



UNITED STATES ATTORNEY'S OFFICE
Southern District of New York

ACTING U.S. ATTORNEY JOON H. H. KIM

FOR IMMEDIATE RELEASE
Thursday, October 5, 2017
<http://www.justice.gov/usao/nys>

CONTACT: U.S. ATTORNEY'S OFFICE
Jim Margolin, Dawn Dearden,
Nicholas Biase
(212) 637-2600

FBI
Martin Feely, Adrienne Senatore,
Kelly Langmesser, Amy Thoreson
(212) 384-2100

**WESTCHESTER HEDGE FUND MANAGER ARRESTED FOR RUNNING
A PONZI SCHEME**

Joon H. Kim, the Acting United States Attorney for the Southern District of New York, and William F. Sweeney Jr., the Assistant Director-in-Charge of the New York Field Office of the Federal Bureau of Investigation ("FBI"), announced that MICHAEL SCRONIC, a hedge fund manager in Westchester County, was arrested this morning and charged with securities fraud and wire fraud arising out of his execution of a \$19 million Ponzi scheme through the Scronic Macro Fund. SCRONIC will be presented before United States Magistrate Judge Lisa Margaret Smith in White Plains federal court later today.

Acting U.S. Attorney Joon H. Kim said: "Michael Scronic allegedly stole more than \$19 million from investors by lying about the performance of his investment fund, and then spent much of that money on his own lavish lifestyle. Hedge fund managers who lie to their investors and steal their money, as Scronic is alleged to have done, will always be in our sights as targets for federal prosecution."

FBI Assistant Director William F. Sweeney Jr. said: "Scronic's alleged get-rich-quick scheme was, in fact, a plan to deceive investors, luring them into a false sense of security about their investments by overselling the reliability and success of the fund. The FBI will continue to identify and investigate those who defraud investors. We ask anyone who has information related to investor fraud submit a tip at <https://tips.fbi.gov/>."

According to the allegations contained in the Complaint¹ unsealed today in White Plains federal court:

¹ As the introductory phrase signifies, the entirety of the text of the Complaint and the description of the Complaint set forth below constitute only allegations and every fact described should be treated as an allegation.

SCRONIC, a graduate of Stanford University and the University of Chicago's business school, raised more than \$19 million from 45 investors in the Scronic Macro Fund (the "Fund") from April 2010 to the present. SCRONIC told investors that the Fund had positive returns in all but one of the 22 quarters from January 2012 through June 2017, with the highest reported quarterly return being 13.4 percent in the fourth quarter of 2014. In reality, the Fund lost money in 28 out of 29 quarters of its operation, with a total net loss of about \$15.7 million before commissions. The Fund's only positive quarter was its first quarter of operation in 2010.

As a result of these trading losses, the total assets SCRONIC claimed the Fund had in each quarter far exceeded its actual assets. For example, SCRONIC sent account statements to investors that together showed total fund assets of \$21.7 million as of June 30, 2017. On that date, the combined balance of SCRONIC's brokerage and bank accounts was \$102,376.

In addition to losing money on trades, SCRONIC used investor money for personal expenses. His personal expenditures averaged more than \$500,000 a year since January 2012 and included monthly rent of \$12,275 on his primary residence in Westchester, mortgage payments on a vacation home in Stratton, Vermont, fees for multiple beach and country clubs, including a \$30,000 payment to the Stratton Mountain Club in July 2017, and miscellaneous items charged to credit cards in amounts averaging more than \$15,000 a month.

In recent months, SCRONIC has been unable to pay redemptions requested by existing Fund investors. Between June and August of this year, four Fund investors requested redemptions totaling about \$1.5 million. SCRONIC has not had sufficient funds on hand to pay these redemptions. He instead has told these investors that the Fund would pay redemptions only at quarter end, that he was too busy and preoccupied with a relative's medical condition to pay redemptions, and that he was unavailable to pay redemptions because he was on vacation. In some cases, SCRONIC ignored redemption requests.

* * *

SCRONIC, 46, of Westchester County, New York, is charged with one count of securities fraud and one count of wire fraud. Each charge carries a maximum sentence of 20 years in prison.

The maximum potential sentences in this case are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendant will be determined by a judge.

Mr. Kim praised the investigative work of the FBI. Mr. Kim also thanked the Securities & Exchange Commission for its assistance in the investigation.

In a related case, the Securities & Exchange Commission brought a civil action today against SCRONIC in U.S. District Court in White Plains.

The criminal case is being prosecuted by the Office's White Plains Division. Assistant U.S. Attorney James McMahon and Special Assistant U.S. Attorney Daniel Loss are in charge of the prosecution.

17-322

###