

# PONZI NATION: SPORTS TALK "WEBIO" EDITION

I've been remiss in my tracking Ponzi schemes of late, failing to note this scheme whereby a guy created a Ponzi to fund his Chicago-based sports talk "webio."

The Securities and Exchange Commission today obtained a court order halting an \$11 million Ponzi scheme in which a Chicago-based promoter who is a convicted felon promised investors unusually high returns from purported investments in payday advance stores.

The SEC alleges that David J. Hernandez, who was convicted in 1998 for wire fraud arising from his previous employment at a bank, sold "guaranteed investment contracts" through his company that, unbeknownst to investors, was actually out of business. Hernandez promised returns of 10 percent to 16 percent per month and made false and misleading statements about his background, the use of investor proceeds, and the safety of the investment. Among Hernandez's illicit uses of investor funds was to start up a Chicago sports-talk Web site called "Chicago Sports Webio" featuring Chicago-area sports figures and reporters.

"Hernandez bilked investors out of funds that he led them to believe were being invested properly and safely," said Merri Jo Gillette, Director of the SEC's Chicago Regional Office. "Instead, he was paying investors in Ponzi-like fashion to keep his scheme afloat while he used their money for personal expenses and to start an online sports talk venture."

But with two more Ponzis shut down today, I

felt I owed you an update.

**Michael Regan's fake MBA:**

The SEC alleges that Michael C. Regan and his firm, Regan & Company, fraudulently obtained at least \$15.9 million from dozens of investors nationwide by selling securities in his now defunct River Stream Fund. Regan provided fake account statements and tax forms to investors showing artificially inflated account balances and concealing that he did no securities trading at all for several years and suffered substantial losses on investments that he did make. Regan falsely claimed that he earned an MBA from a major New York university and promoted a phony track record of successful securities trading and investment expertise. Regan is not registered as an investment adviser with the SEC or any other securities regulator.

**Advanced Money Management:**

The SEC alleges that Moises Pacheco, Advanced Money Management, Inc. (AMM), and Business Development & Consulting Co. (BD&C) raised \$14.7 million from more than 200 investors over a 3½-year period, acting as investment advisers to the five self-described hedge funds – AP Premium Value Funds I through IV and Capital Partnership Group.

According to the SEC's complaint, Pacheco told investors that he had developed a lucrative investment strategy involving the purchase and sale of covered call options, and that the hedge funds exclusively relied upon this strategy to generate trading profits ranging from 30 percent to 48 percent per year. In reality, Pacheco did not generate the returns he claimed to have

made, and instead used investor principal to pay purported returns until the scheme collapsed.