Mafia Family Fraud - The Case of the Stolen Company

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Stolen money?

Washington, D.C (RPRN) 12/12/11 — It's a criminal's dream—owning a financial company that can be looted at will. That's just what 13 individuals—including two with ties to organized crime families—are accused of in a federal indictment announced last month in New Jersey.

Among those charged in the 25-count indictment is Nicodemo Scarfo—a member of the Lucchese crime family and son of Nicodemo Scarfo Sr., the imprisoned former boss of the Philadelphia La Cosa Nostra (LCN) crime family. Also charged were Salvatore Pelullo—an associate of the Lucchese and Philadelphia LCN families—and 11 others …all in connection with an alleged criminal takeover of FirstPlus Financial Group (FPFG), a publicly held company based in Texas. The takeover resulted in honest FPFG shareholders losing at least $12 million; the company ultimately filed for bankruptcy.

The group was charged with various crimes in connection with this racketeering conspiracy, including securities fraud; wire, mail, and bank fraud; extortion; money laundering; and obstruction of justice. In addition to Scarfo and Pelullo, other members of the criminal enterprise included five attorneys, a certified public accountant, and Scarfo's wife.

How did they do it? According to the indictment, members of the criminal

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enterprise devised a plan in 2007 to take over FPFG by replacing its board of directors and management with individuals who would serve at the direction of Scarfo and Pelullo. To accomplish this, they allegedly accused board members of financial improprieties that, if brought to light, would result in costly lawsuits. Eventually, through threats and intimidation, every member of the board and executive management left.

After gaining control of the company, the looting began:

- The new board approved the acquisition of “companies” owned by Scarfo and Pelullo for millions of dollars and several hundred thousand shares of FPFG stock—except that these companies were really nothing more than shell corporations and had virtually no value. Proceeds from the sale of the companies ended up in the pockets of the criminal conspirators.
- The new board also approved a number of “consulting” agreements for hundreds of thousands of dollars. This consulting work was never performed, and the proceeds went to the criminals.

Scarfo and Pelullo allegedly purchased items like expensive homes, luxury vehicles, yachts, and jewelry. And like any good mob soldiers, they also allegedly purchased weapons.

Since FPFG was a public company, it was obligated to file reports with the Securities and Exchange Commission (SEC). The indictment alleges that, in order to conceal the involvement of former felons Scarfo and Pelullo in the company, their henchman at FPFG filed fraudulent paperwork. Scarfo is also accused of concealing his involvement in FPFG from his probation officer—at the time of the scheme, he had been released from prison and was under federal supervision.

In addition, the indictment alleges that the Scarfo-Pelullo conspiracy was operated with the assistance and direction of members and associates of La Cosa Nostra and that some of the financial proceeds from the scheme ended up in the hands of the LCN.

This multi-year investigation was very complex and required not only using sensitive investigative techniques, but also carefully analyzing voluminous financial records and following the money trail through various financial accounts. And we didn't do it alone—we worked with the Department of Labor's Inspector General; the Bureau of Alcohol, Tobacco, Firearms, Explosives; and the SEC.

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