

[Press Releases](#)

May 11, 2012

ATTORNEY GENERAL MADIGAN ANNOUNCES SENTENCE IN MULTIMILLION- DOLLAR PONZI SCHEME

Chicago — Attorney General Lisa Madigan announced a former Cook County man pled guilty today to perpetrating a multimillion-dollar Ponzi scheme and was ordered to pay more than \$10 million in restitution to victims across the country.

Kevin Carney, 51, pled guilty earlier today before Judge George J. Bakalis in DuPage County Circuit Court to theft by deception over \$500,000, and charges of mail fraud, wire fraud and securities fraud. He was sentenced to 13 years in the Illinois Department of Corrections and ordered to pay \$10.2 million to more than 300 victims who lost money in his criminal scheme.

Madigan said Carney, a former Elk Grove Village resident, lured his victims into a fraudulent investment management scheme by promising a 20-percent monthly return on their investments. Using a personal trading account with E*Trade, Carney initially conned victims he knew personally in Cook, DuPage and Lake counties but later expanded the scheme to include a network of victims in 20 different states and the District of Columbia.

"Mr. Carney's scheme promised big returns but instead only resulted in financial devastation for his victims," Madigan said. "His criminal acts have forever altered their lives."

In total, Madigan said the defendant secured \$17 million from victims, who after withdrawals and other transactions lost a total of \$10 million. Among Carney's victims is a soldier from Iowa who invested a \$5,000 re-enlisting bonus from the U.S. Army. Madigan said some victims obtained first and second mortgages on their homes to secure a line of credit or withdrew from IRA accounts under penalties to transfer their investments to Carney because he promised a better return. Other victims maxed out credits cards to obtain Carney's purported 20-percent return.

Carney operated the scheme from January 2007 through October 2008 and claimed he was able to garner a 20-percent return on investments using a proprietary software program he developed to identify certain stocks before their prices rose minutes before the rest of the market realized it. He claimed to investors that this system enabled him to purchase stocks and hold them for a very short time – about 15 minutes – to then sell them at a small profit. By repeating this type of transaction several times a day, Carney said he was able to realize a monthly return of 20 percent or more.

Carney provided investors with monthly statements that showed their deposits and withdrawals as well as monthly earnings and account balances. Though the statements consistently showed 20- percent gains on investments, Madigan said Carney was, in fact, regularly losing money on E*Trade and never once realized a 20-percent profit. Carney resorted to paying his clients fictional returns on their investments using money other clients gave him to invest. As word spread of Carney's supposed trading success, coupled with the fact that some of his early investors bought expensive items or took expensive vacations, Carney attracted more victims to invest in his scheme.

Investigators with the Illinois Secretary of State's Office investigated and referred the case to Madigan's office for prosecution.

"Financial fraud hurts innocent people, and scammers like Carney need to know that they will be prosecuted and sent to jail," said Secretary of State Jesse White, adding that "investors need to investigate before they invest, and make sure the person they invest with is properly registered."

Carney is currently serving an eight-year prison sentence in the Jacksonville Correctional Center in a separate Cook County case handled by Madigan's office that involved a similar scam perpetrated on victims who invested with him after October 2008. In that previous case, Carney pled guilty to securities fraud and financial exploitation of an elderly person.

Assistant Bureau Chief Edward Carter and Assistant Attorney General Edward Snow handled the cases for Madigan's Financial Crimes Bureau.

-30-

[Return to May 2012 Press Releases](#)



[© 2020 Illinois Attorney General](#)

[Home](#) • [Privacy Policy](#) • [Contact Us](#)