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**United States Attorney Jenny A. Durkan
 Western District Of Washington**

**Mercer Island Man Sentenced To 18 Years In Prison For Ponzi Scheme
 And Bankruptcy Fraud**

***Berg Responsible for Largest Fraud Scheme Ever Prosecuted in Western
 Washington***

FOR IMMEDIATE RELEASE

February 9, 2012

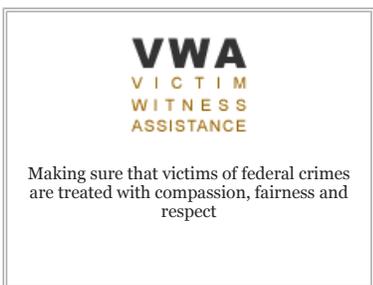
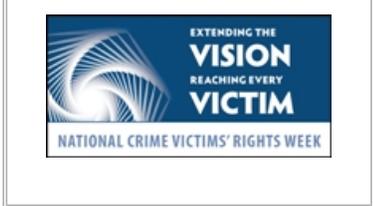
FREDERICK DARREN BERG, 49, of Mercer Island, Washington, was sentenced this morning in U.S. District Court in Seattle to 18 years in prison, and three years of supervised release for Wire Fraud, Money Laundering and Bankruptcy Fraud. The amount of restitution, which will exceed \$100 million, will be determined in April 2012. BERG is the founder of the Meridian Group of investment funds. The funds represented that \$245 million in investor money was invested in real estate contracts and real estate; however the funds were actually elaborate Ponzi schemes. BERG used investor money for a luxurious lifestyle. At sentencing U.S. District Judge Richard A. Jones told BERG he had “reckless disregard for his victims... and had no moral compass.”

“The greed in this case is stunning,” said U.S. Attorney Jenny A. Durkan. “This defendant stole and squandered the dreams of hundreds: dreams of retirement, dreams of homeownership, dreams of a college education for their children and grandchildren. While we could not restore those dreams, today he was held accountable for his acts.”

According to records in the case, between 2001 and 2009, BERG used more than \$100 million from over 800 investors for his own expenses and to keep his investment fraud going. Between 2003 and 2010, BERG diverted approximately \$45 million from his investment funds without his victim’s knowledge or permission for the purchase of busses and the operation of MTR Western and several subsidiary bus companies. During the ten years that BERG operated his investment funds, he used investor money for the purchase of: a \$1.95 million condominium at Second and Union in Seattle; a \$1.25 million house in La Quinta, California; a \$1.4 million condominium in San Francisco, California; and a \$5.475 million waterfront home on Mercer Island. BERG spent at least an additional \$5 million to remodel the Mercer Island house. The forensic analysis of BERG’s bank accounts further showed that between 2001 and 2010, he spent at least \$5.5 million on the purchase and operation of two Lear jets and at least \$3.6 million on the purchase, operation and frequent modification of several yachts.

In 2010, BERG claimed he was cooperating with bankruptcy trustees in his personal and corporate bankruptcies in an effort to help unravel his fraud schemes. Federal investigators learned that he had concealed approximately \$400,000 from the trustees and later lied about the source of these funds when confronted by the trustee in his personal bankruptcy. Further investigation revealed the funds came from the sale of a home he had failed to disclose in his bankruptcy proceedings and the funds were deposited into a series of bank accounts he concealed from the trustee. BERG used this money for a variety of personal expenses including lease payments on a Porsche Cayenne and Porsche 911 Turbo Cabriolet, twelve months advance rent on a Los Angeles apartment, the purchase of an Audi S5 convertible, a retainer for a criminal defense attorney, and insurance on jet skis and his yacht.

BERG was arrested in Los Angeles on October 21, 2010. BERG was indicted in November 2010.



BERG pleaded guilty in August 2011. The amount of restitution will be determined at a hearing in April 2012. Prosecutors believe victims will be owed as much as \$130 million.

“To feed his unadulterated greed, Mr. Berg took advantage of hopeful investors - many of them senior citizens who depended on their carefully built savings to afford assisted living, medical care, and higher educational opportunities for future generations,” said Steven M. Dean, Assistant Special Agent in Charge of the FBI Seattle office. “Although this sentencing doesn't change the fact that many lives are brutally impacted by Mr. Berg's actions, the FBI is pleased that, at least, Mr. Berg will serve significant time for his crimes. The FBI thanks all our state and federal agency partners for their contribution to a case that has significance for so many victims.”

“I have spoken with the victims of financial fraud schemes and can tell you that the emotional and financial pain they endure is beyond description,” said Kenneth J. Hines, the IRS Special Agent in Charge of the Pacific Northwest. “Those who peddle false investments and prey on investors for their own personal financial benefit need to understand that law enforcement will not sit by and let it happen.”

Prosecutors wrote in their sentencing memo that hundreds of victims were hit with significant losses. “Indeed, many of Mr. Berg's victims will be forced to make significant changes to their lifestyle and that of their families such as foregoing retirement, taking additional jobs to support their children's education and selling their homes. Others are likely to be forced into bankruptcy and may also lose their homes because of the financial devastation Mr. Berg's fraud has caused,” prosecutors wrote in their sentencing memo.

The case was investigated by the FBI, the Washington State Department of Financial Institutions (DFI) and the Internal Revenue Service Criminal Investigation (IRS-CI). The case was prosecuted by Assistant United States Attorney Norman Barbosa.

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