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## Two Individuals Plead Guilty To Securities Fraud, Money Laundering In Connection With Investment Scheme

FOR IMMEDIATE RELEASE

May 22, 2014

*Persuaded Investors To Invest Ira Funds In Residential Real Estate Project In Vernal, Utah*

SALT LAKE CITY - Martin A. Pool, age 44, of Atlanta, Georgia, and Armand R. Franquelin, age 57, of Liberty, Utah, pleaded guilty to securities fraud and money laundering Wednesday afternoon in U.S. District Court in Salt Lake City. Pool and Franquelin were charged in a three-count felony information filed in April.

As a part of a plea agreement reached with federal prosecutors, Pool and Franquelin admitted that from 2006 to 2010, they participated in persuading investors to convert their traditional IRAs to self-directed IRA accounts and invest their funds in a residential real estate project known as Haven Estates in Vernal, Utah. This was accomplished by inducing the investors to direct their funds to their company, The Elva Group, in return for promissory notes from Elva with a promise of monthly interest payments at annual rates between 8 percent and 20 percent. Pool and Franquelin admitted they told investors that their funds would be used to develop Haven Estates and promised to secure their loans with first lien positions in property at Haven Estates. In fact, no investors ever received any collateral or any interest in real property in Haven Estates or anywhere else.

In reality, the plea agreement says, investors' funds were used for purposes other than the development of Haven Estates. Investors were not told of encumbrances already in place on Haven Estates. When Elva began defaulting on the mortgage loan for Haven Estates, investors were not immediately informed. Eventually, Haven Estates was foreclosed.

Pool and Franquelin admitted that these actions were taken in connection with the investors' purchase of securities, namely the promissory notes and loan agreements. They also admitted that these representations were made for the purpose of defrauding investors.

According to the plea agreement, investors' funds were used by Pool and Franquelin and their associates for their personal benefit and to pay interest to earlier investors as Ponzi payments. The Ponzi payments had the effect of lulling the earlier investors, persuading them to leave their funds in the company and inducing them to renew their promissory notes from time to time. The payments also enticed new investors to invest.

Pool and Franquelin each plead guilty to one count of securities fraud and one count of money laundering.

As a part of the plea agreement, Pool and Franquelin agreed to pay restitution of \$9,031,336.83 to victims of the fraud, including victims of uncharged relevant conduct. Alabama victims invested more than \$500,000 in this scheme.

The case was a multi-jurisdictional investigation by special agents of the FBI and IRS-Criminal Investigation; the Utah Department of Commerce, Division of Securities; and the Alabama Securities Commission with assistance from the office of Baldwin County, Alabama, District Attorney Hallie S. Dixon (28th Judicial Circuit).

Alabama Securities Commission Director Joseph Borg, said, "The Alabama Securities Commission is proud to have joined the collaborative efforts of the federal and state law enforcement agencies and their professional staff members to see that justice is served for the victims in this important case. The outcome resulted from a team approach between the U.S. Attorney's Office in Utah, the Utah Department of Commerce's Division of Securities, the FBI, the IRS, and the ASC Enforcement and Legal Divisions to send a message that this financial crime, and others like it, will not be tolerated and will be prosecuted to the fullest extent of the law."

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Pool is scheduled to be sentenced July 31, 2014, at 2:30 p.m. Franquelin's sentencing is set for Aug. 18, 2014, at 2:30 p.m. Sentences will be imposed by U.S. District Judge Dale A. Kimball. As a part of Pool's plea agreement, prosecutors and the defendant agreed to recommend the Court impose a 78-month sentence. The sentence is subject to the approval of the Court. Franquelin's sentence will be determined at the sentencing hearing.

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