

July 7, 2023

**U.S. ATTORNEY SELLINGER'S REMARKS IN U.S. V. CAZ CRAFFY PRESS CONFERENCE**

Good morning. I'm Philip Sellinger, United States Attorney for the District of New Jersey. With me today is:

Director of the SEC's Division of Enforcement Gurbir Grewal,  
Special Agent-in-Charge Joel Kirch from Department of the Army Criminal Investigation Division,  
Regional Director Richard Monticello of U.S. Department of Defense, Defense Criminal Investigation Service  
Special Agent in Charge James Dennehy, Federal Bureau of Investigation,  
Special Agent in Charge Ricky Patel, Homeland Security Investigations, and  
Assistant United States Attorneys Martha Nye and Carolyn Silane, who led my Office's investigation.

When an active-duty member of our armed forces dies, their loved ones receive survivor benefits of up to \$500,000. Though nothing can make up for the ultimate sacrifice of the fallen, these benefits provide some financial comfort to these Gold Star families from a grateful nation. We're here today because, as alleged in the Indictment, one individual preyed upon these vulnerable families who were dealing with a tragedy born out of their loved one's patriotism. An individual who allegedly saw these survivor benefits as a chance to line his own pockets—through lies and deception. Targeting the families of fallen American service members is shameful.

This morning, based on an indictment secured by my Office, federal agents arrested CAZ CRAFFY for scheming to defraud Gold Star families out of these survivor benefits.

Specifically, as alleged in the Indictment, CRAFFY used his position as a U.S. Army financial counselor to fraudulently induce Gold Star families to invest in financial firms that he secretly worked for. Once he got control of their money, CRAFFY executed numerous trades, often without these families' authorization. These trades resulted in significant losses to the families — approximately \$3.4 million in lost value. But even though the families lost money — CRAFFY profited because he got commission payments. In total, CRAFFY made over \$1 million in commissions from this scheme — directly funded by the Gold Star Families without their knowledge.

For this criminal conduct, a federal grand jury sitting in Trenton yesterday returned a 10-count indictment charging CRAFFY with wire fraud, securities fraud, making false statements, and having a criminal conflict of interest.

Craffy will have his initial appearance before U.S. Magistrate Judge Tonianne Bongiovanni in Trenton federal court this afternoon.

## The Scheme

Let me briefly describe the scheme charged in the Indictment. These are allegations only and CRAFFY is presumed innocent.

Craffy was a financial counselor for the U.S. Army. He was a civilian employee who worked at Joint Base Dix-McGuire-Lakehurst. He was also a Major in the Army Reserves.

As part of the survivor benefits, the Army would assign a financial counselor — like Craffy — to give basic financial education and information to the families of fallen soldiers. Education only – CRAFFY was not permitted to offer advice or opinions about how they should invest or with whom.

But he did anyway. As alleged in the Indictment, in addition to his counselor role, CRAFFY surreptitiously worked for two outside financial investment firms. He concealed those jobs from the Army and from the Gold Star Families he dealt with.

Some of the victim families were assigned to CRAFFY. But he specifically targeted others. As alleged in the indictment, CRAFFY used his position to access military databases, identify servicemember families who recently lost a loved one, and contact them directly.

Leveraging his relationships with these Families, CRAFFY induced them to invest the survivor benefits with these firms.

He didn't tell them that the Army was not affiliated with and did not endorse these firms. CRAFFY also didn't tell them that he personally would earn commissions from each trade executed by these firms — that he would make money from them. Nor did he tell them that the commissions would be paid out of the money the Gold Star families invested. He didn't tell them any of this because it was prohibited. As a financial advisor registered with the Financial Industry Regulatory Authority, CRAFFY had a duty to act in the best interests of the people he advised. As an Army employee, CRAFFY was forbidden from giving advice that affected his own financial interests.

CRAFFY's misrepresentation and omissions to induce the Gold Star families to invest with him was just the first part of his fraud scheme. Despite often receiving instructions to invest the survivor benefits conservatively, CRAFFY induced the victim families to sign pre-filled out account opening documents that falsely indicated that they wanted an "aggressive" investment strategy.

For example, the indictment details how CRAFFY induced a widow of a service member to sign pre-filled out account documents with his financial firm. These documents contained several statements that CRAFFY knew were false, including that the Widow had a net worth of over a million dollars, that she had an "aggressive" risk tolerance and wanted "maximum growth" with "higher risk," and that she had over five years of investment experience. All these claims were false, and CRAFFY knew it. But CRAFFY induced the victims into signing these forms because they bought him leeway to make trading decisions for the families with little oversight from the financial firms.

Also, as alleged in the Indictment, CRAFFY routinely failed to get the families authorization before causing these trades, despite the financial firms' policies requiring such approval.

CRAFFY's trades caused significant losses to these Gold Star Families. When they questioned him about their holdings though, CRAFFY told them not to check their account statements. Or he provided excuses for why their holdings weren't doing well.

But no matter how the families' investments ultimately did, CRAFFY earned lucrative commissions just by executing the trades. For him, each trade was a double-sided coin — he won no matter how the trades came out – heads or tails - because he got paid either way.

Through his fraud scheme, Craffy caused approximately 29 individuals to transfer a total of approximately \$9.9 million in survivor benefits to accounts he controlled at certain financial firms. The Victim Families' accounts decreased in value by more than approximately \$3.4 million. CRAFFY personally earned approximately \$1.4 million in commissions, paid out of the invested funds.

### Recognitions

I want to recognize the diligent and expeditious work of the Department of the Army Criminal Investigation Division (CID), the Department of Defense, Defense Criminal Investigative Service (DCIS), the FBI and the Department of Homeland Security, Homeland Security Investigations. Dedicated federal agents of each of these agencies worked tirelessly, fast and nonstop with my Office to uncover CRAFFY's scheme and developing the evidence to support these charges.

I also want to thank our partners at the SEC and FINRA who have also been investigating CRAFFY for violations of securities trading and investing laws. We very much value and are grateful for our relationship with the SEC and FINRA.

I will now turn things over to Director Grewal.

### Before Turning Over to Questions

The families of our fallen service members have laid the dearest sacrifice on the altar of freedom. These Gold Star Families deserve our utmost respect and compassion, as well as some small measure of financial security from a grateful nation. Stealing from them will not be tolerated, and we will use every tool at our disposal to punish such predatory conduct.

CRAFFY was supposed to be an unbiased resource for these Gold Star families. A financial counselor for the Army. Someone who also wore the uniform. Someone these families put their trust in. As alleged in the Indictment, CRAFFY shattered that trust. He is alleged to have taken advantage of his role, preying upon these families by using lies and deception to steer their investments to make himself money. To effectively steal their survivor benefits. In a very real way, CRAFFY is alleged to have shamefully profited from these vulnerable families' ultimate sacrifice and pain. And, the Grand Jury charged, he broke multiple federal laws by doing so.