

# Department of Justice

United States Attorney Melinda Haag  
Northern District of California

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FOR IMMEDIATE RELEASE

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**FORMER UNITED COMMERCIAL BANK CHIEF CREDIT OFFICER  
CONVICTED OF SECURITIES AND OTHER CORPORATE FRAUD AFTER TRIAL**

*The Fraud Caused The Ninth Largest Bank Failure  
With Estimated Losses In Excess Of \$677 Million*

OAKLAND – A jury convicted Ebrahim Shabudin yesterday of seven felony counts of conspiracy, securities fraud, and other corporate fraud offenses stemming from the failure of United Commercial Bank, announced U.S. Attorney Melinda Haag; Federal Deposit Insurance Corporation, Office of the Inspector General, Acting Inspector General Fred W. Gibson, Jr.; Special Inspector General for the Troubled Asset Relief Program Christy Romero; Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, Office of the Inspector General, Inspector General Mark Bialek; and FBI Special Agent in Charge David J. Johnson.

Shabudin, 66, of Moraga, Calif., was the Chief Operating Officer and Chief Credit Officer at United Commercial Bank (“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.

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. On November 14, 2008, the Troubled Asset Relief Program (“TARP”) provided approximately \$298 million in federal funds to UCB during the financial crisis.

Late yesterday, a jury found Shabudin guilty of 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 falsified 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. The guilty verdict followed a six-week jury trial before the Honorable Jeffrey S. White, U.S. District Judge.

"UCB is one of the largest criminal prosecutions brought by the United States Department of Justice of wrongdoing by bank officers arising out of the 2008 financial crisis," U.S. Attorney Melinda Haag stated. "With actual losses exceeding a half a billion dollars, the prosecution of Shabudin and other senior officers at UCB is one of the most significant financial fraud cases in the history of the Northern District of California. I am proud of the collaboration with our law enforcement partners at FDIC-OIG, SIGTARP, Federal Reserve Board, and CFPB-OIG and the FBI, without whom the successful prosecution of this complex and challenging case would not have been possible."

Fred W. Gibson, Jr., FDIC Acting Inspector General, stated that "the FDIC Office of Inspector General (OIG) is pleased to have joined the U.S. Attorney's Office and our law enforcement colleagues in investigating the fraud that led to the conviction of Mr. Shabudin on all seven counts. It is particularly troubling to the FDIC-OIG when bank insiders violate the public trust and engage in activities that cause losses to the Deposit Insurance Fund—in this case, a \$677 million loss to the DIF. We are committed in our efforts to maintain integrity in our nation's banks and to ensure safe and sound operations in our financial institutions throughout the country. I commend the dedication and persistent efforts of all those involved in bringing this case to justice."

"The federal jury's decision to convict Ebrahim Shabudin marks the third criminal conviction of a United Commercial Bank officer," said Christy Romero, Special Inspector General for TARP. "After receiving TARP in November 2008, UCB failed about a year later, leaving \$298 million in losses on taxpayers' TARP investment in the bank. SIGTARP is on watch, protecting American taxpayers, and we thank Melinda Haag and her exceptional team of prosecutors for standing united with SIGTARP in the fight against bailout-related crime."

"Bank executives engaged in fraud to deceive regulators and the public must be brought to justice for their actions," said Mark Bialek, Inspector General of the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau. "I commend our agents and their federal law enforcement partners for their hard work and persistence, which ultimately led to this conviction."

FBI Special Agent in Charge David J. Johnson added, "The FBI, Special Inspectors General for Troubled Asset Relief Program, Federal Deposit Insurance Corporation, and Federal Reserve Board recognize the importance of prosecuting those who defrauded the U.S. people after the 2008 financial crisis, and will continue to pursue and prosecute like-minded perpetrators."

The jury convicted Shabudin of the following seven crimes yesterday by their verdict:

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.

Count 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.

In all, Shabudin faces a total overall maximum term of 145 years of imprisonment, up to \$16,750,700 in fines and assessments, and up to 27 years of supervised release. Shabudin's actual term of imprisonment, fines and assessments, and term of supervised release will be imposed by the court at a sentencing hearing currently set for June 30, 2015, after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

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.

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.

**Further Information:**

Case #: 11-CR-00664-01 JSW

A copy of this press release will be placed on the U.S. Attorney's Office's website at [www.usdoj.gov/usao/can](http://www.usdoj.gov/usao/can).

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at [www.cand.uscourts.gov](http://www.cand.uscourts.gov).

All press inquiries to the U.S. Attorney's Office should be directed to Abraham Simmons at (415) 436-7264 or by e-mail at [Abraham.Simmons@usdoj.gov](mailto:Abraham.Simmons@usdoj.gov).