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Western District of New York

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Rochester Man Pleads Guilty To Fraud, Conspiracy, And Money Laundering In Rochester Federal Court; Charged In Federal Court In Pennsylvania As A Result Of His Role In Masterminding A Nationwide, Multi-Million Dollar Ponzi Scheme

At least 1000 Victims Bilked Out Of Over 100 Million Over A Decade

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ROCHESTER, N.Y. - U.S. Attorney James P. Kennedy, Jr., of the Western District of New York, together with David J. Freed, U.S. Attorney for the Middle District of Pennsylvania, announced today that Perry Santillo, 39, of Rochester, NY, pleaded guilty, before Chief U.S. District Judge Frank P. Geraci, Jr. for the Western District of New York, to conspiracy to commit mail fraud, mail fraud, and conspiracy to launder money. The charges carry a maximum penalty of 20 years in prison and a \$1,000,000 fine. As part of his plea in the Western District of New York, Santillo has also agreed to plead guilty to a mail fraud charge, which is also relating to his Ponzi scheme activities, that is currently pending against him in the Middle District of Pennsylvania. That charge carries a maximum penalty of 20 years and a \$500,000 fine.

Assistant U.S. Attorney John J. Field, who is handling the case in the Western District of New York, and Assistant U.S. Attorney Sean A. Camoni, who is handling the case in the Middle District of Pennsylvania, stated that between January 2008 and June 2018, the defendant conspired with an individual identified as C.P., and others, to obtain money through an investment fraud commonly known as a Ponzi scheme. Specifically, in 2007, Santillo and C.P., as equal partners, formed a business known as Lucian Development in Rochester. Prior to approximately July 2007, Lucian Development raised millions of dollars from investors in Rochester, and elsewhere, by soliciting investments for City Capital Corporation, a business operated by Ephren Taylor. In July 2007, Santillo and C.P. were advised by Ephren Taylor that their investors' money had been lost. In response, in August 2007, Santillo and C.P. agreed to acquire the assets and debts of City Capital Corporation. The acquisition proved financially ruinous, with the amount of the acquired debt far exceeding the value of the acquired assets. Taylor was later prosecuted and convicted of operating a Ponzi scheme.

Subsequently, Santillo and C.P. chose not to disclose the truth to investors that their money, entrusted to Lucian Development for investment in City Capital Corporation, was gone. Instead, the defendant and C.P. continued to solicit ever-increasing amounts of money from new investors in an unsuccessful attempt to recoup the losses. In order to find potential investors to solicit and defraud, Santillo and C.P. purchased businesses from established investment advisors or brokers who were looking to exit their businesses. Between approximately 2008 and September 2017, Santillo and C.P., using money obtained from prior investors, purchased the businesses of at least 15 investment

advisors or brokers, located in Tennessee, Ohio, Minnesota, Nevada, California (5 businesses), Florida, South Carolina (2 businesses), Texas, Pennsylvania, Maryland, and Indiana.

The investment offerings pitched by Santillo and C.P. consisted principally of unsecured promissory notes and preferred stock issued by various entities controlled by Santillo and C.P. Potential investors were offered an apparent array of investment options to create the illusion of a diversified investment portfolio. Those investment options included products issued by purported issuers such as First Nationle Solutions (FNS), Percipience Global Corporation, United RL Capital Services, Boyles America, Middlebury Development Corporation, and NexMedical Solutions, among others. None of these issuers had substantial bona fide business operations or used investor money in the manner and for the purposes represented to investors. To the extent that an issuer may have had some minor legitimate business activities, it was not profitable and insufficient revenues were generated to pay investors any returns (let alone return the principal amounts of their investments). Santillo, and others, sold fraudulent investments from these issuers to investors who were told that the money received would be used to conduct the purported business of each respective issuer. In fact, however, such issuers were the defendant's various Ponzi schemes. Santillo, and others working with him, fraudulently induced investors to invest at least \$46,000,000 in the First Nationle offering since February 2012, \$22,000,000 in the Percipience offering since July 2012, and \$25,000,000 in the United RL offering since March 2015.

Over the years, to keep the Ponzi scheme from being detected, a substantial portion of incoming new investor monies were depleted by making promised interest and other payments to earlier investors. Most of the rest of incoming investor money was used by Santillo, C.P. and other co-conspirators: to finance lavish lifestyles of the conspirators, their families and associates; to expand the scheme by purchasing investment advisor/brokerage businesses to obtain access to fresh investors; and to pay operating expenses – salaries for a sales force and administrative staff, office rents and related expenses, housing for employees, and interest on loans—all of which were used to keep the scheme going and maintain a façade of legitimate business operations.

Very little investor money was deployed in productive investments, and when so deployed, the investments yielded meager income and were not profitable, or failed altogether. The Ponzi scheme was headquartered and based out of locations in Rochester, with a number of satellite offices around the country. Administrative and banking functions were largely performed out of Rochester. The conspiracy employed a variety of sales people, including Santillo and C.P., who traveled around the country to meet with and solicit new investors. In the Middle District of Pennsylvania, Santillo, and others, conducted their fraud scheme under the guise of an investment business located in Scotrun, Monroe County, using various business names, including Advice and Life Group, Poconos Investments, First American Securities, and Financial Planners Group of America.

Between January 2012 and June 19, 2018, Santillo and C.P. obtained at least \$115.5 million from approximately 1000 investors. By the time the scheme collapsed in late-2017/early 2018, Santillo and C.P., doing business through an array of corporate entities, had returned approximately \$44.8 million to investors as part of their scheme, but continued to owe investors approximately \$70.7 million in principal.

Among the Rochester/Pennsylvania victims area victims of the Ponzi scheme were the following:

- A resident of Webster, NY with a total asset value of \$94,341.89 with a fictitious company known as First Nationle Solutions (FNS), which, as of December 31, 2017, was worthless or close to worthless, and
- A resident of Victor, NY and his wife invested approximately \$221,758.67 with FNS and Middlebury Development. The couple received three payments of \$2500 but lost approximately \$214,258.67.
- Since May 2015, Santillo and others fraudulently raised at least \$3,000,000 from approximately 30 investors in Pennsylvania, including the MDPA.

Santillo and C.P. controlled hundreds of different business bank accounts opened under numerous different business names at various financial institutions, including but not limited to Bank of America, Citizens Bank, Genesee Regional Bank and ESL Federal Credit Union. Santillo and C.P. directed and authorized the transactions that occurred in the accounts, including deposits, withdrawals, check writing and funds transfers. The various bank accounts were used to transfer money from one account to another. Incoming investor money was routinely transferred through several accounts before the funds were finally spent on whatever purpose Santillo and/or C.P. authorized. By moving investors funds through various accounts in various entity names, Santillo and C.P. were able to, conceal and obscure the fact that new investor money was being used to repay earlier investors, finance the operations of the Ponzi scheme, and fund their lifestyles.

“Today’s announcement reaffirms the shared commitment that United States Attorney’s Office’s across the country have to discovering those who hide behind deceptive fraud schemes in an effort to bilk investors out of their hard earned money and savings,” noted U.S. Attorney Kennedy. “This investigation and these pleas should make clear to fraudsters everywhere that you cannot hide and that we will work together across jurisdictions to find you and to bring you to justice.”

“As he did in districts throughout the country, Perry Santillo came to the Middle District of Pennsylvania and purchased a business from a trusted investment advisor for the sole purpose of finding new victims to exploit,” said U.S. Attorney Freed. “This massive nationwide fraud was committed for one simple reason – to enrich Santillo and his confederates. This was a scam from day one, and Santillo and the others knew it. Thankfully, federal law enforcement was on the case. I want to particularly thank my friend and colleague U.S. Attorney J.P. Kennedy and his team for their hard work on this case and commend all of the federal agencies involved for their industry and cooperative efforts.”

“The United States Postal Inspection Service is committed to protecting consumers from falling victim to fraud, including illegitimate investment schemes,” stated Postal Inspector-in-Charge Joseph W. Cronin. “Along with our law enforcement counterparts, Postal Inspectors will always pursue individuals who utilize the US Mail to steal the hard earned money of our customers through false and misleading representations.”

“Greed fueled Perry Santillo’s crimes and became the common thread throughout this investigation,” said Gary Loeffert, Special Agent-in-charge of the FBI Buffalo Office. “Everyone touched by his greed will forever feel the painful consequences. Santillo’s plea serves as a teachable moment for those criminals who believe they can stay ahead of their Ponzi schemes.”

“Defendants like Perry Santillo lure innocent investors by taking full advantage of their trust and hopes for a better financial future,” said Michael T. Harpster, Special Agent- in-Charge of the FBI’s Philadelphia Division. “As victims envision their nest eggs growing, these scammers are diverting, even pocketing, that hard-earned money. The FBI and our law enforcement partners will continue to bring such financial fraud to light, and its perpetrators to justice.”

IRS-CI Special Agent in Charge Jonathan D. Larsen said, “Tracing the complex flow of money between hundreds of bank accounts is vital in unraveling a Ponzi scheme such as the one perpetrated by Mr. Santillo, and we are proud of the excellence displayed by our team. The collaboration and partnership of our skilled financial investigators and prosecutors provides a formidable adversary in the fight for victims as seen in this case.”

“Perry Santillo, Jr., conspired with his co-defendants by engaging in a Ponzi scheme that swindled unwitting investors out of tens of millions of dollars in retirement savings. The investors liquidated their retirement accounts to invest with companies Santillo and his-co-conspirators operated. We will continue to work with our law enforcement partners to protect the integrity of employee benefit

plans,” said Michael C. Mikulka, Special Agent-in-Charge, New York Region, U.S. Department of Labor Office of Inspector General.

“The alleged acts by the perpetrator endangered the financial security of hard-working, innocent New Yorkers and their families,” said Superintendent of Financial Services Linda A. Lacewell.

“Anyone who commits insurance fraud by definition is acting against the interest of consumers. I commend the investigative work by DFS in coordination with fellow law enforcement agencies for apprehending the suspect.”

The plea is the result of an investigation by the United States Postal Inspection Service, under the direction of Inspector-in-Charge Joseph W. Cronin of the Boston Division; the Federal Bureau of Investigation, Buffalo Division, under the direction of Special Agent-in-Charge Gary Loeffert, and FBI Scranton Division; the Internal Revenue Service, Criminal Investigation Division, under the direction of Jonathan D. Larsen, Special Agent-in-Charge; the U.S. Department of Labor, Office of Inspector General, Office of Investigations – Labor Racketeering and Fraud, under the direction of Michael C. Mikulka, Special Agent-in-Charge, New York Region, the New York State Department of Financial Services, under the direction of Superintendent Linda A. Lacewell; and the Securities and Exchange Commission.

Sentencing in the Western District of New York is scheduled for March 6, 2020, before Chief Judge Geraci. The arraignment date in the Middle District of Pennsylvania has not yet been set.

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