

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA

**CRIMINAL COMPLAINT**

v.

CASE NUMBER:

FRANK A. CASTALDI

I, the undersigned complainant, being duly sworn on oath, state that the following is true and correct to the best of my knowledge and belief: Beginning no later than in or around 1986, and continuing until in or around December 2008, at Norridge, in the Northern District of Illinois, Eastern Division, and elsewhere, FRANK A. CASTALDI, defendant:

devised and participated in a scheme to defraud and to obtain money from investors, by means of materially false and fraudulent pretenses, representations, and promises, and by means of material omissions, and in furtherance thereof, on or about October 9, 2008, did knowingly cause to be sent by Federal Express, a commercial interstate courier, according to the directions thereon, an envelope addressed to Individual A in Avondale, Arizona, which envelope contained a cashier's check made payable to Individual A;

in violation of Title 18, United States Code, Section 1341. I further state that I am a Special Agent with the Federal Bureau of Investigation, and that this complaint is based on the facts contained in the Affidavit which is attached hereto and incorporated herein.

\_\_\_\_\_  
Signature of Complainant  
DANIEL J. HEMMERSMEIER  
Special Agent, Federal Bureau of Investigation

Sworn to before me and subscribed in my presence,

January 23, 2009 at \_\_\_\_\_  
Date

Chicago, Illinois  
City and State

NAN R. NOLAN, U.S. Magistrate Judge  
Name & Title of Judicial Officer

\_\_\_\_\_  
Signature of Judicial Officer



a commercial interstate carrier, in violation of Title 18, United States Code, Section 1341 (mail fraud).

### ***Overview of the Scheme***

5. Beginning no later than 1986, and continuing until approximately December 2008, CASTALDI devised and participated in a scheme to defraud and to obtain money from investors, through the offer and sale of 6-month promissory notes. During his offer and sale of these notes, CASTALDI provided investors with false and fraudulent information concerning, among other things, his use and the safety of his investors' principal, as well as the source of his investors' interest payments.

6. As described below, CASTALDI generally informed new investors that, if they purchased a promissory note, he would guarantee the return of their principal and the payment of an annualized interest rate of between 10% and 15%. At various times CASTALDI also informed investors that he would generate their interest payments by investing their principal in the various businesses he operated, or by investing the principal with financial institutions. In reality, CASTALDI used the vast majority of the new investors' funds to pay returns to other investors as part of a Ponzi scheme, all of which he intentionally concealed from investors and prospective investors.

### ***Information Provided by CASTALDI***

7. Since on or about December 19, 2008, CASTALDI has been interviewed on several occasions by FBI agents, as well as by other government personnel involved in this investigation. CASTALDI was represented by counsel during these interviews.

In summary, CASTALDI has informed agents that, over the past approximately 20 years or more, he participated in the fraudulent offer and sale of promissory notes referred to above. CASTALDI has provided the government with a sworn statement attesting to his participation in this fraudulent scheme, and produced documents relating to his offer of sale of the promissory notes.

8. According to information provided by CASTALDI:

a. During approximately the mid to early 1980s, CASTALDI, his father, and a business partner started two businesses - CZ Travel and CZ Realty. After approximately one year, they purchased ownership interests in businesses named First State Travel Service, Inc., Parkway Towers Insurance Agency, Inc., and Cumberland Realty, Inc., which later became known as Remax Cumberland Realty.<sup>1</sup> These businesses are currently located at 4501 N. Cumberland in Norridge, Illinois.

b. By at least approximately 1986, CASTALDI began to offer and sell 6-month promissory notes to investors. The majority of these investors were people who were referred to CASTALDI by other investors, and included friends, family members, and customers of CASTALDI's businesses.

c. After investors provided CASTALDI with the money they wanted to invest (hereinafter, "principal"), CASTALDI prepared and issued to the investors

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<sup>1</sup> According to publicly available information from the Illinois Secretary of State's website, First State Travel, Inc., Parkway Towers Insurance Agency, Inc., and Cumberland Realty, Inc., which operates under the assumed name "Remax Cumberland", are all corporate entities registered in the state of Illinois. CASTALDI is listed as the president of each entity.

promissory notes bearing his father's and his signatures. Each promissory note had a term of 6 months; was renewable upon the investor's request; and identified the amount of the investor's principal. The vast majority of the notes stated that the annual interest rate on the note was 0%; however, CASTALDI orally guaranteed to investors that he would pay them an annual interest rate of between 10% and 15%.

d. During his offer and sale of the notes, CASTALDI made false representations to most investors about how he would use their principal and the source of the funds used to pay their interest payments. Initially, CASTALDI told investors that he would invest their principal in his various businesses.

e. Beginning at least five years ago, CASTALDI began telling investors that he was investing their money with financial institutions with whom he had a special relationship, and that the financial institutions would guarantee the investors' principal and would pay a guaranteed high rate of return. These representations were false because CASTALDI did not invest any investor money with any financial institutions, and no financial institutions were guaranteeing the investors' principal or interest.

f. In reality, CASTALDI obtained the money to pay investors' interest payments by: (i) using other investors' principal payments; and (ii) obtaining loans from financial institutions and others. CASTALDI never disclosed to any investor the true source of the interest payments.

g. CASTALDI generally made interest payments to investors by cash or check, and allowed investors to roll their accumulated interest into new

promissory notes. For investors who were paid by check, CASTALDI generally withdrew the funds from one of his businesses' bank accounts, and purchased bank or cashier's checks issued in the name of the investors. CASTALDI used commercial carriers, such as DHL and Federal Express, to send interest payment checks to some of his investors.

h. CASTALDI estimated that there are approximately 200 to 300 investors whose principal he has not yet returned. He also estimated that the outstanding principal owed to these investors is in the range of "tens of millions of dollars." Neither CASTALDI nor his businesses have the money to pay the investors back.

i. CASTALDI used the vast majority of new investors' principal to make interest payments to other investors, and to make return of principal payments to other investors. CASTALDI also lost investor principal funding his failed banquet hall and other failing businesses, and to purchase some stocks.

j. Individual A is an investor who, as of October 9, 2008, held a \$50,000 investment in CASTALDI's promissory notes, and who CASTALDI was paying a 15% annualized interest rate.

k. Individual B is an investor who recently invested \$118,100 in CASTALDI's promissory notes.

9. According to information and documents provided by CASTALDI, on or about October 9, 2008, he sent to Individual A, via Federal Express, a monthly interest payment in the form of a \$625 cashier's check. This check was sent from Norridge,

Illinois, to Individual A at an address in Avondale, Arizona, and was assigned Federal Express tracking number \*\*\*\* \* 0984.

10. According to tracking information from Federal Express' internet website, an item assigned tracking number \*\*\*\* \* 0984 was shipped on October 9, 2008, and delivered to an address in Avondale, Arizona, on October 13, 2008. (The sender's location was not identified on the website.)

11. According to records provided by CASTALDI, between October 15 and 18, 2008, Individual B invested \$118,100 with CASTALDI, and was issued a promissory note in that amount. CASTALDI has identified Individual B as one of the investors in his promissory notes.

***Information Provided by Individual B***

12. On or about January 16, 2009, agents interviewed Individual B concerning her investment with CASTALDI. Individual B initially denied to agents that she had invested any money with CASTALDI. However, after being shown a copy of the promissory note referred to in paragraph 11 above, Individual B stated, "I lied." She then informed agents about her purchase of one of CASTALDI's promissory notes.

13. According to Individual B:

a. In or around October 2008, she invested approximately \$118,000 with CASTALDI, and received cash interest payments of approximately \$1,100 in November and December 2008, respectively.

b. Prior to making this investment, Individual B informed CASTALDI: (i) that she did not want to invest in stocks because they were too volatile;

and (ii) that she only wanted to invest in certificates of deposit (CDs). CASTALDI informed Individual B that her money would be invested in CDs and insured up to \$250,000. CASTALDI also informed Individual B that: (i) she would not lose any money; (ii) he would personally guarantee Individual B's money; and (iii) she would receive a 12% interest rate on her investment.

***Preliminary Review of CASTALDI's Records***

14. Among the records CASTALDI has provided to the government are at least 9 boxes containing investor files for approximately 300 individual or group promissory note holders, many of whom purchased multiple notes and renewed their notes on multiple occasions.<sup>2</sup> These files contain promissory notes which are dated between May 1979 and December 2008, some of which appear to have been partially or fully repaid.

15. A preliminary review of CASTALDI's client files indicates that, in 2008 alone, CASTALDI renewed or issued promissory notes bearing a total face value of approximately \$68 million to \$69 million. In many instances, the face value of these notes includes the investor's initial investment money plus the investor's accumulated interest which was rolled back into the note.

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<sup>2</sup> Each group promissory note holder generally appears to be comprised of several individuals who appear, based on having the same last name, to be related to each other.



16. With regard to the promissory notes issued in 2008, CASTALDI has informed agents that, in summary, he has repaid fully or partially a small number of these investors.

***The Execution Mailing***

17. For the purposes of executing the above-described fraudulent scheme, on or about October 9, 2008, CASTALDI caused to be sent from Norridge, Illinois, and delivered by Federal Express, a commercial interstate carrier, to Individual A in Avondale, Arizona, an envelope containing a \$625 cashier's check payable to Individual A. This check reportedly represented a monthly interest payment on Individual A's \$50,000 investment in CASTALDI's promissory notes.

FURTHER AFFIANT SAYETH NOT.

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DANIEL J. HEMMERSMEIER  
Special Agent, Federal Bureau of  
Investigation

SUBSCRIBED AND SWORN to before me on January 23, 2009.

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NAN R. NOLAN  
United States Magistrate Judge