



UNITED STATES ATTORNEY'S OFFICE
Southern District of New York



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**MANHATTAN U.S. ATTORNEY ANNOUNCES ARREST OF FLORIDA
BUSINESSMAN IN CONNECTION WITH \$11 MILLION SECURITIES
FRAUD SCHEME**

Preet Bharara, the United States Attorney for the Southern District of New York, and Victor W. Lessoff, the Special Agent-in-Charge of the Newark Field Office of the Internal Revenue Service, Criminal Investigation ("IRS-CI"), announced today that JOHN A. MATTERA was arrested this morning on charges of securities fraud, wire fraud, and money laundering, in connection with an \$11 million scheme to defraud investors through false claims of ownership of shares of Facebook, Inc. ("Facebook"), Groupon, Inc. ("Groupon"), and other private companies. MATTERA is also alleged to have misappropriated millions of dollars of investor funds for his own personal use.

Manhattan U.S. Attorney Preet Bharara stated: "As alleged, John Mattera duped investors into believing they had bought rights to shares of coveted stock in Facebook and other highly visible and attractive companies which had not yet gone public. As the Complaint describes, Mattera told elaborate lies about stock he did not own and about how he would keep investors' money safe in escrow accounts. Instead, Mattera took the investors' money to fund his own extravagant lifestyle. With today's charges, his charade is exposed and he will be held to account for his alleged crimes."

IRS-CI Special Agent-in-Charge Victor W. Lessoff stated: "The allegations against Mr. Mattera show that the appearance of success can be a tangled web of financial lies. The Internal Revenue Service, Criminal Investigation is committed to leveraging the financial investigative skills of its agents to identify and investigate fraudulent schemes that often times victimize innocent investors."

According to a Complaint unsealed today in Manhattan federal court:

In 2010 and 2011, MATTERA controlled and held himself out as Chairman of the Advisory Board of Praetorian Global Fund Ltd. ("Praetorian"), a professional mutual fund. In that capacity, MATTERA exercised the day-to-day management decisions for the company.

Beginning in the late summer of 2010, MATTERA and others, promoted to investors the opportunity to invest in special purpose entities related to Praetorian (the “G Power Entities”). MATTERA falsely represented that the G Power Entities owned shares in the stocks of private companies such as Facebook and Groupon, among others. Ownership of stock in these private companies was particularly attractive because, as MATTERA and others represented, there was an expectation that an initial public offering would soon occur, thereby increasing the value of the shares. However, as MATTERA well knew, neither he, Praetorian, nor the G Power Entities held these shares of stock.

Based on the misrepresentations of MATTERA and others, investors sent more than \$11 million into “escrow accounts” maintained at a Florida bank. MATTERA reassured investors that their money would be held in the escrow accounts until either the offering was completed or another triggering event took place, at which time the investors would receive their ownership interest in the particular special purpose entity. However, instead of maintaining the investor money in the escrow accounts as he promised, MATTERA caused the vast majority of it to be transferred to other entities with which he was associated. Ultimately, MATTERA misappropriated more than \$11 million of investor money and spent nearly \$4 million on personal items for his family and himself, such as expensive jewelry, interior decorating, and luxury cars.

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MATTERA, 50, was arrested at his residence in Fort Lauderdale, Florida. He is charged with one count of securities fraud, one count of wire fraud, one count of conspiracy to commit securities fraud and wire fraud, and one count of money laundering. He faces a maximum sentence of 20 years in prison on each of the securities fraud, wire fraud and money laundering charges; and a maximum sentence of five years in prison on the conspiracy charge. The defendant also faces a fine of the greater of \$5 million or twice the gross gain or gross loss from the offense on the securities fraud charge, as well as fines of lesser amounts on the remaining charges.

MATTERA was presented earlier today before United States Magistrate Judge Robin S. Rosenbaum in the United States District Court for the Southern District of Florida.

Mr. Bharara praised the work of the Internal Revenue Service, which jointly investigated this case with the Criminal Investigators of the United States Attorney’s Office. He also thanked the U.S. Securities and Exchange Commission, and said the investigation is continuing.

This case was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, on which Mr. Bharara serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The 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.

Assistant United States Attorney Eugene Ingoglia is in charge of the prosecution.

The charges contained in the Complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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