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### **FORMER MODESTO BUSINESSMAN INDICTED FOR BILKING INVESTORS OF OVER \$4 MILLION BY SELLING FRAUDULENT HIGH YIELD INVESTMENTS**

FRESNO--United States Attorney McGregor W. Scott announced today that JOHN MICHAEL PAPPAS, 43, formerly of Modesto, California was arrested this morning in Fresno by agents of the FBI and IRS. PAPPAS was indicted last week by a federal grand jury in Fresno for multiple counts of mail and securities fraud and money laundering resulting from his scheme to sell high yield fraudulent investments. The defendant faces a maximum of five years imprisonment on the mail and securities fraud counts and 10 and 20 years on the money laundering counts.

This case is a product of an extensive investigation conducted by the Federal Bureau of Investigation and the Internal Revenue Service.

According to Assistant United States Attorneys Stanley A. Boone and Sheila K. Oberto, who are prosecuting the case, the indictment charges the defendant with defrauding his investors by having them invest in high-yield investment securities, which promised rates of return of 12 to 14 percent per year with little risk. He sold investment opportunities in ATMs, pay telephones and promissory notes, secured by the defendant's own businesses and a gold mine. During this period of time, the defendant had been ordered by the California Department of Corporations to cease and desist selling his high-yield investment opportunities. Despite the order, the defendant continued to sell these programs to investors. The defendant then used the investors' monies to pay other investors their promised monthly rates of return and for his personal expenses, not for the promised purpose of the investment. The defendant operated his scheme using various business names such as The Pappas Group, Pappas Worldwide, Inc., Pappas Electronics LLC, Pappas Machines Transaction, with offices in Modesto and Fresno, California. As a result of entrusting their monies to the defendant, most investors lost their entire investment and many lost their entire life savings and retirement. Approximately \$4,113,625 was taken by the defendant as a result of his fraudulent conduct in connection with the sale of these investments.

The charges are only allegations and the defendant is presumed innocent until and unless proven guilty beyond a reasonable doubt.

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