

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA ) No. 09 CR 0059  
 )  
 v. ) Violations: Title 18, United States  
 ) Code, Section 1341; Title 26,  
 FRANK A. CASTALDI ) United States Code, Section 7212(a)

**COUNT ONE**

The UNITED STATES ATTORNEY charges:

1. At all times material to this information:
  - a. Defendant FRANK A. CASTALDI was an owner and officer of several businesses, including Blackhawk Commons, LLC, which was located in Franklin Park, Illinois; Cumberland Accounting Services, C-Z Travel, Inc., First State Travel Service, Inc., Parkway Towers Insurance Agency, Inc., and Re/Max Cumberland Realty, Inc., all of which were located in Norridge, Illinois; and Vitangelo's Pizza & Restaurant, Inc., which, among other things, operated a pizzeria in Chicago, Illinois.
  - b. Defendant FRANK A. CASTALDI offered and sold purported investments to the public in the form of 6-month, renewable promissory notes. The defendant offered returns on the promissory notes of 10% to 15% and personally guaranteed the safety of the invested funds.
  - c. Defendant FRANK A. CASTALDI offered investors, who invested in his promissory notes, the options of receiving purported "interest" payments on monthly or

quarterly bases, and allowed investors to apply their “interest” income towards the purchase of new promissory notes.

d. Individuals A and B were investors in defendant FRANK A. CASTALDI’s promissory notes.

2. Beginning no later than in or around March 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 herein, and others, devised and participated in a scheme to defraud investors and prospective investors, and to obtain money by means of materially false and fraudulent pretenses, representations, and promises, and by means of material omissions, which scheme is further described below.

3. It was part of the scheme that defendant FRANK A. CASTALDI engaged in and operated a “Ponzi” scheme. That is, the defendant had to continually raise funds through the offer and sale of promissory notes to new investors to make purported “interest” payments to earlier investors, all of which the defendant concealed and intentionally failed to disclose to both new and earlier investors. As a part of this Ponzi scheme, the defendant fraudulently obtained over \$77,000,000 from more than 450 investors.

4. It was further part of the scheme that defendant FRANK A. CASTALDI fraudulently induced prospective investors to purchase promissory notes and investors to

rollover promissory notes by falsely representing the risks involved in the investment and the source of the promised 10% to 15% returns.

5. It was further part of the scheme that defendant FRANK A. CASTALDI personally guaranteed the safety of investors' principal, when the defendant knew that he did not have the financial ability to make good on such guarantees without operating his Ponzi scheme.

6. It was further part of the scheme that defendant FRANK A. CASTALDI falsely represented to certain prospective investors and investors that their invested funds would be used to purchase certificates of deposit-like instruments which were insured for up to \$250,000, when the defendant neither intended to nor did use investors' funds to purchase certificates of deposit or any similar investments.

7. It was further part of the scheme that defendant FRANK A. CASTALDI falsely represented to certain prospective investors and investors that the promised 10% to 15% returns would be paid by the revenues from his companies, when the defendant knew that his companies were generally not profitable and the only way he could make the promised payments was through the operation of his Ponzi scheme.

8. It was further part of the scheme that defendant FRANK A. CASTALDI falsely represented to certain prospective investors that the promised 10% to 15% returns would be paid as a result of "special relationships" the defendant had with financial institutions, when the defendant knew he had no such "special relationships" and neither intended to nor did make any such investments.

9. It was further part of the scheme that defendant FRANK A. CASTALDI falsely represented to prospective investors and investors that the defendant would use their funds to invest in his businesses or to make investments with financial institutions, when the defendant intended to and did use a significant portion of the funds to make Ponzi-type payments to earlier investors as part of his Ponzi scheme.

10. It was further part of the scheme that defendant FRANK A. CASTALDI took steps to lull investors into believing their investments were doing well, including through sending purported “interest” payment checks to investors, which were delivered by interstate commercial carriers, including FedEx.

11. As a result of the scheme, defendant FRANK A. CASTALDI fraudulently obtained over \$77,000,000 and ultimately caused more than 300 investors to suffer losses totaling over \$31,500,000.

12. It was further part of the scheme that defendant FRANK A. CASTALDI concealed, misrepresented, and hid and caused to be concealed, misrepresented, and hidden, the existence and purpose of the scheme and the acts done in furtherance of the scheme.

13. On or about October 9, 2008, at Norridge, in the Northern District of Illinois, Eastern Division, and elsewhere,

FRANK A. CASTALDI,

defendant herein, for the purpose of executing the scheme to defraud, and attempting to do so, knowingly caused to be deposited, in or around Norridge, Illinois, and to be sent and delivered by FedEx, an interstate commercial carrier, according to the directions thereon, an

envelope addressed to Individual A, in Avondale, Arizona, which envelope contained a cashier's check payable to Individual A;

In violation of Title 18, United States Code, Section 1341.

## COUNT TWO

The UNITED STATES ATTORNEY further charges:

1. The allegations in paragraphs 1 through 12 of Count One of this information are realleged and incorporated by reference as if fully set forth herein.

2. On or about October 21, 2008, at Norridge, in the Northern District of Illinois, Eastern Division, and elsewhere,

FRANK A. CASTALDI,

defendant herein, for the purpose of executing the scheme to defraud, and attempting to do so, knowingly caused to be deposited, in or around Norridge, Illinois, and to be sent and delivered by FedEx, an interstate commercial carrier, according to the directions thereon, an envelope addressed to Individual B, in Las Vegas, Nevada, which envelope contained a cashier's check payable to Individual B;

In violation of Title 18, United States Code, Section 1341.

### COUNT THREE

The UNITED STATES ATTORNEY further charges:

1. The allegations in paragraphs 1 through 12 of Count One of this information are realleged and incorporated by reference as if fully set forth herein.

2. At times material to this information, defendant FRANK A. CASTALDI was an income tax preparer, whose services included preparing federal income tax returns and filing, or causing to be filed, tax returns on behalf of individual taxpayers, including those taxpayers who had invested in defendant's purported 6-month promissory notes.

3. Beginning no later than in or around March 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 herein, corruptly endeavored to impede the Internal Revenue Service ("IRS") in the due administration of the Internal Revenue Code and the ascertainment and collection of income tax revenue by commission of the following acts:

a. As a part of his corrupt endeavor, defendant FRANK A. CASTALDI corruptly induced, and attempted to induce, investors to invest in defendant's purported promissory notes by representing that investors were not required to pay income taxes on their investments' returns because defendant would either not report the "interest" payments to the IRS, or because defendant would pay any tax due and owing himself;

b. As a further part of his corrupt endeavor, defendant FRANK A. CASTALDI failed to maintain proper books and records to account for his receipt of investors' funds, his payment of purported "interest" payments to investors, and his own use of investors' funds;

c. As a further part of his corrupt endeavor, defendant FRANK A. CASTALDI failed to disclose any of his transactions with investors to the IRS, including his receipt of investors' funds, his payment of purported "interest" payments to investors, and his own use of investors' funds;

d. As a further part of his corrupt endeavor, defendant FRANK A. CASTALDI failed to report on his personal individual income tax returns, Form 1040, his receipt of any payments from his fraudulent investment scheme; and

e. As a further part of his corrupt endeavor, defendant FRANK A. CASTALDI used certain investors' funds to support some of his businesses, and failed to accurately reflect his use of these funds anywhere on the books, records, balance sheets, or tax returns for those businesses.

4. As a further part of his corrupt endeavor, defendant FRANK A. CASTALDI took steps to hide and conceal, and to attempt to hide and conceal, the purposes of the corrupt endeavor, and acts done as part of the corrupt endeavor.

5. As a result of defendant FRANK A. CASTALDI's corrupt endeavor and failure to provide the IRS with any documentation relating to his fraudulent investment scheme, defendant prevented the IRS from conducting its official duties, including the correct



ascertainment of any income tax liability generated from defendant's fraudulent transactions with investors.

In violation of Title 26, United States Code, Section 7212(a).

## FORFEITURE ALLEGATION

The UNITED STATES ATTORNEY further alleges:

1. The allegations contained in Counts One and Two of this information are realleged and incorporated herein by reference for the purpose of alleging that certain property is subject to forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. As a result of his violations of Title 18, United States Code, Section 1341, as alleged in the foregoing information,

FRANK A. CASTALDI,

defendant herein, shall forfeit to the United States, pursuant to Title 18, United States Code, Section, 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any and all right, title and interest in property, real and personal, which constitutes and is derived from proceeds traceable to the charged offenses.

3. The interests of the defendant subject to forfeiture pursuant to Title 18, United States Code, Section, 981(a)(1)(C) and Title 28, United States Code, Section 2461(c) include but are not limited to the following property:

a. Funds in the amount of approximately \$31,644,948.

4. If any of the property subject to forfeiture and described above, as a result of any act or omission of the defendant:

a. Cannot be located upon the exercise of due diligence;

b. Has been transferred or sold to, or deposited with, a third party;

- c. Has been placed beyond the jurisdiction of the Court;
- d. Has been substantially diminished in value; or
- e. Has been commingled with other property which cannot be divided without difficulty,

the United States of America shall be entitled to forfeiture of substitute property, under the provisions of Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

All pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

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UNITED STATES ATTORNEY