

12 MAG 3296

Approved:

Daniel W. Levy
DANIEL W. LEVY

Assistant United States Attorney

Before: THE HONORABLE SARAH NETBURN
United States Magistrate Judge
Southern District of New York

UNITED STATES OF AMERICA

:

SEALED COMPLAINT

-v.-

:

Violation of 18 U.S.C.
§§ 1343 and 2

WILLIAM R. COSME,

:

a/k/a "William R. Cosmo,"

:

COUNTY OF OFFENSE:

:

NEW YORK

Defendant.

:

SOUTHERN DISTRICT OF NEW YORK, ss.:

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

COUNT ONE

1. From at least on or about late 2010 through in or
about September 2011, in the Southern District of New York and
elsewhere, WILLIAM R. COSME, a/k/a "William R. Cosmo," the
defendant, willfully and knowingly, having devised and intending
to devise a scheme and artifice to defraud, and for obtaining
money and property by means of false and fraudulent pretenses,
representations, and promises, transmitted and caused to be
transmitted by means of wire, radio, and television
communication in interstate and foreign commerce writings,
signs, signals, pictures, and sounds for the purpose of
executing such scheme and artifice, to wit, COSME represented
and agreed that COSME would invest the entirety of approximately
\$5.5 million provided to him by an international school on
behalf of the international school, but instead COSME

transferred, including by wire-transfer, substantial portions of it to accounts held in his own name and used substantial portions of it to make purchases, including by wire-transfer, for his personal use.

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

The bases for my knowledge and for the foregoing charge are, in part, as follows:

2. I am a Special Agent with the Federal Bureau of Investigation ("FBI") and am currently assigned to the FBI's New York field office. I have been a Special Agent with the FBI for approximately two years. Prior to that, I was a registered representative with a broker-dealer. I am familiar with the facts and circumstances set forth below from my personal participation in the investigation, my examination of reports and records, and my conversations with other law enforcement officers and witnesses. This affidavit is based upon my investigation, my conversations with witnesses and other law-enforcement agents, and my examination of reports and records. Because this affidavit is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated. Where amounts are reported herein, they are reported in approximate terms, except where otherwise indicated.

The Defendant and His Company

3. Based on my participation in this investigation and my review of documents, I am aware of the following:

a. WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, is an individual residing in Long Island, New York.

b. Via the Internet, COSME publically represented that he operated through Cosmo Dabi International, which maintained its office in Manhattan. COSME further represented that Cosmo Dabi International was a "Privately Held, Global, Private Equity family practice with a concentration on

it's [sic] own Family's Private Wealth Management, Commercial [real estate], physical gold trade and Business Consulting."

c. COSME further represented publicly that Cosmo Dabi International "manages family assets with a Net Asset Value in excess of USD \$11b on a global basis." COSME further represented publicly that "the family member ROI [return on investment] for ultra low risk programs with are also 100% Principal Protected have returned a consistent net 25%++ per annum over the past (10) consecutive years."

Overview of the Fraud

4. As set forth more fully below, WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, defrauded an international school into transferring to COSME's company \$5.5 million dollars that COSME represented and promised that COSME would invest on behalf of the international school. COSME then proceeded to steal at least approximately \$2 million of the approximately \$5.5 million that the international school had entrusted to him, including by buying at least three cars, one of which was a Lamborghini costing nearly \$314,000, going on gambling trips to Las Vegas, Nevada, and otherwise funding a lavish lifestyle.

The International School Arranges to Borrow \$55 Million from COSME

5. Based on my conversation with a witness and my review of documents, I am aware of the following:

a. The witness has been the Head of School (the "Head of School") at an international school (the "International School") located in the Republic of Korea ("South Korea") for approximately the past 16 years. The International School is accredited in the United States and serves a population of approximately 450 students from pre-Kindergarten through twelfth grade.

b. In or about 2010, the International School sought to expand to another city in South Korea. The International School believed that it needed approximately \$20 million to complete the construction of the new school.

c. Because of a lack of collateral, the International School had some difficulty borrowing funds necessary for its expansion plans from a bank.

d. Through others (the "Intermediary"), the Head of School was introduced to WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, at JFK International Airport on or about December 11, 2010.

e. During the December 11, 2010, meeting, the Head of School met with COSME, among others, and COSME proposed, in substance and in part, that: (1) COSME lend approximately \$55 million to the International School for its expansion; (2) the International School make a deposit to COSME's company; and (3) the deposit by the International School would be invested by COSME and would generate funds that COSME would lend to the International School.

6. Based on my review of documents and my conversation with the Head of School, I am aware that, on or about January 17, 2011, a representative of the Intermediary sent an e-mail, which was forwarded to the Head of School. In the e-mail, a representative of the Intermediary wrote, in substance and in part, that WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, "Cosmo always requires that the loan agreement be signed and the funds transferred before he will put you in touch with the reference. His references are very, very high level Princes and Kings and, requiring the funds to move into his escrow account first, is Cosmo's way of protecting their privacy and signaling to the reference that his client is committed."

7. Based on my review of documents and my conversation with the Head of School, I am aware that, on or about January 18, 2011, WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, sent via e-mail and through the Intermediary to the Head of School a letter. In the letter, COSME wrote, in substance and in part:

Attached are wiring instructions with which to send the Equity Deposit of \$5.5 million to initiate the \$55 million Private Funding transaction.

Upon receipt of the funds, I shall promptly contact you to schedule a conference call with one of my clients with whom you can confer about Cosmo Dabi Inc. You will have ample opportunity to inquire of my asset management performance.

I hereby reconfirm my earlier commitment that if you are not completely satisfied with my reference, upon your request, I shall immediately refrain from initiating any matched buy/sell transactions and return the \$5.5 million Equity Deposit you have transferred into Cosmo Dabi International Trading Group Inc. bank account, subject only to the requirement that any matched buy/sell transactions that may be in process, the return of the deposited amount shall be delayed until the transaction(s) in process has completed.

8. Effective as of on or about January 19, 2011, the Head of School, acting on behalf of the International School, and COSME, acting on behalf of Cosmo Dabi International Trading Group Inc., a company substantially or entirely controlled by COSME ("Cosmo Dabi"), executed a written "Private Funding and Security Agreement" (the "Funding Agreement"). The Funding Agreement provided, among other things, that:

a. Cosmo Dabi would lend the International School approximately \$55 million (the "Private Funding Amount").

b. The International School would make a deposit of approximately \$5.5 million (the "Equity Deposit").

c. The Equity Deposit would be used by Cosmo Dabi to "facilitate managed, matched buy/sell/trade finance strategies using private physical gold products, other commodities, automotive, investment grade financial instruments and or various other types of transactions from which the proceeds shall be used to generate the Private Funding Amount."

d. The International School "appoint[ed] and retain[ed] [Cosmo Dabi] as its fund manager ('Manager') - on the terms and conditions set forth herein for the Equity Deposit. [Cosmo Dabi] accept[ed] such appointment and assume[d] responsibility for the fund management on the [date that the

Equity Deposit is received by Cosmo Dabi], and agree[d] to manage and direct the Equity Deposit funds to generate the desired Private Funding Amount guaranteed upon all borrower qualifications and conditions being satisfactory to [Cosmo Dabi]."

e. The International School could draw down upon the loan in the amount of approximately \$15 million approximately 60 days from the date that the Equity Deposit is received by Cosmo Dabi, which was estimated to be March 31, 2011, and that further dates on which the International School could draw down upon the loan could be adjusted upon various additional conditions.

9. Based on my review of documents and my conversation with the Head of School, I am aware that, on or about January 21, 2011, the International School sent by wire transfer approximately \$5,500,000 to an account maintained by WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, at JPMorgan Chase Bank, N.A., as set forth more fully below in paragraphs 11(b) and 13(a).

10. Based on my review of documents and my conversation with the Head of School, I am aware of the following:

a. Based on the January 21, 2011, wire transfer from the International School and under the Private Funding Agreement, the International School was expected to be able to drawn down upon the loan at or about the end of March 2011. Thereafter, the International School repeatedly sought to draw down upon the loan. WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, refused to permit the International School to draw down upon the loan and instead COSME created various excuses for why the International School could not draw down upon the loan.

b. For example, on or about May 10 or May 11, 2011, COSME caused the Intermediary to send via e-mail to the Head of School a letter. In the letter, COSME explained, in substance and in part, that, as a result of events in Japan, the International School's ability to draw down upon the loan would be delayed. In the same letter, COSME also falsely claimed, in substance and in part, that the account where the Equity Deposit

was being invested had a balance of more than approximately \$12.5 million.

c. Eventually, the International School requested on more than one occasion that COSME return the Equity Deposit. COSME never returned the Equity Deposit and instead created various excuses for why COSME could not return the Equity Deposit to the International School.

d. For example, in response to a request from the International School for a return of the Equity Deposit, COSME wrote by e-mail on or about April 7, 2011, to a representative of the Intermediary, which was forwarded by a representative of the Intermediary to the Head of School, that COSME was "working on dates for draw and refund." Nonetheless, the Equity Deposit was not returned to the International School.

e. As another example, on or about June 28, 2011, COSME wrote by e-mail to a representative of the Intermediary, which was forwarded by a representative of the Intermediary to the Head of School. Among other things, COSME discussed, in substance and in part, the trading strategy that COSME claimed he was employing with the Equity Deposit. Among other things, COSME claimed that the International School's seeking a refund caused him to cease activity on behalf of the International School and that "stop and go flow of dollars retards velocity especially when large trades or investments are teed up . . . AND READY TO GO. . . " (ellipses in original). In truth and in fact, the only investments that COSME had made were in highly liquid, publicly traded securities, such as shares of Apple Inc., Google Inc., and Johnson & Johnson.

Bank and Brokerage Accounts Opened by COSME

11. Based on my review of documents, I am aware that:

a. On or about July 27, 2010, WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, executed documents at a branch of JPMorgan Chase Bank, N.A. ("JPMC") necessary to open a bank account in the name of Cosmo Dabi International Trading Group I. This bank account was ultimately assigned account number ending -6619 (the "6619 Cosmo Dabi JPMC Account"). The 6619 Account was maintained at a branch of JPMC located on Wall Street in Manhattan (the "Wall Street JPMC Branch"). The address provided to JPMC for account statements for the 6619

Cosmo Dabi JPMC Account to be sent via United States mail was an address in Manhattan.

b. On or about November 24, 2010, COSME executed documents at the Wall Street JPMC Branch necessary to open another bank account in the name of Cosmo Dabi International Trading Group I. This bank account was ultimately assigned account number ending -6625 (the "6625 Cosmo Dabi JPMC Account"). The address provided to JPMC for account statements for the 6625 Cosmo Dabi JPMC Account to be sent via United States mail was an address in Manhattan.

c. On or about January 28, 2011, COSME executed documents necessary to open a securities account in the name of "William Cosme" as Chase Investment Services Corp. This securities account was ultimately assigned account number ending -4400 (the "4400 Cosme Chase Securities Account"). The address provided to Chase Investment Services Corp. for account statements for the 4400 Cosme Chase Securities Account to be sent via United States mail was an address in Manhattan.

d. On or about February 3, 2011, COSME executed documents at the Wall Street JPMC Branch necessary to open a bank account in the name of Cosmo Dabi International Trading Group I. This bank account was ultimately assigned account number ending -6087 (the "6087 Cosmo Dabi JPMC Account"). The address provided to JPMC for account statements for the 6087 Cosmo Dabi JPMC Account to be sent via United States mail was an address in Manhattan.

e. On or about February 9, 2011, COSME executed documents at the Wall Street JPMC Branch necessary to open a bank account in the name of "William R. Cosme." This bank account was ultimately assigned account number ending -7007 (the "7007 Cosme JPMC Account"). The address provided to JPMC for account statements for the 7007 Cosme JPMC Account to be sent via United States mail was an address in Manhattan.

f. On or about February 15, 2011, COSME executed documents via the Internet necessary to open a brokerage account at Scottrade Inc., a broker-dealer, in the name of "William Cosme." This brokerage account was ultimately assigned account number ending -0394 (the "0394 Cosme Scottrade Account"). The 0394 Scottrade Account was maintained at a branch of Scottrade located on Broad Street in Manhattan. The

address provided to Scottrade for account statements for the 0394 Cosme Scottrade Account to be sent via United States mail was an address in Manhattan.

**COSME Steals Much of the Equity
Deposit Rather Than Investing It**

12. Based on my review of documents, I am aware that WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, did not invest the entirety of the Equity Deposit on behalf of the International School, but rather COSME transferred substantial portions of it to accounts held in his own name, rather than the name of Cosmo Dabi, which was the signatory to the Private Funding Agreement, and used substantial portions of it for his own personal use, as set forth more fully below in paragraphs 13 through 17.

**Transfers and Personal Expenditures
from the 6625 Cosmo Dabi JPMC Account**

13. Based on my review of documents, I am aware that:

a. On or about January 21, 2011, the Equity Deposit of approximately \$5,500,000 was received by WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, in the 6625 Cosmo Dabi JPMC Account. Prior to this deposit, the balance in the 6625 Cosmo Dabi JPMC Account was approximately \$1,000.

b. Within approximately one week after receipt of the Equity Deposit of approximately \$5,500,000 in the 6625 Cosmo Dabi JPMC Account, COSME transferred approximately \$5,140,000 from the 6625 Cosmo Dabi JPMC Account to the 6619 Cosmo Dabi JPMC Account. Prior to this deposit, the balance in the 6619 Cosmo Dabi JPMC Account was approximately \$371,600.

c. Between approximately February 14, 2011, and February 16, 2012, COSME made purchases totaling approximately \$50,200 at various gas stations, convenience stores, restaurants and parking garages in Manhattan, among other places, using an ATM card associated with the 6625 Cosmo Dabi JPMC Account. These purchases included an expenditure of over approximately \$12,000 at the Mandarin Oriental Hotel, a luxury hotel located in Manhattan.

d. Between approximately February 15, 2011, and September 12, 2011, COSME made purchases totaling approximately \$70,615 in Las Vegas, Nevada, including at various hotels and casinos, using an ATM card associated with the 6625 Cosmo Dabi JPMC Account.

e. On or about April 26, 2011, COSME caused JPMC to transfer approximately \$50,000, from the 6625 Cosmo Dabi JPMC Account to a Bank of America account maintained by The Venetian, a hotel and casino in Las Vegas, Nevada, for further credit to a house account maintained by The Venetian on behalf of COSME.

f. On or about October 13, 2011, COSME caused JPMC to issue to COSME a check in the amount of approximately \$20,400, funds which were withdrawn from the 6625 Cosmo Dabi JPMC Account. The check was issued to Manhattan Nissan and was used by COSME to purchase a Nissan automobile.

g. As set forth above in paragraph 13(c-f), the total amount of personal expenditures by COSME from the 6625 Cosmo Dabi JPMC Account is at least approximately \$191,215.

**Transfers and Personal Expenditures
from the 6619 Cosmo Dabi JPMC Account**

14. Based on my review of documents, I am aware that:

a. Between approximately February 3, 2011, and March 15, 2011, WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, transferred, and caused to be transferred, approximately \$2,000,000 from the 6619 Cosmo Dabi JPMC Account to the 7007 Cosme JPMC Account. Prior to the first of these transfers, the balance in the 7007 Cosme JPMC Account was approximately \$0.

b. On or about February 3, 2011, COSME transferred, and caused to be transferred, approximately \$1,000,000 from the 6619 Cosmo Dabi JPMC Account to the 6087 Cosmo Dabi JPMC Account. Prior to the first of these transfers, the balance in the 6087 Cosmo Dabi JPMC Account was approximately \$0.

c. Between approximately February 15, 2011, and January 20, 2012, COSME transferred, and caused to be

transferred, approximately \$2,002,000 from the 6619 Cosmo Dabi JPMC Account to the 0394 Cosme Scottrade Account. Prior to the first of these transfers, the balance in the 0394 Cosme Scottrade Account was approximately \$0.

d. Between approximately January 24, 2011, and December 19, 2011, COSME made purchases totaling approximately \$8,200 at various restaurants and parking garages in Manhattan, among other places, using an ATM card associated with the 6619 Cosmo Dabi JPMC Account.

e. Between approximately February 1, 2011, and January 23, 2012, COSME caused approximately \$56,400 to be wire-transferred from the 6619 Cosmo Dabi JPMC Account to various beneficiaries maintaining accounts in, among other places, Manhattan, for the payment of rent on various properties, including a luxury residence located in Manhattan.

f. Between approximately February 4, 2011, and September 22, 2011, COSME transferred, and caused to be transferred, approximately \$13,000 from the 6619 Cosmo Dabi JPMC Account to the account of an attorney located in Manhattan.

g. Between approximately February 17, 2011, and June 16, 2011, COSME made purchases totaling approximately \$17,217 in Las Vegas, Nevada, including at various hotels and casinos, using an ATM card associated with the 6619 Cosmo Dabi JPMC Account.

h. Between approximately February 22, 2011, and December 21, 2011, COSME made purchases totaling approximately \$18,000 to insure one or more automobiles at an automobile insurance brokerage firm located in New York State, using an ATM card associated with the 6619 Cosmo Dabi JPMC Account.

i. Between January 27, 2011, and October 31, 2011, COSME caused to wire-transfer a total of approximately \$9,300 to an account maintained at Bank of America, N.A., by a person in Nevada.

j. On or about April 5, 2011, and April 20, 2011, COSME transferred, and caused to be transferred, a total of approximately \$84,000, from the 6619 Cosmo Dabi JPMC Account to a Bank of America account maintained by The Venetian for

further credit to a house account maintained by The Venetian in Las Vegas, Nevada, on behalf of COSME.

k. On or about September 5, 2011, COSME wrote a check off of the 6619 Cosmo Dabi JPMC Account for approximately \$47,299.38 payable to an automobile dealership located in Smithtown, Long Island. This payment was for the purchase by COSME, in the name of Cosmo Dabi, of a Cadillac automobile.

l. On or about September 20, 2011, COSME wrote a check off of the 6619 Cosmo Dabi JPMC Account for approximately \$5,000 payable to Manhattan Motorcars. On or about September 28, 2011, COSME caused approximately \$309,915.57 to be wire-transferred from the 6619 Cosmo Dabi JPMC Account to an account maintained by Manhattan Motorcars in Manhattan. These two payments, totaling approximately \$314,915.57, were for the purchase by COSME, in the name of Cosmo Dabi, of a single luxury automobile, specifically, a 2012 Lamborghini Gallardo.

m. On or about October 15, 2011, COSME caused JPMC to issue to COSME a check in the amount of approximately \$27,036, funds which were withdrawn from the 6619 Cosmo Dabi JPMC Account. The check was issued to Manhattan Nissan and was used by COSME to purchase a Nissan automobile.

n. On or about January 9, 2012, and January 17, 2012, COSME wrote two checks off of the 6619 Cosmo Dabi JPMC Account for approximately \$20,000 and \$15,000, respectively, each payable to Cosmo Dabi. These two checks were later cashed by COSME at a check-cashing establishment located in Farmingdale, New York.

o. On or about January 20, 2012, and January 23, COSME caused JPMC to issue to COSME a total of two checks in the total amount of approximately \$415,000, funds which were withdrawn from the 6619 Cosmo Dabi JPMC Account. Each of these two checks was cashed by COSME at a check-cashing establishment located in Farmingdale, New York.

p. As set forth above in paragraph 14(d-o), the total amount of personal expenditures by COSME from the 6619 Cosmo Dabi JPMC Account is at least approximately \$1,044,968.95.

Personal Expenditures from the 7007 Cosme JPMC Account

15. Based on my review of documents, I am aware that:

a. Between approximately August 17, 2011, and July 10, 2012, WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, made purchases totaling approximately \$36,300 at various stores, restaurants, cellular telephone service providers, and gas stations in Manhattan, among other places, using an ATM card associated with the 7007 Cosme JPMC Account.

b. Between approximately February 21, 2012, and May 2, 2012, COSME made purchases totaling approximately \$5,600 to insure one or more automobiles through an automobile insurance brokerage firm located in New York State and by using an ATM card associated with the 7007 Cosme JPMC Account.

Personal Expenditures from the 6087 Cosmo Dabi JPMC Account

16. Based on my review of documents, I am aware that:

a. On or about May 17, 2011, WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, caused JPMC to transfer approximately \$65,000, from the 6087 Cosmo Dabi JPMC Account to a Bank of America account maintained by The Venetian for further credit to a house account maintained by The Venetian on behalf of COSME.

Expenditures from the 0394 Cosme Scottrade Account


17. Based on my review of documents and my conversation with a representative of Sterling National Bank, I am aware that:

a. On or about March 14, 2012, WILLIAM R. COSME, a/k/a "William R. Cosmo," the defendant, caused Scottrade to issue to COSME a check in the amount of approximately \$500,000, funds which were withdrawn from the 0394 Cosme Scottrade Account. On or about March 15, 2012, COSME cashed this check at a check-cashing establishment located in Farmingdale, New York.


b. On or about April 13, 2012, COSME caused Scottrade to wire-transfer approximately \$400,000 to an account maintained by COSME in the name of Cosmo Dabi at Sterling

National Bank, which prior to this wire-transfer had a balance of approximately \$8,000. Thereafter, COSME used part of the funds that had been transferred to Sterling National Bank to make purchases on his own behalf, such as with restaurants, gas stations, and Las Vegas, Nevada, hotels. In addition, COSME caused Sterling National Bank to issue to COSME a check in the amount of approximately \$286,500, funds which were withdrawn from the Sterling National Bank account. The check was issued to LI Ferrari Maserati, a luxury automobile dealership located in Long Island, New York.

WHEREFORE, deponent prays that a warrant issue for the arrest of WILLIAM COSME, the defendant, and that he be imprisoned or bailed, as the case may be.


MATTHEW J. GRADY
SPECIAL AGENT
FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this
18th day of December, 2012


THE HONORABLE SARAH NETBURN
UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK