

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

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For Immediate Release

San Diego Businessman Indicted in Scheme to Defraud Federal Housing Agency and Local Indian Tribe

NEWS RELEASE SUMMARY – August 14, 2013

SAN DIEGO – A federal grand jury has indicted San Diego businessman Michael A. Smith on charges that he engaged in an elaborate scheme to defraud the Department of Housing and Urban Development (HUD) and the Mesa Grande Band of Mission Indians out of \$1.25 million.

According to an indictment unsealed yesterday, Smith learned that the Mesa Grande Band of Mission Indians, located in San Diego County, had access to a HUD Special Purpose Grant worth \$1.25 million. Smith then devised a scheme to obtain the funds by misrepresenting that his company, the Paradigm Group, had a housing factory that the tribe could use the grant funds to invest in.

The indictment alleges that Smith falsely represented in an addendum to a contract with the tribe that the grant money would be used by the tribe to purchase panelized housing manufacturing equipment. Per the indictment, HUD then released the funds to the tribe on the basis of that addendum, as well as a phony invoice prepared by Smith indicating that equipment had already been purchased by the tribe, and the tribe then transferred the funds to Smith. The indictment alleges, however, that neither Smith nor the Paradigm Group used the funds to purchase the equipment on the phony invoice. Instead, Smith used a substantial portion of the grant money improperly by repaying personal debts and funding his own lavish lifestyle, including a timeshare private jet, personal limousine service, and exotic wood furniture for The Paradigm Group's offices.

On August 13, 2013, Smith made his initial appearance before U.S. Magistrate Judge Bernard G. Skomal and entered a plea of not guilty to the indictment. Magistrate Judge Skomal set bail at \$50,000 and set Smith's next court appearance on September 30, 2013 at 2:00 P.M. before U.S. District Judge Marilyn L. Huff.

James Todak, Special Agent In Charge of HUD's Office of the Inspector General, said: "Ensuring that HUD funds designated to provide economic stimulus to Indian tribes are expended appropriately is a priority for our Department. The indictment and arrest of Michael Smith shows our commitment to this important use of government funds."

***The public is reminded that an indictment is not evidence that the defendant committed the crime charged. The defendant is presumed innocent until the United States meets its burden in court of proving guilt beyond a reasonable doubt.**

DEFENDANT

Criminal Case No. 13CR2909

MICHAEL SMITH

SUMMARY OF CHARGES

Title 18, U.S.C., Section 1343 -- Wire Fraud.

Maximum Penalty: 20 years in custody, a maximum fine of \$250,000, three years supervised release.

Title 18, U.S.C., Section 1957 – Money Laundering. Maximum Penalty 10 years in custody, a maximum fine of \$250,000, three years supervised release.