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FORMER UNITED COMMERCIAL BANK CHIEF CREDIT OFFICER SENTENCED TO OVER EIGHT YEARS IN FEDERAL PRISON FOR FELONY FRAUD CONVICTION

Securities Fraud Resulted in over $300 Million TARP Loss to Taxpayers

WASHINGTON, DC - Ebrahim Shabudin was sentenced today to 97 months in federal prison for his role in a securities fraud scheme and other corporate fraud offenses stemming from the failure of United Commercial Bank, announced Christy Goldsmith 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, Mark Bialek, Inspector General for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, and David J. Johnson, FBI Special Agent in Charge. The sentencing brings to a close one of the most significant prosecutions to arise out of the 2008 financial crisis.

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.

"This is the most significant prosecution for crimes arising out of the bailout," said Christy Goldsmith Romero, Special Inspector General for TARP (SIGTARP). "Like many bankers during the financial crisis, this senior officer of a TARP bank faced defaulting loans and declining collateral, but unlike others, Ebrahim Shabudin deliberately turned to crime to deceive, and now he will spend the next eight years in federal prison. Fixated on protecting the bank's reputation, Shabudin embarked on an elaborate criminal scheme to hide the bank's declining financial condition that resulted from the bank's risky aggressive growth strategy pre-crisis. Hoping that things would get better, Shabudin gambled with $300 million of taxpayer bailout money, all of which was lost when the bank failed. We commend United States Attorney Melinda Haag for standing united with SIGTARP in our relentless pursuit to bring justice for bailout-related crime."

On November 14, 2008, the Troubled Asset Relief Program ("TARP") provided approximately $298 million in federal funds to UCB during the financial crisis. Dividends on the TARP loan grew to over $3 million before the bank failed, bringing the total loss to taxpayers to over $300 million.

On November 6, 2009, UCB was taken over by the Federal Deposit Insurance Corporation ("FDIC"). 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, FDIC estimated that total losses for

UCB would exceed $1.1 billion. Through 2014, however, with the recovery of the United States economy, FDIC now estimates the loss to the Deposit Insurance Fund to be approximately $677 million.

Shabudin was charged with conspiring with others within the bank to falsify key bank records as part of a scheme to conceal millions of dollars in losses and falsely inflate the bank's financial statements. Among the records Shabudin was charged with falsifying were those filed with the United States Securities and Exchange Commission ("SEC") and 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. On March 25, 2015, following a six-week trial before the Honorable Jeffrey S. White, U.S. District Judge, a jury found Shabudin guilty of seven crimes related to the scheme:

Count One: Conspiracy to Commit Securities Fraud, in violation of 18 U.S.C. § 1349, with a maximum penalty of 25 years of imprisonment, a $250,000 fine, a 5 year term of supervised release, and a $100 special assessment.

Count Two: Securities Fraud, in violation of 18 U.S.C. § 1348, with a maximum penalty of 25 years of imprisonment, a $250,000 fine, a 5 year term of supervised release, and a $100 special assessment.

Count Three: Falsifying Corporate Books and Records, in violation of 15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(5), and 78ff, and 17 C.F.R. § 240.13b2-1, with a maximum penalty of 20 years of imprisonment, a $5,000,000 fine, a 3 year term of supervised release, and a $100 special assessment.

Count Four: False Statements to Accountants, in violation of 15 U.S.C. § 78ff, and 17 C.F.R. § 13b2-2, with a maximum penalty of 20 years of imprisonment, a $5,000,000 fine, a 3 year term of supervised release, and a $100 special assessment.

Count Five: Circumventing Internal Accounting Controls, in violation of 15 U.S.C. §§ 78m(b)(2)(B) and 78ff, with a maximum penalty of 20 years or imprisonment, a $5,000,000 fine, a 3 year term of supervised release, and a $100 special assessment.

Count Six: Conspiracy to Commit False Bank Entries, Reports, and Transactions, in violation of 18 U.S.C. § 371, with a maximum penalty of 5 years of imprisonment, a $250,000 fine, a 3 year term of supervised release, and a $100 special assessment.

Court Seven: False Bank Entries, Reports, and Transactions, in violation of 18 U.S.C. § 1005, with a maximum penalty of 30 years of imprisonment, a $1,000,000 fine, a 5 year term of supervised release, and a $100 special assessment.

Shabudin's sentence was handed down today by the Honorable Jeffrey S. White, United States District Judge. Judge White also sentenced Shabudin to three years' supervised release, and ordered forfeiture of $348,000. Shabudin will surrender to the U.S. Marshal in November to begin his sentence.

On December 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 October 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. Both On and Yu await sentencing.

Assistant U.S. Attorneys Adam A. Reeves and Robert David Rees are prosecuting the case with the assistance of Denise Oki, Phillip Villanueva, Bridget Kilkenny and Trina Khadoo. The prosecution is the result of a five year investigation by the FDIC-OIG, SIGTARP, the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau Office of Inspector General, and the FBI.

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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