

FILED

FEB 16 2024

AT 8:30
CLERK, U.S. DISTRICT COURT - DNJ**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

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|--------------------------|---|----------------------|
| UNITED STATES OF AMERICA | : | Hon. Esther Salas |
| | : | |
| v. | : | Crim. No. 24-98 (ES) |
| | : | |
| PHILLIP GALLES | : | <u>Count One</u> |
| | : | 18 U.S.C. § 1343 |
| | : | 18 U.S.C. § 2 |
| | : | (Wire Fraud) |
| | : | |
| | : | <u>Count Two</u> |
| | : | 18 U.S.C. § 1348 |
| | : | 18 U.S.C. § 2 |
| | : | (Commodities Fraud) |

INDICTMENT

The Grand Jury in and for the District of New Jersey, sitting at Newark, charges as follows:

INTRODUCTION

1. From at least in or around October 2019 through in or around September 2023, the defendant PHILLIP GALLES ("GALLES") defrauded multiple victims by falsely claiming that he would invest their money in commodity futures through his Chicago-based investment company Tyche Asset Management ("Tyche"). GALLES's fraud included false statements about his purported history of investment success and Tyche's outsized annual rates of return. In fact, GALLES made virtually no real investments, spent part of 2019 and 2020 working as a dog walker and not a fund manager, and misappropriated over \$3.7 million in victims' money, which he used, among things, to support his lavish lifestyle.

COUNT ONE
(Wire Fraud)

2. At all times relevant to this Indictment:

- a. GALLES resided in Chicago, Illinois, and owned and operated Tyche, which GALLES claimed was an investment company with a history of success using proprietary strategies to trade commodity futures.
- b. Victim-1 and Victim-2 were each residents of Texas.
- c. UC-1 and UC-2 were undercover law enforcement agents based in New Jersey.

The Scheme to Defraud

3. From at least in or around October 2019 through in or around September 2023, in the District of New Jersey and elsewhere, the defendant,

PHILLIP GALLES,

knowingly and intentionally devised and intended to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, as set forth below.

Goal of the Scheme to Defraud

4. The goal of the scheme was for GALLES to use material misrepresentations and omissions to fraudulently induce victims to invest money through Tyche and to then misappropriate victim funds, including on personal expenses and a luxury lifestyle.

Manner and Means of the Scheme to Defraud

5. It was part of the scheme to defraud that:

a. GALLES induced victim investors to send him funds by falsely representing that he would, and did, invest their money through Tyche using a tested and proprietary trading strategy that had resulted, and would continue to result, in large profits.

b. Instead of investing the money as he promised, GALLES diverted the victims' funds, which he used to pay his personal credit card bills and support his lavish lifestyle that included a luxury Chicago apartment, high-end clothing and jewelry, and luxury automobile payments.

c. GALLES touted his lavish lifestyle when inducing and attempting to induce victim investors to believe that GALLES owned and operated a highly profitable investment company.

d. GALLES also falsely claimed to have a long track record of successful commodities trading and failed to disclose to victim investors and potential investors that, in actuality, in and around 2019 and 2020, he worked as a part-time dog walker paid on a per-walk basis.

e. As a result of his material misrepresentations and omissions, GALLES obtained more than approximately \$3.7 million from numerous victims, including Victim-1 and Victim-2.

Victim-1

f. On or about January 28, 2021, after being referred to Tyche by a friend, Victim-1 received an "Executive Summary" from Tyche's Client Relations Manager ("Individual-1"), which falsely claimed, among other things, that Tyche: (i) was a "Fin-Tech company" that executed commodities trades using a "proven

algorithmically driven model-based methodology”; (ii) sought to help “retirees” by generating “additional income” for them; and (iii) achieved 237% in annual returns in 2020.

g. Victim-1 subsequently met with GALLES, who made additional misrepresentations, including that: (i) GALLES would be investing Victim-1’s money through Tyche in commodity futures and options; (ii) Tyche achieved 100% in annual returns in 2021; (iii) Tyche used a low-risk investment strategy; and (iv) the fund was “liquid” such that Victim-1 could get her money back in 30 to 60 days if requested.

h. Based on GALLES’s misrepresentations and omissions, on or about February 2, 2021, Victim-1 wired approximately \$20,000 to a Tyche checking account. In or around 2021 and 2022, Victim-1 made additional investments in Tyche, totaling approximately \$240,000.

i. Victim-1 periodically received emails and documents from Tyche purporting to show substantial returns on her investments. In or around January 2023, after requesting a redemption on her investment, Victim-1 received approximately two wires from Tyche, for a total of approximately \$20,000. GALLES used funds that had been wired into Tyche’s account from other victims to make these Ponzi-like payments to Victim-1.

j. Also in or around January 2023, Victim-1 received a check for \$150,000, but when she attempted to cash it, the check bounced due to insufficient funds. Victim-1 received a third wire from Tyche, in or around February 2023, for approximately \$10,000.

k. As Victim-1 tried to redeem the remaining approximately \$190,000 of her investment, GALLES repeatedly provided excuses for why he was not returning Victim-1's money. GALLES claimed, among other things, that he had switched banks, Tyche had been the victim of fraud, banks and wire payments were not working properly, and he was ill.

l. In response to follow-up texts from Victim-1, GALLES claimed that he had sent Victim-1 two cashier's checks, each for \$100,000. But Victim-1 never received any cashier's checks from GALLES. In or around April 2023, after Victim-1 received an unsigned check from Tyche for \$100,000, Victim-1 texted GALLES a picture of the check and asked him to just wire the money or send a cashier's check. GALLES replied, "[Expletive] I forgot to sign it for you. I will be back in [C]hicago tomorrow night. In NYC. Damn it."

m. Victim-1 never received the remainder of her investment from Tyche or GALLES.

Victim-2

n. In or around August 2022, Victim-2 was introduced to Tyche by two other victims who had each previously invested in Tyche.

o. On or about August 29, 2022, Individual-1 sent Victim-2 a "tear sheet," which claimed to provide information about a Tyche affiliate and described Tyche as "a new venture whose genesis is the vision of founder Phillip Galles." The tear sheet falsely claimed that Tyche experienced outsized annual rates of return of 190.18% in 2020 and 133.22% in 2021, and a six-month rate of return in 2022 of 84.51%.

p. Based on those and other false representations, Victim-2 signed an “Investment Agreement,” dated on or about September 1, 2022, which GALLES also signed. On or about September 7, 2022, relying on the same false and fraudulent representations, Victim-2 wired approximately \$100,000 into a Tyche bank account (the “Bank-1 Account”). On or about that same day, after receiving Victim-1’s money, GALLES misappropriated over \$60,000 from the Bank-1 Account to (i) pay GALLES’s personal credit card bills; (ii) pay for jewelry, luxury car rentals, and other personal items; (iii) send funds to his romantic partner; and (iv) send funds to another victim of the scheme.

q. Thereafter, Victim-2 received false and fraudulent quarterly statements from Tyche, claiming to show that Victim-2’s investment was steadily growing. For example, Victim-2’s earnings statement from the fourth quarter of 2022 falsely showed that Victim-2’s investment was up 40%, and that Tyche’s annual rate of return was 137.39%.

r. In or around January 2023, Victim-2 asked to redeem \$50,000 from his Tyche investment. In response, GALLES signed a check for \$50,000 from Tyche to Victim-2, which bounced due to insufficient funds. GALLES then gave Victim-2 a number of excuses as to why he could not receive his money, including that Tyche was in the process of moving funds to another bank (“Bank 2”).

s. On or about March 24 and 31, 2023, GALLES messaged Victim-2 screenshots purporting to be of a Bank-2 account showing a pending balance of approximately \$20 million in one message, and a current balance of approximately \$17 million in another message. Those balances were fabricated and forged. As of

late April 2023, the only accounts that GALLES and/or Tyche held at Bank-2 contained less than approximately \$1,500.

Undercover Operation

t. On or about April 13, 2023, after law enforcement learned about GALLES's scheme, an undercover law enforcement officer ("UC-1") contacted Tyche from New Jersey purporting to be an investment manager looking to make a large investment.

u. On or about April 18, 2023, during a lawfully recorded videoconference call with UC-1, who was located in New Jersey, GALLES falsely claimed that, among other things: (i) Tyche had over \$4.3 billion under management, split among five Tyche-branded entities; (ii) most of the money from those entities was all "pooled" for trading purposes; and (iii) Tyche returns were 137% in 2022 and approximately 29-30% year-to-date in 2023.

v. GALLES further falsely claimed during the videoconference that he had a meeting the previous day and another meeting planned the following day with a well-known owner of a professional sports team ("Owner-1") who was interested in a potential investment.

w. Shortly thereafter, GALLES sent UC-1, located in New Jersey, two emails that included copies of a Tyche "pitchbook" and two private placement memoranda for Tyche funds. The pitchbook falsely touted Tyche's "data driven" investment "strategy," resulting in annual returns of 363.29% in 2020 and 238% in 2021. The pitchbook also falsely claimed gross assets under management of \$266.2 million at the end of 2020 and \$797.9 million at the end of 2021.

x. On or about April 24, 2023, GALLES traveled from Chicago to New Jersey, where he met in-person with UC-1 and a second undercover law enforcement officer (“UC-2”) and falsely claimed that from in or around 2020, Tyche had secured exorbitant returns on investment, including approximately 336% returns in 2022. During the same meeting, GALLES made a series of other false and fraudulent representations, including:

i. To make commodities trades, Tyche used four registered firms that acted as brokers in the purchase or sale of futures contracts or options on futures contracts;

ii. GALLES held undergraduate and graduate degrees from a prestigious midwestern university;

iii. GALLES had previously started his own hedge fund in or around 2011, backed by billionaires, and that he sold that fund in 2018;

iv. Within approximately 60 days of officially beginning Tyche, the fund had approximately \$2 billion under management, as a result of, among other things, GALLES investing his own money and funds provided by a Kuwaiti sovereign fund;

v. Owner-1 planned to invest approximately \$15 million in Tyche on or about May 1, 2023; and

vi. GALLES owned approximately 122 cars, including certain high-end luxury vehicles, which he stored in a fortified warehouse he owned in Florida.

False Statements to Regulator

y. The National Futures Association (“NFA”) is a self-regulatory organization for the United States derivatives industry. In or around April 2023, the NFA began investigating GALLES and Tyche based on a victim investor complaint, and GALLES provided false information to the NFA in response to that investigation, including as follows:

- i. In or around early April 2023, GALLES falsely told the NFA on a telephone call that Tyche did not have any outside customers, and that neither he nor anyone else at Tyche were soliciting customers;
- ii. On or about September 18, 2023, in an email to the NFA, GALLES falsely claimed, among other things, that: (i) Tyche had never gone “live”; (ii) while working out “registration issues,” Tyche kept customer money in a “proprietary firm”; and (iii) GALLES was waiting for his attorney to give him approval to return “all” of the customers’ money.

Execution of the Scheme

6. On or about September 7, 2022, for the purpose of executing and attempting to execute the scheme and artifice to defraud, in the District of New Jersey and elsewhere, the defendant,

PHILLIP GALLES,

did knowingly transmit and cause to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds, that is, an interstate wire transfer of approximately \$100,000 from Victim-2 that passed through New Jersey.

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

COUNT TWO
(Commodities Fraud)

1. The allegations in Paragraphs 1, 2, 4, and 5 of Count One of this Indictment are realleged here.

2. From at least in or around October 2019 through in or around September 2023, in the District of New Jersey and elsewhere, the defendant,

PHILLIP GALLES,

knowingly and with the intent to defraud, executed and attempted to execute a scheme and artifice: (a) to defraud Victim-1, Victim-2, and others, in connection with a commodity for future delivery and an option on a commodity for future delivery, and (b) to obtain, by means of false and fraudulent pretenses, representations, and promises, money and property in connection with the purchase and sale of a commodity for future delivery and an option on a commodity for future delivery.

In violation of Title 18, United States Code, Section 1348, and Section 2.

FORFEITURE ALLEGATION

1. Upon conviction of the offense in violation of 18 U.S.C. § 1343, as charged in Count One of this Indictment, the defendant,

PHILLIP GALLES,

shall forfeit to the United States, pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c), all property, real and personal, the defendant obtained that constitutes or is derived from proceeds traceable to the commission of such offense, and all property traceable to such property.

Substitute Assets Provision

2. If any of the above-described forfeitable property, 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 person;
- (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 subdivided without difficulty,

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), as incorporated by 28 U.S.C. § 2461(c), to seek forfeiture of any other property of the defendant up to the value of the above forfeitable property.

A TRUE BILL


FOREPERSON

Philip R. Sellinger

PHILIP R. SELLINGER

United States Attorney

CASE NUMBER: 24-98 (ES)

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

UNITED STATES OF AMERICA

v.


PHILLIP GALLES

INDICTMENT FOR

18 U.S.C. § 1343

18 U.S.C. § 1348

A True Bill,


Foreperson

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