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## COMMODITY POOL OPERATOR ADMITS TWO FRAUD SCHEMES AND TAX EVASION

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TRENTON, N.J. – A commodity pool operator and day trader based in Hackensack, N.J., admitted today to directing two schemes to defraud individual investors and a financial institution of approximately \$2 million and to evading more than \$150,000 in tax payments, U.S. Attorney Paul J. Fishman announced.

Victor E. Cilli, 46, pleaded guilty to an Information charging him with one count of securities fraud, one count of conspiracy to commit bank fraud and one count of tax evasion. Cilli entered his guilty plea before U.S. District Judge Garrett E. Brown in Trenton federal court.

According to documents filed in this case and statements made during Cilli's guilty plea proceeding:

Beginning in August 2006, Cilli was the sole owner and president of Progressive Investment Funds, LLC (PIF), a commodity pool operator (CPO) engaged in an investment trust that solicited funds for the purpose of trading commodity futures. PIF was registered with the Commodity Futures Trading Commission (CFTC) and the National Futures Association (NFA), and was the CPO of Progressive Managed Futures Fund LP (PMFF), a commodity pool operated for the purpose of trading commodity futures. Cilli had sole trading authority over PMFF, which remained open until approximately February 2009.

Beginning as early as January 2007 and through September 2007, Cilli engaged in a Ponzi scheme to defraud at least four commodity pool participants of approximately \$506,000. Though Cilli returned some funds to the investors, the payments were not from actual trading profits but from funds of existing pool participants. Cilli made false and misleading statements to the pool participants claiming he had made money for them when, in fact, most of his trading resulted in losses. Of the \$506,000 invested, Cilli traded approximately \$263,000, losing approximately \$200,168. Cilli never disclosed to the pool participants that he had traded less than half of their money or that most of his trading had resulted in significant losses.

Cilli also misappropriated thousands of dollars in pool funds for personal expenses – including hair salon visits, skin care treatments, payments on his Harley Davidson motorcycle, and other personal entertainment, meals, and travel expenses.

In an unrelated scheme, from 2002 through September 2006, Cilli and approximately 16 others conspired to defraud KeyBank, a financial institution based in Cleveland, Ohio, of more than \$1.5 million in student loans by falsely representing to KeyBank that they would use the funds to attend Tab Express International Inc. ("Tab"), a pilot and flight crew training school in DeLand, Fla., and use the proceeds of student loans for educational expenses at Tab.

Based upon prior agreements between Cilli and his co-conspirators, they never intended to enroll at Tab, nor repay principal or interest on the student loans to KeyBank. After KeyBank disbursed the loan proceeds to the school, approximately \$600,000 of the loan proceeds were deposited into bank accounts solely owned and operated by Cilli. Cilli then made kickback payments totaling approximately \$130,000 to his co-conspirators for signing up for the loans. Tab retained approximately \$900,000 of the total loan

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proceeds. KeyBank was never repaid any of the principal or accrued interest on the loans.

To conceal his fraudulent conduct, Cilli maintained bank accounts in the names of Northeast Flight Training Inc., which was not a flight training school, and United Charities of America Inc., which was not a charitable organization. Both accounts were maintained by Cilli solely to perpetuate his frauds and fund his personal expenditures.

Finally, for calendar years 2003 and 2004, Cilli intentionally failed to provide the IRS with any information regarding the proceeds that he received in connection with his conspiracy to commit bank fraud, in the aggregate amount of approximately \$547,705, resulting in a tax loss to the United States of approximately \$158,674.

\* \* \*

The securities fraud charge carries a maximum potential penalty of 20 years in prison and a \$5 million fine; the conspiracy to commit bank fraud charge carries a maximum potential penalty of 30 years in prison and a \$1 million fine; and the tax evasion charge carries a maximum potential penalty of five years in prison and a \$100,000 fine. Sentencing is currently scheduled for Jan. 11, 2012.

U.S. Attorney Fishman credited special agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward; and IRS – Criminal Investigation, under the direction of Special Agent in Charge Victor W. Lessoff, for the investigation leading to today’s guilty plea. He also thanked the CFTC, Eastern Regional Office in New York, under the direction of Regional Counsel Stephen J. Obie. U.S. Attorney Fishman also credited the NFA, New York Office, under the direction of Director Cheryl Tulino, for its assistance.

The government is represented by Assistant U.S. Attorney Aaron Mendelsohn of the U.S. Attorney’s Office Economic Crimes Unit in Newark.

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: Henry E. Klingeman Esq., Newark, N.J.

Cilli, Victor Information

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