

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA

: CRIMINAL NO: 15-

v.

: DATE FILED: October 19, 2015

MICHAEL DONNELLY

: VIOLATIONS:

18 U.S.C. § 1343 (wire fraud - 1 count)

: 15 U.S.C. §§ 78j(b), 78ff and 17 C.F.R.
§ 240.10b-5 (securities fraud - 1 count)

: Notice of Forfeiture

INFORMATION

COUNT ONE

THE UNITED STATES ATTORNEY CHARGES THAT:

At various times relevant to this information:

1. Defendant MICHAEL DONNELLY worked in the securities industry as an investment advisor and registered representative.
2. Defendant MICHAEL DONNELLY was the president, chief executive officer and sole employee of Donnelly Advisors Group, a registered investment advisor.
3. Defendant MICHAEL DONNELLY was a partner in Donnelly Steen & Company, a registered investment advisor.
4. Coastal Investment Advisors, Inc. was a registered investment advisor.
5. Coastal Equities, Inc. was a registered broker-dealer that was affiliated with Coastal Investment Advisors, Inc.
6. Defendant MICHAEL DONNELLY was the president of both Coastal Investment Advisors, Inc. and Coastal Equities, Inc.

7. Defendant MICHAEL DONNELLY, in his capacity as an investment advisor who at various times was employed by one or a combination of the entities listed in paragraphs numbered one through six above, rendered investment advice to, and ostensibly invested money for, individuals, including senior citizens.

THE SCHEME

8. From in or about November 2007 and continuing through in or about late summer/autumn 2014, defendant

MICHAEL DONNELLY

devised and intended to devise a scheme to defraud KH, DS, HS, EC, MB, JD, EM, CM, JL, GL, DH, BS, and JB and obtain money and property from them by means of false and fraudulent pretenses, representations, and promises.

It was part of the scheme that:

9. From November 2007 through August 2012, defendant MICHAEL DONNELLY, acting as an investment advisor, received approximately \$440,000 from his close friend KH, the bulk of which defendant DONNELLY represented to KH would be, and ultimately had been, invested in securities.

10. Defendant MICHAEL DONNELLY, for the purpose of lulling KH into believing that defendant DONNELLY had invested KH's money in securities, provided KH with brokerage account statements belonging to another client who held dozens of large cap stocks valued at hundreds of thousands of dollars. Defendant DONNELLY put KH's name on these brokerage account statements.

11. Contrary to his representations, defendant MICHAEL DONNELLY did not invest KH's \$440,000 in anything, but rather appropriated it for his own use.

12. Defendant MICHAEL DONNELLY made presentations at various locations to both older and elderly potential investors for the purpose of persuading them to retain him as their investment advisor.

13. From April 2008 through June 2012, defendant MICHAEL DONNELLY, acting as an investment advisor, received approximately \$91,739 from DS and HS, which defendant DONNELLY represented to DS and HS would be, and had been, invested in something that paid a greater interest rate than the bank.

14. Contrary to his representations, defendant MICHAEL DONNELLY did not invest DS's and HS's \$91,739 in anything, but rather appropriated it for his own use.

15. From May 2008 through January 2013, defendant MICHAEL DONNELLY, acting as an investment advisor, received approximately \$208,680 from EC, which defendant DONNELLY represented to EC would be, and had been, invested in certificates of deposit.

16. Contrary to his representations, defendant MICHAEL DONNELLY did not invest EC's \$208,680 in anything, but rather appropriated it for his own use.

17. On or about June 10, 2008, defendant MICHAEL DONNELLY, acting as an investment advisor, received approximately \$54,500 from MB, which defendant DONNELLY represented to MB would be, and had been, invested in a certificate of deposit.

18. Contrary to his representations, defendant MICHAEL DONNELLY did not invest MB's \$54,500 in anything, but rather appropriated it for his own use.

19. From August 2008 through September 2011, defendant MICHAEL DONNELLY, acting as an investment advisor, received approximately \$25,000 from JD, which defendant Donnelly represented to JD would be, and had been, invested in a certificate of deposit.

20. Contrary to his representations, defendant MICHAEL DONNELLY did not invest JD's \$25,000 in anything, but rather appropriated it for his own use.

21. From December 2008 through April 2010, defendant MICHAEL DONNELLY, acting as investment advisor, received approximately \$800,000 from EM and CM, which defendant DONNELLY represented to EM and CM would be, and had been, invested in certificates of deposit.

22. Contrary to his representations, defendant MICHAEL DONNELLY did not invest EM's and CM's \$800,000 in anything, but rather appropriated it for his own use.

23. In December 2010, defendant MICHAEL DONNELLY received \$30,000 from JL and GL, which defendant DONNELLY represented to JL and GL would be, and had been, invested in something that defendant DONNELLY described as a "standard note."

24. Contrary to his representations, defendant MICHAEL DONNELLY did not invest JL's and GL's \$30,000 in anything, but rather appropriated for his own use.

25. In May 2011, defendant MICHAEL DONNELLY received \$25,000 from PH to invest.

26. Defendant MICHAEL DONNELLY did not invest PH's \$25,000 in anything, but rather appropriated it for his own use.

27. From in or about May 2011 through in or about July 2013, defendant MICHAEL DONNELLY received the \$48,231 from BS to invest.

28. Defendant MICHAEL DONNELLY did not invest BS's \$48,231 in anything, but rather appropriated it for his own use.

29. As noted in paragraph 22 above, defendant MICHAEL DONNELLY fraudulently represented to CM and EM that he had invested their \$800,000 in certificates of deposit.

Defendant DONNELLY represented to CM and EM that these certificates of deposit were federally insured any yielded interest rates between 5% and 5.5% .

30. In order to lull CM and EM into believing that he had invested their \$800,000 as represented, defendant MICHAEL DONNELLY created fictitious trade confirmations reflecting his purported purchases of CM's and EM's certificates of deposit. Defendant DONNELLY provided these fictitious trade confirmations to CM and EM.

31. In or about July 2014, CM and EM advised defendant MICHAEL DONNELLY that they intended to move all of their investments from defendant DONNELLY'S management and additionally instructed defendant DONNELLY to wire to them funds resulting from two nonexistent certificates of deposit that were purportedly set to mature.

32. In an attempt to avoid having his unlawful acts exposed, defendant MICHAEL DONNELLY persuaded one of his investors, JB, to partially liquidate a \$267,000 annuity by misrepresenting to her that she had an opportunity to "buy out" an investment held by another client. On defendant DONNELLY's instruction, JB partially liquidated her annuity to provide \$267,000 to defendant DONNELLY. Contrary to defendant Donnelly's representations, defendant Donnelly did not intend to, and did not use JB's \$267,000 to "buy out" an investment held by another of his clients.

33. In or about August 2014, defendant MICHAEL DONNELLY drove JB to her bank where defendant DONNELLY arranged to have JB's \$267,000 wired to one of defendant DONNELLY'S colleague's bank accounts for ultimate distribution to CM and EM.

34. On or about August 22, 2014, in the Eastern District of Pennsylvania and elsewhere, defendant

MICHAEL DONNELLY

for the purpose of executing the scheme described above and attempting to do so, caused to be transmitted by means of wire communication in interstate commerce, on Fedwire 07051, \$267,000 from the Bank of New York Mellon, in New York City, New York, to the Wells Fargo account ending in 0374 at 2090 County Line Road., Huntington Valley, Pennsylvania.

In violation of Title 18, United States Code, Section 1343.

COUNT TWO

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. Paragraphs 1 through 33 of Count One are incorporated here.
2. From in or about November 2007 through in or about August/September 2014, in the Eastern District of Pennsylvania and elsewhere, defendant

MICHAEL DONNELLY

willfully and knowingly, by use of the means and instrumentalities of interstate commerce, the mails, and the facilities of national securities exchanges, directly and indirectly, used and employed manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by: (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material fact in omitting to state material facts necessary in order to make the statements made in light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon other persons in connection with sales of securities.

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

NOTICE OF FORFEITURE

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. As a result of the violations of Title 18, United States Code, Section 1343, Title 15, United States Code, Section 78j(b) and Title 17, Code of Federal Regulations, Section 240.10b-5, as set forth in this Information, defendant

MICHAEL DONNELLY

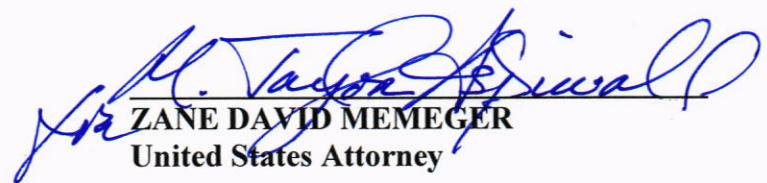
shall forfeit to the United States of America any property that constitutes, or is derived from, proceeds, traceable to the commission of such offenses, including but not limited to the sum of \$1,990,150.54.

2. If any of the property subject to forfeiture, as a result of any act or omission of the defendant:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 28, United States Code, Section 2461, incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant up to the value of the property subject to forfeiture.

All pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461.


ZANE DAVID MEMEGER
United States Attorney