



SIGTARP

Office of the Special Inspector General
for the Troubled Asset Relief Program

Federal Court Sentences Former United Commercial Bank Chief Financial Officer Craig On

In October 2019, former United Commercial Bank (UCB) chief financial officer, Craig On, was sentenced by a federal court to two years probation and ordered to pay a \$15,000 fine. On testified at the trial of UCB chief operating officer and chief credit officer, Ebrahim Shabudin, who was convicted at trial and sentenced to eight years and one month in prison.

After aggressive and risky loan-fueled growth, management of TARP recipient, UCB, fraudulently inflated the bank's financial performance by hundreds of millions of dollars. The bank later failed - one of the largest failures since the Great Depression - and \$300 million in TARP funds was lost.

During the crisis, in an attempt to have the bank appear to “break even,” Shabudin and co-conspirators manipulated the bank's books and records, and issued false press releases, filings with examiners, and false financial statements. Then U.S. Attorney Melinda Haag said, “UCB is one of the largest criminal prosecutions brought by the U.S. Department of Justice of wrongdoing by bank officers arising out of the 2008 financial crisis.”

As UCB's chief financial officer, On attested to the accuracy and completeness of financial information the bank provided to its accountants. While he knew that standard accounting practices required \$67 million in potential losses to be disclosed, he purposely failed to have that information included in financial statements and lied when asked by the accountants if UCB had made full disclosures. On knew what he did was wrong but did it anyway because he thought disclosing the potential losses would cause the bank to collapse.

On was convicted of making a materially false and misleading statement to an accountant. He was also ordered by the Federal Deposit Insurance Corporation (FDIC) to pay a civil penalty of \$150,000 and was banned from participating in the affairs of financial institutions.

Shabudin was convicted of securities fraud and sentenced to eight years and one month in prison. He was also ordered by the FDIC to pay a civil penalty of \$175,000 and was banned from participating in the affairs of financial institutions. At his sentencing, Special Inspector General Goldsmith Romero said that Shabudin “had every opportunity to do the right thing, but he was

motivated instead to preserve the bank's reputation at all costs, even if it meant committing a crime.”

Former senior vice president Thomas Yu, who also testified at Shabudin's trial, was convicted and sentenced to probation. The Justice Department deferred prosecution against Chris Chiem Lee, a manager at the bank. Lauren Tran, a vice president at the bank, had her guilty plea vacated due to cooperation.

SIGTARP was joined in the investigation the FDIC Office of the Inspector General, the Inspector General for the Board of Governors of the Federal Reserve System, and the Federal Bureau of Investigation. The U.S. Attorney's Office for the Northern District of California prosecuted the case.