



## Markets

March 14, 2007, 4:18PM

### Yao Guilty of Bankruptcy Fraud

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WILMINGTON, Del. — Former Student Finance Corp. chief executive Andrew Yao was found guilty Wednesday on two counts of bankruptcy fraud by a federal jury.

The jury deliberated less than three hours before returning guilty verdicts against Yao, 45, who faces up to five years in prison and a fine of up to \$250,000.

Yao's three-day trial centered on a 2003 bankruptcy deposition in which he denied knowing the name of a person to whom he had wired \$669,000 in 2001 and testified that \$150,000 he had sent to two Las Vegas casinos was to cover lodging and gambling expenses of friends and relatives.

In reality, the \$669,000 was wired to Yao's mistress at the time, former Playboy centerfold Alexandria "Lexie" Karlsen Wolfe. The \$150,000 sent to the Mandalay Bay and Bellagio casinos was to cover Yao's high-stakes blackjack games, while accompanied either by Karlsen or another centerfold mistress.

Yao declined to comment Wednesday.

Defense attorney Brian McMonagle said he is considering an appeal.

Yao, who was SFC's sole shareholder, denied lying with the intent to defraud or deceive the bankruptcy court or creditors. He said he was simply trying to hide his marital infidelity from his family.

"I was afraid to admit that I betrayed my wife," he testified Tuesday. "I was afraid to admit that I betrayed my children. I was just ashamed."

Before returning its verdict, the jury asked U.S. District Court Judge Gregory Sleet if they had to find that Yao intended to commit bankruptcy fraud.

Prosecutors suggested that Yao lied because he was trying to fight off efforts by SFC's creditors to remove him as debtor in possession of SFC and to convert SFC's Chapter 13 reorganization to a Chapter 7 liquidation.

McMonagle, who acknowledged in opening statements that Yao had lied in the deposition, argued that the government should be required to show that Yao intended to deceive his creditors or the bankruptcy court for reasons materially related to the bankruptcy.

"You do have to prove something more than an intent to lie," he said.

Prosecutors argued that they had to prove only that Yao intended to lie, not the reason why.

In the end, the judge simply reiterated a passage in the jury instructions to the panel, stating that the government had to show that Yao intended to deceive the court, creditors "or any other person or entity."

The charges against Yao, a Philadelphia-area businessman, stem from a bankruptcy deposition in which he was questioned by an attorney for Royal Indemnity, a company that insured hundreds of millions of dollars in SFC student loans. In civil lawsuits, Royal alleged that Yao operated SFC, which specialized in making loans to students at truck driving schools, as a Ponzi scheme.

Royal said Yao conspired with schools to generate as many loans as possible, then fraudulently obtained new loans from banks to pay down older loans that had gone into default.

Yao admitted during the trial that he lied when he denied knowing an "A. Karlsen" who had received his wire transfers and also when said he did not gamble.

No sentencing date was set.



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