

## PLEA AGREEMENT

United States v. Victor Jesus Noval,  
NO. CR 97-1005-JSL

INTRODUCTORY PARAGRAPH

1. This constitutes the plea agreement that has been offered to you by the United States Attorney's Office for the Central District of California ("this Office") in the above-referenced case. This agreement is limited to the United States Attorney's Office for the Central District of California and cannot bind any other federal, state or local prosecuting, administrative or regulatory authorities. This agreement applies only to criminal violations relating to you, except as otherwise set forth. If, after discussing this offer with your attorney, you and your attorney decide to accept this offer, please sign in the spaces provided below. If you do not accept this offer in writing by November 19, 1997, it is automatically withdrawn. In order to resolve this matter fairly and in a manner that accurately reflects your conduct, the terms of the agreement are as follows:

PLEA

2. You agree to waive a superseding indictment and plead guilty to a six-count first superseding information in United States v. Victor Jesus Noval, No. CR 97-1005-JSL, charging you with the following: five counts of 18 U.S.C. § 1341: Mail Fraud; and one count of 26 U.S.C. § 7201: Attempt to Evade Tax.

As to Counts One through Five, to be guilty of mail fraud, you must admit that you (1) devised a scheme for obtaining money by means of false or fraudulent pretenses, representations or promises, and in carrying out the scheme (2) placed or caused to be placed in a post office or authorized depository for mail matter, any mailing.

As to Count Six, to be guilty of attempted tax evasion, you must admit that you did willfully attempt to evade or defeat federal taxes in 1996.

By signing this agreement, you agree that you are, in fact, guilty of these offenses.

MAXIMUM SENTENCE AND RESTITUTION

3. Pursuant to 18 U.S.C. § 1341, the maximum sentence that

Plea Agreement for Victor Jesus Noval  
United States v. Victor Jesus Noval, No. CR 97-1005-JSL  
November 17, 1997

the Court can impose for a conviction on Counts One through Five is 5 years imprisonment, a \$250,000 fine, a five year term of supervised release, and a mandatory special assessment of \$100 per each count of conviction. As to Count Six, the maximum penalty that the Court can impose for conviction is five years imprisonment, a \$100,000 fine, a five year term of supervised release, and a mandatory special assessment of \$100.

4. If you are placed on supervised release following imprisonment and you violate one or more of the conditions of supervised release, you may be returned to prison for all or part of the term of supervised release, which could result in your serving a total term of imprisonment greater than the statutory maximum stated above. The Court can also order you to pay the costs of your imprisonment. You agree to pay your special assessment when you are sentenced. Pursuant to 18 U.S.C. § 3663(A), restitution is mandatory. You further agree that any restitution imposed by the Court may not be discharged, in whole or in part, in any present or future bankruptcy proceeding.

COOPERATION

5. You agree to cooperate fully with this Office, the Federal Bureau of Investigations, and any other federal, state or local law enforcement agency, as directed by this Office. As used in this Agreement, "cooperation" requires you:

- a. to respond truthfully and completely to any and all questions or inquiries that may be put to you, whether in interviews, before a grand jury or at any trial(s) or other court proceeding(s);
- b. to attend all meetings, grand jury sessions, trials and other proceedings at which your presence is requested by this Office or compelled by subpoena or court order; and
- c. to produce voluntarily any and all documents, records, or other tangible evidence relating to the matters about which this Office inquires.

Nothing in this agreement requires the government to accept any cooperation or assistance that you may choose to proffer. The decision whether and how to use any information and/or cooperation that you provide (if at all) is in the exclusive, reasonable discretion of this Office.

Plea Agreement for Victor Jesus Noval  
United States v. Victor Jesus Noval, No. CR 97-1005-JSL  
November 17, 1997

#### SENTENCING GUIDELINES

6. You understand that a sentencing guideline range for your case will be determined by the Court pursuant to the Sentencing Reform Act of 1984 at Title 18, United States Code, §§ 3551 through 3742 and Title 28, United States Code, §§ 991 through 998. You further understand that the Court will impose a sentence within that guideline range, unless the Court finds there is a basis for departure because there exists an aggravating or mitigating circumstance of a kind, or to a degree, not adequately taken into consideration by the Sentencing Commission in formulating the guidelines.

#### CONSIDERATION BY OFFICE BASED ON ACCEPTANCE OF RESPONSIBILITY

7. In exchange for your guilty plea and your complete fulfillment of all of your obligations under this agreement, this Office agrees:

a. At the time of sentencing, this Office will move to dismiss the remaining counts underlying the initial indictment as against you. You agree, however, that at the time of sentencing the Court may consider the dismissed counts in determining the applicable sentencing guideline range, and where your sentence should fall within the applicable sentencing guideline range.

b. To recommend a three-point reduction in the applicable sentencing guideline offense level, pursuant to sentencing guideline 3E1.1 provided you continue to demonstrate an acceptance of responsibility for this offense by virtue of your conduct up to and including the time of sentencing, and provided you accept the terms of this agreement.

"Acceptance of Responsibility" as used herein requires that you disclose to law enforcement officials the existence and status of all monies, property or assets, of any kind, derived from or acquired as a result of, or used to facilitate the commission of, your illegal activities, and agree to forfeit all right, title, and interest in and to such items.

c. Except as otherwise provided in this agreement, in the above-captioned case and in any other prosecution that may be

Plea Agreement for Victor Jesus Noval  
United States v. Victor Jesus Noval, No. CR 97-1005-JSL  
November 17, 1997

brought against you by this Office, the government will not offer in evidence in its case-in-chief, or in connection with any sentencing proceeding for the purpose of determining an appropriate sentence, any statements made by you or tangible evidence provided by you pursuant to paragraph 5 above. Notwithstanding this representation, the government may use (1) information derived directly or indirectly from such statements and tangible evidence for the purpose of obtaining and pursuing leads to evidence of crimes unrelated to this agreement, which evidence may be used for any purpose, including any prosecution of you by the government, and (2) such statements and tangible evidence and all evidence obtained directly or indirectly therefrom for the purpose of cross-examination should you testify, or to rebut any evidence, argument or representations offered by you or on your behalf in connection with the trial, at any sentencing proceeding, or in any other prosecution of you; (3) such statements and tangible evidence and all evidence obtained directly or indirectly therefrom in any prosecution for false statements, obstruction of justice or perjury stemming from your cooperation.

d. When you appear before the Court for sentencing, this Office will bring to the Court's attention: (a) the nature and extent of your cooperation, and (b) all other relevant information with respect to your background, character and conduct, including the conduct that is the subject of the counts of the underlying indictment that this Office has agreed to dismiss at sentencing. Further, this Office will be entitled to bring to the Court's attention and the Court will be entitled to consider your failure to fulfill any of your obligations under this agreement.

e. If this Office determines, in its exclusive judgment, that you have provided substantial assistance to law enforcement in the prosecution or investigation of another ("substantial assistance"), it will move the Court to impose a sentence below the sentencing range dictated by the sentencing guidelines pursuant to U.S.S.G. § 5K1.1 based upon your cooperation (a motion for "downward departure,") . A motion for a downward departure will be made provided that 1) you comply with all of your obligations under this agreement; 2) you are completely truthful, forthright, honest and candid at all times in your dealings with this Office; and 3) you do not violate any federal, state or local criminal laws. You understand that you cannot withdraw your plea of guilty if this Office does not file a motion for a downward departure because this Office has

Plea Agreement for Victor Jesus Noval  
United States v. Victor Jesus Noval, No. CR 97-1005-JSL  
November 17, 1997

determined, in its exclusive judgment, that you have failed to provide substantial assistance or because you have failed to satisfy each of the conditions set forth in this paragraph and in paragraph 5 above. You further understand that this Office has not made a determination as of this date whether any cooperation you have provided or will provide constitutes substantial assistance. This Office agrees, however, that its determination whether you have provided substantial assistance will not be contingent upon the outcome or success of any trial in which you testify.

#### ASSETS/FORFEITURE

8. You agree to disclose to law enforcement officials the existence and status of all monies, property or assets, of any kind, derived from or acquired as a result of, or used to facilitate the commission of, your illegal activities. You agree to execute and deliver to this Office a completed financial statement (Form OBD-500) listing your assets. You further agree to forfeit all right, title, and interest in and to such items. You specifically agree to forfeit all right, title and interest in and to the following assets:

a. \$31,396.76 seized from Bank of America Account Number 245217091 in the name of South Central Investments.

b. \$12,106.69 seized from Bank of America Account Number 599316020 in the name of STV.

c. \$3,753.10 seized from Imperial Bank Account Number 14077189 in the name of Novco Financial.

d. \$10,094.69 seized from Imperial Bank Account Number 14077952 in the name of United Car Wash d.b.a. Novco Financial.

e. \$2,725.34 seized from First Regional Bank Account Number 771055958 in the name of Southwestern Associates.

f. \$2,490.56 seized from First Regional Bank Account Number 771056342 in the name of STV.

g. \$7,258.81 seized from Desert Community Bank Account Number 510399106 in the name of Maria Noval.

Plea Agreement for Victor Jesus Noval  
United States v. Victor Jesus Noval, No. CR 97-1005-JSL  
November 17, 1997

*Handwritten:* \$ 79,000.05 AS

h. \$9,500 in cash seized from 1177 Linda Flora Drive, Los Angeles, California on October 3, 1997.

You admit that these assets are traceable to proceeds of your illegal activity in violation of 18 U.S.C. § 1341. In addition, you agree to forfeit all right, title and interest in the following real property: 23870 Long Valley Road, Hidden Hills, California, and 1177 Linda Flora Drive, Los Angeles, California and you admit the real properties were purchased with and/or mortgage payments were made with money traceable to proceeds of your illegal activity in violation of 18 U.S.C. § 1341.

9. You agree that you will cooperate with the government by taking whatever steps are necessary to pass clear title to the United States to the assets described above including, without limitation, the execution of a consent decree of forfeiture and the completing of any other legal documents, including grant deeds, required for the transfer of title to the United States. You further agree not to contest any administrative or civil judicial forfeiture action and waive notice of any forfeiture action which may be brought against the above listed assets.

10. You agree not to assist any other individual in contesting the forfeiture of the assets described above and agree that there was reasonable cause to seize such items. You also agree to prevent the disbursement of any and all the assets described above if said disbursements are within your direct or indirect interest or control.

11. You agree that forfeiture of assets described above shall not be treated as satisfaction of any fine, restitution, cost of imprisonment, or any other penalty the court may impose.

STATEMENT OF FACTS

12. You and this Office agree and stipulate to the following statement of facts in support of this plea:

Beginning on or about September 1, 1996, and continuing to on or about October 3, 1997, you and other co-schemers knowingly devised, participated in, and executed an equity skimming scheme to defraud the FHA and other financial

Plea Agreement for Victor Jesus Noval  
United States v. Victor Jesus Noval, No. CR 97-1005-JSL  
November 17, 1997

institutions. This scheme was carried out, in sum and substance, as follows:

MA  
1  
a. You created and controlled various shell corporations, including United Car Wash Corporation ("UCW"), Southwestern Associates ("SWA"), NOVCO Financial, and South Central Investments ("SCI"), which were used to purchase multi-unit apartment buildings ("subject properties") in the Los Angeles area. The subject properties, which were typically worth between \$100,000 to \$180,000, were found by individuals hired by you ("locators") to locate properties that fit a certain characteristic, including square footage and rough market value. Once you approved the subject properties for purchase, you caused the locators to prepare sales contracts for the subject properties and execute these contracts with the original owners of the subject properties. You then paid the locators \$3,000 to \$5,000 for each subject property that they found.

b. After the locator executed the sales contract for the purchase of the subject property on your behalf, you typically caused the subject property to be placed in escrow at Star Escrow ("escrow one"). Star Escrow was instructed by you to hold escrow one open until you subsequently sold the subject property to otherwise unqualified buyers that you and other co-schemers recruited. Within a few days of contracting to purchase the subject property, you hired appraisers to appraise the subject property at a certain fraudulent value, which would usually be \$100,000 to \$150,000 higher than the market value of the subject property. You would also instruct the appraisers to certify that all of the subject properties contained four residential units, even if the properties contain more than four units. You did this because you knew that the FHA only insured mortgages on properties that contain four or fewer units.

c. While 'escrow one' was being held open by Star Escrow, you hired individuals to recruit low-income persons ("qualifiers") to apply for loans at the fraudulently inflated appraisal value, purportedly to purchase the subject properties from your straw companies. You then hired individuals to create false financial documents for each qualifier, including false gift letters purporting to show that the qualifiers received gift payments that were to be used as down payments, and false IRS W-2 forms ("W-2s") purporting to show employment, wages earned, and

Plea Agreement for Victor Jesus Noval  
United States v. Victor Jesus Noval, No. CR 97-1005-JSL  
November 17, 1997

taxes withheld. You knew that the qualifiers did not receive gift payments from relatives because you provided the money to be used by the qualifiers as a gift payment. You then paid the qualifiers \$3,000 to \$5,000 for their participation.

d. Once the fraudulent loan applications were completed, you caused them to be submitted to Allstate Mortgage Company ("Allstate") for approval and funding. After the loans were approved and funded by Allstate, the money was sent to an escrow account at Benefit Escrow ("escrow two"). At the close of escrow two, a portion of the funds from the Allstate-funded loan was sent to escrow one to pay for the initial purchase of the subject property by your straw companies. The remaining funds from escrow two would ultimately be deposited into accounts controlled by you.

e. After the loan applications were approved by Allstate, Allstate mailed the loan applications to the FHA for insurance. In reliance on the false information and documents provided by you and your co-schemers, including the qualifiers' income information and the fraudulent appraisals, the FHA insured the loans submitted by Allstate. Although the subject properties were purchased in the qualifiers' names, the qualifiers did not control the subject property. You, through your company Bladerunner Property Management Services, managed the subject properties and collected rent payments from the tenants living in the apartments at the subject properties. You also caused payments to be made on the qualifiers' mortgages.

f. In addition, you willfully attempted to evade paying federal taxes by hiding the proceeds of this illegal scheme. Specifically, you purchased properties in the names of others, and transferred monies to various bank accounts in order to hide your ownership and control of the monies. In total, you admit to having willfully attempted to evade paying taxes on gross receipts totaling approximately \$748,510 for the 1996 tax year.

#### SENTENCING FACTORS

13. The parties agree and stipulate to the following applicable sentencing guideline factors, noting that any sentence given for Count Six, the tax evasion count, will run concurrently with defendant's sentence on Counts One to Five:



Plea Agreement for Victor Jesus Noval  
United States v. Victor Jesus Noval, No. CR 97-1005-JSL  
November 17, 1997

determination of your sentence. Rather, in determining the factual basis for the sentence, the Court will consider the stipulation, together with the results of the presentence investigation, and any other relevant information. You understand that if the Court ascertains factors different from those contained in the stipulation, you cannot, for that reason alone, withdraw your guilty plea.

15. You understand that there is no agreement as to your criminal history or criminal history category.

MUTUAL WAIVER OF APPEAL OF SENTENCE

16. You understand that Title 18, United States Code, Section 3742 gives you the right to appeal the sentence imposed by the Court. Acknowledging this, you knowingly and voluntarily waive your right to appeal any sentence imposed by the Court and the manner in which the sentence is determined so long as your sentence is within the applicable guideline range contemplated in this Agreement.

17. The government likewise agrees to voluntarily waive its right to appeal any sentence imposed by the Court and the manner in which the sentence is determined so long as the sentence is within the applicable guideline range contemplated in this Agreement.

WAIVER OF CONSTITUTIONAL RIGHTS

18. You understand that by pleading guilty, you will be giving up the following Constitutional rights: You have the right to plead not guilty, the right to be tried by a jury, or if you wish and with the consent of the government, to be tried by a judge. At a trial, you would have the right to an attorney and if you could not afford an attorney, the Court would appoint one to represent you. During the trial, you would be presumed innocent and a jury would be instructed that the burden of proof is on the government to prove you guilty beyond a reasonable doubt. You would have the right to confront and cross-examine witnesses against you. If you wished, you could testify on your own behalf and present evidence in your defense. On the other hand, if you did not wish to testify or present evidence, that fact could not be used against you and a jury would be so instructed. You would also have the right to call witnesses on your behalf. If you were found guilty after a trial, you would have the right to appeal that verdict to see if any errors had

Plea Agreement for Victor Jesus Noval  
United States v. Victor Jesus Noval, No. CR 97-1005-JSL  
November 17, 1997

been committed during trial that would require either a new trial or a dismissal of the charges. By pleading guilty, you will be giving up all of these rights, except the right to appeal a sentence pursuant 18 U.S.C. § 3742, with the exceptions noted above. By pleading guilty, you understand that you may have to answer questions posed to you by the Court both about the rights that you will be giving up and about the facts of this case. Any statements made by you during such a hearing would not be admissible during a trial, except in a criminal proceeding for perjury or false statements.

#### COURT NOT A PARTY

19. You understand that the Court is not a party to this agreement and the Court is under no obligation to accept this Office's recommendation regarding the sentence to be imposed. Further, if the Court should impose any sentence up to the maximum established by statute, you cannot, for that reason, withdraw your guilty plea, and will remain bound to fulfill all of your obligations, excepted as stated under this agreement. You understand that neither the prosecutor, your attorney, nor the Court can make a binding prediction or promise regarding the sentence you will receive.

#### BREACH OF AGREEMENT

20. You must at all times give complete, truthful and accurate information and testimony and must not commit any crimes whatever while cooperating with the government. If you commit any crimes or if any of your statements or testimony prove to be false, misleading or materially incomplete, or if you otherwise violate this Agreement in any way, this Office will no longer be bound by its representations to you concerning the limits on criminal prosecution or sentencing recommendation, as set forth above. You shall also be subject to prosecution for perjury, false statements and obstruction of justice. Your disclosures pursuant to this Agreement will constitute a waiver of your Fifth Amendment privilege against compulsory self-incrimination. Thus, any future prosecution may be premised on statements and/or information provided by you to this Office or other designated law enforcement agents, or on any testimony given by you before a grand jury or other tribunal, whether before or after this Agreement, and any such statements, information, and/or testimony shall be admissible in evidence in any and all criminal, civil or administrative proceedings hereafter brought against you by this Office. Further, you shall assert no claim under the United

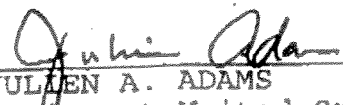
110. FEB 11 30 10:03 AM 1005 1100  
Plea Agreement for Victor Jesus Noval  
United States v. Victor Jesus Noval, No. CR 97-1005-JSL  
November 17, 1997


States Constitution, any statute, Rule 11(e)(6) of the Federal Rules of Criminal Procedure, Rule 410 of the Federal Rules of Evidence, or any other federal rule, that statements made by you before or after this Agreement, or any leads derived therefrom, should be suppressed. By signing this Agreement, you waive any and all rights in the foregoing respects. Finally, any prosecutions that are not time-barred by the applicable statute of limitations on the date of the signing of this Agreement may be commenced against you in accordance with this paragraph, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of any such prosecutions. You agree to waive any and all defenses based on the statute of limitations with respect to any prosecutions that are not time-barred on the date you sign this Agreement.

NO ADDITIONAL AGREEMENTS

21. Except as expressly set forth herein, there are no additional promises, understandings or agreements between the government and you or your counsel concerning any other criminal prosecution, civil litigation or administrative proceeding relating to any other federal, state or local charges that may now be pending or hereafter be brought against you, or the sentence that might be imposed as a result of your guilty plea pursuant to this Agreement. Nor may any additional agreement, understanding or condition be entered into unless in writing and signed by all parties.

If you fully accept each and every term and condition of this Agreement, please sign and have your attorney sign the original and return it to me promptly.

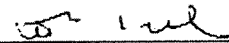
  
\_\_\_\_\_  
JULIEN A. ADAMS  
Assistant United States Attorney  
Public Corruption & Government Fraud Section

  
\_\_\_\_\_  
JONATHAN S. SHAPIRO  
Assistant United States Attorney  
Public Corruption & Government Fraud Section

Plea Agreement for Victor Jesus Noval  
United States v. Victor Jesus Noval, No. CR 97-1005-JSL  
November 17, 1997

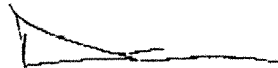
I have read this agreement and have carefully reviewed every part of it with my attorney. I understand it, and I voluntarily agree to it. Further, I have consulted with my attorney and fully understand my rights with respect to the provisions of the Sentencing Guidelines which may apply to my case. No other promises or inducements have been made to me, other than those contained in this letter. In addition, no one has threatened or forced me in any way to enter into this agreement. Finally, I am satisfied with the representation of my attorney in this matter. Finally, I have talked with my attorney about all possible conflicts. I waive on direct, indirect, or collateral appeal based any claim of conflict of interest. By signing this, I affirm, again, that in the face of possible conflicts to which I was informed by the government and this Court, I discussed the matter with my attorney, chose him to remain my lawyer, and waive any future complaints based on any conflict argument.

11-17-97  
Date

  
VICTOR JESUS NOVAL  
Defendant

We have carefully reviewed every part of this agreement with my client. Further, we have reviewed with our client the provisions of the Sentencing Guidelines which may apply in this case. To our knowledge, our client's decision to enter into this agreement is an informed and voluntary one as to all aspects of the agreement.

11-17-97  
Date

  
DONALD M. RE  
Counsel for Defendant

11-17-97  
Date

  
MICHAEL R. YAMARI  
Counsel for Defendant