



Department of Justice



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**FINANCIAL FRAUD ENFORCEMENT TASK FORCE ANNOUNCES
REGIONAL RESULTS OF "OPERATION BROKEN TRUST" TARGETING
INVESTMENT FRAUD**

SAN DIEGO – Following an announcement today by Attorney General Eric Holder in Washington, D.C., representatives of the Financial Fraud Enforcement Task Force in San Diego, including U.S. Attorney Laura E. Duffy, Federal Bureau of Investigation Special Agent in Charge Keith Slotter, Internal Revenue Service Special Agent in Charge of the Los Angeles Field Office, IRS - Criminal Investigation Leslie P. DeMarco, announced the regional results of Operation Broken Trust, a nationwide operation targeting investment fraud in the Southern District of California and throughout the country. Operation Broken Trust is the first nationwide operation of its kind to target a broad array of investment fraud schemes that directly prey upon the investing public.

The interagency Financial Fraud Enforcement Task Force was established by the President to lead an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. Starting on August 16, 2010, to date Operation Broken Trust has involved enforcement actions against 310 criminal defendants and 189 civil defendants for fraud schemes involving more than 120,000 victims throughout the country. The operation's criminal cases involved approximately \$8.3 billion in estimated losses and the civil cases involved estimated losses of more than \$2.1 billion.* In the Southern District of California, cases involve over 230 victims and more than \$30 million in losses.

"With this operation, the Financial Fraud Enforcement Task Force is sending a strong message," said Attorney General Holder. "To the public: be alert for these frauds, take appropriate measures to protect yourself, and report such schemes to proper authorities when they occur. And to anyone operating or attempting to operate an investment scam: cheating investors out of their earnings and savings is no longer a safe business plan - we will use every tool at our disposal to find you, to stop you, and to bring you to justice."

In commenting on today's announcement, United States Attorney Laura E. Duffy said, "Frauds against individual investors, especially during these challenging economic times, inflict tremendous hardship upon our communities. Those seeking to take investors' money through such scams should know this Office and our partners on the Financial Fraud Enforcement Task Force will vigorously investigate and prosecute criminal and civil cases to the full extent of the law and will press for full restitution for victim investors."

FBI Special Agent in Charge Keith Slotter commented, "The FBI and our law enforcement partners are committed to pursuing those who intentionally defraud the investing public for personal gain. These types of criminal activities impair an investor's ability to make educated decisions and undermine the integrity of the American financial system."

"Securities fraud and Ponzi schemes betray the trust of investors who may never be able to recover their financial losses," said Leslie P. DeMarco, Special Agent in Charge of the Los Angeles Field Office, IRS-Criminal Investigation. "We are proud to work with our law enforcement partners to ensure that the victims of white collar crime will receive some degree of justice and alert the public to be vigilant in protecting their money."

The President's Financial Fraud Enforcement Task Force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit StopFraud.gov.

As a part of Operation Broken Trust, the task force is making the public aware of resources available to protect against these types of fraud and how to report fraud when it occurs. To learn more about investment scams, how to take steps to protect yourself from scams, or how to report investment fraud if you believe you have been victimized, the task force recommends that you visit its website, StopFraud.gov, which includes links to a wide array of task force member resources, including the San Diego FBI at 858-565-1255.

Operation Broken Trust cases in the Southern District of California include:

United States v. Scott Bottolfson, Case Number 10cr4734-JM

On November 30, 2010, Encinitas resident Scott Bottolfson pled guilty to an information charging him with one count of wire fraud for defrauding approximately 30 investors of over \$6 million. The defendant entered his guilty plea before Magistrate

Judge Jan M. Adler, subject to final acceptance by United States District Court Judge Jeffrey T. Miller. According to court documents and Bottolfson's admissions at the time of his guilty plea, between September 2001 and July 2010, Bottolfson solicited and obtained money from investors by falsely offering guaranteed rates of return of 18-20% for investments and falsely claiming that his company, Increase Investments, Inc. ("Increase"), was regulated by the National Futures Association ("NFA"). In fact, Bottolfson used as much as 50% of investor funds for personal expenditures (including payments for his residence and personal vehicles) and Increase was not regulated or scrutinized by the NFA. Bottolfson also used investor funds to execute a "Ponzi" scheme, whereby he gave new investor funds to previous investors and falsely represented these funds as investment returns. Bottolfson is scheduled to be sentenced on February 11, 2011 at 9:00 a.m., in United States District Court before the Honorable Jeffrey T. Miller. The maximum penalty facing Bottolfson for this offense is 20 years in custody, a fine of the greater of \$1,000,000 or twice the gross loss caused by the offense, and full restitution to victims of the offense. The case was investigated by the Federal Bureau of Investigation, working cooperatively with the Commodities Futures Trading Commission and the National Futures Association. The case is being prosecuted by Assistant United States Attorney Christopher Tenorio.

United States v. Mohit A. Khanna, Case Number 10cr2271-LAB
United States v. Gustav Bujkovsky, Case Number 10cr3467-LAB
United States v. Randolph Hirsch, Case Number 09cr1209-H

On November 15, 2010, investment advisor Mohit Khanna, formerly the owner of several investment companies operating under the name "MAK 1 Enterprises," was sentenced to serve 41 month in custody for conspiracy to commit mail and wire fraud and filing a false tax return. In his plea, Khanna admitted to defrauding over 200 investors out of more than \$15.9 million by misrepresenting himself as a successful foreign currency trader, when in reality he used investor funds to support his lavish lifestyle and extravagant homes in Rancho Santa Fe, Rancho Bernardo and Virginia, to pay phantom "returns" to earlier investors, and to recruit new investors through undisclosed commissions. Khanna was also ordered to pay restitution of more than \$15.9 million to his victims and was immediately taken into custody at his sentencing hearing.

In a related case, on August 17, 2010, accountant Randolph Hirsch pled guilty to a superseding information charging him with RICO and money laundering, in part because of his role in concealing this Ponzi scheme from MAK 1 investors. Hirsch is scheduled to be sentenced on January 24, 2011. Additionally, on August 31, 2010, attorney Gustav Bujkovsky pled guilty to obstruction of justice and tax evasions for concealing investor funds in his client-trust account and attempting to obstruct the Securities and Exchange Commission's (SEC) investigation of MAK 1. Bujkovsky is scheduled to be sentenced on December 13, 2010.

These cases were investigated jointly by the Federal Bureau of Investigation, the United States Postal Inspection Service, and Internal Revenue Service - Criminal

Investigation and were prosecuted by Assistant U.S. Attorneys Faith Devine and Yesmin Saide.

United States v. Brian Keith Tomlinson, Case Number 06cr2222-L

On November 8, 2010, Pastor Brian Keith Tomlinson was sentenced to serve 78 months in custody for his conviction of wire fraud and tax evasion, and ordered to pay over \$12 million in restitution to the victim of his fraud scheme. According to court documents, Tomlinson misused his position as a Pastor to induce the victim to hand over millions purportedly to be invested in telecommunications projects and gold mines in Africa. In actuality, Tomlinson used the victims' money for other purposes, such as purchasing expensive cars and a residence, paying for construction renovations, and withdrawing over \$1.3 million in cash. These cases were investigated jointly by Internal Revenue Service - Criminal Investigation and the United States Postal Inspection Service, and were prosecuted by Assistant U.S. Attorneys Steven Stone and David Leshner.

***United States v. Thanh-Viet Cao, aka Jeremy Cao,
Case Number 10cr2217-LAB***

On December 9, 2010, a federal jury convicted Thanh-Viet Cao, also known as Jeremy Cao, of one felony count of conspiracy to commit mail fraud and wire fraud and three counts of conspiracy to commit wire fraud, resulting from a \$19 million Ponzi scheme that Cao operated under various entities, including the name "TG Capital." According to the evidence presented at trial, Cao induced his victims to invest funds in various entities, including TG Capital, through false representations, including that: (a) banks guaranteed his investment program; (b) his investment program was backed by gold; (c) his investment program guaranteed a 28% annual return; (d) an investment bank had provided Cao with a \$350 million credit line; and (e) Cao had obtained a \$3,000,000 "bank guarantee." Cao also lied about why he had been fired by his previous employer for similar fraudulent conduct. The evidence further showed that through his scheme, Cao caused his victims to lose at least \$10 million, of which \$1.78 million was wired to a bank in Hong Kong, China, just as Cao's investment fraud began to unravel. Cao also spent some of the victims' money for his own personal gain, such as purchasing a \$200,000 Bentley sports car, a \$7,000 Breitling Bentley watch, Louis Vuitton goods, and other luxury items. In addition, Cao used the victims' money to take numerous trips to Las Vegas, where he stayed in premium rooms at various luxury casinos. Cao was immediately remanded into the custody of the U.S. Marshals Service. Cao is scheduled to appear for sentencing before United States District Judge Larry A. Burns on February 28, 2011 at 9:30 a.m. This case was investigated by the special agents of the U.S. Secret Service and the Internal Revenue Service - Criminal Investigation and prosecuted by Assistant U.S. Attorneys John B. Owens and Joseph Orabona.

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In addition, the following investment fraud case is scheduled to go to trial in the Southern District of California in early 2011:

****United States v. Matthew “Beau” La Madrid, et al.,
Case Number 09cr2582-WQH***

On February 8, 2011, the United States is scheduled to begin a jury trial in the courtroom of United States District Court Judge William Q. Hayes against Matthew “Beau” La Madrid and his brother, Lance La Madrid, for their participation in fraudulent schemes involving over \$30 million in investor funds. The indictment charges the defendants with conspiracy, wire fraud, mail fraud and bank fraud. The indictment also charges Matthew “Beau” La Madrid with money laundering and witness tampering in the operation the Plus Money Premium Return Funds and related real estate investment schemes. According to the indictment, the defendants falsely represented to investors that monies invested in the Plus Money Funds would be used to trade in “covered call” stock options and that investors would receive monthly payments of income generated from these investors. The indictment further alleges that the defendants provided the Plus Money investors with false and misleading account statements indicating that the investment funds were healthy and profitable and that the principal invested by all participants was intact, when in fact, investor funds had been largely lost or dissipated. The case is being investigated by the Federal Bureau of Investigation and Internal Revenue Service-Criminal Investigation, and is being prosecuted by Assistant United States Attorneys Steven Stone and Yesmin Saide.

***The public is reminded that an indictment itself is not evidence that the defendant committed the crimes charged. The defendant is presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.**

Finally, the following investment fraud case is scheduled to be sentenced in 2011:

United States v. Mariana La Luz, Case Number 10cr2216-LAB

On January 24, 2011, United States District Judge Larry A. Burns will conduct a sentencing hearing for defendant Mariana La Luz, who admitted in court documents and during her guilty plea to having defrauded approximately 75 investors using a “Ponzi” scheme. La Luz admitted that between October 2007 and November 2008, she used false promises and representations to induce investors to pay approximately \$4.5 million to Alpha International Investments, Inc. and other entities under her control. La Luz admitted that she gave investors false monthly account statements showing inflated returns of 6% to 100% on these investments and made up false stories about investment performance in order to conceal losses suffered by Alpha. La Luz also admitted improperly funding monthly payments to existing investors using funds received from new investors. Even after taking such returns into account, La Luz admitted that she caused investors to lose approximately \$2.9 million, which she will be obligated to repay

as part of her sentencing. The case was investigated by the Federal Bureau of Investigation, and is being prosecuted by Assistant United States Attorney Phillip L.B. Halpern

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*Numbers updated as of December 14, 2010.