



U.S. Securities and Exchange Commission

U.S. SECURITIES AND EXCHANGE COMMISSION

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Securities and Exchange Commission v. Moises Pacheco, Advanced Money Management, Inc., and Business Development & Consulting Co., et al., Case No. 09-CV-1355-W RBB, United States District Court for the Southern District of California (June 24, 2009)

SEC CHARGES CALIFORNIA-BASED HEDGE FUND MANAGER FOR OPERATING PONZI-LIKE SCHEME

The Securities and Exchange Commission today charged a Chula Vista, California resident and two entities he controls for operating a Ponzi-like scheme through five hedge funds.

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.

According to the SEC's complaint, filed in U.S. District Court for the Southern District of California, the hedge funds generated trading profits of only about \$367,000, but paid investors purported returns of more than \$9.7 million. The SEC alleges that the defendants thus operated a Ponzi-like scheme and further misused investor principal by transferring their money to Pacheco, entities under his control, or numerous third parties for reasons having nothing to do with the purported trading.

The SEC alleges that Pacheco claimed that the hedge funds had generated returns ranging from 2.5 to 4 percent per month during their existence, and continued to claim that they generated returns in that range until January 2008, when he reduced the returns to 1.25 percent per month. Pacheco told fund investors that the reduction was due to deteriorating economic conditions. Most fund investors live in the Chula Vista, California area, and know either Pacheco, one of his friends or family members, or another investor. The SEC alleges that Pacheco made no effort to determine whether the hedge fund investors were accredited or sophisticated, and did not provide investors with financial statements. Neither Pacheco nor his entities have ever been registered with the SEC.

The SEC's complaint alleges that Pacheco, AMM, and BD&C violated Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1), (2), and (4) of the Investment Advisers Act of 1940 and Rule 206(4)-8 thereunder and seeks permanent injunctions, disgorgement of ill-gotten gains with prejudgment interest thereon, and financial penalties. Additionally, the complaint names the hedge funds and various third parties

receiving investor money as relief defendants, and seeks from them the disgorgement of all such amounts. The complaint also seeks the court's appointment of a receiver over AMM and BD&C.

▶ [SEC Complaint](#)

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