

NEWS

United States Department of Justice
U.S. Attorney, District of New Jersey
970 Broad Street, Seventh Floor
Newark, New Jersey 07102



Christopher J. Christie, U.S. Attorney

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Assistant U.S. Attorney:
CRAIG CARPENITO
973-645-2891

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FOR IMMEDIATE RELEASE
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Bergen County Man Charged with Defrauding Investors Through Fund Purporting to Invest in New Jersey's Top Companies

(More)

Public Affairs Office
Michael Drewniak, PAO

973-645-2888

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NEWARK – A Bergen County man was arrested today on a federal criminal Complaint charging that he defrauded New Jersey investors out of more than \$500,000 by soliciting their money under the guise that he was running an investment fund focused on the top companies in New Jersey, U.S. Attorney Christopher J. Christie announced.

The Complaint also charges Federic William Melendez, 42, of Wyckoff, with laundering the proceeds of the fraud through two bank/brokerage accounts and payments and improvements made on two residences maintained in his wife's name in Bergen County. Those properties have since been sold.

The Complaint alleges that Melendez purported to operate an investment company named R&R Partners and an investment vehicle called The Garden State Fund. A prospectus Melendez provided investors claimed The Garden State Fund "invest[ed] in the common stock of the top 100 public companies that are headquartered in New Jersey." The fund purported to focus on companies "that are rated A+ by the leading rating agencies."

Melendez was arrested early this morning at his home in Wyckoff by Special Agents of the FBI. He appeared before U.S. Magistrate Judge Madeline Cox Arleo, who set bail at \$250,000 to be secured by property owned by Melendez's father-in-law.

The Complaint alleges that, in furtherance of his scheme to defraud investors, Melendez established an account at E*Trade Financial in the name of The Garden State Fund. After depositing investor funds in The Garden State Fund E*Trade account, Melendez allegedly used his check writing privileges on the account to write checks for his personal use without the knowledge or consent of the investors.

For example, from about Jan. 1, 2005 through about April 30, 2005, Melendez received approximately \$48,000 in deposits from investors in The Garden State Fund's E*Trade account. Of that \$48,000, Melendez used more than \$46,000 for his personal expenditures without investor knowledge or consent. Melendez' personal expenditures during the period included: approximately \$17,500 for Melendez' mortgage payments and home improvement expenses; more than \$2,000 in home utility payments; more than \$16,000 in checks made payable to cash and family members; and approximately \$9,500 in personal credit card payments. In total, the complaint charges that Melendez's fraudulent activity caused in excess of \$500,000 in investor losses.

Melendez is charged with money laundering for concealing and disguising the nature of the fraud, the location, source, and the true ownership of the proceeds of the fraud in transactions involving The Garden State Fund E*Trade account, a PNC bank account at PNC Bank, in his wife's name, and two residences that were formerly maintained in Melendez wife's name located in Bergen County.

Melendez is charged with one count of mail fraud, which carries a maximum statutory

penalty of 20 years in prison and a \$250,000 fine, and one count of money laundering. The money laundering count also carries a statutory maximum penalty of 20 years in prison and a maximum fine of more than \$1,000,000, because the statute allows a maximum fine twice the value of the property involved in the fraud.

Christie credited Special Agents of the FBI in Newark, under the direction of Acting Special Agent in Charge Pedro D. Ruiz, with developing the case against Melendez.

Melendez is being prosecuted by Assistant U.S. Attorney Craig Carpenito of the Securities and Health Care Fraud Unit of the Criminal Division of the U.S. Attorney's Office in Newark.

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Defense Counsel: Carl J. Herman, Esq.