

Former Bend Woman Pleads Guilty To Securities Fraud

by Bend Weekly News Sources

Phyllis Rich pleaded guilty to conspiracy to commit securities fraud and to filing a false tax return

Phyllis Marks Rich, former Chief Operating Officer of Pac Equities, Inc., pleaded guilty Tuesday before US District Judge Michael Hogan to conspiracy to commit securities fraud and to filing a false tax return. Rich is scheduled for sentencing December 5. Conspiracy to commit securities fraud carries a maximum five year term of imprisonment, a \$250,000.00 fine, and a three 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.

Phyllis Rich, Lane County Jail Photo Rich was indicted in December 2005 for securities fraud. The indictment alleged that Rich, 69, and her husband, Michael Marks Rich, also 69, committed fraud in the sale of securities for Pac Equities, Inc., a business formerly located in Bend. The Richs previously owned a residence on Melville Drive in Bend.

Rich admitted that she conspired with her husband, the former Chief Executive Officer of the company, to commit securities fraud. Pac Equities was ostensibly operated to finance real estate projects through investor money. Rich also admitted that in order to acquire investments, however, 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 "private placement memorandum" 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 approximately \$18 million with Pac Equities.

As part of an agreement with the U.S. Attorney'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 more than \$215,000 of income in her 2003 Joint United States Income Tax Return.

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