

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

UNITED STATES OF AMERICA : Hon.  
 :  
 v. : Criminal No. 18-  
 :  
 JOSEPH NATALE, : 18 U.S.C. §§ 371, 1005, 1007  
 ALBERT GASPARRO, and : 1344 and 2  
 GARY KETCHUM

**INDICTMENT**

The Grand Jury in and for the District of New Jersey, sitting at Newark, charges:

**COUNT 1**

**(Conspiracy to Deceive the FDIC and FSB and to Influence the FDIC)**

1. At various times relevant to this Indictment:

a. Defendant JOSEPH NATALE (“NATALE”) was the Chief Executive Officer of First State bank (“FSB”) and Chairman of the FSB Board of Directors (the “FSB Board”). Defendant NATALE was involved in attempts by FSB to raise capital, certain of FSB’s loan activities, the selection of law firms engaged by FSB, and FSB’s payment of operating and other expenses.

Defendant NATALE also held himself out as an owner and operator of KMN Properties, LLC, which was a limited liability company registered in the State of New Jersey (“KMN”).

b. Defendant ALBERT GASPARRO (“GASPARRO”) held himself out as owning and controlling two entities named Primanagement, LLC and Primanagement, Inc. (collectively referred to herein as “Primanagement”), and as having the authority to exercise control over a third company referred to

herein as “Ultravest.” Defendant GASPARRO contracted with FSB, through Primanagement, to be FSB’s agent and investment advisor.

c. Defendant GARY KETCHUM held himself out as the principal of one or more companies in the insurance field (the “Insurer”), located in Springfield, New Jersey, and elsewhere.

d. Donna Conroy (“Conroy”), a co-conspirator who is not named as a defendant herein, was an attorney licensed to practice law in the State of New Jersey and a partner in a law firm located in Cranford, New Jersey (the “Law Firm”). Conroy acted as outside counsel to FSB.

e. Coconspirator 1 (“CC”), who is not named as a defendant herein, was an attorney licensed to practice law in the State of New Jersey and a partner at the Law Firm.

f. FSB was a New Jersey state-chartered bank located in Cranford, New Jersey. FSB was a financial institution as defined by Title 18, United States Code, Section 20, whose deposits were insured by the Federal Deposit Insurance Corporation (“FDIC”). FSB was periodically examined by the FDIC and the New Jersey Department of Banking and Insurance (“NJDOBI”) (collectively, the “Regulators”).

g. The FDIC was an independent agency created by Congress to maintain stability and public confidence in the nation’s financial system by, among other things, insuring deposits, examining and supervising banks for safety and soundness and consumer protection, and managing the resolution of banks placed in receivership for failure to comply with safety and soundness

and other regulatory standards. The FDIC had the power to shut down insufficiently capitalized banks.

h. The NJDOBI was a New Jersey state agency responsible for, among other things, the examination of state-chartered commercial banks, savings banks, and savings and loan institutions, and for bringing enforcement actions under New Jersey state law when appropriate.

i. Certain rules and regulations prevented a single investor from owning or controlling more than 9.9% of FSB's stock absent regulatory approval (the "10% Concentration Rule").

#### Overview

2. By 2009, FSB had received poor ratings from the Regulators, which increased FSB's operating expenses and put FSB at risk of intervention, and possibly closure. The Regulators were particularly concerned with FSB's inadequate capital level.

3. Defendant NATALE stated that this concern could be remedied by raising approximately \$7 million in capital, but neither he nor FSB could attract investors to buy \$7 million of FSB's stock.

4. Accordingly, defendant NATALE, defendant GASPARRO, defendant KETCHUM, Conroy, and CC (the "Conspirators") engaged in a three-part fraud to deceive the FDIC and FSB about the financial health of FSB (the "Conspiracy"). In the first part of the fraud, various Conspirators: (a) used \$12 million of FSB's own funds, without FSB's knowledge, to purchase bonds; (b) used the purchased bonds as collateral to secure a \$7 million loan from a

Canadian bank; (c) used nominee entities to both transfer the \$7 million back to FSB and comply with the 10% Concentration Rule; and (d) received a \$715,000 finder's fee from FSB for "finding" the nominee entities.

5. In the second part of the fraud, various Conspirators: (a) concealed from FSB's auditors the fact that FSB's own funds had been used to secure the \$7 million loan; (b) obtained by fraud \$7.6 million in loan proceeds from FSB to repay the original \$7 million Canadian bank loan (with interest); and (c) sold the bonds that had served as collateral for the original \$7 million Canadian bank loan.

6. Finally, in the third part of the fraud, the Conspirators concealed their activities from the FDIC and FSB during a subsequent FDIC regulatory examination of FSB.

**I. Part One - the Sham Capital Raise: Circumventing the 10% Concentration Rule by Using Nominees to Purchase FSB Stock**

7. In or about September 2009, the Conspirators routed FSB's own funds through nominee entities to evade the 10% Concentration Rule and to make it falsely appear as though FSB had raised \$7 million in outside capital (the "Sham Capital Raise").

8. First, defendant GASPARRO secretly used FSB's own assets to generate the \$7 million for the Sham Capital Raise:

a. On or about September 9, 2009, defendant GASPARRO, as FSB's investment advisor, caused \$12 million in FSB funds to be deposited into an account at a Canadian bank (the "Canadian Bank").

b. Approximately one week later, defendant GASPARRO used the \$12 million in FSB funds to purchase bonds (the “Bonds”).

c. On or about September 24, 2009, defendant GASPARRO used the Bonds as collateral to obtain a \$7 million loan to Primanagement (the “\$7 Million Loan”) from the Canadian Bank.

9. Next, the Conspirators circumvented the 10% Concentration Rule by fraudulently utilizing three entities (referred to collectively as the “Nominee Entities” and individually as “Entity 1,” “Entity 2,” and “Ultravest”) to each buy less than 10% of FSB’s stock, when in fact that stock would be owned and controlled by defendant GASPARRO:

a. On or about September 24, 2009, defendant GASPARRO caused the Canadian Bank to wire the \$7 million in loan proceeds from an account in Primanagement’s name to the Law Firm’s bank account (the “Law Firm Account”).

b. In or about mid-September 2009, CC created Entity 1 and defendant NATALE recruited an individual (the “Natale Nominee”) to sign one or more documents that would be used to buy FSB shares in the name of Entity 1. In late September 2009, defendant NATALE caused the Natale Nominee to execute a subscription agreement with FSB, by which 478,000 FSB shares were falsely shown as being purchased by Entity 1 with Entity 1’s own funds for approximately \$2.39 million.

c. In or about mid-September 2009, CC created Entity 2 and recruited an individual (the “CC Nominee”) to sign one or more documents that

would be used to buy FSB shares in the name of Entity 2. In late September 2009, CC caused the CC Nominee to execute a subscription agreement with FSB, by which 430,000 FSB shares were falsely shown as being purchased by Entity 2 with Entity 2's own funds for approximately \$2.15 million.

d. In late September 2009, defendant GASPARRO executed a subscription agreement with FSB, by which 492,000 FSB shares were shown as being purchased by Ultravest with Ultravest's own funds for approximately \$2.46 million.

e. On or about September 30, 2009, the Law Firm transferred the \$7 million to FSB using three checks drawn by Conroy on the Law Firm Account. According to the memo line on each check, the funds were being used by Entity 1, Entity 2, and Ultravest, respectively, to purchase 1.4 million FSB shares. The Sham Capital Raise was recorded in FSB's books and records.

10. Third, defendants NATALE and GASPARRO defrauded FSB into paying defendant GASPARRO a \$715,000 finder's fee for finding the \$7 million in purportedly new capital (the "Finder's Fee").

a. In or about September 2009, defendant GASPARRO submitted an early version of a proposed contract to defendant NATALE (the "Capital Raise Agreement"), pursuant to which FSB would pay Primanagement a fee if Primanagement found investors for a capital raise.

b. On or about October 8, 2009, the FSB Board voted to approve a \$715,000 payment to Primanagement for raising \$7 million for FSB

through the Nominee Entities (the “Finder’s Fee”). Defendant NATALE, as FSB Board Chairman, voted to approve the Finder’s Fee, without revealing to FSB’s Board that: (i) the Sham Capital Raise fraudulently circumvented the 10% Concentration Rule by utilizing the Nominee Entities; and (ii) the Sham Capital Raise had been secretly funded with FSB’s own assets.

c. On or about October 20, 2009, Primanagement submitted a \$715,000 invoice to FSB (the “Capital Raise Invoice”). The Capital Raise Invoice included a \$450,000 “success fee” paid to defendant GASPARRO for finding the Nominee Entities, a \$250,000 “consulting fee” for this same transaction, and \$15,000 as an “expense reimbursement,” which followed the compensation formula set forth in the Capital Raise Agreement. FSB paid the full amount of the Finder’s Fee to Primanagement.

d. On or about October 30, 2009, Conroy asked defendant GASPARRO to execute the Capital Raise Agreement under which he had already been paid the \$715,000 Finder’s Fee by FSB. On or about December 10, 2009, Conroy again asked defendant GASPARRO to sign the Capital Raise Agreement, after which the Capital Raise Agreement was signed by defendant GASPARRO and backdated to September 30, 2009.

e. Defendants NATALE and GASPARRO secretly divided the Finder’s Fee amongst themselves. Defendant NATALE caused a false invoice to be created from KMN to Primanagement, seeking payment for services provided by KMN to Primanagement that had not, in fact, been rendered.

Defendants NATALE and GASPARRO used the false invoice to transfer half of the Finder's Fee to defendant NATALE.

f. The use of nominees, violation of the 10% Concentration Rule, misuse of FSB assets as collateral, and fraudulent payment of a finder's fee were concealed from various FSB officers and Board members and from the FDIC, who were instead falsely led to believe that FSB's capital deficit had been remedied by three outside investors who had collectively injected \$7 million in new money into FSB.

## **II. Part Two - the Fraudulent Loans: Hiding the Misuse of FSB's Bonds to Fund the Sham Capital Raise**

11. In the second part of the Conspiracy, the Conspirators concealed from FSB's auditors material information about the Bonds because that information would reveal that the Bonds had been misused to fund the Sham Capital Raise. To stop the auditors' inquiries, the Conspirators tried to control what information the auditors were given, and then ended those inquiries by selling the Bonds.

12. By in or about January 2010, an FSB auditor ("Auditor 1") advised FSB's Audit Committee that Auditor 1 required a safekeeping report to document the status of the Bonds. The Conspirators took steps to prevent the Canadian Bank from communicating with FSB's Auditors.

a. Defendant GASPARRO provided the Canadian Bank with a letter dated February 1, 2010, falsely indicating to the Canadian Bank that the Law Firm's mailing address and fax number was Auditor 1's mailing address and fax number. In that same letter, defendant GASPARRO named CC's



secretary at the Law Firm as the point of contact at Auditor 1 to whose attention the Canadian Bank should send the account information.

b. In mid- March 2010, defendant GASPARRO asked Conroy to “please review . . . with Joe [NATALE] and then let’s discuss” an email from the Canadian Bank attaching a request for information that the Canadian Bank had received from a second FSB auditor (“Auditor 2”).

c. Defendant GASPARRO then instructed the Canadian Bank to “not reply” to Auditor 2 and further stated that he would “deal with this from his end.”

d. On or about March 17, 2010, defendant GASPARRO forwarded a fictitious safekeeping report to Conroy that concealed the misuse of the Bonds to fund the Sham Capital Raise.

13. The Conspirators also sought to end the auditors’ inquiries by simply selling the bonds. Because the Bonds were collateral for the \$7 Million Loan, the Bonds could not be sold until the \$7 Million Loan was repaid. To generate funds to pay off the \$7 million loan, the Conspirators convinced FSB to make three loans to the Nominee Entities (the “Fraudulent Loans”) while misrepresenting and concealing the true purpose of the loans:

a. Entity 1 and Entity 2 had no assets and, therefore, no collateral to offer in return for loans. To create that collateral, the Conspirators used defendant KETCHUM to write insurance policies. In mid-February 2010, Conroy sent an email to defendant KETCHUM sharing her “understanding based on conversations with Joe [NATALE] and Albert

[GASPARRO]” that Ultravest, Entity 1, and Entity 2 needed loans for approximately 2.460, 2.39, and 2.15 million dollars, respectively.

b. Conroy also told defendant KETCHUM that the Nominee Entities, as borrowers, would post “stock of a financial institution” as property to support the issuance of financial insurance guaranty policies created by defendant KETCHUM (the “Ketchum Policies”).

c. Conroy and defendants KETCHUM and GASPARRO repeatedly described that financial institution stock as the 1.4 million FSB shares acquired by the Nominee Entities in the Sham Capital Raise.

d. An FSB lending officer sought information about the borrowers, business plans for Entity 1 and Entity 2, information about how the insurance policies would function as loan collateral and how the borrowers would use the proceeds of the Fraudulent Loans. Additionally, FSB required proof that the Insurer had the financial ability to pay claims made under the Ketchum Policies. The Conspirators took steps to respond to these questions with false and fraudulent information concerning the Nominee Entities and the Ketchum Policies.

e. In mid- April 2010, CC sent Conroy an email attaching a business plan that CC had drafted for Entity 2 (the “CC Business Plan”), which CC told Conroy “accomplishes our goals. . . . I guess you can use the exact same one for [Entity 1] as I am really not sure how I would change it for another company.” The attached CC Business Plan falsely stated that Entity 2 planned to invest the proceeds of its Fraudulent Loan in stocks and bonds

(consistent with a model portfolio referenced in the plan), which were anticipated to return between 15 and 20 percent annually. As collateral for Entity 2's loan, the CC Business Plan stated that an insurance policy would pay FSB "in full" if there was a loan payment default, making the loan a "low" risk to FSB.

f. Thereafter, Conroy drafted a Business Plan for Entity 1 (the "Conroy Business Plan"), which mirrored the CC Business Plan's false description of the loan's purpose and which also characterized the proposed Fraudulent Loan as being "low" risk due to the loan payment default insurance.

g. Defendant GASPARRO sent Conroy model portfolios falsely representing how Ultravest, Entity 1 and Entity 2 would use the proceeds of the Fraudulent Loans to invest in a portfolio of securities.

h. In or about May 2010, defendant KETCHUM submitted a balance sheet to Conroy and FSB showing that in 2008 the Insurer had over \$24 million in assets (the "Balance Sheet"), and a letter generated by a CPA firm engaged by defendant KETCHUM showing a brokerage account of over \$22 million in Insurer assets in early 2009 (the "CPA Letter"). In fact, defendant KETCHUM knew that the actual account balance in that brokerage account was approximately \$44 and that the assets stated on the Balance Sheet also were false.

i. Between on or about April 22, 2010 and on or about April 29, 2010, the FSB Executive Loan Committee (the "Loan Committee") approved

the Fraudulent Loans. The Loan Committee was falsely told that Entity 1 and Entity 2 would use the Fraudulent Loan proceeds to invest in securities.

j. Between on or about May 12, 2010 and on or about May 14, 2010, defendant GASPARRO informed the Canadian Bank that approximately \$7.6 million in “USD funds” were “coming in to pay off the debit [of Primanagement to the Canadian Bank],” instructed the Canadian Bank that it was to “book the debit interest in the account” so that he could “pay off the exact amount owing,” and also directed that all “residual funds” left after that debit was paid be moved to a third account that defendant GASPARRO also controlled.

k. After the Fraudulent Loans closed, Conroy caused approximately \$7.6 million in Fraudulent Loan proceeds to be transferred to defendant GASPARRO.

l. On or about May 25, 2010, defendant GASPARRO used the Fraudulent Loan proceeds to pay the Canadian Bank approximately \$7.2 million in full satisfaction of the \$7 million loan (with accrued interest). Defendant GASAPRRO then sold the Bonds and, several days later, caused the Canadian Bank to wire the proceeds of that bond sale to FSB, effectively ending the auditors’ inquiries about safekeeping reports.

m. In or about May 2010, Defendant KETCHUM was paid approximately \$176,000 by FSB as insurance premiums for the Ketchum Policies, and signed a receipt acknowledging this payment.

### **III. Part Three - Deceiving FSB and the FDIC about the Sham Capital Raise and Fraudulent Loans**

14. In the third part of the Conspiracy, the Conspirators concealed details about the Sham Capital Raise and the Fraudulent Loans during a regulatory examination by the FDIC. During the examination, various Conspirators made affirmative misrepresentations of material fact to the FDIC and FSB, and affirmatively concealed material information from the FDIC and FSB.

15. On multiple occasions, the FDIC and FSB inquired about the use of the proceeds of the Fraudulent Loans. For example, in a July 2010 email, an FSB loan officer asked defendant GASPARRO about the use of the proceeds from the Fraudulent Loans. In response, defendant GASPARRO did not disclose that he had expended the proceeds of the Fraudulent Loans months earlier to repay the \$7 Million Loan. Defendant GASPARRO also concealed the fact that no securities were purchased for Entity 1 or Entity 2 with the proceeds from the Fraudulent Loans. Instead, defendant GASPARRO made the following misrepresentations to the FSB loan officer:

- a. Primanagement was the investment advisor for Entity 1 and Entity 2.
- b. Primanagement was holding securities with a book value of \$7.6 million that had been obtained with the proceeds of the Fraudulent Loans, on behalf of Ultravest, Entity 1 and Entity 2;

- c. Primanagement was not authorized by Ultravest, Entity 1, or Entity 2 to reveal to FSB what those entities had done with the proceeds of the Fraudulent Loans; and
- d. the \$7.6 million in securities, combined with other loan-related sums detailed by defendant GASPARRO, “account[ed] for the entire loan amounts.”

16. In July 2010, defendant NATALE was asked by the Regulators to provide information as to each of the Nominee Entities’ shareholders. The next day, CC referenced “discussion topics from meeting J” in an email to Conroy that contained a fabricated script about Entity 2’s shareholders. In the fabricated script, CC outlined several fictional telephone conversations between defendant NATALE and the CC Nominee that falsely indicated that Entity 2 had multiple shareholders and that defendant NATALE had posed certain questions about those shareholders to the CC Nominee.

17. In a second email to Conroy, CC expanded the fabricated script. The newly-added portion of the fabricated script fraudulently depicted the CC Nominee answering defendant NATALE’s earlier question about non-existent Entity 2 shareholders. In the same email, CC asked Conroy “what do you think” and told Conroy to “send me [Entity 1] summary.”

18. On multiple occasions, the FDIC and FSB sought details about the source of funds used by the Nominee Entities to purchase FSB stock during the Sham Capital Raise.

a. In August 2010, Conroy caused the FSB Audit Officer to inform the FDIC that FSB was unable to provide the requested source of funds information “[p]er legal counsel . . . .”

b. In August 2010, defendant NATALE misled the FDIC about the source of funds by falsely stating, in substance and in part, that he had met representatives of the Nominee Entities at an investment conference in New York City. Defendant NATALE did not reveal to the FDIC examiner that he had recruited the Natale Nominee for Entity 1, that CC had recruited the CC Nominee for Entity 2, and that CC had created Entity 1 and Entity 2 to act as nominee purchasers of FSB stock.

19. The FDIC and FSB also sought details about the business relationship between Primanagement and Entities 1 and 2.

a. On or about July 1, 2010, defendant GASPARRO falsely told FSB that Primanagement was an investment advisor to Entity 1 and Entity 2. This false response by defendant GASPARRO to FSB about Primanagement’s relationship with Entity 1 and Entity 2 was forwarded by Conroy to CC on or about July 1, 2010. In the forwarding email, Conroy told CC to “[l]ook at what [Albert [GASPARRO] responded [to FSB].”

b. Conroy later sent an email to CC attaching two unsigned Primanagement Investment Advisory Agreements with Entity 1 and Entity 2, respectively. Conroy stated that the CC Nominee “has to sign” for Entity 2, and proposed having both the Natale Nominee and another person sign for Entity 1, after which both agreements needed to be backdated to the closing

date of the Fraudulent Loans. At the end of the email, Conroy told CC to “call me.”

20. The FDIC and FSB also asked defendant KETCHUM for a detailed identification of the specific property that had been pledged by the Nominee Entities to obtain the Ketchum Policies. In response, defendant KETCHUM affirmatively concealed from FSB and the FDIC that the property pledged as security to obtain the Ketchum Policies was 1.4 million FSB shares.

21. At a September 9, 2010 executive session of the FSB Board, defendant NATALE continued to conceal the use of the Nominee Entities to purchase FSB’s stock and the true circumstances underlying the Fraudulent Loans.

22. Through this course of conduct, the Conspirators engaged in a massive fraud. They concealed the Sham Capital Raise and the Fraudulent Loans from FSB and the FDIC. Defendant GASPARRO retained 1.4 million shares of FSB stock at essentially no cost. Defendants GASPARRO and NATALE kept the Finder’s Fee paid to Primanagement by FSB for “finding” sham investors. And FSB’s books and records contained multiple false entries, including that Entity 1 and Entity 2 were actual FSB shareholders, and that FSB had received \$7 million in new capital.



The Conspiracy

23. From no later than in or about September 2009 through at least in or about September 2010, in Union County, in the District of New Jersey, and elsewhere, defendants

**JOSEPH NATALE,  
ALBERT GASPARRO, and  
GARY KETCHUM**

knowingly and intentionally conspired and agreed with each and others to commit offenses against the United States, that is:

a. to knowingly and intentionally make false entries in books, reports, and statements of FSB, and cause false entries in books, reports and statements of FSB to be made, with intent to defraud FSB and to deceive any officer of FSB, and the FDIC, and agents and examiners appointed to examine the affairs of such bank, contrary to Title 18, United States Code, Section 1005; and

b. to knowingly make, and cause to be made, and invite reliance on a false, forged, and counterfeit statement, document and thing for the purpose of influencing in any way the action of the FDIC, contrary to Title 18, United States Code, Section 1007.

Goal of the Conspiracy

24. The goal of the Conspiracy was for the Conspirators to deceive FSB and the Regulators about the financial health of FSB.

### Manner and Means of the Conspiracy

25. It was part of the conspiracy that the Conspirators used \$12 million of FSB's own funds to purchase the Bonds and then used the Bonds as collateral to obtain the \$7 Million Loan from the Canadian Bank.

26. It was further part of the conspiracy that the Conspirators circumvented with the 10% Concentration Rule by using Nominee Entities to funnel the proceeds of the \$7 million loan from the Canadian Bank back to FSB.

27. It was further part of the conspiracy that defendant GASPARRO and others caused the FSB Board to pay a \$715,000 Finder's Fee for finding the \$7 million in new capital.

28. It was further part of the conspiracy that defendants GASPARRO and NATALE split the Finder's Fee amongst themselves using another entity and a fraudulent invoice.

29. It was further part of the conspiracy that the Conspirators attempted to prevent the Canadian Bank from disclosing to FSB's auditors the true nature of the Sham Capital Raise.

30. It was further part of the conspiracy that the Conspirators fraudulently obtained \$7.6 million in loan proceeds from FSB, to the Nominee Entities, most of which they used to repay the \$7 Million Loan from the Canadian Bank.

31. It was further part of the conspiracy that in order to obtain the \$7.6 million in loan proceeds from FSB, the Conspirators created false and

fraudulent insurance policies to make it appear as though the Nominee Entities had collateral to support the loan.

32. It was further part of the Conspiracy that the Conspirators created false and fraudulent business plans to make it falsely appear as though the Nominee Entities would use the \$7.6 million for legitimate purposes.

33. It was further part of the conspiracy that defendant GASAPRRO used the \$7.6 million to pay the Canadian Bank approximately \$7.2 million, in full satisfaction of the \$7 Million Loan to Primanagement (with accrued interest).

34. It was further part of the conspiracy that the Conspirators made, and caused others to make, materially false written and oral statements to FSB and the FDIC pertaining to inquiries about the Sham Capital Raise and the Fraudulent Loans.

35. It was further part of the Conspiracy that defendants NATALE, GASPARRO, KETCHUM withheld, and caused others to withhold, material information concerning the Sham Capital Raise and the Fraudulent Loans from the Regulators and FSB.

#### Overt Acts

36. In furtherance of the conspiracy and in order to effect the conspiracy's goal, defendants NATALE, GASPARRO, KETCHUM, and their co-conspirators committed and caused to be committed the following overt acts, among others, in the District of New Jersey and elsewhere:

a. In or about September 2009, defendant NATALE, Conroy and CC met at the Law Firm in Cranford, New Jersey, and agreed to use three nominee entities to circumvent the 10% Concentration Rule.

b. On or about September 16, 2009, defendant NATALE signed an affidavit stating that FSB had sold 1.4 million FSB shares for \$7 million in cash.

c. In late September 2009, defendant NATALE caused the Natale Nominee to execute a subscription agreement with FSB, by which 478,000 FSB shares were falsely shown as being purchased by Entity 1 for \$2.39 million.

d. In late September 2009, CC caused the CC Nominee to execute a subscription agreement with FSB, by which 430,000 FSB shares were falsely shown as being purchased by Entity 2 for \$2.15 million.

e. In late September 2009, defendant GASPARRO executed a subscription agreement with FSB, by which 492,000 FSB shares were shown as being purchased by Ultravest for \$2.46 million.

f. In early October 2009 defendant GASPARRO caused a certificate for 1.4 million shares of FSB stock to be deposited into an account he controlled at the Canadian Bank at a reported "book value" of \$5 per share, or \$7,000,000.

g. In or about February 2010, defendant GASPARRO provided the Canadian Bank with a letter containing false contact information for Auditor 1.

h. In early 2010, defendant NATALE, Conroy and CC met in Cranford, New Jersey, and agreed to obtain fraudulent loans to provide money to defendant GASPARRO in Canada.

i. On or about April 21, 2010, CC sent Conroy an email attaching the CC Business Plan.

j. On or about April 21, 2010, defendant GASPARRO sent Conroy an email attaching model portfolios falsely representing how Entity 1 and Entity 2 would invest the proceeds of the Fraudulent Loans.

k. On or about July 20, 2010, CC sent an email to Conroy detailing the purported corporate structure of Entity 1 and Entity 2 and fabricating a script about shareholders.

l. On or about July 21, 2010, defendant GASPARRO concealed the misuse of the Fraudulent Loan proceeds by misrepresenting their status in an email to an FSB loan officer.

m. On or about August 11, 2010, defendant NATALE falsely told an FDIC Examiner that he had met representatives of the Nominee Entities at an investment conference in New York City.

n. In or about September 2010, defendant NATALE advocated to the FSB Board to sell the Fraudulent Loans to a third party, without revealing the use of the Nominee Entities to purchase FSB's stock and the true circumstances underlying the Fraudulent Loans.

All in violation of Title 18, United States Code, Sections 371 and 2.

**COUNT 2**  
**(Bank Fraud)**

1. The allegations contained in paragraphs 1 through 22 of Count 1 of this Indictment are hereby repeated and realleged as if fully set forth herein.

The Scheme to Defraud

2. From in or about September 2009 to in or about November 2009, in Union County, New Jersey, in the District of New Jersey, and elsewhere, defendants

**JOSEPH NATALE and**  
**ALBERT GASPARRO**

knowingly and willfully executed a scheme and artifice to defraud a financial institution, namely, FSB, and to obtain money, funds and other property owned by and under the custody and control of FSB by means of materially false and fraudulent pretenses, representations, and promises; to wit, defrauding FSB into paying Primanagement \$715,000 for “finding” the Nominee Entities, while then knowing that Entity 1 and Entity 2 had, in fact, been created by CC, and for which defendant NATALE and CC had recruited nominees.

The Goal of the Scheme

3. The goal of the scheme was for defendants NATALE and GASPARRO to personally profit by fraudulently inducing FSB to pay approximately \$715,000 as a finder’s fee to Primanagement in connection with the Sham Capital Raise for “finding” the Nominee Entities (the “Finder’s Fee”).

### Manner and Means

4. It was part of the scheme to defraud that defendants NATALE, GASPARRO, and others misrepresented, and caused others to misrepresent, that Entity 1 and Entity 2 had purchased FSB stock as part of the Sham Capital Raise while then knowing that those Nominee Entities were not the true beneficial owners of and did not control that stock.

5. It was further part of the scheme to defraud that defendants NATALE and GASPARRO defrauded FSB into paying defendant GASPARRO the Finder's Fee for "locating" himself (as Ultravest) and two nominee entities (Entity 1 and Entity 2) as buyers of FSB stock and the source of new capital.

6. It was further part of the scheme to defraud that defendant NATALE, as FSB Board Chairman, voted to approve the Finder's Fee without revealing to FSB's Board that: (i) the Sham Capital Raise fraudulently circumvented the 10% Concentration Rule by utilizing the Nominee Entities; and (ii) the Sham Capital Raise had been secretly funded with FSB's own assets.

7. It was further part of the scheme to defraud that the Finder's Fee was secretly divided between defendants NATALE and GASPARRO.

8. It was further part of the scheme to defraud that defendant NATALE caused a false invoice to be created (the "False Invoice"), which was then used to transfer half of the fraudulently obtained Finder's Fee from defendant GASPARRO to defendant NATALE.

9. It was further part of the scheme to defraud that the False Invoice purported to be from KMN to Primanagement and billed for services that had not, in fact, been rendered.

10. It was further part of the scheme to defraud that after defendant GASPARRO used the False Invoice to transfer half of the Finder's Fee to defendant NATALE, defendant NATALE caused those funds to be deposited into KMN's bank account, and then distributed the funds to other entities affiliated with defendant NATALE.

In violation of Title 18, United States Code, Sections 1344 and 2.



**COUNT 3**  
**(Bank Fraud)**

1. The allegations contained in paragraphs 1 through 22 of Count 1 of this Indictment are hereby repeated and realleged as if fully set forth herein.

The Scheme to Defraud

2. From in or about February 2010 to in or about June 2010, in Union County, New Jersey, in the District of New Jersey, and elsewhere, defendants

**JOSEPH NATALE and**  
**ALBERT GASPARRO**

knowingly and willfully executed a scheme and artifice to defraud a financial institution, namely, FSB, and to obtain money, funds and other property owned by and under the custody and control of FSB by means of materially false and fraudulent pretenses, representations, and promises; to wit, by defrauding FSB into making the Fraudulent Loans and providing some \$7.6 million in loan proceeds, while then knowing that FSB had been deceived into believing that those loan proceeds would be used as stated in the business plans submitted to FSB in connection with those loans and that, in fact, defendant GASPARRO would misuse those loan proceeds.

The Goal of the Scheme

3. The goal of the scheme was for defendants NATALE and GASPARRO to fraudulently induce FSB to loan \$7.6 million to the Nominee Entities to repay the \$7 Million Loan from the Canadian Bank.

### Manner and Means

4. It part of the scheme to defraud that defendants NATALE and GASPARRO fraudulently obtained \$7.6 million in loan proceeds from FSB to the Nominee Entities.

5. It was further part of the scheme that in order to obtain the \$7.6 million in loan proceeds from FSB, defendants NATALE and GASPARRO caused false and fraudulent insurance policies to be created to make it appear as though the Nominee Entities had collateral to support the loan.

6. It was further part of the scheme that defendants NATALE and GASPARRO caused false and fraudulent business plans to be created to make it falsely appear as though the Nominee Entities would use the \$7.6 million in loan proceeds for legitimate purposes.

7. It was further part of the scheme that defendant GASAPRRO used approximately \$7.2 million of the loan proceeds to pay the Canadian Bank in full satisfaction of the \$7 Million Loan to Primanagement (with accrued interest).

In violation of Title 18, United States Code, Sections 1344 and 2.

**COUNTS 4 THROUGH 8**  
**(Making False Entries to Deceive the FDIC and FSB)**

1. The allegations contained in paragraphs 1 through 22 of Count 1 of this Indictment are hereby repeated and realleged as if fully set forth herein.

2. At all times relevant to Counts 4 through 8 of this Indictment, defendant NATALE was an officer, director, agent, and employee of FSB, and defendant GASPARRO was an agent of FSB.

3. On or about the dates set forth below, in Union County, in the District of New Jersey, and elsewhere, defendants

**JOSEPH NATALE and  
ALBERT GASPARRO**

knowingly and intentionally made materially false entries in books, reports, and statements of FSB, and caused materially false entries in books, reports and statements of FSB to be made, with intent to defraud FSB and to deceive any officer of FSB, and the FDIC, and agents and examiners appointed to examine the affairs of such bank, as set forth in the table below:

<b>COUNT</b>	<b>DEFENDANT</b>	<b>APPROX. DATE</b>	<b>FALSE ENTRY</b>
4	NATALE	September 2009	Causing the Natale Nominee to sign a subscription agreement which defendant NATALE then knew would be used to falsely represent that Entity 1 was purchasing FSB stock as an investment by Entity 1 in FSB.
5	GASPARRO	October 2009	Causing a subscription agreement to be executed which defendant GASPARRO then knew falsely represented that Ultravest was purchasing FSB stock with Ultravest's own funds as an investment by Ultravest in FSB.

6	NATALE and GASPARRO	September 2009	Causing FSB's balance sheet and call report and Board minutes to falsely indicate that FSB had received \$7 million as additional capital.
7	NATALE and GASPARRO	December 2009	Causing the execution and backdating of the Capital Raise Agreement to fraudulently legitimize FSB's earlier payout of a Finder's Fee to defendant GASPARRO for work not performed, and about which FSB had been deceived; that is, defendant GASPARRO's purported "finding" of Entity 1 and Entity 2 as investors in FSB.
8	NATALE	April 2010	Causing the loan approval documents presented to the FSB Executive Loan Committee to falsely indicate that the purpose of the loans from FSB to Entity 1 and Entity 2 was to invest in securities, while then knowing that the loan proceeds would not be so used and were, in fact going to be sent to defendant GASPARRO to repay a loan to Primanagement from RBC.

In violation of Title 18, United States Code, Sections 1005 and 2.

**COUNTS 9 THROUGH 11**  
**(False Statements to the FDIC)**

1. The allegations contained in paragraphs 1 through 22 of Count 1 of this Indictment are hereby repeated and realleged as if fully set forth herein.

2. On or about the dates set forth below, in Union County, in the District of New Jersey, and elsewhere, defendants

**JOSEPH NATALE,  
ALBERT GASPARRO, and  
GARY KETCHUM**

knowingly made, and caused to be made, and invited reliance on a false, forged, and counterfeit statement, document and thing for the purpose of influencing in any way the action of the FDIC, as set forth in the table below:

<b>COUNT</b>	<b>DEFENDANT</b>	<b>APPROX. DATE</b>	<b>FALSE STATEMENT or DOCUMENT</b>
9	KETCHUM	July 2010	Falsely stating in an email that defendant KETCHUM lacked the authority to identify the property pledged by the Nominee Entities, as security, to obtain the Ketchum Policies that served as collateral for the Fraudulent Loans.
10	GASPARRO	July 2010	Falsely stating in an email that the proceeds of the Fraudulent Loans were being held by defendant GASPARRO in the form of securities with a book value of approximately \$7.6 million.
11	NATALE	August 2010	Falsely stating to an FDIC examiner that defendant NATALE had initially met the investors who had purchased stock in FSB pursuant to the Sham Capital Raise at an investors' conference in New York.

In violation of Title 18, United States Code, Sections 1007 and 2.

**COUNT 12**  
**(Bank Fraud)**

1. The allegations contained in paragraphs 1 through 22 of Count 1 of this Indictment are hereby repeated and realleged as if fully set forth herein.

The Scheme to Defraud

2. From in or about February 2010 to in or about May 2010, in Union County, New Jersey, in the District of New Jersey, and elsewhere, defendant

**GARY KETCHUM**

knowingly and intentionally executed a scheme and artifice to defraud a financial institution, namely FSB, and to obtain money, funds and other property owned by and under the custody and control of FSB by means of materially false and fraudulent pretenses, representations, and promises, in that he caused FSB to pay approximately \$176,000 in premiums for the Ketchum Policies, while then knowing that the Ketchum Policies would not be honored, and that no claim would be paid under them.

The Goal of the Scheme

3. The goal of the scheme was to defraud FSB into paying approximately \$176,000 in premiums for the Ketchum Policies to defendant KETCHUM, who then knew that any claim made under those policies would be denied and not paid.

Manner and Means

4. It was part of the scheme to defraud that the Nominee Entities identified the Ketchum Policies as collateral for the Fraudulent Loans. One of FSB's conditions for approving those loans was that the Insurer had the

financial ability to pay claims made under the Ketchum Policies.

5. It was further part of the scheme to defraud that defendant KETCHUM submitted, and caused the submission of, the CPA Letter and Balance Sheet to FSB while then knowing that the asset information it contained about the Insurer was false and fraudulent.

6. It was further part of the scheme to defraud that defendant KETCHUM knew that the brokerage account referenced in the CPA Letter falsely indicated that the Insurer had assets of in excess of \$22 million when, in fact, that actual account balance in that brokerage account was approximately \$44.

7. It was further part of the scheme to defraud that defendant KETCHUM also knew that the Insurer's assets stated in the Balance Sheet was false.

8. It was further part of the scheme to defraud that by submitting the false CPA Letter and Balance Sheet, defendant KETCHUM facilitated FSB's approval of the Fraudulent Loans.

9. It was further part of the scheme to defraud that defendant KETCHUM received approximately \$176,000 in premiums from FSB when the Fraudulent Loans closed in May 2010.

10. It was further part of the scheme to defraud that defendant KETCHUM agreed to use 1.4 million shares of FSB stock pledged by the Nominee Entities as security for the Insurer.

11. It was further part of the scheme to defraud that, in or about October 2010, when claims were made under the Ketchum Policies, defendant KETCHUM denied them, stating, among other things, that the use of 1.4 million shares of FSB stock as security for the Insurer was “against banking regulations.”

In violation of Title 18, United States Code, Sections 1344 and 2.



**COUNT 13**  
**(False Statements to the FDIC)**

1. The allegations contained in paragraphs 1 through 22 of Count 1 of this Indictment are hereby repeated and realleged as if fully set forth herein.

2. In or about July 2010, in Union County, in the District of New Jersey, and elsewhere, defendant

**GARY KETCHUM**

knowingly made, and caused to be made, and invited reliance on a false, forged, and counterfeit statement, document and thing for the purpose of influencing in any way the action of the FDIC, to wit; by falsely indicating in an email responding “to FDIC questions” that the Insurer then had some \$23,000,000 in assets, as evidenced by the CPA Letter, while then knowing that the CPA Letter was materially false.

In violation of Title 18, United States Code, Sections 1007 and 2.

## **FORFEITURE ALLEGATION**

1. The allegations contained in this Indictment are incorporated by reference as though set forth in full herein for the purpose of noticing forfeiture pursuant to Title 18, United States Code, Section 982(a)(2).

2. The United States hereby gives notice to defendants JOSEPH NATALE, ALBERT GASPARRO, and GARY KETCHUM that, upon conviction of the offenses charged in this Indictment, the government will seek forfeiture from the defendants charged in each respective count in accordance with Title 18, United States Code, Section 982(a)(2), which requires any person convicted of such offenses to forfeit any and all property constituting or derived from proceeds obtained directly or indirectly as a result of such offenses.

3. If any of the above-described forfeitable property, as a result of any act or omission of defendants JOSEPH NATALE, ALBERT GASPARRO, and GARY KETCHUM:

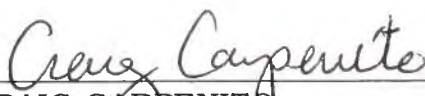
- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be divided without difficulty

it is the intent of 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 of any other property of such defendant up to the value of the forfeitable property described in paragraph 2.

A TRUE BILL

FOREPERSON

  
CRAIG CARPENITO  
UNITED STATES ATTORNEY

CASE NUMBER: \_\_\_\_\_

**United States District Court  
District of New Jersey**

**UNITED STATES OF AMERICA**

**v.**

**JOSEPH NATALE,  
ALBERT GASPARRO,  
and  
GARY KETCHUM**

**A True Bill,**

**Foreperson**

**18 U.S.C. §§ 371, 1005, 1007, 1344, and 2**

**CRAIG CARPENTO  
UNITED STATES ATTORNEY  
NEWARK, NEW JERSEY**

**ANDREW LEVEN, ASSISTANT U.S. ATTORNEY  
(973) 645-2700**