CK/ZI/2011R00393

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA	:	Hon.
	:	
v.	:	Crim. No. 12-
	:	
GEORGE SEPERO	:	18 U.S.C. §§ 1343, 1349, & 2
	:	
	:	

INDICTMENT

The Grand Jury, in and for the District of New Jersey, sitting at Newark, charges:

COUNT ONE
(Wire Fraud Conspiracy)

1. At all times relevant to Count One of this Indictment:

a. Defendant GEORGE SEPERO resided in New Jersey.

b. Defendant SEPERO claimed to work in the financial services industry and to own or be associated with a series of so-called "hedge funds" and other entities, located in New Jersey, including: "Pelt Capital"; "Caxton Capital Management"; "SP Investors Inc."; "Casa Nostra Enterprises, Inc."; "CCP Pro Consulting, Inc."; "SePro Management"; and "Centro Capital".

c. "Hedge funds" were investment vehicles that placed money in various types of assets, including foreign currencies. Hedge funds were typically open-ended, meaning that investors could invest and withdraw money at regular intervals. Hedge funds typically paid the

investment managers a "management fee," calculated as a percentage of the assets in the fund, and a "performance fee," based on the appreciation of the fund's assets.

OVERVIEW

2. Defendant SEPERO and others, including Carmelo Provenzano, Daniel Dragan, and J.C. (the "Co-Conspirators") used material misrepresentations and omissions to raise more than approximately $4 million from victim investors, purportedly to be invested in foreign currencies. In fact, however, the Co-Conspirators invested little of the victim investors' money in foreign currency or any other investment, but instead used victim investor funds (1) to make payments to initial victims, in Ponzi-scheme fashion, and (2) to fund extravagant personal expenditures.

THE CONSPIRACY

3. From in or about January 2009 through in or about May 2012, in the District of New Jersey, and elsewhere, defendant

GEORGE SEPERO

did knowingly and intentionally conspire and agree with Carmelo Provenzano, Daniel Dragan, J.C., and others to devise a scheme and artifice to defraud victim investors and to obtain money from victim investors by means of materially false and fraudulent pretenses, representations, and promises, and, for the purpose of

executing such scheme and artifice to defraud, to transmit and cause to be transmitted by means of wire communication in interstate commerce certain writings, signs, signals, pictures and sounds, contrary to Title 18, United States Code, Section 1343.

OBJECT OF THE CONSPIRACY

4. The object of the conspiracy was for defendant SEPERO and others to profit unlawfully by diverting victim investors' money, obtained for the purpose of investments in foreign currencies, to the Co-Conspirators' own uses.

MANNER AND MEANS OF THE CONSPIRACY

5. To induce victim investors to invest, the Co-Conspirators made numerous material misrepresentations and omissions to victim investors. These misrepresentations and omissions included, among other things, that:

a. the Co-Conspirators owned and controlled a proprietary computer algorithm that had achieved and could achieve extraordinary returns by trading foreign currencies;

b. the Co-Conspirators had used this proprietary algorithm to achieve returns of more than 170 percent in the prior two years; and

c. investors' investment funds would be highly liquid and could be withdrawn at any time on just days' notice.

6. The Co-Conspirators made certain misrepresentations by e-mail. For example:

a. The Co-Conspirators e-mailed several investors fake account statements, which falsely represented that investors' investment principal (1) had been invested in the foreign currency markets, and (2) had appreciated substantially.

b. Many of these e-mails were sent by "Mel Tannenbaum" from the e-mail address "mel@caxtonfunds.com." These e-mails were false, and the purported returns they recited were fictional. In fact, "Mel Tannenbaum" did not exist; he was a fictional character invented by the Co-Conspirators.

c. The Co-Conspirators also e-mailed to several investors "screen shots" of a computer-based trading program, which they claimed represented the investors' actual investment funds being traded in the currency markets. These "screen shots," however, reflected trading in fictional, "dummy accounts," set up by the Co-Conspirators to dupe investors into believing that their investment funds had, in fact, been invested.

7. The Co-Conspirators also made misrepresentations in person to victim investors. For example, in or around July 2011, a victim investor with the initials A.A. met with defendant

SEPERO and recorded the meeting. During this recorded conversation, defendant SEPERO stated falsely, in substance and in part, that:

a. "all" of A.A.'s money had been "traded and lost;"

b. there was a "paper trail" of A.A.'s investments, which would show that all or substantially all of A.A.'s money had actually been used to trade foreign currencies; and

c. defendant SEPERO did not keep money for himself personally, but rather that "the only money I ever kept was money that was paid to me for commissions. End of story."

8. The Co-Conspirators also made misrepresentations to individuals they believed were potential investors. For example, in or around May 2011, an undercover law enforcement officer (the "UC") met with defendant SEPERO and others at defendant SEPERO's offices. During this recorded meeting, the UC, posing as a potential investor, asked defendant SEPERO questions about defendant SEPERO's foreign currency "hedge funds." Defendant SEPERO stated, among other things, that:

a. His offices appeared empty because "[u]pstairs we gutted out the technology, and we're replacing technology, we're also opening up a satellite office . . . . You see all those chairs, we had everyone lined

up trading there, we have everyone [trading] remotely now," and that the Co-Conspirators had "6" active traders "in the currency side;"

b. Returns were averaging "a little more than" three percent a month, and were "between 3-5 percent. That's been their average right now;"

c. "There are no commissions, there aren't any activity trade commissions . . . the hedge fund is set up where a percentage of profits, client gets 80%, the house gets 20%. There's no, there are no commissions;"

d. The investments were very liquid: "Three days, that's the typical liquidity turnaround, you call . . . 'I need x amount liquid,' in 3 days you'll have it;"

e. Actual trades were visible online: "Here's an actual trade run, it shows time of execution, volume, if it's a buy or it's a limit, or if it's a hedge, and if it's a profit or loss . . . . And again you'll see it on screen as it happens . . . you'll see the direction of where the money goes, what time;" and

f. The Co-Conspirators had dozens of investors: "In currency, I think . . . 70-80 [investors], could be dead wrong, plus or minus 10 or 20, but in that neighborhood."

9. In reliance on these and other misrepresentations,

victim investors sent the Co-Conspirators a total of more than approximately $4 million, much of which was sent by wire transfers of funds from outside of New Jersey to bank accounts in New Jersey controlled by the Co-Conspirators. In making these investments, victim investors relied on the Co-Conspirators' misrepresentations that the money would be invested pursuant to the Co-Conspirators' proven and sophisticated trading strategy, and that the victim investors' investments would be highly liquid and available for quick withdrawal if desired.

10. Once victim investor funds were wired to the Co-Conspirators' accounts, however, much of their money was not invested in any foreign currency or, indeed, in any investment vehicle.

11. Instead, defendant SEPERO and others diverted the majority of victim investors' money to pay prior victims and to finance their own lifestyles, including the purchase of expensive luxury items.

12. For example, and among other improper expenditures, defendant SEPERO, and others, used victim investor funds on:

a. Credit card bills averaging approximately $25,000 per month;

b. A bar tab of approximately $18,241 (including a $4,000 gratuity) for one night at "Drai's Hollywood" nightclub in or around Los Angeles, California;

c. Tens of thousands of dollars in luxury hotel rooms, including suites costing more than $4,000 at a New York hotel;

d. First and business class airplane flights to Paris, Los Angeles, Chicago, and elsewhere;

e. A customized Ford F-350 "Harley-Davidson Edition" pickup truck costing more than $80,000, purchased by defendant SEPERO;

f. A Mini Cooper vehicle, costing more than $37,000, purchased by defendant SEPERO;

g. A BMW vehicle, leased by defendant SEPERO; and

h. Other personal expenditures, including mortgage payments; home improvements; meals at high-end restaurants; jewelry; and limousines.

13. As a result of the above fraudulent conspiratorial acts, victim investors, among others, suffered losses.

All in violation of Title 18, United States Code, Section 1349.

COUNTS TWO THROUGH TEN
(Wire Fraud)

1. Paragraphs 1, 2, and 4 through 13 of Count One of this Indictment are hereby alleged and incorporated as though set forth in full herein.

2. On or about the dates set forth below, in the District of New Jersey, and elsewhere, having devised and intending to devise a scheme and artifice to defraud victim investors and to obtain money from victim investors by means of materially false and fraudulent pretenses, representations and promises, defendant

GEORGE SEPERO

did, for the purpose of executing and attempting to execute this scheme and artifice, knowingly transmit and cause to be transmitted by means of wire communications in interstate commerce the following writings, signs, signals, pictures and sounds, each constituting a separate count of this Indictment:

Count	Approximate Date	Description
2	2/5/10	Wire transfer of approximately $1,000,000 sent from victim A.A.'s bank account in North Carolina to a bank account in the name of "Casa Nostra Enterprises" in New Jersey
3	6/9/10	Wire transfer of approximately $100,000 from victim M.F.'s bank account in Illinois to a bank account in the name of "SP Investors" in New Jersey

4	6/24/10	Wire transfer of approximately $100,000 from victim M.F.'s bank account in Illinois to a bank account in the name of "SP Investors" in New Jersey
5	7/16/10	Wire transfer of approximately $260,000 from victim K.M.'s bank account in Utah to a bank account in the name of "SP Investors" in New Jersey
6	9/24/10	Wire transfer of approximately $500,000 sent from victim A.A.'s bank account in North Carolina to a bank account in the name of "SP Investors" in New Jersey
7	9/28/10	Wire transfer of approximately $75,000 from victim V.C.R.'s bank account in Florida to a bank account in the name of "SP Investors" in New Jersey
8	10/6/10	Wire transfer of approximately $250,000 from victim M.F.'s bank account in Illinois to a bank account in the name of "SP Investors" in New Jersey
9	10/12/10	Wire transfer of approximately $150,000 from victim M.F.'s bank account in Illinois to a bank account in the name of "SP Investors" in New Jersey
10	10/21/10	Wire transfer of approximately $250,000 from victim V.C.R.'s bank account in Florida to a bank account in the name of "SP Investors" in New Jersey

In violation of Title 18, United States Code, Section 1343 and Title 18, United States Code, Section 2.

COUNTS ELEVEN THROUGH SEVENTEEN
(Wire Fraud)

1. At all times relevant to Counts Eleven through Seventeen of this Indictment:

a. Victim investor "M.V." was an elderly woman who resided in or around New Jersey.

b. M.V. suffered from numerous physical ailments, including dementia and multiple sclerosis, and was a paraplegic.

c. Defendant SEPERO controlled bank accounts in the name of "Casa Nostra Enterprises, Inc." among others.

d. Annuities were financial products designed to provide the beneficiaries of the annuity with regular disbursements for the lifetime of the beneficiary.

e. Annuities were often set up by and maintained by financial advisors, for the benefit of their clients.

2. From in or around January 2004 to in or around June 2006, defendant SEPERO was employed by a financial institution ("Financial Institution 1") as a financial advisor and consultant. During his employment with Financial Institution 1, defendant SEPERO became acquainted with victim investor M.V.

3. In or around August 2005, an annuity account was opened at another financial institution ("Financial Institution 2") in the name of a trust, and was maintained for the benefit of M.V.

(the "Annuity Account"). Defendant SEPERO was the account representative for the Annuity Account.

4. Proceeds from the Annuity Account were supposed to be used for M.V.'s living expenses during M.V.'s retirement, including expenses incurred for M.V.'s nursing and other health care.

5. In or around June 2006, defendant SEPERO was terminated from his employment with Financial Institution 1. Defendant SEPERO's termination was the result, in part, of investigations into financial improprieties committed by defendant SEPERO during the course of his employment with Financial Institution 1.

6. Notwithstanding his termination, defendant SEPERO represented to M.V. and M.V.'s family members that defendant SEPERO could still manage the Annuity Account.

7. When M.V. or M.V.'s family members sought to have funds added to the Annuity Account, defendant SEPERO arranged for these funds to be deposited into accounts he controlled, including into accounts in the name of "Casa Nostra Enterprises, Inc.," instead of into the Annuity Account directly. Defendant SEPERO falsely represented to M.V. and M.V.'s family that defendant SEPERO would later arrange the deposits into the Annuity Account.

8. In fact, defendant SEPERO failed to make numerous such promised deposits, and instead diverted hundreds of thousands of dollars intended for the Annuity Account to his own uses.

9. In or around December 2008, defendant SEPERO opened a bank account in the name of a trust for M.V.'s family, and fraudulently used the name of M.V.'s son on the account opening paperwork, without the knowledge or consent of M.V.'s son. Defendant SEPERO then directed tens of thousands of dollars from an account controlled by M.V. and M.V.'s family members to this bank account, and misappropriated a portion of this money for his own uses.

10. Defendant SEPERO falsely represented to M.V. and to M.V.'s family members that the Annuity Account was doing well, and had increased in value, to approximately $700,000.

11. Between in or around January 2009 and March 2011, defendant SEPERO placed numerous telephone calls to Financial Institution 2 which were recorded by Financial Institution 2. During these telephone calls, defendant SEPERO falsely presented himself as M.V.'s son or as M.V.'s husband.

12. In fact, however, M.V.'s husband had died in or around January 2006 - years before defendant SEPERO placed the calls to Financial Institution 2.

13. During certain telephone calls to Financial Institution 2, defendant SEPERO requested that Financial Institution 2 increase the monthly disbursements from the Annuity Account, to:

a. hide the fact that defendant SEPERO was no longer employed by Financial Institution 1, and therefore did

not have the authority to make changes to the Annuity Account; and

b. support defendant SEPERO's false claims that because the Annuity Account had increased in value, it could support the increased disbursements.

14. In or around October 2011, in response to numerous requests from M.V.'s family members for information relating to the Annuity Account, defendant SEPERO caused to be delivered a wholly fraudulent "account statement" for the Annuity Account. This account statement reflected a value of approximately $751,587.68 in the Annuity Account. In fact, however, by in or around October 2011, the Annuity Account was actually worth approximately $16.57.

15. On or about the dates set forth below, in the District of New Jersey, and elsewhere, having devised and intending to devise a scheme and artifice to defraud M.V. and M.V.'s family members, and to obtain money from M.V. and M.V.'s family members by means of materially false and fraudulent pretenses, representations and promises, defendant

GEORGE SEPERO

did, for the purpose of executing and attempting to execute this scheme and artifice, knowingly transmit and cause to be transmitted by means of wire communications in interstate

commerce the following writings, signs, signals, pictures and sounds, each constituting a separate count of this Indictment:

Count	Approximate Date	Description
11	1/09/09	Telephone call from defendant SEPERO in New Jersey to Financial Institution 1 in California, requesting modifications to the Annuity Account.
12	6/22/09	Telephone call from defendant SEPERO in New Jersey to Financial Institution 1 in California, requesting modifications to the Annuity Account.
13	7/24/09	Telephone call from defendant SEPERO in New Jersey to Financial Institution 1 in California, requesting modifications to the Annuity Account.
14	7/28/09	Fax transmission sent by defendant SEPERO in or around Florida to Financial Institution 1 in California, requesting modifications to the Annuity Account's disbursements
15	2/03/10	Telephone call from defendant SEPERO in New Jersey to Financial Institution 1 in California, requesting modifications to the Annuity Account.
16	3/26/10	Telephone call from defendant SEPERO in New Jersey to Financial Institution 1 in California, requesting modifications to the Annuity Account.
17	3/31/11	Telephone call from defendant SEPERO in New Jersey to Financial Institution 1 in California, requesting modifications to the Annuity Account.

In violation of Title 18, United States Code, Section 1343 and Title 18, United States Code, Section 2.

FORFEITURE ALLEGATION

The allegations contained in Counts One through Seventeen of this Indictment are hereby realleged and incorporated by reference for the purpose of noticing forfeitures pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

The United States hereby gives notice to the defendant that, upon his conviction of the offenses alleged in the Indictment, the government will seek forfeiture in accordance with Title 18, United States Code, Sections 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), which requires any person convicted of such offenses to forfeit any property constituting or derived from proceeds obtained directly or indirectly as a result of such offenses, including but not limited to:

(a) The real property located at 75 Hazelhurst Avenue, Glen Rock, New Jersey; and

(b) One 2010 Ford F350, vehicle identification 1FTWW38R6AEA56194.

If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred or sold to, or deposited with, a third party;

(c) has been placed beyond the jurisdiction of the court;

(d) has been substantially diminished in value; or

(e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of such defendants up to the value of the forfeitable property described above.

A TRUE BILL

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FOREPERSON

Paul J. Fishman

PAUL J. FISHMAN
UNITED STATES ATTORNEY

CASE NUMBER: 2011R00393

United States District Court
District of New Jersey

UNITED STATES OF AMERICA

v.

GEORGE SEPERO

INDICTMENT FOR

18 U.S.C. §§ 1349, 1343, & 2

A True Bill,

_____

Foreperson

PAUL J. FISHMAN

UNITED STATES ATTORNEY

NEWARK, NEW JERSEY

CHRISTOPHER KELLY/ZACH INTRATER

ASSISTANT U.S. ATTORNEYS

(973) 645-6112/2728