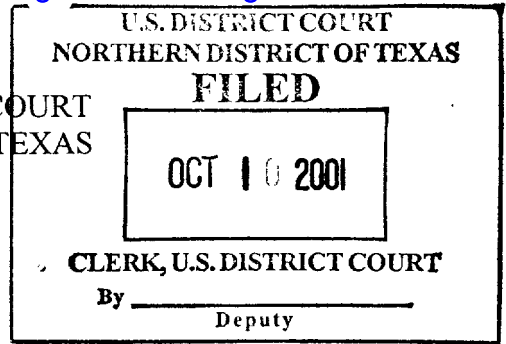


ORIGINAL



J (X)

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

GERARD CHIARELLA, Individually and d/b/a
FREEDOM IN 14 DAYS, WVM FINANCIAL
GROUP, and MINDA TRADING GROUP,

Defendant.

No.:

3:01 - CV 2037 - G

COMPLAINT

The United States Securities and Exchange Commission ("the Commission") files this complaint against Defendant Gerard Chiarella, individually and doing business as Freedom in 14 Days, WVM Financial Group and Minda Trading Group, and would respectfully show the Court as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this action, and venue is proper, pursuant to Section 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77v(a)], Section 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78(aa)], and Title 28 U.S.C. § 1331.

SUMMARY

2. This case seeks to put an end to the fraudulent securities offerings of Gerard Chiarella, a resident of Congers, New York. Using various Internet websites and mass e-mail, Chiarella has defrauded hundreds of United States investors of thousands of dollars based on

false and truly fantastic claims of extraordinary investment returns. Since at least February 5th through July 26th of this year, Chiarella received at least \$82,000 of investor funds from approximately 325 investors throughout the United States. Many of these investors reside in the Northern District of Texas.

3. Chiarella's fraudulent offerings were made in the form of three virtually identical "prime-bank" schemes that Chiarella operated in succession. Further, Chiarella commenced his most recent fraudulent offering after invoking his Fifth Amendment privilege against self-incrimination in the Commission's investigation into one of his prior investment schemes. The offerings, made under the names "Freedom in 14 Days," "WVM Financial Group," and "Minda Trading Group," appeared on Internet websites and in spam e-mail promulgated by Chiarella.

4. In each offering, Chiarella promised investors enormous, risk-free returns, ranging from 100 percent to 200 percent per week, from secretive trading programs involving offshore banks. Chiarella's websites and e-mails, however, provided no disclosures about the specific terms of the investments, the nature of the purported offshore investments, or how his investment programs could achieve the promised returns. In fact, contrary to Chiarella's extravagant claims, none of these trading programs or banks existed, but rather were simply fabricated by Chiarella for the purpose of defrauding investors.

5. Chiarella has not paid a single investor the returns promised in any of his programs. To the contrary, Chiarella, by his own admission, has converted investor funds for his own use and commingled those funds with his own. As of the date of the filing of this Complaint, all of Chiarella's financial operations have been discontinued without making any payments of returns or reimbursement of principal.

6. The Commission, in the interest of protecting the public from any further unscrupulous and illegal activity, brings this action against Chiarella seeking permanent injunctive relief, disgorgement of all illicit profits and benefits he has received, accrued prejudgment interest, and a civil monetary penalty.

PARTIES

7. Gerard Chiarella, age 34, is a resident of Congers, New York. Chiarella formerly did business under the names “Freedom in 14 Days,” “WVM Financial Group,” and “Minda Trading Group,” none of which appears to be a formal legal entity.

8. The Commission is an agency of the United States of America and brings this action pursuant to its authority under Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. § 77t(b and d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

CHIARELLA’S FRAUDULENT SECURITIES OFFERINGS

9. From at least February 5th through July 26th of this year, Chiarella conducted patently fraudulent securities offerings through three separate websites and mass e-mail promotions. These offerings, which were not registered with the Commission, promised investors enormous, guaranteed returns by promoting investments in fictitious “prime-bank” trading programs. None of these purported programs existed.

A. The “Freedom in 14 Days” Offering

10. From at least February 5, 2001, to March 2, 2001, Chiarella conducted a fraudulent securities offering using the name Freedom in 14 Days (“Freedom”) on an Internet website located at www.angelfire.com/az3/freedom14days. The Freedom offering raised at least \$16,000 from approximately 100 investors.

11. The offering, which was not registered with the Commission, promised the first 2,000 Freedom investors that, among other payments, they would receive a 200 percent return every week starting in six weeks.

12. To generate these incredible returns, Freedom claimed to pool investor funds to participate in an ill-defined trading program involving unidentified foreign banks. According to Chiarella's website, the Freedom investment program purportedly operated from "the safety of Costa Rica" and claimed to have "commitments from some of the top world players of this industry." The website provided no information about this so-called "industry."

13. The Freedom offering was completely fraudulent. The trading program did not exist, and Freedom did not have any legitimate business operations. In fact, Chiarella conducted the offering from his home in New York, not from Costa Rica as claimed.

14. Chiarella deposited investor funds into nominee accounts that were under his exclusive control. He did not provide investors with any promised returns or any payment of their principal.

B. The "WVM Financial Group" Offering

15. From at least March 1, 2001, to March 15, 2001, Chiarella conducted the WVM Financial Group ("WVM") offering through a website located at <http://www.angelfire.com/ut2/WVMFinancial/> and through spam e-mail. This offering was not registered with the Commission. WVM purported to operate from the "safety of the island of Nevis," rather than from Costa Rica. In fact, Chiarella conducted the offering from New York.

16. The WVM offering contained promises of guaranteed, risk-free returns of 200 percent per week for 30 weeks from an investment in an undisclosed offshore trading program. In fact, this program did not exist.

17. The WVM offering raised at least \$38,000 from at least 110 investors. These funds were deposited into accounts that Chiarella created and held under various fictitious names. No investor was paid any return, nor did any investor receive any repayment of their principal.

18. The WVM offering was utterly fraudulent. WVM had no legitimate business operations. Chiarella simply fabricated the WVM scheme to bilk investors.

C. The “Minda Trading Group” Offering

19. Chiarella’s final fraudulent offering was made under the name of the Minda Trading Group (“Minda”). From May 5th through July 26th, 2001, Chiarella promoted Minda as a prime-bank trading program that would provide investors with large, risk-free returns. Chiarella began the Minda offering only two days after he asserted the Fifth Amendment during the Commission investigation of his investment offerings.

20. Chiarella conducted the Minda offering through both spam e-mail and a website located at <http://members.fortunecity.com/mindatrading>. The offering, which was not registered with the Commission, promised investors that they would be paid returns of 50 percent in 45 days on their first three investments and that subsequent investments, including rollovers of their initial investments, would pay returns of 300 percent in 45 days.

21. In addition, Chiarella lulled investors. As the purported payout date for the program approached, for instance, Chiarella attempted to placate investors with false claims that the person supposedly responsible for working with the Minda trader had died of prostate cancer, necessitating a several-month delay in the closing of the trade.

22. Chiarella deposited all funds raised through the Minda offering into a number nominee accounts that he controlled.

23. The Minda offering was completely fraudulent. Minda investors have not received any of the returns promised or a return of principal. Chiarella created and operated Minda simply to defraud investors.

CAUSES OF ACTION

A. First Claim: Violation of Section 10(b)
of the Exchange Act and Rule 10b-5

24. The Commission repeats and incorporates paragraphs 1 through 23 of this Complaint by reference as if set forth *verbatim*.

25. Chiarella, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails, has: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices, and courses of business which operated as a fraud and deceit upon purchasers, prospective purchasers, and other persons.

26. As a part of and in furtherance of his scheme, Chiarella, directly and indirectly, prepared, disseminated, or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations which contained untrue statements of material facts and misrepresentations of material facts and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those set forth in Paragraphs 1 through 23 above.

27. Chiarella made the above-referenced misrepresentations and omissions knowingly or with recklessness regarding the truth.

28. By reason of the foregoing, Chiarella has violated and, unless enjoined, will continue to violate, the provisions 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].

B. Second Claim: Violations of Section 17(a)
of the Securities Act

29. The Commission repeats and incorporates paragraphs 1 through 23 of this Complaint by reference as if set forth *verbatim*.

30. Chiarella, directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, has: (a) employed devices, schemes, or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit.

31. As part of and in furtherance of this scheme, Chiarella, directly and indirectly, prepared, disseminated, or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material fact and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those statements and omissions set forth in paragraph 1 through 23 above.

32. Chiarella made the above-referenced misrepresentations and omissions knowingly or with recklessness regarding the truth. Chiarella was also negligent in his actions regarding the representations and omissions alleged herein.

33. By reason of the foregoing, Chiarella has violated, and unless enjoined, will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

C. Third Claim: Violations of Section 5(a) and 5(c) of the Securities Act

34. The Commission repeats and incorporates paragraphs 1 through 23 of this Complaint by reference as if set forth *verbatim*.

35. Chiarella, directly or indirectly, singly or in concert with others, has been offering to sell, selling, and delivering after sale, certain securities, and has been, directly and indirectly: (a) making use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of written contracts, offering documents, and otherwise; (b) carrying and causing to be carried, through the mails and in interstate commerce by the means and instruments of transportation, such securities for the purpose of sale and for delivery after sale; and (c) making use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

36. As described in paragraphs 1 through 23, Chiarella's investments were offered and sold to the public through a general solicitation of investors. No registration statements were ever filed with the Commission or otherwise in effect with respect to these securities.

37. By reason of the foregoing, Chiarella has violated and, unless enjoined, will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

RELIEF REQUESTED

WHEREFORE, Plaintiff Securities and Exchange Commission respectfully requests that this Court:

I.

Enter an Order permanently enjoining Defendant Chiarella, his agents, servants, employees, attorneys and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§77e(a), 77e(c), 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)], and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder;

II.

Enter an Order requiring Defendant Chiarella to disgorge an amount equal to the funds and benefits he obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount;

III.

Enter an Order imposing a civil penalty against Defendant Chiarella pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] for the violations alleged herein; and

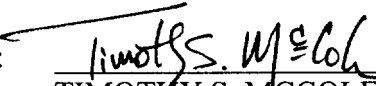
IV.

Enter an Order for such further relief as this Court may deem just and proper.

For the Commission, by its attorneys:

Dated this 10th day of October, 2001.

Respectfully submitted,

By: 
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