



FOR IMMEDIATE RELEASE

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FORMER UNITED COMMERCIAL BANK CHIEF CREDIT OFFICER CONVICTED OF SECURITIES FRAUD AND OTHER CORPORATE FRAUD

The Fraud Caused the Ninth Largest Bank Failure with Estimated Losses in Excess of \$677 Million

WASHINGTON, DC - A federal jury seated in San Francisco, Calif., convicted Ebrahim Shabudin on March 25, 2015, of seven felony counts of conspiracy, securities fraud, and other corporate fraud offenses stemming from the failure of TARP recipient United Commercial Bank (UCB), announced Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP); Melinda Haag, U.S. Attorney for the Northern District of California; Fred W. Gibson Jr., Acting Inspector General for the Federal Deposit Insurance Corporation Office of Inspector General (FDIC-OIG); Mark Bialek, Inspector General for the Office of Inspector General for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau; and David J. Johnson, Special Agent in Charge of the Federal Bureau of Investigation (FBI) San Francisco Division.

Shabudin, 66, of Moraga, Calif., was the chief operating officer and chief credit officer at UCB in 2008 and 2009. Shabudin was the second most senior officer in executive management at UCB after former chief executive officer Thomas Shiu-Kit ("Tommy") Wu.

The jury found Shabudin guilty of conspiring with others within the bank to falsify key bank records as part of a scheme to conceal millions of dollars in losses and to falsely inflate the bank's financial statements. Among the records falsified were those filed with the U.S. Securities and Exchange Commission (SEC) and the Federal Deposit Insurance Corporation (FDIC) related to the third and fourth quarters of 2008 describing UCB's so-called "Allowance for Loan Losses." Also falsified were documents relating to UCB's quarterly and year-end earnings per share as announced by the bank to the investing public. The guilty verdict followed a six-week jury trial before U.S. District Judge Jeffrey S. White of the Northern District of California.

The jury convicted Shabudin of one count of conspiracy to commit securities fraud; one count of securities fraud; one count of falsifying corporate books and records; one count of false statements to accountants; one count of circumventing internal accounting controls; one count of conspiracy to commit false bank entries, reports, and transactions; and one count of false bank entries, reports, and transactions.

"While Shabudin's criminal scheme was complex, the bottom line is that this TARP bank senior officer had the chance to do the right thing, and he chose not to do it," said Christy Romero, Special Inspector

General for TARP (SIGTARP). “Testimony at trial revealed that in an effort to have the bank ‘break even’ in the third quarter 2008, Shabudin delayed downgrading loans despite knowing that collateral had declined in value or was missing out of an unfounded hope that something would change. He and his co-conspirators continued this ‘delay-and-pray’ scheme the next quarter, all while the bank applied for and received \$298 million in TARP. The federal jury’s decision to convict Ebrahim Shabudin marks the third criminal conviction of a United Commercial Bank officer. After receiving TARP in November 2008, UCB failed less than a year later, leaving \$298 million in losses on taxpayers’ TARP investment in the bank. SIGTARP is on watch, protecting American taxpayers, and we thank Melinda Haag and her exceptional team of prosecutors for standing united with SIGTARP in the fight against bailout-related crime.”

“UCB is one of the largest criminal prosecutions brought by the U.S. Department of Justice of wrongdoing by bank officers arising out of the 2008 financial crisis,” said U.S. Attorney Haag. “With actual losses exceeding a half a billion dollars, the prosecution of Shabudin and other senior officers at UCB is one of the most significant financial fraud cases in the history of the Northern District of California. I am proud of the collaboration with our law enforcement partners at FDIC-OIG, SIGTARP, Federal Reserve Board and CFPB-OIG and the FBI, without whom the successful prosecution of this complex and challenging case would not have been possible.”

On Nov. 14, 2008, UCB received approximately \$298 million in taxpayer funds through the U.S. Department of the Treasury Troubled Asset Relief Program (TARP). When the bank failed and was taken over by the FDIC on Nov. 6, 2009, the full TARP investment was lost. With over \$10.9 billion in assets, UCB’s failure was the ninth largest failure since 2007 of a bank insured by the FDIC’s Deposit Insurance Fund, according to the FDIC. In 2013, the FDIC estimated that total losses for UCB would exceed \$1.1 billion. Through 2014, however, with the recovery of the U.S. economy, the FDIC now estimates the loss to the Deposit Insurance Fund to be approximately \$677 million.

In all, Shabudin faces a total overall maximum term of 145 years of imprisonment; up to \$16,750,700 in fines and assessments; and up to 27 years of supervised release. Shabudin’s actual term of imprisonment, fines and assessments, and term of supervised release will be imposed by the court at a sentencing hearing currently set for June 30, 2015, after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence.

On Dec. 9, 2014, UCB’s chief financial officer, Craig S. On, pleaded guilty to one count of conspiracy to make a materially false and misleading statement to an accountant.

On Oct. 7, 2014, the bank’s senior vice president, Thomas Yu, pleaded guilty to charges of conspiracy to commit false bank entries, reports, and transactions related to his preparation of false and misleading reports.

The prosecution is the result of a five-year investigation by SIGTARP, the FDIC-OIG, the Office of Inspector General for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, and the FBI.

The case is being prosecuted by Assistant U.S. Attorneys Adam A. Reeves and Robert David Rees of the Northern District of California, with the assistance of Denise Oki, Phillip Villanueva, Bridget Kilkenny and Trina Khadoo.

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 and co-chairs the Rescue Fraud Working Group. 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.

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