

# Bank Execs & Attorneys Indicted for Fraud; Implicated in Larger Conspiracy

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## IMMEDIATE RELEASE

**Raleigh, NC – Jan. 29, 2010** – A 31-count indictment based on extensive criminal fraud was filed today with *North Carolina’s Department of Justice* against executives at *Paragon Commercial Bank* and attorneys of *Poyner & Spruill*. Those named at Paragon, an upstart bank based in Raleigh, were CEO Robert C. Hatley, along with Martin Borden, Matthew C. Davis and James W. Hoose. Those included from Poyner & Spruill, a law firm also based in Raleigh, were Daniel G. Cahill and David M. Warren.

The filing emphasized two themes: (1) “*Congress* did NOT bail out the *Banking Industry* so they could defraud and persecute the taxpayers who bailed them out”; and (2) “the corruption observed in this matter alone, suggests a threat to the integrity of the *U.S. Justice System* may exist.” Among the charges were: “deceitful banking practices”; “embezzlement”; “fraudulent defaults” “wrongful foreclosures”; “grand larceny”; and “intentional infliction of economic duress and emotional distress”.

Spencer C. Young, a 53 year-old redeveloper and former banking executive, filed the complaint, pertaining to \$5 million in loans from Paragon to his affiliated companies, and collateralized by properties whose redevelopment value is estimated at \$20 million. Over 300 pages of evidence accompanied the filing, detailing an “assault [that is perhaps] the most brazen and malicious commercial mortgage fraud ever perpetrated by a bank”.

Mr. Young described those indicted today as “monsters” motivated by greed to undertake actions intended to bring “destitution” to his extended family, long reliant on him for financial support. He added they deliberately sought to bring about “homelessness” to his family, including his: (1) 83-year-old mother with a heart condition; (2) ex-wife, stricken with pancreatic cancer; and (3) toddler son. Moreover, they “attempted to deny his ex-wife critical chemotherapy and radiation treatments”, and “force” his sons attending college (at *Duke* and *Maryland*) “to drop out”. He volunteered “family and friends have prevented such horrible manifestations to date; however,

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the authorities MUST NOW intervene” – warning, “otherwise there may also be loss of life”. Asked to explain, he quipped “read the indictment – it’s posted on [www.TWSYF.com](http://www.TWSYF.com)”.

Offering a further sobering observation, Mr. Young declared: “If U.S banks were allowed to foreclose uncontested and without consequence on mortgage loans that were NEVER delinquent – Mr. Obama could forget about his Jobs Bill, for no one would borrow, our economy would collapse, and our American government would follow suit . . . and that’s the heart of this matter.” Accordingly, the indictment was sent to “*Distinguished Representatives of North Carolina*” ranging from Governor Bev Perdue to the county Sheriffs, copying *Federal* officials, and *U.S. Senate Committees on Banking; the Judiciary; and Finance*.

Even more disturbing, the indictment allegedly represents the “tip of the iceberg” of a “far more significant matter crossing state lines” and involving “banks bailed out with *TARP* monies, numerous prominent attorneys, and government officials who violated their oaths to serve and protect the public.” Today’s filing provided limited details as they were deemed “outside the scope” of the complaint; however, it was indicated the particulars would be made available shortly.

Concerning next steps, Mr. Young said: “This marks the beginning of an unrelenting pursuit for justice encompassing: (1) prosecuting those responsible; (2) reclaiming the properties and monies stolen; (3) restitution for significant damages; (4) punitive compensation for anguish and suffering; and (5) regaining my dignity.”

Mr. Young continued “Today’s indictment illustrates how unbridled greed can shackle unsuspecting innocents with unimaginable pain and suffering. The time has come to prove the mightiness of truth, prevail decisively, and finally free my family from a nightmare of unrelenting torment.”

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## **About the Claimant**

After receiving his Bachelor of Science degree and MBA in Finance from *Cornell University*, Spencer C. Young embarked on a career spanning over two decades in corporate finance and banking, while concurrently investing in commercial real estate.

Mr. Young obtained his CPA license while at *Arthur Andersen & Co.* and then held executive positions at firms recognized as leaders in their industries: *Dun & Bradstreet* (Business Information Services), *Citicorp* (Commercial Real Estate Lending), *JPMorgan* (Commercial Banking) and *Morgan Stanley* (Investment Banking).

Of note, he: (1) served as Division Controller/Treasurer for Citicorp Real Estate; (2) founded the commercial mortgage backed securities (“CMBS”) business at JPMorgan; (3) was Chief Operating Officer of JPMorgan’s Commercial Mortgage Finance Unit; and (4) ran Morgan Stanley’s CMBS Conduit operation, which played a pivotal role in Morgan Stanley’s # 1 ranking in CMBS issuance for three consecutive years.

Spencer C. Young also developed the *IQ*® (“*Institutional Quality*”) brand, arguably the most successful proprietary brand of CMBS – valued at \$250 million when established, and considerably more thereafter.

Mr. Young is a lifetime member of *Mensa*, and an active member of *Intertel*.

## **Contact Information:**

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