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**FORMER CHICAGO HEDGE FUND MANAGER ALLEGEDLY SWINDLED MORE THAN $3.5 MILLION FROM 48 VICTIMS IN INVESTMENT FRAUD SCHEME**

CHICAGO — A former Chicago hedge fund manager was taken into federal custody today after he turned himself in for allegedly engaging in an investment fraud scheme in which he swindled more than $3.5 million from approximately 48 victims who invested in funds he purported to operate. The defendant, **James Brandolino**, was charged with mail fraud in a criminal complaint filed in U.S. District Court, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois; Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; and Thomas P. Brady, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago.

Brandolino, 42, of Joliet and formerly of Chicago, obtained about $4.7 million from 48 high net worth investors since 2003 for purported managed futures trading accounts and a commodity pool investment. He provided about $1.1 million in investor redemptions and allegedly lost roughly half of the total invested funds through trading and misused most of the remaining funds for his own benefit. Most of the misappropriated funds were spent, with his only remaining assets consisting of a luxury automobile, a watch and an interest in an unbuilt condominium in Greece on which he put down 80,000 Euros, or more than $107,000.

Brandolino appeared this afternoon before U.S. Magistrate Judge Michael Mason and asked to remain in federal custody.

According to the charges, Brandolino has held various National Futures Association registrations in the commodities brokerage business, with exchange floor trading privileges at the Chicago Board of Trade, now part of the CME Group. He has also been a principal of several commodities trading businesses, including Brandolino Investment Group, Lloyd Lewis Capital, Inc., Falcon Trading Group, Inc., and Falcon Capital Partners LLC.

Since 2003, Brandolino allegedly told investors that their funds, minus a commission, would be used to trade futures contracts, and always told them that the trading was profitable, even though often it was not. Despite trading losses and misusing the funds, as recently as October 2010, he falsely represented in a statement to all investors that their total equity was approximately $7.5 million, the complaint alleges.

Between 2003 and 2007, Brandolino allegedly accepted approximately $1.5 million from roughly 20 investors and routinely generated false statements showing steady returns even though by mid-2007 he had lost most of the money through trading and misused most of the remaining funds for himself. In mid-2007, he started a commodity pool known as Falcon Stock Index LP, without disclosing that he had previously defrauded investors. Until this fund closed in July 2008, Brandolino allegedly traded equity index futures and earned actual net returns of about 15.5 percent, but he did not tell any of his investors that he had stopped trading in mid-2008 and failed to return their money, according to the charges.

The government is being represented by Assistant U.S. Attorney Samuel B. Cole.

The investigation falls under the umbrella of the Financial Fraud Enforcement Task Force, which 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: www.StopFraud.gov.

Mail fraud carries a maximum penalty of 20 years in prison and a $250,000 fine, and restitution is mandatory. The Court may also impose a fine totaling twice the loss to any victim or twice the gain to the defendant, whichever is greater. If convicted, however, the Court must impose a reasonable sentence under the advisory United States Sentencing Guidelines.

A complaint contains only charges and is not evidence of guilt. The defendant is presumed innocent and is entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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