



FOR IMMEDIATE RELEASE

Thursday, July 10, 2014

Media Inquiries: 202-927-8940

Twitter: @SIGTARP

Web: www.SIGTARP.gov

CHICAGO CAR DEALER SENTENCED FOR DEFRAUDING TARP BANK

WASHINGTON, DC - The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) today announced that Tariq Khan, age 38, of Downers Grove, Ill., former owner of Urban Motors Corporation (Urban Motors), a Chicago-area used car and motorcycle dealership, was sentenced on June 24, 2014, to six months home detention, six months community confinement, five years of supervised release, and community service after having pleaded guilty to one count of bank fraud for defrauding TARP recipient Old Second National Bank (Old Second) of Aurora, Ill. out of \$340,069. Additionally, Khan was ordered to pay restitution in the full amount of \$340,069. The sentence was rendered by U.S. District Court Judge John J. Tharp, Jr., in Chicago.

“Khan’s attempt to save his car dealership during the financial crisis by committing fraud on a bank funded with taxpayer TARP money is criminal and unconscionable,” said Christy Romero, Special Inspector General for TARP. “Rather than apply proceeds from car sales to pay down his line of credit at TARP recipient Old Second Bank as required under his loan agreement, he kept the bank’s money and the sales proceeds. He caused losses to a TARP bank that ultimately was unable to repay its TARP investment or make required dividend payments. Taxpayers did not make the Herculean effort to bailout banks so that business owners could defraud those banks. SIGTARP will bring justice to criminals who put taxpayers’ TARP investments at risk.”

According to court documents, Khan, as owner of Urban Motors, purchased used vehicles at auction and from other dealerships and resold the vehicles in retail and wholesale markets. In order to finance the purchase of vehicle inventory, Khan secured a line of credit for Urban Motors from TARP recipient Old Second, and the line of credit was secured by the dealership’s subsequent inventory. Under the loan agreement, when Urban Motors sold a vehicle acquired and financed by the line of credit, the dealership was required to notify the bank and to apply the sales proceeds toward Urban Motors’ loan balance at the bank. Khan, on behalf of Urban Motors, was also required to provide the bank with financial reports, including information about dealership inventory and the status of cars purchased using the line of credit, and to permit the bank to conduct on-site inspections.

Additionally, under the agreement with Old Second, Urban Motors was required to provide the bank with the titles of vehicles purchased using the line of credit. When Urban Motors sold these vehicles, it was supposed to retrieve the titles from the bank and then provide them to the persons who purchased the vehicles from the dealership. Old Second also required Urban Motors to provide an accurate accounting of the status of vehicles purchased using the line of credit, including the location of unsold vehicles, as well as information about when vehicles were sold and the proceeds received in connection with their sales, in order to ensure that the dealership was complying with the terms of agreement on

financing. This information was material to the bank's decision to continue to allow Urban Motors to access the line of credit.

Beginning in December 2008 and continuing until at least November 2009, when Urban Motors sold cars that had been purchased using the line of credit from Old Second, Khan falsely represented to the bank that the vehicles were still in Urban Motors' possession, when in fact, the vehicles were not. Instead of applying proceeds from these vehicle sales toward the loan balance at the bank, Khan retained the proceeds and used the proceeds for operational and other purposes.

Additionally, Khan failed to provide the bank titles of certain vehicles financed through the line of credit, so that Urban Motors could conceal the sale of these vehicles from the bank and not provide the proceeds of the sales to the bank. Khan also misrepresented the status of vehicles to Urban Motors' customers by, for example, failing to inform the customers that the bank possessed the titles and would not release the titles until Urban Motors had repaid the bank for the funds it had borrowed to purchase the vehicles, so that the customers would not complain about missing titles and cause the bank to become aware of certain vehicle sales.

Furthermore, when an auditor asked Khan about the location of certain vehicles financed through the line of credit, Khan falsely stated that the vehicles were located at an automotive auction, at repair shops, with employees, and at another dealership location, when in fact Khan knew that the vehicles in question had been sold and the proceeds of the sales had not been provided to the bank. Khan then attempted to conceal the scheme by promising to provide the bank with documentation establishing proof of vehicle locations, such as auction listings and billings for repair, knowing that no such documentation existed for the vehicles because they had been sold. Khan continued to draw on the line of credit at the bank, knowing that he had misrepresented and was continuing to misrepresent to the bank the status of the bank's security interest in Urban Motors' inventory.

As a result of the scheme, Khan sold vehicles valued at approximately \$340,069 and did not provide the proceeds to Old Second, thereby defrauding the bank. Khan was charged with one count of bank fraud on July 31, 2013. He pleaded guilty to the charge on September 3, 2013.

In January 2009, Old Second Bancorp, Inc., of Aurora, Ill., the parent company of Old Second National Bank, received \$73 million in federal taxpayer funds through the U.S. Department of the Treasury Troubled Asset Relief Program (TARP). The bank was subsequently unable to make required TARP dividend and interest payments totaling approximately \$9.1 million, and in March 2013, Treasury sold its stake in the bank at auction for approximately \$25.5 million, resulting in a combined principal and dividend loss of approximately \$56.5 million.

This case is being investigated by SIGTARP. The case is being prosecuted by Assistant U.S. Attorney Kruti Trivedi of the Northern District of Illinois U.S. Attorney's Office.

This prosecution was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President's Financial Fraud Enforcement Task Force, please visit www.StopFraud.gov.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

To report suspected illicit activity involving TARP, dial the **SIGTARP Hotline**: 1-877-SIG-2009 (1-877-744-2009).

To receive alerts about quarterly reports, new audits, and media releases issued by SIGTARP, sign up at www.SIGTARP.gov/pages/press.aspx. Follow SIGTARP on Twitter @SIGTARP.

###