United States Attorney
District of New Jersey

FOR IMMEDIATE RELEASE
December 6, 2010
www.justice.gov/usao/nj

CONTACT: Rebekah Carmichael
Office of Public Affairs
(973) 645-2888

FINANCIAL FRAUD ENFORCEMENT TASK FORCE ANNOUNCES REGIONAL RESULTS OF "OPERATION BROKEN TRUST" TARGETING INVESTMENT FRAUD

NEWARK, N.J. – Following an announcement today by Attorney General Eric Holder in Washington, D.C., representatives of the Financial Fraud Enforcement Task Force in New Jersey, including U.S. Attorney Paul J. Fishman and FBI Special Agent in Charge Michael B. Ward, announced the regional results of Operation Broken Trust, a nationwide operation which targeted investment fraud in the District of New Jersey and throughout the country. Operation Broken Trust is the first nationwide operation of its kind to target a broad array of investment fraud schemes that directly prey upon the investing public.

The interagency Financial Fraud Enforcement Task Force was established by the President to lead an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. Starting on Aug. 16, 2010, to date Operation Broken Trust has involved enforcement actions against 310 criminal defendants and 189 civil defendants for fraud schemes involving more than 120,000 victims throughout the country. The operation's criminal cases involved approximately $8.3 billion in estimated losses and the civil cases involved estimated losses of more than $2.1 billion.*

"With this operation, the Financial Fraud Enforcement Task Force is sending a strong message," said Attorney General Holder. "To the public: be alert for these frauds, take appropriate measures to protect yourself, and report such schemes to proper authorities when they occur. And to anyone operating or attempting to operate an investment scam: cheating investors out of their earnings and savings is no longer a safe business plan - we will use every tool at our disposal to find you, to stop you, and to bring you to justice."

New Jersey U.S. Attorney Paul J. Fishman stated: "Today's operation highlights the false promises made by criminals who prey on hope. Investors seeking financial security were deceived into bankrolling others' stolen luxuries. These cases are a warning to be careful whom you trust with your money, and a reminder that federal law enforcement in New Jersey is here to protect and vindicate the investing public."

"Operation Broken Trust is a shining example of law enforcement at all levels coming together to ensure that criminals are held accountable," said Michael B. Ward, Special Agent in Charge of the FBI's Newark field office. "By deceiving the public, these criminals ultimately deceive themselves into believing they have beaten the system. We are here today to say that law enforcement has struck back and will continue to do so for the foreseeable future."

The President's Financial Fraud Enforcement Task Force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit StopFraud.gov.

In the District of New Jersey, the United States Attorney's Office collaborated closely with the Federal Bureau of Investigation; the Securities and Exchange Commission; IRS – Criminal Investigation; and the United States Postal Inspection Service.

Operation Broken Trust cases in the District of New Jersey included:

U.S. v. Shapiro, Nevin

Nevin Shapiro, of Miami Beach, Fla., the former owner and CEO of Capitol Investments USA, Inc. ("Capitol") pleaded guilty in September to overseeing an $880 million Ponzi scheme linked to his purported wholesale grocery distribution business. Shapiro has been in federal custody since his surrender on April 21, 2010. Shapiro used Capitol to solicit approximately $880 million between January 2005 and November 2009 from individuals who believed they were investing in Shapiro's grocery distribution business. Shapiro admitted that Capitol had virtually no income-generating business during that time, and that he used new investor funds to make principal and interest payments to existing investors, as well as to fund his own lavish lifestyle. Beginning in January 2009, Shapiro and Capitol began failing to make required principal and interest payments to investors. At the time, Shapiro told investors, among other things, that the payments were not being made because Capitol's vendors were late in making payments, that Capitol was suffering from cash flow problems, and that Shapiro's accountant was on vacation. Shapiro and Capitol were forced into bankruptcy in November 2009. At that time, they owed a total of more than $100 million to more than 50 victim investors.

U.S. v. Weinstein, Eliyahu a/k/a "Eli Weinstein" et al.

Eliyahu Weinstein, a/k/a "Eli Weinstein,"of Lakewood, N.J., was arrested in August on charges that he ran an investment fraud scheme causing losses of at least $200 million. Vladimir Siforov, of Manalapan, N.J., was also charged with one count of wire fraud in connection with the scheme and remains at large. From as early as September 2005 to the present, Weinstein orchestrated – with the help of Siforov and others – a real estate investment fraud scheme that has resulted in losses to victim investors of at least $200 million. Weinstein targeted fellow members of the Orthodox Jewish community in New Jersey, New York, Florida, California and abroad, using the social and business customs and practices of the community in furtherance of his scheme. To induce his victims' investments, Weinstein, Siforov and others lied to their victims, using a variety of fraudulent means. Weinstein did not own many of the properties he claimed to own; his asserted “third-party buyers” were often co-conspirators, such as Siforov; and he sold his real or fake interest in a single property multiple times to different victims. Weinstein also altered checks that had been negotiated for small amounts to make it appear that they were worth millions of dollars and presented copies of checks to his victims as having been negotiated that never were. Additionally, Weinstein drew up fraudulent leases to make it seem that a property had substantial rental income, when in fact there was no tenant and no income, and hid material information from his victims – such as profound zoning changes that would dramatically reduce the value of certain properties.

U.S. v. LoPapa, Paul

Paul J. LoPapa, the former owner of Livingston, N.J.-based Skyline Equities, Inc., pleaded guilty on November 30, 2010 – the day jury selection for his trial was scheduled to begin – to offenses arising from his theft of over $800,000 from investors in a scheme involving fictitious overseas investments and from defrauding Social Security. LoPapa admitted that he and another individual solicited investors through Skyline Equities for an investment program referred to as the “Bank Guarantee Program” which they billed as a sophisticated international financial instrument facilitated through well-known financial institutions. To lure investors, LoPapa and others promised high returns, conducting face-to-face meetings with investors at his home. LoPapa and his coconspirator did not invest the money but instead spent it on personal items, including five high-end Mercedes-Benz automobiles. LoPapa also spent investor money to pay for property taxes, health insurance premiums, and credit card purchases for items and services. LoPapa also admitted to unlawfully receiving social security disability payments between 2001 and 2007, totaling approximately $145,000.

U.S. v. Devine, Jenifer

Jenifer Devine, the owner of a wholesale merchandise broker in Carlstadt, N.J., was charged on November 30, 2010, with soliciting investments in her business, actually a multimillion-dollar Ponzi scheme. Devine told investors in New Jersey and throughout the United States that she would use their money to fund her wholesale clothing and electronics business, promising huge returns – usually 25 percent within 30-60 days (200% within a year). Devine also showed some investors fake inventory lists of products she claimed to be reselling. As a result, more than 15 investors sent over $8 million to Devine and her company. In reality, Devine had no active wholesale clothing or electronics business during the relevant period and had virtually no business sales. Devine instead used new investor funds to make principal and interest payments to existing investors, as well as to fund her own lifestyle. Devine stole tens of thousands of dollars to pay for personal expenses, including a Royal Caribbean cruise and purchases at luxury retailers, such as Burberry, Gucci and Coach.

U.S. v. Graulich IV, William

William Graulich IV, of Henryville, Pa., the purported managing partner of iVest

International Holdings, Inc., was charged on November 29, 2010, with conspiring to solicit victims to invest millions based on his false promises. Graulich and others claimed to have an "exclusive" investment platform available by invitation only, and that had been previously open only to those able to invest at least $100 million. Investors were told the monies would be in a "non-depletion attorney account" and "not [be] at risk"; investors also were told the monies would be used as collateral to obtain a line of credit which would be used to trade financial instruments. Graulich and his coconspirators promised weekly returns of 22 percent. Contrary to his promises, Graulich used investor funds for his personal living expenses, including payments to Bennett Jaguar, CVS, Bushkill Golf, Stone Bar Inn, and DIRECTTV. Graulich also used the funds for $100,000 in tax payments, approximately $10,000 in mortgage payments, approximately $25,000 in legal bills, and approximately $100,000 in New York Yankees tickets.

U.S. v. Suarez, Joseph and Ferro, Katherine

Joseph Suarez, the Woodcliff Lake, N.J.-based operator of Suarez Investment and Development, LLC, and a recently disbarred Miami attorney, Katherine Ferro, were charged on November 23, 2010, for allegedly executing various schemes to defraud their victims out of approximately $1 million. Between January 2007 and November 2010, Suarez and Ferro conspired to use false representations and other fraudulent means to induce at least ten victims to invest an aggregate of approximately $1 million dollars into various fraudulent schemes, including a credit card factoring scheme and a scheme to purchase and resell foreign D2 diesel fuel. After their victims transferred money into accounts controlled by Suarez and Ferro, they transferred that money into other accounts for their personal use.

U.S. v. Bragg, James

Computer specialist James Bragg, of Chandler, Ariz., pleaded guilty on October 20, 2010, to participating in a conspiracy to artificially inflate stock in a scheme that included computer hackers creating botnets and taking over brokerage accounts in addition to more traditional market manipulation. Bragg agreed with others to engage in a scheme to manipulate the price and volume of particular stocks in order to later sell them at an artificially inflated price, a practice known as a "pump and dump" scheme. The scheme began as early as November 2007 and continued through February 2009. Bragg was hired by an individual referred to in the Information as "C.R." to promote certain stocks, including stocks with ticker symbols RSUV and VSHE (the "Manipulated Stocks"). Bragg engaged in a mass e-mail distribution campaign to promote the stocks, falsifying information so that the e-mails could not be traced to him or C.R. and altering the contents of the e-mail to avoid spam filters. To further the efficacy of the stock promotions, or "pumps," Bragg also hired hackers and spammers, including an individual in Russia referred to in the Information as "B.T." The hackers distributed computer viruses to infect computers around the world and create a virtual army of computers, or "botnet." The hackers then caused the botnets to distribute spam to promote the Manipulated Stocks. Some of the targeted victim-investors were residents of New Jersey.

U.S. v. Gatta, Gavin

Gavin Gatta, of Wayside, N.J., a former partner of the Monmouth County N.J.-based insurance brokerage firm Smith Gatta Gelok ("SGG") pleaded guilty on October 7, 2010, to a $20 million fraudulent loan scheme. Gatta admitted that in 2003, he began preparing fake applications for premium financing on behalf of customers who did not need or request such financing and, in fact, previously had paid the full premium to the insurance carrier. Gatta would submit these fake applications to one of several premium finance companies and ask that the loan funds be sent back to SGG on behalf of the customer. Gatta used these fake applications for financing to steal more than $20 million in illicit proceeds, which he used to fund extravagant personal expenses.

U.S. v. Chiaese, Carlo

Carlo Chiaese, a Westfield, N.J.-based investment advisor was charged on October 5, 2010, with defrauding numerous investors – including a union pension fund – of more than $2 million by funding his lavish lifestyle with money he claimed to be investing in conservative securities. Chiaese, who had been working in the financial industry since 1999, solicited a number of new clients through his independent investment firm, CGC Advisors LLC, as early as 2008. He drew clients by touting his investment experience and promising to invest their funds in conservative, traditional securities like bonds and mutual funds. Between November 2008 and September 2010, Chiaese raised more than $2.4 million from individuals and entities in New Jersey and New York based on his representations. One investment of approximately $1.71 million included a pension fund containing the pensions of over 850 current and former unionized New York City public sector employees. Chiaese also used at least $180,000 of the investors' money to repay other investors, including one in London, in Ponzi-scheme fashion. To conceal his fraudulent conduct, Chiaese sent many of the investors fake trade confirmations and account statements that made it appear that he had invested their money in securities when he had not.

U.S. v. Venetis, Sandra

Sandra Venetis, of Whitehouse Station, N.J., the owner of Branchburg, N.J.-based investment adviser Systematic Financial Associates, Inc., ("Systematic") was charged on September 10, 2010, with defrauding over 100 investors out of more than $11 million by soliciting investments in an entirely fictitious investment program. From 1997 through August 13, 2010, Venetis solicited clients of Systematic to invest in an alternative investment program she allegedly ran. To induce victim investors, Venetis told them that she would use their money to fund loans to doctors to finance medical receivables, medical malpractice insurance premiums, or quarterly pension plans. Venetis also falsely claimed that she used certain funds to purchase Medicare "bonds," or that the investor funds were otherwise backed by Medicare or insured by the Federal Deposit Insurance Corporation. At times, Venetis directed Systematic advisory clients to liquidate positions in securities to participate in the alternative investment program. As a result of her solicitations, more than 100 investors sent over $11 million to

Venetis during the period. In reality, Venetis used investor funds to pay the operating expenses of Systematic and used new investor funds to make principal and interest payments to existing investors in Ponzi-scheme fashion.

U.S. v. Bent, Radcliffe; Berteletti, Michael and Klepach, Alexander

Three members of an investment fraud ring were sentenced on August 18, 2010, for their roles in defrauding investors out of more than $10 million and laundering the proceeds of their fraud. Radcliffe Bent was sentenced to 110 months in prison, and Michael Berteletti and Alexander Klepach each to 60 months in prison. In addition to the prison terms, all three defendants were ordered to serve three years of supervised release. Bent was ordered to pay $7,399,396.57 and Berteletti to pay $10,264,396.57 in restitution. Klepach's sentence will run concurrently with a 78-month sentence he is currently serving on federal narcotics charges in the Eastern District of New York.

Bent, of Franklin Park, N.J., was the Chief Operating Officer and sole owner of Covenant Consulting Company ("Covenant") and controlled several bank accounts in the name of the company. Berteletti, of Brooklyn, N.Y., was a licensed stock broker with the National Association of Securities Dealers, now known as the Financial Industry Regulatory Authority, Inc., who worked for various broker-dealer firms and solicited investors for Covenant. Klepach, of Brooklyn, N.Y., generated large sums of cash as proceeds of his illegal drug distribution business. Bent admitted that he made false statements and failed to disclose material information to investors with respect to their investments in Covenant, SavvyData, Inc., Crown Estates Development Corporation and Cambridge Berkshire Group. He also admitted that he misappropriated investor money for his personal benefit and for the benefit of his co-conspirators. Bent also stated that he engaged in a conspiracy to launder money, the object of which was to obtain cash from individuals in exchange for proceeds of the Covenant fraud. Bent admitted that during calendar year 2003, he received approximately $1 million in taxable income upon which he owed a tax of approximately $369,000.

As for the defendants with pending cases, the charges and allegations against them are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

* * *

As a part of Operation Broken Trust, the task force is making the public aware of resources available to protect against these types of fraud and how to report fraud when it occurs. To learn more about investment scams, how to take steps to protect yourself from scams, or how to report investment fraud if you believe you have been victimized, the task force recommends that you visit its website, StopFraud.gov, which includes links to a wide array of task force member resources. Individuals who believe they have been victims of or otherwise have information about investment fraud in New Jersey are encouraged to contact the FBI at 973-792-3000.

* Numbers updated as of Dec. 14, 2010.

10-357 ###