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9 UNITED STATES OF AMERICA

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CLERK U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIF.
LOS ANGELES

FILED

10 UNITED STATES DISTRICT COURT

11 FOR THE CENTRAL DISTRICT OF CALIFORNIA

12 UNITED STATES OF AMERICA,)
13 Plaintiff,)
14 v.)
15 JUSTIN PAPERNY,)
16 Defendant.)

No. CR 07-07-00060
PLEA AGREEMENT FOR DEFENDANT
JUSTIN PAPERNY

17
18 1. This constitutes the plea agreement between Justin
19 Paperny ("defendant") and the United States Attorney's Office for
20 the Central District of California ("the USAO") in the above-
21 captioned case. This agreement is limited to the USAO and cannot
22 bind any other federal, state or local prosecuting,
23 administrative or regulatory authorities.

24 PLEA

25 2. Defendant understands and gives up the right to
26 indictment by a grand jury in this matter and agrees to plead
27 guilty to a one-count information in the form attached to this
28 agreement or a substantially similar form.

1 result in defendant serving a total term of imprisonment greater
2 than the statutory maximum stated above.

3 6. Defendant understands that defendant may be required to
4 pay full restitution to the victims of the offense.

5 7. Defendant also understands that, by pleading guilty,
6 defendant may be giving up valuable United States government
7 benefits and valuable civic rights, such as the right to vote,
8 the right to possess a firearm, the right to hold office, and the
9 right to serve on a jury.

10 8. Defendant further understands that the conviction in
11 this case may subject defendant to various collateral
12 consequences, including but not limited to, deportation from the
13 United States, revocation of probation, parole, or supervised
14 release in another case, and suspension or revocation of a
15 professional license. Defendant understands that unanticipated
16 collateral consequences will not serve as grounds to withdraw
17 defendant's plea of guilty.

18 FACTUAL BASIS

19 9. Defendant and the USAO agree and stipulate to the
20 statement of facts attached hereto as Exhibit "A" and
21 incorporated herein by reference. This statement of facts
22 includes facts sufficient to support a plea of guilty to the
23 charge described in this agreement and to establish the agreed
24 upon sentencing guideline factors set forth in paragraph 12
25 below. It is not meant to be a complete recitation of all facts
26 relevant to the underlying criminal conduct or all facts known to
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1 defendant that relate to that conduct.

2 WAIVER OF CONSTITUTIONAL RIGHTS

3 10. By pleading guilty, defendant gives up the following
4 rights:

5 a) The right to persist in a plea of not guilty.

6 b) The right to a speedy and public trial by jury.

7 c) The right to the assistance of legal counsel at
8 trial, including the right to have the Court appoint counsel for
9 defendant for the purpose of representation at trial. (In this
10 regard, defendant understands that, despite his plea of guilty,
11 he retains the right to be represented by counsel - and, if
12 necessary, to have the court appoint counsel if defendant cannot
13 afford counsel - at every other stage of the proceedings.)

14 d) The right to be presumed innocent and to have the
15 burden of proof placed on the government to prove defendant
16 guilty beyond a reasonable doubt.

17 e) The right to confront and cross-examine witnesses
18 against defendant.

19 f) The right, if defendant wished, to testify on
20 defendant's own behalf and present evidence in opposition to the
21 charges, including the right to call witnesses and to subpoena
22 those witnesses to testify.

23 g) The right not to be compelled to testify, and, if
24 defendant chose not to testify or present evidence, to have that
25 choice not be used against defendant.

26 By pleading guilty, defendant also gives up any and all
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1 rights to pursue any affirmative defenses, Fourth Amendment or
2 Fifth Amendment claims, and other pretrial motions that have been
3 filed or could be filed.

4 SENTENCING FACTORS

5 11. Defendant understands that the Court is required to
6 consider the United States Sentencing Guidelines ("U.S.S.G." or
7 "Sentencing Guidelines") among other factors in determining
8 defendant's sentence. Defendant understands, however, that, the
9 Sentencing Guidelines are only advisory and that after
10 considering the Sentencing Guidelines, the Court is free to
11 exercise its discretion to impose any reasonable sentence up to
12 the maximum set by statute for the crime of conviction.

13 12. Defendant and the USAO agree and stipulate that the
14 November 1, 2004 version of the Sentencing Guidelines apply and
15 to the following applicable sentencing guideline factors:

16	Base Offense:	6	(U.S.S.G. § 2B1.1)
17	Loss (\$2.5+ million)	+18	(U.S.S.G. § 2B1.1(b) (1) (N))
18	More Than 10 Victims:	+2	(U.S.S.G. § 2B1.1(b) (2) (A))
19	Sophisticated Means:	+2	(U.S.S.G. § 2B1.1(b) (8) (C))
20	Registered Broker or:	+4	(U.S.S.G. §§
21	Investment Advisor		2B1.1(b) (12) (B) (ii), (iii))
22	Acceptance:	-3	(U.S.S.G. § 3E1.1)
23	TOTAL OFFENSE LEVEL:	29 ¹	

24 _____
25 ¹ Pursuant to U.S.S.G. § 5G1.1, where the statutorily
26 authorized maximum sentence is less than the minimum of the
27 applicable Sentencing Guideline range, the statutorily authorized
28 total offense level in this case shall be level 25.

1 Defendant and the USAO agree not to seek, argue, or suggest in
2 any way, either orally or in writing, that any other specific
3 offense characteristics or adjustments apply, but reserve the
4 right to argue that departures may be appropriate except, as
5 follows and as set forth in paragraphs 17(b) and 17(e) below.
6 First, the applicability of the adjustment for acceptance of
7 responsibility is subject to the conditions set forth in
8 paragraph 17(b) below. Second, the government maintains the
9 discretion and the right to seek a downward departure pursuant to
10 U.S.S.G. § 5K1.1, as set forth in paragraph 17(e) below. Third,
11 if after signing this agreement but prior to sentencing,
12 defendant were to commit an act, or the USAO were to discover a
13 previously undiscovered act committed by defendant prior to
14 signing this agreement, which act, in the judgment of the USAO,
15 constituted obstruction of justice within the meaning of U.S.S.G.
16 § 3C1.1, the USAO would be free to seek the enhancement set forth
17 in that section.

18 13. There is no agreement as to defendant's criminal
19 history or criminal history category.

20 14. The stipulations in this agreement do not bind either
21 the United States Probation Office or the Court. Both defendant
22 and the USAO are free to: (a) supplement the facts stipulated to
23 in this agreement by supplying relevant information to the United
24 States Probation Office and the Court, (b) correct any and all
25 factual misstatements relating to the calculation of the
26 sentence, and (c) argue on appeal and collateral review that the

1 Court's Sentencing Guidelines calculations are not error,
2 although each party agrees to maintain its view that the
3 calculations in paragraph 12 are consistent with the facts of
4 this case.

5 DEFENDANT'S OBLIGATIONS

6 15. Defendant agrees that he will:

7 a) Plead guilty as set forth in this agreement.

8 b) Not knowingly and willfully fail to abide by all
9 sentencing stipulations contained in this agreement.

10 c) Not knowingly and willfully fail to: (i) appear as
11 ordered for all court appearances, (ii) surrender as ordered for
12 service of sentence, (iii) obey all conditions of any bond, and
13 (iv) obey any other ongoing court order in this matter.

14 d) Not to commit any crime; however, offenses which
15 would be excluded for sentencing purposes under U.S.S.G.
16 § 4A1.2(c) are not within the scope of this agreement.

17 e) Not knowingly and willfully fail to be truthful at
18 all times with Pretrial Services, the U.S. Probation Office, and
19 the Court.

20 f) Pay the applicable special assessment at or before
21 the time of sentencing unless defendant lacks the ability to pay.

22 16. Defendant further agrees to cooperate fully with the
23 USAO, the Federal Bureau of Investigation, the Internal Revenue
24 Service, the Securities and Exchange Commission, and, as directed
25 by the USAO, with any other federal, state, or local or foreign
26 law enforcement or regulatory agency. This cooperation requires
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1 defendant to:

2 a) Respond truthfully and completely to all questions
3 that may be put to defendant, whether in interviews, before a
4 grand jury, or at any trial or other court proceeding.

5 b) Attend all meetings, grand jury sessions, trials
6 or other proceedings at which defendant's presence is requested
7 by the USAO or compelled by subpoena or court order.

8 c) Produce voluntarily all documents, records, or
9 other tangible evidence relating to matters about which the USAO,
10 or its designee, inquires.

11 THE USAO'S OBLIGATIONS

12 17. If defendant complies fully with all defendant's
13 obligations under this agreement, the USAO agrees:

14 a) To abide by all sentencing stipulations contained
15 in this agreement.

16 b) At the time of sentencing, provided that defendant
17 demonstrates an acceptance of responsibility for the offense up
18 to and including the time of sentencing, to recommend a two-level
19 reduction in the applicable sentencing guideline offense level,
20 pursuant to U.S.S.G. § 3E1.1, and to recommend, and if necessary,
21 move for an additional one-level reduction if available under
22 that section.

23 c) Not to offer as evidence in its case-in-chief in
24 the above-captioned case or any other prosecution that may be
25 brought against defendant by the USAO, or in connection with any
26 sentencing proceeding in any case that may be brought against
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1 factual basis set forth in Exhibit "A". Defendant understands
2 that the USAO is free to prosecute defendant for any other
3 unlawful past conduct or any unlawful conduct that occurs after
4 the date of this agreement. Defendant agrees that at the time of
5 sentencing the Court may consider the uncharged conduct in
6 determining the appropriate Sentencing Guidelines range, where
7 the sentence should fall within that range, and the propriety and
8 extent of any departure from that range.

9 DEFENDANT'S UNDERSTANDINGS REGARDING SUBSTANTIAL ASSISTANCE

10 18. Defendant understands the following:

11 a) Any knowingly false or misleading statement by
12 defendant will subject defendant to prosecution for false
13 statement, obstruction of justice, and perjury and will
14 constitute a breach by defendant of this agreement.

15 b) Nothing in this agreement requires the USAO or any
16 other prosecuting or law enforcement agency to accept any
17 cooperation or assistance that defendant may offer, or to use it
18 in any particular way.

19 c) Defendant cannot withdraw defendant's guilty plea
20 if the USAO does not make a motion pursuant to U.S.S.G. § 5K1.1
21 for a reduced sentence or if the USAO makes such a motion and the
22 Court does not grant it.

23 d) At this time the USAO makes no agreement or
24 representation as to whether any cooperation that defendant has
25 provided or intends to provide constitutes substantial
26 assistance. The decision whether defendant has provided
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1 substantial assistance rests solely within the discretion of the
2 USAO.

3 e) The USAO's determination of whether defendant has
4 provided substantial assistance will not depend in any way on
5 whether the government prevails at any trial or court hearing in
6 which defendant testifies.

7 BREACH OF AGREEMENT

8 19. If defendant, at any time between the execution of this
9 agreement and the completion of defendant's cooperation pursuant
10 to the agreement or defendant's sentencing on a non-custodial
11 sentence or surrender for service on a custodial sentence,
12 whichever is later, knowingly violates or fails to perform any of
13 defendant's obligations under this agreement ("a breach"), the
14 USAO may declare this agreement breached. For example, if the
15 defendant knowingly in an interview, before a grand jury, or at
16 trial, falsely accuses another person of criminal conduct or
17 falsely minimizes his own role, or the role of another, in
18 criminal conduct, he will have breached this agreement. If the
19 USAO declares this agreement breached, and the Court finds such a
20 breach to have occurred, defendant will not be able to withdraw
21 defendant's guilty plea, and the USAO will be relieved of all of
22 its obligations under this agreement. In particular:

23 a) The USAO will no longer be bound by any agreements
24 concerning sentencing and will be free to seek any sentence up to
25 the statutory maximum for the crime to which defendant has
26 pleaded guilty.

1 b) The USAO will no longer be bound by any agreements
2 regarding criminal prosecution, and will be free to prosecute
3 defendant for any crime, including charges that the USAO would
4 otherwise have been obligated to dismiss or not to prosecute
5 pursuant to this agreement.

6 c) The USAO will be free to prosecute defendant for
7 false statement, obstruction of justice, and perjury based on any
8 knowingly false or misleading statement by defendant.

9 d) The USAO will no longer be bound by any agreement
10 regarding the use of statements, documents, records, tangible
11 evidence, or information provided by defendant, and will be free
12 to use any of those in any way in any investigation, prosecution,
13 or civil or administrative action. Defendant will not be able to
14 assert either (1) that those statements, documents, records,
15 tangible evidence, or information were obtained in violation of
16 the Fifth Amendment privilege against compelled self-
17 incrimination, or (2) any claim under the United States
18 Constitution, any statute, Rule 11(f) of the Federal Rules of
19 Criminal Procedure, Rule 410 of the Federal Rules of Evidence, or
20 any other federal rule, that statements, documents, records,
21 tangible evidence, or information provided by defendant before or
22 after the signing of this agreement, or any leads derived
23 therefrom, should be inadmissible.

24 20. Following a knowing and willful breach of this
25 agreement by defendant, should the USAO elect to pursue any
26 charge or any civil or administrative action that was either
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1 dismissed or not filed as a result of this agreement, then:

2 a) Defendant agrees that the applicable statute of
3 limitations is tolled between the date of defendant's signing of
4 this agreement and the commencement of any such prosecution or
5 action.

6 b) Defendant gives up all defenses based on the
7 statute of limitations, any claim of preindictment delay, or any
8 speedy trial claim with respect to any such prosecution or
9 action, except to the extent that such defenses existed as of the
10 date of defendant's signing of this agreement.

11 c) Defendant agrees that: i) any statements made by
12 defendant, under oath, at the guilty plea hearing; ii) the
13 stipulated factual basis statement in this agreement; and
14 iii) any evidence derived from such statements, are admissible
15 against defendant in any future prosecution of defendant, and
16 defendant shall assert no claim under the United States
17 Constitution, any statute, Rule 410 of the Federal Rules of
18 Evidence, Rule 11(f) of the Federal Rules of Criminal Procedure,
19 or any other federal rule, that the statements or any evidence
20 derived from any statements should be suppressed or are
21 inadmissible.

22 WAIVER OF APPEAL AND COLLATERAL ATTACK

23 21. Defendant gives up the right to appeal any sentence
24 imposed by the Court, including any order of restitution, and the
25 manner in which the sentence is determined, provided that the
26 sentence is within the statutory maximum specified above and is
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1 constitutional. Defendant also gives up any right to bring a
2 post-conviction collateral attack on the conviction or sentence,
3 including any order of restitution, except a post-conviction
4 collateral attack based on a claim of ineffective assistance of
5 counsel, a claim of newly discovered evidence, or an explicitly
6 retroactive change in the applicable Sentencing Guidelines,
7 sentencing statutes, or statutes of conviction. Notwithstanding
8 the foregoing, defendant retains the ability to appeal the
9 Court's determination of the conditions of probation or
10 supervised release imposed by the Court, with the exception of
11 the following: standard conditions set forth in district court
12 General Orders 318 and 01-05; the drug testing conditions
13 mandated by 18 U.S.C. §§ 3563(a)(5) and 3583(d); and the alcohol
14 and drug use conditions authorized by 18 U.S.C. § 3563(b)(7).

15 RESULT OF VACATUR, REVERSAL OR SET-ASIDE

16 22. Defendant agrees that if the count of conviction is
17 vacated, reversed, or set aside, the USAO may ask the Court to
18 void the entire plea agreement, with both the USAO and defendant
19 being released from all of their obligations under this
20 agreement.

21 COURT NOT A PARTY

22 23. The Court is not a party to this agreement and need not
23 accept any of the USAO's sentencing recommendations or the
24 parties' stipulations. Even if the Court ignores any sentencing
25 recommendation, finds facts or reaches conclusions different from
26 any stipulation, and/or imposes any sentence up to the maximum
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1 established by statute, defendant cannot, for that reason,
2 withdraw defendant's guilty plea, and defendant will remain bound
3 to fulfill all defendant's obligations under this agreement. No
4 one -- not the prosecutor, defendant's attorney, or the Court --
5 can make a binding prediction or promise regarding the sentence
6 defendant will receive, except that it will be within the
7 statutory maximum.

8 NO ADDITIONAL AGREEMENTS

9 24. Except as set forth herein, there are no promises,
10 understandings or agreements between the USAO and defendant or
11 defendant's counsel. This agreement supersedes and replaces the
12 Letter Agreement. Nor may any additional agreement,
13 understanding or condition be entered into unless in a writing
14 signed by all parties or on the record in court.

15 PLEA AGREEMENT PART OF THE GUILTY PLEA HEARING

16 25. The parties agree and stipulate that this agreement
17 will be considered part of the record of defendant's guilty plea

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1 hearing as if the entire agreement had been read into the record
2 of the proceeding.

3 This agreement is effective upon signature by defendant and
4 an Assistant United States Attorney.

5 AGREED AND ACCEPTED

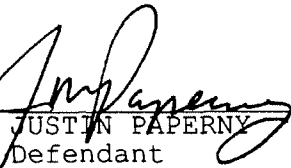
6 UNITED STATES ATTORNEY'S OFFICE
7 FOR THE CENTRAL DISTRICT OF CALIFORNIA

8 GEORGE S. CARDONA
9 Acting United States Attorney

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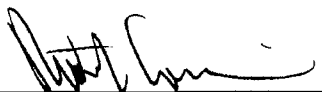
11 DAVID K. WILLINGHAM
12 Assistant United States Attorney
13 Deputy Chief, Major Frauds Section

14 I have read this agreement and carefully discussed every
15 part of it with my attorneys. I understand the terms of this
16 agreement, and I voluntarily agree to those terms. My attorneys
17 have advised me of my rights, of possible defenses, of the
18 Sentencing Guideline provisions, and of the consequences of
19 entering into this agreement. No promises or inducements have
20 been made to me other than those contained in this agreement. No
21 one has threatened or forced me in any way to enter into this
22 agreement. Finally, I am satisfied with the representation of my
23 attorney in this matter.

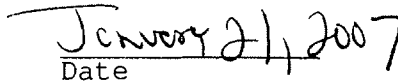
24 
25 JUSTIN PAPERNY
26 Defendant

27 1/21/07
28 Date

1 We are Justin Paperny's attorneys. We have carefully
2 discussed every part of this agreement with our client. Further,
3 we have fully advised our client of his rights, of possible
4 defenses, of the Sentencing Guidelines' provisions, and of the
5 consequences of entering into this agreement. To our knowledge,
6 our client's decision to enter into this agreement is an informed
7 and voluntary one.

8 

9 _____
10 ROBERT CORBIN
11 JOEL ATHEY
12 Attorneys for Defendant
13 JUSTIN PAPERNY

14 
15 _____
16 Date

1 unauthorized purposes, including the purchase of personal and
2 real property.

3 d. From approximately December 1998 to March 2000,
4 defendant JUSTIN PAPERNY ("PAPERNY") was a co-worker of Co-
5 Conspirator GILABERT in the Los Angeles office of a major
6 brokerage firm ("BROKERAGE FIRM #1"). In or about March 2000,
7 Co-Conspirator GILABERT left BROKERAGE FIRM #1 to found CMG. By
8 June 2001, defendant PAPERNY worked in the Los Angeles office of
9 a different brokerage firm ("BROKERAGE FIRM #2"). In or about
10 July 2002, co-conspirator GILABERT transferred the assets of CMG
11 to BROKERAGE FIRM #2 into an account set up for GLT. Defendant
12 PAPERNY served as one of two account managers for the GLT account
13 at BROKERAGE FIRM #2, and was also an account vice-president at
14 BROKERAGE FIRM #2. The other GLT account manager ("Co-Account
15 Manager") was a Senior Vice President at BROKERAGE FIRM #2 who
16 worked with defendant PAPERNY on the GLT account. Co-Conspirator
17 GILABERT made trades through a number of brokerage firms,
18 including through BROKERAGE FIRM #2. In addition, BROKERAGE FIRM
19 #2 acted as the custodian of assets for GLT's funds and as the
20 trading clearing house for all GLT trades, whether made through
21 BROKERAGE FIRM #2 or any other brokerage firm. At all relevant
22 times, defendant PAPERNY has been a registered broker, holding a
23 license to sell securities as an associate of major brokerage
24 firms.

25 e. From at least September 2000 through January 2005, CMG
26 was a company operated by Co-Conspirator GILABERT that purported
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1 to offer investments in GLT. Between September of 2000 and
2 January 2005, Co-Conspirator GILABERT received more than \$7
3 million from more than 40 investor clients in CMG. Since at
4 least 2002, Co-Conspirator GILABERT and CMG represented to
5 investors that it had been in business since 1997, and had seen
6 annual returns averaging approximately 27 percent. In fact, Co-
7 Conspirator GILABERT had not operated CMG in 1997 and CMG had not
8 been in business since 1997. Moreover, since its inception, CMG
9 and GLT had not earned a 27 percent rate of return for investors
10 and had in fact lost and misappropriated investor's funds
11 throughout most of its operation.

12 f. Co-Conspirator GILABERT directed the trades of stock on
13 behalf of CMG's clients. In order to effect these stock trades,
14 Co-Conspirator GILABERT utilized the services of several
15 brokerage firms, including BROKERAGE FIRM #2, which was a
16 nationwide brokerage firm that, beginning in July 2002, served as
17 both the custodian of assets and trade clearing house for GLT.

18 g. Between at least April 2002 and January 2005, Co-
19 Conspirator GILABERT conspired with defendant PAPERNY to mislead
20 current and prospective investors of CMG with regard to, among
21 other things: (1) the investment strategy (and hence risk) that
22 would be used by GLT in making trades; (2) the oversight of GLT
23 by BROKERAGE FIRM #2; and (3) BROKERAGE FIRM #2's endorsement of
24 Co-Conspirator GILABERT's qualifications and ability to
25 effectively manage trading activity of GLT.

1 h. Despite knowing of Co-Conspirator GILABERT's
2 misrepresentations to current and potential investors regarding
3 GLT, defendant PAPERNY met with Co-Conspirator GILABERT and some
4 current and potential investors, and knowingly made false
5 statements to those investors with regard to, among other things:
6 (1) the investment strategy (and hence risk) that would be used
7 by GLT in making trades; (2) the oversight of GLT by BROKERAGE
8 FIRM #2; (3) BROKERAGE FIRM #2's endorsement of Co-Conspirator
9 GILABERT's qualifications and ability to effectively manage
10 trading activity of GLT; and (4) the actual value of a current
11 investor's assets and investment strategy. Co-Account Manager
12 was aware of and endorsed a number of defendant PAPERNY's and Co-
13 Conspirator GILABERT's fraudulent activities.

14 i. For example, in early 2002, Co-Conspirator GILABERT was
15 attempting to get prospective investor S.B. to invest a
16 substantial sum of money with CMG. As part of that process, Co-
17 Conspirator GILABERT asked defendant PAPERNY to send him an
18 electronic communication that would give the misimpression that
19 BROKERAGE FIRM #2 would make shares of a highly-anticipated
20 initial public offering ("IPO") available to Co-Conspirator
21 GILABERT. Defendant PAPERNY did so knowing that Co-Conspirator
22 GILABERT would use the electronic communication to mislead S.B.
23 into believing that if S.B. invested in CMG, he too would receive
24 some of those IPO shares. Pursuant to their agreement, defendant
25 PAPERNY sent an electronic communication (via interstate wire) to
26 Co-Conspirator GILABERT reflecting Co-Conspirator GILABERT's
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1 access to the IPO shares for CMG's clients, when in fact
2 defendant PAPERNY knew at the time he sent the electronic
3 communication that BROKERAGE FIRM #2 would not be able to provide
4 Co-Conspirator GILABERT with shares of the IPO. This electronic
5 communication from defendant PAPERNY was given to S.B. by Co-
6 Conspirator GILABERT and was an important factor in S.B.'s
7 ultimate decision to invest with CMG. Subsequently, the funds
8 S.B. invested in CMG were transferred to BROKERAGE FIRM #2's
9 account for GLT, along with all other CMG funds. Co-Account
10 Manager was aware of defendant PAPERNY's electronic communication
11 to Co-Conspirator GILABERT and that the purpose of the
12 communication was to mislead S.B. in an effort to have him invest
13 in CMG and GLT.

14 j. In or about late 2003, defendant PAPERNY attended a
15 meeting with, among others, Co-Conspirator GILABERT and S.B. At
16 the meeting, Co-Conspirator GILABERT made statements to S.B. that
17 defendant PAPERNY knew to be false, including: (1) the current
18 value of S.B.'s investment in GLT; and (2) the investment
19 strategy that would be used going forward regarding S.B.'s assets
20 in GLT. Defendant PAPERNY knew these statements to be false but
21 said nothing to correct them, despite knowing that S.B. had
22 requested defendant PAPERNY to attend the meeting as a
23 representative of BROKERAGE FIRM #2, in order to provide further
24 comfort to S.B. regarding his investment in GLT. In addition,
25 defendant PAPERNY made affirmative misrepresentations to S.B. at
26 the same meeting, including: (1) confirming the value of S.B.'s
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1 investment in GLT to be substantially higher than defendant
2 PAPERNY knew it to be at that time; and (2) stating that S.B.'s
3 assets (which were not as high as discussed at the meeting) would
4 be invested more conservatively in the future so that the
5 falsely-inflated value that S.B. was led to believe existed,
6 would be at less risk. Immediately after the meeting, defendant
7 PAPERNY purchased Treasury bonds, in accordance with instructions
8 given at the meeting that S.B. wanted a more conservative
9 investment. Shortly after the Treasury bonds were purchased, Co-
10 Conspirator GILABERT instructed Co-Account Manager to sell the
11 bonds, thereby making additional cash funds available to further
12 Co-Conspirator GILABERT's fraudulent schemes. Co-Account Manager
13 was aware that Co-Conspirator GILABERT had lost most of the money
14 in GLT and that Co-Conspirator GILABERT was concealing these
15 losses from S.B. by misrepresenting that S.B.'s investments were
16 secure and had not sustained significant losses. Co-Conspirator
17 GILABERT told Co-Account Manager that the only reason for buying
18 the Treasury bonds in the first place was to be able to show S.B.
19 the purchase confirmation.

20 k. In or about October 2004, defendant PAPERNY was
21 contacted by S.D., who indicated he had several clients who
22 wanted to invest money in GLT. Defendant PAPERNY sent paperwork
23 to S.D. in order for the clients to open new accounts with
24 BROKERAGE FIRM #2 (which was a necessary predicate for their
25 money to be transferred to GLT). Along with this paperwork,
26 defendant PAPERNY sent an electronic communication to S.D.

1 (copied to Co-Conspirator GILABERT and Co-Account Manager) giving
2 the impression that BROKERAGE FIRM #2 had a detailed system in
3 place to open and transfer all accounts to GLT. In this
4 electronic communication, defendant PAPERNY gave the impression
5 that he had worked with Co-Conspirator GILABERT for some time and
6 that BROKERAGE FIRM #2 and defendant PAPERNY had a well-tested
7 system in place to work with hedge funds and that the transfer of
8 S.D.'s client's accounts would be seamless and efficient. At the
9 time he sent this electronic communication, defendant PAPERNY
10 knew that GLT's true value was quite low and GLT was continuing
11 to lose money. Defendant PAPERNY understood that the electronic
12 communication, sent by a representative from BROKERAGE FIRM #2,
13 would create the misimpression that GLT was a reputable hedge
14 fund.

15 1. Defendant PAPERNY repeatedly informed various
16 management and supervisory personnel at BROKERAGE FIRM #2, among
17 other things, that: (i) GLT was performing poorly, and (ii) GLT
18 was not following its stated investment strategy. More than one
19 manager at BROKERAGE FIRM #2, despite being aware that GLT had
20 suffered enormous losses, authorized and encouraged defendant
21 PAPERNY to continue moving investor money to GLT's account at
22 BROKERAGE FIRM #2 because the fees earned by BROKERAGE FIRM #2
23 due to GLT were extremely profitable given GLT's high margin and
24 high-volume of trading, which generated commissions.


25 m. In furtherance of their conspiracy, Co-Conspirator
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1 GILABERT paid money to defendant PAPERNY through a third party.
2 This money came from fees generated by Co-Conspirator GILABERT in
3 the course of fraudulently managing GLT's trading activity. For
4 example, on or about November 18, 2004, Co-Conspirator GILABERT
5 caused the payment of CMG check number 1845, in the amount of
6 \$15,600.00, which compensated defendant PAPERNY for services he
7 continued to arrange at BROKERAGE FIRM #2 while Co-Conspirator
8 GILABERT fraudulently managed CMG and GLT.

9 n. As described above, defendant PAPERNY and Co-
10 Conspirator GILABERT engaged in a number of overt acts in
11 furtherance of the conspiracy. Among other things, beginning in
12 at least 2003, and continuing through at least December 2004, Co-
13 Conspirator GILABERT mailed false account statements to clients
14 of CMG via United States mail. Those account statements,
15 compiled by Co-Conspirator GILABERT, falsely stated that the CMG
16 accounts of the clients had increased in value. Defendant
17 PAPERNY and Co-Account Manager believed that Co-Conspirator
18 GILABERT was using the mails to defraud GLT investors by
19 misrepresenting the value of their investments in GLT.

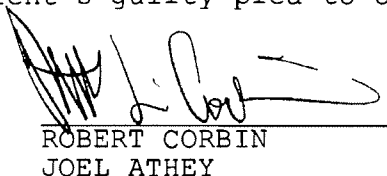
20 o. When the GLT account at BROKERAGE FIRM #2 was frozen
21 pursuant to a court order in January 2005, approximately \$920,000
22 was left in the account, despite repeated prior assurances to
23 investors that their money was safe and secure, and that their
24 accounts had accumulated high rates of return. Thus, the
25 investor losses as a result of the conspirators' conduct was well
26 over \$2.5 million.

1 I have read this statement of facts and carefully discussed
 2 every part of it with my attorneys, Robert Corbin and Joel Athey.
 3 I stipulate and agree that the statement of facts is accurate and
 4 correct, and constitutes a factual basis for the entry of a plea
 5 of guilty to violating 18 U.S.C. § 371, by conspiring to commit
 6 mail fraud, wire fraud, and securities fraud.

7
 8 
 9 JUSTIN PAPERNY
 Defendant

Date 1/21/07

10 We are the attorneys representing Justin Paperny. We have
 11 carefully discussed every part of this statement of facts with
 12 our client and agree that it constitutes a factual basis for our
 13 client's guilty plea to one count of violating 18 U.S.C. § 371.

14
 15 
 16 ROBERT CORBIN
 JOEL ATHEY

Date January 21, 2007

17 Attorneys for Defendant
 18 JUSTIN PAPERNY

CERTIFICATE OF SERVICE

I, **Shaton McDaniel**, declare:

That I am a citizen of the United States and resident or employed in Los Angeles County, California; that my business address is the Office of United States Attorney, United States Courthouse, 312 North Spring Street, Los Angeles, California 90012; that I am over the age of eighteen years, and am not a party to the above-entitled action;

That I am employed by the United States Attorney for the Central District of California who is a member of the Bar of the United States District Court for the Central District of California, at whose direction I served a copy of:

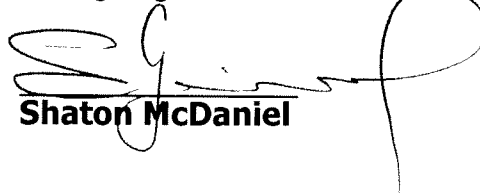
PLEA AGREEMENT FOR DEFENDANT JUSTIN PAPERNY

service was:

- Placed in a closed envelope, for collection and interoffice delivery addressed as follows:
- Placed in a sealed envelope for collection and mailing via United States Mail, addressed as follows:
- By hand delivery addressed as follows:
- By facsimile as follows:
- By messenger as follows:
- By federal express as follows:

ROBERT CORBIN, ESQ.
801 West 5th Street
Los Angeles, California 90071

This Certificate is executed on **January 24, 2007** at Los Angeles, California. I certify under penalty of perjury that the foregoing is true and correct.


Shaton McDaniel

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