Department of Justice

U.S. Attorney's Office

Southern District of California

FOR IMMEDIATE RELEASE Tuesday, November 22, 2016

Founder of Litigation Marketing Company Guilty of Multi-Million Dollar Securities Fraud

Assistant U.S. Attorneys Aaron P. Arnzen (619) 546-8384 and Billy Joe McLain 619-546-6762

NEWS RELEASE SUMMARY – November 22, 2016

SAN DIEGO – David Aldrich pleaded guilty in federal court today to defrauding investors through litigation marketing company PLCMGMT LLC dba Prometheus. Aldrich admitted that he conspired with James Catipay, who pleaded guilty on October 26, 2016, to lie to investors when convincing them to invest.

Specifically, Aldrich and Catipay falsely told investors that they could redeem their investments at any time; that funds were available to pay both redemptions and hefty returns; and that their investments were secured by enforceable liens. In reality, as Aldrich admitted, the investments were risky and unsecured and there was no existing source of funds to pay investor redemptions or returns.

According to his plea agreement, Aldrich and Catipay established Prometheus in 2013. They then devised a business plan and began soliciting investors. According to the business plan, Prometheus would use investor funds to pay for marketing efforts to recruit potential plaintiffs for tort actions against the manufacturers of prescription drugs and medical devices. Any proceeds from those tort actions would fund investor redemptions and returns.

To convince investors to entrust Prometheus with their funds, Aldrich and Catipay created marketing materials for prospective investors. The marketing materials falsely stated that the tort plaintiffs that Prometheus identified through its legal marketing would, as soon as the claims were filed, be entitled immediately to funds from legal actions that had already been settled and for which funds had been placed on escrow.

In fact, only 1% of the tort plaintiffs' legal actions had been settled, and an overwhelming majority of the legal actions had not been litigated or successfully negotiated for settlement. The marketing materials also represented that investor funds, once received by Prometheus, were "100%" secured by a legally enforceable lien and that investors could redeem their investments on demand. The truth was that investor funds were never secured by a lien, and Prometheus had denied, and would continue to deny, a large majority of redemption demands received from investors.

In exchange for investing in a "Prepaid Forward Contract," Prometheus promised to pay investors returns ranging from 100% to 300%, depending on the amount invested and the time horizon for the investment. Based on these lies, and during the time the Aldrich was associated with Prometheus, approximately 200 investors entrusted Prometheus with more than $8.5 million. Despite the defendant's promises, Prometheus was only able to pay back approximately $300,000 of this amount. Most investors, many of them retirees, lost their entire investments.

United States Attorney Laura E. Duffy reminded investors to exercise appropriate caution when presented with unproven investments and promises of exorbitant returns. In a civil case filed by the Securities and Exchange Commission (SEC v. PLCMGMT LLC, et al., LACV16-02594-TJH), a District Court in the Central District of California has appointed a receiver to take control of Prometheus and recover investor funds.

"The FBI remains committed to uncovering fraud schemes that affect our community," said FBI Special Agent in Charge Eric S. Birnbaum. "Today's conviction is a reminder of the financial perils associated with high yield investment fraud scams." If you believe you are a victim of or otherwise have information concerning an investment fraud scheme, you are encouraged to contact the FBI at 1-800-CALL-FBI.

Aldrich is scheduled to appear before District Judge John A. Houston on February 13, 2017 for sentencing.

DEFENDANT	**16CR2688-JAH**	
David Aldrich	Age: 43	San Diego, CA

SUMMARY OF CHARGES

Conspiracy to Commit Securities Fraud, in violation of 18 U.S.C. § 371.

Maximum Penalties: 5 years' imprisonment, a maximum $250,000 fine (or twice the gross gain or loss caused by the offense), $100 special assessment, restitution.

AGENCIES

Federal Bureau of Investigation

Securities and Exchange Commission

CAS16-1122-Aldrich

USAO - California, Southern

Topic:

Financial Fraud

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