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FORMER SUBURBAN MAN ADDED AS A NEW DEFENDANT IN INDICTMENT ALLEGING $105 MILLION "PONZI" SCHEME INVOLVING 400 VICTIMS

CHICAGO — A former suburban Chicago man has been charged as a new defendant in a pending federal case alleging that he and a co-defendant engaged in a "Ponzi" scheme that caused losses totaling approximately $34 million. The indictment alleges that the defendants fraudulently obtained more than $105 million from approximately 400 victims who invested in funds that the defendants purportedly operated from the U.S. Virgin Islands. The new defendant, **Alfred Gerebizza**, pleaded not guilty on Oct. 26 at his arraignment on fraud and federal income tax charges that were brought in a superseding indictment against him and his co-defendant Daniel Spitzer, who was previously arrested and indicted. Both defendants allegedly misused money they raised from investors for their own benefit, and to make Ponzi-type payments totaling approximately $71 million to certain investors.

The indictment charging Gerebizza, 56, formerly of Crystal Lake, was unsealed in mid-October after he surrendered voluntarily to authorities in Atlanta. He remains in custody after being transferred here to face prosecution in U.S. District Court. Gerebizza and Spitzer, 51, of Barrington, who previously pleaded not guilty was released on bond, have a status date on Dec. 6, 2011 before U.S. District Judge James Zagel.

Gerebizza was charged with 10 counts of mail fraud and six counts of filing false individual and corporate income tax returns, while Spitzer is facing 10 counts of mail fraud. The indictment seeks forfeiture against both defendants of approximately $34 million.

According to the superseding indictment, Gerebizza was a sales agent and held himself out as a trader for a dozen investment funds, known collectively as the "Kenzie Funds," purportedly operated by Kenzie Financial Management in the U.S. Virgin Islands. Spitzer was the principal officer and sole shareholder of the company, as well as the principal of other corporate entities. The defendants offered and sold to the public investments in the various Kenzie Funds in the form of membership and limited partnership interests. Through sales agents and various marketing materials, they informed investors and potential investors that their investments would be used primarily in foreign currency trading, that the Kenzie Funds had never lost money, and had achieved profitable historical returns. The defendants had to continually raise funds through the solicitation of new investors in the Kenzie Funds to make payments on investments made by earlier investors, all of which they concealed and intentionally failed to disclose to both new and earlier investors. Ultimately, between 2004 and July 2010, the defendants allegedly raised approximately $105 million from investors, misappropriated a significant portion of those funds, and caused losses totaling approximately $34 million.

The indictment alleges that the defendants represented to investors that the Kenzie Funds had rates of returns ranging from 4.52 to 13.54 percent over the prior five years, although the bank accounts for the Kenzie Funds reflected that the total net return over the five year period on the approximately $105 million investors contributed to all of the Kenzie Funds was less than 1 percent. As of June 30, 2009, the defendants represented that the Kenzie Funds were worth approximately

$250 million, at a time when the Funds collectively had only approximately $4 million in their bank accounts.

Gerebizza was also charged with six counts of filing false federal income tax returns between 2005 and 2007, including both his individual tax returns and returns for ARG Management, Inc., a Subchapter S corporation that he maintained.

The new charges against Gerebizza were announced today by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois; Alvin Patton, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division in Chicago; Tom Brady, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago; and Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation. They acknowledged the assistance of the Securities and Exchange Commission, Chicago Regional office. The government is being represented by Assistant U.S. Attorneys Madeleine Murphy and Jason Yonan.

Each count of mail fraud carries a maximum penalty of 20 years in prison and a $250,000 fine, or the Court may impose a fine totaling twice the loss to any victim or twice the gain to the defendant, whichever is greater, and restitution is mandatory. The tax counts against Gerebizza alone carry a maximum penalty of three years in prison and a $250,000 fine. In addition, defendants convicted of tax offenses face mandatory costs of prosecution and remain civilly liable to the Government for any and all back taxes, as well as a civil fraud penalty of 75 percent of the underpayment plus interest. If convicted, the Court must impose a reasonable sentence under federal statutes and the advisory United States Sentencing Guidelines.

The Financial Fraud Enforcement Task Force 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.

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 government has the burden of proving guilt beyond a reasonable doubt.

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