MARC J. FAGEL (Cal. Bar No. 154425)
MICHAEL S. DICKE (Cal. Bar No. 158187)
ROBERT L. MITCHELL (Cal. Bar No. 161354)
mitchellr@sec.gov
LLOYD FARNHAM (Cal. Bar No. 202231)
farnhaml@sec.gov

Attorneys for Applicant
SECURITIES AND EXCHANGE COMMISSION
44 Montgomery Street, 26th Floor
San Francisco, California 94104
Telephone: (415) 705-2500
Facsimile: (415) 705-2501

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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

CV 11 4988

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. THOMAS S. WU, EBRAHIM SHABUDIN, THOMAS T. YU, and CRAIG S. ON, Defendants.	Case No. LB COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges:

SUMMARY OF THE ACTION

1. This case involves an illegal effort by senior executives at a public bank holding company to obscure the true financial problems of the holding company and the bank it owned. In late 2008, during the financial crisis and economic downturn, San Francisco-based United Commercial Bank and its public parent UCBH Holdings, Inc. faced mounting losses on loans and real estate assets. Instead of accurately recording and then reporting these losses, and

increasing its loan loss reserve as required by accounting rules, these executives took steps to delay disclosure of the full extent of the losses the bank faced. When UCBH filed its 2008 Form 10-K annual report with the Commission on March 16, 2009, the reported loss of $134 million was understated by at least $65 million. These materially misstated financial results failed to apprise the investing public of the true severity of the loan losses faced by the bank, thereby understating a critical measure of the health of the financial institution.

2. The mounting loan losses would later lead to the bank's failure. In November 2009, the bank's regulators closed the bank and appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. United Commercial Bank was the ninth largest bank to fail during the recent financial crisis, and its failure has cost the FDIC's insurance fund $2.5 billion.

3. Thomas Wu, the CEO of UCBH and its subsidiary bank, was a rising star in the banking industry. He led United Commercial Bank for ten years, including during the initial public offering of the holding company UCBH in 1998. During his tenure the bank more than doubled its deposits and loans, and by the end of 2008 the bank reported total assets of more than $13 billion, and loan assets of more than $8 billion.

4. But beginning in late 2008 and continuing through the first three months of 2009, while the 2008 financial statements were being prepared by the bank and reviewed by UCBH's independent auditors, Wu deliberately tried to stem the tide of bad news the bank was required to disclose to auditors and the public. He directed subordinates to delay including newer and lower appraisals in the valuations of collateral and bank assets. In some cases he was aware of specific information that would show certain loans or collateral were nearly worthless, but refused to record these losses in the financial records of the bank and misled auditors about the information. Wu knew that for a number of large troubled loans, the bank had not considered known negative information in valuing the collateral or calculating losses, but falsely certified the 2008 financial statements were accurate and prepared in accordance with accounting standards.

5. Two other bank executives were instrumental in the efforts to hide the losses by the bank and the public holding company from its shareholders. Ebrahim Shabudin, the Chief Operating Officer of UCBH and Chief Credit Officer at the bank, reviewed and approved bank

records regarding the loss reserves that he knew inappropriately understated loss reserves, and approved memoranda sent to UCBH's independent auditors that he knew contained false and misleading information about the loans. Thomas Yu, a senior vice-president at the bank, hid negative information from the auditors to prevent them from discovering that certain troubled loans and assets faced large losses. Yu also had primary responsibility for preparing the bank's loan loss reserve calculation, and in that role he prepared loan loss reserve calculations that understated losses faced by the bank. Wu, Shabudin, and Yu knew their efforts to hide negative information would materially affect the publicly-filed 2008 financial statements.

6. UCBH's Chief Financial Officer, Craig On, certified the accuracy of the 2008 Form 10-K and signed internal loan loss calculations and made representations to the independent auditors. Given the concerted efforts of other senior executives to hide and delay loan losses, and given what he knew about at least a portion of the mounting losses, On should have known that the UCBH financial statements in the 2008 Form 10-K were not accurate.

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b), 77t(d)] and Sections 21(d) and 21(e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d), 78u(e)].

8. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

9. Defendants, directly or indirectly, made use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices and courses of business alleged herein.

10. Venue in this District is proper pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because a substantial part of the acts and transactions constituting the violations alleged in this Complaint occurred within the Northern District of California, because the relevant offer or sale of securities took place in the district, and because one or more Defendants resides or transacts business in the district.

INTRADISTRICT ASSIGNMENT

11. Under Civil Local Rule 3-2, this civil action should be assigned to the San Francisco or Oakland Divisions, because a substantial part of the events or omissions which give rise to the claim occurred in the City and County of San Francisco.

DEFENDANTS

12. **Thomas Wu**, age 53, is a resident of Hillsborough, California. From 1998 to September 2009 Wu was President and Chief Executive Officer of United Commercial Bank and UCBH Holdings, Inc., and chairman of the UCBH board of directors from 2001 to 2009. Wu invoked his Fifth Amendment right against self-incrimination during testimony in the Commission's investigation.

13. **Ebrahim Shabudin**, age 63, is a resident of Moraga, California. Shabudin joined United Commercial Bank in 2003 as the bank's Chief Credit Officer. He became the Chief Operating Officer of the bank and the holding company in August 2005. From September 2008 until March 2009, he served as both the COO and the Chief Credit Officer. Shabudin invoked his Fifth Amendment right against self-incrimination during testimony in the Commission's investigation.

14. **Thomas Yu**, age 48, is a resident of San Ramon, California. Yu joined United Commercial Bank in 2005 as the Product Manager for Retail Lending, and was promoted to First Vice President, Manager of Credit Risk and Portfolio Management in February 2008. Yu invoked his Fifth Amendment right against self-incrimination during testimony in the Commission's investigation.

15. **Craig On**, age 59, is a resident of Berkeley, California. On joined the bank in June 2005 as the controller, and served as the Interim Chief Financial Officer of UCBH Holdings from May 2008 until October 2008. From October 2008 until November 2009, On served as the Chief Financial Officer of UCBH. On invoked his Fifth Amendment right against self-incrimination during testimony in the Commission's investigation.

RELEVANT ENTITIES

16. **UCBH Holdings, Inc.** ("UCBH") was a Delaware corporation with a principal

place of business in San Francisco, California. UCBH subsidiary United Commercial Bank accounted for substantially all of UCBH's assets and revenue. During the relevant time period, UCBH common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act, and was listed on NASDAQ.

17. **United Commercial Bank** ("UCB") was a California state-chartered commercial bank and a wholly owned banking subsidiary of UCBH, and UCB's financial statements were consolidated into UCBH's financial statements. Since 1998, UCB was regulated by the Federal Deposit Insurance Corporation ("FDIC") and the California Department of Financial Institutions. In November 2008, UCB received $298 million pursuant to the Troubled Assets Relief Program ("TARP"). The FDIC took control of UCB as receiver on November 6, 2009.

FACTUAL ALLEGATIONS

A. Background

18. United Commercial Bank was a fast-growing bank based in San Francisco, California with offices in six states. The bank was the primary operating subsidiary of UCBH, and UCB accounted for substantially all of the assets and revenue of UCBH. The bank and holding company reported assets of more than $13 billion at the end of 2008, including loan assets of $8.6 billion. UCB had grown rapidly over the prior 10 years, more than doubling its total assets and outstanding loans from 2004 to 2008. Since the initial public offering of stock through holding company UCBH in 1998, UCB had acquired a number of smaller banks, and in 2007 became the first U.S. bank to wholly own a bank in the People's Republic of China.

19. CEO Thomas Wu led the bank throughout the years of growth for the bank, after being named CEO of the newly formed public holding company UCBH in 1998. In 2006, Wu was named national Entrepreneur of the Year in the financial services industry by a prominent accounting firm. In 2008, he appeared in a list of 25 notable Chinese-Americans recognized in Forbes Asia magazine, receiving accolades for his leadership in growing the bank.

20. Beginning in 2008, the economic downturn and declining real estate market caused increasing loan delinquencies and decreasing collateral values for the loans in UCB's portfolio of commercial and construction loans. During the last half of 2008, overdue loans and

loans in default increased, and the bank's capital ratios were deteriorating. To maintain sufficient capital, in October 2008 the bank requested and received $298 million from the U.S. Department of the Treasury's Trouble Asset Relief Program ("TARP") in exchange for preferred stock and stock warrants. Beginning in 2008, UCBH faced increasingly serious financial difficulties. From December 2008 through 2009, UCBH and UCB sought to raise capital from outside investors, and Wu, On, and Shabudin were involved in these efforts.

21. UCBH issued a press release on January 22, 2009, disclosing unaudited financial results for the year ended December 31, 2008. The company held an investor call discussing these results on January 23, 2009, and Wu and On spoke on the conference call about the reported financial results. Also on January 23, 2009, UCBH filed a Form 8-K incorporating the earnings release and the unaudited financial results.

22. On March 16, 2009, UCBH filed its 2008 Form 10-K with the Commission, disclosing its financial statements for the year ended December 31, 2008. By the terms of a Form S-8 registering certain issuances of UCBH common stock filed on June 15, 2007, UCBH's stock offering registration incorporated any subsequent Commission filings, including the 2008 Form 10-K filed by UCBH.

23. On May 20, 2009, UCBH filed with the Commission a Form 8-K, disclosing that the Audit Committee of the Board of Directors determined that the company's financial statements for the year 2008 should be restated. The disclosure stated that the 2008 financial statements previously disclosed should not be relied upon, and stated that an examination by the company determined UCBH would need to restate the 2008 financial statements and the restatement would result in material adjustments to the loan loss provision, the allowance for loan losses, and expenses for other real estate owned.

24. The California Department of Financial Institutions closed the bank and appointed the Federal Deposit Insurance Corporation ("FDIC") as the receiver for the bank on November 6, 2009. The failure of UCB was the ninth largest bank to fail during the financial crisis of 2008 and 2009, and the failure was estimated to cost the FDIC Deposit Insurance Fund approximately $2.5 billion.

25. On November 24, 2009, UCBH filed for bankruptcy protection under Chapter Seven of the federal bankruptcy code.

B. Accounting for Loan Losses

26. The financial results released on January 22, 2009, and the financial statements filed with the Commission on March 16, 2009, misstated the financial results of UCBH and falsely asserted that the financial statements were prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). The misstated financial statements materially understated the loan loss reserves that UCBH should have recorded on some of UCB's troubled commercial and construction loans, and materially overstated the value of some real estate and other assets owned by UCB as a result of foreclosures.

27. GAAP states that a loan is impaired when "it is probable a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement." If a loan is impaired, the bank must determine the measure of impairment and record this amount in an "allowance for credit losses." GAAP further requires that for collateral dependent loans, "a creditor shall measure impairment based on the fair value of the collateral when the creditor determines that foreclosure is probable." In addition, GAAP requires that any evidence impacting the measurement of impairment determined prior to the issuance of financial statements that affects the measurements at the balance sheet date shall be incorporated into the financial statements.

28. GAAP required UCBH to assess probable losses inherent in its loan portfolio as of the year-end and to record these probable losses in its Allowance for Loan and Lease Losses ("ALLL"). Any increase in ALLL, a balance sheet item, would have had to be accompanied by the recording of a provision for loan losses, an income statement line item, thereby decreasing reported income. Each of the defendants was aware that UCBH was required to accurately record probable losses on UCB loans, and each was aware that the ALLL and loan loss provision must be accurately disclosed on financial statements filed with the Commission.

29. In the instances where UCBH had foreclosed on a loan and taken possession of loan collateral in the form of inventory or real estate, other similar GAAP provisions applied.

UCBH was required to accurately assess and record any impairment or loss in value of real estate or other assets owned by the bank. Under GAAP, any evidence regarding a decrease in the value of a bank-owned asset known to the bank prior to the issuance of the financial statements must be incorporated into those financial statements.

30. UCBH publicly disclosed in its 2008 Form 10-K the company's policy for determining the specific reserve component of the bank's allowance for loan losses:

> The second component of the allowance for loan losses, the specific reserve, applies to loans that are considered impaired. A loan is considered impaired when it is probable that UCB will not be able to collect all amounts due, including interest payments, in accordance with the loan's contractual terms. Unless the loan is collateral-dependent, loan impairment is measured based on the present value of expected future cash flows that have been discounted at the loan's effective interest rate. If the loan is collateral-dependent, either the observable market price or the current fair value of the collateral, reduced by estimated disposition costs, is used in place of the discounted cash flow analysis.

31. UCB policies and internal accounting controls required the bank to determine whether loans are impaired, and require the bank to determine the value of loans considered impaired, including a calculation of any loan loss reserves for impaired loans. These policies and accounting controls required the losses to be determined and recorded as soon as feasible, and in any event within 30 days after the impairment has been identified. The policies and accounting controls require that the value of collateral dependant loans shall be determined by the lowest of several valuation measures including latest appraised value and latest listing price.

32. The internal accounting controls and bank policies required that the bank prepare and maintain accurate ALLL documentation to support the ALLL loan loss reserve. The accounting controls were put in place to ensure the information used to support the ALLL determination is accurate and reliable, and that the financial statements related to the ALLL loan loss reserve is prepared in accordance with GAAP.

C. Defendants Delayed Reporting of Loan Losses

33. CEO Thomas Wu monitored large troubled loans as the bank's loan portfolio deteriorated in 2008. Beginning in early 2008, the bank's most troubled loans were managed by a unit within the bank called the Special Assets Group. Thomas Yu led the group, with oversight from Shabudin and assistance of other bank officials. At least from about December 2008 to

March 2009, Wu and Shabudin held weekly meetings to discuss the largest problem loans. At these meetings Wu, Shabudin, Yu and other bank employees discussed ways to delay any negative financial impact from the known losses on these large loans. During these weekly meetings and in other meetings and communications, Wu was told about appraisals and other information indicating that collateral and bank-owned assets were declining in value. Instead of properly recording these losses in the books and records of UCB and UCBH, Wu told his subordinates to delay incorporating more recent appraisals and other negative information regarding the value of the collateral or assets.

34. Wu instructed subordinates to delay recording losses and reserves even though there was no legitimate business reason to delay incorporating or considering lowered collateral or asset values, and no legitimate business reason to delay the accurate recording of losses.

35. In addition to these weekly meetings, Wu and Shabudin worked with Yu to monitor problem loans and minimize the impact of these loans on UCBH's financial statements. As part of this effort Yu maintained an unofficial loan loss summary. The loan loss summary listed preliminary loan loss calculations and loss estimates for various loans. Wu periodically reviewed Yu's loan loss summary and in some instances instructed subordinates to ignore evidence such as more recent appraisals, sales offers, or other information reflecting the value of a loan or collateral. The purpose of Wu's review of the loan loss summary and instructions to subordinates was to lower the reported loan loss reserve provision and lower the bank's loss allowance, resulting in lower losses reported by UCBH in the 2008 financial statements.

36. Senior officers including Shabudin and Yu complied with Wu's direction to decrease loan losses and ignoring negative information about loans and failing to record known loan losses. Wu and Shabudin directed subordinates to delay incorporating new appraisals that would increase losses, instead relying on outdated appraisals that could be used to justify higher property values and thereby justify lower loan loss reserve amounts.

37. Shabudin interacted directly with UCBH's independent auditors during the auditors' review of the 2008 financial statement, and he coordinated the responses to requests for information, including reviewing each memorandum sent to the auditors in response to

information requests. As the Chief Credit Officer, Shabudin was in charge of loan administration at the bank. Shabudin knew that memoranda sent to the auditors were false and misleading. Shabudin also signed the ALLL loan loss reserve package, the bank's key record on the loss reserve calculation, and he knew that the ALLL package was provided to auditors to support the loan loss reserve calculations.

38. Yu had responsibility for managing the bank's problem loans, under the supervision of both Shabudin and Wu. He also had responsibility for the specific reserve package, the portion of the ALLL package that related to the bank's most troubled loans, and he reviewed and signed the final version package. Yu knew that this reserve calculation was a critical part of the bank's books and records, and knew that it would be provided to the independent auditors to support the reserve calculations. As head of the bank's Special Assets Group, Yu also had a lead role in the bank's efforts to sell troubled loans. Yu had direct interaction with the audit staff and provided information regarding troubled loans. Yu knew the loss reserve calculation he supervised had a direct impact on the UCBH financial statements.

39. Defendants Wu, Shabudin, and Yu each took steps, or instructed subordinates to take steps, that resulted in negative information being omitted and not considered in the calculation of loan loss reserves or asset losses. Wu, Shabudin, and Yu each took steps or instructed subordinates to take steps that resulted in delays in incorporating this negative information into the financial statements and accounting records until after the filing of the Form 10-K. Defendants Wu, Shabudin, and Yu each knew or were reckless in not knowing that these actions made UCBH financial statements materially false. Wu, Shabudin, and Yu took these steps without regard to any legitimate business purposes.

D. Undisclosed Losses or Reserves on Seven Large Loans

40. At least seven large loans were recorded in books and records of UCB at inflated values or with understated loss reserves, and separately and collectively these inflated values and understated losses had a material impact on the 2008 financial statements. If restated to accurately reflect losses and values known at the time, and restated in accordance with GAAP, these seven loans would have increased UCBH's reported losses by about 50 percent, from a net

loss of $134 million to a net loss of $200 million.

1. Commercial Loans to an Electronics Distributor

41. UCB made a series of loans totaling more than $44 million to a group of related electronics distribution companies based in Los Angeles, California and Hong Kong. By the end of 2008, the loans were in default, and UCB had taken possession of some of the collateral, including certain accounts receivable and electronics inventory. The remaining loan balance was secured by a pledge of cash and real estate from the borrower and principals of the borrower. On or before March 16, 2009, Wu, Shabudin, and Yu were aware of information that indicated the collateral and repossessed assets were worth far less than their recorded value as of the end of 2008. Similarly, based on information known to Wu, Shabudin, and Yu, loss reserves for the loan balance were understated. Wu, Shabudin, and Yu knew that the loan loss reserves were understated and the values of the repossessed assets were overstated in the 2008 financial statements.

42. In February 2009, Wu told UCBH auditors that the loan was adequately secured and therefore did not need an additional reserve recorded because its principals had pledged as collateral about $20 million in cash. By that time, however, Wu was privately telling his senior managers the borrower had "fooled" them and that the collateral was a "fraud."

43. In December 2008, UCB repossessed certain accounts receivable from the borrower, and these accounts were recorded on UCB's books at a value of $7.1 million. Most of this receivable was owed by one former Hong Kong-based customer of the borrower. By the end of January 2009, however, Wu, Shabudin, and Yu knew UCB was unlikely to collect any portion of this receivable. According to emails between Wu, Shabudin, and Yu, the customer had ignored several demands for payment. In January 2009, a UCB employee attempted to visit the purported Hong Kong headquarters of the company, and found an empty office at the address. In an email dated January 16, 2009, this bank official told Wu, Shabudin, and Yu that the customer could not be located.

44. In March 2009, before the 2008 Form 10-K was filed, Yu drafted a memorandum sent to UCBH's auditors to support the value of the account receivable, stating that the bank

intended to collect a large portion of the receivable. Shabudin reviewed Yu's memorandum and knew it contained false and misleading information.

45. In December 2008, UCB took possession of the borrower's remaining inventory. Classified as an asset owned by the bank, this inventory was recorded at a value of $6.1 million. The bank hired an electronics retailer to sort, count, test, and sell the inventory, and the technicians found problems with the inventory. Flash memory storage cards labeled "4 gigabytes" were actually only 16 megabytes, many of the boxes contained only unfinished parts instead of completed consumer merchandise, and some storage devices contained a piece of wood where the memory chip should have been. These flaws made the merchandise nearly worthless for resale. Yu and other employees at the bank received updates regarding flaws in the inventory throughout January and February 2009. Yu and others regularly informed Wu and Shabudin about the status of the testing, but Wu directed subordinates to delay recording any loss on the inventory. The loss on the inventory was not recorded in UCB's books and records until March 18, 2009, two days after UCBH filed its 2008 Form 10-K.

46. Wu, Shabudin, and Yu never disclosed the negative information regarding this loan, loan collateral, or asset impairment to UCBH's auditors. Wu certified financial statements that he knew included false valuations for these assets. Wu signed the management representation letter provided to the auditors in connection with the audit of the 2008 financial statements and responded to an email from the auditors requesting information on asset impairments on March 14, 2009, but he omitted all negative information calling into question the collectability of the supposed collateral, the value of the inventory, or the collectability of the repossessed account receivable.

2. Construction Loan for a Housing Project

47. Another asset with an inflated value in the 2008 financial statements involved a construction loan to an entity building a housing complex in National City, California. UCB and another bank had loaned $10.8 million to fund the construction of a condominium and retail development. By early 2008 the borrower stopped making payments and was unable to complete construction on the project.

48. In January 2009 UCB received a new appraisal that valued UCB's portion of the collateral at about $7.7 million. Internal memoranda show that Shabudin and Yu knew about the new appraisal and knew that the value of the property had decreased. At the same time, UCB was working to sell its share of the loan note and, in a series of e-mails on February 13, 2009, Shabudin and Yu discussed and approved the sale of the note for $4 million. These emails referenced the fact that the sale would result in a $6.8 million loss for the bank. CFO Craig On received emails regarding the sale of this loan, and prior to the filing of the 2008 Form 10-K he knew or should have known that the approved note sale represented a material loss from the recorded value of the loan as of December 31, 2008. Wu approved of the sale of this loan at a significant loss in February 2009, prior to the filing of the 2008 Form 10-K. Wu knew or was reckless in not knowing that the loss had not been recorded in the books and records of the bank, had not been included in the 2008 financial statements, and was not considered in calculating an appropriate loss reserve for the loan.

49. In late February, Yu drafted a memorandum for the outside auditors regarding UCB's valuation of this loan under the applicable GAAP. Yu's memorandum hid both the updated appraisal and the fact that the bank was selling the note at a loss. Shabudin reviewed the memorandum before it was sent, and as a result of this deception the auditors never learned of either the January 2009 appraisal or the bank's intent to sell the note at a loss. The auditors signed off on a small loss reserve and UCBH avoided taking an additional $6 million loss.

3. Construction Loan for a Cape Cod Condominium

50. In 2007, UCB funded the construction of a 21-unit condominium on Cape Cod in Massachusetts with two loans totaling $11.8 million. In November 2008, while the building was still incomplete, the borrowers stopped making payments and told the bank they could not continue construction. An appraisal dated December 2, 2008 valued the property securing the loan at $4.9 million. In December 2008, Yu knew that UCB faced a large loss on the loan. After a UCB officer recommended selling the note, Yu told him that the bank could not record a loss on the loan during 2008 and therefore could not sell the note at that time. By January 6, 2009, according to emails, Yu and Shabudin each knew that the loan would result in a loss of about $6

million. On March 1, 2009, Yu recommended selling the notes for only $4.2 million, and emails show that Wu and Shabudin approved of the sale. The planned sale would close by the end of the quarter, March 31, about two weeks after the Form 10-K was filed.

51. Wu, Shabudin, and Yu never told KPMG about the probable loss and new appraisal, or took steps to accurately reflect the impairment or the expected loss in the loan loss reserve. Emails and memoranda to Wu show he knew about the impaired loan and approved the sale for a significant loss prior to the filing of UCBH's Form 10-K. Nevertheless, Wu falsely stated in the management representation letter and other communications to the auditors that there were no significant impairments or asset dispositions that had not been disclosed to the auditors.

4. Las Vegas Participation Loan

52. UCB participated with other banks in a loan of more than $400 million to fund a housing project in Las Vegas. UCB held a 1.6 percent share of the loan. In September 2008, the banks repossessed the property after the borrower defaulted on the loan. At that time UCB valued its share of this asset, now classified as real estate owned by the bank, at $4.8 million based on a February 2008 appraisal of the property. A new appraisal, dated September 23, 2008, valued the entire project at $135 million, which valued UCB's share at $1.9 million. A UCB loan officer received the appraisal in January 2009 and then the officer discussed the appraisal with Shabudin. At a weekly meeting, UCB employees discussed the new appraisal with Wu and Shabudin. Wu and Shabudin told their subordinates to not reach any "conclusions" or "decisions" regarding the appraisal and any additional reserve amount. Wu knew that this arbitrary delay meant that the loss would not be included in the 2008 financial statements, and knew or was reckless in not knowing that the negative information regarding the value was not considered in calculating the appropriate loss reserve. Ignoring this information violated applicable GAAP.

53. In February and March 2009, UCBH's auditors requested information about the loan and repossessed share of the property during a review of real estate owned by the bank. Shabudin discussed the property with the auditors and reviewed a memorandum sent to the

auditors regarding valuation of the loan. The memorandum did not disclose the new appraisal, misleading the auditors into believing that no new information had been obtained by the bank. Based on the new appraisal UCB's share of the property should have been written down from a recorded value of $4 million by more than 50 percent, to a value of $1.9 million. Wu and Shabudin knew that the property value as recorded in UCB's records was inflated and that the new appraisal received by the bank but hidden from the auditors should have triggered a write down of the asset's value and a resulting increase in losses reported by UCBH.

5. Commercial Loan to an Electronics Importer

54. In May 2004, UCB extended a line of credit to an importer of consumer electronics based in Los Angeles, California. By December 2007, the company owed UCB $28 million, secured by the company's business assets. The company stopped making payments, and on September 11, 2008, UCB filed a foreclosure action to recover the company's remaining assets. In an email received by Yu, attorneys hired by UCB to represent the bank in the foreclosure proceedings told Yu that another bank had rights to the assets that secured the loan. A receiver appointed by the court also told the UCB attorneys that most of the inventory was actually either empty boxes or counterfeit. On October 16, 2008, Yu and Shabudin received an email from UCB's attorneys estimating that the bank would recover less than $100,000.

55. Despite knowing of a likely loss of nearly the entire $28 million loan by the middle of October 2008, UCB did not write down the loan entirely. Instead, by December 31, 2008, the bank had written down the loan by just $4.2 million and recorded a loss reserve of $18.9 million. This left a net loan value of approximately $4.8 million on the bank's books and records, even though Shabudin and Yu knew the bank would not be able to recover that amount. Yu provided the auditors with misleading information and a memorandum falsely stating that the bank would be able to collect the remaining loan balance of $4.8 million. The memorandum drafted by Yu and reviewed by Shabudin omitted information indicating the loan would be a complete loss.

6. Construction Loans for a Condominium and Retail Space

56. In 2006 and 2007, UCB provided two loans to a California developer, one to

construct a condominium in Sacramento, California and second to construct an office building in nearby Roseville. The loan balances totaled $12.1 million on the Sacramento property and $8.1 million on the Roseville property. By the end of 2008, both loans were delinquent. In late February 2009, Wu sent an email to Shabudin and Yu approving a sale of the Sacramento note for $6.2 million. In early March 2009 UCB also agreed to sell the Roseville note for $3.5 million, at a loss of more than $4 million.

57. During the 2008 audit, the auditors asked for information about these loans to support the recorded valuations. UCB's loan loss reserve analysis prepared under Yu's supervision for incorporation into the 2008 financial statements valued the Sacramento condominium at $8.1 million and valued the Roseville property at $7.6 million. In late February 2009, Yu drafted a memorandum to the auditors that did not mention the new December 2008 appraisal on the Sacramento property, Wu's approval of the sale of the Sacramento note for $6.2 million, or UCB's intent to sell the Roseville note at a significant loss. In an email to auditors two days later, Yu defended his valuation of the collateral for the loans and once again failed to disclose UCB's intention to sell the Sacramento note at a significant loss.

58. UCB had recorded on the year-end financial statements reserves for these loans totaling $4.6 million, but these reserves were understated based on the known losses. The recorded net book value for the Sacramento loan was $8.1 million, including the recorded reserve, despite an agreed sale value of $6.2 million. The recorded net value of the Roseville loan was $7.5 million, including the recorded reserve, despite an agreed sale for $3.5 million. These sales prices showed declining values for these loans, and therefore the loans required additional reserve amounts of $1.9 million and $4 million, respectively. UCBH understated the loss reserves for these loans by a total of $5.9 million.

7. Loan to Convert an Apartment Building to Condominiums

59. UCB had made a loan to a development group to fund the conversion of a 56-unit apartment complex in El Cajon, California to condominiums. In December 2008, with a loan balance of $8.4 million, the developer filed for bankruptcy, and Yu and other bank employees discussed selling the property at a significant loss.

60. In February 2009, emails among bank employees show that the bank intended to sell the loan at a price of about $4.1 million to $4.5 million. On, Shabudin, Yu, and other UCB employees received emails on February 17 and 26, 2009, regarding a number of loans and assets the bank would sell by the end of the quarter, including this loan that would be sold at a significant loss.

61. Despite information about the decreased value of the loan, the bank's loss reserve calculation included only a small reserve of $256,000 based on an outdated March 2008 appraisal. The reserve calculation completed under Yu's supervision incorporation into the 2008 financial statements, and later approved by Yu, Shabudin, and On, failed to consider the bank's intent to sell the loan at a significant loss. As a result of the information omitted from the reserve calculation, the auditors were misled and the loss reserve was understated by $3.9 million.

E. Defendants Withheld Information and Misled Auditors

62. Wu, Shabudin, and Yu misled UCBH's independent auditors by either omitting information known to them about loan and asset losses, or by making false statements to auditors both orally and in writing regarding the value of loans, collateral, or other assets. Throughout the audit of the 2008 financial statements, auditors repeatedly asked UCBH management for updated information regarding collateral values for loans, including asking for new property appraisals. Auditors discussed with Shabudin and Yu the auditors' request for any information regarding loan collateral values and loan losses obtained by bank officials since December 31, 2008.

63. One significant piece of information intentionally kept from auditors was a weekly log of new appraisals received by the bank. In order to monitor the values of the collateral underlying troubled loans managed by Yu's Special Assets Group, the bank's Collateral Assessment Unit retained appraisers, received the appraisals, and then distributed the appraisals to the bank employees monitoring the particular loans. Every week the Collateral Assessment Unit staff sent out an email attaching a spreadsheet listing all the appraisals received, the appraisal values for those properties, and a list of appraisals ordered but not yet received. This list accurately reflected appraisals received by the bank for many of the problem loans, and

was sent each week by email to Shabudin, Yu, and other bank employees.

64. Despite repeated requests for updated appraisals, neither Yu nor Shabudin provided the list to the auditors. Yu instructed a subordinate to conceal the list from auditors and told the subordinate to prevent the auditors from obtaining copies of the updated appraisals listed on the log. After discovering the log after completing the 2008 audit, UCBH auditors estimated UCB's recorded loss reserves should have increased by approximately $65 million based on the appraisal values noted on the log.

65. CFO On signed and approved the final ALLL package, a portion of the books and records of UCB that was provided to the auditors to document the loan loss reserve calculations. On certified the accuracy of the 2008 Form 10-K, signed the management representation letter provided to the independent auditors as part of the audit, and responded to the auditors' request for updated and current information regarding any issue that could affect 2008 financial statements. In both the management representation letter and the update request response, On omitted what he knew or should have known about the potential sale of loan and other assets.

F. UCBH Filed and Disclosed False Financial Information

66. The unaudited 2008 financial statements for UCBH publicly disclosed by the company on January 22, 2009, and discussed by Wu and On during an investor conference call on January 23, 2009, materially misstated the loan loss reserves, allowance for loan losses, and asset values. Wu and On authorized the press release and the disclosure of the unaudited financial statements.

67. The 2008 Form 10-K filed by UCBH contained materially misstated financial statements, including materially misstated the loan loss reserves, allowance for loan losses, and asset values. The Form 10-K also falsely stated that the financial statements were prepared in accordance with GAAP. The books and records of UCBH and its subsidiary bank were also false in regard to those issues.

68. Defendants Wu, Shabudin, and Yu employed devices, scheme, and artifices to defraud described above with scienter, knowingly or recklessly engaging in the activities that led to misstated financial statements in the 2008 Form 10-K. Wu, Shabudin, and Yu engaged in the

acts, practices, and courses of business described above with scienter, knowingly or recklessly engaging in the activities that led to misstated financial statements in the 2008 Form 10-K. The actions described above did not serve any legitimate business purpose.

69. UCB and UCBH had policies in place to ensure the accuracy of the companies' books and records, including policies regarding how and when loan loss reserves must be recorded, and manner in which information about loans and loan collateral must be incorporated into the financial statements. The controls and policies in place were insufficient to prevent bank executives and other bank employees from delaying known losses on loans, assets, and collateral.

70. By the acts and omissions described, defendants Wu, Shabudin, and Yu knowingly circumvented a system of internal accounting controls, failed to implement a system of internal accounting controls, and falsified books and records of UCBH.

71. Defendant On should have known that UCBH's financial statements included in the 2008 Form 10-K did not accurately reflect the bank's loan loss reserve, and should have known that the financial statements did not comply with GAAP. On failed to implement a system of internal accounting controls sufficient to ensure the accuracy of the UCBH financial statements.

72. Wu and On signed the 2008 Form 10-K, and signed certifications pursuant to Exchange Act Rule 13a-14, stating that the Form 10-K "does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading," and stating "the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant."

73. During 2008 through August 2009, Wu was compensated as CEO, chairman, and president of UCBH at a salary of $1.2 million per year.

FIRST CLAIM FOR RELIEF

Violations of Exchange Act Section 10(b) and Rule 10b-5

By defendants Wu, Shabudin, and Yu

74. Paragraphs 1 through 73 are re-alleged and incorporated herein by reference.

75. By engaging in the conduct described above, Wu, Shabudin, and Yu, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or the mails, with scienter:

(a) Employed devices, schemes, or artifices to defraud;

(b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and

(c) Engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers and sellers of securities.

76. By reason of the foregoing, Wu, Shabudin, and Yu have violated and, unless restrained and enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

SECOND CLAIM FOR RELIEF

Aiding and Abetting Violations of Exchange Act Section 10(b) and Rule 10b-5

By defendants Wu, Shabudin, and Yu

77. Paragraphs 1 through 73 are re-alleged and incorporated herein by reference.

78. By engaging in the conduct described above, UCBH and/or other persons, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or the mails, with scienter:

(a) Employed devices, schemes, or artifices to defraud;

(b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and

(c) Engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers and sellers of securities.

79. Wu, Shabudin, and Yu knowingly provided substantial assistance to the violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5], and therefore are liable as aiders and abettors pursuant to Section 20(e) of the Exchange Act [15 U.S.C. §78t(e)].

80. Unless restrained and enjoined, Wu, Shabudin, and Yu will continue to violate and to aid and abet violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

THIRD CLAIM FOR RELIEF

Violations of Securities Act Sections 17(a)(1), (2), and (3)

By defendant Wu

81. Paragraphs 1 through 73 are re-alleged and incorporated herein by reference.

82. By engaging in the conduct described above, Wu directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails,

(1) with scienter, employed devices, schemes, or artifices to defraud;

(2) obtained money or property by means of untrue statements of material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

(3) engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon purchasers.

83. By reason of the foregoing, Wu violated and, unless restrained and enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

FOURTH CLAIM FOR RELIEF

Violations of Securities Act Sections 17(a)(1) and (3)

By defendants Shabudin and Yu

84. Paragraphs 1 through 73 are re-alleged and incorporated herein by reference.

85. By engaging in the conduct described above, Shabudin and Yu directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails,

(1) with scienter, employed devices, schemes, or artifices to defraud; and

(2) engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon purchasers.

86. By reason of the foregoing, Shabudin and Yu violated and, unless restrained and enjoined, will continue to violate Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1), (3)].

FIFTH CLAIM FOR RELIEF

Violations of Securities Act Sections 17(a)(2) and (3)

By defendant On

87. Paragraphs 1 through 73 are re-alleged and incorporated herein by reference.

88. By engaging in the conduct described above, On directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails,

(1) obtained money or property by means of untrue statements of material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

(2) engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon purchasers.

89. By reason of the foregoing, On violated and, unless restrained and enjoined, will continue to violate Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. § 77q(a)(2), (3)].

SIXTH CLAIM FOR RELIEF

Aiding and Abetting Violations of Exchange Act Section 13(a)

and Rules 12b-20, 13a-1, and 13a-11

By defendants Wu, Shabudin, Yu, and On

90. Paragraphs 1 through 73 are re-alleged and incorporated herein by reference.

91. Based on the conduct alleged above, UCBH violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, and 13a-11 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11], which obligate issuers of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] to file with the Commission periodic reports, including annual reports, with information that is accurate and not misleading.

92. By engaging in the acts and conduct alleged above, defendants knowingly provided substantial assistance to UCBH's filing of misleading reports with the Commission.

93. By reason of the foregoing, defendants aided and abetted violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, and 13a-11 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11], and unless restrained and enjoined, will continue to aid and abet such violations.

SEVENTH CLAIM FOR RELIEF

Aiding and Abetting Violations of Exchange Act Section 13(b)(2)(A)

By defendants Wu, Shabudin, Yu, and On

94. Paragraphs 1 through 73 are re-alleged and incorporated herein by reference.

95. Based on the conduct alleged above, UCBH violated Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)], which obligates issuers of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer.

96. By engaging in the acts and conduct alleged above, defendants knowingly provided substantial assistance to UCBH's failure to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect its transactions and dispositions

of its assets.

97. By reason of the foregoing, defendants aided and abetted violations of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)], and unless restrained and enjoined, will continue to aid and abet such violations.

EIGHTH CLAIM FOR RELIEF

Aiding and Abetting Violations of Section 13(b)(2)(B) of the Exchange Act

By defendants Wu, Shabudin, Yu, and On

98. Paragraphs 1 through 73 are re-alleged and incorporated herein by reference.

99. Based on the conduct alleged above, UCBH violated Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)], which obligates issuers of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] to devise and maintain a sufficient system of internal accounting controls.

100. By engaging in the acts and conduct alleged above, defendants knowingly provided substantial assistance to UCBH's failure to devise and maintain a sufficient system of internal accounting controls.

101. By reason of the foregoing, defendants aided and abetted violations of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)], and unless restrained and enjoined, will continue to aid and abet such violations.

NINTH CLAIM FOR RELIEF

Violations of Section 13(b)(5) of the Exchange Act

By defendants Wu, Shabudin, Yu, and On

102. Paragraphs 1 through 73 are re-alleged and incorporated herein by reference.

103. By the conduct alleged above, defendants violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] which prohibits anyone from knowingly circumventing a system of internal accounting controls, knowingly failing to implement a system of internal accounting controls, or knowingly falsifying required books, records, and accounts.

104. Defendants have violated and, unless restrained and enjoined, will continue to violate, Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)].

TENTH CLAIM FOR RELIEF

Violation of Rule 13b2-1 under the Exchange Act

By defendants Wu, Shabudin, Yu, and On

105. Paragraphs 1 through 73 are re-alleged and incorporated herein by reference.

106. By engaging in the conduct described above, defendants falsified or caused to be falsified UCBH's required books, records, and accounts, in violation of Rule 13b2-1 under the Exchange Act [17 C.F.R. § 240.13b2-1].

107. Defendants have violated and, unless restrained and enjoined, will continue to violate Rule 13b2-1 under the Exchange Act [17 C.F.R. § 240.13b2-1].

ELEVENTH CLAIM FOR RELIEF

Violation of Rule 13b2-2 under the Exchange Act

By defendants Wu, Shabudin, Yu, and On

108. Paragraphs 1 through 73 are re-alleged and incorporated herein by reference.

109. By engaging in the acts and conduct alleged above, each of the defendants, as an officer, directly or indirectly, made or caused to be made a materially false or misleading statement or omitted to state or caused another person to omit to state, material facts necessary in order to make a statement made, in light of the circumstances under which such statements was made, not misleading to an accountant in connection with an audit or examination of the financial statements of an issuer required to be made, or the preparation or filing of reports required to be filed, by the issuer with the Commission.

110. By reason of the foregoing, defendants have violated and, unless restrained and enjoined, will continue to violate Rule 13b2-2 [17 C.F.R. § 240.13b2-2].

TWELFTH CLAIM FOR RELIEF

Violations of Rule 13a-14 of the Exchange Act

By defendants Wu and On

111. Paragraphs 1 through 73 are re-alleged and incorporated herein by reference.

112. Wu and On signed certifications, that were required to be made pursuant to Rule 13a-14 of the Exchange Act and that were included in UCBH's Form 10-K for the year ended

December 31, 2008, which were false or misleading when made.

113. By reason of the foregoing, Wu and On violated, and unless restrained and enjoined will continue to violate, Exchange Act Rule 13a-14 [17 C.F.R. § 240.13a-14].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

Permanently enjoin defendants from directly or indirectly violating the applicable provisions and rules of the Federal securities laws as alleged and asserted above.

II.

Pursuant to Section 20(e) of the Securities Act [15 U.S.C. §§ 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], prohibit Wu, Shabudin, and Yu from serving as an officer or director of any entity having a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

III.

Order defendants to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

IV.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

V.

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: October 11, 2011

Respectfully submitted,

LLOYD FARNHAM
Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION