



Department of Justice

United States Attorney Melinda Haag
Northern District of California

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CONTACT: JOSH EATON

(415) 436-6958

Josh.Eaton@usdoj.gov

**FORMER CALPERS CEO AND FORMER PLACEMENT AGENT INDICTED FOR
CONSPIRACY AND FRAUD**

*Allegedly Concocted Documents to Obtain Millions in Fees
and Then Obstructed Subsequent Civil and Criminal Investigations*

SAN FRANCISCO - A federal grand jury in San Francisco indicted Alfred J. Villalobos, of Reno, Nevada, and Federico R. Buenrostro, Jr., aka Fred Buenrostro, of Sacramento, California, on charges of conspiracy to defraud the United States, engaging in a false scheme against the United States, and conspiracy to commit mail fraud and wire fraud, United States Attorney Melinda Haag announced. Mr. Buenrostro was also charged in the same indictment with making a false statement to the United States and obstruction of justice.

According to the indictment, Mr. Villalobos, age 69, and Mr. Buenrostro, age 64, conspired to create and transmit fraudulent documents in connection with a \$3 billion investment by the California Public Employee Retirement System ("CalPERS") into funds managed by Apollo Global Management ("Apollo"), a private equity firm based in New York City.

ARVCO Capital Research LLC ("ARVCO"), a financial services firm founded and managed by Mr. Villalobos, acted as a placement agent in helping Apollo to secure these investments by CalPERS. In each instance, Apollo required ARVCO to obtain an Investor Disclosure letter from CalPERS prior to paying ARVCO any fees for its efforts in securing CalPERS' investments into Apollo-managed funds, citing, among other reasons, Apollo's obligations under the securities laws.

After CalPERS' legal and investment offices declined to sign a certain Investor Disclosure letter documenting ARVCO's legal relationship with Apollo, Mr. Villalobos and Mr. Buenrostro conspired to create a series of fraudulent Investor Disclosure letters that were transmitted to Apollo. Apollo paid ARVCO a total of approximately \$14 million dollars in fees after receiving the fraudulent letters.

ARVCO transmitted the last fraudulent Investor Disclosure letter in June 2008, a few weeks before Mr. Buenrostro retired from CalPERS. On July 1, 2008, Mr. Villalobos hired Mr. Buenrostro to work for ARVCO. When civil and later criminal investigations were opened into the operations of ARVCO and its role as a placement agent in connection with CalPERS' investments in Apollo-managed funds, both defendants made false statements to, and concealed information from, the SEC, the USPIS, and the FBI, about the authenticity of the Investor Disclosure letters in order to defeat and obstruct the lawful functions of those agencies.

Mr. Villalobos and Mr. Buenrostro made their initial appearance in federal court in San Francisco on March 18, 2013, and are currently out on bond. Mr. Buenrostro's next scheduled appearance is Monday, March 25, 2013, at 9:30 a.m., for identification of counsel and review of the terms of his bond. Mr. Villalobos' next scheduled appearance is April 9, 2013, at 9:30 a.m., for review of the terms of his bond. Both defendants are scheduled to appear before in District Court on May 8, 2013, at 2:00 p.m., before Judge Breyer.

The maximum statutory penalty for conspiracy to commit mail fraud and wire fraud is 20 years imprisonment, \$250,000 fine or twice the amount of gain or loss, whichever is greater, three years of supervised release, and a \$100 special assessment. The maximum penalty for each count of conspiracy to defraud the United States, false scheme against the United States, false statement to the United States, and obstruction of justice is five years of imprisonment, \$250,000 fine or twice the amount of gain or loss, whichever is greater, three years of supervised release, and a \$100 special assessment. Restitution may also be ordered as to each of the five counts. However, any sentence following conviction would be imposed by the court after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

Timothy J. Lucey is the Assistant United States Attorney who is prosecuting the case with the assistance of Laurie Worthen and Maryam Beros. The prosecution is the result of a two-and-a-half year investigation by the United States Postal Inspection Service and the Federal Bureau of Investigation, with substantial assistance from the Los Angeles Regional Office of the Securities and Exchange Commission as well as the United States Secret Service.

Please note, an indictment contains only allegations against an individual and, as with all defendants, Mr. Villalobos and Mr. Buenrostro must be presumed innocent unless and until proven guilty.

Further Information:

Case #: CR 13 - 0169 CRB

A copy of this press release may be found on the U.S. Attorney's Office's website at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

All press inquiries to the U.S. Attorney's Office should be directed to Orisme Carminati (Orisme.Carminati@usdoj.gov).

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