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### **SUBURBAN BUSINESSMAN CHARGED WITH BILKING MILLIONS OF DOLLARS FROM HUNDREDS OF INVESTORS IN ALLEGED 22-YEAR “PONZI” SCHEME**

CHICAGO – A suburban businessman who promised hundreds of investors between 10 and 15 percent annual interest rates on promissory notes he sold them was charged today with operating a so-called “Ponzi” scheme for more than 20 years, resulting in losses estimated in tens of millions of dollars. The defendant, **Frank A. Castaldi**, was charged with mail fraud in a federal criminal complaint filed today in U.S. District Court, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, and Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation.

Castaldi, 55, of Prospect Heights, was expected to surrender voluntarily for an initial appearance at 1:30 p.m. today before Magistrate Judge Nan Nolan in U.S. District Court.

According to the complaint, during approximately the early to mid-1980s, Castaldi, his father, and a business partner started two businesses – CZ Travel and CZ Realty. They later purchased ownership interests in First State Travel Service, Inc., Parkway Towers Insurance Agency, Inc., and Cumberland Realty, Inc., which later became known as Remax Cumberland

Realty, all currently located at 4501 North Cumberland in Norridge, with Castaldi identified as the president of each business.

Beginning in at least approximately 1986, Castaldi allegedly began offering and selling 6-month promissory notes to investors, the majority of whom were people who were referred to him by other investors, and included friends, family members and customers of his businesses. While the vast majority of notes stated that the annual interest rate was zero percent, Castaldi allegedly orally guaranteed that he would pay investors annual returns between 10 and 15 percent.

Castaldi allegedly made false representations to most investors about investing their principal in his various businesses, as well as the source of the funds that he used to make their interest payments. At least five years ago, Castaldi allegedly began falsely telling investors that he was placing their money with financial institutions with whom he had a special relationship and would guarantee their principal and high returns. Instead, Castaldi obtained loans and used certain investors' principal payments to make interest payments to other investors, without disclosing the true source of the interest payments, the charges allege.

The complaint affidavit states that there are approximately 200 to 300 investors whose principal has not yet been returned and estimates that the outstanding principal owed to these investors is in the tens of millions of dollars. In 2008 alone, Castaldi allegedly renewed or issued promissory notes bearing a total face value of approximately \$68 million to \$69 million, in many instances representing the face value of investors' initial notes plus the investors' accumulated interest which had been rolled back into the notes.

In addition to using new investors' principal to make interest payments and return principal to earlier investors, Castaldi also lost investors' money by funding his failed banquet hall and other

failing businesses, and to purchase some stocks, the charges allege. It is believed that neither Castaldi nor his businesses have the money to pay back the investors, the complaint states.

Law enforcement authorities are currently in the process of identifying potential victims in this case. Individuals who believe they are victims but have not received information by mail by the end of February, should contact the U.S. Attorney's Office Victim Assistance Program either by calling 1-866-364-2621 and leave a name, address and phone number, or sending an email to [usain.victim.aa@usdoj.gov](mailto:usain.victim.aa@usdoj.gov) and information will be mailed.

The government is being represented by Assistant U.S. Attorneys Christopher Veatch and Sunil Harjani.

If convicted, mail fraud carries a maximum penalty of 20 years in prison and a \$250,000 fine. The Court, however, would determine the appropriate sentence to be imposed under the advisory United States Sentencing Guidelines.

The public is reminded that a complaint contains only charges and is not evidence of guilt. The defendant is presumed innocent and is entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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