

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

UNITED STATES OF AMERICA	:	Hon.
	:	
	:	Criminal No. 22-
v.	:	
	:	18 U.S.C. § 371
	:	
ARTHUR S. SCUTTARO,	:	
a/k/a “Arthur Scutaro”	:	

INFORMATION

The defendant having waived in open court prosecution by Indictment, the United States Attorney for the District of New Jersey charges:

Introduction

1. From in or around February 2018 through in or around January 2022, the defendant **Arthur S. Scuttaro, a/k/a “Arthur Scutaro” (“Scuttaro”)** conspired with Thomas Nicholas Salzano, a/k/a “Nicholas Salzano” (“Salzano”), Rey E. Grabato, II (“Grabato”), and others (together, the “Co-Conspirators”) to defraud investors and potential investors of NRIA Partners Portfolio Fund I, LLC (the “Fund”), a real estate fund operated by National Realty Investment Advisors, LLC (“NRIA”), of hundreds of millions of dollars through lies, deception, misleading statements, and material omissions relating to, among other things: (a) the financial position of NRIA; (b) the manner in which the Co-Conspirators used Fund investor money; and (c) Salzano’s managerial role at NRIA and his history of fraud.

2. The Co-Conspirators executed their scheme through an aggressive multi-year, nationwide marketing campaign that involved thousands of emails to investors; advertisements on billboards, television, and radio; and meetings and presentations to investors. Salzano and **Scuttaro** led and directed the marketing campaign, which employed deception, material misrepresentations and

omissions, and falsified documents. The material misrepresentations and omissions at the heart of this campaign were intended to mislead Fund investors into believing that NRIA, which had existed since 2006, was a solvent business that generated significant profits. In reality, NRIA generated little to no profits and operated as a Ponzi scheme, which was kept afloat by new Fund investors.

Relevant Persons and Entities

3. At times material to this Information:

a. NRIA was a Delaware limited liability company based in Secaucus, New Jersey, established in 2006. Beginning in or around 2006, NRIA solicited real estate investors to purchase, finance, and co-develop residential units in several locations in Philadelphia, Pennsylvania, in exchange for certain fees (the “Philadelphia Investors”). Beginning in or around 2016, NRIA offered investments to the public in limited liability companies owned and controlled by NRIA or its affiliates that built and developed individual real estate properties, primarily in Florida and New York (the “LLC Investors”).

b. The Fund was a Delaware limited liability company formed on or about February 5, 2018. The Fund served as an investment fund that purportedly acquired equity interests in limited liability companies that invested in real estate assets. The Fund was managed by NRIA. From in or around February 2018 to in or around January 2022, the Fund raised approximately \$650 million from approximately 2,000 investors, including hundreds of investors who were residents of the District of New Jersey, through unregistered securities offerings to accredited investors. Investors in the Fund purchased preferred non-voting membership interests in the Fund. As part of their investments, the Fund provided investors with monthly distributions, typically between six percent and ten percent of their original principal investment on an annual basis, through a direct transfer to their bank accounts. Each investor in the Fund also received a written guarantee from NRIA of an

annual return of at least twelve percent per year for a period of five years plus a full return of their investment, or else any shortfall would be paid by NRIA.

c. On or about June 7, 2022, NRIA, the Fund, and its affiliates, including more than one hundred limited liability companies, filed voluntary petitions under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the District of New Jersey.

d. **Scuttaro** was a resident of Nutley, New Jersey. From in or around March 2009 to in or around May 2022, **Scuttaro** was the head of marketing at NRIA. **Scuttaro** reviewed, drafted, and approved marketing materials and communications used by NRIA employees to sell investments in the Fund. Investor and marketing materials listed **Scuttaro’s** title at NRIA as, among other things, Vice President, Executive Vice President, and Senior Vice President and Independent Project Manager.

e. Salzano was a resident of Secaucus, New Jersey, and operated NRIA as a shadow chief executive officer (“CEO”). Marketing materials and investor documents referred to Salzano as a “senior independent executive advisor and portfolio manager” at NRIA, and at other times as, “one of its independent contractor consultants.” In reality, Salzano was the guiding force at NRIA: he ran the day-to-day operations of NRIA, made, reviewed, and approved significant business decisions, and directed NRIA’s marketing efforts. Salzano concealed his managerial role at NRIA to avoid scrutiny from investors and the IRS of his past criminal and fraudulent conduct.

f. From at least as early as in or around 2002 to in or around December 2004, Salzano was the Chief Managing Officer of a large telecommunications company that was located in Newark, New Jersey (the “Telecommunications Company”), that was in the business of reselling telecommunications services, purchased from common carriers or others.

g. In 2006, the Federal Trade Commission filed charges against, and simultaneously settled with, Salzano for his role in defrauding small businesses, nonprofit

organizations, churches, and municipalities through false and misleading claims by the Telecommunications Company of dramatic savings on their monthly telephone, cellular, and internet bills.

h. On or about September 6, 2013, Salzano pled guilty to five counts of theft by fraud, in violation of Louisiana Revised Statute § 14:67(B)(1) in Louisiana State Court for defrauding small businesses in Louisiana through the Telecommunications Company by falsely promising consumers that they would receive cost savings on telecommunications services. In or around December 2018, Salzano successfully moved in Louisiana State Court for his prior fraud convictions to be expunged.

i. Grabato was a resident of Hoboken, New Jersey and the Republic of the Philippines. Grabato was the President of NRIA and the majority owner of NRIA. Grabato was a signatory on all of the bank accounts utilized by NRIA, including bank accounts to which investors of the Fund wired money. Grabato's signature appeared on checks and significant investment and company documents issued by NRIA and its subsidiaries.

j. Victim Investor-1 resided in Cupertino, California, and was an investor in the Fund.

k. The Victim Lender was a loan provider for real estate investors and developers, located in Sherman Oaks, California.

l. The Victim Chief Executive Officer was the CEO of the Victim Lender.

Relevant Regulatory Principles and Definitions

m. A "security" was, among other things, any note, stock, bond, debenture, evidence of indebtedness, investment contract, or participation in any profit-sharing agreement.

n. A “private placement memorandum” (“PPM”), also known as a private offering document or confidential offering memorandum, was a securities disclosure document used in a private offering of securities by a company or investment fund.

o. A “distribution” was a disbursement of assets from a fund to an investor.

The Conspiracy

4. From in or around February 2018 to in or around January 2022, in Hudson County, in the District of New Jersey, and elsewhere, defendant,

**ARTHUR S. SCUTTARO,
a/k/a “Arthur Scutaro,”**

did willfully and knowingly combine, conspire, confederate, and agree with Salzano, Grabato, and others, by the use of the means and instrumentalities of interstate commerce, and of the mails, and of facilities of national securities exchanges, to use and employ, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances by: (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons, contrary to Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

Goal of the Conspiracy

5. The goal of the conspiracy was to enrich the Co-Conspirators, their families, and their associates by soliciting and obtaining hundreds of millions of dollars of investors’ funds through false and misleading pretenses, representations, omissions, and promises regarding NRIA.

Manner and Means of the Conspiracy

6. It was part of the conspiracy that:

The Concealment of Salzano’s Role at NRIA and his History of Fraud at the Telecommunications Company

a. From in or around 2006 to in or around October 2021, to avoid scrutiny from investors of Salzano’s history of fraud at the Telecommunications Company, Salzano concealed his true managerial role at NRIA by referring to himself in marketing materials variously as a “senior independent executive advisor and portfolio advisor and portfolio manager” or an “independent contractor consultant,” while using Grabato as a stand-in CEO. In reality, Salzano ran the day-to-day operations of NRIA, and Grabato took directions from Salzano.

b. Prior to working at NRIA, **Scuttaro** worked with Salzano at the Telecommunications Company and oversaw the Telecommunications Company’s marketing efforts. While working with Salzano at NRIA, **Scuttaro** dropped a “t” from his name and went by “Scutaro” in emails and marketing materials sent to Fund investors in order to hide his association with the Telecommunications Company.

c. The Co-Conspirators caused Fund investors to receive misleading PPMs, which failed to disclose the extent of Salzano’s dominant role at NRIA and his past history of fraud, as well as **Scuttaro’s** past association with **Salzano** at the Telecommunications Company.

d. **Scuttaro** furthered this deception by providing false and misleading explanations to investors about why Salzano was not listed as a manager in NRIA marketing materials.

The Misleading Marketing Campaign for the Fund

e. From at least as early as in or around February 2018 and continuing through at least as early as in or around January 2022, NRIA employed a team of salespeople, known as “project managers,” to aggressively market Fund securities to potential investors located throughout the United States, including in the District of New Jersey. **Scuttaro**, with direction from Salzano, oversaw the project managers, trained them on how to employ sales tactics, and disseminated scripts, email templates, and talking points to use in soliciting investments in the Fund. The project managers and

other support staff at NRIA, many of whom were related to **Scuttaro** or Salzano, generally had no experience in the real estate industry, no background in finance, and had never sold securities to investors.

f. Salzano and **Scuttaro** also communicated directly with investors by email, phone calls, and in-person meetings, and solicited investments from the general public by using presentations and interviews on social media, radio, and television.

g. Salzano and **Scuttaro** themselves, and through projects managers at NRIA, failed to disclose to investors the material fact that NRIA was spending a significant percentage of investor money on a marketing campaign whose primary goal was to bring in new investors, rather than to generate profits through NRIA's development activities. From at least as early as in or around February 2018 to in or around November 2021, the Co-Conspirators caused NRIA to spend tens of millions of dollars of Fund investor money on marketing fees to pay for a nationwide marketing campaign, which included billboards, radio advertisements, and television advertisements. The goal was to obtain new Fund investors and to perpetuate the scheme, to the detriment of existing Fund investors. The aggressive marketing campaign orchestrated by Salzano and **Scuttaro** was replete with material misrepresentations, misleading statements, and omissions about, among other things, NRIA's financial condition and the many ways in which the Co-Conspirators and others were stealing investor money.

Material Misrepresentations and Omissions about Monthly Distributions and Cash Flow

h. From the Fund's inception in or around February 2018, Salzano and **Scuttaro**, both individually and through project managers at NRIA, represented to investors and prospective investors that NRIA was a solvent, profitable business that generated significant cash flow, separate and apart from investor fundraising. In reality, throughout its history, NRIA generated little or no profits from its developments, and in many cases lost money.

i. From at least as early as in or around February 2018 through at least in or around September 2021, Fund investor money was deposited at the direction and approval of Salzano and Grabato, into the NRIA Bank Accounts, which were commingled bank accounts. Salzano and Grabato utilized the commingled NRIA Bank Accounts to pay approximately \$100 million in monthly distributions to Fund investors. NRIA had little to no operating income from its properties to pay these distributions and payments, aside from Fund investor money.

j. The Co-Conspirators hid the Ponzi-like nature of the scheme from Fund investors in various ways. From in or around February 2018 to at least in or around June 2021, the PPMs, marketing materials, and advertisements, all of which were approved by Salzano, left a false and misleading impression that monthly distributions paid to Fund investors were derived from the ongoing profits of NRIA's real estate portfolio.

k. Salzano and **Scuttaro** provided project managers with templates and scripts for how to handle questions from investors about whether NRIA was operating a Ponzi scheme. As Salzano well knew, these scripts and templates falsely represented that NRIA was not a Ponzi scheme and that it had substantial cash flow from operations to pay investor distributions.

Material Misrepresentations and Omissions About Payments to Pre-Fund Investors

l. Prior to opening the Fund in or around February 2018, NRIA offered real estate investments to the Philadelphia Investors and the LLC Investors (together, the "Pre-Fund Investors") in which NRIA made certain guarantees regarding expected returns.

m. Beginning in or around 2018, after opening the Fund, NRIA had insufficient capital to pay the Pre-Fund Investors their promised returns at the end of their investment terms, as most of NRIA's developments in Philadelphia, Florida, and Brooklyn were either not profitable or unfinished. NRIA, at the direction of Salzano, used millions of dollars of Fund investor money to pay

distributions directly to the Pre-Fund Investors to cover the guarantees NRIA or its affiliates had promised, fraudulently concealing the material fact to then-current and potential Fund investors.

n. To avoid causing the Ponzi scheme to collapse, **Scuttaro** and other project managers, at the direction of Salzano, offered the Pre-Fund Investors “bonuses” in the form of additional units of the Fund in order to induce them to roll their money over to the Fund and thereby extending the date upon which NRIA had to pay them their original investment and guaranteed returns.

o. From in or around 2019 to in or around 2021, NRIA provided approximately \$27 million worth of “bonus” units to the Pre-Fund Investors to induce them to roll over their pre-Fund investments into the Fund. These “bonuses” diluted the value of units held by existing Fund investors, concealed NRIA’s losses on pre-Fund developments, and perpetuated the Ponzi scheme. Salzano and **Scuttaro**, both individually and through projects managers, failed to disclose the material fact of these roll-over bonuses to current and potential Fund investors and further offered misleading and false representations to investors that NRIA did not operate like a Ponzi scheme.

Material Misrepresentations and Omissions about NRIA’s “Skin in the Game”

p. In advertisements and communications to potential Fund investors, Salzano and **Scuttaro**, both individually and through project managers, repeatedly misrepresented the amount of capital, or “skin in the game,” NRIA put into Fund developments. The purpose of these misrepresentations was to mislead investors into believing that NRIA was putting significant amounts of its own capital at risk in its developments. In reality, NRIA invested almost none of its own money into its real estate developments, which left Fund investors with little recourse in the event of losses, cost over-runs, and project failures, and rendered the guarantees provided by NRIA to Fund investors worthless.

Material Misrepresentations and Omissions about Finder’s Fees

q. In emails and communications with Fund investors, Salzano, **Scuttaro**, and project managers, at the direction of Salzano and **Scuttaro**, falsely represented that NRIA did not pay finder's fees or commissions for bringing in new investors to the Fund.

r. In reality, as Salzano and **Scuttaro** well knew, NRIA used millions of dollars of Fund investor money to pay finder's fees and commissions to existing Fund investors and outside consultants for bringing in new investors and attempted to cover it up through false paperwork.

Salzano Falsified and Forged a Letter of Intent and Sent it to an Investor

s. In or around May 2018, Victim Investor-1 invested approximately \$150,000 in the Fund. In or around January 2019, **Scuttaro** asked Victim Investor-1 to increase Victim Investor-1's investment in the Fund by offering Victim Investor-1, as an additional incentive, a joint venture interest in a project known as "River Run," located in North Bergen, New Jersey.

t. To induce Victim Investor-1 to invest more in the Fund, on or about January 16, 2019, **Scuttaro** sent Victim Investor-1 a fraudulent and falsified letter of intent falsely purporting to be from the Victim Lender for a loan in the principal amount of approximately \$25,257,000 for River Run that **Scuttaro** obtained from Salzano. The letter of intent contained, among other things, the Victim Lender's logo and the signatures of Grabato and the Victim Chief Executive Officer. This was a fraud—the Victim Lender never issued a letter of intent to NRIA or its affiliates for a loan on River Run. Salzano used the Victim Lender's letterhead without the Victim Lender's authorization and forged the Victim Chief Executive Officer's signature.

u. Salzano initially denied Victim Investor-1's request for a redemption. After learning that his fraud had been discovered by both the Victim Lender and Victim Investor-1, Salzano approved a full redemption to Victim Investor-1.

v. Despite being aware that Salzano sent a falsified and forged document to Victim Investor-1, Grabato and **Scuttaro** took no remedial actions against Salzano and continued to

help conceal from investors Salzano's history of fraud at the Telecommunications Company and Salzano's true role at NRIA.

Overt Acts

7. In furtherance of the conspiracy and to effect its unlawful object, the following overt acts, among others, were committed in the District of New Jersey and elsewhere:

a. On or about January 16, 2019, Salzano caused **Scuttaro** to send Victim Investor-1 a fraudulent letter of intent for the River Run project.

b. On or about May 14, 2020, **Scuttaro** sent an email requesting that a public relations consultant change the spelling of his name from "Scuttaro" to "Scutaro" in an interview broadcast on a television station targeted at investors in the Southeast Asian community.

c. On or about September 5, 2020, **Scuttaro** falsely represented in a webinar aimed at foreign investors that "National Realty has about fifty-two million of its own skin in the game, down payment money all principal."

d. On or about February 22, 2021, **Scuttaro** sent an email to a Fund investor that falsely represented that Salzano was not listed as a manager on NRIA's website because, "Management made a decision to remove him from the website to avoid client inquiries / interruptions."

All in violation of Title 18, United States Code, Section 371.

FORFEITURE ALLEGATION

1. Upon conviction of the offense charged in this Information, defendant,

**ARTHUR S. SCUTTARO,
a/k/a “Arthur Scutaro,”**


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), all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offense charged in this Information, and all property traceable thereto.

Substitute Assets Provision

2. If any of the above-described forfeitable property, 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 person;
- 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 subdivided without difficulty,

it is the intent to the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), to seek forfeiture or any other property of the Defendant up to the value of the above-described forfeitable property.


PHILIP R. SELLINGER
UNITED STATES ATTORNEY

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v.

**ARTHUR S. SCUTTARO,
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INFORMATION FOR

18 U.S.C. § 371

**PHILIP R. SELLINGER
UNITED STATES ATTORNEY
FOR THE DISTRICT OF NEW JERSEY**

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