



*United States Attorney
District of New Jersey*



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**CEO OF CAPITOL INVESTMENTS USA, INC. PLEADS GUILTY TO \$880 MILLION
PONZI SCHEME BASED ON PHONY GROCERY BUSINESS**

NEWARK, N.J. – The former owner and Chief Executive Officer of Capitol Investments USA, Inc. (“Capitol”) pleaded guilty today to overseeing an \$880 million Ponzi scheme linked to his purported wholesale grocery distribution business, United States Attorney Paul J. Fishman announced.

Nevin Shapiro, 41, of Miami Beach, Fla., pleaded guilty before United States District Judge Susan D. Wigenton to one count of securities fraud and one count of money laundering. Shapiro has been in federal custody since his surrender to FBI and IRS agents in April. A Grand Jury indicted Shapiro in July.

According to the Indictment to which Shapiro pleaded guilty and statements made in Newark federal court:

Shapiro used Capitol to solicit approximately \$880 million between January 2005 and November 2009 from individuals who believed they were investing in Shapiro’s grocery distribution business. Shapiro admitted that Capitol had virtually no income generating business during that time, and that he used new investor funds to make principal and interest payments to existing investors, as well as to fund his own lavish lifestyle.

More than \$35 million in investor funds were misappropriated for Shapiro’s personal use, including to pay at least \$5 million in illegal sports gambling debts. Shapiro also used investor funds to make payments to dozens of student athletes who were attending a local university in the Miami area to which Shapiro made significant donations – also using investor funds. These payments included cash in amounts up to \$10,000 and gifts such as jewelry and entertainment at nightclubs and restaurants in Miami Beach. As a result of a 10-year gift to the university, its Student-Athlete Lounge was named for the defendant.

Shapiro used more than \$400,000 in investor funds for floor seats to watch Miami Heat professional basketball games; approximately \$26,000 per month for mortgage payments on his residence in Miami Beach, recently appraised at approximately \$5 million; approximately \$7,250 per month for payments on a \$1.5 million Riviera yacht; and approximately \$4,700 per month for the lease of a Mercedes-Benz S65 AMG automobile. Shapiro also used investor funds to buy a pair of diamond-studded handcuffs, which he gifted to a prominent professional athlete.

To induce investors from New Jersey and throughout the United States, Shapiro directed others to create and show to the investors documents fraudulently touting Capitol's profitability. Those documents included: financial statements; profit and loss figures fraudulently representing that Capitol's wholesale grocery business was generating tens of millions of dollars in annual sales; personal and business tax returns for Shapiro and Capitol also fraudulently reflecting those sales; and numerous invoices fraudulently reflecting transactions between Capitol and other companies in the wholesale grocery business.

Shapiro admitted that more than 50 victim investors lost a total of between \$50-100 million as a result of the scheme. The Complaint filed in April 2010 alleged Shapiro had defrauded investors out of at least \$80 million. Beginning in January 2009, Shapiro and Capitol began failing to make required principal and interest payments to investors. At the time, Shapiro told investors, among other things, that the payments were not being made because Capitol's vendors were late in making payments, that Capitol was suffering from cash flow problems, and that Shapiro's accountant was on vacation. Shapiro and Capitol were forced into bankruptcy in November 2009. At that time, they owed more than \$100 million to victim investors.

The securities fraud charge to which Shapiro pleaded guilty carries a maximum potential penalty of 20 years in prison and a \$5 million fine. The money laundering charge carries a maximum potential penalty of 10 years in prison and a fine of \$250,000 or twice the gross gain or loss from the offense. Sentencing is scheduled for January 4, 2011.

U.S. Attorney Fishman stated: "Nevin Shapiro made a name for himself as a big contributor to student athletics – showering his favorite players with gifts and cash, living the high life, and rubbing elbows with the pros. Today, Shapiro admitted that he built the façade of his lifestyle with money he stole from those who trusted him. The sheer size of this Ponzi scheme underscores both the importance of vigilance on the part of investors and the significance of our continued work in pursuit of investment fraud."

Fishman credited special agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward, and special agents of IRS – Criminal Investigation, under the direction of Special Agent in Charge Victor W. Lessoff, for the investigation which led to today's plea. Fishman also thanked the Securities and Exchange Commission's Miami Regional Office, under the direction of Eric Bustillo.

The government is represented by Assistant U.S. Attorneys Justin W. Arnold and Jacob T. Elberg of the United States Attorney's Office Criminal Division 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: Maria Elena Perez, Esq., Coral Gables, Fla.