PRESS RELEASE

Pre-IPO Fraudsters Sentenced To 8, 10, And 11 Years In Prison

Wednesday, May 20, 2026

For Immediate Release

U.S. Attorney's Office, Southern District of New York

Michael Castillero, Francine Lanaia, and Brian Martinsen Sold Shares in Non-Public Companies at Inflated Prices and Pocketed Hidden Markups, Paying Themselves a Staggering $75 Million

United States Attorney for the Southern District of New York, Jay Clayton, announced today that the founders and operators of StraightPath Venture Partners LLC ("StraightPath") and its affiliated entities were sentenced to significant prison time for defrauding their investors, skimming money off the top, and violating their fiduciary duties. MICHAEL CASTILLERO, a/k/a "Michael Alejandro," and BRIAN MARTINSEN, who were also convicted of obstruction of justice, were each sentenced to 11 and 10 years in prison, respectively. FRANCINE LANAIA was sentenced to 8 years. CASTILLERO, MARTINSEN, and LANAIA were convicted in November 2025 following a two-week jury trial before U.S. District Judge Jesse M. Furman, who imposed today's sentences.

> ***"Our private markets are the lifeblood of small and medium-sized businesses as well as tomorrow's global giants," said U.S. Attorney Jay Clayton. "Small and medium-sized business drive domestic***

> ***employment. Our global giants in tech, energy, finance, life sciences, and other industries contribute greatly to the welfare of every American and provide strength on the world stage. Those companies, their investors, their employees, and all Americans benefit from our private markets. We, along with our partners at the SEC and law enforcement, are committed to ensuring that our private markets function well and fairly, and we are committed to rooting out bad actors. The federal prison sentences imposed today send a message that private market frauds will be met with vigorous criminal prosecution."***

According to the allegations contained in the Indictment and statements made in public filings and public court proceedings:

From 2017 through April 2022, CASTILLERO, LANAIA, and MARTINSEN engaged in a scheme to defraud investors in nine related private funds known as the "StraightPath Funds." Using "boiler room"-style call centers, the defendants marketed the funds as opportunities to invest in privately held companies at favorable prices before anticipated public offerings. Despite representing to investors that no upfront fees would be charged, the defendants acquired pre-IPO shares and resold them to investors at arbitrarily inflated markups without disclosure. The defendants also misled investors regarding the nature of their investments and hid the involvement of CASTILLERO and LANAIA, who had been previously barred from the securities industry by the Financial Industry Regulatory Authority ("FINRA"). Moreover, in order to evade detection of their scheme, CASTILLERO and MARTINSEN destroyed records and otherwise obstructed the efforts of the United States Securities and Exchange Commission ("SEC") to uncover the defendants' fraud on investors.

Through the scheme, CASTILLERO, LANAIA, and MARTINSEN acquired nearly $400 million from investors. They pocketed approximately $25 million each over the course of the fraud, and they also diverted investor funds to pay their associates. Altogether, the defendants and their associates misappropriated approximately $130 million in investor funds, and spent the money on luxury goods, houses, cars, watches, and a boat.

The StraightPath entities and StraightPath Funds are no longer operational and are under the control of a court-appointed Receiver tasked with taking possession of StraightPath's assets and overseeing a plan to return value to investors.

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In addition to the prison term, CASTILLERO, 48, of Palm City, Florida; LANAIA, 61, of Northport, New York; and MARTINSEN, 49, of Palm City, Florida, were each sentenced to 3 years of supervised release. They were also ordered to pay restitution of $115 million. The defendants were also ordered to forfeit specific real and personal property they obtained as a result of the fraud, and to pay the following forfeiture amounts: Lanaia: $24,259,128.80; Martinsen: $25,355,714.43; and Castillero: $24,279,516.80.

Mr. Clayton praised the outstanding work of the U.S. Postal Inspection Service. Mr. Clayton also thanked the U.S. Securities and Exchange Commission, which has filed parallel civil actions.

This case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant U.S. Attorneys Adam Hobson, Allison Nichols, and Matthew Shahabian are in charge of the prosecution.

On April 7, the Department of Justice announced the creation of the National Fraud Enforcement Division ("Fraud Division"). The Fraud Division is laser-focused on investigating and prosecuting those who commit fraud against the American people. The Department's work to combat fraud supports President Trump's Task Force to Eliminate Fraud, a whole-of-government effort chaired by Vice President J.D. Vance to eliminate fraud, waste, and abuse within Federal benefit programs.

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