

In First NBC case, Mississippi developer pleads guilty to lying to secure \$123 million in loans

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Another player in the purported multi-million-dollar scheme to defraud First NBC Bank and its shareholders pleaded guilty to his role Wednesday in New Orleans' federal courthouse.

Gary Gibbs, a Mississippi-based developer, admitted to conspiring to commit bank fraud as part of a plea deal with U.S. Attorney Peter Strasser's office, according to court records. In return, the government agreed to not prosecute Gibbs in connection with other crimes he admitted committing in documents that summarize the case against him.

U.S. District Judge Jane Triche Milazzo could sentence Gibbs to a maximum of 30 years in prison. However, as part of the plea bargain, the government said it would recommend that Gibbs receive a sentence of between 6 1/2 years and 8 years.

Milazzo tentatively set sentencing for Dec. 2.

Asked to comment on his client's decision to plead guilty, Gibbs' attorney, Randy Smith, said, "It is what it is — we trust the process."

Gibbs was charged as part of an investigation targeting the founder and CEO of the failed bank, Ashton Ryan, and two of his former employees, William Burnell and Robert Calloway.

Court documents say Ryan and Calloway, a loan officer, instructed Gibbs to inflate the value of his real estate and companies in order to obtain more than \$123 million in loans from the bank while he worked on projects in Arkansas, Tennessee and Louisiana.

Ryan, Calloway and Burnell — once First NBC's chief credit officer — would also disguise Gibbs' true financial condition when he fell into arrears, by simply issuing new loans to him so he could make payments on the existing ones. The new loans then appeared to be current while past-due amounts and overdrafts appeared to be paid or substantially reduced, prosecutors said in court filings.

The maneuver kept Gibbs and his companies off monthly lists of past-due or overdrawn loans, they said -- or, if they did appear, the amounts in question were substantially lower.

More than once, Gibbs told Ryan and Calloway that he and his companies might have to declare bankruptcy because they couldn't keep up with payments on their loans. But Ryan and Calloway told Gibbs they couldn't afford for him to default. They then continued issuing the developer and his companies new loans and lied to the board about it, according to court records.

The court records said Gibbs would sometimes use the money lent to him for personal purposes. He spent about \$120,000 in loan money to pay off expenses on his private plane in one instance. Another time, he used more than \$31,200 in loan proceeds to make a payment on a house he owned in Florida. Other loan proceeds went to his mom's health care and expenses associated with his sport fishing boat.

Charged on July 1, Gibbs is one piece of the puzzle that prosecutors are building to prosecute Ryan, Calloway, Burnell and others whom the government alleges had a hand in First NBC's 2017 failure. The collapse became the costliest one in American banking since the 2008 financial crisis.

Hancock Whitney Bank eventually assumed First NBC's \$1.6 billion in deposit accounts as well as some loans. Nonetheless, the Federal Deposit Insurance Corp. was left responsible for nearly \$1 billion.

Ryan last month pleaded not guilty to more than 40 charges of bank fraud, filing false bank records and conspiracy that a federal grand handed up against him July 10.

Burnell, Calloway, and other businessmen who dealt with First NBC have also pleaded not guilty to charges of conspiracy to commit bank fraud, among other alleged crimes.

Gibbs now stands among about a half-dozen defendants who are expected to cooperate with prosecutors and testify against Ryan, the fraud scheme's alleged mastermind, as well as members of his inner circle, including Burnell and Calloway. Some of those defendants had already pleaded guilty when Gibbs did.