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## Fake Hedge Fund Managers Charged For Alleged \$3.5 Million Fraud Through Foreign Currency Investment Ponzi Scheme

FOR IMMEDIATE RELEASE

December 14, 2011

NEWARK, N.J. – Two men claiming to run New Jersey-based hedge funds using a secret computer program to invest in foreign currency are charged for allegedly defrauding victims out of more than \$3.5 million and spending the investments on high-end vehicles, luxury travel, and five-figure bar tabs, U.S. Attorney Paul J. Fishman announced.

George Sepero, 39, of Glen Rock, N.J., and Carmelo Provenzano, 29, of Garfield, N.J., were arrested today by FBI special agents on a criminal Complaint charging them with wire fraud conspiracy. The defendants are scheduled for initial appearances and bail hearings this afternoon before U.S. Magistrate Judge Michael A. Shipp in Newark.

“According to the Complaint, Sepero and Provenzano used fake companies and phony reports to steal millions in real money from trusting investors,” said U.S. Attorney Fishman. “With other people’s cash in their pockets, the defendants allegedly went on a spending spree involving luxury vehicles, international travel and extraordinary bar bills. Nobody asks to be defrauded, but those looking to invest should always be skeptical of rates of return that go so far beyond the norm.”

“I cannot stress enough the importance of investors exercising due diligence before trusting others with their money,” said Michael B. Ward, Special Agent In Charge of the Newark Division of the FBI. “The old adage ‘if it sounds too good to be true, it probably is’ remains constant. In this case, Sepero and Provenzano claimed to own a secret computer algorithm which would achieve returns of 170 percent or more at a time when financial markets were in flux. Instead, it was another of the many Ponzi schemes that have been uncovered in New Jersey wherein subjects are diverting money to support lavish lifestyles.”

According to the Complaint unsealed today in Newark federal court:

Beginning in 2009, Sepero and Provenzano claimed to run a series of hedge funds in New Jersey, luring investors with the prospect of extraordinary profits in foreign currency trading. The defendants made numerous misrepresentations and omissions to induce their victims to invest in “Pelt Capital,” “Caxton Capital Management,” “SP Investors Inc.,” and “CCP Pro Consulting, Inc.” Sepero and Provenzano claimed they owned and controlled a proprietary computer algorithm for trading foreign currencies; that they had used the algorithm to achieve returns of more than 170 percent in the prior two years; and that any investment funds would be highly liquid and could be withdrawn on days’ notice.

Relying on these and other misrepresentations, investors sent the defendants a total of more than \$3.5 million. Sepero and Provenzano invested little or no money in foreign currency or any other investment vehicle, instead diverting the vast majority of victims’ investments to pay prior victims in Ponzi-scheme style and to finance extravagant personal expenditures.

Sepero and Provenzano spent investor money on credit card bills averaging approximately \$25,000 per month; bar tabs of approximately \$18,241 – including a \$4,000 tip – and approximately \$14,034 on separate nights at “Drai’s Hollywood” nightclub in Los Angeles; luxury hotel rooms for tens of thousands of dollars, including suites costing more than \$4,000 at W Hotels in New York; and flights to Paris, Los Angeles, Chicago, and elsewhere. Sepero also purchased a customized Ford F-350 “Harley-Davidson Edition” pickup truck costing more than \$80,000 and Provenzano bought a luxury Range Rover Sport SUV costing more than \$71,000, with a down payment of over \$65,000. The pair also spent victims’ money on other personal expenditures, including mortgage payments, home improvements, meals at high-end restaurants, jewelry and limousines.

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The defendants furthered the scheme by emailing victims fake statements showing their principal had been invested in the foreign currency markets and was achieving substantial results. Many of these e-mails were purportedly sent by an individual named "Mel Tannenbaum," a fictional character of Provenzano's invention.

The defendants also e-mailed to several investors "screen shots" of a computer-based trading program, which they claimed represented the investors' funds being traded in the currency markets. In reality, the shots reflected trading in fictional accounts set up by the coconspirators to dupe investors.

The wire fraud conspiracy count with which Sepero and Provenzano are charged carries a maximum potential penalty of 20 years in prison and a fine of \$250,000 or twice the gain or loss from the offense.

U.S. Attorney Fishman credited Special Agents of the FBI, under the direction of Special Agent in Charge Ward in Newark, for the investigation. He also thanked the Commodity Futures Trading Commission's New York Regional Office, under the direction of David Meister.

The government is represented by Assistant U.S. Attorneys Christopher Kelly and Zach Intrater of the U.S. Attorney's Office Economic Crimes Unit and Evan Weitz of the Office's Asset Forfeiture Unit in Newark.

The charge and allegations contained in the Complaint are merely accusations, and the defendants are considered innocent unless and until proven guilty.

This case was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

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Defense counsel:

George Sepero: William J. Hunt Esq., Hackensack, N.J.

Carmelo Provenzano: Lawrence Welle Esq., Wall, N.J.

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