

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	Case No. CR 05-60140-HO
)	
v.)	<u>SUPERSEDING</u>
)	<u>INDICTMENT</u>
MICHAEL MARKS RICH, a.k.a.)	
Richard Forbes Williams, Richard)	[15 U.S.C. §§ 78j(b) and 78ff(a); 18 U.S.C. §§
Morgan Forbes, and Michael Richard)	981, 982, 1341, 1343, 1344(2), 1956(a)(1)(B)(i),
Brown,)	and 1961(1); 21 U.S.C. § 853; and 28 U.S.C. §
)	2461(c)]
Defendant.)	

THE GRAND JURY CHARGES:

COUNT 1
[SECURITIES FRAUD]

Beginning at an undetermined time and continuing through December 14, 2006, in the District of Oregon and elsewhere, defendant Michael Marks Rich, a.k.a. Richard Forbes Williams, Richard Morgan Forbes, and Michael Richard Brown, carried out a scheme to defraud investors in securities offered by Pac Equities, Inc. (Pac Equities), by means of false and fraudulent pretenses and representations, well knowing at the time that these pretenses and representations would be and were false and fraudulent when made, in violation of Title 15, United States Code, Sections 78j(b) and 78ff(a).

As a part of this scheme and artifice to defraud:

1. Pac Equities was a business with an office located at 250 NW Franklin Avenue in Bend, Oregon. Defendant Michael Marks Rich, a.k.a. Richard Forbes Williams, Richard Morgan Forbes, and Michael Richard Brown, was the President, Chief Executive Officer (CEO) and Director of Pac Equities. Phyllis Marks Rich, a.k.a. Phyllis E. Marks,

Phyllis Irene Forbes, Phyllis Berg, Phyllis Henning, Phyllis Swetclay, Phyllis Laff, Phyllis Hurba, and Phyllis Johnstone, was Vice President and the Chief Operating Officer (COO) of Pac Equities.

2. Pac Equities did business by and through various entities including but not limited to Rich Asset Management (R.A.M.), LLC; R.A.M. Airport, LLC; R.A.M. Arizona Homes West, LLC; Corporate Park Place, LLC; R.A.M. Paul's Dairy, LLC; R.A.M. Pinnacle Point, LLC; R.A.M. Southview Properties, LLC; R.A.M. White Salmon Subway, LLC (formerly R.A.M. Paul's Dairy 3, LLC); The Olympic Resort at Grays Harbor, LLC (formerly Admiral Gray's Inn by the Sea, LLC and R.A.M. Paul's Dairy 2, LLC); Southwest Ventures, Inc.; Culver Dairy, LLC (formerly R.A.M. Paul's Dairy, LLC); Rail Side Industrial Park, LLC (formerly R.A.M. Pinnacle Point 2, LLC); and www.pacequities.com;

3. Pac Equities and defendant Michael Marks Rich 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 Oceanshores, Washington, commercial buildings in Redmond, Oregon, and an industrial park in LaPine, Oregon. Pac Equities and defendant Michael Marks Rich also purported to make profitable loans. In doing so, however, Pac Equities and defendant Michael Marks Rich knowingly made misrepresentations in connection with and in furtherance of the purchase of securities associated with Pac Equities. These misrepresentations were material in that they would and did cause persons to part with money and to purchase securities associated with Pac Equities.

4. Pac Equities and defendant Michael Marks Rich 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. Pac Equities and defendant Michael Marks Rich originally offered trust deeds to secure investments, but later persuaded investors to assign their interests to Pac Equities in exchange for shares or securities in one of three funds (Pac Equities Funds 1, 2 or 3). These funds were purportedly operated to earn income for the investors.

5. In soliciting investors, Pac Equities advertised on the Internet via a web site located at www.pacequities.com, advertised in various newspapers in Oregon and elsewhere, and employed staff to pursue investors. Pac Equities provided potential investors with materials, often referred to as a “new investor packet.” These materials included documents containing representations about the history and management of Pac Equities, the type and security of investments with Pac Equities, newsletters, resumes of Michael Marks Rich and Phyllis Marks Rich, a list of references, and private placement memoranda. These materials also included a compact disc containing representations by defendant Michael Marks Rich about Pac Equities. These materials contained misrepresentations which were material in that they caused and were intended to cause prospective investors to part with their money.

6. In soliciting investors, Pac Equities and defendant Michael Marks Rich made misrepresentations about the nature and security of investments with Pac Equities, and the history of Pac Equities and its management, knowing the representations were false when they were made. These representations included but were not limited to the following:

A. that defendant Michael Marks Rich had been successful in the commercial real estate development industry for over 30 years, knowing that

defendant Michael Marks Rich had been the subject of investigations, law suits, and foreclosures as the result of his unsuccessful experience in the commercial real estate development industry;

B. that defendant Michael Marks Rich studied “law and accounting” at the University of Washington, knowing that defendant Michael Marks Rich only studied one complete semester at the University of Washington during which he obtained a grade point average of only 1.88 and did not study law or accounting, that he enrolled in fundamentals of accounting during the second semester at the University of Washington but failed the course and received no credit for the course, and that he ultimately flunked out of the University of Washington during his freshman year;

C. expressly and by implication, that defendant Michael Marks Rich developed a recreation vacation home development in the State of Washington named Lake Limerick which included a golf course and 2,200 lots, knowing that he was merely employed as a lot salesperson, and that he had no financial interest in nor did he invest any money in the development;

D. expressly and by implication, that defendant Michael Marks Rich acquired a 4,000 acre ranch, subdivided it and sold it out in nine months, knowing that he simply had a sales listing agreement with the owner of the property and that he failed to comply with the agreement when he left the project before all the lots were sold;

E. expressly and by implication, that defendant Michael Marks Rich

subdivided 3,300 acres in British Columbia and sold it as residential estates, knowing that he did not participate in such a project;

F. expressly and by implication, that defendant Michael Marks Rich formed Albion Acceptance, Ltd., for the purchase and sale of commercial properties, later expanding into mortgage lending, knowing that he did not form Albion Acceptance, Ltd., and therefore did not expand it into mortgage lending;

G. that “Pac Equities has over 30 years of successful real estate lending experience,” knowing that Pac Equities did not have such experience;

H. that “Pac Equities has never lost investor money,” knowing that it had lost significant amounts of investor money;

I. that “All funds are secured by a legally recorded Deed of Trust with title insurance,” knowing that all funds were not secured by a legally recorded Deed of Trust, and that many investor interests were subordinated to third party interests;

J. that “Your Deed of Trust investment begins earning **10% INTEREST** the day Pac Equities receives your funds,” knowing that insufficient revenue existed to meet interest obligations and that such payments were derived from the principal of other investors;

K. that “Pac Equities WALKS THE WALK: we invest in every real estate project offered to our investment partners. Pac Equities’ own money, a minimum of 10% of the total loan made to each project, is invested along with your investment.” - knowing that Pac Equities did not invest a minimum of 10% of the total loan made to each project;

L. that Pac Equities required 30% equity in each project, knowing that Pac Equities did not require such equity, and often had little or no equity in projects;

M. that “Pac Equities handles all aspects of serving your investment. All costs and fees are paid by our loan clients.” - knowing that it had few loan clients and insufficient income from such clients to pay such costs and fees, resulting in such costs and fees being paid by the principal of investors;

N. that Pac Equities made an initial contribution of \$200,000 to each Pac Equities fund (Funds 1, 2, and 3) to capitalize each fund, knowing that it made no such contributions;

These misrepresentations were material in that they would and did cause persons to part with money and to purchase securities associated with Pac Equities.

7. Based upon the misrepresentations made by Pac Equities and defendant Michael Marks Rich, persons invested with Pac Equities by issuing checks to Pac Equities or by transferring investment funds by wire directly to Pac Equities. During the course of the offense, defendant Michael Marks Rich and Phyllis Marks Rich opened and controlled numerous bank accounts in Oregon and elsewhere to receive and process investments into Pac Equities. Between April 2002 and May 2006, more than \$18 million dollars was deposited by more than 300 investors into Pac Equities bank accounts. During this time, Pac Equities and defendant Michael Marks Rich used some of these proceeds to return investment principal to investors and make monthly payments to investors purporting such payments to be monthly interest payments in an effort to make it appear that Pac Equities was generating profits. By making these payments, Pac Equities and defendant Michael

Marks Rich created the appearance of a successful, profitable business, and were able to recruit additional investors into Pac Equities.

8. Pac Equities and defendant Michael Marks Rich created the facade of a successful business knowing that the only sources of income for Pac Equities were small amounts from a dairy located in Culver, Oregon, a real estate development project located in Klamath Falls, Oregon, and loan brokerage fees. These amounts were insufficient to cover Pac Equities' monthly interest obligations to its investors. New investor money was therefore paid 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. Each investment was ostensibly secured by a trust deed, but in at least some circumstances the total amount of interests assigned to investors by these trust deeds was more than the value of the property. Similarly, property associated with Pac Equities was used to secure loans. In at least some circumstances, the total value of the loans was more than the value of the property. To create the perception of higher property values, Pac Equities engaged in "strawman" purchases of its own property to inflate the value of the properties. An example of some of these practices is the "R.A.M. Pinnacle Point Townhomes" project, otherwise described as an unimproved 2.86-acre parcel of property located at 1668 Baxter Road in Salem, Oregon (the "Baxter Road property"):

A. Regarding the Baxter Road property, on February 14, 2003, Pac Equities CEO Michael Marks Rich and COO Phyllis Marks Rich personally

purchased the Baxter Road property for \$320,000.00. Michael Marks Rich and Phyllis Marks Rich then provided a trust deed to RWI, Inc. on February 18, 2003, using the Baxter Road property to secure performance on a loan of \$275,000.00 from RWI, Inc. The trust deed allowed for additional future advances but required payment in full no later than March 20, 2005.

B. One month later, on March 13, 2003, Michael Marks Rich and Phyllis Marks Rich personally sold the Baxter Road property to Pac Equities for \$480,000.00. On that same date, March 13, 2003, Pac Equities, by CEO Michael Marks Rich and COO Phyllis Marks Rich, executed a second trust deed in favor of Michael Marks Rich and Phyllis Marks Rich in the amount of \$480,000.00. This caused the Baxter Road property that was purchased for \$320,000.00 just one month earlier to be encumbered by first and second trust deeds totaling \$755,000.00. These loans exceeded the value of the property by more than \$400,000.00.

C. Between October of 2002 and July of 2004, Pac Equities received a total of at least \$1,131,333.33 in money from at least 25 different people, ostensibly securing their investments by first trust deeds in the Baxter Road property. The total amount of investments ostensibly secured by the property, exceeded the value of the property by at least \$500,000.00.

D. Between June of 2004 and July of 2005, Pac Equities caused most investors in the Baxter Road property to release their assignments of interests in the trust deeds in favor of shares in Pac Equities securities, ostensibly in Pac Equities Fund I. In doing so, Pac Equities made untrue statements of material facts, to wit,

representations that the Baxter Road property had a “current appraisal” of \$2,217,600.00 when Pac Equities and defendant Michael Marks Rich knew it had a market value of significantly less than that amount. These statements were in connection with and in furtherance of the purchase of securities associated with Pac Equities and caused persons to purchase securities associated with Pac Equities.

9. Defendant Michael Marks Rich diverted money from Pac Equities bank accounts and spent that money on personal items. The expenditures included but were not limited to personal automobiles, personal mortgages, personal services, personal travel, jewelry, clothing, and cosmetic dental care.

10. Defendant Michael Marks Rich used facilities of interstate commerce, including the mails, the telephone, and the Internet, in connection with and in furtherance of the purchase or sale of securities with Pac Equities. In doing so, defendant Michael Marks Rich acted with the purpose of defrauding purchasers of securities associated with Pac Equities. This conduct resulted in over \$18,000,000.00 in funds being obtained by Pac Equities.

All in violation of Title 15, United States Code, Sections 78j(b) and 78ff(a).

COUNT 2
[BANK FRAUD]

Beginning at an undetermined time and continuing through January 17, 2006, in the District of Oregon and elsewhere, defendant Michael Marks Rich knowingly carried out a scheme and artifice to obtain money and property owned by, or under the custody or control of, Countrywide Financial Corporation, a financial institution whose deposits were then insured by the Federal Deposit Insurance Corporation, by means of false and fraudulent pretenses and representations, well

knowing at the time that these pretenses and representations would be and were false and fraudulent when made, in violation of Title 18, United States Code, Section 1344(2).

As a part of this scheme and artifice to defraud:

1. The allegations set forth in paragraphs 1-10 of Count 1 are incorporated herein by this reference.

2. In an application for a \$149,905.00 home improvement loan for a residence located at 20 Hui Road, #39, Lahaina, Hawaii, which was funded on December 19, 2005, and in an application for a \$600,000.00 refinance loan for a residence located at 20 Hui Road, #40, Lahaina, Hawaii, which was funded on January 17, 2006, defendant Michael Marks Rich falsely represented the following, knowing the representations were false when they were made:

A. that defendant Michael Marks Rich had a mutual fund with a cash or market value of \$551,436.84;

B. that defendant Michael Marks Rich had a monthly income of \$36,000.00;

C. that there were no outstanding judgements against defendant Michael Marks Rich;

D. that defendant Michael Marks Rich had not had property foreclosed upon or given title or deed in lieu thereof in the previous seven (7) years;

E. that defendant Michael Marks Rich was not a party to a lawsuit;

F. that defendant Michael Marks Rich had not been directly or indirectly obligated on any loan which resulted in foreclosure, transfer of title in lieu of

foreclosure, or judgment;

3. These misrepresentations were material in that they would and did cause Countywide Financial Corporation to part with \$749,905.00 in money and fund the requested loans;

All in violation of Title 18, United States Code, Section 1344(2).

COUNT 3
[WIRE FRAUD]

Beginning at an undetermined time and continuing through December 14, 2006, in the District of Oregon and elsewhere, defendant Michael Marks Rich devised and intended to devise a scheme and artifice to defraud and obtain money and property from persons by means of false and fraudulent pretenses and representations, well knowing at the time that these pretenses and representations would be and were false and fraudulent when made.

As a part of this scheme and artifice to defraud:

1. The allegations set forth in paragraphs 1-10 of Count 1 are incorporated herein by this reference.

2. For the purpose of executing the scheme and artifice to defraud, defendant Michael Marks Rich caused the following:

A. On or about August 1, 2003, Pac Equities and defendant Michael Marks Rich caused Robert Neland to transmit and cause to be transmitted in interstate commerce a wire communication, to wit: a wire transfer in the amount of \$132,500.00 from a Clark County School Employees Credit Union account in Vancouver, Washington, to Liberty Bank account number 07-5000033-3 in the name of Pac Equities, Inc.;

B. On or about August 26, 2003, Pac Equities and defendant Michael Marks Rich caused Robert Neland to transmit and cause to be transmitted in interstate commerce a wire communication, to wit: a wire transfer in the amount of \$150,000.00 from a Washington Mutual Bank account in Vancouver, Washington, to Liberty Bank account number 07-5000033-3 in the name of Pac Equities, Inc.;

C. On or about December 14, 2004, Pac Equities and defendant Michael Marks Rich caused David August to transmit and cause to be transmitted in interstate commerce a wire communication, to wit: a wire transfer in the amount of \$50,000.00 from a JP Morgan Chase account in Philadelphia, Pennsylvania, to Liberty Bank account number 07-5000135-6 in the name of Pac Equities, Inc.;

D. On or about March 17, 2005, Pac Equities and defendant Michael Marks Rich caused Robert Neland to transmit and cause to be transmitted in interstate commerce a wire communication, to wit: a wire transfer in the amount of \$120,000.00 from a U.S. Bank account in Vancouver, Washington, to Liberty Bank account number 07-5000135-6 in the name of Pac Equities, Inc.;

E. On or about May 23, 2005, Pac Equities and defendant Michael Marks Rich caused Wayne Bridgens to transmit and cause to be transmitted in interstate commerce a wire communication, to wit: a wire transfer in the amount of \$100,000.00 from a Scottrade Inc. bank account in St. Louis, Missouri, to Liberty Bank account number 07-5000033-3 in the name of Pac Equities, Inc.;

All in violation of Title 18, United States Code, § 1343.

COUNT 4
[MAIL FRAUD]

Beginning at an undetermined time and continuing through December 14, 2006, in the District of Oregon, defendant Michael Marks Rich devised and intended to devise a scheme and artifice to defraud and obtain money and property from persons by means of false and fraudulent pretenses and representations, well knowing at the time that these pretenses and representations would be and were false and fraudulent when made.

As a part of this scheme and artifice to defraud:

1. The allegations set forth in paragraphs 1-10 of Count 1 are incorporated herein by this reference.

2. For the purpose of executing the scheme and artifice to defraud, defendant Michael Marks Rich caused the following:

A. On or about September 29, 2004, Pac Equities and defendant Michael Marks Rich caused David August to deposit and send in mail delivered by the United States Postal Service or any private or commercial interstate carrier, a cashier's check in the amount of \$60,000.00 drawn from a Bank One account in Houston, Texas, to Pac Equities at 250 NW Franklin, Suite 302, Bend, Oregon, which was deposited in Liberty Bank account number 07-5000135-6 in the name of Pac Equities, Inc.;

B. On or about May 18, 2005, Pac Equities and defendant Michael Marks Rich caused Jon Serrine to deposit and send in mail delivered by the United States Postal Service or any private or commercial interstate carrier, a cashier's check in the amount of \$62,409.44 drawn from a Delaware Charter Guarantee & Trust Company account, to Pac Equities at 250 NW Franklin, Suite 302, Bend, Oregon, which was

deposited in Liberty Bank account number 07-5000135-6 in the name of Pac Equities, Inc.;

All in violation of Title 18, United States Code, § 1341.

COUNT 5
[MONEY LAUNDERING]

The allegations set forth in paragraphs 1-10 in Count 1 are incorporated herein by this reference. On or about October 13, 2005, in the District of Oregon and elsewhere, defendant Michael Marks Rich knowingly caused \$550,000.00 to be deposited into Charles Schwab account number 6050-7973 in the name of M. Rich, P. Rich, Michael and Phyllis Rich Joint, knowing that the money involved in the financial transaction represented the proceeds of securities fraud, bank fraud, mail fraud and wire fraud, and knowing that the transaction was designed in whole or in part to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of securities fraud, bank fraud, mail fraud and wire fraud, in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i). The source of the \$550,000.00 which was deposited into the Charles Schwab account was comprised of the following:

1. \$180,000.00 which was derived from the sale of property located at 3148 NW Melville Drive, Bend, Oregon, which was purchased and sold in the following manner:

A. On May 28, 2004, the defendant Michael Marks Rich and Phyllis Rich purchased from Gerald and Joyce Stroffolino a parcel of property located at 3148 NW Melville Drive, Bend, Oregon, for the price of \$246,000.00. A down payment of \$46,000.00 was made to the sellers which was transferred from Liberty Bank account number 07-5000033-3 in the name of Pac Equities, Inc. An interest-only note was signed with Gerald and Joyce Stroffolino by defendant Michael Marks Rich

and Phyllis Rich for the remaining \$200,000.00 purchase price. These interest payments were made in the following manner:

i. On or about July 21, 2004, check number 1023 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Washington Mutual account number 488-063521-9 in the name of Rich Asset Management L.L.C.;

ii. On or about August 11, 2004, check number 2352 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Liberty Bank account number 07-5000033-3 in the name of Pac Equities, Inc.;

iii. On or about September 16, 2004, check number 2126 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Liberty Bank account number 07-5000249-5 in the name of Pac Equities, Inc.;

iv. On or about October 13, 2004, check number 2403 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Liberty Bank account number 07-5000033-3 in the name of Pac Equities, Inc.;

v. On or about November 12, 2004, check number 2459 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Liberty Bank account number 07-5000033-3 in the name of Pac Equities, Inc.;

vi. On or about December 13, 2004, check number 2422 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Liberty Bank account number 07-5000033-3 in the name of Pac Equities, Inc.;

vii. On or about January 12, 2005, check number 2424 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Liberty Bank account number 07-5000033-3 in the name of Pac Equities, Inc.;

viii. On or about February 14, 2005, check number 1188 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Bank of the Pacific account number 027-011730 in the name of Pac Equities, Inc.;

ix. On or about March 14, 2005, check number 1304 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Bank of the Pacific account number 027-011730 in the name of Pac Equities, Inc.;

x. On or about April 11, 2005, check number 2608 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Liberty Bank account number 07-5000249-5 in the name of Pac Equities, Inc.;

xi. On or about May 11, 2005, check number 2770 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Liberty Bank account number 07-5000249-5 in the name of Pac Equities, Inc.;

xii. On or about June 13, 2005, check number 2917 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Liberty Bank account number 07-5000249-5 in the name of Pac Equities, Inc.;

xiii. On or about July 25, 2005, check number 3092 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Liberty Bank account number 07-5000249-5 in the name of Pac Equities, Inc.;

xiv. On or about August 19, 2005, check number 2492 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Liberty Bank account number 07-5000033-3 in the name of Pac Equities, Inc.;

xv. On or about August 29, 2005, check number 1546 in the amount of \$1,333.33 was written to Gerald D. And Joyce C. Stroffolino from Bank of the Pacific account number 027-011730 in the name of Pac Equities, Inc.;

B. On or about October 4, 2005, defendant Michael Marks Rich and Phyllis Rich sold to David S. Kromer and Cynthia L. Brown Kromer the property located at 3148 NW Melville Drive, Bend, Oregon, for the amount of \$410,000.00, paid closing costs and associated fees of \$26,917.05, paid off their interest-only loan to Gerald and Joyce Stroffolino in the amount of \$201,095.90, and deposited the remaining proceeds in the amount \$181,987.05 into Washington Mutual Bank account number 111-300925-2 in the name of Phyllis E. Marks-Rich Trust.

C. On or about June 28, 2005, defendant Michael Marks Rich and Phyllis

Rich caused Bank of Hawaii account number 0004-085167 to be opened in the name of Michael D. Harvey, d.b.a. Mike Harvey Construction, for the purpose of constructing a personal residence located at Lot A-7 Wekiu Place, Lahaina, Hawaii. On or about July 28, 2005, defendant Michael Marks Rich and Phyllis Rich were added as signatories on this account.

D. On or about October 13, 2005, defendant Michael Marks Rich and Phyllis Rich transferred \$180,000.00 from Washington Mutual Bank account number 111-300925-2 in the name of Phyllis E. Marks-Rich Trust to Bank of Hawaii account number 0004-085167 in the name of Michael D. Harvey, d.b.a. Mike Harvey Construction.

2 \$370,000.00 which was derived from the refinance of the property located at 20 Hui Road I #40, Lahaina, Hawaii, which was purchased and refinanced in the following manner:

A. On or about August 23, 2005, defendant Michael Marks Rich and Phyllis Rich purchased from Lawrence R. Jackson and Teri Bellamy Jackson a personal residence located at 20 Hui Road I #40, Lahaina, Hawaii, for the purchase price of \$565,000.00. The purchase was made with funds from the following sources:

i. \$100,000 from Liberty Bank account number 07-5000249-5 in the name of Pac Equities, Inc. This amount was comprised of funds transferred from two other Pac Equities, Inc. bank accounts, Liberty Bank account numbers 07-5000135-6 and 07-9000124-2, both of which were

funded by Pac Equities investors.

ii. \$469,842.15 from Bank of Hawaii account number 0004-085167 in the name of Michael D. Harvey, d.b.a. Mike Harvey Construction.

This amount was comprised of the following funds

(1) \$200,000.00 from Washington Mutual Bank loan number 0064629546 associated with the residence located at 22425 SE Highland Lane, Unit 103, Kirkland, Washington, which was purchased by defendant Michael Marks Rich with Pac Equities investor funds.

(2) \$90,000.00 from the liquidation of a First Hawaiian Bank certificate of deposit number 7058905526 which was obtained with Pac Equities investor funds.

(3) \$150,000.00 from Bank of the Pacific account number 057-002609 in the name of Richard James LLC. Defendant Michael Marks Rich facilitated the formation of Richard James LLC by his son, Lee Williams, which appeared to be funded with Pac Equities investor funds.

(4) \$29,842.15 from other bank accounts associated with defendant Michael Marks Rich which appeared to be funded with Pac Equities investor funds.

B. On or about October 13, 2005, defendant Michael Marks Rich and Phyllis Rich deposited \$370,136.61 into Bank of Hawaii account number 0004-

085167 in the name of Michael D. Harvey, d.b.a. Mike Harvey Construction which represented proceeds from the refinance of a personal residence located at 20 Hui Road I #40, Lahaina, Hawaii.

All in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i).

COUNT 6
[MONEY LAUNDERING]

The allegations set forth in paragraphs 1-10 of Count 1 are incorporated herein by this reference. On or between August 22, 2003, and September 22, 2003, in the District of Oregon and elsewhere, defendant Michael Marks Rich knowingly caused \$132,500.00 to be deposited into Washington Mutual Bank account number 111-300925-2 in the name of Phyllis E. Marks-Rich Trust and used to pay credit card accounts and personal mortgage obligations, knowing that the money involved in the financial transaction represented the proceeds of securities fraud, bank fraud, mail fraud and wire fraud, and knowing that the transaction was designed in whole or in part to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of securities fraud, bank fraud, mail fraud and wire fraud, in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i). This offense was comprised of the following transactions:

1. On August 22, 2003, a check in the amount of \$132,500.00 from Farwest Nursery, Inc., was deposited into Liberty Bank account number 07-5000118-2 in the name of Pac Equities, Inc. The notation on the check was "The Rich Dairy Loan/Melville Dr. Property Loan." The owner of Farwest Nursery is Allen Kraxberger, an investor with Pac Equities. On that same date, August 22, 2003, \$132,500.00 was transferred from this account to Liberty Bank account number 07-5000135-6 in the name of Pac Equities, Inc. A check was then written on that account to Michael Rich in the amount of \$132,500.00. On

August 26, 2003, this check was deposited into Washington Mutual Bank account number 111-300925-2 in the name of Phyllis E. Marks-Rich Trust. After this money was transferred to this account in the name of Phyllis E. Marks-Rich Trust, 11 checks were written from this account to pay off ten (10) different personal credit card accounts totaling \$119,401.56 and for a down payment on their personal residence located at 3196 NW Melville Drive, Bend, Oregon. As set forth below, these expenditures totaled \$132,945.56.

<u>Date</u>	<u>Amount of Expenditure</u>	<u>Check Number</u>	<u>Payee</u>
8/27/2003	\$8,789.55	3033	Wells Fargo Card Service
8/29/2003	\$16,039.48	3026	First USA Bank
8/29/2003	\$21,050.41	3027	MBNA America
8/29/2003	\$9,443.87	3030	Providian
8/29/2003	\$6,384.43	3031	Alaska FCU - VISA
8/29/2003	\$5,960.80	3032	Alaska FCU - VISA
9/02/2003	\$8,015.30	3028	Key Bank USA
9/02/2003	\$24,040.17	3034	MBNA America
9/05/2003	\$18,177.55	3029	American Express
9/22/2003	\$13,544.00	3039	Ron & Lynn Perlotte
9/22/2003	<u>\$1,500.00</u>	3047	Bank of America
Total:	<u>\$132,945.56</u>		

All in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i).

COUNT 7
[MONEY LAUNDERING]

The allegations set forth in paragraphs 1-10 of Count 1 are incorporated herein by this reference. On or between November 3, 2003, and May 13, 2004, in the District of Oregon and

elsewhere, defendant Michael Marks Rich knowingly caused \$116,000.00 to be deposited into Washington Mutual Bank account number 111-300925-2 in the name of Phyllis E. Marks-Rich Trust and used to pay personal mortgage obligations and other personal expenditures, knowing that the money involved in the financial transaction represented the proceeds of securities fraud, bank fraud, mail fraud and wire fraud, and knowing that the transaction was designed in whole or in part to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of securities fraud, bank fraud, mail fraud and wire fraud, in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i). This offense was comprised of the following transactions:

1. On or about November 3, 2003, a check in the amount of \$100,000.00 from Raulin Capri was deposited into Washington Mutual Bank account number 488-063521-9 in the name of Rich Asset Management, LLC. The notation on the check was "Trust Deed Investment." Raulin Capri is an investor with Pac Equities.

A. On or about November 12, 2003, a check in the amount of \$20,000.00 was made from Washington Mutual Bank account number 488-063521-9 in the name of Rich Asset Management, LLC, to Washington Mutual Bank account number 111-300925-2 in the name of Phyllis E. Marks-Rich Trust. As set forth below, disbursements were made from this account which included the following transactions:

i. On or about November 14, 2003, a check in the amount of \$6,020.00 was negotiated by Transamerica Life Ins.;

ii. On or about November 17, 2003, a check in the amount of \$1,000.00 was negotiated by the Jewish Community of Central Oregon;

iii. On or about November 18, 2003, a check in the amount of \$1,426.45 was negotiated by Awbrey Glen Golf Club;

iv. On or about December 17, 2003, a check in the amount of \$10,000.00 was transferred to Liberty Bank account number 07-5000135-6 in the name of Pac Equities, Inc. The notation on the check was "Deed of Trust" and was logged as an investment in Pac Equities for defendant Michael Marks Rich and Phyllis Marks Rich.

2. On or about November 21, 2003, a check in the amount of \$16,000.00 from Delores P. Lemm was deposited into Washington Mutual Bank account number 488-063521-9 in the name of Rich Asset Management, LLC. The notation on the check was "Southview Properties First Deed of Trust." Delores Lemm is an investor with Pac Equities. After this deposit, the balance in this account was \$96,000.00.

A. On December 31, 2003, a check in the amount of \$83,253.63 was made from Washington Mutual Bank account number 488-063521-9 in the name of Rich Asset Management, LLC, to Washington Mutual Bank account number 111-300925-2 in the name of Phyllis E. Marks-Rich Trust. The notation on the check was "82,000 Pymt & 1,253.63." After this transaction, the balance in this account was \$12,746.37. As set forth below, disbursements were made from this account which included the following transaction:

i. Defendant Michael Marks Rich and Phyllis Marks Rich purchased their personal residence located at 3196 NW Melville Drive, in Bend, Oregon, from Ronald and Lynne Perlatti and this \$83,253.63 check

was used to pay off the second mortgage on the residence, which was held by Ronald and Lynne Perlatti.

B. On April 23, 2004, a transfer in the amount of \$12,746.37 was made from Washington Mutual Bank account number 488-063521-9 in the name of Rich Asset Management, LLC, to Washington Mutual Bank account number 111-300925-2 in the name of Phyllis E. Marks-Rich Trust. As set forth below, disbursements were made from this account which included the following transaction:

i. On or about May 13, 2004, a check in the amount of \$11,473.00 was negotiated by Dr. Bradley Hester DMD. Between June 4, 2003, and February 10, 2006, defendant Michael Marks Rich and Phyllis Marks Rich paid a total of \$75,070.30 to Dr. Hester (\$34,499.30 for defendant Michael Marks Rich and \$40,571.00 for Phyllis Rich) for dental work including numerous porcelain/ceramic crowns (26 crowns for defendant Michael Marks Rich and 27 crowns for Phyllis Marks Rich).

All in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i).

COUNT 8
[MONEY LAUNDERING]

The allegations set forth in paragraphs 1-10 of Count 1 are incorporated herein by this reference. On or between December 27, 2005, and May 3, 2006, in the District of Oregon and elsewhere, defendant Michael Marks Rich knowingly engaged in \$2,012,376.93 in financial transactions, each of which exceeded \$1,000.00 in violation of a court order, knowing that the money involved in the financial transaction represented the proceeds of securities fraud, bank fraud, mail fraud and wire fraud, and knowing that the transaction was designed in whole or in part to conceal

or disguise the nature, the location, the source, the ownership, or the control of the proceeds of securities fraud, bank fraud, mail fraud and wire fraud, in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i). This offense was comprised of the transactions outlined in the attached exhibit entitled Transactions Conducted After 12/27/05 Greater Than or Equal to \$1,000 which is incorporated herein by this reference.

All in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i).

COUNT 9
[FORFEITURE]

Upon conviction of the securities fraud offense alleged in Count 1 of this indictment, defendant Michael Marks Rich, a.k.a. Richard Forbes Williams, Richard Morgan Forbes, and Michael Richard Brown, shall forfeit to the United States pursuant to 18 U.S.C. §§ 981, 982, and 1961(1), 21 U.S.C. § 853, and 28 U.S.C. § 2461©, all property, real and personal, that constitutes or is derived, directly or indirectly, from proceeds traceable to the commission of the offense, including but not limited to the following:

1. **Real Property**: the following lots and parcels of land, together with their buildings, appurtenances, improvements, fixtures, attachments and easements, located at:
 - A. 3196 NW Melville Drive, Bend, Oregon 97701;
 - B. 1518 NE Frank McClean Court, Bend, Oregon 97701;
 - C. 12444 SW Green Drive, Culver, Oregon 97734, otherwise known as the Culver Dairy;
 - D. The Fort Rock Ranch, otherwise described as the North ½ of the Southwest ¼ of Section 32 in Township 25 South, Range 15 East of the Willamette Meridian in Lake County, Oregon, and the South ½ of the South ½ of Section 32 in

Township 25 South, Range 14 East of the Willamette Meridian in Lake County, Oregon;

E. 51251 Russell Road, LaPine, Oregon 97739;

F. 2442 SW 6th Street (Lot 23 Airport Business Center), Redmond, Oregon 97756;

G. 2554 SW 6th Street (Lot 22 Airport Business Center) Redmond, Oregon 97756;

H. 1668 Baxter Road SE, Salem, Oregon 97306;

I. 22425 SE Highland Lane Unit 103, Issaquah, Washington 98029-5206;

J. Rayonier property, Grays Harbor County, Washington, otherwise described as Parcel A: The Southeast Quarter of the Southeast Quarter of Section 14, Township 18 North, Range 12 West of the Willamette Meridian; Situate in Grays Harbor, State of Washington. Parcel B: That portion of the Northeast Quarter of the Southeast Quarter; The West Half of the Southeast Quarter; The Southeast Quarter of the Southwest Quarter; All lying South of Highway 109, in Section 14, Township 18 North, Range 12 West of the Willamette Meridian; All Situate in the County of Grays Harbor, State of Washington.

K. Hogan's Corner property, Grays Harbor County, Washington, otherwise described as Parcel A: The Southwest Quarter of the Southwest Quarter of Section 14, Township 18 North, Range 12 West of the Willamette Meridian; EXCEPT Highway 9-C and EXCEPT the East 300 feet lying North of said Highway;

Situate in County of Grays Harbor, State of Washington. Parcel B: The Northwest Quarter of the Northeast Quarter AND the Northwest Quarter of Section 23, Township 18 North, Range 12 West of the Willamette Meridian; Situate in the County of Grays Harbor, State of Washington;

L. Shoal Water property, 2 State Route 109, Hoquiam, Washington 98550, otherwise described as Lot 7 of the Dependent Resurvey of Government Lots 3 and 4, Section 15, Township 18 North, Range 12 West of the Willamette Meridian, dated October 27, 1993, recorded July 21, 1999 in Volume 20, page 44 of Surveys, records of Gray Harbor County, Situate in the County of Grays Harbor, State of Washington;

M. 12 parcels in Phoenix, Arizona, with the following tax lot addresses: 504-11-008L, 504-11-008M, 504-11-008N, 504-11-008P, 504-11-008Q, 504-11-008R, 504-11-008S, 504-11-008T, 504-11-008U, 504-11-008V, 504-11-008X, and 504-11-008Z;

N. 34345 West Roosevelt Street, Tonopah, Arizona, 85354-8043;

O. 77-6300 Alii Drive, Kailua Kona, Hawaii, 96740;

P. 20 Hui Road I #39, Lahaina, Hawaii, 96761;

Q. 20 Hui Road I #40, Lahaina, Hawaii, 96761;

R. Any and all proceeds of real property sold on or after January 15, 2002, including but not limited to \$410,000 in proceeds from the sale of 3148 NW Melville Drive, Bend, Oregon 97701, otherwise described as Lot 37, Champion Ridge Phase Two, Deschutes County, Oregon;

2. Accounts Receivable: Any accounts receivable or interest in loans made or money received or receivable by Rich, Marks, or Defendant, its subsidiaries, limited partnerships, and affiliates, including Rich Asset Management (R.A.M.), LLC, R.A.M. Airport, LLC, R.A.M. Arizona Homes West, LLC, Corporate Park Place, LLC, R.A.M. Paul's Dairy, LLC, R.A.M. Pinnacle Point, LLC, R.A.M. Southview Properties, LLC, R.A.M. White Salmon Subway, LLC (formerly R.A.M. Paul's Dairy 3, LLC), The Olympic Resort at Grays Harbor, LLC (formerly Admiral Gray's Inn by the Sea, LLC and R.A.M. Paul's Dairy 2, LLC), Southwest Ventures, Inc., Culver Dairy, LLC (formerly R.A.M. Paul's Dairy, LLC), and Rail Side Industrial Park, LLC (formerly R.A.M. Pinnacle Point 2, LLC), including but not limited to interest in loans made to the following:

A. a project known to Defendant as Southview 1 and 2 located at 5200 Lake of the Woods Highway, Klamath Falls, Oregon, including the sum of \$2,559,000.00 received on April 24, 2006;

B. a project known to Defendant as CHC Development, LLC, otherwise described as A portion of the Northwest Quarter of the Northwest Quarter (NW1/4NW1/4) of Section Thirty-one (31), Township Seventeen (17) South, Range Twelve (12), East of the Willamette Meridian, Deschutes County, Oregon, more particularly described as follows: Beginning at the Northeast corner of the NW1/4NW1/4 of said Section 31, said point being marked by an iron pin; thence South 0°15'43" East, 63.59 feet to the point of beginning; thence West to the intersection of the Northeasterly boundary of College Avenue; thence Southeasterly along the Northeasterly boundary of College Avenue; thence Southeasterly along the

Northeasterly boundary of College Avenue; then Southeasterly along the Northeasterly boundary of College Avenue to the intersection of College Avenue and the North boundary of Portland Avenue if it were extended; thence East along the North boundary of Portland Avenue if it were extended, to the East line of said NW1/4NW1/4 of Section 31, thence North 0°15'43" West, 560.69 feet to the point of beginning.

C. the owners of real property located at 411 Molo Street, Kapaa, Hawaii, 96746;

3. Bank Accounts: Any and all bank accounts possessed, controlled, associated with or to which an interest is asserted by Rich, Marks, or Defendant, its subsidiaries, limited partnerships, and affiliates, including Rich Asset Management (R.A.M.), LLC, R.A.M. Airport, LLC, R.A.M. Arizona Homes West, LLC, Corporate Park Place, LLC, R.A.M. Paul's Dairy, LLC, R.A.M. Pinnacle Point, LLC, R.A.M. Southview Properties, LLC, R.A.M. White Salmon Subway, LLC (formerly R.A.M. Paul's Dairy 3, LLC), The Olympic Resort at Grays Harbor, LLC (formerly Admiral Gray's Inn by the Sea, LLC and R.A.M. Paul's Dairy 2, LLC), Southwest Ventures, Inc., Culver Dairy, LLC (formerly R.A.M. Paul's Dairy, LLC), and Rail Side Industrial Park, LLC (formerly R.A.M. Pinnacle Point 2, LLC), including but not limited to interest in loans made to the following:

A. The balance of the following Washington Mutual Bank accounts:

i. 486-002951-5 in the name of Michael M. Rich and Phyllis

Marks Rich;

ii. 488-064015-1 in the name of Pac Equities.Com;

- iii. 488-064110-9 in the name of Foreclosure Rescue Experts, LLC;
 - iv. 111-300925-2 in the name of Phyllis E. Marks-Rich Trust, Phyllis E. Marks Rich Trustee;
 - v. 488-063521-9 in the name of Rich Asset Management LLC, a Division of Pac Equities, Inc., later referred to as Pac Equities, Inc., Fund #1;
 - vi. 488-673267-1 in the name of Pac Equities, Inc. Trust Account;
 - vii. 488-064240-4 in the name of Phyllis Marks-Rich and Michael M. Rich;
 - viii. 488-063579-8 in the name of R.A.M. Paul's Dairy, LLC, later referred to as Culver Dairy, LLC;
 - ix. 17900023016962 in the name of Phyllis Marks-Rich;
 - x. 100-367985-0 in the name of Bruce Rava and Michael M. Rich;
- B. The balance of the following Liberty Bank accounts:
- i. 07-5000135-6 in the name of Pac Equities, Inc., Michael M. Rich, and Phyllis M. Rich;
 - ii. 07-9000124-2 in the name of Pac Equities, Inc., Michael M. Rich and Phyllis M. Rich;
 - iii. 07-5000033-3 in the name of Pacequities.com, Michael M. Rich and Phyllis M. Rich;

iv. 07-500002495 in the name of Pac Equities Inc., Michael M. Rich and Phyllis M. Rich;

v. 07-5000118-2 in the name of Pac Equities, Inc., Michael M. Rich and Phyllis E. Rich;

vi. 07-1000271-8 in the name of Michael M. Rich and Phyllis E. Rich;

vii. 07-5000134-9 in the name of Pac Equities, Inc., Michael M. Rich and Phyllis M. Rich;

C. the balance of the following Bank of the Pacific accounts:

i. 017-832269 in the name of Rich Asset Management by Grays Harbor Title, Trustee;

ii. 027-011730 in the name of Pac Equities, Inc.;

iii. 027-011755 in the name of Pac Equities, Inc.;

iv. 057-002500 in the name of Richard James LLC;

v. 057-002609 in the name of Richard James LLC;

D. the balance of the following Umpqua Bank accounts:

i. 970356655 in the name of Pac Equities, Inc.;

ii. 970356663 in the name of Pac Equities, Inc.;

E. the balance of the following Bank of Hawaii accounts:

i. 6002-711423 in the name of Michael Rich and Phyllis Rich Joint Trust dated June 17, 2004;

ii. 0004-085442 in the name of Michael Rich and Phyllis Rich

Joint Trust dated June 17, 2004;

- iii. 0004-085167 in the name of Michael D. Harvey, d.b.a. Mike Harvey Construction;

F. the balance of the following First Hawaiian Bank accounts:

- i. 58-040536 in the name of Michael M. Rich and Phyllis Rich;
- ii. 58-242411 in the name of Michael M. Rich and Phyllis Rich;
- iii. 58-014567 in the name of Michael M. Rich d.b.a.

Pacequities.com;

- iv. 82-270493 in the name of Michael Rich and Phyllis Marks-Rich;

- v. 82-914226 in the name of Michael Rich and Phyllis Marks-Rich;

- vi. 7058905526 in the name of Michael M. Rich and Phyllis Rich;

G. The balance of the following Bank of America bank accounts:

- i. 0043 7687 2036 in the name of Michael Rich;
- ii. 12469-42029 in the name of M.P.R. Joint Trust dated June 17,

2004, Michael Rich Trustee;

- iii. 0045 4075 4223 in the Pac Equities, Inc.;

H. The balance of the following Nevada State Bank account:

- i. 792002537 in the name of Transwestern of Canada, Ltd.;

I. The balance of the following Bank of the Cascades accounts:

- i. 10011528 in the name of Corporate Park Place, LLC;

- ii. 10011536 in the name of Corporate Park Place, LLC;
- J. The balance of the following Columbia River Bank accounts:
 - i. 1201010941 in the name of Michael Rich and Phyllis Rich;
 - ii. 1201010958 in the name of Michael Rich and Phyllis Rich;
- K. The balance of the following Wells Fargo accounts:
 - i. 698-7218523 in the name of Pac Equities, Inc.;
 - ii. 837-7193043 in the name of Pac Equities, Inc.;
- L. The balance of the following American Savings Bank accounts:
 - i. 30025-10669 in the name of Michael M. Rich and Phyllis M. Rich, Old Republic Title and Escrow Agent;
 - ii. 80009-24050 in the name of Phyllis Rich;
 - iii. 02509-86180 in the name of Southwest Ventures;
- M. The balance of the following Rabobank N.A. account:
 - i. 0010024250 in the name of Michael Rich and Phyllis Rich;
- N. The balance of the following FCC National Bank account, payable through the First National Bank of Chicago:
 - i. 93064892763 in the name of Phyllis E. Marks;
- O. The balance of the following Key Bank account:
 - i. 96321100002505 in the name of Southwest Ventures, Inc.;
- P. The balance of the following Alaska U.S.A. Federal Credit Union account:
 - i. 527564 in the name of Marks-Rich Trust;

Q. The balance of the following Boeing Employees Credit Union account:

i. 3575842709;

4. Currency: Any and all currency possessed, controlled, or to which an interest is asserted by Rich, Marks, or Defendant, its subsidiaries, limited partnerships, and affiliates, including Rich Asset Management (R.A.M.), LLC, R.A.M. Airport, LLC, R.A.M. Arizona Homes West, LLC, Corporate Park Place, LLC, R.A.M. Paul's Dairy, LLC, R.A.M. Pinnacle Point, LLC, R.A.M. Southview Properties, LLC, R.A.M. White Salmon Subway, LLC (formerly R.A.M. Paul's Dairy 3, LLC), The Olympic Resort at Grays Harbor, LLC (formerly Admiral Gray's Inn by the Sea, LLC and R.A.M. Paul's Dairy 2, LLC), Southwest Ventures, Inc., Culver Dairy, LLC (formerly R.A.M. Paul's Dairy, LLC), and Rail Side Industrial Park, LLC (formerly R.A.M. Pinnacle Point 2, LLC), acquired by Defendant, Rich, or Marks on or after January 15, 2002, or which constitute the proceeds of or which was or is otherwise involved in the violations referenced above, including that which was seized via search warrant on May 3, 2006;

5. Personal property: Any and all personal property possessed, controlled, or to which an interest is asserted by Rich, Marks, or Defendant, its subsidiaries, limited partnerships, and affiliates, including Rich Asset Management (R.A.M.), LLC, R.A.M. Airport, LLC, R.A.M. Arizona Homes West, LLC, Corporate Park Place, LLC, R.A.M. Paul's Dairy, LLC, R.A.M. Pinnacle Point, LLC, R.A.M. Southview Properties, LLC, R.A.M. White Salmon Subway, LLC (formerly R.A.M. Paul's Dairy 3, LLC), The Olympic Resort at Grays Harbor, LLC (formerly Admiral Gray's Inn by the Sea, LLC and R.A.M.

Paul's Dairy 2, LLC), Southwest Ventures, Inc., Culver Dairy, LLC (formerly R.A.M. Paul's Dairy, LLC), and Rail Side Industrial Park, LLC (formerly R.A.M. Pinnacle Point 2, LLC), acquired by Rich or Marks on or after January 15, 2002, or which constitute the proceeds of or which was or is otherwise involved in the violations referenced above, and including but not limited to the following:

- A. furniture that was seized via seizure warrant on January 19, 2006, from Justin and Burks Furniture in Portland, Oregon;
- B. one 2004 Acura MDZ which was purchased by Michael Rich in the name of Trans-Western of Canada in March, 2006;
- C. one 2006 Toyota Scion which was purchased by Michael Rich in the name of Trans-Western of Canada in April, 2006;
- D. one 2000 Ford Excursion purchased in the name of Pac Equities, Inc., VIN 1FMNU43S4YEA55995;

6. Internet domain names: Any and all Internet domain names possessed, controlled, associated with, or to which an interest is asserted by Rich, Marks, or Defendant, its subsidiaries, limited partnerships, and affiliates, including Rich Asset Management (R.A.M.), LLC, R.A.M. Airport, LLC, R.A.M. Arizona Homes West, LLC, Corporate Park Place, LLC, R.A.M. Paul's Dairy, LLC, R.A.M. Pinnacle Point, LLC, R.A.M. Southview Properties, LLC, R.A.M. White Salmon Subway, LLC (formerly R.A.M. Paul's Dairy 3, LLC), The Olympic Resort at Grays Harbor, LLC (formerly Admiral Gray's Inn by the Sea, LLC and R.A.M. Paul's Dairy 2, LLC), Southwest Ventures, Inc., Culver Dairy, LLC (formerly R.A.M. Paul's Dairy, LLC), and Rail Side Industrial Park, LLC (formerly R.A.M.

Pinnacle Point 2, LLC), acquired on or after January 15, 2002, or which constitute the proceeds of or which was or is otherwise involved in the violations referenced above, including but not limited to www.pacequities.com;

7. Seized assets: Any and all seized monetary funds and instruments, including but not limited to the following assets which constitute the proceeds of the violations referenced above:

A. \$175,128.41 in proceeds from Amerititle regarding the sale of real property in White Salmon, Washington, which was seized via seizure warrant on December 23, 2005;

B. \$3,760.64 in proceeds from Washington Mutual Bank Acct. #488-064015-1 which was seized via seizure warrant on December 22, 2005;

C. \$214.84 in proceeds from Washington Mutual Bank Acct. #111-300925-2 which was seized via seizure warrant on December 22, 2005;

D. \$21,000.00 in proceeds from Washington Mutual Bank cashier's check numbers 745606377, 379632848, 745606376, 379632847, 929659581, 929659582, which were seized via seizure warrant on December 30, 2005;

E. \$5,000.91 in proceeds from Charles Schwab Acct. #440001023362 which was seized via seizure warrant on December 23, 2005;

F. \$365,017.11 in proceeds from Charles Schwab Acct. #6050-7973 which was seized via seizure warrant on December 23, 2005;

G. \$9,068.52 in proceeds from Liberty Bank cashier's check numbers 4435282673, 4435282674, 4435282780, which were seized via seizure warrant on

December 30, 2005;

H. \$609.80 in proceeds from Bank of Hawaii Acct. #0004-085442 which was seized via seizure warrant on December 22, 2005;

I. \$20,000.00 from Bank of Hawaii cashier's check numbers 6403365 and 6403364 which were seized via seizure warrant on December 23, 2005;

J. \$16,203.39 in proceeds from the Bank of the Pacific Acct. #027011730 which was seized via seizure warrant on December 23, 2005;

K. \$26,203.94 in proceeds from the Bank of the Pacific Acct. #027011755 which was seized via seizure warrant on December 23, 2005;

L. \$700.00 in proceeds from the sale of furniture by Justin and Burks Furniture in Portland, Oregon, which was seized via seizure warrant on January 19, 2006;

M. \$7,843.56 in proceeds from First American Title Escrow #562983 from the sale of real property by Southview Properties in Klamath Falls, Oregon, which was seized via seizure warrant on January 20, 2006;

N. \$9,781.20 in proceeds from First American Title Escrow #582470 from the sale of real property by Southview Properties in Klamath Falls, Oregon, which was seized via seizure warrant on January 20, 2006;

O. \$12,941.93 in proceeds from First American Title Escrow #671843 from the sale of real property by Southview Properties in Klamath Falls, Oregon, which was seized via seizure warrant on January 20, 2006;

P. \$181,436.84 in proceeds from a Charles Schwab cashier's check

which was seized via seizure warrant on February 9, 2006;

Q. \$10,787.56 in proceeds from First American Title Escrow #587220 from the sale of real property by Southview Properties in Klamath Falls, Oregon, which was seized via seizure warrant on February 9, 2006;

R. \$1,304.70 in proceeds from dividends paid by Charles Schwab which was seized via seizure warrant on February 17, 2006;

S. \$94,023.15 in proceeds from the sale of real property located at 1697 NE Lotus Drive, Bend, Oregon, which was seized via seizure warrant on January 31, 2006;

T. \$93,680.94 in proceeds from the sale of real property located at 1693 NE Lotus Drive, Bend, Oregon, which was seized via seizure warrant on January 31, 2006;

U. \$328,218.04 in proceeds from the sale of real property located at Lot A-7, 160 Weiau Way, Lahaina, Hawaii, which was seized via seizure warrant on February 23, 2006;

V. \$43,400.00 in currency seized via seizure warrant on May 26, 2006;

W. \$8,000.00 in American Express Travelers Cheques seized via search warrant on May 3, 2006;

X. Jewelry seized via seizure warrant on May 26, 2006, including the following:

i. one pair of 14 k white gold solitaire diamond earrings containing round brilliant diamonds weighing 1.42 and 1.43 carats each for

a total of 2.85 carats;

ii. one yellow and white gold solitaire diamond pendant containing a round brilliant diamond weighing 2.01 carats;

iii. one platinum three stone engagement ring containing a 2.00 carat oval brilliant cut diamond and two oval brilliant cut diamonds each being 0.75 carats, for a total of 3.50 carats;

Y. \$185,000.00 in cashier's checks seized via search warrant on June 9, 2006, consisting of the following:

i. one \$100,000.00 Bank of America cashier's check number 412828265 issued to Michael Rich from the Bank of America on March 22, 2006;

ii. one \$10,000.00 Bank of America cashier's check number 413828408 issued to Michael Rich from the Bank of America on March 31, 2006;

iii. one \$67,000.00 Bank of America cashier's check number 014446 issued to Michael Rich from Las Vegas Sands on April 9, 2006;

iv. one \$7,500 cashier's check number 413828341 issued to Caldwell Banker from the Bank of America on April 12, 2006;

Z. Jewelry seized via search warrant on June 9, 2006;

8. Miscellaneous assets: Any and all other assets that may have been released in whole or in part to third parties, but to which an interest may still be asserted by Rich, Marks, or Defendant, its subsidiaries, limited partnerships, and affiliates, including Rich

Asset Management (R.A.M.), LLC, R.A.M. Airport, LLC, R.A.M. Arizona Homes West, LLC, Corporate Park Place, LLC, R.A.M. Paul's Dairy, LLC, R.A.M. Pinnacle Point, LLC, R.A.M. Southview Properties, LLC, R.A.M. White Salmon Subway, LLC (formerly R.A.M. Paul's Dairy 3, LLC), The Olympic Resort at Grays Harbor, LLC (formerly Admiral Gray's Inn by the Sea, LLC and R.A.M. Paul's Dairy 2, LLC), Southwest Ventures, Inc., Culver Dairy, LLC (formerly R.A.M. Paul's Dairy, LLC), and Rail Side Industrial Park, LLC (formerly R.A.M. Pinnacle Point 2, LLC), acquired by Rich or Marks on or after January 15, 2002, or which constitute the proceeds the violations referenced above and including but not limited to the following:

A. A lease or the equivalent value of such lease paid by Michael Rich on a residence located at 38071 Brandywine, Palm Desert, California, 92211, for which an advance 12-month payment of \$26,000.00 via a cashier's check was made;

B. Franchise fees and other payments by Michael Rich to "Big L's Inc." totaling \$95,939.68 to begin a Friendly Computer franchise;

C. Any insurance policies for which premiums were paid with proceeds from the violations referenced above, including but not limited to Mutual of New York policy number 117-10570;

9. Substitute assets: If any of the above-described property, as a result of any act or omission of Defendant:

A. cannot be located upon the exercise of due diligence;

B. has been transferred or sold to, or deposited with, a third party;

C. has been substantially diminished in value;

D. has been placed beyond the jurisdiction of the court; or

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

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), as incorporated by 18
U.S.C. § 982(b), to seek forfeiture of any other property of said defendant up to the value of
the forfeitable property described above.

Dated this 14th day of December, 2006.

A TRUE BILL.

/s/ Grand Jury Foreperson

FOREPERSON

KARIN J. IMMERGUT
United States Attorney

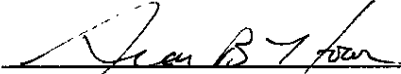

SEAN B. HOAR
Assistant United States Attorney

EXHIBIT - Transactions Conducted After 12/27/05 Greater Than or Equal to \$1,000

<u>DATE</u>	<u>DEPOSIT AMOUNT</u>	<u>CHECK AMOUNT</u>	<u>NAME</u>	<u>NOTES</u>	<u>BANK ACCOUNT NUMBER</u>	<u>BANK ACCOUNT NAME</u>
Transactions Occurring After 12/27/05 Greater Than or Equal to \$1,000:						
01/23/2006	\$ 12,000.00		Phyllis Rich or Michael Rich	Transfer from WM 111-300925-2 (WM CC #889722642)	BofA 0043 7687 2036	Michael Rich
01/24/2006		\$ 5,600.00	Purchase CC #413332538 (Bettilou Carver - \$5,600)	Negotiated by Bettilou Carver	BofA 0043 7687 2036	Michael Rich
01/24/2006		4,300.00	Purchase CC #413332539 (Karen Bornholtz - \$4,300)	Negotiated by Karen Bornholtz	BofA 0043 7687 2036	Michael Rich
01/24/2006		1,000.00	CASH OUT	Arizona 82	BofA 0043 7687 2036	Michael Rich
01/25/2006	20,000.00		Michael and Phyllis Rich Trust	FHB CC #0805979 7 (M&P Rich 12/21/05)	BofA 0043 7687 2036	Michael Rich
01/25/2006		5,000.00	Stanley Friedman	Purchase CC #413332809 (Attorney)	BofA 0043 7687 2036	Michael Rich
01/25/2006		9,500.00	BofA Credit Card Payment 4342461000577901		BofA 0043 7687 2036	Michael Rich
01/27/2006		4,835.00	CASH OUT	Arizona 82	BofA 0043 7687 2036	Michael Rich
01/27/2006		1,153.75	American Express	Elec Remit 060126053176818	BofA 0043 7687 2036	Michael Rich
02/08/2006	1,955.00		The Pennbrook Company	1/06 Dist	BofA 0043 7687 2036	Michael Rich
03/07/2006	70,000.00		Las Vegas Sands, Inc.	IV 0400605064 #13939	BofA 0043 7687 2036	Michael Rich
03/07/2006		5,304.82	NV Tir payment to Bkofam Crd 7901	Confirmation #1776609418	BofA 0043 7687 2036	Michael Rich
03/08/2006		50,000.00	Purchase CC #002010361 (Friendly Computers - \$50,000)	Negotiated by Verlan R. Ward (Big L's Inc.)	BofA 0043 7687 2036	Michael Rich
03/08/2006		12,500.00	Purchase CC #002010362 (Michael Rich - \$12,500)	Negotiated by MR at LV Sands, LLC DBA Venetian	BofA 0043 7687 2036	Michael Rich
03/09/2006	1,022.50		Brad Hester, DMD		BofA 0043 7687 2036	Michael Rich
03/09/2006		1,400.00	CA Tir payment to Bkofam Crd 7901	Confirmation #1945801330	BofA 0043 7687 2036	Michael Rich
03/13/2006	225,000.00		Michael Rich or Phyllis Rich	WM CC #863842652 (Michael Rich 12/2/05)	BofA 0043 7687 2036	Michael Rich
03/15/2006		1,841.00	AAA	8978516 Car Insurance	BofA 0043 7687 2036	Michael Rich
03/17/2006	7,000.00		Transfer from FHB 58-017485		BofA 0043 7687 2036	Michael Rich
03/17/2006		2,000.00	CASH OUT		BofA 0043 7687 2036	Michael Rich
03/20/2006		4,500.00	Bk of Am Crd ACH		BofA 0043 7687 2036	Michael Rich
03/23/2006		1,000.00	Sutton Lawrence LLP	Legal	BofA 0043 7687 2036	Michael Rich
03/23/2006		15,610.00	Purchase CC #413828262 (Trans American Life - \$15,610)	Negotiated by World Money Service Center	BofA 0043 7687 2036	Michael Rich
03/23/2006		24,500.00	Purchase CC #413828263 (Big L's Inc - \$24,500)	Negotiated by Big L's Inc.	BofA 0043 7687 2036	Michael Rich
03/23/2006		14,900.00	Purchase CC #413828264 (Big L's Inc - \$14,900)	Negotiated by Big L's Inc.	BofA 0043 7687 2036	Michael Rich
03/23/2006		100,000.00	Purchase CC #413828265 (Michael Rich - \$100,000)	Found During Search on 6/9/06 in Couch Cushions	BofA 0043 7687 2036	Michael Rich
03/23/2006		65,000.00	Purchase CC #413828266 (Michael Rich - \$65,000)	Negotiated by MR at LV Sands, LLC DBA Venetian	BofA 0043 7687 2036	Michael Rich
04/03/2006		5,142.84	M Rich	Transfer to BofA 12469-42029 (Close Account)	BofA 0043 7687 2036	Michael Rich
	\$ 336,977.50	\$ 335,087.41				

Prepared By: Special Agent Brandy McKibben

Date: 12/13/2006

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EXHIBIT - Transactions Conducted After 12/27/05 Greater Than or Equal to \$1,000

<u>DATE</u>	<u>DEPOSIT AMOUNT</u>	<u>CHECK AMOUNT</u>	<u>NAME</u>	<u>NOTES</u>	<u>BANK ACCOUNT NUMBER</u>	<u>BANK ACCOUNT NAME</u>
Transactions Occurring After 12/27/05 Greater Than or Equal to \$1,000:						
03/21/2006	\$ 25,000.00		Michael M. Rich	WM CC #036856970 (Michael M. Rich 2/15/06)	BofA 12469-42029	MPR Joint Trust
03/21/2006	6,800.00		Michael or Phyllis Rich	WM CC #889722830 (Michael Rich 12/21/05)	BofA 12469-42029	MPR Joint Trust
03/30/2006		\$ 17,300.00	Acura of the Desert	2004 DMX Acura	BofA 12469-42029	MPR Joint Trust
03/31/2006	5,142.84		Transfer from BofA 0043 7687 2036		BofA 12469-42029	MPR Joint Trust
03/31/2006		10,000.00	Purchase CC #413828408 (Michael Rich)	Found During Search on 6/9/06 in Couch Cushions	BofA 12469-42029	MPR Joint Trust
03/31/2006		1,100.00	Mark Eckert	Office Materials	BofA 12469-42029	MPR Joint Trust
04/11/2006		3,432.00	Myers Inn. Co.	49910 Boardwalk A8	BofA 12469-42029	MPR Joint Trust
04/12/2006	100,000.00		Bellagio	Bellagio CC #223248 (Dated 4/7/06)	BofA 12469-42029	MPR Joint Trust
04/12/2006		12,500.00	Purchase CC #413828342 (M. Rich - \$12,500)	Re-Deposited into this Account on 4/25/06	BofA 12469-42029	MPR Joint Trust
04/12/2006		7,500.00	Purchase CC #413828341 (Caldwel Banker - \$7,500)	Found During Search on 6/9/06 in Couch Cushions	BofA 12469-42029	MPR Joint Trust
04/14/2006		1,000.00	Mark Eckert		BofA 12469-42029	MPR Joint Trust
04/17/2006		1,200.00	Mark Eckert	Office Const. 41910	BofA 12469-42029	MPR Joint Trust
04/18/2006		30,000.00	Purchase CC #414068909 (Michael Rich - \$30,000)	Negotiated by Michael Rich on 4/27/06	BofA 12469-42029	MPR Joint Trust
04/18/2006		26,000.00	Purchase CC #414068906 (William Kelleher - \$26,000)	Negotiated by William Kelleher	BofA 12469-42029	MPR Joint Trust
04/18/2006		16,000.00	Purchase CC #414068907 (Toyota of the Desert - \$16,000)	Negotiated by Toyota of the Desert	BofA 12469-42029	MPR Joint Trust
04/18/2006		5,000.00	Purchase CC #414068908 (Sign O Rama - \$5,000)	Negotiated by Sign A Rama	BofA 12469-42029	MPR Joint Trust
04/21/2006		1,145.00	Mark Eckert	FIC #176 - Paint	BofA 12469-42029	MPR Joint Trust
04/25/2006	12,500.00		Michael Rich	CC #413828342	BofA 12469-42029	MPR Joint Trust
04/25/2006		10,018.00			BofA 12469-42029	MPR Joint Trust
04/27/2006		13,000.00	CASH OUT	Used Funds from CC #414068909	BofA 12469-42029	MPR Joint Trust
04/27/2006		17,000.00	Purchase CC #414068968 (American Express)	Used Funds from CC #414068909	BofA 12469-42029	MPR Joint Trust
	\$ 149,442.84	\$ 172,195.00				
04/25/2006	\$ 3,000.00	\$ 3,000.00	CASH IN		RB 0010514126	Friendly Computers #176 LLC
01/15/2006	\$ 69,900.00		Las Vegas Sands, Inc. CC #013611 (Dated 12/26/05)	Rich, Michael	Venetian Casino	
01/17/2006		\$ 70,000.00	Rich, Michael	Las Vegas Sands, Inc. CC #013822 (Dated 1/17/06)	Venetian Casino	
02/19/2006	147,737.09	37.09	FHB CC #08450199 (Dated xx/xx/06)	Michael Rich (Cash Out \$37.09)	Venetian Casino	
02/21/2006		120,000.00	Michael Rich	Las Vegas Sands, Inc. CC #014098 (Dated 2/21/06)	Venetian Casino	
04/06/2006	12,500.00		BofA CC #002010362 (Dated 3/8/06)	Michael Rich	Venetian Casino	
	65,000.00		BofA CC #413828266 (Dated 3/23/06)	Michael Rich	Venetian Casino	
04/09/2006		67,500.00	Las Vegas Sands, Inc. CC #014446 (Dated 4/9/06)	Found During Search on 6/9/06 in Couch Cushions	Venetian Casino	
	\$ 295,137.09	\$ 257,537.09				
03/06/2006	\$ 120,000.00		Las Vegas Sands, Inc. CC #014098 (Dated 2/21/06)	Michael Rich	Wynn Casino	
03/07/2006		\$ 120,000.00	Michael Rich	Wynn Check #2905 (Dated 3/7/06)	Wynn Casino	
	\$ 120,000.00	\$ 120,000.00				
04/03/2006	\$ 120,000.00		Wynn Check #2905 (Dated 3/7/06)	Michael Rich	Bellagio Casino	
04/07/2006		\$ 100,000.00	Bellagio CC #223248 (Dated 4/7/06)	Michael M. Rich	Bellagio Casino	
	\$ 120,000.00	\$ 100,000.00				
	\$ 1,024,557.43	\$ 987,819.50				