The Oregonian
January 14, 2009

BUSINESS

BUSINESS EDITOR: BRUCE HAMMOND • 503-221-8525
BRUCEHAMMOND@NEWS.OREGONIAN.COM
OREGONLIVE.COM/BUSINESS

COMPANIES. MARKETS. CONSUMERS.

Law firm settles Pac Equities suit

By JEFF MANNING
THE OREGONIAN

A Reno law firm agreed Monday night to pay $6.2 million to settle three lawsuits filed by investors in the case of Pac Equities, a corrupt Bend-based real estate investment operation.

The settlement came hours after opening arguments in one of the cases in Multnomah County Circuit Court.

The settlement may be the last word in the sad saga of Pac Equities and its founders Michael and Phyllis Rich, who took investors, many of them of decidedly modest means, for about $18 million.

Pac Equities purported to invest its clients' money in real estate. Federal investigators determined that the Riches were running a Ponzi scheme, using new investor money to pay promised monthly interest payments to old investors.

Please see **PAC EQUITIES,** Page E4

Pac Equities: Legal papers gave scam air of legitimacy

Continued from Page E1

Michael Rich was found guilty of numerous counts of fraud, money laundering and obstruction of justice. He was sentenced to 19 years in prison.

He died in custody early last summer.

Phyllis Rich pleaded guilty in June 2007 to conspiring to commit securities fraud, as well as filing a false tax return. She is serving 33 months in federal prison.

The trial that got under way Monday pitted Pac Equities investors against Reno lawyer David Garcia and his firm, Hale Lane Peek Dennison Howard & Anderson.

Mike Esler, a Portland lawyer representing the investors, said in his opening argument Monday that the Riches violated numerous state securities laws while raising money and that Garcia and his law firm aided them by preparing prospectuses and other financial documents.

"Scammers scam only with the help of professionals," Esler said.

Securities documents prepared by Garcia gave Pac Equities the patina of respectability that helped jump-start the company's fundraising efforts, Esler added.

Milo Petranovich, representing Garcia and the Hale Lane firm, said the Riches lied to Garcia, secretly altering securities documents after Garcia had insisted on changes.

The $6.2 million came from Hale Lane's liability insurance policy, Esler said, and represented the policy limit after subtracting the cost of the firm's legal defense. It was a so-called "wasting" policy, meaning that the cost of defending against the investors' claims came off the top.

It is the second financial settlement paid by a law firm that worked for Pac Equities. Earlier, the Bend-based Merrill O'Sullivan firm paid out $890,000, Esler said.

Jeff Manning: 503-294-7606; jmanning@news.oregonian.com