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DAVID J. HERNANDEZ SENTENCED TO MORE THAN 16 YEARS IN PRISON FOR SWINDLING MORE THAN 250 INVESTORS OF \$6.4 MILLION IN PONZI-SCHEME

CHICAGO — A Downers Grove man who purported to offer financial investment services to the public was sentenced today to 200 months (16 years 8 months) in prison for engaging in a two-year Ponzi-scheme that caused more than 250 victims to lose approximately \$6.4 million when it collapsed in June 2009. The defendant, **David J. Hernandez**, fraudulently induced more than 300 victims to invest approximately \$13 million through his business, NextStep Financial Services, Inc., and several related companies. Hernandez, 50, pleaded guilty to mail fraud in January 2010.

U.S. District Judge Robert Gettleman told Hernandez that he “is nothing but a con man and a thief,” who obstructed justice and has engaged in a “long-pattern of deceit,” when he imposed the sentence in Federal Court. Judge Gettleman also ordered Hernandez to pay restitution of \$6.4 million, and a preliminary forfeiture order was entered in which Hernandez agreed to relinquish the same amount, as well as a 2009 Audi and a 2007 Mercedes Benz ML350, and his interest in his suburban home. The judge was informed, however, that Hernandez has no assets and the victims will likely never be repaid.

The sentence was announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, and Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation. Mr. Fitzgerald and Mr. Grant thanked the Downers Grove and Normal, Ill., police departments, as well as the Securities and Exchange Commission, which has a civil enforcement case pending against Hernandez.

Hernandez was charged in June 2009 shortly after FBI agents executed a search warrant at NextStep's offices on the 22nd floor at 225 West Washington St. Hernandez fled briefly but was located later that month in Normal, Ill.

Between July 2007 and June 2009, Hernandez defrauded prospective investors and investors in a NextStep Financial Services product described as a "Guaranteed Investment Contract." He made false representations and promises regarding the risk of investing with NextStep, the manner in which the victims' funds would be used, the returns that NextStep generated, and his background.

Hernandez falsely promised investors monthly returns of 10 to 16 percent, with no risk of loss to their principal, through investing their funds in Check 'n Go stores, which offered short-term "payday advance" loans, and which Hernandez claimed were owned or financed by NextStep. In fact, Hernandez knew that no NextStep investor funds were used to purchase or finance the operation of Check 'n Go stores.

Hernandez also fraudulently represented to investors that their principal was protected through insurance that NextStep obtained from various insurance companies, knowing that victims' investments were not insured in any manner. And, knowing that victims' funds were not earning any interest whatsoever, Hernandez converted the investors' funds to his own benefit and used their money to make Ponzi-style "interest" payments to other NextStep investors.

Hernandez also lied to investors about his background and experience, including falsely representing that he had a law degree and a master's degree in business administration, and that he had 26 years of experience in the financial industry, while failing to disclose pertinent material information about his personal background, including a previous federal investment fraud conviction.

The government is being represented by Assistant United States Attorneys Brian Hayes and Michael Sterling.

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