Bend woman sentenced in Pac Equities securities fraud scheme

by Bend_Weekly_News_Sources

Phyllis Rich is sentenced to serve 51 months in federal prison and ordered to pay more than $13 million in restitution

EUGENE, Ore. â€“ Phyllis Marks Rich, 70, of Bend, Oregon, and the former Chief Operating Officer of Pac Equities, Inc., was sentenced this week by United States District Court Judge Michael R. Hogan to serve a 51 month term of imprisonment for conspiring to commit securities fraud and for filing a false tax return. The United States Attorney for the District of Oregon, Phyllis Marks Rich - LCJ photo Karin J. Immergut, announced that Rich pled guilty to the securities fraud and tax fraud-related charges on September 19, 2006. Before being charged in this case, Rich and her husband, co-defendant Michael Marks Rich, owned a residence at 3196 NW Melville Drive in Bend, Oregon. Rich is also known as Phyllis Marks, Phyllis Berg, Phyllis Henning, Phyllis Swetcoy, Phyllis Laff, Phyllis Hurba, and Phyllis Johnstone. In addition to 51 months in prison, Rich was ordered to pay $13,400,138.79 in restitution to over 300 victims. Upon release from custody, Rich will serve a three-year term of supervised release with various financial conditions.

In pleading guilty, Rich admitted that she conspired with her husband, who was the former Chief Executive Officer of Pac Equities, Inc., to commit securities fraud. Pac Equities, Inc. was formerly located in Bend, Oregon and was ostensibly operated to finance real estate projects through investor money. Rich also admitted that in order to acquire investments, Michael Rich made misrepresentations about himself, about investments in Pac Equities, and about property associated with Pac Equities in order to sell securities associated with Pac Equities.

Rich further admitted that Pac Equities had insufficient income to pay monthly obligations to its investors, so new investor money was used to satisfy existing investor obligations, creating the perception of a successful business. A â€œprivate placement memorandumâ€• furthered this perception by falsely representing the value of certain Pac Equities holdings to be much higher than their market value. This memorandum also falsely represented the loan to value ratio of each holding and the amount contributed by Pac Equities into each project. These misrepresentations caused people to invest over $19,000,000 with Pac Equities.

As part of an agreement with the U.S. Attorneyâ€™s Office, Rich agreed to relinquish her interest in all assets acquired through Pac Equities so that they can be returned to victims of the scheme. Over $10 million in assets have been seized by the government for that purpose.

Regarding the tax fraud charge, Rich admitted that she did not report $215,753.63 of income in her 2003 Joint United States Income Tax Return.

Michael Rich has been indicted by a federal grand jury in Eugene, Oregon for securities fraud, bank fraud, wire fraud, mail fraud and money laundering. His case is scheduled for trial on November 27, 2007. He is 70 years of age and is also known as Richard Forbes Williams, Richard Morgan Forbes, and Michael Richard Brown. A criminal indictment is only an allegation and not evidence of guilt. Defendants are presumed innocent unless and until proven guilty.

The State of Oregon, Division of Finance and Corporate Securities, the Internal Revenue Service, Criminal Investigation Division, and the Federal Bureau of Investigation are jointly investigating this case.

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