



U.S. Department of Justice

*United States Attorney's Office
District of Delaware*

*Nemours Building
1007 N. Orange St., Suite 700
P.O. Box 2046
Wilmington, Delaware 19899-2046*

*(302) 573-6277
FAX (302) 573-6220*

FOR IMMEDIATE RELEASE
Tuesday, June 4, 2008

Colm F. Connolly
United States Attorney
(302) 573-6277

PRESS RELEASE

Colm F. Connolly, United States Attorney for the District of Delaware, Leslie DeMarco, Special Agent in Charge, Philadelphia Field Office, Internal Revenue Service, Criminal Investigation, and Amy Jo Lyons, Special Agent In Charge, Baltimore Field Office, Federal Bureau of Investigation, announced that Andrew N. Yao, age 46, of Bryn Mawr, Pennsylvania pled guilty today to a ten-count Indictment filed in the Eastern District of Pennsylvania. The Indictment charged Mr. Yao with seven counts of making a false statement to a financial institution, one count of mail fraud, one count of wire fraud, and one count of engaging in an illegal monetary transaction. The Honorable Petrese B. Tucker scheduled Mr. Yao's sentencing for September 5, 2008 at 10:30 a.m.

From 1998 through 2002, Mr. Yao obtained a series of personal loans and loans for businesses wholly owned by him totaling over \$40 million dollars. During this time, defendant Yao was the president and sole shareholder of Student Finance Corporation ("SFC"), a closely-held Pennsylvania corporation operating in Newark, Delaware. SFC was in the business of funding and servicing student loans, with a particular emphasis on loans to trade school students. SFC has been in bankruptcy since June 2002.

From the early 1990s through 2002, Mr. Yao hired T.W., an accountant, now deceased, to prepare fraudulent personal tax returns for Mr. Yao, fraudulent corporate tax returns for SFC, and fraudulent Personal Financial Statements, purporting to represent Mr. Yao's personal net worth as

of the relevant reporting period. The T.W.-prepared tax returns were not the tax returns Mr. Yao and SFC filed with the IRS, and differed materially from those filed returns. In a number of cases, the T.W.-prepared returns stated that defendant Yao's net worth was millions greater than what his filed returns showed.

Mr. Yao would and did provide those fraudulent financial documents to various lenders, including Wilmington Trust of Pennsylvania, First Union National Bank (now Wachovia Bank, N.A.), and U.S. Bancorp, when applying for personal and business loans. These loans included a \$25 million dollar line of credit for SFC, a personal loan for a private plane purchased by Mr. Yao that was valued at over \$4 million, a loan for the \$3 million refinance of Mr. Yao's Nantucket, Massachusetts vacation home, and other loans that provided Mr. Yao with \$7.2 million in cash. Each of the lending institutions at issue required these financial documents in order to approve the loans Mr. Yao or his businesses sought and received.

The maximum penalties for the seven false statement charges are 30 years imprisonment, and a \$1,000,000 fine per count. The maximum penalties for the bank and wire fraud charges are 5 years imprisonment, and a \$250,000 fine per count. The maximum penalties for the money laundering charge are 10 years imprisonment and a fine of not more than twice the amount of criminally derived property (here, not more than twice the amount \$990,426.98).

U.S. Attorney Connolly stated: "This plea is a significant victory in our district's fight against white collar crime and the significant impact that this type of crime has on our economy and our citizens. White collar criminals like Mr. Yao do damage to our community through the use of fraudulent financial transactions that is often as pernicious and destabilizing as the damage done by drug dealers or those who possess illegal firearms. By defrauding financial institutions and others out of over \$40 million in loan proceeds, the defendant caused substantial harm, including millions in losses, to the many affected by his fraudulent schemes. We are pleased that the years of work that

our office, the FBI and IRS-Criminal Investigation have devoted to his prosecution has led to his plea of guilty today to all charges in the Indictment."

Connolly also thanked FBI Special Agents Peter Gangel and Michelle Taylor and IRS-Criminal Investigation Special Agent Thomas Sorrentino, as well as prosecutors Shannon Hanson and Christopher Burke. "This guilty plea and the conviction in last year's bankruptcy fraud prosecution of Mr. Yao are the result of their dedication, hard work, and talent," Connolly said.