibility and the amount of the CPP investment would depend, in part, upon information reflected in the institution's financial statements.

II. The Defendant and Co-Conspirators

11. LEE BENTLEY FARKAS, the defendant, resided in Ocala, Florida, and was the chief executive officer of TBW until in or about July 2003 and the chairman thereafter.

FARKAS was the majority shareholder of TBW.

12. Co-conspirators included executives and employees of TBW and Colonial Bank.

III. The Scheme to Defraud

13. Beginning in or about early 2002, TBW began to experience significant cash flow problems and was unable to cover adequately, among other things, its operating expenses. In an effort to cover the shortfalls, FARKAS and co-conspirators devised a scheme to misappropriate funds from Colonial Bank, Ocala Funding accounts, and eventually the United States government. The scheme evolved over the years as FARKAS and co-conspirators sought to misappropriate more money and to hide the misappropriations from, among others, certain Colonial Bank and Colonial BancGroup management, Freddie Mac, Ginnie Mae, the FDIC, financial institution investors in Ocala Funding, auditors, regulators, and shareholders. The scheme ultimately led to the misappropriation of more than \$1 billion.

14. Initially, the scheme involved TBW and Colonial Bank co-conspirators hiding millions of dollars of TBW overdrafts in its primary bank account at Colonial Bank, which arose from TBW's operating deficits, through frequent transfers of funds back and forth between that account and another. After the overdrafts reached into the tens of millions of dollars, however, FARKAS and co-conspirators revised the scheme and misappropriated hundreds of millions of

dollars more by selling Colonial Bank what amounted to fictitious assets. To do this, FARKAS and co-conspirators engaged in sales to Colonial Bank of mortgage loans that did not exist, that TBW already had sold to others, or that had significantly impaired value. As a result, FARKAS and co-conspirators caused Colonial Bank to falsely report the value of mortgage loans in its accounting records.

15. As part of their scheme, FARKAS and co-conspirators also misappropriated hundreds of millions of dollars from Ocala Funding accounts through improper fund transfers, fraudulent transactions, and false documentation. Beginning in or about late 2008 through in or about mid-2009, as TBW's funding shortfalls became even more severe and Colonial BancGroup struggled to stay solvent, FARKAS and co-conspirators expanded the scheme in an effort to defraud the United States government. The conspirators fraudulently sought to acquire a major stake in Colonial BancGroup and to gain access to over \$500 million in taxpayer money through Colonial BancGroup's application for TARP funding under the CPP program.

FARKAS and co-conspirators never obtained any TARP funds.

A. Overdrafts in TBW's Master Account at Colonial Bank – The Sweeping Scheme

16. In or about early 2002, TBW began running overdrafts in its master bank account at Colonial Bank due to TBW's inability to meet its operating expenses, such as mortgage loan servicing payments owed to investors in Freddie Mac and Ginnie Mae securities, payroll, and other obligations. Conspirators at TBW and Colonial Bank covered up the overdrafts by transferring, or "sweeping," overnight money from another TBW account with excess funds into the master account to avoid the master account falling into an overdrawn status. This sweeping of funds gave the false appearance to other Colonial Bank employees that TBW's master account

was not overdrawn. The day after sweeping funds, the conspirators would cause the money to be returned to the other account, only to have to sweep funds back into the master account later that day to hide the deficit again.

17. By in or about December 2003, the size of the deficit due to overdrafts had grown to tens of millions of dollars. In response, FARKAS and co-conspirators devised a plan to disguise the deficit as payments for mortgage loan assets purchased by Colonial Bank.

B. Plan B/COLB

18. In or about December 2003, FARKAS and co-conspirators caused the deficit in TBW's master account at Colonial Bank to be transferred to "COLB"—a mortgage loan purchase facility at MWLD. Through the COLB facility, Colonial Bank purchased interests in individual residential mortgage loans from TBW pending resale of the loans to third-party investors. The purpose of the COLB facility was to provide mortgage companies, like TBW, with liquidity to generate new mortgage loans pending the resale of the existing mortgage loans to investors. The COLB facility was designed such that Colonial Bank would recoup its outlay only after TBW resold a mortgage loan to a third-party investor, which generally was supposed to take place within 90 days after being placed on the COLB facility.

19. In this part of the scheme, which the conspirators called "Plan B," the conspirators sought to disguise the tens of millions of dollars of overdrafts as payments related to Colonial Bank's purchase through the COLB facility of legitimate TBW mortgage loans. FARKAS and co-conspirators accomplished this by causing TBW to provide false mortgage loan data to Colonial Bank under the pretense that it was selling the bank interests in mortgage loans. As FARKAS and co-conspirators knew, however, the Plan B data included data for loans

that TBW had already committed or sold to other third-party investors or that did not exist. As a result, these loans were not, in fact, available for sale to Colonial Bank.

20. As TBW continued to experience operating losses, FARKAS and co-conspirators engaged in additional sales of Plan B loans to Colonial Bank, causing Colonial Bank to advance to TBW tens of millions of additional dollars from the COLB facility. In reality, the Plan B loans could not be resold to recoup Colonial Bank's outlay for its interests in the loans. As a result, FARKAS and co-conspirators sold tens of millions of dollars worth of what amounted to fake assets to Colonial Bank and caused Colonial Bank to falsely record the value of these assets in its accounting records.

C. Recycling Plan B Loans

21. To avoid scrutiny from regulators, auditors, and Colonial Bank management of Plan B loans sold to Colonial Bank, FARKAS and co-conspirators devised a plan that gave the false appearance that TBW was periodically selling the Plan B loans off of the COLB facility. The conspirators referred to this aspect of the scheme as, among other things, "recycling," and the method for recycling evolved over time. One way FARKAS and co-conspirators effectuated a recycle was that they caused new Plan B data to be sent to Colonial Bank to replace old Plan B data. By doing so, FARKAS and co-conspirators created a document trail that gave the false appearance that mortgage loans had been sold to investors and that Colonial Bank, in turn, had purchased interests in new mortgage loans in their place.

D. Fictitious AOT Trades

22. In or about mid-2005, FARKAS and co-conspirators caused the deficit created by Plan B to be moved from the COLB facility to MWLD's Assignment of Trade (AOT) facility.

The AOT facility was designed for the purchase of interests in pools of loans, which were referred to as "Trades," that were in the process of being securitized and/or sold to third-party investors. The conspirators moved the deficit to the AOT facility in part because, unlike the COLB facility, Colonial Bank generally did not track in its accounting records loan-level data for the Trades held on the AOT facility, thus making detection of the scheme by regulators, auditors, Colonial Bank management, and others less likely.

23. Unlike with the COLB facility, Colonial Bank only extended financing through the AOT facility to TBW. Colonial Bank purchased Trades to provide TBW with immediate liquidity while TBW sought to finalize sales of the pools of loans backing the Trades, or mortgage-backed securities formed from them, to third-party investors. This interim funding provided TBW liquidity to originate or purchase new mortgage loans pending the resales. At settlement with a third-party investor, Colonial Bank was to have recouped its investment in a Trade.

24. In an effort to transfer the deficit caused by the Plan B loans on the COLB facility to the AOT facility, FARKAS and co-conspirators caused TBW to engage in sales to Colonial Bank of fictitious Trades purportedly backed by pools of Plan B loans. In fact, the Trades had no collateral backing them. As FARKAS and co-conspirators knew, Colonial Bank held these fictitious Trades in its accounting records at the amount Colonial Bank paid for them.

25. After moving the Plan B deficit from the COLB facility to the AOT facility, TBW continued to experience significant operating losses. From in or about mid-2005 through in or about 2009, FARKAS and co-conspirators continued to cause TBW to sell hundreds of millions

of dollars of additional fictitious Trades to Colonial Bank through the AOT facility. Like the Trades described in paragraph 24 above, these Trades had no pools of loans collateralizing them.

26. To support these fraudulent transactions, FARKAS and co-conspirators caused false data and documentation to be sent from TBW to Colonial Bank. For example, TBW co-conspirators sent Colonial Bank co-conspirators schedules listing fictitious Trades with unique identifying numbers that TBW co-conspirators reused from Trades previously sold to other investors. The Trades also included pricing information not based on the value of any underlying mortgage loans but instead made up to meet TBW's funding needs. TBW co-conspirators also sent Colonial Bank co-conspirators fabricated agreements purporting to reflect commitments by investors to purchase the Trades in the near future, generally in 30 to 60 days.

E. Trades Backed by Impaired-Value Loans and REO

27. In addition to causing Colonial Bank to purchase fictitious Trades, FARKAS and co-conspirators caused significant numbers of impaired-value mortgage loans that TBW had been unable to sell to be hidden on the AOT facility by using them to collateralize Trades that Colonial Bank purchased through the AOT facility. These impaired-value loans included, among other things, loans in default and significantly "aged" loans. In general, significantly aged loans were considered impaired, and thus of lesser value, because TBW had been unable to sell them to investors. These Trades were also sometimes collateralized by bank-repossessed properties associated with foreclosed mortgage loans, known as real estate owned (REO). As REO no longer had mortgage loans associated with them, REO could not properly be included in mortgage-backed securities.

28. Because TBW was generally unable to sell these Trades containing impaired-value loans and REO, FARKAS and co-conspirators caused these pools to be repackaged as new Trades with fabricated agreements purporting to reflect commitments by third parties to purchase the mortgage loan assets. As a result, some of the impaired-value loans and REO remained disguised on the AOT facility for a period of years, despite the AOT facility being designed for assets to be resold within 30 to 60 days.

F. Recycling of Fictitious and Impaired AOT Trades

29. As with the Plan B loans, FARKAS and co-conspirators recycled the fictitious and impaired Trades on AOT. The conspirators did this by engaging in sham sales to hide the fact that the vast majority of assets backing the AOT Trades could not be resold because the assets were either wholly fictitious or consisted of impaired-value loans and REO and, in either case, had no corresponding, legitimate commitment to be purchased by third parties. For example, after co-conspirators provided fabricated documents to Colonial Bank, Colonial Bank advanced money from its bank accounts to TBW-controlled bank accounts, which gave the false appearance that Colonial Bank had purchased new AOT Trades. Near in time, co-conspirators directed payments back to Colonial Bank to give the false appearance that the expiring Trades had been sold to investors. These advances and paydowns amounted to round-trip transactions, which generally left TBW and Colonial Bank in a similar financial position as before the transactions. In Colonial Bank's accounting records, however, it falsely appeared that old Trades had settled and had been replaced with new, legitimate Trades.

30. Numerous wire transfers between Colonial Bank and TBW involved transfers to LaSalle Bank, which had been purchased by Bank of America, and as a result, some of these wires were processed through a Bank of America server located in Richmond, Virginia.

G. Colonial Bank's Accounting of the Fictitious and Impaired AOT Trades

31. On or about July 28, 2009, Colonial Bank accounting records identified approximately 120 purportedly unique Trades held for resale on the AOT Facility. Colonial Bank reported in its accounting records that these Trades had a total value of approximately \$1.47 billion. Nearly all of the Trades held on AOT at this time were recycled Trades that re-used identifying information for Trades that TBW previously had sold to other banks. Moreover, nearly all of the approximately 120 Trades held for resale on Colonial Bank's AOT facility had fabricated agreements generated by co-conspirators purporting to reflect commitments by legitimate third-party investors to buy the Trades in the near future.

32. As a result of the fraud scheme, approximately one-third of the Trades on the AOT facility were fictitious and had no mortgage loans backing them. These Trades represented fraudulent advances made to TBW to cover its cash shortfalls. In its accounting records, Colonial Bank recorded these fictitious Trades as Securities Purchased under Agreements to Resell.

33. As a result of the fraud scheme, nearly all of the mortgage loans backing the remaining Trades on the AOT facility consisted of impaired-value loans and REO. Moreover, Colonial Bank records showed that nearly all of the impaired-value loans and REO backing the Trades on the AOT facility on or about July 28, 2009, had already been part of different Trades listed in Colonial Bank's accounting records in or about April 2009. According to Colonial

Bank records, those different Trades, and thus the impaired-value loans and REO backing them, had purportedly been sold to investors in or about April 2009. In fact, those sales never took place. Instead, FARKAS and co-conspirators created fabricated documents and transactions to give the false appearance that the third-party resales were taking place when in fact FARKAS and co-conspirators were merely moving the impaired-value loans and REO into different Trades over time to hide the fact that TBW could not sell the impaired-value loans and REO.

34. As a result, FARKAS and co-conspirators caused Colonial Bank to record fabricated purchases and sales on the AOT Facility of Trades backed by impaired-value loans and REO, which were held in Colonial Bank's accounting records as Securities Purchased under Agreements to Resell. In fact, TBW had been unable to resell the impaired-value mortgage loans and REO backing the Trades, and there were no legitimate agreements for resale to third-party investors.

35. FARKAS and co-conspirators also caused audit confirmations to be sent to Colonial Bank's outside auditors that falsely attested that the balances on the COLB and AOT facilities were accurate.

H. Ocala Funding

36. In addition to misappropriating funds from Colonial Bank through the COLB and AOT facilities, FARKAS and TBW co-conspirators caused TBW to misappropriate money from Ocala Funding. FARKAS and TBW co-conspirators caused the diversion of hundreds of millions of dollars from Ocala Funding bank accounts, located at LaSalle Bank, to pay down TBW operating expenses, such as mortgage loan servicing payments owed to investors in Freddie Mac and Ginnie Mae securities, payroll, and other unrelated obligations. As a result of

these diversions, Ocala Funding experienced significant shortfalls in the amount of collateral it possessed to back the outstanding commercial paper owned by its financial institution investors, primarily Deutsche Bank and BNP Paribas. In addition, FARKAS and co-conspirators caused Ocala Funding to sell loans owned by Colonial Bank to Freddie Mac without paying Colonial Bank for the loans. As a result, FARKAS and co-conspirators caused at least Freddie Mac and Colonial Bank to each believe it had an undivided ownership interest in thousands of the same loans.

37. To cover up the collateral shortfalls, FARKAS and co-conspirators caused false information to be sent to the financial institution investors, including Deutsche Bank and BNP Paribas, in documents that inaccurately and intentionally inflated figures representing the aggregate value of the loans held in the Ocala Funding facility or under-reported the amount of outstanding commercial paper. By doing so, FARKAS and co-conspirators sought to mislead investors into believing that there was sufficient cash and mortgage loan collateral to back the outstanding commercial paper owned by the investors. FARKAS and co-conspirators also sent LaSalle Bank falsified collateral lists that misrepresented the ownership status of mortgage loans held by Ocala Funding. In total, the misappropriated funds and double-sold mortgage loans amounted to more than \$1 billion.

I. TARP Funding

38. In or about October 2008, Colonial BancGroup submitted an application to the FDIC seeking \$570 million in TARP funding under the CPP program. In connection with the application, regulators and the United States Treasury Department reviewed Colonial BancGroup's financial data and filings, including the materially false information related to

mortgage loan and securities assets held by Colonial Bank's MWLD resulting from the fraudulent conduct of FARKAS and co-conspirators. In or about December 2008, Treasury conditionally approved \$553 million of TARP funding to Colonial BancGroup if, among other things, Colonial BancGroup could first raise \$300 million in private capital.

39. FARKAS, aware of Colonial BancGroup's TARP application and its contingent approval, sought to lead a group of investors to raise the \$300 million in private capital. In or about March 2009, FARKAS and co-conspirators represented that TBW would invest \$150 million in Colonial BancGroup. Additionally, FARKAS and co-conspirators represented to Colonial BancGroup that two other investors had agreed to contribute \$50 million each and solicited MWLD "friends and family" for the remaining \$50 million. FARKAS and co-conspirators misrepresented the commitments of some investors.

40. On or about April 1, 2009, FARKAS and co-conspirators caused Colonial BancGroup to file with the United States Securities and Exchange Commission (SEC) a Form 8-K, which was filed electronically with the EDGAR Management Office of Information and Technology, in Alexandria, Virginia. This Form 8-K announced that Colonial BancGroup had secured definitive agreements from investors, pending due diligence, to satisfy the \$300 million private capital contingency requirement.

41. The Form 8-K attached a stock purchase agreement that, among other things, represented that each purported investor had already deposited into an escrow account set up for the capital raise 10% of its proposed investment. To give the appearance that the escrow requirement had in fact been satisfied, FARKAS and a TBW co-conspirator caused \$25 million—which purportedly represented the 10% deposit for TBW's \$150 million investment

(\$15 million) and for the two purported \$50 million investors (\$5 million each)—to be deposited into the escrow account at Platinum Community Bank, a wholly owned subsidiary of TBW.

42. FARKAS and a TBW co-conspirator had in fact diverted that \$25 million from an Ocala Funding bank account. Further, FARKAS and other co-conspirators supplied the 10% down payment on behalf of the two \$50 million investors without the investors' knowledge or consent. The \$25 million wire transfer from an Ocala Funding bank account to Platinum Community Bank was processed through a Bank of America server located in Richmond, Virginia.

43. Colonial Bank never received TARP funding.

J. False Financial Filings with SEC and Ginnie Mae

44. FARKAS and co-conspirators caused Colonial BancGroup to file materially false financial data with the SEC regarding the assets in Colonial Bank's MWLD in its annual and quarterly reports, Forms 10-K and 10-Q respectively, which were filed electronically with the SEC's EDGAR Management Office of Information and Technology, in Alexandria, Virginia. The fraudulent Plan B loans on the COLB facility were reflected as assets in the financial data as "Loans Held for Sale," and the fictitious and impaired Trades on the AOT facility were reported as assets in the financial data as "Securities Purchased under Agreements to Resell."

45. For example, in its Form 10-K for the year ending December 31, 2008, which was filed on or about March 2, 2009, Colonial BancGroup reported that MWLD had total assets under management of approximately \$4.3 billion, of which approximately \$1.55 billion, or 36%, were held as AOT Trades reported as Securities Purchased under Agreements to Resell. In its last Form 10-Q filed with the SEC, for the period ended March 31, 2009, which was filed on or

about May 8, 2009, Colonial BancGroup reported that MWLD managed assets valued at approximately \$4.9 billion, with approximately \$1.6 billion, or approximately 33%, held as AOT Trades reported as Securities Purchased under Agreements to Resell.

46. As a result of the fraudulent scheme perpetrated by FARKAS and co-conspirators, approximately several hundred million dollars of the \$1.6 billion worth of assets purportedly held on the AOT facility, and thus reported in the 2008 Form 10-K and March 31, 2009, Form 10-Q as Securities Purchased under Agreements to Resell, did not exist. FARKAS and co-conspirators also knew that the vast majority of the remaining Trades held on AOT were backed by impaired-value loans and REO. Further, FARKAS and co-conspirators knew that most, if not all, of the Trades held on the AOT facility did not have legitimate agreements to be resold to third-party investors as required for Trades held on the AOT facility and as reported in the Forms 10-K and 10-Q.

47. In addition, FARKAS and co-conspirators caused Colonial BancGroup on or about April 1, 2009, to file with the SEC a Form 8-K, which was filed electronically with the EDGAR Management Office of Information and Technology, in Alexandria, Virginia, announcing that Colonial BancGroup had secured definitive agreements from investors, pending due diligence, to satisfy the private capital contingency requirement.

48. FARKAS and co-conspirators also caused TBW to file materially false financial data with Ginnie Mae relating to TBW's overall economic viability. Ginnie Mae used this financial data as a factor when determining whether TBW's status as an approved issuer of Ginnie Mae securities would be extended. TBW sent the financial data for Ginnie Mae's review to a location in McLean, Virginia. In part as a result of its unwitting reliance upon TBW's

materially false financial data, Ginnie Mae continued to approve TBW on an annual basis as an issuer of Ginnie Mae securities. Ginnie Mae also increased the amount of securities TBW could issue, and, as a result, from in or about July 2008 to in or about August 2009, TBW increased the amount of Ginnie Mae securities it issued from approximately \$14.8 billion to approximately \$26.8 billion. Ginnie Mae terminated TBW as an issuer and servicer of Ginnie Mae securities in or about August 2009, and Ginnie Mae assumed TBW's entire Ginnie Mae portfolio at that time.

COUNT 1

(Conspiracy to Commit Bank Fraud, Wire Fraud, and Securities Fraud)

I. The Conspiracy

49. The allegations in paragraphs 1 through 48 in the Introduction section are realleged as if fully set forth herein.

50. From in or about early 2002 through in or about August 2009, in the Eastern District of Virginia and elsewhere, defendant

LEE BENTLEY FARKAS

did knowingly and intentionally combine, conspire, confederate, and agree with others known and unknown to the Grand Jury to commit certain offenses against the United States, namely:

a. bank fraud, that is, to knowingly and intentionally execute, and attempt to execute, a scheme and artifice to defraud a financial institution, and to obtain any of the moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, a financial institution, by means of materially false and fraudulent pretenses, representations, and promises, in violation of Title 18, United States Code, § 1344;

b. wire fraud, that is, having intentionally devised and intending to devise a scheme and artifice to defraud a financial institution, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, to knowingly transmit and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, § 1343;

c. securities fraud, that is, to knowingly and intentionally execute a scheme and artifice to defraud any person in connection with any security of an issuer with a class of securities registered under § 12 of the Securities Exchange Act of 1934 (Title 15, United States Code, § 781), in violation of Title 18, United States Code, § 1348;

II. Manner and Means of the Conspiracy

51. Among the manner and means by which defendant FARKAS and others known and unknown to the Grand Jury would and did carry out the conspiracy included, but were not limited to, the following:

a. FARKAS and co-conspirators caused the transfer of funds between TBW accounts in an effort to hide TBW overdrafts.

b. FARKAS and co-conspirators caused TBW to sell to Colonial Bank mortgage loan assets, via the COLB facility, that included loans that did not exist or that had been committed or sold to third parties.

c. FARKAS and co-conspirators caused TBW to sell to Colonial Bank, via the AOT facility, fictitious Trades that had no mortgage loans collateralizing them and that had fabricated agreements reflecting commitments by investors to purchase them in the near future.

- d. FARKAS and co-conspirators caused TBW to sell to Colonial Bank, via the AOT facility, Trades backed by impaired-value loans and REO that had fabricated agreements reflecting commitments by investors to purchase them in the near future.
- e. FARKAS and co-conspirators periodically “recycled” the Plan B loans on the COLB facility and the fictitious and impaired Trades on the AOT facility to give the false appearance that old loans and Trades had been sold and replaced by new loans and Trades.
- f. FARKAS and co-conspirators covered up their misappropriations of funds from the COLB and AOT facilities by providing false documents and information to Colonial Bank.
- g. FARKAS and TBW co-conspirators misappropriated funds from Ocala Funding bank accounts.
- h. FARKAS and TBW co-conspirators covered up shortfalls in collateral held by Ocala Funding to back commercial paper by sending investors and others documents containing material misrepresentations.
- i. FARKAS and TBW co-conspirators caused mortgage loans held by Ocala Funding to be sold to both Colonial Bank and Freddie Mac.
- j. FARKAS and co-conspirators caused Colonial BancGroup to file with the SEC materially false annual reports contained in Forms 10-K and quarterly reports contained in Forms 10-Q that misstated the value and nature of assets held by Colonial BancGroup.
- k. FARKAS and co-conspirators caused TBW to submit materially false information to Ginnie Mae to obtain an extension of authority to issue Ginnie Mae mortgage-backed securities.

i. FARKAS and co-conspirators caused Colonial BancGroup to submit materially false information to the FDIC and to the SEC in furtherance of its application for TARP funds.

(All in violation of Title 18, United States Code, § 1349.)

COUNTS 2 - 7

(Bank Fraud)

THE GRAND JURY FURTHER CHARGES:

52. On or about the dates set forth below, in the Eastern District of Virginia and elsewhere, defendant

LEE BENTLEY FARKAS,

knowingly and intentionally executed, and attempted to execute, a scheme and artifice to defraud Colonial Bank, a financial institution with deposits insured by the FDIC, and to obtain any of the moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of Colonial Bank, by means of materially false and fraudulent pretenses, representations, and promises, as set forth in Counts 2 - 7 below.

53. The scheme and artifice to defraud is described in paragraphs 13 through 48 of this Indictment, which are re-alleged and incorporated, along with paragraphs 1 through 12, as if fully set forth herein.

Count	Date	Description
2	November 19, 2008	Wire payment of approximately \$76,603,100.00 from Colonial Bank to LaSalle Bank
3	January 6, 2009	Wire payment of approximately \$66,400,000.00 from Colonial Bank to LaSalle Bank
4	May 29, 2009	Wire payment of approximately \$154,927,380.54 from Colonial Bank to LaSalle Bank
5	June 18, 2009	Wire payment of approximately \$46,081,431.04 from Colonial Bank to LaSalle Bank
6	June 30, 2009	Wire payment of approximately \$59,655,985.97 from Colonial Bank to LaSalle Bank

Count	Date	Description
7	July 6, 2009	Wire payment of approximately \$31,933,110.73 from Colonial Bank to LaSalle Bank

(All in violation of Title 18, United States Code, §§ 1344 and 2.)

COUNTS 8 - 13

(Wire Fraud)

THE GRAND JURY FURTHER CHARGES:

54. On or about the dates set forth below, in the Eastern District of Virginia and elsewhere, defendant

LEE BENTLEY FARKAS,

having intentionally devised and intending to devise a scheme and artifice to defraud TARP (counts 8-9, 13) and Colonial Bank, a financial institution (counts 10-12), and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, knowingly transmitted and caused to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, as set forth in Counts 8 - 13 below.

55. The scheme and artifice to defraud is described in paragraphs 13 through 48 of this Indictment, which are re-alleged and incorporated, along with paragraphs 1 through 12, as if fully set forth herein.

Count	Date	Description
8	March 30, 2009	\$25 million wire from LaSalle Bank in Illinois to Platinum Community Bank in Florida, which was routed to a Bank of America server in Richmond, Virginia
9	April 1, 2009	Email from CEO of Platinum Community Bank, in Florida, to the Deputy Regional Director of the FDIC, which email was routed to FDIC servers located in Arlington, Virginia

Count	Date	Description
10	May 13, 2009	Wire payment of approximately \$46,751,197.85 from Colonial Bank in Florida to LaSalle Bank in Illinois, processed by servers in Richmond, Virginia, and transmitted to the Federal Reserve Bank of Richmond, Virginia
11	May 18, 2009	Wire payment of approximately \$46,608,205.11 from Colonial Bank in Florida to LaSalle Bank in Illinois, processed by servers in Richmond, Virginia, and transmitted to the Federal Reserve Bank of Richmond, Virginia
12	May 19, 2009	Wire payment of approximately \$51,016,179.69 from Colonial Bank in Florida to LaSalle Bank in Illinois, processed by servers in Richmond, Virginia, and transmitted to the Federal Reserve Bank of Richmond, Virginia
13	May 22, 2009	Email from a "friends and family" investor located in McLean, Virginia, to FARKAS's assistant in Florida

(All in violation of Title 18, United States Code, §§ 1343 and 2.)

COUNTS 14 - 16

(Securities Fraud)

THE GRAND JURY FURTHER CHARGES:

56. On or about the dates set forth below, in the Eastern District of Virginia and elsewhere, defendant

LEE BENTLEY FARKAS,

knowingly and intentionally executed a scheme and artifice to defraud any person in connection with any security of Colonial BancGroup, an issuer with a class of securities registered under §12 of the Securities Exchange Act of 1934 (Title 15, United States Code, § 781), as described in Counts 14 - 16 below.

57. The scheme and artifice to defraud is described in paragraphs 13 through 48 of this Indictment, which are re-alleged and incorporated, along with paragraphs 1 through 12, as if fully set forth herein.

Count	Date	Description
14	March 2, 2009	Form 10-K for the period ending December 31, 2008, filed electronically by Colonial BancGroup with the SEC's EDGAR Management Office of Information and Technology Alexandria, Virginia
15	April 1, 2009	Form 8-K current report, filed electronically by Colonial BancGroup with the SEC's EDGAR Management Office of Information and Technology Alexandria, Virginia
16	May 8, 2009	Form 10-Q for the period ending March 31, 2009, filed electronically by Colonial BancGroup with the SEC's EDGAR Management Office of Information and Technology Alexandria, Virginia

(All in violation of Title 18, United States Code, §§ 1348 and 2.)

FORFEITURE NOTICE

58. Pursuant to Rule 32.2(a), the defendant is hereby notified that, if convicted of any of the charges in this Indictment, the defendant shall forfeit to the United States, pursuant to Title 18, United States Code, §§ 981(a)(1)(C), 982(a)(2)(A), and Title 28, United States Code, § 2461, any property, real or personal, which constitutes or is derived from proceeds traceable to the count of conviction including wire fraud, in violation of Title 18, United States Code, § 1343; bank fraud, in violation of Title 18, United States Code, § 1344; securities fraud, in violation of Title 18, United States Code, § 1348; as well as conspiracy to commit such offenses, in violation of Title 18, United States Code, § 1349. Such forfeitable property includes a sum of money equal to at least \$22 million in United States currency, representing the amount of proceeds obtained as a result of the offenses alleged in the Indictment, for which the defendant is jointly and severally liable.

59. Pursuant to Title 21, United States Code, § 853(p), as incorporated by Title 18, United States Code, § 982(b)(1), and by Title 28, United States Code, § 2461(c), the defendant shall forfeit substitute property, up to the value of the amount described, i.e., \$22 million in United States currency, if, by any act or omission of the defendant, the \$22 million in United States currency or any portion thereof, cannot be located upon the exercise of due diligence; has been transferred, sold to, or deposited with a third party; has been placed beyond the jurisdiction of the Court; has been substantially diminished in value; or has been commingled with other property which cannot be divided without difficulty. The property subject to forfeiture as substitute assets includes, but is not limited to, the following:

- a. A sum of money equal to the amount of proceeds obtained as a result of the conspiracy, bank fraud, securities fraud and wire fraud offenses;
- b. real property known as 480 SW 87th Place, Ocala , Florida;
- c. real property known as 2010 NE 18th St, Ft. Lauderdale, Florida;
- d. real property known as 7785 SW 62nd Ct, Ocala, Florida;
- e. real property known as 950 Peachtree St., N.W. #18903, Atlanta, Georgia;
- f. real property known as 2711 S.E. 17th St., Ocala, Florida;
- g. a 1963 Rolls Royce bearing VIN: LSCX11;
- h. a 1929 Ford Model A bearing VIN: A1766832;
- i. a 1973 Triumph TR6 bearing VIN: CF10020U;
- j. a 1970 Cadillac El Dorado bearing VIN: H0270364;
- k. a 1958 Mercedes Benz Cabriolet 220 bearing VIN: 128030N8500042;
- l. a 2008 Infiniti bearing VIN: 5N3AA08C18N900648;
- m. a 1961 Porsche CV bearing VIN: 89466;
- n. a 1937 Pack CV bearing VIN: 1019334;
- o. a 2005 Marc CV bearing VIN: SA9RA260150A11055.

(Pursuant to 18 U.S.C. §§ 981(a)(1)(C), 982(a)(2)(A), 28 U.S.C. § 2461, and 21 U.S.C. § 853.)

A TRUE BILL:

FOREPERSON OF THE GRAND JURY

DATE: June 15, 2010

DENIS J. MCINERNEY
Chief, Fraud Section
Criminal Division
United States Department of Justice



Patrick F. Stokes

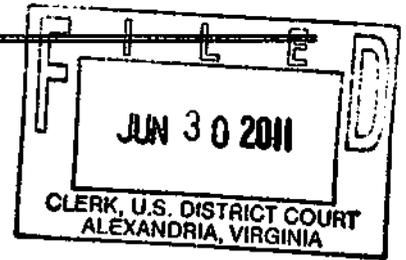
Deputy Chief
Brigham Q. Cannon
Charles D. Reed
Robert A. Zink
Trial Attorneys

NEIL H. MACBRIDE
United States Attorney



Charles F. Connolly
Paul J. Nathanson
Assistant United States Attorneys

**UNITED STATES DISTRICT COURT
Eastern District of Virginia
Alexandria Division**



UNITED STATES OF AMERICA

v.

Case Number 1:10CR00200-001

LEE BENTLEY FARKAS,

Defendant.

JUDGMENT IN A CRIMINAL CASE

The defendant, LEE BENTLEY FARKAS, was represented by William B. Cummings, Esquire.

The defendant was found guilty as to Counts 1-11 and 14-16 of the indictment. Accordingly, the defendant is adjudged guilty of the following counts, involving the indicated offenses:

<u>Title & Section</u>	<u>Nature of Offense</u>	<u>Date Offense Concluded</u>	<u>Count Numbers</u>
18 U.S.C. § 1349	Conspiracy to Commit Bank Fraud, Wire Fraud, and Securities Fraud (Felony)	08/2009	1
18 U.S.C. §§1344 and 2	Bank Fraud (Felony)	11/19/2008	2
18 U.S.C. §§1344 and 2	Bank Fraud (Felony)	01/08/2009	3
18 U.S.C. §§1344 and 2	Bank Fraud (Felony)	05/29/2009	4
18 U.S.C. §§1344 and 2	Bank Fraud (Felony)	06/18/2009	5
18 U.S.C. §§1344 and 2	Bank Fraud (Felony)	06/30/2009	6
18 U.S.C. §§1344 and 2	Bank Fraud (Felony)	07/08/2009	7
18 U.S.C. §§1343 and 2	Wire Fraud (Felony)	03/30/2009	8
18 U.S.C. §§1343 and 2	Wire Fraud (Felony)	04/01/2009	9
18 U.S.C. §§1343 and 2	Wire Fraud (Affecting a Financial Institution)(Felony)	05/13/2009	10
18 U.S.C. §§1343 and 2	Wire Fraud (Affecting a Financial Institution) (Felony)	05/18/2009	11
18 U.S.C. §§1348 and 2	Securities Fraud (Felony)	03/02/2009	14
18 U.S.C. §§1348 and 2	Securities Fraud (Felony)	04/01/2009	15
18 U.S.C. §§1348 and 2	Securities Fraud (Felony)	05/08/2009	18

On motion of the United States, the Court has dismissed Count(s) 12 and 13 of the indictment.

As pronounced on June 30, 2011, the defendant is sentenced as provided in pages 2 through 8^{***} of this Judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

IT IS FURTHER ORDERED that the defendant shall notify the United States Attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid.

Signed this 30th day of June, 2011.


 Leonie M. Brinkema
 United States District Judge

^{***} Page 8 of this document contains sealed information

Defendant: LEE BENTLEY FARKAS
Case Number: 1:10CR00200-001

IMPRISONMENT

The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a total term of THREE HUNDRED SIXTY (360) MONTHS, which consists of 360 months as to each of counts 1-7 and 10-11; 240 months as to each of counts 8-9; and 300 months as to each of counts 14-16, with credit for time served. The sentence on each count is to concurrently with the sentence on each other count.

The Court makes the following recommendations to the Bureau of Prisons:

The defendant to be designated to the facility in Ashland, Kentucky.

The defendant is remanded into the custody of the United States Marshal.

RETURN

I have executed this Judgment as follows:

Defendant delivered on _____ to _____ at _____
_____, with a certified copy of this Judgment.

c: P.O. (2) (3)
Mshl. (4) (2)
U.S. Atty.
U.S. Coll.
Dft. Cnsl.
PTS
Financial
Registrar
ob

By

United States Marshal

Deputy Marshal

Defendant: LEE BENTLEY FARKAS
Case Number: 1:10CR00200-001

SUPERVISED RELEASE

Upon release from imprisonment, the defendant shall be on supervised release for a total term of **THREE (3) YEARS** as to each count, to run concurrently as to each count.

The Probation Office shall provide the defendant with a copy of the standard conditions and any special conditions of supervised release.

The defendant shall report to the probation office in the district to which the defendant is released within 72 hours of release from the custody of the Bureau of Prisons.

While on supervised release, the defendant shall not commit another federal, state, or local crime.

While on supervised release, the defendant shall not illegally possess a controlled substance.

While on supervised release, the defendant shall not possess a firearm or destructive device.

If this judgment imposes a fine or a restitution obligation, it shall be a condition of supervised release that the defendant pay any such fine or restitution in accordance with the Schedule of Payments set forth in the Criminal Monetary Penalties sheet of this judgment.

STANDARD CONDITIONS OF SUPERVISED RELEASE

The defendant shall comply with the standard conditions that have been adopted by this Court (set forth below):

- 1) The defendant shall not leave the judicial district without the permission of the Court or probation officer.
- 2) The defendant shall report to the probation officer and shall submit a truthful and complete written report within the first five days of each month.
- 3) The defendant shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer.
- 4) The defendant shall support his or her dependents and meet other family responsibilities.
- 5) The defendant shall work regularly at a lawful occupation unless excused by the probation officer for schooling, training, or other acceptable reasons.
- 6) The defendant shall notify the Probation Officer within 72 hours, or earlier if so directed, of any change in residence.
- 7) The defendant shall refrain from excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any narcotic or other controlled substance, or any paraphernalia related to such substances, except as prescribed by physician.
- 8) The defendant shall not frequent places where controlled substances are illegally sold, used, distributed or administered.
- 9) The defendant shall not associate with any persons engaged in criminal activity, and shall not associate with any person convicted of a felony unless granted permission to do so by the probation officer.
- 10) The defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view of the probation officer.
- 11) The defendant shall notify the probation officer within seventy-two hours of being arrested or questioned by a law enforcement officer.
- 12) The defendant shall not enter into any agreement to act as an informer or a special agent of a law enforcement agency without the permission of the Court.
- 13) As directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics, and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.

Defendant: **LEE BENTLEY FARKAS**
Case Number: **1:10CR00200-001**

SPECIAL CONDITIONS OF SUPERVISION

While on supervised release, pursuant to this Judgment, the defendant shall also comply with the following additional conditions:

- 1) The defendant shall provide the probation officer access to any requested financial information, and waive all privacy rights.
- 2) The defendant shall make a good faith effort to pay his full restitution obligation during supervised release, to begin 60 days after release from custody, until paid in full. The defendant shall pay restitution jointly and severally with his co-defendants.
- 3) As directed by the probation officer, the defendant shall apply monies received from income tax refunds, lottery winnings, inheritances, judgments, and any unanticipated or unexpected financial gain to the outstanding court ordered financial obligation.
- 4) The defendant shall seek and maintain full time employment, but not in the financial or real estate industries.
- 5) Although mandatory drug testing is waived pursuant to 18 U.S.C. §3563(a)(4), defendant must remain drug free and his probation officer may require random drug testing at any time.

Defendant: LEE BENTLEY FARKAS
Case Number: 1:10CR00200-001

CRIMINAL MONETARY PENALTIES

The defendant shall pay the following total monetary penalties in accordance with the schedule of payments set out below.

<u>Count</u>		<u>Special Assessment</u>	<u>Fine</u>
1-11		\$1,100.00	
14-16		\$300.00	
<u>Total</u>	PAID IN FULL	\$1,400.00	\$0.00

FINE

No fines have been imposed in this case.

SCHEDULE OF PAYMENTS

Payments shall be applied in the following order: (1) assessment; (2) restitution; (3) fine principal; (4) cost of prosecution; (5) interest; (6) penalties.

The special assessment is due in full immediately. If not paid immediately, the Court authorizes the deduction of appropriate sums from the defendant's account while in confinement in accordance with the applicable rules and regulations of the Bureau of Prisons.

Any special assessment, restitution, or fine payments may be subject to penalties for default and delinquency.

If this judgment imposes a period of imprisonment, payment of Criminal Monetary penalties shall be due during the period of imprisonment.

All criminal monetary penalty payments are to be made to the Clerk, United States District Court, except those payments made through the Bureau of Prisons' Inmate Financial Responsibility Program.

Defendant: LEE BENTLEY FARKAS
Case Number: 1:10CR00200-001

RESTITUTION AND FORFEITURE

RESTITUTION

Restitution to be determined and reflected in a separate order to be issued in the future.

Total

Payments of restitution are to be made to Clerk, U. S. District Court, 401 Courthouse Square, Alexandria, VA 22314.

Restitution is due and payable immediately and shall be paid in equal monthly payments to be determined and to commence within 60 days of release, until paid in full.

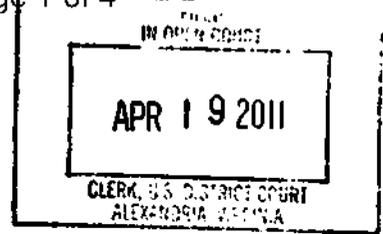
Interest on Restitution has been waived.

If there are multiple payees, any payment not made directly to a payee shall be divided proportionately among the payees named unless otherwise specified here:

Defendant is jointly and severally liable with co-defendants.

FORFEITURE

Forfeiture is directed in accordance with the Preliminary Order of Forfeiture entered by this Court on June 30, 2011.



IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

UNITED STATES OF AMERICA,)
)
v.) 1:10cr200 (LMB)
)
LEE BENTLEY FARKAS,)
)
Defendant.)
)

VERDICT FORM

Count 1

(a) On Count 1 of the Indictment - Conspiracy to Commit Bank Fraud - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____ Guilty ✓

(b) On Count 1 of the Indictment - Conspiracy to Commit Wire Fraud affecting a Financial Institution - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____ Guilty ✓

(c) On Count 1 of the Indictment - Conspiracy to Commit Securities Fraud - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____ Guilty ✓

Count 2

On Count 2 of the indictment - Bank Fraud (occurring on or about November 19, 2008) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____ Guilty ✓

Count 3

On Count 3 of the Indictment - Bank Fraud (occurring on or about January 6, 2009) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____

Guilty ✓

Count 4

On Count 4 of the Indictment - Bank Fraud (occurring on or about May 29, 2009) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____

Guilty ✓

Count 5

On Count 5 of the Indictment - Bank Fraud (occurring on or about June 18, 2009) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____

Guilty ✓

Count 6

On Count 6 of the Indictment - Bank Fraud (occurring on or about June 30, 2009) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____

Guilty ✓

Count 7

On Count 7 of the Indictment - Bank Fraud (occurring on or about July 6, 2009) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____

Guilty ✓

Count 8

On Count 8 of the Indictment - Wire Fraud (occurring on or about March 30, 2009) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____

Guilty ✓

Count 9

On Count 9 of the Indictment - Wire Fraud (occurring on or about April 1, 2009) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____

Guilty ✓

Count 10

On Count 10 of the Indictment - Wire Fraud affecting a Financial Institution (occurring on or about May 13, 2009) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____

Guilty ✓

Count 11

On Count 11 of the Indictment - Wire Fraud affecting a Financial Institution (occurring on or about May 18, 2009) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____

Guilty ✓

Count 14

On Count 14 of the Indictment - Securities Fraud (occurring on or about March 2, 2009) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____

Guilty ✓

Count 15

On Count 15 of the Indictment - Securities Fraud (occurring on or about April 1, 2009) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____

Guilty ✓

Count 16

On Count 16 of the Indictment - Securities Fraud (occurring on or about May 8, 2009) - we, the jury, unanimously find the defendant, Lee Bentley Farkas:

Not Guilty _____

Guilty ✓

Foreperson (printed)

Date: *April 19, 2011*



Office of General Counsel
Departmental Enforcement Center

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Lee Bentley Farkas
Register Number: 43560-018
FCI Williamsburg
PO Box 340
Salters, SC 29590

Re: Notice of Final Determination

Dear Mr. Farkas:

By notice dated November 22, 2011 (Notice), you were told that the Department of Housing and Urban Development (HUD) proposed your debarment for an indefinite period. You were informed of your right to submit, within 30 days of your receipt of the Notice, a written argument and a request for a hearing in opposition to the proposed debarment action. You also were advised that if you did not respond to the Notice within 30 days, a final determination would be issued.

You did not respond to the Notice within the required 30 days and your debarment has become final. During your debarment, you are excluded from procurement and nonprocurement transactions, as either a principal or participant, with HUD and throughout the Executive Branch of the Federal Government. Your debarment is effective for an indefinite period from the date of this notice.

Sincerely,

(b)(7)(C)

Craig T. Clemmensen
Director
Departmental Enforcement Center

cc:

CACB	Director, DEC (Clemmensen, Craig T.)	Port#200
CACC	Associate General Counsel for Program Enforcement (Narode, Dane M.)	Port#200
CID	cid_dec@hudoig.gov	
4OGI	Special Agent in Charge, Tampa, OIG [redacted] (b)(7)(C) [redacted] OIG No.: 2010 EC 002468 I	
4OGI	Special Agent, Tampa, OIG [redacted] (b)(7)(C) [redacted]	
4AHHJ1	Director, Tampa (Gadsden, Rosemary)	
4AHC	Chief Counsel, Jacksonville (Cox, Earl)	
3GMA	Director, Washington, DC (Hall, John E.)	
3GC	Chief Counsel, Washington, DC (Conlan, Russell S.)	
HUL	Director, Lender Approval and Recertification Division (Himes, Ivery W.)	P3214
HUL	Director, Mortgagee Review Board (Murray, Nancy A.)	3150
HUP	Director, Office of Single Family Program Development (Hill, Karin B.)	9278
HUPH	Director, Home Mortgage Insurance Division (Miller, Cynthia)	9266
4AHH	Director, Atlanta SF HOC (Rogers, N. Daniel III)	
4AHHQ3	Branch Chief, QAD, Atlanta SF HOC (Kittrell, Nora)	
8AHH	Director, Denver SF HOC (Johnson, Ben)	
8AHHQ	Director, Quality Assurance Division, Denver SF HOC (Baker, Karen K.)	
8AHHO	Management Analyst, Denver SF HOC (Friedland, Marc A.)	
3AHH	Deputy Director, Philadelphia SF HOC (Ott, Richard M.)	
3AHHQ	Director, QAD, Philadelphia SF HOC (Shaffer, Julie)	
3AHHQ1	Supervisory Housing Specialist, QAD, Philadelphia SF HOC [redacted] (b)(7)(C) [redacted]	
3AHP	Chief, Technical Team 2, Processing and Underwriting Division, Philadelphia SF HOC (Roe, Kathleen E.)	
9JHH	Director, Santa Ana SF HOC (Bates, Joseph C.)	
9JHHQ	Director, Quality Assurance Division and Acting Director, Operations & Customer Service Division, Santa Ana SF HOC (O'Toole, Shannon)	
CACC	Docket Clerk, Office of Program Enforcement [redacted] (b)(7)(C) [redacted]	Port#200
CACBB	File	Port#200
CACBB	[redacted] (b)(7)(C) [redacted]	Port#200

[redacted] (b)(7)(C) [redacted] Lee Bentley Farkas: Final Determination-Indefinite 1-19-12



OFFICE OF GENERAL COUNSEL
DEPARTMENTAL ENFORCEMENT CENTER

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Mr. Lee Bentley Farkas
Alexandria Correctional Center
2001 Mill Road
Alexandria, VA 22314

Re: Notice of Proposed Debarment and Termination of Existing Suspension

Dear Mr. Farkas:

You are hereby notified that the Department of Housing and Urban Development (HUD) is proposing your debarment from future participation in procurement and nonprocurement transactions as a participant or principal, with HUD and throughout the Executive Branch of the Federal Government, for an indefinite period, to commence on the date of the final determination of this proposed action. This action is in accordance with the procedures set forth at Title 2, Code of Federal Regulations (C.F.R.), Parts 180 and 2424. Copies of those regulations accompany this Notice.

Your proposed debarment is based upon your conviction in the United States District Court for the Eastern District of Virginia, Alexandria Division for violation of 18 U.S.C. §§ 1349 (Conspiracy to Commit Bank Fraud, Wire Fraud, and Securities Fraud), 1343 (Wire Fraud), 1344 (Bank Fraud), 1348 (Securities Fraud), and 2 (Aiding and Abetting and Causing an Act to Be Done). Specifically, you were found guilty of participation in a scheme to defraud financial institutions by means of wire communication through materially false and fraudulent pretenses and representations. Your conviction is evidence of serious irresponsibility and is cause for debarment under the provisions of 2 C.F.R. § 180.800(a)(1), (3) and (4). In determining the length of your proposed debarment, I have taken into account the fact that you were suspended from participation in procurement and nonprocurement transactions throughout the Executive Branch of the Federal Government from October 20, 2010 through the date of this Notice. Your suspension is hereby terminated.

Since you were the chairman and the majority shareholder of Taylor, Bean & Whitaker Mortgage Corp., an entity involved in the origination of FHA-insured mortgages, you have been involved in covered transactions.

If you decide to contest this proposed debarment, you may submit a written argument and request an informal hearing, which you may attend in person, by telephone or through a representative. Pursuant to 2 C.F.R. § 180.825, your written submission must identify: 1) specific facts that contradict the statements contained in this Notice of Proposed Debarment and Termination of Existing Suspension (a general denial is insufficient to raise a genuine dispute

Termination of Existing Suspension (a general denial is insufficient to raise a genuine dispute over facts material to the debarment); 2) all existing, proposed, or prior exclusions against you under regulations implementing Executive Order 12549, and all similar actions taken by Federal, State, or local agencies, including administrative agreements that affect only those agencies; 3) all criminal and civil proceedings against you not included in this Notice of Proposed Debarment and Termination of Existing Suspension that grew out of the facts relevant to the cause(s) stated in this Notice; and 4) all of your affiliates, as defined in the enclosed regulations at 2 C.F.R. § 180.905. If you provide false information, the Department may seek further criminal, civil or administrative action against you as appropriate.

Your written opposition and hearing request must be submitted within 30 days of your receipt of this Notice of Proposed Debarment and Termination of Existing Suspension. The response may be mailed to the Debarment Docket Clerk, U.S. Department of Housing and Urban Development, Departmental Enforcement Center, 451 7th Street, S.W., B-133 - Portals 200, Washington, DC 20410. If you wish to use a courier or overnight mail, address your response to the Docket Clerk, Departmental Enforcement Center, 1250 Maryland Avenue, S.W., Suite 200, Washington, DC 20024.

(b)(7)(C) is my designee in this matter. If you request a hearing, Mr. (b)(7)(C) will set a briefing and hearing schedule as necessary. He has the authority to review any written submissions, conduct an informal hearing, make a recommendation as to whether there is a genuine dispute over material facts and propose a recommended decision. If I determine that a genuine dispute over material facts exists, I will refer this matter to a Hearing Officer, who is an administrative judge, for a formal hearing to make findings of fact pursuant to 2 C.F.R. § 180.840. After receiving those findings of fact, and any related submissions from the parties, I will make a final decision. If you have any questions, please call (b)(7)(C) Director, Compliance Division. Mr. Field may be reached at (b)(7)(C)

The final decision regarding your proposed debarment will be based upon evidence and information, including any written information and argument, that both you and the Government may submit in this matter. If you fail to respond to this Notice within 30 days, this proposed debarment will be affirmed.

If this matter is referred to a Hearing Officer for a formal hearing, this Notice of administrative action shall also serve as a Complaint, in compliance with 24 C.F.R. § 26.13(a), (b) and (c).

Sincerely,

(b)(7)(C)

Craig T. Clemmensen
Director
Departmental Enforcement Center

Enclosures

cc:		
HU	Associate Deputy Assistant Secretary for Single Family Housing (Hadley, Joy L.)	9282
CACB	Director, DEC (Clemmensen, Craig T.)	Port#200
CACC	Associate General Counsel for Program Enforcement (Narode, Dane M.)	Port#200
CID	cid.fcc.gov/hatoc/gov	
4OGI	Special Agent in Charge, Tampa, OIG <div style="border: 1px solid black; display: inline-block; padding: 2px;">(b)(7)(C)</div> OIG No.: 2010 FC 002468 1	
4OGI	Special Agent, Tampa, OIG <div style="border: 1px solid black; display: inline-block; padding: 2px;">(b)(7)(C)</div>	
4AHHJ1	Director, Tampa (Gadsden, Rosemary)	
4AHC	Chief Counsel, Jacksonville (Cox, Earl)	
3GMA	Director, Washington, DC (Hall, John E.)	
3GC	Chief Counsel, Washington, DC (Conlan, Russell S.)	
HUL	Director, Lender Approval and Recertification Division (Himes, Ivery W.)	P3214
HUL	Director, Mortgagee Review Board (Murray, Nancy A.)	3150
HUP	Director, Office of Single Family Program Development (Hill, Karin B.)	9278
HUPH	Director, Home Mortgage Insurance Division (Miller, Cynthia)	9266
4AHH	Director, Atlanta SF HOC (Rogers, N. Daniel III)	
4AHHQ3	Branch Chief, QAD, Atlanta SF HOC (Kittrell, Nora)	
8AHH	Director, Denver SF HOC (Johnson, Ben)	
8AHHQ	Director, Quality Assurance Division, Denver SF HOC (Baker, Karen K.)	
8AHHO	Management Analyst, Denver SF HOC (Friedland, Marc A.)	
3AHH	Deputy Director, Philadelphia SF HOC (Ott, Richard M.)	
3AHHQ	Director, QAD, Philadelphia SF HOC (Shaffer, Julie)	
3AHHQ1	Supervisory Housing Specialist, QAD, Philadelphia SF HOC (DiPietro, Andy V.)	
3AHP	Chief, Technical Team 2, Processing and Underwriting Division, Philadelphia SF HOC <div style="border: 1px solid black; display: inline-block; padding: 2px;">(b)(7)(C)</div>	
9JHH	Director, Santa Ana SF HOC (Bates, Joseph C.)	
9JHHQ	Director, Quality Assurance Division and Acting Director, Operations & Customer Service Division, Santa Ana SF HOC (O'Toole, Shannon)	
CACC	Docket Clerk, Office of Program Enforcement <div style="border: 1px solid black; display: inline-block; padding: 2px;">(b)(7)(C)</div>	Port#200
CACBB	File	Port#200
CACBB	<div style="border: 1px solid black; display: inline-block; padding: 2px;">(b)(7)(C)</div>	Port#200

4. **The amount of restitution paid to any victim, collectively, shall not exceed the victim's total loss from the offenses of conviction.**
5. **Interest:**
X is waived.
accrues as provided in 18 U.S.C. § 3612(f).
6. **Restitution is due immediately, and notwithstanding any other provision of this Restitution Judgment, the Government may enforce restitution at any time.**
7. **If incarcerated, the defendant shall participate in the Bureau of Prisons' Inmate Financial Responsibility Program at a rate of at least \$25 per quarter, or if assigned as a UNICOR grade 1 through 4 employee, at least 50% of the prisoner's monthly pay.**
8. **The defendant shall pay to the Clerk at least \$1,000 per month beginning 60 days after release from custody.**
9. **All payments shall be made to the Clerk of Court, United States District Court, 401 Court House Square, Alexandria, VA 22314.**
10. **The defendant shall notify, within 30 days, the Clerk of Court and the United States Attorney's Office, Financial Litigation Unit, 8000 World Trade Center, Norfolk, VA 23510 of: (a) any change of name, residence, or mailing address; and (b) any material change in economic circumstances that affects the ability to pay restitution.**
11. **No delinquent or default penalties will be imposed except upon Order of the Court.**
12. **Priority of Payments to Victims: Because there is more than one victim, and full amount due as restitution has not been paid, the Clerk shall make payments in \$100.00 increments to each of the victims until all victims have been paid in full.**

13. Forfeited Funds/Proceeds

A. Following the completion of forfeiture proceedings against the assets obtained from the defendant, the United States shall supply to the Clerk's Office and defense counsel a written list of any payments made to victims from any such forfeited items or proceeds, if the forfeited funds are paid directly to victims, rather than to the Clerk of Court for distribution to victims. The Clerk's Office will then offset such payments against the amounts specified in this Restitution Judgment to ensure that the victims receive no more than full compensation and that the defendant is given credit for any such payments on the balance of restitution to be paid.

B. If, in the alternative, any forfeited funds/proceeds are paid directly to the Clerk's Office for distribution, then the Clerk's Office shall distribute those funds to the individual direct victims on a pro rata basis. That is, each individual direct victim shall be entitled to share in the forfeited funds/proceeds in an amount equal to the percentage that each individual's loss is of the total losses of the individual direct victims.

SO ORDERED:



Leonie M. Brinkema
United States District Judge

ENTERED this 26th day of ~~August~~^{September}, 2011
in Alexandria, Virginia

	Lee Farkas 1:10CR200	Desiree Brown 1:11CR84	Paul Allen 1:11CR165	Sean Ragland 1:11CR162	Raymond Bowman 1:11CR118	Catherine Kissick 1:11CR88	Teresa Kelly 1:11CR119
Griggs, Nadine	\$103	\$103	\$103	\$103	\$103	\$103	\$103
Klauder, Gerald	\$51,035	\$51,035	\$51,035	\$51,035	\$51,035	\$51,035	\$51,035
Marx, Alysha (on behalf of Lona Kille)	\$316	\$316	\$316	\$316	\$316	\$316	\$316
Murphy, Rebecca & Irie	\$1,072	\$1,072	\$1,072	\$1,072	\$1,072	\$1,072	\$1,072
Mushill, John and Elizabeth	\$68	\$68	\$68	\$68	\$68	\$68	\$68
Story, Alfred	\$124	\$124	\$124	\$124	\$124	\$124	\$124
Turner, Tyna	\$387	\$387	\$387	\$387	\$387	\$387	\$387
TOTAL	\$3,507,743,557	\$3,507,743,557	\$2,611,909,882	\$2,611,909,882	\$500,524,882	\$500,524,882	\$500,524,882

Attachment B

Name	Address
1. FDIC	
2. Deutsche Bank	
3. BNP Paribas	
4. Bryant, Glenda and David	
5. Caruthers, Timothy	
6. Christy, Frazier	
7. Crockett, Frederick	
8. Crockett, Phyllis	
9. Crocket, William	
10. Farmer, Nancy	
11. Gaynor, Lenore (Trust)	
12. Gaynor, Robert and Leah	
13. Green, Murray	

14. Griggs, Nadine	
15. Klauder, Gerald	
16. Marx, Alysha (on behalf of Lona and Jimmy Killen)	
17. Murphy, Rebecca & Irie	
18. Mushill, John and Elizabeth	
19. Story, Alfred	
20. Turner, Tyna	

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

UNITED STATES OF AMERICA	.	Criminal No. 1:10cr200
	.	
vs.	.	Alexandria, Virginia
	.	April 4, 2011
LEE BENTLEY FARKAS,	.	2:50 p.m.
	.	
Defendant.	.	<u>EXCERPT OF P.M. SESSION</u>
	.	
.	

TRANSCRIPT OF JURY TRIAL
BEFORE THE HONORABLE LEONIE M. BRINKEMA
UNITED STATES DISTRICT JUDGE

VOLUME 1

APPEARANCES:

FOR THE GOVERNMENT:	CHARLES F. CONNOLLY, AUSA PAUL J. NATHANSON, AUSA United States Attorney's Office 2100 Jamieson Avenue Alexandria, VA 22314 and PATRICK F. STOKES, ESQ. ROBERT ZINK, ESQ. United States Department of Justice Criminal Division, Fraud Section 1400 New York Avenue, N.W. Washington, D.C. 20005
---------------------	---

FOR THE DEFENDANT:	WILLIAM B. CUMMINGS, ESQ. William B. Cummings, P.C. P.O. Box 1177 Alexandria, VA 22313
--------------------	---

(APPEARANCES CONT'D. ON FOLLOWING PAGE)

(Pages 1 - 97)

COMPUTERIZED TRANSCRIPTION OF STENOGRAPHIC NOTES

1 APPEARANCES: (Cont'd.)

2 FOR THE DEFENDANT:

BRUCE S. ROGOW, ESQ.
Bruce S. Rogow, PA
500 East Broward Boulevard
Suite 1930
Fort Lauderdale, FL 33394
and
CRAIG KUGLAR, ESQ.
Law Office of Craig Kuglar, LLC
1130 Piedmont Avenue, Suite 913
Atlanta, GA 30309
and
ZAHRA S. KARINSHAK, ESQ.
Krevolin & Horst
1201 West Peachtree Street
One Atlantic Center, Suite 3250
Atlanta, GA 30309

11 ALSO PRESENT:

JENNIFER GINDIN
LISA PORTER
SA SCOTT TURNER
JUDSON VAUGHN

14 OFFICIAL COURT REPORTERS:

ANNELIESE J. THOMSON, RDR, CRR
NORMAN B. LINNELL, RMR, FCRR
U.S. District Court, Fifth Floor
401 Courthouse Square
Alexandria, VA 22314
(703)299-8595

17
18
19
20
21
22
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

Opening Statement by Mr. Stokes: Page 4
Opening Statement by Mr. Kuglar: Page 21

DIRECT CROSS REDIRECT RECROSS

WITNESSES ON BEHALF OF
THE GOVERNMENT:

Sarah Moore 37

EXHIBITS

MARKED RECEIVED

GOVERNMENT'S:

No. 14-1 78
14-2 78
16-8 83
16-8A 83
18-2 89
18-2A 89
18-16 87

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A F T E R N O O N S E S S I O N

(Defendant and Jury present.)

* * * * *

OPENING STATEMENT

BY MR. STOKES:

I will do my best. I will do my best, Your Honor.

Good afternoon. This is a case about lying and stealing on a staggering scale. Over an eight-year period, from 2002 to August 2009, the defendant, Lee Farkas, led a massive fraud scheme through his company, Taylor, Bean & Whitaker, or TBW, which is a mortgage lending company that funded mortgage loans for home buyers. With the help of others, the defendant stole through TBW well over a billion dollars from three banks: Colonial Bank, one of the largest regional banks in the country, and two international banks.

The defendant's fraud scheme, as you'll see, evolved. It grew in size and sophistication over time, and you'll learn that it had five phases to it, five phases of this fraud scheme that the defendant used to steal money in order to keep TBW in business and to line his own pockets.

You're going to hear how the defendant's theft started relatively small, but then in time, it grew into the hundreds of millions of dollars, particularly as the financial crisis deepened. You're going to see evidence of and hear about how the defendant used brazen schemes to steal this money through his

1 company, Taylor, Bean & Whitaker. In one case, with one bank, he
2 and his coconspirators stole hundreds of millions of dollars
3 through fake loan transactions with Colonial Bank; that is, the
4 defendant and his coconspirators pretended to sell Colonial Bank
5 mortgage loans that TBW didn't own anymore because it had already
6 sold them. It was as if the defendant on a Monday sold a house to
7 somebody and on Tuesday turned around and sold that same house
8 again to somebody else when he didn't own it anymore.

9 In the end, the defendant's scheme netted TBW
10 significantly more than a billion dollars, so much money that the
11 amounts are still being sorted out.

12 The defendant, as you'll see, didn't act alone. He
13 couldn't act alone. The scheme was too complicated. It was too
14 complex. It was too big. He got lots of help from others:
15 insiders at Colonial Bank and TBW employees that he drew into the
16 conspiracy.

17 These coconspirators, the people that helped him commit
18 this crime, their involvement varied over time, as you'll see.
19 The defendant's involvement was constant. He was the leader
20 throughout. After all, TBW was his company. He built it
21 practically from the ground up, and he was the main beneficiary of
22 this fraud scheme. As you'll see, he stole money to buy a private
23 jet. He had a collector car collection of fancy, expensive cars;
24 he had multiple houses; and you will hear how he used TBW money to
25 buy restaurants and enter into other personal business ventures.

1 TBW, one of the largest mortgage lending companies in
2 the country, was a house of cards. It was a house of cards that
3 the defendant built on the foundation of deceit, stolen money, and
4 massive hidden debt.

5 In August of 2009, the government executed search
6 warrants at TBW and Colonial Bank. TBW collapsed shortly
7 thereafter, and Colonial Bank was seized by regulators and sold
8 off. As a result of the defendant's involvement in this scheme,
9 he's been charged in a 14-count indictment with conspiracy, bank
10 fraud, wire fraud, and securities fraud.

11 Now, before I go into any more detail about the fraud
12 scheme, I first want to give you some background about TBW,
13 Colonial Bank, and the mortgage industry. Over the course of the
14 trial, you're going to learn that there's this whole world out
15 there where companies buy and sell mortgage loans. It's not
16 important that you know about that world now. Over the course of
17 the trial, you'll learn more about it.

18 What I want to do today is just give you an overview, an
19 introduction to some of the key names, entities, and concepts
20 you're going to learn about at trial. TBW, as I said, was a
21 mortgage lending company. It was based in Ocala, Florida, in
22 central Florida, and it operated nationwide. As a mortgage
23 lending company, TBW formed loans for home buyers. Now, TBW
24 wasn't a bank, and so it had to borrow that money to create those
25 loans from banks, banks like Colonial Bank. Colonial Bank was

1 based out of Montgomery, Alabama, and it was one of the largest
2 regional banks in the country. Colonial's Mortgage Division that
3 worked with Taylor Bean was located in Orlando, about 1 hour and
4 15 minutes away from Ocala.

5 TBW paid Colonial Bank back for the money it borrowed to
6 form those mortgage loans once TBW sold those loans to companies
7 that invested in mortgage loans, companies like Wall Street banks
8 and Freddie Mac, which is based here in McLean, in Virginia.
9 Freddie Mac would purchase loans, package them into something
10 called mortgage-backed securities you'll hear a lot about at
11 trial, simply a security that's backed by mortgages, and then
12 Freddie Mac would sell those on to other investors. As I said,
13 you're going to hear about that process and learn about it at
14 trial.

15 Now, first I want to introduce you to some of the key
16 individuals and names you're going to hear at trial that you'll
17 see on the screen before you. Of course, you're going to hear
18 about Lee Farkas at TBW, who was the owner and chairman of TBW.
19 You're also going to hear about six coconspirators of the
20 defendant's: Paul Allen, the CEO of TBW; Ray Bowman, the
21 president; Desiree Brown, the treasurer of TBW; and Sean Ragland,
22 a senior financial analyst.

23 You're also going hear about a woman named Cathie
24 Kissick, who is a senior vice president and the head of Colonial
25 Bank's Mortgage Division in Orlando, and you're going to hear

1 about Teresa Kelly, who worked under her also in Orlando in the
2 Mortgage Division for Colonial Bank.

3 These individuals are each coconspirators of the
4 defendant, and they'll testify at trial, and through those
5 witnesses, these coconspirators and others, you're going to hear
6 about those five phases of the fraud scheme that I mentioned. The
7 thing you're going to hear from these witnesses in particular is
8 that while they were participants as coconspirators, the defendant
9 was the common denominator through each of those five phases.

10 The evidence you're going to hear about those five
11 phases of the scheme will be complicated at times. It's a
12 technical industry, but what you're going to see is that the
13 reason for committing the fraud was simple: TBW needed money, and
14 the defendant and his coconspirators went out and stole it.

15 The first phase of this scheme that you're going to hear
16 about is something called sweeping. This part of the scheme ran
17 from early 2002 to December 2003. During that time, Taylor Bean
18 was experiencing severe cash shortages, didn't have enough money
19 to pay its bills, and yet the defendant and TBW kept writing
20 checks on its bank accounts. Its business bank accounts were at
21 Colonial Bank, and as a result, TBW was running massive overdrafts
22 at Colonial Bank.

23 This is money that TBW was spending that Colonial Bank
24 had to cover. It was as if TBW had a bank account at Colonial
25 Bank with a thousand dollars in it and the defendant wrote a check

1 for \$5,000. Colonial Bank had to cover that \$4,000. That wasn't
2 permitted. The reason the defendant and TBW were able to get away
3 with this is because they had insiders at Colonial Bank helping
4 them do this.

5 Now, you're going to hear that the defendant and others
6 tried to fix the overdrafts and tried to find a solution for them
7 over time, but they weren't successful, and by December 2003, the
8 overdraft had grown to well over a hundred million dollars. This
9 overdraft wasn't permitted, and the defendant and his
10 coconspirators at Colonial Bank and TBW had to hide it.

11 They had to hide it from management at Colonial Bank in
12 Montgomery, Alabama, at headquarters. They had to hide it from
13 auditors and government regulators of the bank, and so in order to
14 hide it, they engaged in a scheme called sweeping.

15 Sweeping is simple. All this is is Taylor Bean's bank
16 account at Colonial Bank, its main bank account, was overdrawn by
17 a huge amount of money. In order to cover that up, they
18 transferred money into the bank, Colonial Bank money, they swept
19 it into the account and made it appear as if the overdraft went
20 away.

21 The timing is important. They did that at the end of
22 every day. The reason that they did it at the end of every day
23 was to cover up the overdraft before an automatic report was
24 generated called an overdraft report that could potentially alert
25 somebody in Montgomery that there was a problem with this account,

1 that it was overdrawn, and draw scrutiny to it.

2 The next morning, they would sweep the money back out
3 and return it to Colonial Bank. If the account was overdrawn,
4 they would move money into the account to hide it, and they would
5 sweep that money back out the next day. They did this every day
6 to avoid that overdraft report.

7 Now, how did the defendant get away with this? How was
8 he able to do this sweeping? As I mentioned, the defendant was
9 able to do this because he had insiders working for him at
10 Colonial Bank, Cathie Kissick and Teresa Kelly helping him out.
11 They'll testify at trial, and they'll tell you how they helped the
12 defendant initially with the overdraft and the sweeping because
13 they hoped and they believed that he'd be able to turn the tide
14 and turn his business around, but over time, as the hole got
15 bigger, as the overdraft grew, they were stuck, and the defendant
16 had them over a barrel. They were concerned that if TBW went out
17 of business, the overdraft would be discovered, and they would get
18 in trouble, and so they kept giving the defendant more and more
19 money.

20 You're also going to hear from Ray Bowman, the president
21 of TBW, who's going to tell you how he and the defendant together
22 worked with Cathie Kissick and Teresa Kelly to hide that
23 overdraft.

24 By December 2003, TBW had an overdraft of more than \$120
25 million in its bank account at Colonial Bank. That's money that

1 TBW and the defendant had stolen from Colonial Bank. Colonial
2 Bank paid for that overdraft, and they covered it up through
3 sweeping so nobody at Colonial Bank in management would know.

4 The second phase of the scheme you're going to hear
5 about is something called Plan B. Plan B is a scheme that ran
6 from approximately December 2003 to mid-2005, and under Plan B,
7 the defendant and the people helping him with this crime, these
8 coconspirators, they switched from the overdraft to Plan B, and
9 the reason they switched from sweeping to cover up that overdraft
10 was because it was so big and it was getting so hard to hide that
11 they decided they needed to hide that overdraft somewhere else on
12 Colonial's books, somewhere other than in TBW's bank account, and
13 so they moved that overdraft somewhere else, to a program on
14 Colonial's books called COLB, C-O-L-B.

15 By moving it to this program of COLB, COLB was a program
16 that Colonial Bank used to buy mortgage loans from Taylor Bean and
17 other mortgage lenders. They simply took the overdraft, and they
18 moved it elsewhere on Colonial's books, and they covered it up
19 with fake assets to make it look like this overdraft or this hole
20 wasn't there, and then they used Plan B to steal more and more
21 money from Colonial Bank.

22 Plan B is simple: With Plan B, the defendant and his
23 coconspirators engaged in fake loan sales to Colonial Bank. These
24 were fake loan sales because the defendant and his conspirators at
25 TBW would provide Colonial Bank with loans that TBW had already

1 sold to someone else, and so these loans couldn't be sold to
2 Colonial Bank, and his conspirators at Colonial Bank would put it
3 on the books as if these were real loan transactions.

4 The defendant himself knew these transactions were fake.
5 After all, he called these Plan B loans dummy loans. Now,
6 whatever name they want to use for them, whether you call them
7 Plan B loans, fake loans, dummy loans, they were worthless for
8 Colonial Bank. Colonial Bank had assets that somebody else owned
9 that it thought it owned.

10 You're going to hear again that the defendant was able
11 to get away with this because he worked with those same two
12 insiders at Colonial Bank: Cathie Kissick and Teresa Kelly. They
13 helped him hide these fake assets on Colonial's books in the COLB
14 program.

15 You're going to hear from the president, Ray Bowman,
16 who's going to tell you how the defendant came to him about Plan B
17 and how they used Plan B to cover TBW's debts by engaging in fake
18 loan transactions with Colonial Bank.

19 You're also going to hear from Desiree Brown, TBW's
20 treasurer, who's going to tell you how she learned about Plan B
21 from the defendant and over time gained more responsibility for
22 the day-to-day implementation of Plan B. By mid-2005, this hole
23 on Colonial's books had grown to more than \$250 million, that is,
24 \$250 million of real money that Taylor Bean received in exchange
25 for fake assets, fake loan sales.

1 Now, by mid-2005, the scheme changed again. It was
2 still Plan B, but Plan B with a twist. The difference, the
3 essential difference is that instead of using this COLB program to
4 hide these fake assets, the defendant and his coconspirators used
5 another program called AOT. You're going to hear a lot about AOT
6 and COLB at trial, and you'll learn more about them then. The
7 essential difference is that on COLB, Colonial Bank purchased
8 individual loans, and with AOT, Colonial Bank purchased pools of
9 loans or groups of loans at a time instead of one individual loan.

10 And so with the AOT -- the Plan B scheme moved to AOT.
11 The defendant and his coconspirators engaged in fake loan
12 transactions in which they sold fake pools of loans, fake pools of
13 loans that TBW had already sold to other investors, to other
14 companies, and therefore couldn't sell again. The reason they
15 switched to AOT for Plan B was that it was easier to hide the
16 fraud and it was easier to administer this fraud scheme, and
17 you'll hear about that.

18 Now, another thing you're going to hear about with Plan
19 B is that in order to hide this, these fake assets on Colonial's
20 books and to make these assets look real, the defendant and his
21 conspirators came up with a scheme to make it look like these
22 assets were actually selling, these pools of loans were actually
23 selling, as they were supposed to. All they did was they replaced
24 old fake data, Plan B data, the fake pools of loans that Taylor
25 Bean had sold to Colonial Bank, with new information about new

1 fake pools. They just swapped out data to make it look for
2 anybody in Montgomery in management or an auditor or a government
3 regulator, to make it look like these pools of loans were actually
4 selling when they weren't, and of course they couldn't. These
5 transactions were fake.

6 The defendant was able to carry off this Plan B scheme
7 on AOT because he was working with Cathie Kissick from Colonial
8 Bank and Teresa Kelly to make the scheme work on the bank side.

9 And you're going to hear from Desiree Brown, the
10 treasurer of TBW, how she worked with the defendant to cover their
11 mounting debts particularly as the financial crisis deepened, and
12 they used Plan B to do it. By 2009, Colonial Bank had purchased
13 more than \$500 million in fake pools of loans from Taylor Bean;
14 that is, Colonial Bank had given Taylor Bean more than \$500
15 million, and what it got in return were dummy pools of loans that
16 the defendant and his coconspirators gave to Colonial Bank in fake
17 loan transactions.

18 Now, there was a limit to what the defendant could steal
19 from Colonial Bank. After all, Colonial Bank could only absorb so
20 much in losses and so much in hidden asset on its books, and so by
21 2005 and later, he turned to another entity called Ocala Funding
22 to steal even more money.

23 Ocala Funding was a company that was set up by Taylor
24 Bean. It was owned and controlled by Taylor Bean. It had no
25 employees. Taylor Bean employees were the employees who operated

1 Ocala Funding. So in other words, Ocala Funding was owned and
2 controlled by Taylor Bean.

3 Ocala Funding was used by Taylor Bean in order to obtain
4 more money to fund more mortgage loans, and the way that Taylor
5 Bean did this is that TBW caused Ocala Funding to sell to banks
6 something called commercial paper, just a short-term note or an
7 IOU. TBW would cause Ocala Funding to sell to these banks IOUs or
8 commercial paper, and it would get money in return, and that money
9 TBW would then use to buy mortgage loans, which it would then sell
10 to Freddie Mac and other investors.

11 This money that was used in Ocala Funding for purchasing
12 mortgage loans was supposed to back these -- this commercial
13 paper, these IOUs that these banks had purchased. And two banks
14 you're going to hear about in particular are two international
15 banks: Deutsche Bank and BNP.

16 Now, as it turns out, this wasn't exactly how Ocala
17 Funding was actually used by the defendant and his coconspirators.
18 Over time, the defendant and Desiree Brown stripped out hundreds
19 of millions of dollars of assets, mostly cash, from Ocala Funding
20 that was supposed to be backing that commercial paper, those IOUs
21 that those banks held. They did this because the financial crisis
22 had hit TBW hard, and its debts were mounting fast and furious,
23 and they needed to cover those debts quickly, and so they stole
24 that money from Ocala Funding. Deutsche Bank and BNP were left
25 with worthless commercial paper that they thought was backed by

1 cash and loans.

2 The way the defendant was able to get away with this was
3 again working with others, with Desiree Brown. Desiree Brown is
4 going to tell you how she and the defendant stripped these assets,
5 this cash out of Ocala Funding and how they used it to cover TBW's
6 debts.

7 You're going to hear from Paul Allen, the CEO of TBW,
8 and he's going to tell you how he kept the defendant informed of
9 that hole in Ocala Funding, and then in 2008, the defendant lied
10 to him about having fixed that hole in Ocala Funding.

11 You're going to also hear from Sean Ragland, a financial
12 analyst at TBW, who's going to tell you how at the direction of
13 others he sent false reports to Deutsche Bank and BNP and other
14 banks in order to mislead them, to cover up the hole and make them
15 think that they actually had enough assets covering their
16 commercial paper, their IOUs, when they didn't.

17 By August 2009, the defendant and Desiree Brown had
18 stripped out virtually all of the money out of Ocala Funding,
19 close to \$1.5 billion. Deutsche Bank and BNP were left holding
20 \$1.5 billion of worthless IOUs that they believed were backed by
21 cash.

22 The last phase of the scheme you're going to hear about
23 is something called TARP, the TARP program, the Troubled Asset
24 Relief Program, which is, I'm sure you've heard of it, it's the
25 government's bailout program for banks. In 2009, the -- in a

1 last-ditch effort to save TBW and to keep his fraud scheme going,
2 the defendant tried to steal over \$500 million from the
3 government, this time by tapping into the TARP program. He did
4 this through a fraudulent investment scheme in which he and others
5 tried to buy Colonial Bank, and you're going to hear about
6 something called Project Squirrel.

7 Project Squirrel is a program that the defendant and
8 Desiree Brown set up, and this project was so that they could
9 squirrel away money to pay for Colonial Bank, and you're going to
10 learn that that money they squirreled away was stolen from Ocala
11 Funding.

12 You're also going to hear from Paul Allen, again, the
13 CEO of TBW, who's going to tell you how he and the defendant lied
14 to some government regulators and others about TBW's investment in
15 Colonial Bank and that despite the defendant's lies and attempts
16 to tap into this \$500 million of government money, he failed and
17 ultimately wasn't able to actually get any of the TARP funds.

18 The amount of money stolen by the defendant and his
19 coconspirators from these three banks and attempted -- the amount
20 they attempted to steal from the government, as I said at the
21 beginning, is staggering. The defendant tried to steal -- I'm
22 sorry, did steal upwards of \$120 million from Colonial Bank and
23 covered it up through sweeping and then stole more money from
24 Colonial Bank and covered up a \$250 million hole through selling
25 dummy loans through Plan B and then engaged in Plan B with a twist