



Federal Deposit Insurance Corporation

3501 Fairfax Drive, Arlington, Virginia 22226

Office of Inspector General

August 31, 2011

William E. Reukauf
Associate Special Counsel
U.S. Office of Special Counsel
1730 M Street, N.W. Suite 218
Washington, DC 20036-4505

Subject: OSC File No. DI-11-2332

Dear Mr. Reukauf:

On May 13, 2011, the U.S. Office of Special Counsel, Washington, DC, referred a whistleblower disclosure to the Honorable Sheila C. Bair, former Chairman, Federal Deposit Insurance Corporation (FDIC). According to the letter, Thomas Bisanz, a Resolutions and Receiverships Specialist with the FDIC in Dallas, Texas, alleged that his supervisor, Peter Coughlin, Chief of Owned Real Estate (ORE) Section III, was acting as a real estate broker in connection with the potential sale of real estate owned by an FDIC-insured institution in violation of federal law prohibiting outside employment. Specifically, Mr. Bisanz disclosed that Mr. Coughlin was openly and actively attempting to broker a real estate transaction for the purchase of a parcel of land by Matthews Southwest, a private real estate developer for whom Mr. Coughlin worked prior to his employment with the FDIC, from Bank of the Ozarks, an FDIC-insured financial institution. According to Mr. Bisanz, Mr. Coughlin stood to earn a substantial commission on the sale. Mr. Bisanz consented to the release of his name in connection with this matter.

On May 25, 2011, former Chairman Bair delegated to the FDIC Office of Inspector General (OIG) the authority to investigate and report on the disclosures set forth in the referral. We began an investigation into this matter and ultimately determined that there was no merit to the allegations.

Nature of the Alleged Misconduct

Special Agents from the OIG's Dallas Field Office interviewed Mr. Bisanz on June 2, 2011. Mr. Bisanz confirmed that on or about March 21 - 24, 2011, he and Mr. Coughlin were on a site visitation at Cushman and Wakefield in Irvine, California, regarding FDIC property in Puerto Rico. Mr. Bisanz was responsible for performing a financial analysis on the property and was working with other FDIC staff on the analysis. According to Mr. Bisanz, the group was meeting in a conference room, with Mr. Coughlin sitting next to Mr. Bisanz. Mr. Bisanz overheard multiple telephone calls between Mr. Coughlin and Jack Matthews, Mr. Coughlin's former manager at the real estate development company, Matthews Southwest, and Dan Thomas with the Bank of the Ozarks. Mr. Bisanz stated Mr. Coughlin would move to another conference room to finish some of the calls but did not close the conference room door, and Mr. Bisanz could still hear Mr. Coughlin's comments. Between the calls, Mr. Coughlin would comment on the calls he had with Messrs. Thomas and Matthews. Mr. Bisanz said that he overheard Mr.

Coughlin make comments along the following lines when speaking with Messrs. Thomas and Matthews:

- 60 total acres, of which the above parcel was all or a part;
- The assemblage could be developed in two to four apartment projects;
- Asking price by Bank of the Ozarks was \$18 million;
- Mr. Matthews felt the land was worth only \$12 million;
- Another party was in negotiations with Bank of the Ozarks to purchase the land somewhere between \$12 million and \$18 million--Mr. Coughlin guessed \$14 million;
- Mr. Matthews said another interested party contacted one of Mr. Matthews' Canadian investors about the asking price and Mr. Matthews told the investor the land was overpriced;
- The real estate commission payable to Mr. Coughlin would be approximately \$150,000; Bank of the Ozarks would pay its broker the same amount;
- This transaction was Mr. Coughlin's exit strategy out of the FDIC;
- Mr. Matthews was leaving for Canada the next day;
- The Dallas apartment development market had really come back, which was the reason for the recent flurry of activity (per Mr. Coughlin);
- An interested party or a person expressing interest at that time to the Bank of the Ozarks could likely be Brian O'Boyle, a big multi-family player in Dallas (per Mr. Coughlin); and
- There were only two other people in Dallas that knew this land parcel as well as Mr. Coughlin did, according to Mr. Coughlin.

During the interview with OIG Special Agents, Mr. Bisanz discussed three additional issues with Mr. Coughlin. Mr. Bisanz noted that sometime in March or April 2011, Dean Larson, another ORE III employee, was directed by Mr. Coughlin to use a particular hotel during an agency trip to Houston, Texas. Mr. Bisanz suspected Mr. Coughlin received some compensation for referring business to this hotel but did not know the specific details. Mr. Bisanz also speculated Mr. Coughlin had a personal connection with Gilley's restaurant in Dallas. He alleged that during the holiday season in 2010, Mr. Coughlin was trying to arrange a Christmas party for the ORE unit at Gilley's restaurant in Dallas and wanted to charge employees \$10 to attend. Mr. Bisanz believed Mr. Coughlin may have secured the room for free but still planned on charging employees to attend. Ultimately, the party did not take place. Finally, Mr. Bisanz noted that sometime in March or April 2011, Mr. George Owen, another Section Chief, learned of an email between Mr. Coughlin and his girlfriend stating Mr. Coughlin could not continue to date her because of his mortgage business.

Outcome

FDIC employees and private individuals interviewed by Special Agents from the OIG in the course of this investigation included Mr. Coughlin, his supervisor, co-workers, and private parties named by Mr. Bisanz as being inappropriately contacted by Mr. Coughlin for his personal gain and outside business ventures. In addition, Special Agents from the OIG's Electronic Crimes Unit (ECU) obtained and reviewed FDIC office telephone and cell phone records and electronic messages belonging to Mr. Coughlin during the time period noted in these allegations.

The OIG did not find evidence to substantiate the allegations raised by Mr. Bisanz. We were unable to confirm that anyone other than Mr. Bisanz heard Mr. Coughlin's phone calls. During his interview with OIG Special Agents, Mr. Coughlin admitted contacting both Mr. Matthews and Mr. Thomas on his private cell phone. Mr. Coughlin had long-standing personal friendships with both. However, he denied the allegations made by Mr. Bisanz about any type of business or broker relationship or receiving any personal gain. He provided a sworn statement to the OIG.

Mr. Bisanz contacted his supervisors by email about his concerns over Mr. Coughlin's behavior. One of the supervisors contacted an FDIC Deputy Ethics Counselor who subsequently met with and counseled Mr. Coughlin regarding Mr. Bisanz's allegations, outside employment restrictions, and the importance of avoiding even the appearance of impropriety. During this meeting, Mr. Coughlin denied having any outside business interests or receiving payments for outside business interests while at the FDIC. Furthermore, analysis done by the ECU corroborated the statements Mr. Coughlin provided regarding his contact with outside parties in relation to these allegations.

From interviews of persons at Matthews Southwest and Bank of Ozarks, as well as Mr. Coughlin's former business associate, we determined that there is no contract for the sale of the property, Mr. Coughlin has not been paid, and there is no arrangement whereby he would receive any payment. We reviewed payment records from Matthews Southwest and determined that the last payment from Matthews Southwest to Mr. Coughlin was in April 2010 for \$8,100 and was based on contracts written prior to his employment with the FDIC, which commenced on March 27, 2010. We further determined, based on contact with several agencies of the State of Texas, that Mr. Coughlin does not have a current mortgage broker's license. We interviewed George Owen, and he was not aware of any email between Mr. Coughlin and his girlfriend stating he could not continue to date her because of his mortgage business. We were also unable to substantiate the additional allegations/speculation raised by Mr. Bisanz when our Special Agents first interviewed him.

We found no evidence that Mr. Coughlin engaged in conduct constituting a violation of law, rule, or regulation, and no further investigative activity is warranted by this office. However, for informational purposes, we will advise our Office of Audits and Evaluations of the general concerns raised by Mr. Bisanz and the potential risks regarding the FDIC's controls related to outside employment and contacts with parties outside the FDIC.

Sincerely,



Jon T. Rymer
Inspector General

cc: Martin J. Gruenberg, Acting Chairman