



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 UNITED COMMERCIAL BANK OFFICIALS
CHARGED WITH SECURITIES FRAUD

***Former Chief Credit Officer and Former Senior Vice President
Of Failed TARP Bank Charged;
TARP Lost \$298 million; FDIC Losses Estimated at \$2.5 billion***

WASHINGTON - A federal grand jury in San Francisco has charged two former bank executives with conspiracy to commit securities fraud, securities fraud, falsifying corporate books and records, and lying to auditors, announced United States Attorney Melinda Haag, Federal Bureau of Investigation (FBI) Special Agent in Charge Stephanie Douglas, and Acting Special Inspector General for the Troubled Asset Relief Program (SIGTARP) Christy L. Romero.

According to the indictment, which was unsealed this morning, United Commercial Bank was a commercial bank headquartered in San Francisco, Calif., with branch offices throughout the United States as well as in China and Taiwan. Its holding company, UCBH Holdings, Inc., was publicly traded on NASDAQ. The defendants held the following positions at the bank:

- Ebrahim Shabudin, 63, was an Executive Vice President. From approximately September 2008 through April 2009, Shabudin served as the bank's Chief Credit Officer and Chief Operating Officer.
- Thomas Yu, 48, was a Senior Vice President. From approximately June 2008 through June 2009, Yu served as the bank's Manager of Credit Risk and Portfolio Management.

The indictment charges that, between 2004 and 2007, the bank's loan portfolio increased from approximately \$4.4 billion to more than \$8 billion. By September 2008, the bank's loan portfolio faced growing losses. In November 2008, the bank received approximately \$298 million from the Troubled Asset Relief Program (TARP).

The indictment also alleges that, beginning in approximately September 2008, Shabudin and Yu, along with others, participated in a fraudulent scheme to hide the bank's true financial condition from the Department of Treasury, investors, depositors, regulators, and the bank's independent auditor.

Christy L. Romero, Acting Special Inspector General for the Troubled Asset Relief Program, stated: "Shabudin and Yu are the first senior executives of a TARP bank charged in connection with a scheme to defraud investors, which included the Treasury, and by extension the American taxpayer. The bank failed and all of the \$298 million in TARP funds are lost. SIGTARP will tirelessly work with its law enforcement partners to root out fraud at TARP banks."

United States Attorney Melinda Haag said, "The indictment alleges that UCBH bank officials conspired to hide loan losses, lie to their outside auditors, and mislead regulators and the investing public. These charges demonstrate the Department of Justice's continuing commitment to pursue corporate wrongdoers to the fullest extent of the law."

"This indictment is the result of a joint effort to target white collar crime," said FBI Special Agent in Charge Stephanie Douglas. "We are committed to working with our law enforcement partners to pursue those who seek to exploit the financial system and bring them to justice."

Specifically, the indictment charges that the defendants used a variety of fraudulent accounting maneuvers and techniques to conceal the true financial condition of the bank, including that they:

- fraudulently concealed information showing that the bank's loan collateral and repossessed assets had declined in value;
- fraudulently understated the risk of certain loans;
- fraudulently delayed downgrading the risk ratings of certain loans;
- falsified the bank's books and records so that they falsely described, and omitted material information necessary to accurately describe, the likelihood that certain loans would be repaid and the value of the bank's loan collateral and repossessed assets; and
- lied to and misled the bank's outside auditor.

Through these methods, the indictment charges that the defendants and others caused the bank to issue materially false and misleading public statements and reports regarding its year-end financial condition and performance in, among other things, (a) a January 22, 2009 press release; (b) an earnings call held on January 23, 2009; and (c) an annual report (SEC Form 10-K) filed on March 16, 2009.

According to the indictment, after the bank failed in November 2009, the FDIC became the receiver and, to date, has paid out approximately \$397 million. The indictment estimates total losses to the FDIC will be approximately \$2.5 billion, and further alleges that none of the TARP funds have been repaid. United Commercial Bank was the first TARP recipient bank to fail.

Shabudin was arrested Saturday. Yu surrendered in court this morning. Both defendants made their initial appearances in federal court in San Francisco earlier today, and both were released on

\$500,000 secured bonds. The defendants' next scheduled appearance is on October 20, 2011 before Magistrate Judge Timothy J. Bommer, for arraignment and to post the security for the bond.

The maximum statutory penalty for each count of conspiracy to commit securities fraud and securities fraud, in violation of 18 U.S.C. §§ 1349 and 1348, is 25 years, plus a fine of up to \$250,000 or twice the gain or loss, whichever is higher. The maximum statutory penalty for falsifying corporate books and records, in violation of 15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(5), 78ff, and 17 C.F.R. § 240.13b2-1, is 20 years. The maximum statutory penalty for making false statements to accountants of a publicly traded company in violation of 15 U.S.C. § 78ff, and 17 C.F.R. § 13b2-2, is 20 years.

Any sentence following conviction, however, would be imposed by the court after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of sentence, 18 U.S.C. § 3553.

The case was investigated by SIGTARP, along with the FBI, the Office of the Inspector General of the Federal Deposit Insurance Corporation (FDIC), and the Office of the Inspector General of the Board of Governors of the Federal Reserve System. It is being prosecuted by Assistant United States Attorneys Adam Reeves and Jeffrey Rabkin.

The United States Attorney's Office also recognized the assistance of the Division of Enforcement of the Securities and Exchange Commission's San Francisco Regional Office, the FDIC Enforcement Section, and the FDIC's San Francisco Regional Office.

The government's investigation is ongoing.

Please note that an indictment contains only allegations against individuals and, as with all defendants, Mr. Shabudin and Mr. Yu must be presumed innocent unless and until proven guilty.

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*The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, abuse, mismanagement, or misrepresentation in connection with TARP programs. **SIGTARP Hotline:** (877) SIG-2009.*