UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,	:	
Plaintiff,	:	**10 Civ. _____ (___)**
-against-	:	**COMPLAINT**
CHIMAY CAPITAL MANAGEMENT, INC. and GUY ALBERT DE CHIMAY,	:	**ECF CASE**
Defendants.	:	

Plaintiff Securities and Exchange Commission (the "Commission") for its complaint against Chimay Capital Management, Inc. ("Chimay Capital") and Guy Albert de Chimay ("Chimay") (collectively, the "Defendants"), alleges as follows:

SUMMARY OF ALLEGATIONS

1. The Commission brings this action to enjoin Chimay Capital, a New York-based investment adviser, and its principal, Guy Albert de Chimay, from violating the federal securities laws by operating a fraudulent bridge loan program. Chimay Capital claims to be the U.S. investment arm of the Chimay family, a line of wealthy Belgian royalty dating to the fourteenth century. Defendant Chimay – who claims to be related to the current Prince de Chimay – purports to manage $200 million on behalf of the royal family and outside investors.

2. In 2008, Chimay and Chimay Capital began offering investments in a vehicle known as the "Bridge Loan Facility" ("BLF") whereby investor funds would purportedly be pooled with Chimay family money to make lucrative short-term bridge loans to companies with ties to Chimay Capital. Investors were promised fixed annual returns of 12%, and were guaranteed the return of their principal and interest regardless of the actual performance of the

loans. Defendants sought to enhance the cachet of the BLF by emphasizing that it had long been the private cash management vehicle of the Chimay royal family, and was being made available to only a chosen few outsiders.

3. Rather than using investors' money to make safe and profitable loans, Defendants simply stole it. The litany of Defendants' misdeeds of funds is long and varied: investments were used to pay over $600,000 to the law firm representing Chimay in a divorce proceeding, diverted to Chimay's personal bank account to subsidize an extravagant lifestyle, including to pay massive credit card bills, and used to pay Chimay Capital's rent and payroll. In classic Ponzi scheme fashion, BLF investors unwittingly entrusted Defendants with funds that were in turn diverted to pay off disgruntled counterparties in Defendants' other business ventures. By at least 2009, fraud had contaminated every aspect of Defendants' BLF investment vehicle.

4. At least $6 million in investments solicited between October 2008 and September 2009 were misappropriated by Defendants without any evidence that bridge loans were actually made. In order to facilitate, and then cover-up, the fraud, Chimay brazenly falsified bank statements to lull investors into believing he had tens of millions of dollars at his disposal, most of it purportedly tied up offshore in Bermuda. As recently as December 2009, Defendant Chimay sought a multi-million dollar loan from Wachovia on the basis of false representations that he had $14 million in liquid assets in a Bermuda bank account. In reality, the account balance was zero.

5. In order to halt Defendants' fraud, maintain the *status quo* and preserve any assets for defrauded investors, the Commission seeks emergency relief, including temporary restraining orders and preliminary injunctions, and an order: (i) imposing asset freezes upon the Defendants and requiring them to repatriate all funds and assets obtained from the fraudulent activities

described herein that are now located outside the Court's jurisdiction; (ii) preventing the destruction of documents and ordering expedited discovery; and (iii) requiring the Defendants to provide verified accountings. The Commission also seeks permanent injunctions, disgorgement of ill-gotten gains, plus prejudgment interest and civil monetary penalties against the Defendants.

VIOLATIONS

By virtue of the conduct alleged herein:

6. Chimay Capital and Chimay, directly or indirectly, singly or in concert, have engaged, are engaging, and unless restrained and enjoined will continue to engage in acts, practices, schemes and courses of business that constitute violations of Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R.§ 240.10b-5].

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to authority conferred by Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d). This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Sections 21(d), 21(e) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d), 77u(e) and 78aa.

8. Venue lies in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa. Certain of the transactions, acts, practices and courses of business constituting the violations alleged herein occurred within the Southern District of New York.

9. Defendants, directly or indirectly, singly or in concert, have made use of the means or instrumentalities of transportation or communication in, or the instrumentalities of, interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

THE DEFENDANTS

10. **Guy Albert de Chimay**, age 47, founded Chimay Capital in 1987 and serves as its chairman and chief investment officer. Chimay is a U.S. citizen with a last known address at 157 East 37th Street, New York, New York.

11. **Chimay Capital** is an unregistered investment adviser with its last known place of business at 888 Seventh Avenue, 40th Floor, New York, New York. As of 2009, Chimay Capital claimed to have assets under management of approximately $200 million, to serve as the adviser to a series of now-defunct hedge funds known as the Spartan Mullen Chimay funds, and to act as lender under the BLF.

FACTS

A. Defendants' Connection to the Royal Chimay Family

12. Chimay Capital claims to be the U.S. investment arm of the Chimay family, a royal family based in the Chimay region of Belgium. According to Chimay Capital's marketing materials, the family shares its name with the renowned Chimay beer, which is brewed by Trappist monks on land granted to them in 1850 by the Chimay family. The current head of the Chimay family, the Prince de Chimay, is the twenty-second in a line of princes.

13. According to Chimay Capital marketing literature, the firm was founded in 1987 by Guy de Chimay to oversee the Chimay family's investments in the United States. Chimay is the chairman of Chimay Capital, and the current Prince de Chimay is the firm's vice chairman.

Chimay claims to be a cousin of the Prince de Chimay, and to work with him in investing the royal family's funds and attracting outside investors. As of 2009, Chimay Capital claimed to manage approximately $200 million.

14. In 1998, according to firm marketing documents, the Chimay family opened the family investment business to outside investors via a Bermuda investment fund known as Spartan Mullen & Cie SA (now known as Spartan Mullen Chimay, Ltd.). By 2008, Chimay Capital purported to operate a family of offshore and onshore hedge funds which were invested on a *pari-passu* basis.

B. The Marketing of the Bridge Loan Facility

15. In the summer of 2008, Chimay and Chimay Capital began targeting outside investors with an investment opportunity known as the Bridge Loan Facility. As described in marketing materials provided to investors, the BLF exploited the fact that creditworthy borrowers often could not obtain loans from traditional lenders due to the credit crisis: "given the current circumstances in commercial banking, it has become nearly impossible to secure bridge financing of short duration, creating excess demand. [Our] capacity to close quickly allows for premium pricing, significantly above the risk free-rate."

16. Defendants claimed that Chimay Capital, as the lender under the BLF, made only short-term (90 –120 days) bridge loans at an average interest rate of 15%. Chimay and Chimay Capital further claimed that the BLF program had a long track record of safe and profitable lending to a "short roster" of carefully-vetted companies, and that loans would be secured by ample collateral. By April of 2009, Chimay Capital claimed to have a pool of $50 million that could be deployed for BLF lending; by September 2009, the size of the pool had jumped to $100 million.

17. In marketing the BLF, Defendants sought to cultivate an atmosphere of exclusivity by emphasizing that the BLF had been created years earlier as the private cash management vehicle of the Chimay royal family. Marketing materials disseminated to investors stated that the BLF was established in 2002 to "as an alternative vehicle for investment of family cash when US Treasury yields were considered too low." Chimay told one investor in October 2008 that investments in the BLF had traditionally been limited to "close friends and family . . . and had provided an exceptional stream of above-average cash flow, on a risk adjusted basis for 8 years." Chimay told another BLF investor that virtually all of his personal liquidity had been entrusted to the BLF.

18. Investors were guaranteed annualized returns of 12%: "The return on investments in the BLF is 12% on an annualized basis . . . Participants can elect to take current interest in cash, or reinvest it back into their capital account."

19. As an additional inducement, Defendants guaranteed BLF investors the return of their principal and interest notwithstanding actual performance of the BLF. According to the marketing materials, "with CCM's [Chimay Capital's] experience, and the structure of the BLF, CCM has exceptional confidence in the process. As a consequence, CCM is willing to guaranty both principal and interest to all participants." As Chimay further explained in an email to one investor, "we back stop our guaranty with the weight of our ownership in Spartan Mullen Chimay Ltd., which in all, between Chimay Capital Management, Spartan Mullen et Cie, exceeds $100mm today. We are equal participants in every transaction and put our reputation on the line every time. 400 years later we are not trying to embarrass ourselves."

20. Investors in the BLF were required to sign a written agreement memorializing the amount of their investment and stating, among things, that (i) Chimay Capital would serve as the

lender to various corporate entities; (ii) investors would receive an "annual rate of 12%"; and (iii) investors would receive an "origination fee" of 2% of their investment. Upon execution of the investment contracts, Chimay, on behalf of Chimay Capital Management, thereafter signed a "Corporate Guaranty" pledging repayment of investors' funds with interest.

21. The BLF was marketed by Chimay and Chimay Capital in the United States and Europe. To date, the Commission is aware of at least $6 million invested in the BLF by investors in late 2008 and the first half of 2009. Defendant Chimay maintained a list of potential targets for the BLF, and it is likely that the total number of defrauded victims will be revealed over time.

C. Defendants' Wholesale Misappropriation of Investor Funds

22. On April 21, 2009, **Investor A** wired an initial BLF investment of $500,000 to a Chimay-controlled account at Goldman Sachs Execution and Clearing ("GSEC"). The GSEC account had been opened in March 2009 and contained only $10,000 when **Investor A's** funds were deposited. At the time of his investment, Defendants represented to **Investor A** that the size of the "bridge loan" pool into which he would be depositing his funds was $50 million.

23. On the same day **Investor A** transmitted his funds to Defendants, Chimay instructed his introducing broker to direct GSEC to wire the bulk of **Investor A's** investment to three external accounts: (i) $289,000 for "legal fees – re Chimay" to the IOLA account of the New York law firm representing Chimay in a divorce proceeding in New York state court; (ii) $61,000 to a TD Bank account maintained by Chimay Capital for purported use as generic "working capital"; and (iii) $100,000 to another entity to satisfy Chimay Capital's unrelated contractual obligation to provide operating capital to the entity.

24. On May 12, 2009, **Investor A** wired an additional BLF investment of $170,000 to the GSEC account; the same day, Chimay directed that $140,000 be wired to a Chimay Capital (Int'l) account at TD Bank. Later that day, after the $140,000 had been received at TD Bank, $90,000 of **Investor A's** investment were transferred to Chimay's personal account at TD Bank, where it was thereafter used to subsidize Chimay's costly personal and living expenses, including his mortgage, car payment, credit card payments, utilities and cash withdrawals.

25. **Investor B** invested $2 million in the BLF in October 2008 by wiring his investment to an account at Butterfield Bank in Bermuda. Among other things, **Investor B's** funds were used to fund a $200,000 personal check made out to Defendant Chimay, which he deposited the same day into his personal checking account at TD Bank. Chimay thereafter used **Investor B's** money to make tens of thousands of dollars in rapid fire payments to Chrysler Finance, American Express, Indymac Bank, and Capital One. **Investor B's** funds were also used to pay $330,000 to another investment firm to meet Defendants' contractual agreement to provide operational capital to the firm, and to pay Chimay Capital's rent and payroll in November 2008.

26. Oblivious to the fact that his money had been diverted for improper purposes, and still under the belief that he would receive safe and steady returns of 12%, **Investor B** invested another $2 million in the BLF in January 2009. The day after **Investor B** wired his second $2 million investment to Butterfield Bank on January 29, 2009, Defendants transferred approximately $1.8 million from the account to another Butterfield account controlled by Chimay. Chimay thereafter immediately used **Investor B's** funds to make a payment of $250,000 to his divorce counsel, and to fund the $643,000 redemption of an investor in a Chimay Capital hedge fund.

27. **Investor C** invested $200,000 in the BLF in December 2008. **Investor C's** funds were used by Defendants, among other things to: (i) fund a personal check of $36,000 made out to Defendant Chimay, which he promptly deposited into his personal bank account at TD Bank and again used to remit payments to credit card companies and banks; (ii) make a rental payment of approximately $16,000 to Chimay Capital's landlord; (iii) provide $45,000 in operating expenses to another investment firm; and (iv) pay nearly $15,000 to a travel agency.

28. **Investor D** invested approximately $1 million in the BLF in late August 2009, ostensibly to participate in a bridge loan to fund a real estate venture. By then, Defendants claimed that the size of the overall "bridge loan" pool to which **Investor D's** funds would be added had grown to $100 million. Defendants misappropriated **Investor D's** funds by, among other things, using them to make a $500,000 payment to a third party that had loaned Defendants approximately $1.4 million in July 2009 to purchase shares in a technology company. Defendants also misappropriated **Investor D's** funds to make a $339,000 payment to the firm that had served as the custodian of the Spartan Mullen funds, which Defendants claimed to have liquidated in March 2009.

29. **Investor D** grew concerned when Defendants could not produce any documentation to demonstrate that **Investor D's** funds had been invested in the BLF real estate venture. In order to reassure **Investor D** that Defendants had ample liquidity, and that **Investor D's** BLF investment was safe, on October 5, 2009, Chimay provided **Investor D** with a bank account statement from Butterfield Bank purporting to show liquid assets of approximately $14 million. The Butterfield statement was fraudulent; the actual account balance was zero.

VIOLATIONS OF THE FEDERAL SECURITIES LAWS

FIRST CLAIM FOR RELIEF
[All Defendants]

Violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), 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

30. The Commission repeats and realleges the allegations contained in paragraphs 1 through 29 by reference as if fully set forth herein.

31. The investment contracts in the BLF offered and sold by Defendants are securities within the meaning of Section 2(1) of the Securities Act, 15 U.S.C. § 77b(1), and Section 3(a)(10) of the Exchange Act, 15 U.S.C. § 78c(a)(10). Among other things, investors in the BLF provided Defendants with money as part of a common enterprise with the expectation that they would profit based on Defendants' role in managing a series of short-term bridge loans.

32. The misrepresentations and omissions described above are material.

33. Defendants, directly and indirectly, singly and in concert, knowingly or recklessly, by the use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce, or by the use of the mails, in the offer or sale, and in connection with the purchase or sale, of securities, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of, or otherwise made untrue statements of material fact, or omitted to state material facts necessary to make the statements, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, acts, practices and courses of business which operated or would operate as a fraud or deceit upon purchasers of securities or other persons.

34. By reason of the acts, omissions, practices, and courses of business set forth in this complaint, Defendants have violated, are violating, and unless restrained and enjoined, will

continue to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), 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.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court grant the following relief:

I.

Enter a Final Judgment finding that the Defendants each violated the securities laws and rules promulgated thereunder as alleged against them herein;

II.

Enter an Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining the Defendants and their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from committing future violations of each of the securities laws and rules promulgated thereunder, or alternatively, from aiding and abetting such future violations, as respectively alleged against them herein.

III.

Enter an Order freezing the assets of the Defendants, and the assets of all affiliated entities, pending further Order of the Court.

IV.

Enter an Order directing the Defendants to file with this Court and serve upon the Commission, within three (3) business days, or within such extension of time as the Commission staff agrees in writing or as otherwise ordered by the Court, a verified written accounting, signed by each of them under penalty of perjury.

V.

Enter an Order requiring Defendants to repatriate all funds and assets obtained from the fraudulent activities described herein that are now located outside the Court's jurisdiction.

VI.

Enter an Order permanently restraining and enjoining the Defendants from destroying, altering, concealing, or otherwise interfering with the access of the Commission to relevant documents, books and records.

VII.

Enter a Final Judgment directing the Defendants to disgorge their ill-gotten gains, plus prejudgment interest.

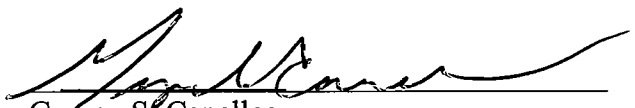
VIII.

A Final Judgment directing the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

IX.

Granting such other and further relief as this Court deems just and proper.

Dated: New York, New York
June 10, 2010



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