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FDIC SUES FORMER OFFICERS OF RIVERSIDE NATIONAL BANK OF FLORIDA

Apr 24, 2013

Last week the FDIC sued eight former senior officers of Riverside National Bank of Florida (Ft. Pierce, FL). The suit was filed on April 15th, one day prior to the expiration of the three-year limitations period. For a copy of the [complaint](#), click [here](#).

Riverside National Bank of Florida ("RNB") was opened in 1982, and it grew to 60 branches in 10 counties before it was put into receivership on April 16, 2010. The FDIC estimates that the material loss to the Deposit Insurance Fund arising from RNB's failure is approximately \$492 million.

According to the FDIC, RNB was affiliated with at least two other non-public bank holding companies, one of which owned a Florida bank that had failed in 2009. This corporate affiliation is a central theme in the lawsuit, as the FDIC focuses exclusively on the defendants' approval of eight loan transactions that were secured by the holding company stock for either RNB's parent or one of its affiliated holding companies, all allegedly in violation of RNB's loan policy. Several of these loans were made to family members of one or more of the defendants. With the acceleration of the economic downturn in 2007, the holding company stock securing these loans lost value, and the loans quickly became non-performing and under-collateralized. The FDIC is seeking damages of approximately \$8 million, which is the amount of losses attributable to the eight loan transactions at issue.

To our knowledge, this is the first FDIC lawsuit that focuses on failed loans secured by affiliate holding company stock. Since most community banks are not affiliated with multiple bank holding companies, this is not likely to signal a trend in FDIC litigation theory.

MEET THE TEAM



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