

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division



UNITED STATES OF AMERICA)	
)	No. 1:13-cr- <i>233</i>
v.)	
)	<u>Count 1</u> : Wire Fraud
WILLIAM DEAN CHAPMAN,)	(18 U.S.C. § 1343)
Defendant.)	

CRIMINAL INFORMATION

Background

1. WILLIAM DEAN CHAPMAN (“CHAPMAN”) was the owner of Alexander Capital Markets, LLC (“ACM”), a single-member Delaware limited liability corporation. During the period of CHAPMAN’s offense, ACM’s principal place of business was in Reston, Virginia, which is within the Eastern District of Virginia.

2. ACM’s primary business was to offer the following financial product: ACM loaned funds to customers who in turn posted collateral with ACM in the form of securities. ACM typically would loan customers 85% to 90% of the securities’ value. After a period of time (typically between two and seven years), the customer had the right to receive back his securities or the equivalent cash value if he repaid the balance of the loan plus accrued interest; alternatively, because the “loans” were non-recourse, the customer could “walk away” at the end of the redemption period having already received up to 90% of the value of his securities. Under the terms of many of the loans, ACM had the right to sell the customers’ securities upon receipt. Customers were also assured: (1) that ACM was engaged in hedging transactions to protect against adverse market movements; and (2) that at the end of the contract period ACM would be able to return either the full value of the customers’ securities or the cash equivalent. For

example, some of the contracts executed by ACM promised that ACM would engage in hedge arrangements with “investment-grade counterparties.” In many cases, however, CHAPMAN and ACM simply sold the customers’ securities upon receipt, remitted up to 90% of the sales proceeds to the customers as the “loan,” paid commissions to third-parties who sold, marketed, or facilitated the product, and retained the remaining sales proceeds in reserve for investments and for CHAPMAN’s and ACM’s use. By in or about March 2008, moreover, ACM did not have sufficient funds to buy back securities or provide the equivalent cash value of those securities to cover its outstanding liabilities, and in many cases, ACM could not return securities or the cash equivalent to the customers at the end of the redemption period unless it had sufficient funds available. Notwithstanding ACM’s financial difficulties, ACM and CHAPMAN continued to solicit and accept customers’ securities for the loan product throughout 2008 and 2009.

3. The vast majority of ACM’s business was generated through the efforts of third-party entities that marketed ACM’s financial “loan” product to financial advisors, including insurance brokers, investment advisors, and stock brokers, who marketed the product to their respective customers. Company #1 was one such representative that marketed the above-described financial product for ACM. By approximately April 2008, Company #1 provided ACM with approximately 90% of ACM’s business.

COUNT 1
(Wire Fraud)

4. On or about the dates set forth below, in Reston, Virginia and Great Falls, Virginia, in the Eastern District of Virginia, defendant WILLIAM DEAN CHAPMAN, having devised a scheme to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, caused to be transmitted by means of wire

communication in interstate commerce writings, signs, and signals for the purpose of executing the scheme and artifice, in violation of Section 1343 of Title 18 of the United States Code.

Purpose, Manner, and Means of the Scheme to Defraud

5. The purpose of the scheme was for CHAPMAN to obtain money and property by marketing the financial product described above.

6. The manner and means by which CHAPMAN would and did carry out the scheme and artifice to defraud included, but were not limited to, the following:

a. Communicating with and obtaining customers for the above-described financial product despite knowing that, after in or about March 2008, it was not operating as described, and that ACM had financial difficulties and did not have enough funds to cover its outstanding liabilities;

b. Failing to disclose to customers the material information that ACM had financial difficulties and did not have enough funds to cover its outstanding liabilities;

c. Executing contracts with customers that did not disclose the material information that ACM had financial difficulties and did not have enough funds to cover its outstanding liabilities;

d. Causing ACM's customers (and the marketing companies that sold the product to ACM's customers) to believe that ACM was always engaged in hedging transactions such that ACM would be able to return the full value of the securities (or the cash equivalent) at the end of the contract period;

e. Providing ACM clients with periodic reports that maintained the impression always engaged in hedging transactions such that ACM would be able

to return the full value of the securities (or the cash equivalent) at the end of the contract period and failed to disclose to customers the material information that ACM had financial difficulties and did not have enough funds to cover its outstanding liabilities.

Interstate Wire Communications Related to Client D.W.

7. In or about May 2008, VICTIM 1's stock loan was scheduled to mature after a three year term, which began in or about May 2005. At the inception of VICTIM 1's loan in 2005, VICTIM 1 transferred shares of Agilent Technologies Inc. and Hewlett-Packard Co. to ACM, which totaled approximately \$155,000. In exchange, VICTIM 1 received from ACM a cash loan in the amount of \$139,517, which constituted approximately 90% of the market value of VICTIM 1's shares.

8. Under the agreement between VICTIM 1 and ACM, ACM promised to return the shares to VICTIM 1 at the end of the loan term if VICTIM 1 notified ACM at least thirty (30) days in advance that she intended to repay the loan balance in full before the end of the term, and did so prior to the specified end date of the term. This agreement did not mention investment grade counterparties. The specified end date of VICTIM 1's stock loan was June 30, 2008.

9. By approximately the spring of 2008, VICTIM 1's shares had increased significantly in value. In or about May 2008, VICTIM 1's son notified ACM of VICTIM 1's intent to repay the stock loan with cash and requested that VICTIM 1's shares be returned, consistent with the loan agreement.

10. In an email dated May 30, 2008, ACM acknowledged VICTIM 1's intent to repay the loan and receive the shares back. In a subsequent email dated June 13, 2008, ACM projected VICTIM 1's loan balance to be \$181,976.99.

11. On or about June 17, 2008, VICTIM 1 wired \$181,976.99 to ACM's bank account, satisfying in full her repayment of the loan and entitling her to the return of her shares, which had increased in value over the three year loan term to approximately \$330,000.

12. ACM did not satisfy, even in part, its financial obligation to VICTIM 1. Instead, after receiving VICTIM 1's repayment of \$181,976.99 on or about June 17, 2008, CHAPMAN used the funds to pay other clients whose contracts were profitable and to whom ACM also owed money. By approximately the middle of July 2008, ACM had used VICTIM 1's repayment amount in its entirety toward debts owed to other clients.

13. In or about July and August 2008, both VICTIM 1's son and her investment advisor attempted to contact ACM about the status of VICTIM 1's stock and received no answer.

14. In or about September 2008, CHAPMAN sent an email to VICTIM 1's investment advisor, stating that ACM "expect[ed] to deliver their shares by the end of September." CHAPMAN further stated, in relevant part, that: "ACM currently has temporary liquidity issues that have prevented us from successfully closing their transaction in the normal expected timeframe. We have been dealing with these issues over the summer and I feel comfortable that we will be able to deliver by the end of September." This email caused writings, signs, and signals to be sent by interstate wire from the Eastern District of Virginia. On or about September 16, 2008, VICTIM 1's son made a formal demand of ACM for the immediate transfer of VICTIM 1's stock.

15. Thereafter, CHAPMAN sent a series of emails indicating that ACM was only weeks away from being able to fulfill its obligation. These emails caused writings, signs, and signals to be sent by interstate wire from the Eastern District of Virginia. For example, in or about October 2008, CHAPMAN sent an email to VICTIM 1 stating that he had no timeframe for the return of

the shares, but that "it is possible that it will be within the next 2-4 weeks." On or about December 1, 2008, CHAPMAN sent an email to VICTIM 1's son, stating that ACM had "seen a significant increase in activity over the past few weeks. If we are not able to make [D.W] whole before the end of the year, we should at least be able to make a very substantial payment." Ultimately, ACM made no payments to VICTIM 1, nor returned any portion of her shares.

(All in violation of Title 18, United States Code, Section 1343)

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