

**AFFIDAVIT OF U.S. POSTAL INSPECTOR GEORGE CLARK
IN SUPPORT OF APPLICATION FOR ARREST WARRANT**

U.S. Postal Inspector George Clark, being duly sworn, deposes and states the following:

SUMMARY

1. From at least 1995 to December 2008, in the Eastern District of Pennsylvania and elsewhere, Joseph S. Forte (FORTE), the defendant, unlawfully, willfully and knowingly, by the use of the mails directly and indirectly, in connection with the collection of investment funds from roughly 80 investors, would and did use and employ manipulative and deceptive devices and contrivances in violation of Title 18, United States Code, Section 1341, by (a) using the United States Mails to (b) make untrue statements of material facts and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons, to wit, FORTE deceived investors by operating an investment business in which he received, traded, and lost investor money, failed to use investor money as promised, reported false information to investors, including fictitious gains, and paid certain investors purported returns on their investment with the principal received from other, different investors, all of which resulted in losses of millions of dollars.

DEFENDANT

2. FORTE, age 53, is a resident of Broomall, Pennsylvania. From 1995 to December 2008, he ran an investment fund from his home office. He holds a bachelors degree in finance from Villanova University.

FACTS

The bases for my knowledge and the foregoing charges are, in part, as follows:

3. I have been a Postal Inspector with the United States Postal Inspection Service for approximately 15 months and I have been trained to investigate and have participated in the investigation of a wide range of federal criminal violations, including mail fraud, wire fraud, bank fraud, and computer crimes. I am familiar with pyramid or “Ponzi” schemes such as the one employed by FORTE, which pay returns to investors out of the money paid by other investors rather than from profit.

4. I am currently assigned to the investigation of the defendant, Joseph Forte. The information contained in this complaint is based upon my personal knowledge and information obtained from other sources including: a) statements made by FORTE to me and other investigating government agents; b) statements made or reported by various witnesses with knowledge of relevant facts; c) my review of investigative work and court filings of other federal investigative agents and lawyers investigating Joseph Forte; and d) my review of records.

5. On December 22, 2008, defendant FORTE advised your affiant that he collected investment money from roughly 80 investors between 1996 and 2008 using a fraudulent scheme in which FORTE told investors that he was profitably trading in S&P 500 stock index futures contracts. FORTE advised your affiant that during this time, he falsely reported investment returns of up to 38%, when in fact he regularly lost money in his futures trading.

6. In 1995, FORTE formed an investment fund named Joseph Forte LP (Limited Partnership) with the assistance of an accountant whom he had known for many years. FORTE advised your affiant that he convince the accountant that he had a system for profitable trading in S&P 500 futures contracts. Beginning with money from three investors, including the accountant, FORTE began trading in the futures market via a trading account at a Chicago-based

broker dealer which was registered with the Securities and Exchange Commission and the Commodities Futures Trading Commission.

7. At all relevant times, FORTE was the only general partner of the Joseph Forte LP fund and, according to the limited partnership agreement that all investors signed, FORTE had sole and exclusive control of the partnership. The stated purpose of the limited partnership was to invest in futures. The agreement provided that FORTE was to receive a management fee of one-half percent (0.5%) of the capital of the partnership each quarter as well as an incentive fee based on the performance of the partnership. FORTE told investors that their investments would be used solely for trading in futures contracts and that when they were not being traded, they were kept as cash in either a Citizens Bank checking account or a cash account at the broker dealer.

8. Between 1996 and 2008, FORTE raised tens of millions of dollars in investment capital from roughly 80 investors, including at least one charitable foundation, one church, and one private school. Several investors have advised government agents that they had been directed to the fund through “word of mouth” and were attracted to the fund’s reported gains which ranged from at least 18% to 37%. At no time did the fund report a loss to investors, even though FORTE consistently lost money on his actual investments.

9. On a quarterly basis, starting in 1996 and ending in late 2008, FORTE sent an email to the accountant with the purported “investment returns” for that quarter. Based on the information provided by FORTE, the accountant then prepared a quarterly individual account statement for each investor, and mailed those quarterly statements to each respective investor via U.S. Mail. FORTE has stated that every quarterly statement indicated that the fund was earning a profit and that the accountant relied on FORTE’s fraudulent claims about the status of the fund. Forte has further stated that he was aware that the accountant was using the mails to send the

quarterly statements to investors. This system was the primary method by which FORTE would misrepresent his trade performance to individual investors. A review of the quarterly statements mailed to investors confirms that FORTE consistently reported positive returns on his trading activity. The last statement received by investors for the third quarter of 2008 indicates that the fund had a return of 18.88% for the quarter and that the Joseph Forte LP fund's total value as of September 30, 2008 was \$154,700,189.

10. According to FORTE, all reported returns were false in their entirety and were simply numbers that FORTE fabricated. FORTE admitted that in every quarter from 1996 through the end of 2008, the reported returns were false. FORTE told investigators that he believed that he would realize gains at some point and that he would be able to return to investors their principal plus their reported returns. Between 1996 and 2008, however, FORTE never earned the returns that he had reported. In fact, an examination of records between 1998 and 2008, indicates that over that time period, FORTE's trading account suffered aggregate trading losses of \$3.3 million.

11. Despite the trading account's actual losses, FORTE was able to continue raising money from new investors by falsely reporting high return rates. A review of records shows that FORTE's trading activity was inconsistent with the claims he had made to investors about his activities. For example, during the time period from December 2004 to December 2008, there were 26 months in which FORTE made less than three trades, including 16 months in which FORTE made no trades whatsoever. FORTE has admitted to your affiant that notwithstanding his claims to investors, he halted his actual trading for long periods of time to practice using his "trading models."

12. Investors “invested” with FORTE by giving him checks written out to Joseph Forte LP. FORTE then deposited the checks into an account maintained in the name of Joseph Forte LP at Citizens Bank. FORTE was then supposed to transfer the money from his Citizens Bank account to his trading account at the broker dealer listed in paragraph 6. FORTE admitted to investigators, however, that not all of the money received from investors was actually transferred to the trading account. In fact, while FORTE has admitted to raising at least \$50 million from investors, records indicate that from 1996 to December 2008, only \$25.8 million was deposited into the trading account. A review of records shows that during the time period from October 2002 to February 2007, no new money was deposited into FORTE’s trading account.

13. FORTE told investigators that he used the money in the Citizens Bank account to pay investors who made redemption requests. FORTE estimated that he used over \$15 million of investor funds to pay other investors who made redemption requests.

14. FORTE also told investigators that he would use the money in the Citizens Bank account to pay himself according to the respective fee schedule spelled out in the limited partnership agreement, based on the numbers he had fabricated. FORTE admitted to paying himself millions of dollars in salary and fees and told investigators that paying himself in accordance with the fee schedule in the partnership was essential to maintaining the fund’s illusion of profitability.

15. Via the most recent quarterly report, mailed to investors on or about September 30, 2008, FORTE reported that the fund had a value of \$154,700,189. In reality, the value of the Joseph Forte trading account was less than \$150,000 at that time. By October 2008, FORTE’s trading account was closed. FORTE continued to seek investment money, however, through at least December 19, 2008.

16. According to FORTE, his scheme unraveled over the second half of 2008 as he no longer was receiving new investment money and current investors were making redemption requests he could no longer cover with money from new investors. FORTE stated that with the trading account nearly depleted in September 2008, he sought out new money, receiving several hundred thousand dollars from two close friends, in an effort to raise money to cover redemption requests and postpone the investors' discovery of his fraudulent scheme.

17. In December 2008, once he realized the scheme was no longer viable, FORTE confessed his fraud to your affiant and other authorities.

CONCLUSION

18. Based on the foregoing facts, my training and experience, and the investigation conducted by myself and others, there is probable cause to believe that defendant FORTE, by causing quarterly statements to be mailed to investors via the United States Mail that falsely showed positive investment returns, committed mail fraud in violation of 18 U.S.C. § 1341. I request that the court issue an arrest warrant and complaint for this violation, thereby authorizing seizure of JOSEPH FORTE when found.

GEORGE CLARK
United States Postal Inspector

Sworn and subscribed before me
this ____ day of January, 2009.

HONORABLE HENRY S. PERKIN
United States Magistrate Judge