

1 2. A HOA is governed by a board of directors with a minimum of three members,
2 all of whom must be bonafide homeowners. The board members are elected by the bonafide
3 homeowners annually.

4 3. Under Nevada law, HOA board members are fiduciaries. As fiduciaries they are
5 required—among other duties—to act on an informed basis, in good faith and in the honest belief that
6 their actions are in the best interest of the association. Any person nominated for the board must
7 make a good faith effort to disclose any financial, business, professional, or personal relationship or
8 interest that would result or would appear to a reasonable person to result in a potential conflict of
9 interest.

10 4. Consistent with their fiduciary duties and pursuant to Nevada law, HOA board
11 members may not solicit or accept any form of compensation, gratuity, or other remuneration that
12 would improperly influence or reasonably appear to influence the board member's decision or
13 would result or reasonably appear to result in a conflict of interest.

14 5. Consistent with their fiduciary duties, the board of directors is empowered to
15 make decisions related to the common interests of the homeowners, including but not limited to:
16 adopting and amending bylaws and budgets, hiring managers, employees, agents, attorneys,
17 independent contractors, instituting or defending the community in litigation, and causing
18 additional improvements or maintenance repairs to be made.

19 6. Before hiring individuals and companies to work on behalf of the HOA, the
20 HOA board usually obtains three bids for consideration. The three bids are usually presented
21 during public board meetings with an opportunity for the homeowners to comment and discuss the
22 issues at hand. The property manager is usually selected first, and then the property manager helps
23 to identify and obtain bids for other services.

24 7. Under Nevada law, property managers must earn a Community Association
25 Management (CAM) license before being able to work in the state of Nevada. Property managers
26 have fiduciary obligations to act in the best interest of the community, safeguard financial and

1 confidential information for the community, and disclose any affiliation or financial interest with
2 any other person or business that furnishes goods or services to the community.

3 8. Defendant LUGO worked at a property management company in Nevada for
4 several weeks, in or around April 2006, at the direction of co-conspirators.

5 9. Chateau Versailles, a common interest community with 371 units, was located in
6 Las Vegas, Nevada. It had a HOA board consisting of three people.

7 10. Chateau Nouveau, a common interest community with 564 units, was located in
8 Las Vegas, Nevada. It had a HOA board consisting of seven people.

9 11. Park Avenue, a common interest community with 642 units, was located in Las
10 Vegas, Nevada. It had a HOA board consisting of five people.

11 12. Jasmine, a common interest community with 300 units, was located in North
12 Las Vegas, Nevada. It had a HOA board consisting of three people.

13 13. Vistana, a common interest community with 732 units, was located in Las
14 Vegas, Nevada. It had a HOA board consisting of five people.

15 14. Sunset Cliffs, a common interest community with 368 units, was located in Las
16 Vegas, Nevada. It had a HOA board consisting of five people.

17 15. Palmilla, a common interest community with 300 units, was located in North
18 Las Vegas, Nevada. It had a HOA board consisting of three people.

19 16. Pebble Creek, a common interest community with 196 units, was located in Las
20 Vegas, Nevada. It had a HOA board consisting of three people.

21 17. Mission Ridge, a common interest community with 384 units, was located in
22 Las Vegas, Nevada. It had a HOA board consisting of five people.

23 18. Mission Pointe, a common interest community with 248 units, was located in
24 Las Vegas, Nevada. It had a HOA board consisting of three people.

25 19. Horizons at Seven Hills, a common interest community with 328 units, was
26 located in Las Vegas, Nevada. It had a HOA board consisting of three people.

OBJECTS OF THE CONSPIRACY

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2 23. The objects of the conspiracy, which Defendant EDWARD LUGO joined in or
3 around August 2005, were for the co-conspirators to:

4 a. designate and facilitate the placement of straw purchasers in certain common
5 interest communities identified above;

6 b. facilitate the purchase of units in certain common interest communities
7 identified above by straw purchasers acting on behalf of the beneficial owners of the unit;

8 c. manipulate the elections of board candidates designated by the co-conspirators
9 and to thereby gain and maintain control of HOA boards and candidates designated by the co-
10 conspirators;

11 d. manipulate the conduct of HOA business including, but not limited to, the
12 appointment of designated property managers, the hiring of designated lawyers and law firms, and
13 the hiring of designated contractors; and,

14 e. unlawfully enrich the co-conspirators at the expense of the HOA and bonafide
15 homeowners.

MANNER AND MEANS

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17 24. In order to achieve the objects of the conspiracy, Defendant EDWARD LUGO
18 and others known and unknown to the United States, used the following manner and means, among
19 others:

20 a. Co-conspirators enlisted several individuals as straw purchasers to use their
21 own name and credit to purchase mortgage loans for units within the HOA communities on behalf
22 of the beneficial owners. These units were often identified by licensed realtors in the state of
23 Nevada, acting on behalf of the co-conspirators. The straw nominees then purchased the properties
24 while concealing the identity and financial interest of the true beneficial owners of the properties
25 from banks, mortgage companies, HOAs, and bonafide homeowners. Defendant LUGO became a
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1 straw purchaser when he used his name and credit to purchase property at Mission Ridge and Park
2 Avenue.

3 b. In order to obtain loans to finance these purchases, Defendant LUGO and
4 others falsely stated to mortgage lenders that: (i) they were to be the true owners of the properties,
5 (ii) they had made the down payment, (iii) they would make the monthly mortgage payments; and,
6 (iv) they intended to live in the properties. However, other than his own down payment for the
7 Mission Ridge unit, Defendant LUGO and the other straw purchasers knew the beneficial owners
8 had often made the down payments and promised to make the monthly mortgage payments for
9 these properties so that there would be little or no cost to the straw purchasers. Defendant LUGO
10 and the other straw purchasers often represented that the properties were to be "owner occupied"
11 when in fact they were not.

12 c. Once the straw purchases were complete, the beneficial owners and co-
13 conspirators would find tenants to rent the units. The beneficial owners received the rental
14 payments and continued to pay the mortgages and various expenses associated with the straw
15 purchases on behalf of the straw purchasers.

16 d. Defendant LUGO was hired by Co-Conspirator B and others to manage and
17 operate the payments associated with maintaining these straw properties. Defendant LUGO and co-
18 conspirators called the business of funding these properties the "Bill Pay Program". Defendant
19 LUGO maintained several limited liability companies (LLC), at the direction of Co-Conspirator B,
20 for the purpose of opening bank accounts and concealing the funds for the Bill Pay Program. While
21 living in California, Defendant LUGO used the funds that Co-Conspirator B transferred or caused
22 to be transferred to the LLC's accounts to wire, or cause to be wired, payments associated with the
23 properties in Nevada.

24 e. On several occasions, instead of making a straw purchase, the co-conspirators
25 transferred a partial interest in a unit to another co-conspirator for the purpose of making it appear
26 as if the co-conspirator was a bonafide homeowner.

1 f. Defendant LUGO, the straw purchasers, and those co-conspirators who
2 acquired a transferred interest in the properties agreed with co-conspirators to run for election to the
3 respective HOA boards. Defendant LUGO ran for election to the HOA board member at Mission
4 Ridge and Park Avenue and became a board member at Park Avenue. Defendant LUGO and others
5 concealed their relationship with the co-conspirators from the bonafide homeowners and the HOA.

6 g. To ensure Defendant LUGO and the straw purchasers would win the election,
7 Defendant LUGO and co-conspirators employed deceitful tactics, such as creating false phone
8 surveys to gather information about homeowners' voting intentions, using mailing lists to vote on
9 behalf of out-of-town homeowners unlikely to participate in the elections, and submitting fake and
10 forged ballots. Co-conspirators also hired private investigators to find "dirt" on the bonafide
11 candidates in order to create smear campaigns.

12 h. Another tactic Defendant LUGO and others used to rig certain HOA board
13 elections was to prepare forged ballots for out-of-town homeowners and cause them to be either
14 transported or mailed to California and thereafter to have the ballots mailed back to Las Vegas from
15 various locations around California so as to make it appear that the ballots were completed and
16 mailed by bonafide homeowners residing outside Nevada. On at least three occasions, Defendant
17 LUGO received the ballots from co-conspirators at his residence in California and then drove the
18 ballots to various mail boxes around California to mail them back to Las Vegas.

19 i. On several occasions, co-conspirators attempted to create the appearance that
20 the elections were legitimate by hiring "independent" attorneys to run the HOA board elections.
21 The homeowners were led to believe that these "special election masters" would collect and secure
22 the ballots and preside over the HOA board election, including supervising the counting of ballots,
23 to ensure no tampering occurred. However, the special election masters were paid or promised
24 cash, checks, or things of value for their assistance in rigging the elections. They allowed the co-
25 conspirators to access the ballots for the purpose of opening the ballots and pre-counting the votes
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1 entered for each candidate to then know the number of fake ballots which needed to be created to
2 ensure the co-conspirator up for election won the seat on the HOA board.

3 j. Once Defendant LUGO and other co-conspirators were elected to the HOA
4 boards, the co-conspirators paid or promised them cash, checks, or things of value for their
5 participation, all of which resulted in a personal financial benefit to the co-conspirators, including
6 Co-Conspirators A, B, C, and D.

7 k. The straw purchaser board members would meet with the co-conspirators in
8 order to manipulate board votes, including the selection of property managers, contractors, general
9 counsel, and attorneys to represent the HOA. These co-conspirator property managers and general
10 counsel would then recommend that the HOA board hire Co-Conspirators A and B for remediation
11 and construction defect repairs and Co-Conspirators C and D to handle the construction defect
12 litigation.

13 l. Defendant LUGO, upon a referral by Co-Conspirator D, worked at a property
14 management company for several weeks, so he could learn more about the property management
15 business and obtain inside information on properties that were likely to begin construction defect
16 litigation. Defendant LUGO used the information he learned to assist Co-Conspirator B and others
17 to start their own property management companies that were funded and controlled by Co-
18 Conspirator B. These co-conspirator property management companies then shared inside
19 information about the board meetings with co-conspirators and helped the co-conspirators rig the
20 elections and gain control of the HOAs.

21 m. Often the co-conspirators created and submitted fake bids for "competitors"
22 to make the process appear to be legitimate while ensuring co-conspirators were awarded the
23 contract. In addition, Co-Conspirator A's initial contract for emergency remediation repairs
24 contained a "right of first refusal" clause to ensure Co-Conspirator A was awarded the construction
25 repair contracts following the construction defect litigation.

26 n. This process created the appearance of legitimacy since bonafide homeowners

1 believed the elected board members, property managers, and general counsel were, as fiduciaries,
2 acting in their best interest rather than to advance the financial interests of co-conspirators. In fact,
3 Defendant LUGO and others were paid by or on behalf of their co-conspirators, including Co-
4 Conspirators A, B, C, and D, for their assistance in purchasing the properties, obtaining HOA
5 membership status, rigging elections, and manipulating their votes to further the goals of the
6 conspiracy and to enrich the co-conspirators at the expense of the HOA and bonafide homeowners.

7 All in violation of Title 18, United States Code, Section 1349.

8 **NOTICE OF FORFEITURE**

9 1. As a result of the violations of Title 18, United States Code, Sections 1341 and
10 1343, set forth in this information, Defendant

11 **EDWARD LUGO**

12 shall forfeit to the United States of America any property, real or personal, that constitutes or is
13 derived from proceeds traceable to the commission of such offenses, as charged in this Information,
14 including, but not limited to, approximately:

- 15 a. the amount of the unlawfully obtained financing for the unit at Mission Ridge
16 that Defendant LUGO purchased on or about August 3, 2005;
- 17 b. the amount of the unlawfully obtained financing for the unit at Park Avenue that
18 Defendant LUGO purchased on or about August 16, 2005;
- 19 c. the amount of any salary, payment, or thing of value he received in connection
20 with the conspiracy to commit mail and wire fraud.

21 2. If any of the property subject to forfeiture, as a result of any act or omission of
22 the defendant:

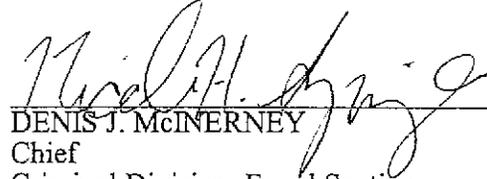
- 23 a. cannot be located upon the exercise of due diligence;
- 24 b. has been transferred or sold to, or deposited with, a third party;
- 25 c. has been placed beyond the jurisdiction of the Court;
- 26 d. has been substantially diminished in value; or

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e. has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b), incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant up to the value of the property subject to forfeiture.

All pursuant to Title 18, United States Code, Section 982(a)(2).


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