



U. S. Department of Justice

*United States Attorney
Northern District of Illinois*

*Patrick J. Fitzgerald
United States Attorney*

*Federal Building
219 South Dearborn Street, Fifth Floor
Chicago, Illinois 60604
(312) 353-5300*

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PRESS CONTACTS:
AUSA Joel Levin (312) 353-5347
AUSA/PIO Randall Samborn (312) 353-5318

TWO MEN INDICTED IN \$22 MILLION INVESTMENT FRAUD SCHEME

CHICAGO -- A West Chicago man and a Georgia colleague who allegedly swindled more than two dozen investors of more than \$22 million through the sale of purported foreign bank instruments and railroad bonds were indicted on fraud and money laundering charges by a federal grand jury. The defendants, **August C. Ghilarducci**, the president and owner of a financial planning and consulting firm, Westchester Financial Associates, Inc. (WFA), and **Ronald J. Richardson**, who acted as a broker and obtained clients for Ghilarducci, were charged in a 24-count indictment that was returned late yesterday, Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, announced today.

Ghilarducci, 42, of 28W100 St. Charles Rd., West Chicago, was charged with 16 counts of wire fraud and eight counts of money laundering. Richardson, 53 (dob 11/17/48), of Acworth, Ga., was charged with eight counts of wire fraud and three counts of money laundering. The indictment also seeks forfeiture totaling at least \$3.5 million, as well as Ghilarducci's residence and property in West Chicago. They will be arraigned at a later date in U.S. District Court in Chicago.

According to the indictment, between March 1996 and June 2001, Ghilarducci and Richardson engaged in a fraud scheme to obtain money from clients by selling various financial instruments. The investments included letters purportedly issued by foreign banks and corporate bonds, under the pretense that they would earn the clients, or subsidiary investors, substantial profits

in various international bank trading programs, when, in fact, the defendants knew that the investments had little or no value and could not be used to secure substantial profits.

In the summer of 1996, Ghiladucci and Richardson allegedly began offering to obtain for clients of WFA “Confirmation of Funds” letters, also known as “Confirmed Funds letters,” which they represented could be used to secure substantial returns in international bank trading programs. They falsely represented that the letters would be issued by reputable and recognized financial institutions and could be used to engage in bank trading programs. They promised clients that, in return for a fee, they would obtain such a letter, representing that the client had available in a financial institution unencumbered funds that the client could use in an amount as high as 25 times the amount of the fee that the client had paid, the indictment alleges, adding that the client fees ranged from \$200,000 to \$1.95 million to obtain Confirmation of Funds letters.

As part of the fraud scheme, Ghiladucci and Richardson directed each client to pay the fee for a letter to an attorney, based on assurances that the fee would be held by the attorney in an “escrow” account and would not be disbursed until the client received an acceptable Confirmation of Funds letter. The defendants then allegedly used a portion of the money they received from each client to buy a Confirmation of Funds letter from one of several little known foreign institutions, knowing that they were worthless, and could not be used to secure large profits in international banking trading programs. The men then used most of the money they received from clients for their personal purposes, to pay the attorney who had handled the “escrow,” and to refund money paid by WFA clients who had lost money on other transactions, according to the indictment.

When clients complained that the bank letters were worthless, the defendants allegedly sent misleading letters to the clients assuring them that the institutions that had issued the letters were legitimate and reputable. From late 1996 through December 2000, the defendants took in

approximately \$20 million in fees paid by approximately 27 clients, none of whom were able to make any profit or to use the Confirmation of Funds letters successfully in any kind of bank trading program, the indictment charges.

It further alleges that in the fall of 1996, Ghilarducci obtained numerous corporate bonds that had been issued in the late 19th century by various railroad companies, and he purchased official looking certificates for the railroad bonds, stating that they were authentic and that each bond was worth millions of dollars. Ghilarducci then sold railroad bonds to numerous individuals and business brokers at grossly inflated prices, ranging from \$25,000 to as much as \$302,000 per bond, based on material misrepresentations to his customers, including false representations as to the value of the railroad bonds and as to the price that he had paid for them.

He also allegedly falsely represented to bond purchasers that the bonds could be and had been placed in bank trading programs where they would generate substantial profits for the bondholders.

Despite evidence known to Ghilarducci that the bonds had little or no value, and that the valuations of the bonds were bogus and inflated, he represented to bondholders that the bonds could be placed in a profitable trading program, the indictment alleges. In response to complaints by bondholders, he faxed and sent them various letters in which he continued to mislead them as to the value of the bonds and falsely assured them that the bonds would, in short order, return substantial profits. From May through December 1996, Ghilarducci allegedly fraudulently received approximately \$2.3 million from the sale of railroad bonds.

As part of the scheme, Ghilarducci allegedly used proceeds obtained from selling Confirmation of Funds letters to repay some railroad bondholders who had complained about the money they had lost on this worthless investment.

Mr. Fitzgerald announced the charges with Thomas J. Kneir, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation, and James W. Martin, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division in Chicago. The government is being represented by Assistant U.S. Attorney Joel Levin.

If convicted, each count of wire fraud carries a maximum penalty of five years in prison and a \$250,000 fine, and each count of money laundering carries a maximum penalty of 10 years in prison and a \$250,000 fine, or a fine totaling twice the amount of the laundered funds. As an alternative maximum fine, the Court may order a fine totaling twice the gross loss to any victim or twice the gain to the defendant, whichever is greater. Restitution is mandatory. The Court, however, would determine the appropriate sentence to be imposed under the United States Sentencing Guidelines.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the United States has the burden of proving guilt beyond a reasonable doubt.

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