

Remarks by Christy Romero, Special Inspector General (SIGTARP)
Office of the Special Inspector General for the Troubled Asset Relief Program

Press Statement

April 10, 2014

***Former President and Chief Executive Officer and Former Chief Loan Officer of TARP Recipient
Sonoma Valley Bank and Two Others Indicted and Arrested in
\$9.5 Million Bank Fraud Conspiracy***

I am Christy Romero, Special Inspector General at SIGTARP, a federal law enforcement agency that investigates crime related to the taxpayer-funded bailout known as TARP. Early Wednesday morning, SIGTARP agents, along with agents from our law enforcement partners, arrested without incident both the former president and CEO and the former chief lending officer of TARP recipient Sonoma Valley Bank and two co-conspirators, real estate developer Bijan Madjlessi and his attorney David Lonich. SIGTARP led an investigation with our law enforcement partners that uncovered an alleged \$9.5 million massive fraud scheme that these four defendants began orchestrating weeks after the bank received nearly \$9 million in taxpayer TARP funds, all of which was lost when the bank failed.

After Congress passed the Troubled Asset Relief Program, Treasury injected billions of taxpayer dollars into banks across the country, including Sonoma Valley Bank, to promote lending and financial stability. In February 2009, Treasury invested more than \$8.6 million in TARP funds in Sonoma Valley Bank and became a preferred shareholder in the bank.

SIGTARP's investigation with its law enforcement partners uncovered that weeks after Sonoma Valley Bank received almost \$9 million in TARP funds, the bank's president and CEO, Sean Cutting, along with Brian Melland, former senior vice president and chief lending officer, began initial disbursements on what would become a \$9.5 million loan to someone they allegedly knew to be a straw purchaser for Bijan Madjlessi, so that Madjlessi could repurchase part of the same condominium project for which he had already defaulted on a construction loan. This loan and other alleged actions taken as part of a massive fraud conspiracy by the defendants, defrauded Sonoma Valley Bank when Treasury was a shareholder in the bank on behalf of taxpayers. The loan later went into default and was outstanding when Sonoma Valley Bank failed in August 2010. When the bank failed, taxpayers lost \$9 million. Taxpayers lost the \$8.6 million TARP investment, plus unpaid TARP dividend payments.

TARP is not an opportunity to commit crime. TARP was intended to promote legitimate lending, not to finance fraud. Defrauding a TARP bank is no different than defrauding the taxpayers who funded the TARP bailout. SIGTARP and our law enforcement partners stand committed to uncovering and investigating fraud by TARP bank executives and their co-conspirators. As a result of SIGTARP investigations with our law enforcement partners, 188 individuals have been charged with crimes related to TARP. Americans should know that SIGTARP is on watch and protecting their bailout dollars. I would like to thank United States Attorney Melinda Haag for her strong commitment to fighting bailout-related crime, as well as Assistant U.S. Attorney Robert Rees, and our partners, the FDIC Inspector General and FHFA Inspector General, for their hard work in this ongoing investigation.