

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.
: :
: Crim. No. 11-
: :
v. :
: 15 U.S.C. §§ 78j(b) and
: 78ff; 17 C.F.R. § 240.10b-5
CARLO G. CHIAESE : 18 U.S.C. § 2

INFORMATION

The defendant having waived in open court prosecution by Indictment, the United States Attorney for the District of New Jersey charges:

1. At all times relevant to this Information:

a. Defendant CARLO CHIAESE resided in or near Chester or Springfield, New Jersey. Defendant CARLO CHIAESE held Series 7 and 63 securities licenses and held himself out as an independent financial advisor. Defendant CARLO CHIAESE was a financial advisor since approximately 2003 and has worked in the financial industry since at least 1999.

b. CGC Advisors LLC ("CGC Advisors") was a Westfield, New Jersey based investment advisory firm through which defendant CARLO CHIAESE solicited investments. Defendant CARLO CHIAESE was the only investment advisor who was affiliated with CGC Advisors. CGC Advisors maintained a business checking account at HSBC Bank in New Jersey (the "CGC Advisors Account").

c. Local 333, United Marine Division, International Longshoreman's Association, was a local branch of an interna-

tional union affiliated with the American Federation of Labor and Congress of Industrial Organizations. Local 333 was made up of members who were employed in various capacities in the tugboat and ferry business in the New York and New Jersey waterways. Local 333's pension fund (the "Pension Fund") contained the pensions of over 850 current and retired union employees.

The Scheme to Defraud

2. From in or about early 2008 to in or about September 2010, in Morris and Union Counties, in the District of New Jersey, and elsewhere, the defendant,

CARLO G. CHIAESE,

by use of the means and instrumentalities of interstate commerce, the mails, and facilities of national securities exchanges, directly and indirectly, knowingly and willfully used manipulative and deceptive devices and contrivances in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5 (Rule "10b-5") in connection with the purchase and sale of securities by (i) employing devices, schemes, and artifices to defraud members of the investing public; (ii) 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 (iii) engaging in acts, practices, and a course of business which operated and would operate as a fraud and deceit upon Local 333 and other individual investors, in violation of Title 15, United

States Code, Sections 78j(b) and 78ff(a), Title 17, Code of Federal Regulations, Section 240-10b-5, and Title 18, United States Code, Section 2.

Object of the Fraud

3. The object of the fraud was for defendant CARLO CHIAESE to misappropriate monies that investors gave to him to invest, and instead to use the monies to support his lavish lifestyle and to pay prior investors.

Manner and Means of the Fraud

4. Starting at least as early as 2008 and continuing to in or about September 2010, defendant CARLO CHIAESE solicited a number of clients by touting his investment experience, including with CGC Advisors, and promising to invest their funds in conservative, traditional securities such as bonds and mutual funds.

5. Between in or about November 2008 and in or about September 2010, defendant CARLO CHIAESE raised more than approximately \$2.4 million from investors in New Jersey and New York based, in part, on his representations that he would invest the funds in traditional securities.

6. One of the investors was the Local 333 Pension Fund. On or about November 25, 2008, the Pension Fund transferred approximately \$1.71 million to defendant CARLO CHIAESE by interstate wire transfer from a bank in Connecticut to the CGC Advisors Account for him to invest.

7. Defendant CARLO CHIAESE deposited or caused to be deposited all of the approximately \$2.4 million sent to him by the Pension Fund and other investors into the CGC Advisors Account.

8. Despite having represented to the investors that he would invest their funds in various types of securities, defendant CARLO CHIAESE never invested any of the approximately \$2.4 million provided to him.

9. Instead of using the investors' money as promised, defendant CARLO CHIAESE used the vast majority of the money to pay for various personal expenses, such as:

- a. transfers to his wife and members of her family (at least \$800,000);
- b. car expenses, including lease payments for a Porsche 911 Carrera, Audi Q7, and Land Rover (at least \$38,000);
- c. fees at two different New Jersey country clubs (at least \$75,000);
- d. clothing, including purchases at high-end retailers such as Hermes, Salvatore Ferragamo, Bergdorf Goodman, and Saks Fifth Avenue (at least \$25,000); and
- e. luxury hotels including: the Ritz Carlton in Battery Park, New York; the Ritz Carlton in St. Thomas, U.S. Virgin Islands; and the Breakers in Palm Beach, Florida (at least \$14,000).

10. In addition to using the investors' money for his personal expenses, defendant CARLO CHIAESE also used at least \$180,000 of the investors' money to repay other investors in Ponzi scheme fashion.

11. In an effort to conceal his fraudulent scheme, defendant CARLO CHIAESE caused fraudulent trade confirmations and false account statements to be created and sent to many of the investors to make it appear that defendant CARLO CHIAESE had invested their money in securities as promised when in fact he had not.

In violation of Title 15, United States Code, Sections 78j(b) and 78ff(a), Title 17, Code of Federal Regulations, Section 240-10b-5, and Title 18, United States Code, Section 2.

A handwritten signature in blue ink that reads "Paul J. Fishman". The signature is written in a cursive style with a horizontal line underneath the name.

PAUL J. FISHMAN
UNITED STATES ATTORNEY

CASE NUMBER: _____

**United States District Court
District of New Jersey**

UNITED STATES OF AMERICA

v.

CARLO G. CHIAESE

INFORMATION FOR

15 U.S.C. §§ 78j(b) and 78ff;
17 C.F.R. § 240.10b-5;
18 USC § 2

PAUL J. FISHMAN

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