Bend man, Pac Equities guilty in securities fraud scheme

by Bend_Weekly_News_Sources

Michael Rich, Former President And Chief Executive Officer Of Pac Equities, Inc., Convicted By A Jury Of Securities Fraud, Bank Fraud, Money Laundering, Tax Fraud And Other Charges

Michael Marks Rich, former President and CEO of Pac Equities, Inc., was found guilty by a jury on Monday evening of 25 counts related to a securities fraud scheme. Pac Equities was also found guilty of the securities fraud scheme. The verdicts were returned after a ten-day trial before U.S. District Judge Michael Hogan. Rich, 70, also known as Richard Forbes Williams and Michael Richard Brown, lived in Bend, Oregon prior to his arrest. He is scheduled for sentencing on Feb. 12, 2008.

Phyllis and Michael Rich - LCJ photos Richâ€™s wife, Phyllis, was convicted of similar charges in July of this year, and was sentenced to serve 51 months in federal prison and ordered to pay more than $13-million in restitution.

The jury found Rich and Pac Equities guilty of securities fraud, wire fraud, and mail fraud. Additionally, the

jury found Rich guilty of bank fraud, attempted bank fraud, money laundering, obstruction of justice and tax fraud. Securities fraud carries a maximum of twenty years in prison, a $5-million fine, and a five-year term of supervised release. Bank fraud and attempted bank fraud carry a maximum of thirty years in prison, a $1-million fine, and a five-year term of supervised release. Wire fraud and mail fraud carry a maximum twenty-year term of imprisonment, a $1-million fine, and a five-year term of supervised release. Money laundering carries a twenty-year term of imprisonment, a $500,000 fine, and a five-year term of supervised release. Obstruction of justice carries a maximum twenty year term of imprisonment, a $250,000 fine, and a five-year term of supervised release. Filing a false tax return carries a maximum three-year term of imprisonment, a $100,000 fine, and a one-year term of supervised release.

The jury also found that all assets acquired by Rich and Pac Equities were the proceeds of the securities fraud, wire fraud, and mail fraud. It therefore found that all these assets are to be forfeited to the United States. Approximately $10-million in assets have been seized by the United States so that they can be returned to investors.

Pac Equities had an office in Bend, Oregon and purported to manage profitable real estate development projects, including a subdivision in Phoenix, Arizona, a high-density townhouse development in Salem, Oregon, a dairy in Culver, Oregon, a resort complex in Ocean Shores, Washington, commercial buildings in Redmond, Oregon, and an industrial park in La Pine, Oregon. Rich and Pac Equities also purported to make profitable loans. They facilitated these activities by soliciting investors to invest in real estate development projects and loans with the promise of annual returns of 10% or more, which were paid on a monthly basis. They represented that the investments were secured by trust deeds and always had at least 30% in equity, with no more than 70% loan to value ratio. The evidence at trial, however, showed that in selling real estate investment contracts, Rich misrepresented a variety of things about his educational background, his employment history, and the nature and security of the contracts, which caused over 300 people to invest over $18-million with Pac Equities.

Rich and Pac Equities created the facade of a successful business by using investor principal to make monthly payments to investors. They represented that these payments constituted interest earned from profitable investment and loan activity. They used this facade to recruit additional investors and retain existing investors, knowing that the only sources of income for Pac Equities were from a few projects and loans. These amounts were insufficient to meet monthly interest obligations which Pac Equities owed its investors.

The securities fraud charges were based upon the real estate investment contracts which were sold based upon misrepresentations by Rich and Pac Equities. The bank fraud charge was based upon misrepresentations Rich made to Countrywide Bank National Association to obtain a $149,905 loan. The attempted bank fraud charge was based upon misrepresentations Rich made to obtain $20,000 in cashiers checks from the Bank of Hawaii. The wire fraud charges were based on misrepresentations made via the Internet and other means to obtain a $600,000 loan from Countrywide Home Loans, and to obtain wire transfers from investors. The mail fraud charges were based upon misrepresentations made via the mail to obtain money from investors. The money laundering charges were based upon Richâ€™s use of investor money to pay personal expenses. The financial transactions engaged in by Rich as alleged in the money laundering counts exceeded $7-million. The obstruction of justice charges were based upon evidence Rich concealed from investigators, the Court, and a Receiver in the case. The tax fraud charges were based upon $139,500 Rich failed to report to the IRS in 2003 and $155,000 Rich failed to report to the IRS in 2004.

"It can be devastating when the financial well-being of an individual falls into the wrong hands through trickery and deceit," said Kenneth Hines, the IRS Special Agent in Charge for the Pacific Northwest. "The days are numbered for those who peddle false hopes and dreams, and prey on investors for their own personal financial benefit."

The case was the result of an investigation by the IRS, Criminal Investigation Division, the FBI, and the State of Oregon, Department of Consumer and Business Services, Division of Finance and Corporate Securities.

Bend man, Pac Equities guilty in securities fraud scheme by Bend_Weekly_News_Sources