

Approved:

[Signature]
ELISHA J. KOBRE/JARED LENOW
Assistant United States Attorneys

18 MAG 87 68

Before: HONORABLE GABRIEL GORENSTEIN
United States Magistrate Judge
Southern District of New York

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: SEALED COMPLAINT
UNITED STATES OF AMERICA :
: Violations of
- v. - : 18 U.S.C. §§ 2, 371, 1343; 15
: U.S.C. §§ 78j(b), 78ff,
JASON RHODES, : 80b-6, 80b-17; 17 C.F.R. §
: 240.10b-5
Defendant. :
: COUNTY OF OFFENSE:
: NEW YORK
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SOUTHERN DISTRICT OF NEW YORK, ss.:

SEAN SWEENEY, being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation (the "FBI"), and charges as follows:

COUNT ONE

(Conspiracy to Commit Securities Fraud and Wire Fraud)

1. From at least in or about November 2013 up to and including in or about December 2016, in the Southern District of New York and elsewhere, JASON RHODES, the defendant, and others known and unknown, willfully and knowingly did combine, conspire, confederate and agree together and with each other to commit offenses against the United States, to wit, securities fraud, in violation of Title 15, United States Code, Sections 78j(b) & 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5; and wire fraud, in violation of Title 18, United States Code, Section 1343.

2. It was a part and object of the conspiracy that JASON RHODES, the defendant, and others known and unknown, willfully and knowingly, directly and indirectly, by the use of the means and instrumentalities of interstate commerce, and of the mails, and of facilities of national securities exchanges, would and did use and employ, in connection with the purchase and sale of securities,

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

3. It was a further part and an object of the conspiracy that JASON RHODES, the defendant, and others known and unknown, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, would and did transmit and cause to be transmitted by means of wire communication in interstate commerce writings, signs, signals, pictures and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, Section 1343.

Overt Acts

4. In furtherance of the conspiracy and to effect the illegal objects thereof, JASON RHODES, the defendant, and his co-conspirators committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. On or about November 20, 2013, JASON RHODES, the defendant, signed a form requesting a \$250,000 wire transfer from a prime brokerage account in the name of an investment fund managed by a hedge fund named Sentinel Growth Fund Management LLC ("Sentinel").

b. On or about November 24, 2015, RHODES sent an e-mail to Mark Varacchi, a co-conspirator not named as a defendant herein, attaching a Microsoft Word version of an investor account statement Varacchi had sent to RHODES in PDF format approximately three minutes earlier.

(Title 18, United States Code, Section 371.)

COUNT TWO
(Securities Fraud)

5. From at least in or about November 2013 up to and including in or about December 2016, in the Southern District of New York and elsewhere, JASON RHODES, the defendant, willfully and knowingly, directly and indirectly, by the use of means and instrumentalities of interstate commerce, the mails and the facilities of national securities exchanges, in connection with the purchase and sale of securities, did use and employ 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 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 (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons, to wit, RHODES misappropriated funds from Sentinel investors for his own use and to repay earlier Sentinel investors and created fraudulent account statements to conceal the misappropriation.

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

COUNT THREE
(Wire Fraud)

6. From at least in or about November 2013, up to and including in or about December 2016, in the Southern District of New York and elsewhere, JASON RHODES, the defendant, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, and attempting to do so, transmitted and caused to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, RHODES misappropriated funds from Sentinel investors for his own use and to repay earlier Sentinel investors and created fraudulent account statements to conceal the misappropriation.

(Title 18, United States Code, Sections 1343 & 2.)

COUNT FOUR
(Investment Adviser Fraud)

7. From at least in or about November 2013 up to and including in or about December 2016, in the Southern District of New York and elsewhere, JASON RHODES, the defendant, acting as an investment adviser, willfully and knowingly used the mails and other means and instrumentalities of interstate commerce, directly and indirectly, (a) to employ a device, scheme, and artifice to defraud clients and prospective clients; (b) to engage in a transaction, practice, and course of business which operated as a fraud and deceit upon clients and prospective clients; and (c) to engage in an act, practice, and course of business which was fraudulent, deceptive, and manipulative, to wit, RHODES, who was the sole principal of the investment advisory firm engaged to provide investment advice to one of Sentinel's investment funds, misappropriated investor funds and created fraudulent account statements to conceal the misappropriation.

(Title 15, United States Code, Sections 80b-6 and 80b-17;
and Title 18, United States Code, Section 2.)

The bases for my knowledge and for the foregoing charge are, in part and among other things, as follows:

8. I have been a Special Agent with the FBI since approximately January 2016. I am currently assigned to the squad within the New York Division responsible for investigating violations of federal securities laws and related offenses. I am familiar with the facts and circumstances set forth below from my personal participation in the investigation, including my examination of reports and records, interviews I have conducted, and conversations with other law enforcement officers and other individuals. Because this affidavit is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements and conversations of others are reported herein, they are reported in substance and in part, unless noted otherwise.

RELEVANT ENTITIES AND INDIVIDUALS

9. At all relevant times, Sentinel was an investment fund co-founded and managed by JASON RHODES, the defendant, and Mark Varacchi. Sentinel maintained offices in Connecticut and New York, New York.

10. JASON RHODES, the defendant, co-founded Sentinel together with Mark Varacchi. RHODES was also Sentinel's Chief Risk Officer, the sole principal of two investment advisory firms which were investment advisors to Sentinel's funds, and the only individual with signatory authority over Sentinel's prime brokerage accounts. Prior to founding Sentinel, RHODES was a managing director of global risk and regulatory reporting at an institutional risk management firm. RHODES also claimed to have previously worked as a senior risk manager for a multi-billion dollar hedge fund.

11. Mark Varacchi co-founded Sentinel together with JASON RHODES, the defendant. On February 1, 2017, Varacchi pled guilty, pursuant to a cooperation agreement, to conspiracy to commit securities fraud and wire fraud, securities fraud, and wire fraud in connection with the scheme to defraud Sentinel investors described herein.¹

12. At all relevant times, Steven Simmons, a co-conspirator not named as a defendant herein, worked to solicit investments into Sentinel through, among other means, pitching representatives of wealthy private families to invest. On October 30, 2017, Simmons pled guilty to conspiracy to commit securities fraud and wire fraud in connection with the scheme to defraud Sentinel described herein.

13. At all relevant times, another co-conspirator not named as a defendant herein ("CC-1"), conducted a scheme to defraud investors in a separate company owned and operated by CC-1, which purported to be in the business of purchasing, and reselling for profit, tickets to various live events. On or about October 31, 2017, CC-1 pled guilty to committing securities fraud in connection with CC-1's fraudulent ticket scheme.

OVERVIEW OF THE FRAUDULENT SCHEME

14. As set forth below, JASON RHODES, the defendant, together with Mark Varacchi and Steven Simmons, and others known and unknown, participated in the operation of Sentinel as a Ponzi-like scheme, by misappropriating funds from victim-investors for

¹ Varacchi also pled guilty to a separate count of wire fraud in connection with a scheme to defraud investors in a different hedge fund. Information provided by Varacchi has proven accurate and reliable and has been corroborated by, among other things, bank records and e-mails, as further described below.

the personal use of the conspirators and the repayment of prior investors.

15. To further the scheme, JASON RHODES, the defendant, together with his co-conspirators, created fraudulent account statements for at least two investors. Through this scheme, RHODES and his co-conspirators defrauded approximately 25 Sentinel investors out of approximately \$19.6 million.

BACKGROUND REGARDING SENTINEL

16. From my interviews with Mark Varacchi, and my review of documents and records from Sentinel obtained during this investigation, I have learned the following, in substance and in part:

a. In or about April 2013, JASON RHODES, the defendant, and Varacchi formed Sentinel. From Sentinel's founding, RHODES and Varacchi agreed to share Sentinel's profits equally. RHODES and Varacchi, along with other Sentinel employees, also received a bi-weekly salary.²

b. Sentinel was initially based in New York, New York. In or about late 2013, Sentinel relocated to Connecticut but, throughout most of its existence, also maintained an office in Manhattan. At its peak, Sentinel had at least 25 investors, some of which were located in Manhattan, with a total of approximately \$20 million under management.

c. Sentinel obtained assets through, among other means, promoters, such as Steven Simmons, who raised money directly from investors in exchange for compensation.

d. Sentinel marketed itself as having access to high performing portfolio managers. Sentinel principally maintained two investment funds marketed to investors: the Radar Alternative Fund LP ("Radar LP") and the Radar Alternative Master Fund SPC ("Radar SPC"). Radar SPC was marketed to domestic United States investors via a feeder fund named the Radar Alternative Onshore Fund LLC ("Radar LLC"). Through these funds, Sentinel offered investors two investment strategies, a long/short equity strategy and an investment strategy focused on companies likely to undergo initial public offerings ("IPOs").

²From in or about September 2014 through in or about December 2016, RHODES received salary payments totaling approximately \$88,356.

e. As reflected in Radar LP's "Confidential Private Placement Memorandum" (the "Radar LP Offering Memorandum"), Radar LP's general partner was Sentinel. Radar LP engaged a particular company as Radar LP's investment advisor (the "Investment Advisor") to "make all investment decisions with respect to the Fund." The Radar LP Offering Memorandum further set forth that JASON RHODES, the defendant, was "the sole manager of the General Partner and sole principal of the Investment Advisor."

f. As reflected in Radar LLC's "Confidential Private Placement Memorandum," dated January 2015 (the "Radar LLC Offering Memorandum"), Radar LLC's managing member was Sentinel. Radar LLC retained a particular company as Radar LLC's investment manager (the "Investment Manager"). The Radar LLC Offering Memorandum further stated that "[a]s the founders and principal members, managers and controlling persons of each of the Managing Member [Sentinel] and the Investment Manager, Jason Rhodes and Mark Varacchi . . . control the management and operations of the Managing Member and the Investment Manager."

RHODES'S CONTROL OVER SENTINEL'S PRIME BROKERAGE ACCOUNTS

17. From records provided by a particular brokerage firm (the "Prime Broker"), my interview with the Chief Compliance Officer of the Prime Broker (the "Broker CCO"), and records from a relevant bank, I have learned the following:

a. In or about May 2013, a new account application was submitted to the Prime Broker on behalf of Radar LP (the "Radar LP Application"). JASON RHODES, the defendant, signed the Radar LP Application as managing member of Sentinel and managing member of the Investment Advisor. Following the submission of the Radar LP Application, an account at the Prime Broker was opened in the name of Radar LP (the "Radar LP Account"). RHODES was the only individual authorized to withdraw or disburse funds from the Radar LP Account.³

b. In or about September 2014, a new account application was submitted to the Prime Broker on behalf of Radar SPC (the "Radar SPC Application"). JASON RHODES, the defendant, signed the Radar SPC Application as managing member of the

³ In or about December 2013, another application was submitted to the Prime Broker for an account in the name of Radar LP. From my interview with the Broker CCO, I have learned that the reason for this new application was because the custodian on the account had changed. RHODES was still the only individual authorized to withdraw or disburse funds from the Radar LP Account.

Investment Manager. Following the submission of the Radar SPC Application, an account at the Prime Broker was opened in the name of Radar SPC (the "Radar SPC Account" and, together with the Radar LP Account, the "Radar Accounts"). RHODES was the only individual authorized to withdraw or disburse funds from the Radar SPC Account.

c. At the direction of Sentinel, the Prime Broker created sub-accounts within the Radar LP Account and the Radar SPC Account. Among the sub-accounts in the Radar LP Account was a sub-account designated with the suffix "LP22," which Mark Varacchi has indicated was designed to hold the investments of a particular Sentinel investor ("Investor-1" and the "Investor-1 Sub-Account").

d. From the Broker CCO, I have learned that, as the sole signatory on the Radar Accounts, RHODES was the only person authorized to allow third-party agents, including an investment adviser or portfolio manager, to manage or trade in a sub-account within the Radar Accounts.

e. From the Broker CCO, I have also learned that any request for a wire disbursement from the Radar Accounts required the submission of a form titled "Wire Out Request" listing, among other things, the date of the request, account information for the account from which the funds were to be disbursed, and the purpose of the wire. The Wire Out Request form also was required to be signed by an authorized signatory of the relevant account.

18. Sentinel also maintained a separate bank account primarily for its daily operations (the "Sentinel Operations Account"). Varacchi had sole signatory authority on the Sentinel Operations Account.

THE FRAUDULENT SCHEME

RHODES and Varacchi Misappropriate Sentinel Investor Funds

19. From records provided by the Prime Broker, records from the Sentinel Operations Account, and my interview with the Broker CCO, I have learned the following:

a. From at least in or about November 2013 through in or about November 2016, JASON RHODES, the defendant, submitted more than approximately 26 wire out requests, listed below, totaling at least \$13,802,745.

b. Each of the Wire Out Request forms contained RHODES's signature and designated the purpose of the wire as "Redemption."

c. Following each of these wire requests, the Prime Broker wired the requested sum to the Sentinel Operations Account. Despite having represented that the purpose of each of these wires was to fulfill a "redemption," RHODES on each occasion received, in a bank account held in the name of RHODES (the "RHODES Account") on the same day or shortly thereafter a portion of the wired funds, as set forth in the following table:

Approximate Date of Wire Out Request	Approximate Amount	Stated Purpose of Wire	Approximate Date of Transfer to RHODES	Approximate Amount Transferred to RHODES
11/20/2013	\$250,000	Redemption	11/20/2013	\$80,000
12/13/2013	\$200,000	Redemption	12/18/2013	\$10,000
1/2/2014	\$118,526	Redemption	1/23/2014	\$4,000
3/31/2014	\$850,000	Redemption	4/2/2014	\$5,000
5/1/2014	\$350,000	Redemption	5/2/2014	\$5,000
6/9/2014	\$150,000	Redemption	6/10/2014	\$5,000
7/7/2014	\$302,000	Redemption	7/8/2014	\$5,000
8/19/2014	\$950,000	Redemption	8/20/2014	\$10,000
10/6/2014	\$2,000,000	Redemption	10/8/2014	\$10,000
10/31/2014	\$500,000	Redemption	10/31/2014	\$16,333
11/10/2014	\$700,000	Redemption	11/10/2014	\$10,000
12/22/2014	\$700,000	Redemption	12/26/2014	\$10,000
2/12/2015	\$300,000	Redemption	2/13/2015	\$16,333
3/3/2015	\$400,000	Redemption	3/3/2015	\$16,333
4/8/2015	\$250,000	Redemption	4/8/2015	\$16,333
5/11/2015	\$1,352,219	Redemption	5/12/2015	\$16,166
6/16/2015	\$1,750,000	Redemption	6/16/2015	\$11,666
6/23/2015	\$650,000	Redemption	6/24/2015	\$37,500
7/7/2015	\$400,000	Redemption	7/8/2015	\$16,166
8/26/2015	\$250,000	Redemption	8/26/2015	\$16,166
10/16/2015	\$125,000	Redemption	10/22/2015	\$30,000
2/17/2016	\$80,000	Redemption	2/19/2016	\$5,000
4/1/2016	\$190,000	Redemption	4/1/2016	\$5,000
6/17/2016	\$300,000	Redemption	6/24/2016	\$5,000
9/26/2016	\$380,000	Redemption	9/27/2016	\$3,000
11/1/2016	\$305,000	Redemption	11/1/2016	\$10,000
Total:	\$13,802,745			\$374,996

20. From Mark Varacchi, and from records for the Radar Accounts and the Sentinel Operations Account, I have learned the following:

a. At or about the times JASON RHODES, the defendant, made wire out requests to the Prime Broker, including wires RHODES represented were to be used for a "redemption," RHODES agreed with Varacchi that, upon receipt of the requested wire transfer, Varacchi would transfer to RHODES a sum of money from the wire transfer. RHODES and Varacchi also discussed that they would utilize these investor funds to pay Sentinel's expenses, repay prior investors, and for personal expenses.

b. For example, prior to making the November 20, 2013 wire request listed above, RHODES told Varacchi that he, RHODES, needed approximately \$80,000 for a trucking business in which RHODES and/or his wife had invested. As reflected in the list above, records from the Prime Broker show that later the same day Varacchi transferred \$80,000 to RHODES's personal bank account (the "RHODES Account"). On or about January 7, 2014, RHODES transferred \$55,000 of this sum from the RHODES Account to an account controlled by RHODES and his wife in the name of a company engaged in transportation and warehousing.

c. On or about May 2, 2016, an investor wired \$5 million to the Sentinel Operations Account to be invested in the Radar LP fund. JASON RHODES, the defendant, discussed with Varacchi utilizing a portion of this investment to settle a civil lawsuit filed against RHODES and Varacchi, among others (the "Lawsuit"). On or about May 20, 2016, Varacchi wired \$1.1 million of the May 2, 2016 investment from the Sentinel Operations Account to an attorney-client trust account to settle the Lawsuit, including a full release of liability for RHODES.

RHODES and Varacchi Falsify an Investor Account Statement
to Conceal the Fraudulent Scheme

21. From my interviews with Mark Varacchi and e-mails obtained from a Sentinel e-mail account used by Varacchi (the "Varacchi E-Mail Account"), I have learned the following:

a. From in or about March 2014 through in or about February 2015, a particular investment fund ("Investor-2") invested a net total of approximately \$4.2 million in Sentinel's IPO investment strategy. By in or about November 2015, JASON RHODES, the defendant, and Mark Varacchi had misappropriated most of Investor-2's funds through wire transfers to, among other

things, the personal bank accounts of RHODES and Varacchi and to previous investors.

b. On or about November 2, 2015, a representative of the Prime Broker sent an e-mail to RHODES and Varacchi attaching a brokerage report showing that, as of October 30, 2015, the Radar LP Account had a total equity value of approximately \$1,045,678.

c. In or about late November 2015, a representative of Investor-2 (the "Investor-2 Representative") asked for brokerage records verifying the existence of Investor-2's approximately \$4.2 million investment in Sentinel.

d. On or about November 23, 2015, at approximately 8:26AM, Varacchi sent an e-mail to RHODES with subject "Re: Got threatening email from [the Investor-2 Representative] last night [sic]."⁴ In a subsequent e-mail from Varacchi to RHODES later that morning, Varacchi wrote, in pertinent part, "Do u want to see [the Investor-2 Representative's] email and my reply . . . he asked for everything today despite my email for Wednesday and threatened carrers [sic] and livelihood . . . i sent a constructive mail but told him he should redeem if he doesn't like what is provided."

e. Later on or about November 23, 2015, the Investor-2 Representative e-mailed Varacchi, copying RHODES among others, demanding brokerage account statements showing the value of Investor-2's investment. Following this e-mail, Varacchi e-mailed RHODES stating, in pertinent part, that he had told the Investor-2 Representative "ill get him what we can give him yby [sic] Wednesday" and "need to raise money." From Varacchi, I have learned that by "raise money" Varacchi was referring to conversations he had with RHODES about soliciting money from other investors to repay the money they had misappropriated from Investor-2.

f. On or about November 24, 2015, at approximately 9:15AM, Varacchi sent RHODES an e-mail with subject "Sub 22 October 2015 Monthly Statement." Attached to this e-mail was a PDF file containing an October 2015 account statement for the Investor-1 Sub-Account (the "October 2015 Investor-1 Sub-Account Statement").

⁴ I believe that the individual referenced by first name in the subject line of this e-mail, whose name is misspelled, is a representative of Investor-2 based upon my review of other e-mail correspondence between Varacchi and the Investor-2 Representative and my interviews with Varacchi.

The October 2015 Investor-1 Sub-Account Statement listed, as part of the account name, the "LP 22" designation assigned to the Investor-1 Sub-Account and an "ending account value," as of October 31, 2015, of \$4,176,612.45. From the Broker CCO and an account statement for the full Radar LP Account, I have learned that this sum included assets held on margin and that the Radar LP account in reality had a net equity value of \$1,045,677.69. In this e-mail, Varacchi stated "Plse convert and send back . . . want to see what it looks like.. [sic]." ⁵

g. On or about November 24, 2015, at approximately 9:18AM, RHODES replied by e-mail to Varacchi attaching a Microsoft Word document with the same file name as the PDF October 2015 Investor-1 Sub-Account Statement Varacchi had sent RHODES three minutes earlier, but with the additional suffix ".docx." Based upon my knowledge and experience, I know that certain versions of Adobe PDF permit a user to convert a PDF file to a Microsoft Word file such that the two files appear identical and that, upon such a conversion, a ".docx" designation is added to the converted file's file name. The Word file is typically easier to edit than the original PDF. The PDF statement sent by Varacchi and the converted Word file returned by RHODES otherwise appear identical.

h. On or about November 24, 2015, at approximately 9:27AM, Varacchi sent RHODES an e-mail attaching a Word document with the same name and appearing similar to the Word version October 2015 Investor-1 Sub-Account Statement RHODES had sent Varacchi but with an altered ending account value of \$4,233,435.45. The subject of this e-mail was "put this back to pdf..just a test...rest tonight." From Varacchi, I have learned that by "rest tonight" Varacchi was referring to anxiety and concern RHODES and Varacchi had about the possibility that Investor-2 would discover that its money had been misappropriated. Two minutes later, RHODES replied to Varacchi attaching a PDF version of the altered Word version statement Varacchi had sent, and stating "Save as and select pdf and you can also save them I think."

i. On or about November 24, 2015, at approximately 6:36PM, Varacchi sent RHODES an e-mail attaching a PDF file, the

⁵ From my review of other e-mails, I have learned that the October 2015 Investor-1 Sub-Account Statement had been previously sent to RHODES and Varacchi by the Prime Broker and forwarded by Varacchi, copying RHODES, to a representative of Investor-1. As reflected in the October 2015 Investor-1 Sub-Account Statement, the ending account value of \$4,176,612.45 represented a sum held on margin.

contents of which appear the same as the altered statement RHODES had sent Varacchi earlier in the day. The subject line of this e-mail stated "check this...properties etc..anything u can..." From Varacchi, I have learned that by "properties" he was referring to metadata associated with the file including the date and time the file was created and/or edited and the identity of the person who created and/or last edited the file.⁶ RHODES responded later that day, in pertinent part, "Will take a look shortly."

j. Later on or about November 24, 2015, at approximately 7:11PM, Varacchi responded to RHODES telling RHODES to call him in 20 minutes and asking whether there is a username and log in password for Adobe. From records for RHODES's and Varacchi's cell phones, I have learned that, on or about November 24, 2015, at approximately 7:41PM, RHODES called Varacchi and the two spoke for approximately 31 minutes. Later that night, at approximately 9:10PM, Varacchi called RHODES and the two spoke for approximately four minutes. In e-mails later that evening, RHODES sent Varacchi what appears to be a link to reset an Adobe password and a link to log on to an Adobe website.

k. On or about November 25, 2015, at approximately 3:56PM, Varacchi sent RHODES an e-mail attaching a PDF account statement that appears similar to the October 2015 Investor-1 Sub-Account Statement but contains several significant differences. In particular, and among other things, in two places the "LP 22" designation - signifying the account as the sub-account assigned to Investor-1 - was deleted from the account name and the ending account value is listed as \$4,170,793.91. The subject line of the e-mail states "look and call me asap." One minute later, at approximately 3:57PM, RHODES called Varacchi and the two spoke for seven minutes.

l. At or about 4:04PM that same day, Varacchi sent an e-mail to RHODES with the subject "LAST ONE" and attaching what appears to be the same altered statement Varacchi had sent RHODES earlier that day (the "Fake October 2015 Statement"). Several minutes later, at approximately 4:10PM and again at 4:14PM, RHODES called Varacchi and the two spoke for two and three minutes respectively.

⁶ From Varacchi, and from my review of this and other iterations of the account statement described herein, I have learned that Varacchi altered the metadata ("properties") of the statements to appear as though they had been created by the Prime Broker and at an earlier date.

m. On or about November 25, 2013, at approximately 6:44PM, Varacchi sent an e-mail to the Investor-2 Representative, copying RHODES, and attaching among other things, a slightly altered version of the Fake October 2015 Statement.⁷ The body of this e-mail also stated, falsely, "The Month End PB [Prime Broker] Statement is attached; As of 10/31 the Closing balance is 4,170,753.91."

n. By in or about early December 2015, the Investor-2 Representative learned that the Fake October 2015 Statement was fake and that Investor-2's capital was largely missing. On or about December 2, 2015, a different representative of Investor-2 sent an e-mail to RHODES and Varacchi stating that they had both "clearly committed serious criminal and civil acts," expressed "severe urgency in getting the funds back immediately," and demanded that RHODES and Varacchi provide their credit reports, a list of their personal assets, and a lien in favor of Investor-2 on those assets. RHODES and Varacchi complied with these requests.

o. In phone calls in or about December 2015, the Investor-2 Representative stated that he would report RHODES and Varacchi to the criminal authorities and the United States Securities and Exchange Commission (the "SEC") if Investor-2's funds were not immediately repaid.

RHODES Prepares Fraudulent Account Statements For Another Investor Whose Funds Were Misappropriated to Repay Investor-2

22. From interviews with Mark Varacchi, and from my review of e-mails from the Varacchi E-Mail Account, I have learned the following additional information, in substance and in part:

a. In or about late November or early December 2015, soon after Investor-2 discovered that JASON RHODES, the defendant, and Varacchi had misappropriated Investor-2's funds, Varacchi spoke with Steven Simmons about obtaining funds in order to repay Investor-2.

b. Simmons agreed to solicit additional investment funds from a previous Sentinel investor ("Investor-3") to be used to repay Investor-2. Soon thereafter, Simmons relayed to Varacchi

⁷ The only apparent difference between the Fake October 2015 Statement and the statement forwarded to the Investor-2 Representative, aside from document properties, is a small change in the ending account value from \$4,170,793.91 to \$4,170,753.91.

that Simmons had successfully solicited an additional investment from Investor-3 by falsely telling Investor-3 that Investor-3's new investment would be entrusted to a highly successful group of portfolio managers.

c. The Investor-2 Representative had set December 22, 2015 as a date by which a substantial part of Investor-2's funds had to be repaid or the Investor-2 Representative would report Varacchi and RHODES to the authorities.

23. From text messages produced by JASON RHODES, the defendant, to the SEC, I have learned that on or about December 22, 2015, at approximately 5:48PM, RHODES and Steven Simmons engaged in the following text message exchange: Simmons sent a message to RHODES asking "anything new?" RHODES responded "Just pulled car into garage. Door is closing. Engine stil on [sic]." Simmons replied "Lol." RHODES then replied "zzz." Simmons responded "[Investor-3] agreed to another 100k for [a particular portfolio manager]. . . Pushing for wire tomorrow" to which RHODES replied "My garage has a leak."

24. From my interviews with the Chief Executive Officer of Investor-3 and an administrator employed by Investor-3 (respectively, the "Investor-3 CEO" and the "Investor-3 Administrator"), and based upon my review of e-mails provided by Investor-3, I have learned, among other things, that in or about December 2015, Simmons solicited Investor-3 to invest \$600,000 in Sentinel under the express agreement that the funds would be allocated in specific amounts to, among others, four specific portfolio managers working with Sentinel ("PM-1" through "PM-4").⁸

25. Based upon my review of records relating to the Sentinel Operations Account, I have learned that, on or about December 23, 2015, Investor-3 wired \$600,000 to the Sentinel Operations Account. Prior to this deposit, there was approximately \$2,616 in the Sentinel Operations Account. Approximately 11 minutes after the funds were received into the Sentinel Operations Account, \$500,000 was wired out to Investor-2.⁹

⁸ From the Investor-3 Administrator, I have learned that previously, in or about February 2015 Investor-3 had invested approximately \$250,000 in Sentinel.

⁹ Of the remaining \$100,000 of Investor-3's investment, the following day \$50,000 was wired to an entity controlled by Simmons, approximately \$15,000 was wired to Varacchi, and approximately \$20,000 was wired to another prior investor.

26. On or about December 23, 2015, Mark Varacchi sent an e-mail to the Investor-2 Representative, copying JASON RHODES, the defendant, stating among other things "[w]e have just sent a wire for 500k" and reassuring the Investor-2 Representative that "[w]e are working endlessly to get this done," which I understand from Varacchi refers to repaying Investor-2 in full.

27. From my interviews with Mark Varacchi, and from my review of e-mails obtained from the Varacchi E-Mail Account, I have learned the following additional information, in substance and in part:

a. Of the four portfolio managers to which Simmons represented Investor-3's funds would be allocated for investment, two of them were never allocated Sentinel investment funds (PM-1 and PM-2) and another of these portfolio managers had, by in or about February 2016, stopped managing Sentinel investment funds (PM-3).

b. Following Investor-3's December 2015 \$600,000 investment in Sentinel, JASON RHODES, the defendant, and Varacchi prepared fraudulent account statements and reports for Investor-3 falsely stating, among other things, that Investor-3's funds were entrusted to PM-1 through PM-4 in Sentinel's Prime Broker's accounts and were earning returns. In truth and in fact, however, Investor-3's funds had been almost entirely used upon their receipt to repay Investor-2 and were not being managed by PM-1 through PM-4. The following paragraphs describe two examples of RHODES's participation in preparing fraudulent statements for Investor-3.

The May 11, 2016 Performance Report

c. On or about May 11, 2016, at approximately 10:31AM, the Investor-3 Administrator sent an e-mail to Simmons requesting "April#s," which I understand, based upon my knowledge and experience, to refer to the performance results of the portfolio managers who Investor-3 had been told were managing Investor-3's funds.

d. At approximately 12:45PM that day, RHODES sent an e-mail to a representative of PM-1 (which had never managed Sentinel investor funds) (the "PM-1 Representative") asking for PM-1's "April performance." At approximately 2:49PM, Simmons followed up with another e-mail to the PM-1 Representative with subject "what was the exact numbers again for April? - 2.1?" In the body of this e-mail, Simmons wrote "Need asap . . ."

e. The PM-1 Representative replied at approximately 3:01PM to RHODES, Simmons, and a Sentinel employee whose duties included, among other things, preparing account statements or reports for investors (the "Sentinel Employee"), with PM-1's April performance results. From Varacchi, I have learned that portfolio managers seeking to do business with Sentinel would provide information on their performance either spontaneously or upon request.

f. At approximately 2:57PM, RHODES forwarded to the Sentinel Employee PM-3's April performance results. As set forth above, PM-3 had not managed Sentinel investor funds since February 2016.

g. At approximately 3:04PM, Simmons sent an e-mail to the Investor-3 Administrator attaching an Excel spreadsheet listing, among other things, the performance results for PM-1 and PM-3. Neither the e-mail nor the spreadsheet indicated that PM-1 and PM-3 were not, in fact, managing Investor-3's funds.

The July 12, 2016 Performance Report

h. On or about July 11, 2016, RHODES forwarded to the Sentinel Employee a May 2016 performance summary for PM-3 that RHODES had received nearly a month earlier on or about June 14, 2016.

i. The following morning, on or about July 12, 2016, at approximately 9:15AM, Simmons sent an e-mail to the Investor-3 CEO and Investor-3 Administrator attaching a spreadsheet titled "Copy of [Investor-3] Holdings Jun 16," reflecting the performance of PM-1 through PM-4, among others, including the PM-3 performance figures RHODES had sent the prior day. At approximately 9:19AM, Varacchi forwarded this e-mail to RHODES.

j. At approximately 9:29AM, Varacchi sent an e-mail to RHODES with subject "Breakdown Details" and containing a list of amounts of Investor-3 funds purportedly allocated to various portfolio managers, including falsely listing \$200,000 under the management of PM-1, \$150,000 under the management of PM-2, and \$150,000 under the management of PM-3.

k. At approximately 11:15AM, RHODES sent Varacchi an e-mail with subject "June [Investor-3] Return Analysis" and attaching a document falsely reflecting returns on Investor-3's investment (the "False June Investor-3 Return Analysis"). In this body of this e-mail, RHODES wrote "Double check pls."

l. At approximately 11:46AM, Simmons forwarded the False June Investor-3 Return Analysis to the Investor-3 Administrator and Investor-3 CEO.

m. At approximately 11:48AM RHODES sent an e-mail to Varacchi attaching a spreadsheet containing calculations consistent with the false figures in the False June Investor-3 Return Analysis including performance figures for portfolio managers which never managed Investor-3's funds.

n. None of these communications with Investor-3 indicated that PM-1, PM-2, and PM-3 were not, in fact, managing Investor-3 funds.

RHODES Corresponds With Simmons and Varacchi About Obtaining Funds From CC-1 to Repay Investor-2

28. From my interviews with Mark Varacchi, and from my review of e-mails obtained from the Varacchi E-Mail Account, I have learned the following additional information, in substance and in part:

a. In or about late November or early December 2015, Varacchi also asked CC-1 for assistance in obtaining approximately \$4 million to repay Investor-2. CC-1 agreed and between on or about December 29, 2015 and April 15, 2016 CC-1 made several wire transfers to Sentinel totaling approximately \$3.75 million for use in repaying Investor-2.

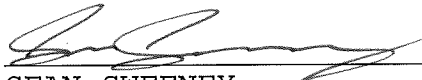
b. On or about December 2, 2015, shortly after the Investor-2 Representative warned that he would report JASON RHODES, the defendant, and Varacchi to the authorities, Varacchi sent an e-mail to CC-1 with subject "Re: thx for chat..really being pushed...u would be doing something incredible...hard to believe it could be that easy..plse stay in touch good or bad...better than not knowing." From interviews with Varacchi, I have learned that in this e-mail Varacchi was referencing conversations with CC-1, which Varacchi recounted contemporaneously to RHODES, asking for CC-1's assistance in obtaining funds to repay Investor-2.

c. CC-1 responded by e-mail the same day stating "Bro - I got you. Rest easy. It's a lock." Varacchi forwarded this e-mail to RHODES and Simmons several minutes later stating "Don't know how to act . . . seems way too optimistic . . ." Simmons replied by e-mail stating "[e]ither way.. I'll fool myself to sleep

tonivht [sic]." RHODES replied "Bottle of Pinot Noir is helping me."

d. On or about December 23, 2015, CC-1 forwarded to Varacchi an e-mail from the Chief Financial Officer of an investment entity (the "CFO"). In this e-mail, the CFO wrote, in pertinent part "Docs signed and sent tomorrow. Funding when you say." In this e-mail, the CFO further stated "As an ask, would you be willing to give me the extra \$250k [redacted] didn't take up in this deal? I would be very interested in putting some of my personal money in." From an interview with the CFO, I have learned that this e-mail describes an investment with CC-1 unrelated to Sentinel. Along with the forwarded e-mail, CC-1 wrote "Rest peacefully young prince. The wolf is on the way." On or about December 24, 2015, at approximately 1:36AM, Varacchi forwarded this e-mail to RHODES.

WHEREFORE, deponent prays that an arrest warrant be issued for JASON RHODES, the defendant, and that RHODES be imprisoned or bailed, as the case may be.


SEAN SWEENEY
SPECIAL AGENT
FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this
15th day of October 2018

S/Gabriel W. Gorenstein

UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK