

Former Broker Pleads Guilty to Running Massive Ponzi Scheme

Former broker Perry Santillo pleaded guilty in a New York district court on Tuesday to conspiracy to commit mail fraud, mail fraud, and conspiracy to launder money for his role in a \$155.5 million Ponzi scheme. The charges carry a maximum penalty of 20 years in prison and a \$1 million fine.

The scheme started in 2007, when Santillo and an alleged co-conspirator known as "C.P." formed Lucian Development, which had previously raised millions of dollars from investors by soliciting investments for City Capital Corporation, a business operated by Ephren Taylor. Taylor was later prosecuted and convicted of operating a Ponzi scheme.

In July 2007, Taylor told the pair that their investors' money had been lost. In response, Santillo and C.P. agreed to acquire the assets and debts of City Capital Corporation which proved financially ruinous, with the amount of the acquired debt exceeding the value of the acquired assets.

Prosecutors claim that the pair chose not to disclose the truth to investors that their money was gone. Instead, they continued to solicit ever-increasing amounts of money from new investors in an unsuccessful attempt to recoup the losses.

In order to find new potential investors, Santillo and C.P. purchased businesses from established investment advisors or brokers who were looking to exit their businesses. Between approximately 2008 and September 2017, using money obtained from prior investors, they purchased the businesses of at least 15 investment advisors or brokers located in 11 states.

The investment offerings they pitched consisted of unsecured

promissory notes and preferred stock issued by various entities they controlled. Potential investors were offered an apparent array of investment options to create the illusion of a diversified investment portfolio.

Between January 2012 and June 2018, Santillo and C.P. obtained at least \$115.5 million from approximately 1000 investors. By the time the scheme collapsed in late 2017/early 2018, they had returned approximately \$44.8 million to investors as part of their scheme but continued to owe investors approximately \$70.7 million in principal.

Over the years, to keep the Ponzi scheme from being detected, a substantial portion of incoming new investor monies were depleted by making promised interest and other payments to earlier investors.

The rest of incoming investor money was used to finance lavish lifestyles of the conspirators, their families and associates; to expand the scheme by purchasing investment advisor/brokerage businesses to obtain access to fresh investors; and to pay operating expenses – salaries for a sales force and administrative staff, office rents and related expenses, housing for employees, and interest on loans—all of which were used to keep the scheme going and maintain a façade of legitimate business operations.

Prosecutors said that very little investor money was deployed in productive investments, and when it was, the investments yielded meager income and were not profitable, or failed altogether.

“Greed fueled Perry Santillo’s crimes and became the common thread throughout this investigation,” said Gary Loeffert, Special Agent-in-charge of the FBI Buffalo Office. “Everyone touched by his greed will forever feel the painful consequences. Santillo’s plea serves as a teachable moment for those criminals who believe they can stay ahead of their Ponzi

schemes.”

As part of his plea, Santillo has also agreed to plead guilty to a mail fraud charge, which is also relating to his Ponzi scheme activities, that is currently pending against him in the Middle District of Pennsylvania. That charge carries a maximum penalty of 20 years and a \$500,000 fine.

According to his BrokerCheck profile, Santillo was briefly affiliated with a handful of broker-dealers from 2003 until 2007, including Questar Capital, USAllianz, Nationwide Securities, and NYLife Securities.

Sentencing is scheduled for March 6, 2020, and the arraignment date in the Middle District of Pennsylvania has not yet been set.

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