

ORIGINAL FILED

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

OCT 4 2010

MADELINE COX ARLEO  
U.S. MAG. JUDGE

UNITED STATES OF AMERICA : Honorable Madeline Cox Arleo  
: :  
v. : Case No. 10-8235  
: :  
CARLO CHIAESE : **CRIMINAL COMPLAINT**

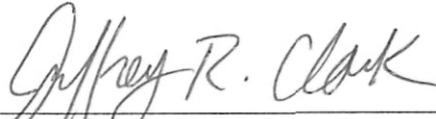
I, Jeffrey R. Clark, being duly sworn, state the following is true and correct to the best of my knowledge and belief. From at least as early as 2008 through in or about September 2010, in the District of New Jersey and elsewhere, the defendant CARLO CHIAESE did:

SEE ATTACHMENT A

I further state that I am a Special Agent with the Federal Bureau of Investigation, and that this complaint is based on the following facts:

SEE ATTACHMENT B

continued on the attached page and made a part hereof.



Jeffrey R. Clark, Special Agent  
Federal Bureau of Investigation

Sworn to before me and subscribed in my presence,  
on October 4, 2010 at Newark, New Jersey



HONORABLE MADELINE COX ARLEO  
UNITED STATES MAGISTRATE JUDGE

## **ATTACHMENT A**

Knowingly and willfully, by use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, in connection with the purchase and sale of securities, use and employ manipulative and deceptive devices and contrivances in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons,

In violation of Title 15, United States Code, Sections 78j(b) & 78ff, Title 17, Code of Federal Regulations, Section 240.10b-5, and Title 18, United States Code, Section 2.

## **ATTACHMENT B**

I, Jeffrey R. Clark, have been a Special Agent of the Federal Bureau of Investigation (“FBI”) for approximately four months, and I have been personally involved in the investigation of this matter. The information contained in this Complaint is based upon my personal knowledge, as well as information obtained from other sources, including: (a) statements made or reported by various witnesses with knowledge of relevant facts; (b) my review of publicly available information relating to CARLO CHIAESE, the defendant; (c) documents obtained from various sources; and (d) discussions with other law enforcement officials and officials from the United States Securities and Exchange Commission. Because this Complaint is being submitted for the limited purpose of establishing probable cause, it does not include every fact that I have learned during the course of the investigation. Where the content of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated.

### **Introduction**

1. From at least as early as 2003 through in or about September 2010, defendant CARLO CHIAESE was a registered investment advisor who provided investment advisory services to individuals and at least one pension fund. Beginning at least as early as in or about 2008, defendant CHIAESE defrauded numerous clients by falsely representing to them that he was investing their money in various securities, including bonds and mutual funds. Instead of investing his clients’ funds as he had promised, however, defendant CHIAESE used the vast majority of the money to (1) fund his lavish lifestyle and (2) repay different investors in Ponzi-scheme fashion. To date, law enforcement has determined that defendant CHIAESE’s fraudulent conduct has resulted in losses of over \$2 million to investors.

### **Defendant CHIAESE and Relevant Entities**

2. At all times relevant to this Complaint, Defendant CARLO CHIAESE, was a resident of Chester or Springfield, New Jersey. Defendant CHIAESE held Series 7 and 63 securities licenses and held himself out as an independent financial advisor. Defendant CHIAESE has been a financial advisor since approximately 2003 and has worked in the financial industry since at least 1999, including in positions at Citibank, Merrill Lynch, and Bear Stearns & Co.

3. CGC Advisors LLC (“CGC Advisors”) was a Westfield, New Jersey based investment advisory firm through which defendant CHIAESE solicited investments. Defendant CHIAESE appears to be the only investment advisor who was affiliated with CGC Advisors. CGC Advisors maintained a business checking account at HSBC Bank in New Jersey (the “CGC Advisors Account”).

## **The Fraudulent Scheme**

4. Starting at least as early as 2008 and continuing to in or about September 2010, defendant CHIAESE solicited a number of new clients by touting his investment experience and promising to invest their funds in conservative, traditional securities such as bonds and mutual funds. Between in or about November 2008 and in or about September 2010, defendant CHIAESE raised more than approximately \$2.4 million from individuals or entities (collectively, the “Investors”) in New Jersey and New York based, in part, on his representations that he would invest the funds in traditional securities.

5. One of the Investors was a pension fund containing the pensions of over 850 current and former New York City public sector employees (the “Pension Fund”). All of the individual beneficiaries of the Pension Fund were current or former members of a local branch of an international labor union. The Pension Fund invested approximately \$1.71 million with defendant CHIAESE on or about November 25, 2008.

6. Defendant CHIAESE deposited or caused to be deposited all of the approximately \$2.4 million sent to him by the Pension Fund and other Investors into the CGC Advisors Account.

7. Despite having represented to the Investors that he would invest their funds in various types of securities, defendant CHIAESE never invested any of the approximately \$2.4 million provided to him.

8. Instead of using the Investors’ money as promised, defendant CHIAESE used the vast majority of the money for his personal benefit. Specifically, between in or about November 2008 and in or about September 2010, defendant CHIAESE used more than \$1.4 million of the Investors’ money for various personal expenditures, such as:

- A. transfers to his wife and members of her family (at least \$800,000);
- B. cash withdrawals (at least \$185,000);
- C. mortgage payments (at least \$65,000);
- D. car expenses, including lease payments for a Porsche 911 Carrera, Audi Q7, and Land Rover (at least \$38,000);
- E. fees at two different New Jersey country clubs (at least \$75,000);
- F. home audio equipment (at least \$23,000);
- G. landscaping (at least \$32,000);

- H. rugs (at least \$16,000);
- I. clothing, including purchases at high-end retailers such as Hermes, Salvatore Ferragamo, Bergdorf Goodman, and Saks Fifth Avenue (at least \$25,000); and
- J. luxury hotels including: the Ritz Carlton in Battery Park, New York; the Ritz Carlton in St. Thomas, U.S. Virgin Islands; and the Breakers in Palm Beach, Florida (at least \$14,000).

9. In addition to using the Investors' money for his personal expenses, defendant CHIAESE also used at least \$180,000 of the Investors' money to repay other investors in Ponzi scheme fashion. For example, on or about December 2, 2010 – approximately seven days after defendant CHIAESE received the approximately \$1.71 million from the Pension Fund in New York – defendant CHIAESE wrote an approximately \$106,257 check to a different New York based investor which was the repayment for a \$100,000 investment the New York investor had made with defendant CHIAESE ten months earlier and had requested back. Additionally, on or about August 18, 2009, a New Jersey based investor wired approximately \$160,000 into the CGC Advisors Account purportedly for the purchase of securities. Instead of investing that money, defendant CHIAESE wired approximately \$150,000 the same day to an investor in London, England as partial repayment for an approximately \$200,000 investment the London investor had made with defendant CHIAESE in or about 2004.

10. In an effort to conceal his fraudulent scheme, defendant CHIAESE caused fraudulent trade confirmations and false account statements to be created and sent to many of the Investors to make it appear that defendant CHIAESE had invested their money in securities as promised when in fact he had not. For example, on or about December 5, 2008, defendant CHIAESE provided the Pension Fund with approximately twenty-two individual "Confirmations" that purportedly showed defendant CHIAESE had used over \$1.5 million of the \$1.71 million it had invested with him to purchase various municipal and corporate bonds. The Confirmations were each issued by "CGC Advisors LLC," identified the name, amount and price of the security purchased, and stated that the purchase was for the account of the Pension Fund. While the Confirmations appeared to be documentation of legitimate purchases of securities on the Pension Fund's behalf, in fact, the Confirmations were false and defendant CHIAESE never used any of the Pension Fund money to purchase securities.

11. On or about September 18, 2010, defendant CHIAESE admitted during a conversation with two of his close friends that he had misappropriated investor money for his personal benefit. During that conversation, defendant CHIAESE admitted that he never invested any of the Pension Fund money and that the trade confirmations and account statements he provided the Pension Fund were fraudulent.