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United States Attorney Lawrence G. Brown
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SECOND MAN CHARGED IN $40 MILLION FOLSOM PONZI SCHEME

SACRAMENTO, Calif.— United States Attorney Lawrence G. Brown, FBI Special Agent-in-Charge Drew Parenti, and IRS-Criminal Investigation Special-Agent-in-Charge Scott O'Briant announced that KENNETH KENITZER, 66, of Pleasanton, California has been charged for his role in a massive investment fraud scheme that caused losses of more than $40 million to approximately 150 investors. Defendant KENTIZER has agreed to plead guilty to mail fraud and money laundering charges and to cooperate in this investigation. He is expected to appear in U.S. District Court in Sacramento in the near future to enter his guilty plea. The defendant's plea agreement is subject to court approval. The government previously charged ANTHONY VASSALLO with multiple counts of mail fraud and money laundering on March 20, 2009.

This case is the product of a joint investigation by the Federal Bureau of Investigation and the Internal Revenue Service-Criminal Investigations. The United States Securities & Exchange Commission assisted with this case.

Investment Ponzi Scheme

Assistant United States Attorney Robin R. Taylor, who is prosecuting the case, stated that according to documents filed in court, KENITZER, VASSALLO, and others operated Equity Investment Management and Trading, Inc. (hereinafter "EIMT" or "EIMT hedge fund") as a hedge fund investment program. VASSALLO, and others, offered and sold investments falsely representing that investors would make an annual return of up to 36 percent with virtually no risk of loss. The EIMT Hedge Fund investment program did not invest the money obtained as represented. Rather, KENTIZER, VASSALLO, and others operated EIMT as a vast Ponzi scheme that has generated over $40 million in investments from victims in the Eastern and Northern Districts of California.

According to court documents, VASSALLO, and others, identified potential investors through "sub-fund managers" and issued investors a Private Placement Memorandum ("PPM"). Many investors mailed their PPM to KENTIZER at his personal residence. VASSALLO falsely represented that he had proprietary software that allowed him to buy and sell stock options with little risk of loss. VASSALLO recruited many of the sub-fund managers and investors from his church. KENITZER, VASSALLO, and others represented to investors that their funds would be ttraded by them on the Russell 2000 index through Trade Station. Trade Station is a licensed securities broker-dealer and a registered futures commission merchant, and was in no way part of the fraud.

Court documents further reveal that in approximately September 2007, all trading stopped and funds were withdrawn from Trade Station. Nevertheless, KENITZER and VASSALLO continued to falsely tell investors that their money was invested and was making a high rate of return. KENITZER, VASSALLO, and others, carried out the fraud by providing "simulated" information to investors to make it appear that he was investing funds as represented and to fraudulently show that EIMT had $50 million on deposit with Trade Station. A simulated trade session is when a person can do simulated trades with simulated account funds to develop strategy. When a person is trading in a simulated trading session, that session is given a simulated account number. VASSALLO fraudulently provided this simulated financial information to investors as proof of funds on deposit.

According to court documents, KENTIZER, VASSALLO, and others took steps to keep investors in the dark about the fraudulent nature of the EIMT hedge fund program. Specifically, when investors asked about the status of their investments and distributions, VASSALLO falsely told investors that there were "problems with the Trade Station platform" and that he could not invest funds in November 2008. Further, when investors sought to have funds returned, VASSALLO falsely told them that Trade Station had contacted the SEC and that the SEC froze the funds in the accounts. According to Trade Station and the SEC, these representations by VASSALLO were false.

Statutory Penalties

If convicted, KENTIZER faces up to 20 years in prison for the mail fraud and up to 10 years for the money laundering, with fines up to twice the value of the victims’ losses. However, the actual sentence will be dictated by the Federal Sentencing Guidelines, which take into account a number of factors, and will be imposed at the discretion of the court.

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