



SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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FORMER CEO OF \$3 BILLION TIER ONE BANK CONVICTED BY JURY FOR ORCHESTRATING SCHEME TO HIDE MORE THAN \$100 MILLION IN LOSSES FROM SHAREHOLDERS AND REGULATORS

Prosecution Highlighted Bank's Undisclosed TARP Application and Withdrawal

WASHINGTON, DC – Christy Goldsmith Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division, announced today that a jury found TierOne Bank's former CEO Gilbert Lundstrom, age 74, of Lincoln, Nebraska guilty on 12 of 13 counts, including charges of conspiracy to commit wire fraud and securities fraud, conspiracy to falsify bank entries, wire fraud, securities fraud and falsifying bank entries. TierOne was a \$3 billion publicly traded commercial bank formerly headquartered in Lincoln, Nebraska.

"Today a federal jury convicted Gilbert Lundstrom, CEO of the now-failed Tier One Bank, of crimes to hide what he referred to as the bank's 'death spiral' due to bad loans, in a conspiracy which included applying for \$86 million in TARP with false bank books because as Lundstrom wrote, the bank would be 'dead without TARP,'" said Christy Goldsmith Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP). "Testimony at trial revealed that Lundstrom presented one picture of the bank's health to regulators and for the TARP application, when the reality was that executives tallied \$60 million to \$70 million in hidden loan losses that was written on a napkin. The trial also revealed that Lundstrom lied to shareholders saying that the bank decided against applying for TARP, when the reality was that the bank's regulator did not support the TARP application. SIGTARP and the Department of Justice are steadfast in bringing accountability for bailout-related crime."

Evidence at trial showed that Lundstrom was the architect of an aggressive strategy to expand the bank's portfolio beyond traditional lending in Nebraska to riskier areas like commercial real estate in Las Vegas. Once the financial crisis hit, Lundstrom's bet on real estate in riskier areas decimated the bank.

Lundstrom and his co-conspirators then intentionally concealed massive losses – more than \$100 million – in TierOne's loan and real estate portfolio from investors and regulators and provided inflated figures in its required reports to the U.S. Securities and Exchange Commission (SEC) and the Office of Thrift Supervision (OTS). In April 2009, Lundstrom and his co-conspirators learned that TierOne needed to increase its reserves and Loan Loss Allowance by between \$34 million and \$114 million, but concealed this information from shareholders and regulators in TierOne's financial statements. In addition, during TierOne's annual shareholder meeting held on May 21, 2009, the evidence showed that Lundstrom

misrepresented the state of TierOne's capital ratios and reserves and whether TierOne had applied for TARP funding.

In June 2010, following TierOne's ultimate disclosure of \$120 million in loan losses and its subsequent delisting from the NASDAQ exchange, TierOne was shut down by the Federal Deposit Insurance Corporation. At the time of the closure, TierOne had more than 750 employees working at TierOne's headquarters in Lincoln and at its 69 branch offices located in Nebraska, Iowa and Kansas.

The case was investigated by SIGTARP and the FBI's Omaha Division. The SEC also provided substantial assistance in the investigation. The case was prosecuted by Trial Attorneys Henry P. Van Dyck and L. Rush Atkinson, and Senior Deputy Chief Sandra Moser of the Justice Department Criminal Division's Fraud Section.

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 date, SIGTARP investigations have yielded more than 200 convictions and resulted in the recovery of over \$2.4 billion to the Government.

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

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