



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 TIERONE BANK SENTENCED TO 11 YEARS IN PRISON FOR ORCHESTRATING SCHEME TO HIDE MORE THAN \$100 MILLION IN LOSSES FROM SHAREHOLDERS AND REGULATORS

Bank Applied for \$86 Million from TARP before Collapsing

WASHINGTON – The former CEO of TierOne Bank, a \$3 billion publicly-traded commercial bank formerly headquartered in Lincoln, Nebraska, was sentenced to 132 months in prison today for orchestrating a scheme to defraud TierOne’s shareholders and to mislead regulators by concealing more than \$100 million in losses on loans and declining real estate.

Assistant Attorney General Leslie R. Caldwell of the Justice Department’s Criminal Division, Special Agent in Charge Randall C. Thysse of the FBI’s Omaha, Nebraska, Division and Special Inspector General for the Troubled Asset Relief Program (SIGTARP) Christy Goldsmith Romero made the announcement.

Gilbert G. Lundstrom, 74, of Lincoln, was sentenced by U.S. District Judge John M. Gerrard of the District of Nebraska, who also ordered Lundstrom to pay a \$1.2 million fine. The court deferred entering a restitution order until after sentencing. On Nov. 6, 2015, after a two-week jury trial, Lundstrom was convicted of 12 of 13 counts charged, including conspiracy to commit wire fraud and securities fraud, conspiracy to falsify bank entries, wire fraud, securities fraud and falsifying bank entries.

“Lundstrom is now another bank CEO investigated by SIGTARP to be sentenced to prison,” said Special Inspector General Romero. “He was the architect of the bank’s aggressive and risky growth plan that backfired when the housing bubble burst. Instead of honestly communicating TierOne’s losses, this bank CEO took intricate steps to conceal the bank’s true financial picture and dig the bank into an even deeper financial hole. Lundstrom applied for \$86 million in TARP funds on behalf of the bank. This was a critically important conviction and we commend the commitment by the DOJ Criminal Division and the FBI in holding bankers who commit crimes accountable.”

“Today’s sentence shows the Justice Department’s commitment to prosecuting individuals who abuse their corporate positions to commit fraud,” said Assistant Attorney General Caldwell. “Gilbert Lundstrom and his co-defendants’ crimes not only contributed to the collapse of a major regional bank during the financial crisis, but also destroyed the jobs of hundreds of bank employees and led to massive losses for the bank’s shareholders. The defendants recklessly gambled with bank assets and lied to shareholders and government regulators, and through their actions drove a respected regional bank into the ground. They have now been held accountable for their crimes.”

“The entire financial system is dependent upon full and truthful disclosure by the executives of financial institutions and the sentence imposed today sends a message to high level executives who abuse their position of trust,” said Special Agent in Charge Thyse. “The FBI will continue to investigate and bring to justice those who exploit their influence or position for personal gain at the expense of the investing public.”

According to the evidence presented at trial, Lundstrom designed an aggressive strategy to expand TierOne’s portfolio beyond traditional lending in Nebraska to riskier areas, including commercial real estate in Las Vegas, which decimated the bank once the financial crisis hit. Trial evidence showed that Lundstrom and his co-conspirators then intentionally concealed more than \$100 million in losses 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. 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, the evidence showed. In addition, trial evidence demonstrated that during TierOne’s annual shareholder meeting held on May 21, 2009, 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 its headquarters in Lincoln and its 69 branch offices located in Nebraska, Iowa and Kansas.

In 2014, co-conspirators James Laphen, 67, of Omaha, TierOne’s former president and chief operating officer, and Don Langford, 65, of College Station, Texas, TierOne’s former chief credit officer, pleaded guilty to multiple felonies in connection with their participation in the scheme. Laphen and Langford are scheduled to be sentenced tomorrow by Judge Gerrard.

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

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program was created as an independent law enforcement agency to investigate fraud, waste, and abuse related to the TARP bailout. To date, SIGTARP investigations have resulted in the recovery of over \$5.17 billion to the Government and 146 defendants sentenced to prison.

To report a suspected crime related to TARP, call **SIGTARP’s Crime Tip Hotline: 1-877-SIG-2009 (1-877-744-2009)**.

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