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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

-against-

GREGORY ALTIERI,

Defendant.

COMPLAINT

20 Civ. _____ ()

JURY TRIAL DEMANDED

Plaintiff Securities and Exchange Commission (“Commission”), for its Complaint against Defendant Gregory Altieri (“Defendant” or “Altieri”), alleges as follows:

SUMMARY

1. From at least 2017 through early 2020, Defendant Altieri, through an entity he owned and controlled, operated a fraudulent Ponzi-like scheme in which he raised at least \$69.5 million from at least 80 investors, including a number of current and retired police officers and firefighters.

2. Altieri deceived prospective investors into believing that their investments would be used to acquire jewelry for a business operated by his company, LNA Associates, Ltd. (“LNA”).

Altieri promised prospective investors guaranteed investment returns that varied from approximately 30 percent of an investor's initial investment to, in some instances, over 100 percent, within a short time-frame. Altieri also falsely told prospective investors that their investments were safe and that all prior investors had been repaid their principal investment and their promised profit.

3. Instead of using investors' monies to purchase jewelry, Altieri used the vast majority of the funds to perpetuate and conceal the fraudulent scheme, using monies from new investors to pay earlier investors their anticipated returns. Altieri also misappropriated investor funds to pay his personal expenses.

4. Because of the profits Altieri promised his investors, and due to his improper use of investors' funds and misappropriation, Altieri did not have sufficient funds to repay his investors. As a result, in 2018, Altieri began obtaining millions of dollars from purported merchant cash advance providers (the "MCA providers"). By late 2019, however, Altieri could no longer pay his investors, even with the additional funds from the MCA providers.

5. Yet, Altieri continued to mislead his investors, telling them that the business was working as it should and that, while there were delays in his receipt of funds from his counterparties, it was only a matter of time before the funds came in and he would be able to pay the investors in full. However, as Altieri knew, LNA's business was nonexistent and there were no funds, let alone profits, with which to pay investors.

VIOLATIONS

6. By virtue of the foregoing conduct and as alleged further herein, Defendant Altieri has violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77 q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

7. Unless Defendant is restrained and enjoined, he will engage in the acts, practices,

transactions, and courses of business set forth in this Complaint or in acts, practices, transactions, and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

8. The Commission brings this action pursuant to the authority conferred upon it by Securities Act Sections 20(b) and 20(d) [15 U.S.C. §§ 77t(b) and 77t(d)] and Exchange Act Section 21(d) [15 U.S.C. § 78u(d)].

9. The Commission seeks a final judgment: (a) permanently enjoining Defendant from violating the federal securities laws and rules this Complaint alleges he has violated; (b) ordering Defendant to disgorge all ill-gotten gains he received as a result of the violations alleged here and to pay prejudgment interest thereon; (c) ordering Defendant to pay a civil money penalty pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)]; and (d) ordering any other and further relief the Court may deem just and proper.

JURISDICTION AND VENUE

10. This Court has jurisdiction over this action pursuant to Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Section 27 [15 U.S.C. § 78aa].

11. Defendant, directly and indirectly, has made use of the means or instrumentalities of interstate commerce or of the mails in connection with the transactions, acts, practices, and courses of business alleged herein.

12. Venue lies in this District under Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Section 27 [15 U.S.C. § 78aa]. Defendant may be found in, is an inhabitant of, and transacts business in the Eastern District of New York, and certain of the acts, practices, transactions, and courses of business alleged in this Complaint occurred within this District, including Altieri's solicitation of investors.

DEFENDANT

13. Altieri, age 53, is a resident of Melville, New York. Altieri is a licensed gemologist and is the sole owner and sole officer of LNA.

FACTS

I. Altieri's Solicitation of Investor Funds

14. Altieri worked as a salesperson in the jewelry industry for more than 20 years.

15. In approximately 2006, Altieri started LNA to purportedly engage in the wholesale purchase and resale of jewelry to corporate and individual customers.

16. In approximately 2015, Altieri began soliciting prospective investors for LNA, telling them that he was raising funds to participate in a new opportunity in the closeout sector of the jewelry business which involved the purchasing of jewelry in bulk at a discount or "closeout" price and then reselling that jewelry at a significant profit. Altieri offered the prospective investors a 15 percent return on their investment.

17. Approximately 15 investors invested in LNA in 2015 and 2016.

18. Altieri continued to solicit additional investors for LNA in 2017.

19. In approximately August 2017, Altieri began soliciting current and retired police officers and firefighters. Altieri was initially able to identify such investors because of his relationship with a retired police officer who also became an investor.

20. Altieri told current and retired police officers and firefighters that he was offering them the investment opportunity in LNA because of their status as police officers and/or firefighters.

21. Altieri told prospective investors that the jewelry closeout sector was a desirable and lucrative portion of the jewelry industry in which few were given the opportunity to participate.

22. Altieri stated that he was able to participate in the closeout jewelry sector because of

his status and connections within the jewelry industry.

23. Altieri also promised prospective investors that they would receive a sum certain in return for their investment within a short period of time, generally between 30 and 150 days.

24. Prospective investors were often shown a document, which was sometimes referred to as a “lot sheet,” prior to making their investment.

25. The lot sheets identified the available investments and listed the promised return for specific investment amounts.

26. The promised returns identified in the lot sheets varied greatly.

27. For example, one lot sheet identified 91 specific investment opportunities, ranging from between \$11,000 and \$2,041,000. The \$11,000 investments offered returns of \$15,000, representing a profit of 36 percent. A single \$2,041,000 investment offered a return of \$3,000,000, representing a profit of 47 percent.

28. Another lot sheet offered 74 specific investment opportunities, ranging from \$32,000 to \$7,500,000. The \$32,000 investments offered returns of \$44,000, representing a profit of 37.5 percent. The single \$7,500,000 investment offered a return of \$15,500,000 million, representing a profit of 107 percent.

29. Altieri falsely promised prospective investors that their investments with LNA were safe and that, while there were sometimes delays in receiving payments, all prior investors had been repaid their original investment plus profit.

30. Altieri solicited prospective investors directly in person, by telephone, and via text.

II. The Notes Issued to Investors

31. Altieri issued “notes” to investors. The notes reflected the basic terms of the investments including the amount being invested, the amount of profit that was to be paid, and the date by which the investor was to receive its principal and return.

32. Between 2017 and 2019, the rate of return on an investor's initial investment ranged from approximately 30 percent to over 100 percent.

33. A number of the notes also stated that the note was being issued for the purpose of investing in closeout jewelry sales.

34. The stated maturity dates of the notes were generally between 30 and 150 days.

35. Some notes issued in 2017 and part of 2018 included late payment provisions, whereby Altieri agreed to pay an additional sum, in some cases \$5,000, if the note was not repaid, with profit, within 30 days of the maturity date.

36. At some point in 2018 Altieri removed the late payment provisions.

III. Altieri Made Material Misrepresentations to Investors

37. Altieri knowingly, recklessly, and negligently engaged in deceptive conduct designed to mislead and defraud investors. As part of his fraudulent scheme, Altieri made numerous materially false and/or misleading statements to investors about LNA's business and his use of investor funds.

38. Altieri told prospective investors that their investments would be used to acquire closeout jewelry that would then be resold to Altieri's contacts in the jewelry industry at significant profits.

39. Contrary to what the investors were told, Altieri neither purchased nor sold the jewelry that was the subject of the notes.

40. Altieri did not tell investors that he was misappropriating the funds they invested with LNA, that he was using those funds to pay his personal expenses (as alleged in greater detail in Paragraph 49 below), or that the source of investor "profits" were investments made by new investors or funds obtained from the MCA providers. Rather, Altieri falsely promised investors that their investments were "safe."

41. Altieri told some investors that he and his family members were investors in LNA.

42. Contrary to the representation set forth in Paragraph 41 above, Altieri did not invest his personal funds, or those of his family members, in LNA.

43. Altieri never disclosed to LNA's investors that he was obtaining money from the MCA providers at high interest rates in order to repay principle and profits due to investors.

IV. Altieri Misappropriated Investor Funds for His Personal Use

44. Between 2017 and 2019, Altieri raised at least \$69.5 million in investor funds from at least 80 investors.

45. The funds raised from investors were commingled in LNA's primary bank account with the funds Altieri obtained from the MCA providers.

46. In 2018 and 2019, Altieri obtained approximately \$46.3 million from the MCA providers.

47. Altieri used approximately \$66 million of LNA's funds to pay investors and \$19.4 million to repay the MCA providers.

48. Altieri misappropriated LNA's funds for his personal use. Between 2017 and 2019, Altieri withdrew at least \$1.4 million in cash from LNA's primary banking account and, in addition, cashed over \$1.9 million in investor checks at a check cashing service.

49. Altieri also used LNA's funds to pay his personal expenses. For example, Altieri used more than \$500,000 of LNA's funds to pay for family vacations, personal credit card charges, health insurance and medical and dental bills for his family, the mortgage on his home, home utilities, his children's college tuition, his car lease, groceries, and personal care expenses.

50. Altieri also used approximately \$1.3 million of LNA's funds to purchase real estate for an acquaintance affiliated with one of the MCA providers.

V. The Demise of Altieri's Scheme

51. Throughout the duration of his scheme, Altieri assured investors that the business was legitimate, that the business was running smoothly, that the jewelry had been purchased and sold, that the investors would be paid in full, and that the delays in payment were being caused by the jewelry brokers and dealers to whom Altieri had sold the jewelry. None of these statements was true.

52. Altieri repaid many of the investors who invested their monies in LNA in 2017.

53. After 2017, however, the returns that Altieri promised investors exceeded the amount of new investment dollars Altieri was able to bring in.

54. Beginning in approximately 2018, Altieri sought funds from the MCA providers in order to pay investors the returns they expected.

55. In 2018 and 2019, Altieri obtained approximately \$46.3 million from the MCA providers, agreeing to pay interest of approximately 40 to 50 percent on the funds obtained.

56. Altieri never disclosed to LNA's investors that he was obtaining money at high interest rates in order to repay prior investors.

57. By late 2019 Altieri could no longer pay investors or satisfy his obligations to the MCA providers.

58. In December 2019, Altieri signed a confession of judgment, acknowledging a debt of approximately \$70 million to one of the MCA providers.

59. In April 2020, a group of investors commenced an involuntary proceeding under Chapter 7 of the Bankruptcy Code (11 U.S.C. § 701 et seq.) against Altieri and LNA, claiming Altieri and LNA owed them nearly \$26 million.

60. In July 2020, Altieri was indicted by the U.S. Attorney's Office for the Eastern District of New York ("USAO") for wire fraud.

61. Despite his inability to procure sufficient funds to pay investors in 2019 and early 2020, Altieri continued to mislead investors, assuring them that the business was operating, and that while there were delays in his receipt of funds from his counterparties, it was only a matter of time before the funds came in and he would be able to pay the investors in full.

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

62. The Commission re-alleges and incorporates by reference herein the allegations contained in paragraphs 1 through 61 of this Complaint.

63. Altieri issued notes to investors that purported to memorialize their investments in LNA. The notes offered and sold by Altieri were securities within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

64. Defendant, directly or indirectly, in the offer or sale of securities and by the use of the means or instruments of transportation or communication in interstate commerce or the mails, (1) knowingly or recklessly has employed one or more devices, schemes or artifices to defraud, (2) knowingly, recklessly, or negligently has obtained money or property by means of one or more untrue statements of a material fact or omissions of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and/or (3) knowingly, recklessly, or negligently has engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

65. By reason of the foregoing, Defendant, directly or indirectly, has violated and, unless enjoined, will again violate Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF
Violations of Exchange Act Section 10(b) and Rule 10b-5 Thereunder

66. The Commission re-alleges and incorporates by reference herein the allegations

contained in paragraphs 1 through 61 of this Complaint.

67. Altieri issued notes to investors that purported to memorialize their investments in LNA. The notes offered and sold by Altieri were securities within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

68. Defendant, directly or indirectly, in connection with the purchase or sale of securities and by the use of means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange, knowingly or recklessly has (i) employed one or more devices, schemes, or artifices to defraud, (ii) made one or more untrue statements of a material fact or omitted to state one or more material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and/or (iii) engaged in one or more acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

69. By reason of the foregoing, Defendant, directly or indirectly, has violated and, unless enjoined, will again violate Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a Final Judgment:

I.

Permanently enjoining Defendant Altieri and his agents, servants, employees and attorneys and all persons in active concert or participation with any of them from violating, directly or indirectly, Securities Act Section 17(a) [15 U.S.C. § 77q(a)], Exchange Act Section 10(b) [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

II.

Ordering Defendant Altieri to disgorge all ill-gotten gains he received directly or indirectly, with pre-judgment interest thereon, as a result of the alleged violations;

III.

Ordering Defendant Altieri to pay a civil monetary penalty under Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)]; and

IV.

Granting any other and further relief this Court may deem just and proper.

Dated: New York, New York
December 30, 2020

/s/ Richard R. Best

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