PRESS RELEASE

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Grand Jury Returns Superseding Indictment Charging First NBC Bank Executives And A Borrower With Bank Fraud And False Statements

NEW ORLEANS – The United States Attorney's Office announced that a grand jury returned a superseding indictment against ASHTON J. RYAN, age 73, of Kenner; WILLIAM BURNELL, age 71, of Kenner; ROBERT BRAD CALLOWAY, age 60, of Metairie; FRANK J. ADOLPH, age 61, of Kenner; and FRED V. BEEBE, age 62, of Donaldsonville, for defrauding First NBC Bank, the New Orleans-based bank that failed in April 2017.

According to the 49-count Superseding Indictment, from 2006 through April 2017, RYAN, BURNELL, CALLOWAY, BEEBE, and ADOLPH conspired to defraud First NBC Bank (the "Bank") through a variety of schemes. RYAN was the President and CEO of the Bank for most of its existence. BURNELL was the Chief Credit Officer. CALLOWAY was an Executive Vice President. BEEBE was a Senior Vice President. ADOLPH was a borrower at the Bank who was charged with conspiring with the four Bank executives to obtain loans based on false statements and forged documents.

The Superseding Indictment alleges that RYAN, BURNELL, CALLOWAY, BEEBE, ADOLPH, and others conspired to defraud First NBC Bank by disguising the true financial status of certain borrowers and their troubled loans, concealing the true financial condition of the Bank from the Board, auditors, and examiners. The borrowers included real estate developer Gary Gibbs, real estate developer Kenneth Charity, Bank general counsel Gregory St. Angelo, factoring business owner FRANK ADOLPH, hotel owner Arvind "Mike" Vira, contractor Warren Treme, and contractor Jeffrey Dunlap. CALLOWAY was Gibbs's loan officer while BEEBE worked as Treme's loan officer. RYAN served as the loan officer or oversaw the loan officers for all of those borrowers. BURNELL approved the risk rating for all of these borrowers' loans and was the gatekeeper tasked with protecting the safety and soundness of the Bank's loan portfolio. Dunlap, Charity, St. Angelo, Vira, Gibbs, and Treme have all previously been charged in individual Bills of Information with conspiring to defraud First NBC Bank. All six of these borrowers are listed in the Superseding Indictment as members of the bank fraud conspiracy with RYAN, BURNELL, CALLOWAY, BEEBE, and ADOLPH.

During the course of the conspiracy, RYAN, BURNELL, CALLOWAY, and BEEBE repeatedly extended loans to borrowers who were unable to pay their loans without relying on loan payments to keep them current. To hide this practice, RYAN, BURNELL, CALLOWAY, and BEEBE made false statements in loan documents and elsewhere about the purposes of loans, the borrowers' abilities to repay those loans, and the sources of funds used to pay those loans. When the borrowers were unable to pay those loans, RYAN, BURNELL, CALLOWAY, and BEEBE made new loans to these same borrowers and then used the proceeds from those new loans to pay the existing loans. This created the false impression that the borrowers were able to pay their loans, when in fact they would not have been able to pay their loans without going further into debt through new borrowing from the Bank. The new loans prevented these borrowers from appearing on lists that RYAN and BURNELL gave the Bank's Board each month, which would have highlighted that the borrowers were unable to make loan payments or had cash flow problems. RYAN, BURNELL, CALLOWAY, and BEEBE also made false statements about the purpose of those loans, misrepresenting in Bank documents that the borrowers were able

to pay loans with cash generated from the borrowers' businesses, when in fact the borrowers were only able to pay those loans with proceeds from new Bank loans. The borrowers often spent the proceeds of these business loans on unrelated personal expenses, including by overdrawing their checking accounts at the Bank, and RYAN, BURNELL, CALLOWAY, and BEEBE paid these overdrafts by issuing new loans to the borrowers. This practice kept the borrowers off of month-end overdraft reports to the Board and hid the borrowers' inability to pay their own expenses without new loan proceeds.

For certain loans, RYAN, BURNELL, CALLOWAY, and BEEBE included borrower documents in loan files despite knowing that the documents were false. For example, even after RYAN and BURNELL learned that ADOLPH was submitting falsified documents to the Bank to inflate his collateral, RYAN and BURNELL continued to submit loans for ADOLPH that included the false documents. Even though RYAN, BURNELL, and CALLOWAY knew that Gibbs could not pay his loans with cash generated from his businesses, they continued to submit loan documents that included false documents showing that Gibbs's business earned enough cash to pay his loans at the Bank. Likewise, RYAN, BURNELL, and BEEBE submitted loan documents to authorize Bank funds to be loaned to Treme that included falsehoods relating to Treme's creditworthiness and the purpose of the loans.

When members of the Board or the Bank's outside auditors or examiners asked about loans to these borrowers, RYAN, BURNELL, CALLOWAY, and BEEBE made false statements about the borrowers and their loans, and left out the truth about the borrowers' inability to pay their debts without getting new loans. As a result, the balance on these borrowers' loans continued to grow. By the time regulators closed First NBC Bank in April of 2017, Gibbs owed the Bank $123 million; Charity owed $18 million; St. Angelo owed $46 million; ADOLPH owed $6 million; Vira owed $39 million; Treme owed $6 million; and Dunlap owed $22 million. The Bank's failure cost the Federal Deposit Insurance Corporation deposit insurance fund just under $1 billion.

RYAN, BURNELL, CALLOWAY, and BEEBE each received substantial compensation from the Bank during the course of the conspiracy. RYAN also received personal benefits from three of the borrower relationships. Vira lent millions of dollars to RYAN at the same time Vira was a borrower at the Bank, and RYAN and Vira conspired to hide their business dealings from the Board, auditors, and examiners. Treme was RYAN's partner in several businesses and real estate development projects, and RYAN used Treme's borrowing from the Bank as a way to spend Bank loan proceeds on RYAN's own projects. Even when parts of RYAN's business dealings with Vira and Treme were revealed to regulators, RYAN continued to conceal from regulators that he exercised authority over loans to Vira and Treme. Dunlap was a contractor for a business that RYAN and Treme ran, and RYAN used loan proceeds from Dunlap's business to benefit his own development project, Wadsworth Estates. RYAN never disclosed his business relationship with Dunlap to the Board, auditors, or examiners. BURNELL was aware of this business relationship and also never disclosed it to the Board, auditors, or examiners.

"Along with our partners, the FBI has dedicated significant time and resources toward investigating the failure of First NBC Bank, which resulted in nearly a billion dollar loss to the FDIC," stated FBI New Orleans Special Agent in Charge Bryan Vorndran. "We will continue to investigate allegations of fraud by First NBC bank insiders until all those responsible for its failure are identified and brought to justice."

"Today's indictment sends a clear message that bank executives who engage in fraud that impacts the safety and soundness of financial institutions will be held accountable for their actions," said Stephen Donnelly, Acting Special Agent in Charge, Eastern Region, Office of Inspector General for the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection.

"Today's indictment demonstrates the FDIC OIG and our law enforcement partners will continue to pursue individuals who defraud our insured financial institutions and cause harm to the nation's banking industry," said Anand Ramlall, Special Agent in Charge, Dallas Region, Office of Inspector General for the Federal Deposit Insurance Corporation.

RYAN, BURNELL, CALLOWAY, BEEBE, and ADOLPH are each charged in Count 1 of the Superseding Indictment with conspiracy to commit bank fraud, in violation of Title 18, United States Code, Sections 1344 and 1349. RYAN, BURNELL, CALLOWAY, BEEBE, and ADOLPH are also charged with multiple instances of bank fraud, as listed in Counts 2 through 37, in violation of Title 18, United States Code, Section 1344. RYAN, BURNELL, BEEBE, and CALLOWAY are charged with making false entries in bank records, in violation of Title 18, United States Code, Section 1005, as listed in Counts 38 through 49. For each of the charged counts, the maximum penalties that may be imposed upon conviction are thirty years in prison; a fine of $1,000,000, or the greater of twice the gain to a defendant or twice the loss to any victim; up to five years of supervised release; and a $100 mandatory special assessment.

The United States Attorney's Office stated that an Indictment is merely an accusation and that the guilt of the defendants must be proven beyond a reasonable doubt.

This case is being investigated by the Federal Bureau of Investigation; the Federal Deposit Insurance Corporation, Office of Inspector General; and the Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, Office of Inspector General. Assistant U.S. Attorneys Sharan E. Lieberman, Matthew R. Payne, Nicholas D. Moses, J. Ryan McLaren, and K. Paige O'Hale are in charge of the prosecution.

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