

OFFICE OF THE
DISTRICT ATTORNEY
COUNTY OF SANTA BARBARA
JOYCE E. DUDLEY
District Attorney



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APPROVED BY *Joyce E. Dudley* JOYCE E. DUDLEY, DISTRICT ATTORNEY

Brian Cota, Senior Deputy District Attorney

CONTACT (805) 568-2424

***** PRESS RELEASE *****

November 7, 2014

Re: *The People of the State of California v. David James Lack*

District Attorney Joyce E. Dudley announced today that David James Lack, age 53, was sentenced Thursday, November 6, 2014, to 9 years 8 months in state prison and remanded into custody to begin his sentence.

Mr. Lack was found guilty by a jury on August 7, 2014, of three counts of grand theft. Additionally the jury found true enhancements that each theft resulted in a loss of over \$200,000 and that combined the three thefts resulted in over \$500,000 in losses to the victims.

In 2007 Mr. Lack, who was the owner and operator of Lack Construction, applied for and received a \$700,000 loan from the Bank of Santa Barbara and a \$500,000 loan from Rabobank. Mr. Lack defaulted on both loans and later attempted to discharge the debt owed on those loans in bankruptcy in 2010. The approval of those loans was based in part on Mr. Lack submitting personal financial statements to the two banks that were later found to be materially false. Among the false statements Mr. Lack indicated that he owned a house free and clear which was valued at \$1.3 million, as well as an unimproved piece of land in Texas worth \$500,000. The two banks relied on the material misstatements of Mr. Lack in approving the loans.

The investigation into the fraudulently obtained loans revealed that Mr. Lack acquired the loans in an attempt to increase the bonding capacity of his company, Lack Construction. In construction, to obtain government projects a company needs to be bonded. A higher bonding capacity allows the construction company to bid on more government jobs and to bid more competitively on those jobs than those companies with lower bonding capacities. Joyce Dudley remarked, "In this case the victims are not only the two banks whose money was stolen but also the legitimate construction companies in our community who were bidding for the same jobs that Lack Construction was bidding on, but lost out on those jobs because of Mr. Lack's criminal activities. The prosecution of businesses that commit crimes in our community in order to obtain an unfair competitive advantage in the marketplace is and will continue to be a focus of prosecution in our white collar fraud unit by stellar prosecutors such as Brian Cota."

According to prosecuting attorney Senior Deputy District Attorney Brian Cota, in 2008 Mr. Lack persuaded a friend to invest in a start-up bank in which he was a partner. The friend invested \$300,000 which she provided to Mr. Lack under the condition that it was to remain in an escrow account until the bank received federal approval. Mr. Lack initially placed the money in the escrow account as contemplated; however, less than a month after he placed the money into the account, Mr. Lack transferred the money into his personal bank account where he then spent the money on personal expenses. Mr. Lack never told his friend about the fraudulent transfer nor did he say that he had spent the money.

In addition to the 9 year 8 month prison sentence, Mr. Lack was ordered to pay restitution in the amount of \$300,000 to Mary Belle Snow, \$600,508.74 to Rabobank, and \$1,201,105.03 to Bank of Santa Barbara. In July of this year Mr. Lack was charged in an additional felony complaint with tax evasion, failure to pay unemployment insurance, workers' compensation fraud, contracting while his contractor's license was suspended, and grand theft. It is also alleged that Mr. Lack committed those crimes while out on bail on his previous case. Mr. Lack faces an additional 11 years 8 months if convicted on all the charges. A preliminary hearing on the case has been set for November 21, 2014.

□ SANTA BARBARA OFFICE
1112 Santa Barbara Street
Santa Barbara, CA 93101
(805) 568-2300
Fax: (805) 568-2398

□ SANTA MARIA OFFICE
312-D East Cook Street
Santa Maria, CA 93454
(805) 346-7540
Fax: (805) 346-7588

□ LOMPOC OFFICE
115 Civic Center Plaza
Lompoc, CA 93436
(805) 737-7760
Fax: (805) 737-7732