

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA

v.

SCOTT NEWSHOLME

CRIMINAL COMPLAINT

: Mag. No. 17-5015 (TJB)

:

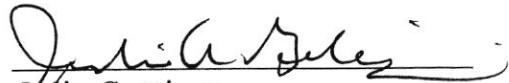
I, Julie Gettings, the undersigned complainant being duly sworn, state that the following is true and correct to the best of my knowledge and belief:

SEE ATTACHMENT A

I further state that I am a Special Agent with the Federal Bureau of Investigation, and that this complaint is based on the following facts:

SEE ATTACHMENT B

continued on the attached pages and made a part hereof.


Julie Gettings
Special Agent
Federal Bureau of Investigation

Sworn to before me and subscribed in my presence,
September 5, 2017
Trenton, New Jersey

R E C E I V E D


HONORABLE TONIANNE J. BONGIOVANNI
UNITED STATES MAGISTRATE JUDGE

SEP 5 - 2017
AT 8:30 M
WILLIAM T. WALSH
CLERK

ATTACHMENT A

Count One
(Mail Fraud)

On or about April 13, 2016, in Monmouth County, in the District of New Jersey, and elsewhere, the defendant,

SCOTT NEWSHOLME,

having knowingly and intentionally devised and intended to devise a scheme and artifice to defraud investment clients (the "Victims") to obtain money and property from the Victims by means of materially false and fraudulent pretenses, representations, and promises, and for purposes of executing and attempting to execute this scheme, did cause to be sent and delivered by a private and commercial interstate carrier, and did cause to be delivered by such carrier according to the direction thereon, a check transmitted to Victim 5 via the United States Postal Service, in the amount of approximately \$89,442.77.

In violation of Title 18, United States Code, Sections 1341 and 2.

Count Two
(Wire Fraud)

On or about July 14, 2014, in Monmouth County, in the District of New Jersey, and elsewhere, the defendant,

SCOTT NEWSHOLME,

having knowingly and intentionally devised and intended to devise a scheme and artifice to defraud the Victims to obtain money and property from the Victims by means of materially false and fraudulent pretenses, representations, and promises, and for purposes of executing and attempting to execute this scheme, did cause to be transmitted, by means of wire communication in interstate and foreign commerce, writings, signs, signals, and pictures, namely, a wire transfer to Victim 1 in the amount of approximately \$600.00.

In violation of Title 18, United States Code, Sections 1343 and 2.

Count Three
(Securities Fraud)

From in or about July 2007 to in or about December 2016, in Monmouth County, in the District of New Jersey, and elsewhere, the defendant,

SCOTT NEWSHOLME,

knowingly and willfully used and employed, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances, in contravention 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 fact 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, namely, that defendant NEWSHOLME, among other things, received investment funds from the Victims and, rather than invest the funds in securities on the Victims' behalf, as he had represented to them, misappropriated the funds for his own personal use and to further his fraudulent scheme.

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

ATTACHMENT B

I, Julie Gettings, am a Special Agent with the Federal Bureau of Investigation. I am fully familiar with the facts set forth herein based on my own investigation, my conversations with other law enforcement officers, and my review of reports, documents, and items of evidence. Where statements of others are related herein, they are related in substance and in part. Where I assert that an event took place on a particular date, I am asserting that it took place on or about the date alleged. Because this complaint is being submitted for a limited purpose, I have not set forth each and every fact that I know concerning this investigation.

Background

1. At all times relevant to this complaint, defendant SCOTT NEWSHOLME ("NEWSHOLME") lived in or around Monmouth County, New Jersey. Since in or around 2002, defendant NEWSHOLME has, at various times, owned and operated at least three different financial advisory and tax return preparation businesses, specifically: Newley Financial Group, Inc. (hereafter, "Newley"); Newsholme Financial Center, LLC (hereafter, "NFC"); and presently, MVP Financial, LLP (hereafter, "MVP"). Defendant NEWSHOLME held each of these businesses out as investment advisory and tax return preparation businesses for individual and small-business clients. From his clients' perspective, defendant NEWSHOLME operated these businesses without differentiation, such that clients considered defendant NEWSHOLME's various businesses as part and parcel of defendant NEWSHOLME's personal services to them. Through his preparation of their income tax returns, defendant NEWSHOLME became familiar with his clients' financial condition and investments.

2. Additionally, from in or about May 1998 to in or about December 2008, defendant NEWSHOLME was an investment adviser and/or financial representative for a registered broker-dealer, hereafter referred to as "Broker-Dealer 1." Defendant NEWSHOLME operated as an investment adviser using Broker-Dealer 1's investment advisory platform.

3. Additionally, between in or around December 2008 and in or around July 2014, defendant NEWSHOLME was an investment representative and/or financial representative for a second registered broker-dealer, hereafter referred to as "Broker-Dealer 2." As with Broker-Dealer 1, defendant NEWSHOLME operated as an investment adviser using Broker-Dealer 2's investment advisory platform.

Defendant NEWSHOLME's Scheme to Defraud

4. Since in or about 2015, law enforcement has conducted a criminal investigation of defendant NEWSHOLME. That investigation has revealed that since as early as in or around 2007, defendant NEWSHOLME used his fiduciary position of trust as an investment adviser, financial services adviser, and tax return preparer to defraud numerous clients (collectively referred to herein as "the Victims") out of money and property, which the Victims believed defendant NEWSHOLME had invested on their behalf.

5. To carry out his fraudulent scheme, defendant NEWSHOLME did the following, among other things: (i) made materially false oral and written representations to the Victims to induce them to invest in putative securities and other investment vehicles; (ii) did not actually invest the Victims' money in the securities and investment vehicles, as he had represented to the Victims; (iii) instead misappropriated clients' investment money for his own personal use, without the clients' knowledge or consent; (iv) created and provided to clients falsified account statements and other documents to conceal his fraudulent scheme; (v) and misappropriated clients' investment money to make payments to other clients when necessary, thereby concealing and perpetuating the fraudulent scheme.

6. Defendant NEWSHOLME's fraudulent scheme caused investment losses totaling over \$1.8 million.

7. The following paragraphs set forth, in part, defendant NEWSHOLME's fraudulent scheme as it applies to six identified Victims.

Victim 1

8. Victim 1 lives in or around Shepherdsville, Kentucky. Between in or around 2003 and in or around 2004, Victim 1 lived in or around Tinton Falls, New Jersey. A co-worker gave her defendant NEWSHOLME's contact information in response to her request for a tax return preparer. Thereafter, Victim 1 engaged defendant NEWSHOLME to prepare her personal income tax returns.

9. In or around 2004, Victim 1 moved from New Jersey to Florida. Thereafter, defendant NEWSHOLME visited Victim 1 in Florida, and advised her, in sum and substance, to allow him to manage her 401(k) retirement account. Acting upon defendant NEWSHOLME's recommendation, Victim 1 agreed, and rolled over her 401(k) account into a qualified tax-deferred annuity (the "Initial Annuity"), to be managed by defendant NEWSHOLME.

10. In or around July 2007, defendant NEWSHOLME visited Victim 1 in Kentucky—where she had since moved from Florida—and presented

Victim 1 with a written financial plan recommending that she roll over the Initial Annuity into another qualified tax-deferred retirement investment sponsored by another financial services company, and which would be processed through Broker-Dealer 1's platform and managed by defendant NEWSHOLME.

11. Thereafter, acting upon defendant NEWSHOLME's recommendation, Victim 1 liquidated the Initial Annuity, received a check from the plan sponsor in the amount of approximately \$141,321.44, and deposited the check into her personal bank account. On or about July 20, 2007, again acting upon the direction of defendant NEWSHOLME, Victim 1 wrote two checks payable to Newley—one for \$100,000, and one for \$40,000, which defendant NEWSHOLME had requested for the rollover investment. Based on defendant NEWSHOLME's representations, Victim 1 intended and believed that defendant NEWSHOLME would invest these funds, on her behalf, in a qualified tax-deferred rollover account.

12. Defendant NEWSHOLME's representations to Victim 1 were false and fraudulent, and were made in furtherance of his fraudulent scheme. Unbeknownst to Victim 1, rather than deposit both checks in Newley's account—as one would expect if the money would be invested in a legitimate rollover investment—on or about July 27, 2007, defendant NEWSHOLME cashed the check for \$100,000 at a check cashing facility in or around Matawan, New Jersey.

13. A few weeks later, on or about August 8, 2007, defendant NEWSHOLME deposited the second check from Victim 1 (for \$40,000) into Newley's account. However, law enforcement has identified no document, record, or other evidence that these funds were actually invested in a qualified tax-deferred rollover account as defendant NEWSHOLME had represented to Victim 1. As described below, the investigation has revealed that defendant NEWSHOLME did not invest any of Victim 1's investment money into a qualified tax-deferred rollover account, as he had represented, but rather misappropriated the funds for his own personal use.

14. Between in or around November 2007 and July 2014, Victim 1 received periodic payments from defendant NEWSHOLME, which she believed represented investment earnings from her portfolio, and which would not dissipate the principal amount of the investment. These payments often were sent to Victim 1 via wire transfer from defendant NEWSHOLME's personal bank account in New Jersey to Victim 1's bank account in Kentucky.

15. For example, bank records indicate that defendant NEWSHOLME transmitted via wire transfer approximately \$600 from his personal bank account in New Jersey to Victim 1's bank account, held in Kentucky, on or about the following dates: October 15, 2013; November 12, 2013;

December 30, 2013; January 9, 2014; February 11, 2014; April 22, 2014; May 20, 2014; June 23, 2014; and July 14, 2014. Were Victim 1's funds actually invested in a legitimate retirement investment, one would not expect distributions from that investment to come from the personal bank account of defendant NEWHOLME.

16. Moreover, Victim 1 never received any tax documentation (for example, IRS Form 1099-R) regarding these purported distributions. Were the funds actually invested in a qualified tax-deferred rollover account, as defendant NEWHOLME had represented, distributions from the account potentially would have been taxable, and Victim 1 would have received such forms, from defendant NEWHOLME, Newley, or the investment plan sponsor, providing notice to her of the potentially taxable distributions. But she received no such documentation.

17. Beginning in or around February 2009, Victim 1 began receiving notices from the IRS indicating that she owed substantial amounts of money as a result of a taxable distribution from the Initial Annuity that had not been reported on her income tax return. Later that year, in or around December 2009, Victim 1 received an IRS deficiency letter indicating that she owed the IRS approximately \$63,700 due to the taxable distribution that she had not reported on her tax return. Had defendant NEWHOLME actually rolled the Initial Annuity over to a qualified tax-deferred rollover account on Victim 1's behalf, as he had represented, there would not have been a taxable distribution from the Initial Annuity.

18. Additionally, between in or about December 2011 and in or about July 2012, defendant NEWHOLME provided Victim 1 at least four statements, dated December 31, 2011; March 31, 2012; June 30, 2012; and July 31, 2012, respectively, each bearing the heading "Holdings by Investor." These statements had no letterhead, insignia, or other symbol from a financial services company. The documents purported to show that Victim 1's Initial Annuity had been rolled over to another qualified tax-deferred retirement account, as defendant NEWHOLME had represented to Victim 1, and as of July 31, 2012, the rollover account had a balance of \$176,621.86—purporting to represent a significant increase from the initial investment of approximately \$140,000. Later, in or around November 2013, defendant NEWHOLME emailed Victim 1 a letter, which defendant NEWHOLME signed, indicating that the value of Victim 1's rollover account had increased to approximately \$203,449. The investigation has revealed that the representations in the statements that defendant NEWHOLME provided to Victim 1 regarding her rollover account were false and fraudulent, in that no such rollover investment existed.

19. Victim 1 ultimately decided to transfer her investments from defendant NEWHOLME to another institution. To do so, Victim 1 contacted

Broker-Dealer 2 and spoke to a representative about her account.¹ Despite providing Broker-Dealer 2 with the account number from the statement that defendant NEWSHOLME had given her in or around June 2014, the representative informed Victim 1 that Broker-Dealer 2 had no record of any retirement investment ever made, nor any account ever held, in Victim 1's name or on her behalf.

20. Victim 1 ultimately registered a complaint with Broker-Dealer 1, Broker-Dealer 2, and the Financial Industry Regulatory Authority ("FINRA"), a self-regulatory organization, regarding defendant NEWSHOLME's treatment of her account. As a result of Victim 1's allegation and complaint, Broker-Dealer 2 conducted an investigation and, in or around July 2014, terminated defendant NEWSHOLME's employment. According to representatives of Broker-Dealer 2, when confronted, defendant NEWSHOLME admitted, among other things, that he had created false account statements and provided them to Victim 1.

21. On or about September 26, 2014, FINRA suspended defendant NEWSHOLME's status as a registered agent. On or about December 30, 2014, FINRA permanently barred defendant NEWSHOLME from associating with any FINRA member in any capacity.

22. On or about June 15, 2015, following an investigation, defendant NEWSHOLME entered into a consent order with the New Jersey Bureau of Securities, in which he admitted, *inter alia*, that he sent fabricated account statements to Victim 1 that falsely stated that her retirement account was invested in particular investments. As a result of the Consent Order, defendant NEWSHOLME's agent registration with the New Jersey Bureau of Securities was revoked, and he was ordered to pay a civil monetary penalty of \$35,000 and restitution to Victim 1 in the amount of \$85,000.

Victims 2 and 3

23. Victim 2 and 3 are married and have been clients of defendant NEWSHOLME for approximately ten years. Beginning in or around 2010, defendant NEWSHOLME, who had prepared tax returns for Victims 2 and 3 for several years and was familiar with their financial affairs, suggested to them that they could make a better return if they invested their money directly with him.

¹ In or around December 2008, defendant NEWSHOLME switched his affiliation from Broker-Dealer 1 to Broker-Dealer 2. Based on representations that defendant NEWSHOLME made to Victim 1, Victim 1 believed that her rollover investment account had been transferred from Broker-Dealer 1's platform to Broker-Dealer 2's platform.

24. Acting on defendant NEWSHOLME's representations, on or about September 21, 2011, Victim 2 wrote a check for approximately \$31,000, made payable to Newley. The memo section of the check read, "Bond." Based on representations made by defendant NEWSHOLME, Victims 2 and 3 believed and intended that this money would be used for a bond investment in a private country club located in or around Manalapan, New Jersey (the "Country Club").² After they gave the check to defendant NEWSHOLME, Victims 2 and 3 received no documentation from the Country Club evidencing this investment. However, defendant NEWSHOLME provided Victims 2 and 3 a purported account statement, dated September 13, 2012, that listed a one-year bond as one of their investments. Based on this and other representations made by defendant NEWSHOLME, Victims 2 and 3 believed that this investment was the bond investment in the Country Club.

25. Defendant NEWSHOLME's representations regarding the bond investment in the Country Club were false and fraudulent, and were made in furtherance of his fraudulent scheme. On the same day that Victim 2 wrote the check for \$31,000, defendant NEWSHOLME cashed the check at a check cashing facility in or around Woodbridge, New Jersey.

26. Additionally, according to representatives of the Country Club, the Country Club did not issue investment bonds or other debt instruments to individuals for investment purposes, and did not receive any money from Victims 2 and 3 in connection with such an instrument. Nor was defendant NEWSHOLME authorized by the Country Club to advertise, solicit, or execute such an instrument on the Country Club's behalf. Rather, the investigation revealed that the bond that Victims 2 and 3 believed they were investing in, and the documentation that defendant NEWSHOLME provided regarding it, were entirely fabricated. Instead of investing \$31,000 in an interest-bearing bond issued by the Country Club, as he had represented to Victims 2 and 3, defendant NEWSHOLME cashed the check and misappropriated this money for his own personal use.

27. Nevertheless, on or about December 18, 2012—over a year after the check was written and cashed by defendant NEWSHOLME—Victims 2 and 3 received a cashier's check from defendant NEWSHOLME in the amount of approximately \$38,500. Victims 2 and 3 believed that this payment represented the repayment of their principal investment in the Country Club, plus interest. But Victims 2 and 3 never received any documentation from defendant NEWSHOLME, Newley, or the Country Club regarding the purported investment. For instance, Victims 2 and 3 received no Form 1099-INT or Form 1099-R documenting the amount of interest or earnings that they had

² A bond is a debt security, under which the issuer owes the bondholder a debt. Typically, the bond issuer is obligated to repay the bondholder the principal sum borrowed, plus interest.

earned on the purported investment. And no such form was filed with the IRS. Had defendant NEWSHOLME actually invested the money as he had represented, Victims 2 and 3 would have received such documentation for purposes of reporting taxable income on their tax returns. The investigation has revealed that defendant NEWSHOLME made this payment to Victims 2 and 3 using funds obtained elsewhere, to conceal his fraudulent scheme, and thereby to continue it.

28. Thereafter, in or about June 2012, Victim 2 received a large inheritance following the death of a family member. At or around the same time, acting on defendant NEWSHOLME's recommendation, Victims 2 and 3 took a distribution from their existing individual retirement account ("IRA") for approximately \$78,392.84, for the purpose of re-investing it with defendant NEWSHOLME.

29. Acting upon defendant NEWSHOLME's recommendation, Victims 2 and 3 wrote two checks to Newley, totaling approximately \$70,000, with the understanding and belief that defendant NEWSHOLME would invest the funds on their behalf in a video game company that defendant NEWSHOLME had recommended. In connection with these investments, defendant NEWSHOLME provided Victims 2 and 3 documents entitled "Investment Notes," purporting to document the investments as interest-bearing loans to the video game company, that also would be accompanied by an ownership interest in the company. These documents set forth, among other things, the lender, borrower, stated principal and interest amounts, and repayment terms. At defendant NEWSHOLME's direction, Victim 3 signed the purported Investment Notes for the investment, and defendant NEWSHOLME countersigned each note.

30. NEWSHOLME's oral and written representations regarding the investment in the video game company were false and fraudulent, and were made in furtherance of his fraudulent scheme. Specifically, defendant NEWSHOLME did not invest the funds in a video game company, as he had represented to Victims 2 and 3, but rather misappropriated the money for his own personal use, as follows:

a. On or about June 20, 2012, Victim 3 wrote a check payable to Newley for approximately \$35,000. Defendant NEWSHOLME deposited this check in Newley's account. The next day, on or about June 21, 2012, two checks totaling approximately \$34,000 were drawn on the Newley account. One check was in the amount of approximately \$32,000, and was made payable to an entity with no connection to the video game that defendant NEWSHOLME had recommended. The other check was in the amount of approximately \$2,000, and was made payable to a second entity with no connection to the video game that defendant NEWSHOLME had recommended.

b. On or about July 2, 2012, Victim 2 wrote another check, payable to Newley for approximately \$35,000. The next day, on or about July 3, 2012, defendant NEWSHOLME cashed this check at a check cashing facility in or around Woodbridge, New Jersey.

31. Thereafter, on or about July 13, 2012, acting upon the recommendation of defendant NEWSHOLME, Victim 2 wrote another check, payable to Newley, for approximately \$30,000. Based on representations made by defendant NEWSHOLME, Victims 2 and 3 believed and intended that defendant NEWSHOLME would invest this money in unknown securities on their behalf. But he did not do so. The same day that Victim 2 wrote the check, defendant NEWSHOLME cashed it at a check cashing facility in or around Woodbridge, New Jersey.

32. The same day, on or about July 13, 2012, acting upon defendant NEWSHOLME's recommendation, Victim 2 wrote another check, payable to Newley, for approximately \$235,000, which defendant NEWSHOLME deposited in Newley's account. Based on defendant NEWSHOLME's representations, Victims 2 and 3 believed and intended that defendant NEWSHOLME would invest this money in unknown securities on their behalf. At or around the time this check was deposited, the Newley account in which these funds were deposited had a balance of less than \$1,000. Law enforcement's review of bank account records, however, revealed the following transactions (among others) in the Newley account shortly after defendant NEWSHOLME deposited the check:

a. On or about July 18, 2012, a transfer for approximately \$50,000 to a personal account held by defendant NEWSHOLME and his wife.

b. On or about July 18, 2012 and July 24, 2012, two transfers for approximately \$25,000 and \$40,000, respectively, to an account held by NFC. On or about July 17, 2012 (shortly before these transfers), the balance in the NFC account was approximately \$164.02, and there had been no substantial deposits into the account, or transfers into or out of the account, since in or around May 2012.

c. On or about July 25, 2012—one day after the second transfer to the NFC account noted in subparagraph (b), above—an outgoing wire transfer from the NFC account to an account for a car dealership located in or around Ramsey, New Jersey, for approximately \$50,000, for the purchase of a BMW, which defendant NEWSHOLME registered in his name, at his personal residence. In addition, within the next several days of the purchase, several other debits were made from the NFC account to the dealership, including approximately \$1,712 for tire protection.

d. On or about August 8, 2012, a check written by defendant NEWSHOLME from the Newley account, made payable to cash for \$5,000, which defendant NEWSHOLME endorsed and cashed.

e. On or about October 11, 2012, a check written by defendant NEWSHOLME and drawn on the Newley account for approximately \$4,000 made payable to cash, which defendant NEWSHOLME endorsed and cashed.

f. From on or about August 2, 2012 through on or about December 28, 2012, approximately \$17,008.50 was paid from the NFC account in connection with personal expenses. These expenditures included, among other things, a check for \$3,902.24 to Sleepy's, which referenced "master bedroom mattress" in the memo line of the check.

g. Between on or about October 29, 2012 through on or about December 27, 2012, defendant NEWSHOLME made a total of approximately \$2,212 in ATM withdrawals from the NFC account and \$2,715 in withdrawals from the Newley account.

33. The foregoing activity—among other things, cashing checks at check cashing facilities, large-dollar transfers among bank accounts controlled by defendant NEWSHOLME, personal purchases of luxury vehicles and bedroom furniture, and ATM withdrawals—is not consistent with defendant NEWSHOLME's investment of funds on behalf of Victims 2 and 3, as he had represented and as they had intended. Rather, this activity is consistent with defendant NEWSHOLME's fraudulent misappropriation of the funds for his own personal use.

34. Beginning in or around November 2014, Victims 2 and 3 began periodically requesting to draw money from their investment portfolio. At their request, defendant NEWSHOLME provided multiple disbursements to Victims 2 and 3. For example, on or about November 26, 2014, Victims 2 and 3 received a wire transfer for approximately \$9,000 from an NFC account. As set forth in paragraphs 44 below, the investigation has revealed that this money was not drawn from any investment portfolio held for Victims 2 and 3; rather, the source of these funds, at least in part, was a purported investment made by Victim 4, who had invested over \$1 million with defendant NEWSHOLME a short time before.

35. Thereafter, on various occasions between in or around May 2015 and in or about November 2016, Victims 2 and 3 received a series of additional wire transfers from multiple accounts controlled by defendant NEWSHOLME, including several wire transfers from the personal bank accounts of defendant NEWSHOLME and his wife. Those payments to Victims 2 and 3 were consistent not with actual distributions from a legitimate investment portfolio, but with defendant NEWSHOLME's misappropriation of other investors' funds,

and monies obtained by defendant NEWSHOLME elsewhere, to repay Victims 2 and 3, thereby concealing his fraudulent scheme.

a. *First*, the wire transfers from defendant NEWSHOLME's personal account are not consistent with a distribution from a legitimate investment. There is no legitimate business reason for an investment adviser to deposit a client's investment distributions from an actual investment vehicle into his own personal bank account before distributing that money to the client. Moreover, law enforcement's review of defendant NEWSHOLME's personal bank records revealed no incoming credits to defendant NEWSHOLME's accounts that were consistent with a withdrawal from a client investment account.

b. *Second*, were actual distributions or withdrawals taken from legitimate investments, Victims 2 and 3 would have received documentation (such as a Form 1099) from defendant NEWSHOLME, one of his companies, or the company sponsoring the investment vehicle, which reflected the required tax treatment of the distribution or withdrawal. Additionally, corresponding documents would have been filed with the IRS. Victims 2 and 3, however, received no such forms or documentation for the years 2014 or 2015, and no such forms or documentation were submitted to the IRS with respect to the investment portfolio ostensibly managed by defendant NEWSHOLME.

36. Between in or about June 2012 and in or about December 2013, defendant NEWSHOLME also provided Victims 2 and 3 purported account statements similar to those he provided to Victim 1. These statements represented the value of the purported investment portfolio that Victims 2 and 3 maintained through defendant NEWSHOLME. However, these statements contained materially false representations, and were made to conceal defendant NEWSHOLME's fraudulent scheme. For instance, in a statement dated on or about September 13, 2012 that defendant NEWSHOLME provided to Victims 2 and 3, defendant NEWSHOLME represented that their investment portfolio included, among other things, the following investments: (i) the one-year bond in the Country Club described in paragraphs 24 through 27, above; (ii) equity stock in the video game company described in paragraphs 29 through 30, above³; and (iii) more than \$240,000 in various mutual funds invested through a reputable financial services institution. As set forth above, the investigation has revealed that defendant NEWSHOLME made no investments in the Country Club or the video game company on behalf of Victims 2 and 3. Moreover, according to records maintained by and for the financial services institution whose mutual funds defendant NEWSHOLME had represented that

³ Whereas defendant NEWSHOLME provided to Victims 2 and 3 "Investment Notes" representing that the video game investment would be in the form of an interest-bearing loan with a partial ownership stake in the company, the account statements that defendant provided to Victims 2 and 3 strongly suggested that the investment was solely in the form of equity stock in the company.

Victims 2 and 3 had invested in, no shares of the stated mutual funds were ever made or held on behalf of Victims 2 or 3.

Victim 4

37. Victim 4 is the owner of a limited liability company that, until September 2014, owned a warehouse in or around Perth Amboy, New Jersey.

38. In or about September 2014, Victim 4 caused his company to sell the property for a purchase price of approximately \$2,525,000. The purchaser issued Victim 4 a mortgage in the amount of approximately \$1,050,000.00, and paid the remainder of the purchase price via check, which Victim 4 deposited in the company's bank account.

39. Acting upon defendant NEWSHOLME's recommendation, on or about October 2, 2014, Victim 4 wrote two checks, drawn on an account held by his company, to NFC: one check was for \$100,000, and one was for \$85,000. Based on defendant NEWSHOLME's representations, Victim 4 intended and believed that defendant NEWSHOLME would invest this money in life insurance policies for Victim 4 and his wife. The same day that Victim 4 wrote these checks, however, defendant NEWSHOLME cashed both checks at a check cashing facility in or around Perth Amboy, New Jersey.

40. On or about October 8, 2014, approximately six days after defendant NEWSHOLME cashed the two checks, Victim 4 wrote another check to NFC, drawn on the same account held by Victim 4's company, for approximately \$965,000. Victim 4 wrote this check at defendant NEWSHOLME's recommendation. Defendant NEWSHOLME deposited this check in NFC's bank account the same day, but the check did not clear. On or about October 15, 2014, Victim 4 obtained a substitute bank check payable to NFC for \$965,000, and defendant NEWSHOLME successfully deposited the check into the NFC account.

41. Based on defendant NEWSHOLME's representations, Victim 4 intended and believed that defendant NEWSHOLME would invest these funds on behalf of Victim 4 and his family in various investments, including an annuity, multiple 529 college accounts for Victim 4's grandchildren, and a money market account. Indeed, at or around the time Victim 4 wrote the check for \$965,000, defendant NEWSOLME had Victim 4 and his wife complete and sign various account applications for these investments. Additionally, defendant NEWSHOLME provided to Victim 4 copies of checks from NFC accounts, which were made payable to the various financial institutions that sponsored the purported investments, in the amounts that Victim 4 intended to invest. Defendant NEWSHOLME provided copies of these account applications and checks to provide proof to Victim 4 and his family that the money would be invested as defendant NEWSHOLME had represented.

42. Thereafter, defendant NEWSHOLME provided statements to Victim 4 that purported to show the various investments that he had made on Victim 4's behalf using the approximately \$1,150,000 in checks that Victim 4 had written to NFC. These statements purported to show the value of the life insurance policy, 529 accounts, annuity, and money market account in which Victim 4 believed defendant NEWSHOLME had invested on his behalf. Based on these statements, defendant NEWSHOLME represented to Victim 4 that the value of the investments made in or about October 2014 had risen more than \$157,000 by in or about June 2015.

43. Defendant NEWSHOLME's oral and written representations were false and fraudulent, and were made in furtherance of his fraudulent scheme. The application paperwork that Victim 4 completed at defendant NEWSHOLME's direction was not mailed to the respective financial institutions, and those institutions have no records of any investments ever made on Victim 4's (or his family's) behalf. Additionally, the checks that defendant NEWSHOLME provided to Victim 4—the copies of which purported to show that money was being sent to the financial institutions for the investments—were never negotiated, thus demonstrating that they were never submitted to the respective financial services companies. Rather, defendant NEWSHOLME provided copies of these checks to Victim 4 to satisfy Victim 4 that the funds had been invested when, in fact, they had not been.

44. Additionally, the account activity in the NFC account after defendant NEWSHOLME deposited the check from Victim 4 for \$965,000 is consistent with defendant NEWSHOLME's fraudulent misappropriation of that money. On the date that the check was deposited, the NFC account had a balance of approximately \$357.78. Over the ensuing five months, less than \$2,000 in additional deposits were made into that account. Nevertheless, bank records reflect the following activity, among other things, in the account in the approximately seven months after the check was deposited:

a. The same day the check was deposited, defendant NEWSHOLME wrote a check from the NFC account payable to the husband of Victim 6, in the amount of approximately \$217,000. This check bounced, presumably because the initial check from Victim 4 had not cleared. Thereafter, on or about October 22, 2014, defendant NEWSHOLME obtained a cashier's check from the NFC account payable to the husband of Victim 6, again in the amount of \$217,000. The investigation has revealed that defendant NEWSHOLME made this payment to Victim 6's husband as a purported "repayment" of an interest-bearing loan that defendant NEWSHOLME had persuaded Victim 6's husband to make.

b. On or about October 24, 2014, defendant NEWSHOLME wrote a check from the NFC account to Victim 5, another investment client of

defendant NEWSHOLME, in the amount of approximately \$217,000. This check represented defendant NEWSHOLME's purported "repayment" of funds that Victim 5 believed he had invested with defendant NEWSHOLME in a rollover account to be managed by defendant NEWSHOLME. As described below, defendant NEWSHOLME made no such investment on Victim 5's behalf, but rather misappropriated Victim 4's money to make the repayment to Victim 5, whose money defendant NEWSHOLME also had misappropriated. Defendant NEWSHOLME did so to give the appearance that Victim 5's funds had been invested legitimately and were available for distribution upon request, thereby concealing defendant NEWSHOLME's fraudulent scheme.

c. On or about October 21, 2014, defendant NEWSHOLME wrote a check drawn on the NFC account to a car dealership located in or around Eatontown, New Jersey, in the amount of approximately \$14,119, in connection with defendant NEWSHOLME's purchase of a vehicle registered in defendant NEWSHOLME's name at his personal residence.

d. Between on or about October 20, 2014 and on or about January 8, 2015, defendant NEWSHOLME caused five transfers totaling approximately \$242,000 to be sent from the NFC account to personal bank accounts held by defendant NEWSHOLME and his wife.

e. Between on or about October 22, 2014 and on or about December 22, 2014, defendant NEWSHOLME made various withdrawals totaling approximately \$44,900 from the NFC account. These withdrawals include branch withdrawals, debits at casinos, and checks written either to cash or defendant NEWSHOLME himself.

f. On or about November 26, 2014, defendant NEWSHOLME executed a wire transfer from the NFC account to Victim 3's bank account for approximately \$9,000. As described above, based on defendant NEWSHOLME's representations that he had invested in securities on behalf of Victims 2 and 3, Victims 2 and 3 believed that this payment represented a withdrawal from their investment account.

Victim 5

45. Victim 5 is another former client of defendant NEWSHOLME. The investigation has revealed that defendant NEWSHOLME misappropriated funds that Victim 5 provided to defendant NEWSHOLME with the expectation and belief that they would be invested by defendant NEWSHOLME on Victim 5's behalf.

46. On or about February 28, 2011, acting at defendant NEWSHOLME's recommendation, Victim 5 took a partial surrender of an annuity in the amount of approximately \$51,449.49. Shortly thereafter, again

acting at defendant NEWSHOLME's recommendation, on or about March 2, 2011, Victim 5 wrote a check in the amount of approximately \$50,000 made payable to Newley. Based on defendant NEWSHOLME's representations, Victim 5 intended and believed that defendant NEWSHOLME would invest this money in securities on his behalf. Defendant NEWSHOLME deposited the check into Newley's bank account on or about March 4, 2011. Before the check was deposited, Newley's bank account had a balance of approximately \$4,401.87.

47. The account activity in the Newley account after this check was deposited is inconsistent with defendant NEWSHOLME's investment of Victim 5's money. Law enforcement has identified no indication or record consistent with the transfer of money from the Newley account to any legitimate investment on Victim 5's behalf. Rather, the account activity following the deposit of the check is consistent with defendant NEWSHOLME's fraudulent misappropriation of the funds for his own personal use, and to further his fraudulent scheme.

48. For example, on or about March 8, 2011, four days after the check from Victim 5 was deposited, defendant NEWSHOLME purchased a certified bank check drawn on the Newley account for \$6,000 made payable to himself, and deposited the check in a personal bank account controlled by defendant NEWSHOLME and his wife. The same day, defendant NEWSHOLME wrote a check in the amount of approximately \$2,000 drawn on the Newley account, made payable to cash, and endorsed and cashed the check by signing his name. The same day, defendant NEWSHOLME deposited \$500 in cash to his and his wife's personal account. The next day, on or about March 9, 2011, defendant NEWSHOLME sent a wire transfer in the amount of approximately \$31,502 from the Newley account to another individual. Two days later, on or about March 11, 2011, defendant NEWSHOLME wrote a check drawn on the Newley account for approximately \$9,500 with a memo notation that read "Professional Fees." The check was made payable to another client of defendant NEWSHOLME which, to law enforcement's knowledge, does not sponsor securities or other investment vehicles.

49. On or about August 2, 2011, acting at defendant NEWSHOLME's request, Victim 5 wrote a check payable to Newley for approximately \$55,000 in connection with what Victim 5 believed to be a bond investment. Specifically, based on defendant NEWSHOLME's representations, Victim 5 believed the bond would be issued by the same Country Club that purportedly issued the one-year bond in which Victims 2 and 3 had invested, as described in paragraphs 24 through 27, above. In connection with this transaction, defendant NEWSHOLME provided Victim 5 a written document entitled "Promissory Note" documenting the purported bond, which set forth, among other things, the lender, borrower, stated principal and interest amounts, and repayment terms.

50. Defendant NEWSHOLME's representations regarding this security were false and fraudulent. As described in paragraph 26, above, the Country Club—the purported issuer of the bond—has confirmed to law enforcement that it does not issue investment bonds for individual investors, that it received no funds from Victim 5 (or from defendant NEWSHOLME on Victim 5's behalf), and that defendant NEWSHOLME was not authorized to solicit, issue, or execute bond investments on the Country Club's behalf. Moreover, bank records reveal that defendant NEWSHOLME misappropriated the money provided by Victim 5 for his own personal use.

51. Two years later, on or about July 23, 2013, again acting at defendant NEWSHOLME's recommendation, Victim 5 took another partial surrender from his annuity for approximately \$72,161. Thereafter, on or about July 31, 2013, again acting at defendant NEWSHOLME's recommendation, Victim 5 wrote a check for approximately \$72,161 to Newley, with the understanding and intent that defendant NEWSHOLME would invest the money timely in a qualified rollover account. Unbeknownst to Victim 5, however, the same day, defendant NEWSHOLME endorsed and cashed the check at a check cashing facility in or around Woodbridge, New Jersey.

52. Approximately three months later, on or about October 14, 2013, again acting at defendant NEWSHOLME's recommendation, Victim 5 took another partial surrender of his annuity, in the amount of approximately \$130,854.15. Two weeks later, on or about October 28, 2013, again acting at defendant NEWSHOLME's recommendation, Victim 5 wrote another check to Newley for approximately \$130,854.15, again with the understanding and intent that defendant NEWSHOLME would invest the money timely in a qualified rollover account. Again, however, and unbeknownst to Victim 5, the same day, defendant NEWSHOLME endorsed and cashed the check at a check cashing facility in or around Woodbridge, New Jersey.

53. As noted in paragraph 44(b), above, on or about October 23, 2014, defendant NEWSHOLME wrote a check to Victim 5, drawn on an account held by NFC, for approximately \$217,000, which Victim 5 deposited in his account the next day. After he received the check from defendant NEWSHOLME, Victim 5 wrote on the memo line "IRA/Rollover," demonstrating his understanding and belief that defendant NEWSHOLME had repaid the funds that Victim 5 had intended to invest in a qualified rollover account. As detailed above, the investigation has revealed that the money that funded this check did not come from a rollover account established by defendant NEWSHOLME for Victim 5's benefit, but rather came from misappropriated funds that defendant NEWSHOLME had received from Victim 4 approximately two weeks earlier. Indeed, no document ever was filed with the IRS consistent with a distribution to Victim 5 from a rollover account in the amount of \$217,000. And Victim 5

received no documentation in connection with a distribution from his purported rollover account.

54. On or about April 13, 2016, in furtherance of his fraudulent scheme, defendant NEWSHOLME, using the United States mails, mailed a check to Victim 5. The check was drawn on defendant NEWSHOLME's personal bank account, and was in the amount of approximately \$89,442.77. The check was dated on or about April 11, 2016 and was made payable to Victim 5. The memo line of the check referenced the Country Club bond in which Victim 5 believed he had invested through defendant NEWSHOLME, as described in paragraph 49, above.

55. Bank records reveal, however, that defendant NEWSHOLME had misappropriated investment funds from another client, Victim 6, to make this purported bond repayment to Victim 5. Indeed, the check that defendant NEWSHOLME mailed to Victim 5 was dated the same day that defendant NEWSHOLME deposited a check from Victim 6 for approximately \$207,496.52, as described below. Moreover, defendant NEWSHOLME deposited this check from Victim 6 into the same account that funded the purported bond repayment check to Victim 5. Accordingly, the investigation revealed that, in furtherance of his fraudulent scheme, defendant NEWSHOLME misappropriated Victim 6's investment funds to repay Victim 5 for the purported bond investment, thereby attempting to conceal and perpetuate the scheme.

Victim 6

56. Victim 6 was another investment client of defendant NEWSHOLME. From in or about 2012 to in or about October 2015, Victim 6's husband communicated with defendant NEWSHOLME about his and Victim 6's investment portfolio.

57. Victim 6's husband died in or around October 2015. As described below, based on defendant NEWSHOLME's representations, from in or about October 2016 to in or about April 2016, Victim 6 invested approximately \$700,000 with defendant NEWSHOLME. The investigation has revealed, however, that defendant NEWSHOLME did not invest these funds on Victim 6's behalf as he had represented, but rather misappropriated those funds for his own personal use and to continue his fraudulent scheme.

58. On or about October 30, 2015—shortly after Victim 6's husband died—Victim 6 gave defendant NEWSHOLME a check payable to defendant NEWSHOLME personally, in the amount of approximately \$150,000. Defendant NEWSHOLME deposited this check into his personal checking account. The memo section of the check read, "INVESTMENT." Based on

defendant NEWSHOLME's statements, Victim 6 intended and believed that defendant NEWSHOLME would invest these funds on her behalf.

59. On or about November 5, 2015, defendant NEWSHOLME sent a wire transfer from his personal account—the same account into which Victim 6's check had been deposited—to the bank account for Victims 2 and 3, for approximately \$9,500. Victims 2 and 3 had requested this money be withdrawn from their investment account to help pay for their living expenses.

60. On or about December 2, 2015, defendant NEWSHOLME deposited another check from Victim 6, in the amount of approximately \$140,000, into the same personal checking account that he controlled. The check was signed by Victim 6, was made payable to defendant NEWSHOLME, and the memo section of the check read, "ESTATE." Victim 6 did not write "ESTATE" in the memo section of the check, and never engaged defendant NEWSHOLME to provide estate-related services to her. Rather, based on defendant NEWSHOLME's representations, Victim 6 intended and believed that defendant NEWSHOLME would invest these funds on her behalf.

61. On the same date, acting at defendant NEWSHOLME's direction, Victim 6 wrote another check, payable to NFC, in the approximate amount of \$45,000. The memo section of this check read, "ESTATE WORK." Again, Victim 6 did not write "ESTATE WORK" in the memo section of the check, and never engaged defendant NEWSHOLME to provide estate-related services to her. Rather, based on defendant NEWSHOLME's representations, Victim 6 intended and believed that defendant NEWSHOLME would invest these funds on her behalf. Rather than invest these funds as Victim 6 intended, defendant NEWSHOLME cashed the check for approximately \$45,000 at a check cashing facility in or around Woodbridge, New Jersey.

62. Defendant NEWSHOLME's representations to Victim 6—that he would invest her money on her behalf—were false. Defendant NEWSHOLME did not invest the money on Victim 6's behalf, but rather misappropriated the funds for his own personal use. For example, on or about December 7, 2015, defendant NEWSHOLME transferred \$40,000 from his personal account—the same account into which he had deposited two of the checks from Victim 6—to an MVP account. The same day, defendant NEWSHOLME wrote two checks to the owner of the premises where MVP is located. One check, in the amount of approximately \$6,930, read in the memo section, "Security Deposit for MVP Financial." The other check, in the amount of approximately \$23,100, read in the memo section, "2016 rent paid in full."

63. Additionally, in the weeks following the checks from Victim 6, above, defendant NEWSHOLME executed several wire transfers from his personal account—the same account into which he had deposited two of the

checks from Victim 6—to make repayments to other clients. The wire transfers included the following:

a. On or about December 30, 2015, defendant NEWSHOLME wired approximately \$17,000 from his personal account to a company controlled by Victim 4 and his family.

b. On or about January 6, 2016, defendant NEWSHOLME wired approximately \$25,000 from his personal account to Victim 3.

c. On or about January 15, 2016, defendant NEWSHOLME wired approximately \$43,000 from his personal account to Victim 4 and his wife.

64. Thereafter, acting on his recommendation, Victim 6 invested additional money with defendant NEWSHOLME. On or about April 11, 2016, defendant NEWSHOLME deposited two additional checks from Victim 6 into two other personal bank accounts that he held at a different bank. One check, made payable to defendant NEWSHOLME personally, in the amount of approximately \$207,496.52, read "INVEST" in the memo section. The other check, also made payable to defendant NEWSHOLME personally, was for \$150,000, and contained a memo notation that the funds were intended for Victim 6's daughter's wedding. Based on defendant NEWSHOLME's representations, Victim 6 intended and believed that defendant NEWSHOLME would invest these funds on her and her daughter's behalf.

65. Again, defendant's representations were false. In furtherance of his fraudulent scheme, defendant NEWSHOLME did not invest the monies provided by Victim 6 as he had represented, but rather misappropriated the money for his own personal use, and to repay other investors. For example, in the weeks following the deposit of these two checks, defendant NEWSHOLME made several withdrawals from his personal accounts that appeared to pay back previous investors or for personal and business expenses. These withdrawals included the following:

a. On or about April 11, 2016, defendant NEWSHOLME wrote a check to Victim 5 for approximately \$89,442.77. This check referenced the purported bond in which Victim 5 invested, as described in paragraph 54, above.

b. On or about May 4, 2016, defendant NEWSHOLME wrote a check to a car dealership located in or around Freehold, New Jersey, for approximately \$29,980 for the purchase of a white 2016 Jeep Patriot, which defendant NEWSHOLME registered in his name.

c. On or about May 11, 2016, defendant NEWSHOLME sent a wire transfer from one of his personal accounts, in the amount of approximately \$25,000, to an account held by Victim 4. This wire transfer purported to be a distribution from the investment account that defendant NEWSHOLME maintained on behalf of Victim 4.

d. On or about May 11, 2016, defendant NEWSHOLME sent another wire transfer from the same personal account to a company controlled by Victim 4 and his family, in the amount of approximately \$64,985.00. This wire transfer purported to be a distribution from the investment account that defendant NEWSHOLME maintained on behalf of Victim 4.

e. On or about May 27, 2016, there were card purchases relating to Disney Resorts using funds from defendant NEWSHOLME's personal account. These purchases totaled approximately \$6,000.

f. Between on or about June 10, 2016 and on or about July 14, 2016, defendant NEWSHOLME sent four wire transfers, totaling approximately \$160,000, from defendant NEWSHOLME's personal accounts to the bank account of Victims 2 and 3. These wire transfers purported to represent withdrawals that Victims 2 and 3 requested from the investment account that they believed defendant NEWSHOLME maintained on their behalf.

66. In or around October 2016, Victim 6 met with defendant NEWSHOLME to review the status of her investment portfolio. At that meeting, defendant NEWSHOLME provided to Victim 6 a statement representing that the total value of her investment portfolio had increased to approximately \$830,403.17. The statement also contained a section that read "Asset Allocation," and purported to break down the various categories of investments that comprised Victim 6's portfolio; these categories included "Large Cap"; "Mid Cap"; "Small Cap"; "Global & Intl Equity"; "Hybrid"; and "Fixed Income."

67. These representations were false. As described above, the investigation has revealed that defendant NEWSHOLME did not invest Victim 6's funds in any legitimate investments, but rather misappropriated these funds for his own personal use and to repay other investment clients to conceal and further his fraudulent scheme.