

OFFICE OF THE DISTRICT ATTORNEY  
County of San Luis Obispo



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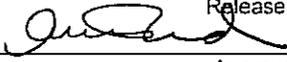
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\* \* \* \* \* PRESS RELEASE \* \* \* \* \*

October 16, 2008

Release Number  
10-16-2008  
Release Date  
  
Approved By  
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Subject: Guth, Karen Roxanna  
Yaguda, Joshua Morris

The District Attorney's Office announced today that a criminal complaint has been filed with the San Luis Obispo County Superior Court which charges Karen Roxanna Guth, age 65, and Joshua Morris Yaguda, age 40, residents of Paso Robles, California, with felony criminal violations of the California Corporations Code. Guth and Yaguda, principals of Estate Financial Incorporated, also known as EFI, did business in Paso Robles under that name as well as numerous other limited liability corporations (LLCs). Warrants for their arrests were issued by the Superior Court, and the defendants were taken into custody earlier today by District Attorney Investigators, assisted by members of the FBI, the IRS, the California Department of Corporations, and the California Department of Real Estate. Bail on the arrest warrants was set at \$5,000,000 for each defendant.

The charges filed today were the result of an extensive six month joint investigation by the District Attorney's Office, the California Department of Corporations, the California Department of Real Estate, and the FBI, which began following the receipt of consumer complaints earlier this year. In April, the District Attorney's Office met with these agencies to coordinate investigative efforts, which included securing and reviewing large numbers of documents and interviewing numerous individuals. The investigations resulted in both the Department of Corporations and Department of Real Estate's investigative reports being submitted in August and September, 2008, respectively, for consideration of criminal charges to be filed. The criminal

charges are based upon those reports, other supporting documents, witness interviews, and other evidence which was gathered during this investigation. The investigation is ongoing with regard to locating additional information as it may relate to criminal activity.

The criminal complaint against the defendants alleges 26 felony violations of the California Corporations Code. These criminal charges include: offering to sell and selling securities to investors either in writing or orally which included false statements, or omissions, of material facts; reconveyance of trust deeds which deprived earlier investors of their security interests in properties; failure to apply investors' money to specifically designated properties; failure to secure investors' property interests with deeds of trust; failure to record investors' property interests with deeds of trust; unlawful sales of securities to non-California residents; failure to provide required disclosures upon the sales of securities; sales of securities which had not been qualified by the Department of Corporations; sales of securities which did not correspond with the offering circular that was presented to investors; and sales of securities with expired permits and without possessing required permits from the Department of Corporations.

The criminal violations which involve selling securities by means of communications which contain either misleading, untrue or false statements or material omissions are punishable by imprisonment in state prison for up to five years and a fine of up to \$10,000,000. The remaining criminal violations are punishable by imprisonment in state prison for up to three years and a fine of up to \$1,000,000. In addition, the criminal complaint includes a penalty enhancement alleging that the defendants engaged in a pattern of conduct involving fraud or embezzlement which involved the taking of, or resulted in a loss in excess of, \$500,000. This penalty enhancement may increase potential imprisonment for up to 5 years. A second penalty enhancement alleges unlawful excessive taking of money (exceeding \$3,200,000), which, if proven, would increase potential imprisonment by 4 years. Ultimate criminal penalties depend upon the number of charges and penalty enhancements and the possible aggregate sentencing by the court once convictions occur.

In addition to the filing of the criminal charges, the District Attorney's Office is requesting court orders to freeze personal assets of the defendants. These court orders would freeze not only all of their personal interests in real estate, but also bank accounts, other financial accounts, vehicles or other things of value. The court orders would prohibit either defendant from selling or secreting any interests in real properties, other forms of investments, or other assets in order to obtain monetary proceeds. In July 2008, the Federal Bankruptcy Court, separate and apart from the criminal investigation, assumed control over EFI's business offices, properties, and

all investment files therein to protect both ongoing business transactions and investors' and creditors' interests pursuant to Federal Bankruptcy laws.

The District Attorney's Office also stated that the substantial penalties for these felony criminal violations of the California Corporate Securities laws clearly manifest an intent by the legislature to protect large numbers of potential victims from unlawful and fraudulent investment schemes. The criminal charges filed today involve hundreds of individuals who invested money with EFI.

The defendants will appear on \_\_\_\_\_ in the Superior Court for arraignment on the criminal complaint.

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Additional investigations involving alleged criminal conduct regarding other local lending companies are ongoing. In those cases the District Attorney's Office is working in conjunction with the FBI and State of California Investigative agencies.