


Approved:


DAVID I. MILLER
Assistant United States Attorney

Before: HONORABLE FRANK MAAS
United States Magistrate Judge
Southern District of New York

12 MAG 3189

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UNITED STATES OF AMERICA :

SEALED

COMPLAINT

- v. -

ABDUL WALJI,
a/k/a "Abdul Valji,"
RENIERO FRANCISCO,

Defendants.

Violations of
15 U.S.C. §§ 78j(b),
78ff; 17 C.F.R.
§ 240.10b-5; 7 U.S.C.
§§ 6o(1), 13(a)(1), and
13(a)(5); and 18 U.S.C.
§§ 371, 1343, and 2

COUNTY OF OFFENSE:
NEW YORK

- - - - - x

SOUTHERN DISTRICT OF NEW YORK, ss.:

ALEXANDER H. KURGANSKY, being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation and charges as follows:

COUNT ONE

(Conspiracy to Commit Securities Fraud and Wire Fraud)

1. From at least in or about February 2010 through in or about December 2011, in the Southern District of New York and elsewhere, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, willfully and knowingly did combine, conspire, confederate, and agree together and with each other to commit offenses against the United States, namely, (a) to commit fraud in connection with the purchase and sale of securities, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5; and (b) to commit wire fraud, in violation of Title 18, United States Code, Section 1343.

2. It was a part and an object of the conspiracy that ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, the mails, and the facilities of national securities exchanges,

would and did use and employ manipulative and deceptive devices and contrivances in connection with the purchase and sale of securities, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud; (b) making and causing to be made untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons who purchased units of Arista LLC ("Arista"), in violation of Title 15, United States Code, Sections 78j(b) and 78ff.

3. It was further a part and an object of the conspiracy that ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money by means of false and fraudulent pretenses, representations and promises, would and did transmit and cause to be transmitted by means of wire and radio communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, Section 1343.

Overt Acts

4. In furtherance of the conspiracy and to effect the illegal objects thereof, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, and others, caused the following overt acts, among others, to be committed in the Southern District of New York and elsewhere:

a. In or about 2010, WALJI and FRANCISCO met with an Arista investor and the investor's spouse at a country club in California concerning an investment.

b. In or about July 2011, FRANCISCO met with a potential Arista investor at a restaurant in California to solicit an investment.

c. On or about September 3, 2011, WALJI and FRANCISCO met with a potential Arista investor at a restaurant in California to solicit an investment.

d. On or about August 15, 2011, WALJI and FRANCISCO caused a \$60,000 wire transfer to be made from a bank account in California to a bank account in New York, New York.

e. On or about September 21, 2011, WALJI and FRANCISCO caused a \$100,000 wire transfer to be made from a bank account in California to a bank account in New York, New York.

f. On or about October 7, 2011, WALJI and FRANCISCO caused a \$100,000 wire transfer to be made from a bank account in California to a bank account in New York, New York.

g. On or about November 22, 2011, FRANCISCO sent an e-mail to Arista's accountant instructing the accountant to withhold selected information in Arista's quarterly account statements.

(Title 18, United States Code, Section 371.)

COUNT TWO

(Securities Fraud)

5. From at least in or about February 2010 through in or about December 2011, in the Southern District of New York and elsewhere, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, willfully and knowingly, directly and indirectly, by the use of means and instrumentalities of interstate commerce, the mails and the facilities of national securities exchanges, in connection with the purchase and sale of securities, used and employed manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by: (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons, to wit, WALJI and FRANCISCO engaged in a scheme to defraud and misappropriate millions of dollars from Arista investors by making material misrepresentations to, and distributing and causing to be distributed fraudulent quarterly statements to, existing and potential investors of Arista.

(Title 15, United States Code, Sections 78j(b) & 78ff;
Title 17, Code of Federal Regulations, Section 240.10b-5,
and Title 18, United States Code, Section 2.)

COUNT THREE

(Commodities Fraud)

6. From at least in or about February 2010 through in or about December 2011, in the Southern District of New York and elsewhere, ABDUL WALJI, a/k/a "Abdul Valji," the defendant, while acting as a principal and associated person of Arista, a commodity pool operator, willfully and knowingly, by use of the mails and of the means and instrumentalities of interstate commerce, directly and indirectly, would and did (a) employ devices, schemes, and artifices to defraud clients and participants, and prospective clients and participants; and (b) engage in transactions, practices, and courses of business that operated and would operate as a fraud and deceit upon clients and participants, and prospective clients and participants, to wit, WALJI engaged in a scheme to defraud and misappropriate millions of dollars from investors through Arista, an investment fund formed and operated by WALJI.

(Title 7, United States Code, Sections 60(1), 13(a)(1), and 13(a)(5); Title 18, United States Code, Section 2.)

COUNTS FOUR THROUGH SIX

(Wire Fraud)

7. On or about the dates set forth below, in the Southern District of New York and elsewhere, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises, transmitted and caused to be transmitted by means of wire communication in interstate and foreign commerce, the following writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, WALJI and FRANCISCO executed or caused to be executed the following wire transfers of money, which passed in interstate commerce through New York, New York:

COUNT	DATE	AMOUNT TRANSFERRED
FOUR	8/15/2011	\$60,000
FIVE	9/21/2011	\$100,000
SIX	10/7/2011	\$100,000

(Title 18, United States Code, Sections 1343 and 2.)

The basis for my knowledge and the foregoing charges is, in part, as follows:

8. I am a Special Agent in the New York Field Office of the Federal Bureau of Investigation, and I have been personally involved in the investigation of this matter. For more than a year, I have been responsible primarily for the investigation of offenses involving violations of the federal securities laws and related offenses. I have participated in numerous investigations of such offenses.

9. The information contained in this Complaint is based upon my personal knowledge, as well as information obtained during this investigation, directly or indirectly, from other sources, as indicated below. Because this affidavit is prepared for limited purposes, I have not set forth each and every fact I have learned in connection with this investigation. Where conversations and events are referred to herein, they are related in substance and in part unless indicated otherwise. Where figures and calculations are set forth herein, they are approximate.

Relevant Individuals and Entities

10. Arista began operations as an investment firm in or about February 2010, with its principal place of business in Newport Coast, California. The only Arista employees were ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, and a family member of FRANCISCO's. On or about April 20, 2011, Arista became a registered commodity pool operator ("CPO") with the United States Commodity Futures Trading

Commission ("CFTC"), and an National Futures Association ("NFA") member.¹

11. Since in or about April 2011, ABDUL WALJI, a/k/a "Abdul Valji," the defendant, was a principal of Arista, a registered Associated Person ("AP") with the CFTC, and an NFA Associate.² At all times relevant to this Complaint, WALJI was also the sole manager, Chief Executive Officer, Secretary, and Treasurer of Arista.

12. At all times relevant to this Complaint, RENIERO FRANCISCO, the defendant, was a consultant and advisor to Arista. In or about September 2010, FRANCISCO became Arista's President.

Overview of the Scheme to Defraud

13. Based on my review of transaction and formation documents relating to Arista, account statements issued by Arista, statements from brokerage and bank accounts used by Arista and ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, discussions with personnel of the CFTC and the NFA, and interviews of Arista investors, I have learned the information provided below.

14. From at least in or about February 2010 through in or about December 2011, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, and others known and unknown, engaged in a scheme to defraud and misappropriate millions of dollars from investors through Arista. Arista was formed and operated by WALJI and FRANCISCO. As part of their fraudulent

¹ The NFA is a not-for-profit membership corporation formed as a futures industry self-regulatory organization pursuant to Section 17 of the Commodity Exchange Act and is a registered futures association.

A commodity pool is an enterprise in which funds contributed by a number of persons are combined for the purpose of trading futures contracts, options on futures, or other commodity instruments, or to invest in another commodity pool. A commodity pool operator is an individual or organization that manages a commodity pool and solicits funds for that commodity pool.

² An Associated Person is an individual who solicits orders, customers or customer funds (or who supervises persons so engaged), on behalf of a commodity pool or certain commodity brokers and advisors.

scheme, WALJI and FRANCISCO collected nearly \$10 million from over 35 investors, of which only approximately \$7.5 million was ultimately invested -- specifically, in S&P 500 future contracts and United States Treasury Bond options. A large portion of the money that was invested and the money that was never invested was ultimately misappropriated by WALJI and FRANCISCO.

15. ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, carried out their fraudulent scheme through three methods. First, WALJI and FRANCISCO misrepresented to several Arista investors the nature of Arista's investments and the returns that investors would receive from investing in Arista. For example, WALJI and FRANCISCO falsely told investors that their money would be invested in safe, risk-free securities, while, in fact, much of the money was invested in options and futures. Second, WALJI and FRANCISCO caused fraudulent account performance statements to be sent to Arista investors that misrepresented the value of the investors' investments with Arista. Specifically, in an effort to secure additional contributions from investors, at times when investors were losing money they had invested in Arista, WALJI and FRANCISCO concealed Arista's trading losses, and misrepresented that the investors were profiting from their investments. Third, WALJI and FRANCISCO misappropriated at least approximately \$2.7 million from Arista's investors through fees to which they were not entitled, and which WALJI and FRANCISCO diverted for their own personal benefit.

**WALJI and FRANCISCO Solicit
Initial Investments in Arista**

16. In or about early 2010, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, began to solicit individuals to invest in Arista. In connection with those efforts, FRANCISCO solicited and recruited several of his former clients from his prior employment with a large broker-dealer ("Company-1").

17. In or about the spring of 2010, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, caused to be prepared, and then provided to potential investors, a March 1, 2010 Private Placement Memorandum ("March 2010 PPM") and other offering documents, including a subscription agreement (collectively, the "Arista Offering Documents"). The Arista Offering Documents set forth, among other things, the structure of the fund, its potential investments, the anticipated returns to investors, and the compensation that WALJI and FRANCISCO were entitled to receive for their services in managing the fund. The

Arista Offering Documents stated that an investment in Arista securities was "being offered to a limited number of prospective investors who qualify as accredited investors under Regulation D ... promulgated under the Securities Act." A questionnaire also accompanied the Arista Offering Documents, which prospective investors were required to complete, posing questions about the prospective investor's sophistication and net worth (the "Investor Questionnaire").

18. The March 2010 PPM offered 1,000 units of membership interest in Arista for sale at a price of \$25,000 per unit (for a total offering of \$25,000,000). Under the March 2010 PPM, each proposed subscription required a minimum of ten units, with an aggregate minimum purchase price per subscription of \$250,000. The March 2010 PPM also provided that subscriptions to purchase less than ten units of Arista could be accepted at the sole discretion of Arista's "Board of Managers." The sole manager on the Board of Managers was ABDUL WALJI, a/k/a "Abdul Valji," the defendant. Indeed, at times WALJI exercised this discretion and permitted several investors to invest less than \$250,000.

19. The March 2010 PPM stated that Arista anticipated making a 10% annual return on investment for investors.

20. The Arista Offering Documents included a March 1, 2010 consulting agreement between ABDUL WALJI, a/k/a "Abdul Valji," the defendant, and Arista (the "Walji Consulting Agreement"). The Walji Consulting Agreement provided that "[i]n consideration for [WALJI's] services," Arista would pay WALJI in cash "the product of 75.0% times [sic] a number equal to: (i) 90.0% of the realized cash gain from investments (net of commissions, fees and expenses paid to third parties); less (ii) operating expenses the Company incurred during the same period of time for which the Consulting Fee is being paid" (the "Walji Consulting Fee"). The Walji Consulting Agreement further provided that the Walji Consulting Fee would be paid every six months -- i.e., September 1, 2010, March 1, 2011, and September 1, 2011. The March 2010 PPM reflected these terms of the Walji Consulting Agreement.

21. Pursuant to an April 27, 2010 services agreement between ABDUL WALJI, a/k/a "Abdul Valji," the defendant, and RENIERO FRANCISCO, the defendant (the "Services Agreement"), WALJI agreed to provide FRANCISCO "one-half of the net cash proceeds Abdul receives from ARISTA pursuant to the Consulting Agreement."

WALJI and FRANCISCO's Misrepresentations to Arista's Investors

22. Based on my interviews of multiple Arista investors, and my review of records relating to Arista, including e-mail correspondence and account performance statements, I have learned that ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, made material misrepresentations to several Arista investors in order to induce those investors to invest in Arista and/or to obtain additional contributions to the fund, including those specified below.

23. As ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, knew, many of the investors in Arista were unsophisticated investors who had tendered all or part of their retirement savings. To this end, and also as WALJI and FRANCISCO knew, many of the investors they solicited did not qualify "as accredited investors under Regulation D," contrary to the requirements and representations in the Arista Offering Documents and under the securities laws. Indeed, several investors who were retired public servants lacked the net worth or financial sophistication required to be considered an "accredited investor" under law. Nevertheless, as explained below, FRANCISCO coached selected investors on how to answer their Investment Questionnaires so they would provide the "right" answers in order to be considered "accredited investors," permitting WALJI and FRANCISCO to avoid various registration requirements that would otherwise be required under the Securities Act of 1933.

24. Although the Arista Offering Documents, including the March 2010 PPM, noted that Arista would potentially invest in risky instruments including options and futures, RENIERO FRANCISCO, the defendant, made contrary oral representations to several investors. FRANCISCO represented to several investors, in sum and substance, that their contributions would be placed in safe investments, similar to those the investors utilized when FRANCISCO was with Company-1. This misrepresentation was particularly important to several of Arista's investors who entrusted their full retirement savings with FRANCISCO and ABDUL WALJI, a/k/a "Abdul Valji," the defendants, based, in large part, on the low-risk nature of the investment. Furthermore, at various points in or about 2010 and 2011, FRANCISCO orally represented to several investors, in sum and substance, that their investments would earn a ten percent return.

Investor-1

25. In or about March 2010, FRANCISCO solicited the first investor ("Investor-1") to invest in Arista. FRANCISCO had been Investor-1's financial advisor since the 1990s and was aware of Investor-1's financial situation, including that (1) Investor-1's spouse was disabled and could not work, and (2) Investor-1 was uninterested in risky investments. FRANCISCO told Investor-1, in sum and substance, that Arista's investments were structured so that Investor-1 would be able to retire. FRANCISCO represented to Investor-1, in sum and substance, that Investor-1 would ultimately make a ten percent return or better on Investor-1's investment. Prior to Investor-1 investing in Arista, FRANCISCO himself completed most of the Investor Questionnaire for Investor-1 and coached Investor-1 on how to respond to the remaining questions to ensure Investor-1's qualification.

26. On or about March 27, 2010, Investor-1 and Investor-1's spouse invested \$270,000 in Arista.

27. From in or about 2010 through in or about 2011, RENIERO FRANCISCO, the defendant, repeatedly told Investor-1 that Investor-1's investment was doing well and earning a ten percent rate of return. In reliance on these misrepresentations and the Arista quarterly statements discussed below, Investor-1 and Investor-1's spouse invested an additional \$147,000 during this time period, for a total investment of \$417,000.

28. Investor-1 informed me, in sum and substance, that Investor-1 "absolutely would not have invested" with Arista if Investor-1 had known Arista would be invested in products with a high level of risk or volatility, such as options and futures.

Investor-2

29. In or about early 2010, RENIERO FRANCISCO, the defendant, began discussions with another investor ("Investor-2") concerning Arista, whom FRANCISCO had advised when FRANCISCO was employed by Company-1. Investor-2 soon agreed to invest in Arista, but instructed FRANCISCO to invest Investor-2's retirement savings in safe, non-volatile investments. On several occasions, RENIERO FRANCISCO, the defendant, acknowledged Investor-2's instruction and told Investor-2, in sum and substance, FRANCISCO would keep Investor-2's "money safe" and that Investor-2 would "never outlive [Investor-2's] money." Investor-2 understood this to mean that Investor-2 would be able to live comfortably for the rest of Investor-2's life and not have concerns about running out of Investor-2's savings. When

Investor-2 agreed to invest in Arista, FRANCISCO presented Investor-2 paperwork to sign, including the Investor Questionnaire. FRANCISCO, however, told Investor-2 how to answer the Investor Questionnaire.

30. Beginning in or about April 2010, Investor-2 and Investor-2's spouse began to invest their savings in Arista, and over the course of the next five months, ultimately invested approximately \$1 million.

31. After investing in Arista, Investor-2 and Investor-2's spouse met with ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, at a country club in California. Investor-2 and Investor-2's spouse told WALJI that they did not want to risk the money they had contributed to Arista. Similarly, as noted above, Investor-2 repeatedly told FRANCISCO to keep Investor-2's investment money safe and not to invest in high-risk instruments. Notably, the Arista quarterly statements (discussed below) that Investor-2 received falsely reflected that Investor-2 was making money.

32. Investor-2 informed me, in sum and substance, that Investor-2 would not have invested in Arista if Investor-2 had known that Arista would be invested in products with a high level of risk or volatility, such as options and futures. Furthermore, Investor-2 advised me that if Investor-2 had been provided with true and accurate quarterly statements, Investor-2 would not have invested additional money.

Investor-3

33. On or about October 22, 2010, another individual ("Investor-3") invested \$300,000 in Arista, and on or about January 28, 2011, Investor-3 invested an additional \$300,000 in Arista (for a total investment of \$600,000). In securing these contributions, RENIERO FRANCISCO, the defendant, told Investor-3, in sum and substance, that Investor-3 would be guaranteed an eight to ten percent return through Investor-3's investment and that Investor-3's investment would be diversified. Investor-3 instructed FRANCISCO, in sum and substance, that Investor-3 did not want Investor-3's money invested in high-risk instruments.

34. Investor-3 informed me, in sum and substance, that Investor-3 would not have invested with Arista had Investor-3 known Arista would be invested in products with a high level of risk or volatility, such as options and futures. Further, Investor-3 advised me that if Investor-3 had been provided with

true and accurate Arista quarterly statements, Investor-3 would not have invested additional money.

Investor-4

35. On or about May 20, 2010, an additional investor ("Investor-4") invested \$448,281.57 in Arista. Investor-4 invested money in Arista because RENIERO FRANCISCO, the defendant, told Investor-4 that Investor-4's investment with Arista would be "very safe."

36. Investor-4 informed me, in sum and substance, that Investor-4 would not have invested in Arista if Investor-4 had known that Arista was invested in products with a high level of risk or volatility, such as options and futures. Further, Investor-4 advised me that if Investor-4 had been provided with true and accurate Arista quarterly statements, Investor-4 would have requested Investor-4's money back.

Investor-5

37. In or about April 2011, RENIERO FRANCISCO, the defendant, solicited another investor ("Investor-5") to invest in Arista. Investor-5 was unable to invest immediately into Arista, however, because it took Investor-5 time to withdraw money from Investor-5's retirement savings for the Arista investment. On or about September 3, 2011, FRANCISCO and ABDUL WALJI, a/k/a "Abdul Valji," the defendant, met with Investor-5 and Investor-5's spouse to discuss an investment. During this meeting, Investor-5 told FRANCISCO and WALJI that Investor-5 did not want to invest in risky instruments. FRANCISCO told Investor-5, in sum and substance, that while Investor-5's investment with Arista was not guaranteed, Investor-5 would earn a ten percent return on Investor-5's investment and at the end of the three-year investment term, Investor-5 would get Investor-5's initial investment back. FRANCISCO also told Investor-5, in sum and substance, that while Arista's value was up and down, it was "mostly on the up side."

38. On or about October 6, 2011, Investor-5 invested \$167,221.57 in Arista. Investor-5 informed me, in sum and substance, that Investor-5 probably would not have invested with Arista if Investor-5 had known that Arista was invested in products with a high level of risk or volatility, such as options and futures.

WALJI and FRANCISCO's High-Risk Investments Declined in Value

39. In the course of my investigation, I have reviewed trading and bank records relating to the performance of investments made by ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants. Among other things, I have reviewed records of Arista's investments through clearinghouse brokers, bank account statements for accounts held in Arista's name, and bank account statements for accounts held in WALJI's and FRANCISCO's names, as well as statements for accounts and entities controlled by them. From my investigation, I have learned the information provided below.

40. Arista's investor contributions were initially deposited into a business checking account held in Arista's name at Comerica Bank ("Comerica") in California, and later were deposited into a money market account in Arista's name at Comerica in California. From the Comerica depository accounts, Arista's investments went through two clearinghouse brokers for options and futures investments: optionsXpress and Interactive Brokers. To this end, from in or about 2010 through in or about 2011, and in furtherance of their trading activity, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, caused money to be wired from Arista's accounts at Comerica to an optionsXpress account at JP Morgan Chase and an Interactive Brokers account at Citibank, both located in New York, New York.³

41. From Arista's inception, Arista's total investor deposits rose quickly from an initial deposit of approximately \$270,000 in or around March 2010, to total deposits of approximately \$3,000,000 in or around June 2010. ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, secured additional investors and contributions throughout the remainder of 2010 and early 2011, ultimately obtaining nearly \$10 million in deposits by in or about March 2011.

42. Contrary to representations made to several investors, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, used investor deposits to invest in

³ By way of example, and as referenced above, WALJI and FRANCISCO caused the following wires to be made: (i) on or about August 15, 2011, \$60,000 was wired from Arista's Comerica account to Interactive Brokers; (ii) on or about September 21, 2011, \$100,000 was wired from Arista's Comerica account to Interactive Brokers; and (iii) on or about October 7, 2011, \$100,000 was wired from Arista's Comerica account to Interactive Brokers.

risky futures and options: S&P 500 future contracts and U.S. Treasury Bond options. In total, of the nearly \$10 million received from investors, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, committed only approximately \$7.5 million to options and futures trading.

43. Despite substantial losses in market value in 2010, Arista's total value rose to a high of approximately \$8.2 million at the end of April 2011 because of additional investor contributions and some investment gains.⁴ Ultimately, this was short-lived and the value of Arista's investments plummeted to approximately \$2.5 million by the end of July 2011, and fell to approximately \$650,000 by the end of 2011.

**WALJI and FRANCISCO Sent Fraudulent
Quarterly Account Statements to Arista Investors**

44. Based on my review of quarterly account statements sent to several investors (the "Arista Quarterly Statements"), Arista's brokerage account and bank statements, and based on my interviews of multiple Arista investors, I have learned the following information.

45. In an effort to increase contributions to Arista, solicit new investments, maintain their existing investments, and enhance their fees, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, issued or caused to be issued to investors fraudulent Arista Quarterly Statements. Among other things, these statements reflected that investors were profiting from their investments, when, in fact, they were suffering dramatic losses. Notably, the Arista Quarterly Statements provided only summary figures and had no information concerning what particular investments were made by the fund, falsely represented the value of the investor's portfolio, and provided no information as to where investor money was being held. For example:

- a. The Arista Quarterly Statements dated June 30, 2010 and September 30, 2010 contained information reflecting the amount deposited

⁴ I have computed Arista's net asset value at a particular time during the relevant period based on the summation of the values of: (i) Arista's optionsXpress account; (ii) Arista's Interactive Brokers account; (iii) Arista's Comerica business checking account; and (iv) Arista's Comerica money market account.

by each investor with Arista, combined with "Gains Accrued" (for which most investors had an amount listed), for a total "Portfolio Value." "Gains Accrued," however, did not correspond to any actual investment performance or returns achieved by Arista, but rather was a made-up metric reflecting a fictitious approximate ten percent annual return. Furthermore, even though FRANCISCO received fees from Arista in or about August 2010, as discussed below, the "Advisory Fees/Fees in lieu of Commission" section in the September 30, 2010 statements indicated that no fee had been paid.

- b. The portfolio values provided in the Arista Quarterly Statements dated September 30, 2011 did not reflect Arista's significant decline in value and the near evaporation of all investors' investments.

46. I have analyzed the Arista Quarterly Statements sent to Investor-1 through Investor-4.⁵ Thereafter, I prepared the summary chart immediately below that sets forth the amounts that ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, fraudulently represented to be the value of their investments as compared to their actual values⁶:

⁵ Certain investors also received K1 tax-related statements evidencing purported gains in investment value, but then ultimately received corrected K1 tax statements in or about early 2012, demonstrating that Arista investors had lost nearly their entire investment by in or about mid-2011. For example, in or about March 2012, Investor-2 received amended K1 tax statements from Arista showing that -- contrary to what had been represented in the initial statements -- Investor-2 lost half of Investor-2's investment value in 2010, and the second half in 2011. Similarly, in or about March 2012, Investor-3 received amended K1 tax statements for 2010 and 2011 showing -- contrary to representations in the initial statements -- a near 65% investment loss in 2010, and an approximate 85% investment loss in 2011. Notably, the amended K1 tax statements were sent out after regulators began an investigation of Arista, as discussed below.

⁶ An investor's "actual" share of Arista's net asset value can be determined from that investor's *pro rata* share of Arista's

Investor	12/31/10 Statement	12/31/10 Actual	3/31/11 Statement	3/31/11 Actual	6/30/11 Statement	6/30/11 Actual	9/30/11 Statement	9/30/11 Actual
Investor-1	\$402,000	\$194,062	\$428,750	\$335,361	\$437,600	\$303,995	\$353,960	\$22,306
Investor-2	\$892,107	\$430,657	\$914,104	\$714,803	\$936,345	\$650,350	\$920,460	\$47,720
Investor-3	\$300,000	\$144,823	\$612,493	\$480,752	\$627,452	\$437,403	\$509,295	\$32,095
Investor-4	\$448,281	\$216,404	\$459,335	\$359,186	\$470,511	\$326,799	\$380,512	\$23,979

47. Through my review of the Arista Quarterly Statements sent to all investors, I have prepared the summary chart immediately below reflecting the total fund value represented to investors and derived from the fraudulent account statements issued by ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, as compared to the fund's actual total value:

Arista Quarterly Statement Date	Aggregate Fund Value from Statements (Approximate)	Actual Fund Value (Approximate)
December 31, 2010	\$8.74 Million	\$4.2 Million
March 31, 2011	\$10 Million	\$7.8 Million
June 30, 2011	\$10.2 Million	\$7.1 Million
September 30, 2011	\$8.4 Million	\$523,000

48. In the course of my investigation, I have interviewed a certified public account who provided accounting services for Arista from the end of in or about 2010 through in or about early 2012 ("Accountant-1"). During that interview, Accountant-1 made the following statements, in sum and substance and in part:

- a. Accountant-1 was engaged by Arista at the end of 2010. Prior to being engaged by Arista, Accountant-1 had done accounting work for a pension administration business owned by ABDUL WALJI, a/k/a "Abdul Valji," the defendant. Accountant-1 did not have any experience in preparing financial statements in which futures or options would need to be valued.

net asset value and was done without reference to, or adjustment for, when an investor invested in Arista.

- b. Accountant-1 participated in the preparation of Arista Quarterly Account Statements from at least in or about December 2010 through in or about 2011.
- c. After Accountant-1 was hired to assist Arista, WALJI e-mailed Accountant-1 a template to design the Arista Quarterly Account Statements. In preparing the Arista Quarterly Statements, RENIERO FRANCISCO, the defendant, provided Accountant-1 with the amounts invested by Arista's investors and the accrued distributions or gains.⁷ Accountant-1 was directed by WALJI and/or FRANCISCO to calculate the accrued gains for an investor as ten percent of the investor's contribution.
- d. While preparing the initial Quarterly Statements, Accountant-1 asked WALJI and FRANCISCO why the Quarterly Statements did not reflect the true value of the investment. WALJI and FRANCISCO responded that it was difficult to determine what Arista's actual value was. WALJI and FRANCISCO also stated they would not know the value of Arista's investments until they had matured. To this end, WALJI and FRANCISCO instructed Accountant-1 to exclude actual investor balances on the Quarterly Statements.
- e. In the course of his duties for Arista, Accountant-1 provided draft Arista Quarterly Statements to WALJI and FRANCISCO for review. WALJI and FRANCISCO would make changes, approve the statements, and then the statements would be distributed to the investors. On several occasions, WALJI and/or FRANCISCO asked Accountant-1 to mail the approved Arista Quarterly Statements to Arista's investors directly.
- f. In preparing the Arista Quarterly Statements dated September 30, 2011, Accountant-1

⁷ During the relevant period, Arista made only approximately \$300,000 in distributions to investors.

initially included what Accountant-1 believed was the account balance reflecting the true value of the investment. But after reviewing the statements drafted by Accountant-1, WALJI and FRANCISCO directed Accountant-1 to remove the category. Specifically, in an e-mail dated November 22, 2011 from FRANCISCO to Accountant-1, FRANCISCO stated that he and WALJI spoke the previous evening and "both agreed that we would like you not to total the Portfolio Summary amounts because it does not represent the true values of our clients accounts." When Accountant-1 asked for clarification of that e-mail, in a subsequent November 22, 2011 e-mail from FRANCISCO to Accountant-1 and WALJI, FRANCISCO repeated that "Abdul and I spoke last night. We both agreed that we would like you not to total the Portfolio Summary amounts."

- g. In preparing the Arista Quarterly Statements dated September 30, 2011, Accountant-1 informed WALJI and/or FRANCISCO that Accountant-1 did not agree with the values WALJI and FRANCISCO were using from Arista's brokerage and bank statements. WALJI and FRANCISCO responded, in sum and substance, that the difference in values was because Arista's investments had purportedly not yet matured.

WALJI and FRANCISCO's Misappropriation of Investor Funds

49. From my investigation in this matter, I have also learned that ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, misappropriated Arista investor funds. As discussed above, the Walji Consulting Agreement provided that the Walji Consulting Fee was to be calculated from the "realized cash gain from investments." Notwithstanding that WALJI and FRANCISCO lost nearly the entirety of investor contributions, WALJI and FRANCISCO paid themselves approximately \$4.1 million from Arista.

50. While the disclosures provided that the Walji Consulting Fee would be paid to ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, every six months, in truth and in fact, WALJI and FRANCISCO paid themselves the Walji Consulting Fee on four different days from in or about August

2010 up until in or about November 2010. Moreover, payment of these fees coincided with the timing of when investors had made significant contributions to Arista, as WALJI and FRANCISCO would otherwise not have had sufficient funds to take these fees.

51. From in or about August 2010 up until in or about November 2010, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, caused approximately \$2.8 million of a purported "Consulting Fee" to be transferred from Arista's Comerica accounts to bank accounts controlled by WALJI, FRANCISCO, and an account owned by FRANCISCO's wife, notwithstanding the significant trading losses during this period.⁸

52. In addition to the amounts described in paragraph 51, in or about May 2011, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, caused approximately \$1.3 million of purported "Consulting Fees" to be transferred to bank accounts controlled by WALJI and FRANCISCO, notwithstanding the significant trading losses that Arista incurred during that year.

53. Thus, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, received approximately \$4.1 million under the purported Walji Consulting Agreement and Services Agreement, i.e., over 40% of Arista's investor contributions, even though from in or about August 2010 through in or about May 2011, Arista suffered significant trading losses and its actual value never exceeded approximately \$8 million.⁹

⁸ FRANCISCO received his first transfer from Arista's Comerica business checking account in or about late August 2010, and WALJI received his first transfer in or about mid-October 2010.

⁹ Between in or about September 2010 and in or about September 2011, RENIERO FRANCISCO, the defendant, caused approximately \$1.4 million to be transferred to Arista from accounts in his name, family members' names, and entities under his control. Notwithstanding these transfers, given the massive losses in the fund, FRANCISCO was not entitled to have collected the "consulting fee" he did. Indeed, even assuming that FRANCISCO and his family were entitled to the full return of the approximately \$1.4 million, which they were not, FRANCISCO and ABDUL WALJI, a/k/a "Abdul Valji, the defendant, still misappropriated at least approximately \$2.7 million from investors.

54. From in or about 2010 through in or about late 2011, ABDUL WALJI, a/k/a "Abdul Valji," the defendant, used investor money in connection with the following: (i) a \$970,000 payment to a title insurance company for WALJI's purchase of a four-bedroom residential property; (ii) \$72,000 in payments to a tennis club in Florida; and (iii) multiple deposits in WALJI's personal trading accounts.

55. From in or about 2010 through in or about late 2011, RENIERO FRANCISCO, the defendant, used investor money to make payments in connection with the following: (i) credit card expenses, which included expenses relating to trips by FRANCISCO and/or his family to the Philippines, the United Kingdom, Italy, Argentina, Brazil, Las Vegas, and Fort Lauderdale; (ii) a 2008 Aston Martin luxury vehicle; (iii) personal investments; and (iv) county/state taxes.

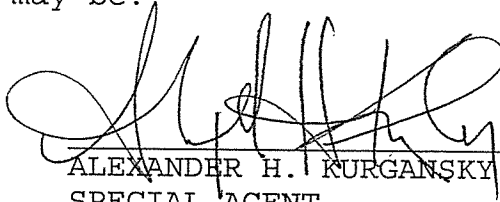
56. In addition to the misappropriated amounts referenced above, from in or about 2010 through in or about late 2011, ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, also misappropriated from Arista's Comerica business checking account: (i) over \$10,000 of investors' funds for WALJI's and FRANCISCO's personal dining, entertainment, and merchandise expenses; and (ii) over \$72,000 of investors' funds to pay premiums on \$30 million worth of life insurance policies for WALJI and FRANCISCO.

The NFA Initiates a Regulatory Action

57. In or about late 2011, NFA representatives conducted an audit of Arista's books and records. In or about January 2012, the NFA commenced an investigation of Arista, and ABDUL WALJI, a/k/a "Abdul Valji," and RENIERO FRANCISCO, the defendants, concerning Arista's activities, business practices, record keeping, and representations to investors. After the NFA commenced their investigation, NFA representatives began to contact Arista investors.

58. In or about early 2012, RENIERO FRANCISCO, the defendant, told multiple Arista investors who had been contacted by the NFA that, in sum and substance, (i) the NFA has frozen their money, and (ii) the NFA caused Arista to lose investor money. In truth and in fact, and as FRANCISCO knew, these statements were false.

WHEREFORE, deponent prays that arrest warrants be issued for the above-named defendants and that they be imprisoned or bailed as the case may be.



ALEXANDER H. KURGANSKY
SPECIAL AGENT
FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this
10th day of December, 2012



HONORABLE FRANK MAAS
UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK