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UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

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SECURITIES AND EXCHANGE COMMISSION, :
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Plaintiff, :
 : 10 Civ. _____ ()
-against- :
 : **COMPLAINT**
 :
CARLO G. CHIAESE and C.G.C. ADVISORS, LLC, :
 :
Defendants, :
 :
and :
 :
MICOL CHIAESE, :
 :
Relief Defendant. :
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Plaintiff Securities and Exchange Commission (“Commission”), 3 World Financial Center, New York, NY, 10281, brings this action against defendants Carlo G. Chiaese (“Chiaese”), 100 Wilson Road, Apartment #64, Springfield, New Jersey, 07081, and C.G.C. Advisors, LLC (“CGC”), 53 Cardinal Drive, Westfield, New Jersey, 07090 (collectively, the

“Defendants”), and relief defendant Micol Chiaese (“Micol Chiaese” or “Relief Defendant”), 19 Red Oak Row, Chester, New Jersey, 07930, and alleges as follows:

SUMMARY

1. This is an emergency action brought to halt a fraudulent scheme by Chiaese and his company, CGC, to misappropriate investor funds from their advisory clients. Chiaese repeatedly made false and misleading statements to his clients regarding the clients’ investments, including creating and providing to clients fictitious, self-generated account statements that (i) misrepresented the value of their investments and (ii) falsely stated that their investments were safely held at a broker-dealer, when in fact, Chiaese and CGC had misappropriated their clients’ funds.

2. Chiaese and CGC misappropriated at least approximately \$2.5 million from at least six advisory clients. Instead of investing these funds as Chiaese promised, he used much of his clients’ funds to support his lavish lifestyle.

3. Micol Chiaese, Chiaese’s wife and an officer of CGC, benefited from this fraud by directly receiving at least \$261,300 of clients’ funds.

4. By this action, the Commission seeks to terminate this fraudulent activity, prevent the dissipation of any remaining assets, and compel an accounting of the missing funds.

VIOLATIONS

5. By virtue of the conduct alleged herein:

- a. Defendants, directly or indirectly, singly or in concert, have engaged and are engaging in acts, practices and courses of business that constitute violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77q(a);

- b. Defendants, directly or indirectly, singly or in concert, have engaged and are engaging in acts, practices and courses of business that constitute violations of Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5; and
- c. Defendants, directly or indirectly, singly or in concert, have engaged and are engaging in acts, practices and courses of business, that constitute violations of Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”), 15 U.S.C. §§ 80b(1) and 80b-6(2).

Unless Defendants are temporarily, preliminarily, and permanently restrained and enjoined, they will continue to engage in the acts, practices and courses of business set forth in this Complaint and in acts, practices, and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

5. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), Section 21(d)(1) of the Exchange Act, 15 U.S.C. § 78u(d)(1), and Section 209 of the Advisers Act, 15 U.S.C. § 80b-9, seeking to restrain and enjoin permanently Defendants from engaging in the acts, practices and courses of business alleged herein.

6. The Commission also seeks, as immediate relief, a temporary restraining order and a preliminary injunction against Defendants, asset freezes against Defendants and Relief Defendant, verified accountings from Defendants, expedited discovery, and an order prohibiting Defendants from destroying or altering documents.

7. Finally, the Commission seeks a Final Judgment ordering Defendants and Relief Defendant to disgorge their ill-gotten gains and to pay prejudgment interest thereon, and ordering Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), and Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e).

JURISDICTION AND VENUE

8. This Court has jurisdiction over this action, pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), Sections 21(e) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(e) and 78aa, and Section 214 of the Advisers Act, 15 U.S.C. § 80b-14.

9. Venue lies in this District pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and Section 214 of the Advisers Act, 15 U.S.C. § 80b-14. The Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein. A substantial part of the events and omissions giving rise to the Commission's claims occurred in the District of New Jersey, such as: (1) CGC purports to maintain its office in this District; (2) the Defendants received and solicited client funds in this District; and (3) Chiaese and Micol Chiaese are residents of the District.

THE DEFENDANTS AND RELIEF DEFENDANT

10. **Carlo G. Chiaese**, age 38, resides in Springfield, New Jersey. Chiaese is CGC's principal member and its controlling person. Between June 1994 and February 2008, he worked as a registered representative for several registered broker-dealers. Between February 22, 2008 and June 28, 2010, he was associated with a registered broker-dealer, working at an office in

Westfield, New Jersey (“Broker-Dealer A”). He holds Series 7 and 63 securities licenses, but is not currently associated with any broker-dealer.

11. **C.G.C. Advisors, LLC**, a New York limited liability corporation, purportedly has offices in Westfield, New Jersey and New York, New York. Chiaese has been CGC’s principal member and its controlling person. CGC is not registered with the Commission in any capacity. Between November 2008 and September 2010, CGC maintained a bank account (“CGC Bank Account”).

12. **Micol Chiaese**, age 38, and a resident of Chester, New Jersey, is Chiaese’s wife. On certain CGC Bank Account records, she is identified as CGC’s President, and she is an authorized signatory on the CGC Bank Account.

FACTS

A. Defendants Defrauded Their Client, A Union Pension Fund.

13. In approximately November 2008, a union pension trust fund for the benefit of approximately 880 members (“Union Fund”) became an advisory client of Chiaese. At this time, Chiaese told the Union Fund trustees that he would invest the Union Fund’s money conservatively in bonds and mutual funds.

14. On November 25, 2008, the Union Fund caused \$1,715,241.30 to be wire transferred to the CGC Bank Account.

15. Instead of purchasing bonds and mutual funds for the Union Fund, Chiaese misappropriated the funds and used the funds for his own benefit.

16. Between November 2008 and September 2010, Chiaese provided to the Union Fund and its representatives account statements and confirmations representing that the Union Fund had purchased and owned bonds and mutual funds.

17. These account statements and confirmations were false and misleading. Chiaese did not purchase bonds or mutual funds for the Union Fund. Rather, he misappropriated the Union Fund's \$1,715,241.30. In fact, the account statements and confirmations were complete fabrications.

B. Defendants Defrauded Their Clients, The Ps.

18. Since 2003, a husband ("AP") and wife ("DP") (together, the "Ps") have been advisory clients of Chiaese. Between 2003 and 2008, AP and DP invested in mutual funds sold through the broker-dealers where Chiaese worked, and they held those funds in their IRA, 529 Plans and joint accounts.

19. Between November 2008 and March 2010, the Ps met with Chiaese several times at the Ps' residence in New Jersey. At each meeting, Chiaese reviewed their investments with them.

20. At a November 2008 meeting, Chiaese recommended that the Ps invest \$50,000 in a six-month term CD. Based on Chiaese's advice, on November 11, 2008, the Ps invested \$50,000 in what they understood was a CD. DP gave Chiaese a \$50,000 check payable to CGC.

21. Instead of purchasing a CD for the Ps, Chiaese misappropriated the funds and used the funds for his own benefit.

22. In May 2009, Chiaese met with the Ps, and the Ps said they had an additional \$50,000 to invest. Chiaese told the Ps that the first CD had automatically rolled over, and Chiaese recommended that the Ps invest the second \$50,000 in another six-month CD. Based on Chiaese's advice, on May 14, 2009, DP gave Chiaese a second \$50,000 check payable to CGC.

23. Instead of using the second \$50,000 check to purchase another CD for the Ps, Chiaese misappropriated the funds and used the funds for his own benefit.

24. In September or October 2009, Chiaese again met with the Ps. At this meeting, they discussed transferring all of the Ps' brokerage accounts to Broker-Dealer A, the broker-dealer with which Chiaese was then associated. Chiaese advised the Ps to liquidate their existing joint brokerage account (that the Ps held at another broker-dealer), wire the proceeds to the Ps' bank account, and then provide CGC with a check for the same amount. Chiaese did not disclose to the Ps that they could transfer their securities directly to Broker-Dealer A without such liquidation. On October 14, 2009, the same day that the Ps' bank account received \$211,390.96 in proceeds from the liquidation of their joint brokerage account, DP gave Chiaese a check in the same amount payable to CGC.

25. Instead of depositing the \$211,390.96 into an account at Broker-Dealer A for the Ps' benefit, Chiaese misappropriated the funds and used the funds for his own benefit.

26. In early 2010, AP was terminated from his employment, and he received approximately \$160,000 in severance pay. On January 26, 2010, in anticipation of receiving this pay, the Ps met with Chiaese and discussed investing the \$160,000 in mutual funds. In March 2010, the Ps told Chiaese to invest it as follows: (i) \$115,000 in long-term strategy mutual funds; (ii) \$25,000 in a conservative mutual fund since they intended to use this in December 2010 to fund contributions to their IRAs and their three children's 529 Plan accounts; and (iii) \$20,000 in a conservative mutual fund since they anticipated using this to purchase a car later in 2010. On March 4, 2010, DP gave Chiaese three checks payable to CGC, one for \$115,000, one for \$25,000, and one for \$20,000.

27. Instead of depositing the Ps' \$160,000 into accounts at Broker-Dealer A for the Ps' benefit, or purchasing mutual funds as the Ps directed, Chiaese misappropriated the funds and used the funds for his own benefit.

28. Between October 2009 and February 2010, Chiaese provided the Ps with monthly account statements that had a CGC logo, indicating that CGC was a broker-dealer. These account statements identified the value of all of the Ps' investments, including securities in their joint account worth approximately \$320,000, which was approximately the amount the Ps believed they owned based on their checks paid to CGC in 2008 and 2009. This amount was consistent with the Ps' investments at the time. Thereafter, the Ps did not receive account statements from the Defendants until September 2010. During 2010, however, AP repeatedly asked Chiaese to provide access to his accounts via the internet, but Chiaese provided numerous excuses for not doing so, often claiming that "technical difficulties" prevented this.

29. The account statements that Chiaese provided the Ps contained false and misleading information. First, the Ps' did not own securities worth approximately \$320,000 in a joint brokerage account. In fact, Chiaese had misappropriated the Ps' funds. Second, CGC was not a registered broker-dealer. Third, Chiaese provided excuses for not providing AP with internet access to the Ps' accounts because Chiaese was hiding the fact that he had misappropriated the Ps' funds, and not primarily because of technical difficulties.

30. At a meeting in July 2010, Chiaese falsely assured the Ps that all of their funds were invested as they had directed. At the meeting, the Ps said that they needed to withdraw \$25,000 from their joint account, and Chiaese assured them that he would withdraw the funds and send them the \$25,000. After a few weeks without receiving any funds, the Ps insisted on meeting with Chiaese. On August 10, 2010, the day of that they had agreed to meet, Chiaese sent the Ps an email purportedly written by Chiaese's assistant, but in fact written by Chiaese. Chiaese wrote:

I am writing to inform you that Carlo [Chiaese] will not be able to make the meeting tonight because he was involved in a car accident a couple of

hours ago. A gentleman ran a light and smashed into Carlo on the driver side door. He is conscious, may have a couple broken ribs and hit his head hard. The doctor wants him to stay in the hospital for a while to observe him and may release him this evening. I have not spoken to Carlo but his father called the office to inform us being that he was notified due to Carlo's family being in Italy. I am certain that he will call you tomorrow as I know he had several things to review with you that I helped him prepare. If I can be of any assistance in the meanwhile please let me know.

Respectfully,
[redacted ("DB")]
Assistant to Carlo Chiaese

31. This email was a complete fabrication. Chiaese, not DB, wrote this email. DB was not Chiaese's assistant. DB did not help Chiaese prepare any papers for the Ps. Chiaese was not involved in a car accident on August 10, 2010. Chiaese's father was not informed of Chiaese being in a car accident, and Chiaese's father did not convey any such information to DB.

32. On August 27, 2010, after the Ps had repeatedly asked Chiaese about receiving their \$25,000, Chiaese visited AP at AP's home. During the meeting, Chiaese assured AP that all his investments were safe. AP complained to Chiaese that AP only had internet access to his own IRA account at Broker-Dealer A. (Previously, the Ps had transferred their existing IRA and 529 Plan accounts directly to Broker-Dealer A.) In response, Chiaese assured AP that he would soon have internet access to all of the Ps' accounts at Broker-Dealer A, including the Ps' joint account.

33. Chiaese's statements to AP on August 27, 2010 were false and misleading. Chiaese had misappropriated the Ps' investments, consisting of two \$50,000 checks, a \$211,390.96 check, and the three checks totaling \$160,000. Chiaese had not purchased CDs or mutual funds for the Ps, and Chiaese had not opened a joint account for them at Broker-Dealer A. Thus, the

Ps' investments were not safe, and AP could not have internet access to the Ps' joint account at Broker-Dealer A because that account did not exist.

34. Also at the August 27, 2010 meeting, Chiaese gave AP a document to sign, telling AP that it was an authorization form to withdraw the \$25,000 from the Ps' joint account.

35. On September 3, 2010, Chiaese visited DP at her office and told her that she also needed to sign an authorization form to withdraw the \$25,000. While the authorization consisted of two pages, Chiaese presented her only with the form's signature page, and while she signed it, Chiaese held that page with other papers obscuring all information except for the signature line.

36. Both AP and DP signed the documents and gave them to Chiaese. The authorizations, which Chiaese had filled out (except for the Ps' signatures), did not authorize withdrawal of \$25,000 from the Ps' joint brokerage account. Instead, they authorized withdrawal of \$10,000 and \$15,000 from the IRA accounts of AP and DP, respectively.

37. By obtaining the Ps' signatures in this fashion, Chiaese deceived them by causing them to believe that they were authorizing a \$25,000 withdrawal from their joint account when in fact they signed forms authorizing a total of \$25,000 withdrawal from their IRA accounts.

38. At a September 1, 2010 meeting, Chiaese provided the Ps with their account statement for August 2010, and that statement had a CGC logo, indicating that CGC was a broker-dealer. The August 2010 statement showed that the Ps owned shares of nine mutual funds worth a total of \$467,584.97, which was approximately the amount the Ps believed they owned based on their checks paid to CGC (totaling \$471,390.96) and Chiaese's prior representations to them. The Ps asked Chiaese to provide them with their prior monthly account statements, and he said he would.

39. The August 2010 account statement that Chiaese provided the Ps on September 1, 2010, contained false and misleading information. First, because Chiaese had misappropriated the Ps' funds, the Ps did not hold securities consisting of mutual fund shares worth \$467,584.97 in their joint account. Second, CGC was not a registered broker-dealer.

40. On September 9, 2010, Chiaese sent the Pavans an email, again falsely purporting to be DB. The email stated that the writer, purportedly DB, was sending all outstanding account statements to the Ps' residence. This email was false and misleading because Chiaese misrepresented who wrote the email and the status of the Ps' account statements.

41. On September 10, 2010, the Ps received in the mail confirmations showing a total of \$25,000 of mutual fund sales and distributions from their IRA accounts. Over the next few days, in phone calls, text messages, emails and meetings, Chiaese repeatedly lied to the Ps about their investments. For example, on September 11, 2010, Chiaese sent AP an email saying that the "IRAs were not touched." At the time, however, Chiaese knew the IRA withdrawals had taken place because he had filled out the IRA account withdrawal forms.

42. At a September 13, 2010 meeting with AP, Chiaese said that Broker-Dealer A's clerical staff had mistakenly caused the \$25,000 to be withdrawn from the IRA accounts. Also at this meeting, Chiaese made a telephone call in AP's presence purportedly to correct the IRA withdrawals. While on the phone, Chiaese asked AP for his most frequently used online password, saying Chiaese needed it to establish an online account, and AP provided it. Shortly after that call, AP gained internet access to his wife's IRA account. However, he still did not have access to their joint account. When AP questioned this, Chiaese assured him that he would soon have internet access but that it would take some time due to "technical difficulties."

43. Chiaese's statements to AP on September 13, 2010 were false and misleading. Broker-Dealer A's clerical staff had not mistakenly caused the IRA withdrawals because Chiaese had completed the IRA account withdrawal forms. In addition, AP was not able to have internet access to the Ps' joint account because Chiaese had misappropriated the Ps' investments instead of opening a joint account for them at Broker-Dealer A.

44. At a September 15, 2010 meeting with AP, Chiaese insisted that Chiaese had filled out the correct forms to withdraw funds from the Ps' joint brokerage account, and not their IRA accounts, and he claimed that the IRA withdrawals had been corrected. Chiaese also assured AP that the Ps' joint account investments were with Broker-Dealer A.

45. Chiaese's statements to AP on September 15, 2010 were false and misleading. In fact, Chiaese had had filled out the IRA account withdrawal forms. Moreover, the Ps did not have a joint account at Broker-Dealer A because Chiaese had misappropriated the Ps' investments instead of opening a joint account for them at Broker-Dealer A.

46. In a September 16, 2010 text message exchange, Chiaese wrote to AP falsely stating that all of the Ps' assets were held at Broker-Dealer A. In fact, Chiaese had misappropriated the Ps' funds totaling \$471,390.96.

C. Defendants Defrauded Client ER.

47. In 2005, AP introduced a colleague ("ER") to Chiaese, and thereafter, ER became Chiaese's advisory client.

48. Between August 2009 and April 2010, ER asked Chiaese to invest a total of \$35,000 in bonds. ER paid for these investments by writing three checks payable to CGC for \$10,000, \$10,000 and \$15,000, on July 20, 2009, December 15, 2009, and April 1, 2010, respectively. Thereafter, Chiaese assured ER that the bonds had been purchased and were safe.

Chiaese also provided ER with account statements and confirmations representing that the bonds had been purchased.

49. Chiaese's statements to ER regarding these purported bond purchases were false and misleading. First, Chiaese did not purchase bonds for ER. Second, ER's investment was not safe because Chiaese had misappropriated ER's \$35,000. Third, the account statements and confirmations were fictitious documents generated by Chiaese, not a registered broker-dealer.

50. ER scheduled a meeting with Chiaese for September 20, 2010, but Chiaese cancelled. Thereafter, Chiaese did not return ER's telephone calls.

D. Defendants Defrauded Client SS.

51. In mid-2004, AP introduced another colleague ("SS") to Chiaese, and thereafter, SS became Chiaese's advisory client. On Chiaese's recommendation, in late 2004, SS invested \$200,000 in mutual funds through the broker-dealer where Chiaese then worked.

52. In February 2008, around the time Chiaese began working at Broker-Dealer A, Chiaese sent SS an account statement purportedly showing that SS's \$200,000 mutual fund investment had increased to approximately \$370,000.

53. Also in February 2008, Chiaese recommended that SS sell his mutual funds and use the proceeds to purchase bonds.

54. This account statement and Chiaese's statements contained false and misleading information because Chiaese had misappropriated SS's investments.

55. In late May 2008, Chiaese told SS that his investments were valued at approximately \$300,000. When SS asked Chiaese to explain the investment value drop from approximately \$370,000 to \$300,000, Chiaese responded by email on June 4, 2008, saying that his investments were worth \$370,859.02.

56. Chiaese's statement was false and misleading because SS's investments were not worth \$370,859.02 because Chiaese had misappropriated SS's investments.

57. On June 11, 2008, Chiaese sent SS an email stating that SS's investment portfolio consisted of "four government bonds that are issued buy [sic] agencies of the United States Government." Chiaese attached to his email SS's account statement which purportedly showed SS owning four types of government bonds worth a total of \$370,630.42 held at Broker-Dealer A.

58. This account statement and Chiaese's statements regarding SS's investments were false and misleading. First, SS did not have an account at Broker-Dealer A. Second, SS's investment portfolio did not consist of government bonds and his investment was not worth \$370,630.42 because Chiaese had misappropriated SS's investments.

59. In mid-2009, SS requested that Chiaese liquidate approximately \$150,000-200,000. In June and July 2009, Chiaese provided SS various excuses regarding delays in sending this money, including saying that certain bonds could not be sold because they were not mature yet.

60. In August and September 2009, however, Chiaese sent SS a total of \$175,000. These payments came from the CGC Bank Account (and a related savings account) and not from the proceeds from selling bonds.

61. In April 2010, in response to SS's request for documentation regarding the purchase and sale of his bonds, Chiaese sent SS four purported confirmations. These confirmations, however, were fabrications as they were purportedly issued by CGC, which was never a registered broker-dealer. In fact, CGC and Chiaese did not purchase or sell bonds for SS.

62. On September 21, 2010, SS requested that Chiaese liquidate and send \$100,000 of what SS believed was his remaining approximately \$200,000 investment. Despite repeated

attempts, however, Chiaese did not comply with SS's redemption request or otherwise respond to SS.

E. Defendants Defrauded Client AD.

63. Approximately ten years ago, Micol Chiaese's father introduced his friend ("AD") to Chiaese. By at least 2007, AD became an advisory client of Chiaese.

64. In the summer of 2009, on Chiaese's recommendation, AD liquidated an existing securities brokerage account, and on August 18-19, 2009, AD wired these proceeds, a total of \$168,233.04, to the CGC Bank Account. Chiaese told AD that Chiaese would purchase mutual funds with the \$168,233.04.

65. Also in the summer of 2009, on Chiaese's recommendation, AD liquidated another existing securities brokerage account, and in September 2009, AD wrote a check payable to CGC for \$50,374.34, which was deposited into the CGC Bank Account on September 10, 2009. Chiaese told AD that Chiaese would purchase mutual funds with the \$50,374.34.

66. Instead of purchasing mutual funds for AD, Chiaese misappropriated the \$218,607.38 (\$168,233.04 plus \$50,374.34) and used the funds for his own benefit.

67. In September 2009, Chiaese provided AD with an account statement purporting to show that AD owned a total of \$221,702.45 worth of mutual funds held at Broker-Dealer A.

68. This account statement was false and misleading. Rather than purchase mutual funds for AD, Chiaese had misappropriated AD's \$218,607.38. Moreover, AD did not even have a brokerage account at Broker-Dealer A.

69. In May 2010, Chiaese recommended that AD purchase an annuity for \$50,000. On May 10, 2010, AD gave Chiaese a check for \$50,000 payable to CGC.

70. Instead of purchasing an annuity for AD, Chiaese misappropriated the funds and used the funds for his own benefit.

71. In approximately late May 2010, Chiaese provided AD with an account statement with a CGC logo, indicating that CGC was a broker-dealer, and stating that AD's investments consisted of mutual funds worth approximately \$275,000.

72. The account statement was false and misleading. First, AD did not own mutual funds worth \$275,000 because Chiaese had misappropriated AD's funds. Second, CGC was not a registered broker-dealer.

F. Chiaese And Micol Chiaese Benefited From Defendants' Fraud.

73. Between November 2008 and July 2010, Defendants maintained the CGC Bank Account, an account in CGC's name. Certain CGC Bank Account records identify Micol Chiaese as CGC's President. (Other CGC Bank Account records identify her as CGC's Vice President.) Chiaese and Micol Chiaese had signatory authority on the CGC Bank Account.

74. The funds that Chiaese's clients paid to CGC were deposited in the CGC Bank Account. Specifically, the following client checks or wires were deposited into the CGC Bank Account: the Union Fund wire transfer of \$1,715,241.30; four checks from the Ps totaling \$471,390.96; three checks from ER totaling \$35,000; AD's wire transfers of approximately \$168,233.04; and checks from AD for \$50,374.34 and \$50,000.

75. Chiaese used the funds in the CGC Bank Account, including his clients' funds, to live a lavish lifestyle. For example, Chiaese used CGC Bank Account funds to pay: the mortgage on a million dollar home; approximately \$32,000 on landscaping; approximately \$70,000 on multiple country clubs; approximately \$12,000 on his child's private school tuition; approximately \$4,000 at a New York City hotel on New Year's Eve 2008; thousands of dollars

on expensive cars; tens of thousands of dollars per month in living expenses; and numerous cash withdrawals.

76. Between November 2008 and June 2010, on approximately 24 instances, Micol Chiaese directly withdrew or received funds totaling at least \$261,300 from the CGC Bank Account.

FIRST CLAIM FOR RELIEF
(Defendants' Violations of Section 17(a) of the Securities Act)

77. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 76 of this Complaint.

78. From February 2008 through the present, Defendants, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in interstate commerce, or of the mails, in connection with the offer or sale of securities, have: (a) employed, and are employing, devices, schemes and artifices to defraud; (b) obtained, and are obtaining, money or property by means of untrue statements of material fact, or have omitted, and are omitting, to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged, and are engaging, in transactions, acts, practices and courses of business which would operate as a fraud or deceit upon the Defendants' clients.

79. Defendants engaged, and are engaging, in the conduct described above knowingly or with recklessness.

80. By reason of foregoing, Defendants, directly or indirectly, singly or in concert, have violated, are violating, and unless enjoined, will continue to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

SECOND CLAIM FOR RELIEF

(Defendants' Violations of Section 10(b) of the Exchange Act and Rule 10b-5)

81. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 80 of this Complaint.

82. From February 2008 through the present, Defendants, directly or indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities, have: (a) employed, and are employing, devices, schemes and artifices to defraud; (b) made, and are making, untrue statements of material fact, or have omitted, and are omitting, to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged, and are engaging, in transactions, acts, practices and courses of business which operated or would have operated as a fraud or deceit upon the Defendants' clients.

83. Defendants engaged, and are engaging, in the conduct described above knowingly or with recklessness.

84. By reason of foregoing, Defendants, directly or indirectly, singly or in concert, have violated, are violating, and unless enjoined, will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §240.10b-5.

THIRD CLAIM FOR RELIEF

(Defendants' Violations of Sections 206(1) and 206(2) of the Advisers Act)

85. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 84 of this Complaint.

86. From February 2008 through the present, Defendants, as investment advisers, directly or indirectly, singly or in concert, by use of the mails or any means or instrumentality of

interstate commerce or of the mails, have employed, and are employing devices, schemes and artifices to defraud their clients, and have engaged, and are engaging, in transactions, practices and courses of business which operate as a fraud and deceit upon their clients.

87. Defendants engaged, and are engaging, in the conduct described above knowingly or with recklessness.

88. By reason of foregoing, Defendants, directly or indirectly, singly or in concert, have violated, are violating, and unless enjoined, will continue to violate, Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b(1) and 80b-6(2).

FOURTH CLAIM FOR RELIEF
(Unjust Enrichment against Micol Chiaese as a Relief Defendant)

89. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 88 of this Complaint.

90. Micol Chiaese has obtained funds as part, and in furtherance, of the securities violations alleged above, and under circumstances in which it is not just, equitable or conscionable for Micol Chiaese to retain the funds. As a consequence, Micol Chiaese has been unjustly enriched.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court grant the following relief:

I.

An Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining Chiaese and CGC, their agents, servants, employees and attorneys and all persons in active concert or participation with them, who receive actual notice of the

injunction by personal service or otherwise, and each of them, from future violations of Sections 17(a) of the Securities Act, 15 U.S.C. §§ 77q(a).

II.

An Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining Chiaese and CGC, their agents, servants, employees and attorneys and all persons in active concert or participation with them, who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, thereunder, 17 C.F.R. § 240.10b-5.

III.

An Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining Chiaese and CGC, their agents, servants, employees and attorneys and all persons in active concert or participation with them, who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b(1) and 80b-6(2).

IV.

An Order directing Chiaese, CGC, Micol Chiaese, and each of their financial and brokerage institutions, agents, servants, employees attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of such Order by personal service, facsimile service, or otherwise, to hold and retain within their control, and otherwise prevent, any withdrawal, transfer, pledge, encumbrance, assignment, dissipation, concealment or other disposal of any assets, funds, or other property (including money, real or personal property, securities, commodities, choses in action or other property of any kind whatsoever) of, held by,

or under the control of Chiaese, CGC, and Micol Chiaese, whether held in their names or for their direct or indirect beneficial interest wherever situated.

V.

An Order directing Chiaese and CGC to file with this Court and serve upon the Commission, within five (5) business days, or within such extension of time as the Commission staff agrees to, a verified written accounting, signed by each such Defendant, and under penalty of perjury, setting forth:

(1) All assets, liabilities and property currently held, directly or indirectly, by or for the benefit of each such Defendant, including, without limitation, bank accounts, brokerage accounts, investments, business interests, loans, lines of credit, and real and personal property wherever situated, describing each asset and liability, its current location and amount;

(2) All money, property, assets and income received by each such Defendant for his direct or indirect benefit, at any time from February 1, 2008, through the date of such accounting, describing the source, amount, disposition and current location of each of the items listed;

(3) The names and last known addresses of all bailees, debtors, and other persons and entities that currently are holding the assets, funds or property of each such Defendant; and

(4) All assets, funds, securities, and real or personal property received by each such Defendant, or any other person controlled by them, from persons who provided money to the Defendants in connection with the offer, purchase or sale of securities, from February 1, 2008, to the date of the accounting, and the disposition of such assets, funds, securities, real or personal property.

VI.

An Order permitting expedited discovery.

VII.

An Order enjoining and restraining Chiaese and CGC, and any person or entity acting at their direction or on their behalf, from destroying, altering, concealing, or otherwise interfering with the access of the Commission to relevant documents, books and records.

VIII.

A Final Judgment ordering Chiaese, CGC, and Micol Chiaese to disgorge their ill-gotten gains, plus prejudgment interest, and such other and further amount as the Court may find appropriate.

IX.

A Final Judgment ordering Chiaese and CGC to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

X.

Such other and further relief as to this Court deems just and proper.

Dated: New York, New York
October 5, 2010

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