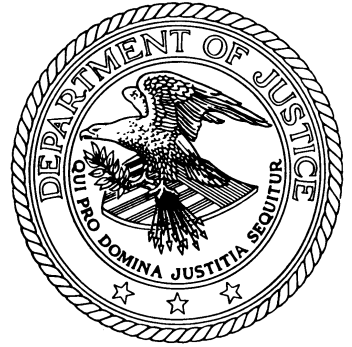


NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

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For Immediate Release

INVESTMENT ADVISOR SENTENCED TO PRISON FOR OPERATING A PONZI SCHEME AND MORTGAGE LOAN FRAUD THAT LOST MORE THAN \$9 MILLION

NEWS RELEASE SUMMARY - September 16, 2011

United States Attorney Laura E. Duffy announced today that Moises Pacheco, formerly the owner and operator of several investment businesses in Chula Vista, California, was sentenced to 51 months in prison for his role in a wide-ranging investment and mortgage fraud enterprise that victimized over 150 individuals and financial institutions between 2005 and 2008. Pacheco had pled guilty in March 2010 to conspiring to commit mail fraud, wire fraud, and bank fraud and received his sentence today from United States District Judge Jeffrey T. Miller. Judge Miller ordered Pacheco to return to court on November 18, 2011, when a final restitution figure will be set and Pacheco will be taken into custody.

According to court documents, prior to 2005, Pacheco worked with his high-school friend Matthew “Beau” La Madrid in various investment businesses that solicited individual investors and brokered mortgage loans. Pacheco left La Madrid’s businesses in approximately 2005 and opened an office on Bonita Road in Chula Vista that encouraged people in the community to invest in his stock trading program and use his

mortgage brokerage services. Between 2005 and 2008, Pacheco raised more than \$14.7 million from over 150 investors in his “AP Premium Value” family of funds by promising to use investor money to purchase stocks and generate income from the sale of “covered call” stock options. Although Pacheco did not earn enough money to make the promised payments, he continued to make periodic payments to investors and obtain new clients. Instead of notifying his clients that the funds were not performing well, Pacheco paid prior investors’ returns with new investors’ funds – effectively converting his family of funds into a Ponzi scheme. In September 2007, with losses mounting at the AP Premium Value funds, Pacheco fraudulently diverted \$3 million of client money to a risky investment promoted by La Madrid, all of which was lost. During much of the time, Pacheco sent his clients false and misleading account statements that did not account for how their money was being spent or disclose the staggering losses he was suffering.

Additionally, as set forth in court filings, Pacheco was a principal in the Real Estate Investment Group (REIG) that was used to fraudulently obtain millions of dollars from investors by falsely promising to secure real estate investments with promissory notes and recorded deeds of trust. In reality, the deeds of trusts were either not recorded or improperly recorded, causing victims to lose their investments when the properties purportedly securing the notes were sold or foreclosed upon.

According to sentencing documents, Pacheco oftentimes funded his Ponzi scheme and real estate fraud by fraudulently securing mortgage loans. Among other things, the fraudulent loan applications listed false employers and incomes, as well as false and inflated assets, and misrepresented that borrowers would occupy the residences when they actually were intended as investment properties. Based on these misrepresentations and others, lenders funded the loans and eventually lost vast sums when the properties went into foreclosure.

In total, Pacheco cheated more than 190 victims out of more than \$9 million. Many of his clients funded their investments by refinancing their houses and taking money from their retirement savings. When Pacheco’s scheme unraveled, scores of victims lost their homes and their financial futures. Several of those victims spoke

during the sentencing hearing and tearfully explained how Pacheco's fraud had ruined them financially and emotionally.

Today's sentence marks the third imposed in the ongoing investigation into the La Madrid and Pacheco investment fraud schemes. Matthew "Beau" La Madrid was sentenced on July 28, 2011, to serve 120 months in custody and pay over \$23 million in restitution, while his brother (Lance La Madrid) was sentenced on August 4, 2011 to serve 30 months in custody and pay \$831,218.49 in restitution. Sentencing hearings remain for several other co-conspirators who have pled guilty, including Edgar Pacheco and Eduardo Alcaraz (Case Number: 11cr2915-JM), Eric Montiel (Case Number: 09cr2582-WQH), Kevin Fallis (Case Number: 09cr2293-WQH), James Hyatt (Case Number: 09cr2467-WQH), Mark Busby (Case Number: 08cr4322-WQH), Christine Busby (Case Number: 08cr4322-WQH), and Richard Kassler (Case Number: 08cr3030-WQH).

This case was investigated by special agents from the Federal Bureau of Investigation.

DEFENDANT

Criminal Case No.10-CR-1585-JM

Moises Pacheco

SUMMARY OF CHARGES IN GUILTY PLEA

Title 18, United States Code, Section 1349-Conspiracy to Commit Mail Fraud, Wire Fraud, and Bank Fraud.

AGENCY

Federal Bureau of Investigation