

# United States District Court

STATE AND DISTRICT OF MINNESOTA

In the Matter of the Search of

(Name, address or brief description of person or property to be searched)

Thomas Petters' Residence, 655 Bushaway Road, Wayzata, Minnesota

**APPLICATION AND AFFIDAVIT FOR SEARCH WARRANT**

Case Number: 08-MJ-364 (FLW)

I, Timothy Bisswurm, being duly sworn depose and say:

I am a(n) Special Agent, FBI and have reason to believe that  on the person of or  on the premises known as (name, description and/or location)

Thomas Petters' Residence, 655 Bushaway Road, Wayzata, Minnesota

in the State and District of Minnesota there is now concealed a certain person or property, namely (describe the person or property)

Please see Attached List of Items to be Seized.

which is (state one or more bases for search warrant and seizure set forth under Rule 41(b) of the Federal Rules of Criminal Procedure)

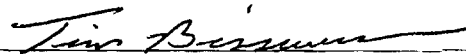
property that constitutes evidence of the commission of a crime, contraband, fruits of criminal activity, and/or means of committing a crime

concerning a violation of Title 18, United States Code, Section(s) 1341, 1346, 1956 and 1957.

The facts to support a finding of Probable Cause are as follows:

See Affidavit attached hereto and incorporated herein by reference.

Continued on the attached sheet and made a part hereof.  Yes  No

  
Signature of Affiant

TIMOTHY BISSWURM, Special Agent  
FBI

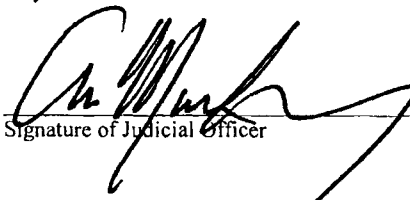
Sworn to before me, and subscribed in my presence

September 19, 2008 12:11 pm.  
Date and Time Issued

at Minneapolis, MN  
City and State

The Honorable Ann D. Montgomery  
UNITED STATES DISTRICT JUDGE

Name and Title of Judicial Officer

  
Signature of Judicial Officer

## ATTACHMENT A - ITEMS TO BE SEIZED

Documents and items for the following persons and entities from the period 1995 to present:

1. Petters Company Inc. and affiliated entities (including but not limited to Edge One, LLC; MGC Finance Inc.; PAC Funding, LLC; Palm Beach Finance Holdings, Inc.; PC Funding, LLC; PL LTD, Inc.; Thousand Lakes, LLC); Enchanted Family Buying Company; and Nationwide International Resources.
2. Investors in PCI and its affiliated entities.
3. Thomas Joseph Petters; Deanna Coleman; Robert White; James Wehmhoff; Larry Reynolds; Michael Catain; and Frank Vennes.

To include but not limited to:

- Documents related to the solicitation and acquisition of funds for PCI and affiliated entities, including but not limited to promissory notes, security agreements, collateral agreements, prospectuses.
- Documents related to the disposition of investor funds, including but not limited to all accounting, banking, auditing, and tax records of PCI, its affiliated entities, and Thomas Petters.
- Documents related to compensation received by the individuals identified in Paragraph 3, above.
- Documents related to assets pledged as security for lending agreements, including but not limited to all invoices, bills of lading, bills of sale, and purchase orders.
- Documents related to the identities of associates or co-conspirators, or tending to identify the location or possession of criminally derived property.
- Documents tending show the expenditures of monies and the purpose for those expenditures, and other records related to liabilities or indebtedness.
- Monetary instruments and evidence of safe deposit boxes or remote storage locations, and the keys and rental agreements for these boxes and units.
- Mail and the contents of unopened envelopes which fall into the above categories.

"Document(s)" means writings or records of every kind or character, conveying information by mechanical, electronic, photographic, or other means, whether encarded, taped, stored or coded electrostatically, electromagnetically, or otherwise. "Documents" includes, but is not limited to: correspondence; memoranda; notes; drafts; records; letters; envelopes; telegrams; messages; electronic mail; mail; analyses; agreements; accounts; working papers; reports and summaries of investigations; trade letters; press releases; comparisons; books; notices; drawings; diagrams; instructions; manuals; calendars; diaries; articles; magazines; newspapers; internal and external newsletters; brochures; guidelines; notes or minutes of meetings or of other communications of any type; questionnaires; surveys; charts; graphs; photographs; films or videotapes; audiotapes; discs; data cells; microfiche; microfilm; telephone directories; bulletins; printouts of information stored or maintained by electronic data processing or word processing equipment; all other data compilations from which information can be obtained including electronically and optically sensitive stored media such as floppy discs, hard drives and discs, and magnetic media.

STATE OF MINNESOTA )  
 ) ss. AFFIDAVIT OF TIMOTHY BISSWURM  
COUNTY OF HENNEPIN )

I, Timothy Bisswurm, being duly sworn, state that the following is true and correct to the best of my knowledge and belief:

#### AFFIANT'S BACKGROUND & EXPERTISE

1. I am a Special Agent (SA) with the Federal Bureau of Investigation (FBI) and have been for approximately 12 years. As a Special Agent I have been involved in the investigations of money laundering, bank fraud, public corruption, mail fraud, wire fraud, and conspiracies to commit these crimes. My duties and responsibilities have included conducting criminal investigations of individuals and entities for possible violations of federal laws, particularly those laws found in Title 18 of the United States Code.
2. I have participated in arrests and searches, and have participated in the execution of numerous search warrants for documents, records, and proceeds from illegal activities, and have participated in the subsequent investigation and analysis of evidence seized pursuant to these warrants. I have not included each and every fact known to me regarding this investigation in this affidavit, but only those facts relating specifically to determining whether there is probable cause to believe that the items to be seized will be found in the places to be searched and whether those items are evidence of the offenses identified in this affidavit.

#### CURRENT INVESTIGATION

3. I am currently assigned to a joint federal investigation with the Internal Revenue Service - Criminal Investigation Division and the United States Postal Inspection Service which is focusing on the business and financing activities of PETERS COMPANY, INC (PCI), PCI affiliated entities and persons; NATIONWIDE INTERNATIONAL RESOURCES, INC. (NIR); and ENCHANTED FAMILY BUYING COMPANY (ENCHANTED).
4. THOMAS JOSEPH PETERS, the owner of PCI; employees of PCI and other PETERS' entities; and other businesses have created and are continuing to execute a scheme to fraudulently induce investors to provide funds for, and financing to, PCI. Based on the fraudulent scheme, over 20 identified investors and investment groups have currently provided well in excess of \$100 million, and possibly substantially more, in PCI and related entities.
5. This affidavit is submitted in support of an application for search warrants for nine premises and two vehicles identified below:

- a. Offices of Petters Company, Inc. and affiliated entities, 4400 Baker Road, Minnetonka, Minnesota
  - b. Offices of Enchanted Family Buying Company, 2nd Floor, 701 West Highway 7, Excelsior, Minnesota
  - c. Offices of Nationwide International Resource, 2346 Westwood Blvd, #6, Los Angeles, California
  - d. Residence of Thomas Petters, 655 Bushaway Road, Wayzata, Minnesota
  - e. Offices of Robert White, 4th floor, 4400 Baker Road, Minnetonka
  - f. Residence of Robert White, 538 Grace Street, Excelsior, Minnesota
  - g. Vehicle of Robert White, 2005 Porsche convertible, Minnesota license plate URT332
  - h. Vehicle of Robert White, 2005 Honda Element, Minnesota license plate PHA531
  - i. Residence and Offices of Frank Vennes, 27820 Island View Road, Shorewood, Minnesota
  - j. Residence of Michael Catain, 4550 Enchanted Point, Mound, Minnesota
  - k. Residence of Larry Reynolds, 15 Castle Oaks Court, Las Vegas, Nevada
6. The primary method of effectuating the fraud scheme involves PETERS, his employees, and his associates creating fictitious documents and then providing these documents to current and potential investors as evidence that PCI is buying and selling substantial goods and merchandise which PCI will then resell. In many instances, funds from investors are sent directly to the purported supplier of the merchandise, NIR or ENCHANTED. In turn, NIR or ENCHANTED direct the funds to PCI (less a commission) without any merchandise. PETERS and other persons then fraudulently pledge the non-existent goods and merchandise as security for the investments.

#### COOPERATING WITNESS

7. A Cooperating Witness (CW) who is currently associated with PETERS and PCI approached the government with documents and information establishing the fraud scheme. On September 8, 2008, during a proffer session with the CW and CW's counsel, the CW admitted to personal criminal culpability in the scheme, and agreed to cooperate in this investigation. In turn, the government agreed that it would accept a plea to a single count of conspiracy in violation of 18 U.S.C. § 371, with a maximum sentence of 5 years imprisonment and the potential for a cooperation agreement. During the proffer and in subsequent interviews the CW informed the government that:
- a. PCI is the venture capital arm of numerous PETERS enterprises. The money raised by PETERS through PCI is used by PETERS for his other business ventures and to support his extravagant lifestyle.
  - b. The fraudulent scheme was perpetrated by PETERS; DEANNA COLEMAN (PCI Vice President of Operations); ROBERT WHITE (former PCI officer and current

consultant to PCI), MICHAEL CATAIN (ENCHANTED), LARRY REYNOLDS (NIR), and other persons. The scheme began in the mid 1990's.

- c. PETERS has solicited investors to invest substantial sums in PCI. To induce the investors to invest, the investors were advised funds would be secured by transactions (which were fictitious). Investors were then provided with false documents relating to the purchase and resale of merchandise. The fraudulent documents purport to evidence PCI purchasing merchandise from vendors such as NIR, located in Los Angeles, California, and ENCHANTED, located in Excelsior, Minnesota. Additional purchase orders falsely detail PCI's sale of the same merchandise to stores such as BJ's Wholesale Club, Levittown, Pennsylvania and Sam's Club, Bentonville, Arkansas.
  - d. The purchase orders and other documents in support of the transactions are entirely fabricated. PCI does not buy merchandise from NIR or ENCHANTED. Nor does PCI sell merchandise as described in the purchase orders to BJ's Wholesale Club, Sam's Club or any other business. PETERS uses these documents to induce investors to invest money.
  - e. On occasion, investors wanted to wire funds directly to NIR and ENCHANTED as payment for the fictitious purchase orders that had been provided by PETERS and others to the investors. LARRY REYNOLDS (NIR) and MICHAEL CATAIN (ENCHANTED) have entered into agreements with PETERS to receive these funds from investors and then send these funds to PETERS, minus a percentage of the funds as compensation for their role in the scheme. This scheme tricked the investors into believing that PCI was actually reselling merchandise, when in fact PCI was not reselling merchandise.
  - f. COLEMAN created false purchase orders and invoices related to the purchase of merchandise from NIR and ENCHANTED. WHITE, who remains a consultant to PETERS, was responsible for creating the false purchase orders related to the fictitious sale of merchandise to BJ's Wholesale Club, Sam's Club, Costco, and Boscovs.
  - g. PETERS and others used the mail, FEDEX, and interstate wire communications in furtherance of the scheme, by sending documents via mail and interstate commercial carrier, and communicating in interstate commerce via wire transfer, by email and telephone.
8. The CW provided documents corroborating the allegations, including an itemized list of investors who are owed money by PCI, copies of numerous Promissory Notes, and copies of other lending documents that pertain to the scheme.

- a. A "Combined Balance Sheet" dated June 30, 2008, for PCI and affiliates indicates "total current liabilities" of \$3.5 billion. The balance sheet reflects current accounts receivable (net) of about \$1.9 billion. The CW advised that the accounts receivable are based on the false documents, and that actual accounts receivable are substantially less than that listed on the balance sheet.
- b. One example of a transaction identified by the CW as fraudulent, and corroborated by another agent's analysis of records provided by the CW, is as follows:
  - i. PCI has eight outstanding notes with the Fidelis Foundation reflecting an investment totaling \$27,620,000.
  - ii. One of those notes, number 042308-5045, dated April 23, 2008, reflects that PCI obtained \$4,350,000 from Fidelis Foundation, an agent for Minnesota Teen Challenge and Fidelis Foundation. Note number 042308-5045 bears the signature of PETERS. A Security Agreement, that also bears PETERS signature, reflects that Minnesota Teen Challenge and Fidelis Foundation will have a security interest in the following purchase orders which the CW indicated were fictitious:
    - (1) PCI's Purchase order, number 49663, dated 4/17/08, to ENCHANTED for the purchase of 2,800 Hitachi Presentation Projectors. PCI's purchase price is \$5,259,800.
    - (2) Sam's Club Purchase order, number 9209679210, order date 4/28/08, to PCI for the purchase of 2,800 Hitachi Presentation Projectors. Sam's Club's purchase price is \$5,838,364.

#### CORROBORATION OF COOPERATING WITNESS

9. Agents provided copies of four purchase orders provided by the CW to a security official for Wal-Mart Stores, Inc. (corporate owner of Sam's Club). The purchase orders purportedly depict PCI selling merchandise to Sam's Club. Based on an analysis of records provided by the CW, PCI purportedly purchased this merchandise from both NIR and ENCHANTED.
  - a. The Wal-Mart official reported that PCI's purported vendor number on the Sam's Club purchase order was fictitious. The official also stated that the purchase order numbers are not valid purchase order numbers for Wal-Mart stores or Sam's Club. These purchase orders reflect over \$10 million in merchandise purchases from PCI.
  - b. The internet site affiliated with Sam's Club states requirements for vendors seeking to do business with Sam's Club. One requirement is that vendors use EDI (Electronic Data Interchange) to exchange purchase orders, invoices, and all other

transactional documents electronically. Another requirement is that suppliers use "Retail Link," an internet based system that suppliers use to meet requirements. The purchase orders provided by the CW are not consistent with EDI documents, but appear to be manually prepared purchase orders.

10. Agents have learned that First Regional Bank, Century City, California, reports that NIR and REYNOLDS have been receiving in/out wire transfers in substantial amounts since 2003.
  - a. From January 2003 through March 2006, the bank reported \$11.6 billion of in/out wire transfers for the NIR account. This number includes both wires into and wires out of the account. The bank indicated that NIR informed the bank of the following:
    - i. NIR is a sales rep for PCI. NIR arranges for purchases of large quantities of merchandise from PCI to large retail stores. Settlement of these sales is handled through wire transfers. Incoming wires to NIR represent money for the product/merchandise that has been sold.
    - ii. The following business day, an outgoing wire (generally to PCI) represents the cost of the merchandise/product less commission to nationwide
  - b. The description provided by NIR to the bank explains the transactions, but is inconsistent with the actual NIR purchase orders (which NIR did not provide to the bank). These purchase orders reflect that NIR does not sell merchandise for PCI, but sells merchandise to PCI.
  - c. An analysis of the wires reported by the bank further corroborates the CW's description of this arrangement, in that the commission retained by NIR for receiving funds from investors, and then wiring the funds to PCI is approximately .05%. For example, from January 4, 2006 through January 10, 2006, NIR received \$51,330,775 in 8 incoming wires. The day after receiving each wire, NIR wired the funds (less a .05% commission) to PCI.
11. Agents also obtained financial records related to ENCHANTED. A preliminary analysis of bank statements indicates that this entity received \$35,013,540 in incoming wires from June 23, 2008 through July 14, 2008. From June 23, 2008 through July 18, 2008, ENCHANTED wired out \$35,022,144.90, with substantially most of the funds going to PCI. Approximately \$66,000 appears to have been sent to MICHAEL CATAIN. This also corroborates the CW's statement as to fees to CATAIN for re-wiring funds to conceal the existence of the fraud scheme.



## RECORDINGS

12. In September 2008, the government obtained consensually monitored conversations involving PETTERS, DEANNA COLEMAN, ROBERT WHITE, JAMES WEHMHOFF, LARRY REYNOLDS and other persons. Your affiant and other agents have reviewed these recordings, which were obtained by providing recording devices to the CW, and then directing the CW to record telephone conversations and in-person conversations with persons identified in this investigation. Many of these conversations took place in the office spaces of PCI. The CW has identified the voices on these recordings. These identifications are corroborated by statements of identification on the recordings themselves as well as video recordings.
  - a. In these recordings, PETTERS repeatedly admits executing the fraud scheme by providing fraudulent information to investors. PETTERS repeatedly discusses the stressed financial condition of his company, as well as the need to find more capital. Although at times PETTERS tells COLEMAN that he doesn't want her to prepare false documents, he continues to ask her to prepare false documents, noting that he doesn't know what choice they have. PETTERS talks about fleeing the country and creating fabricated defenses if the fraud scheme is discovered.
  - b. PETTERS also attributes knowledge of, and participation in, the fraud scheme to COLEMAN, WHITE, VENNES (investor broker), and REYNOLDS (NIR). PETTERS states that VENNES told PETTERS that they are "a little paper manufacturing plant." On one occasion, PETTERS states that he and VENNES would be jointly implicated a scheme to defraud investors out of \$130 million.
  - c. WHITE admits that he, COLEMAN, and PETTERS are "co-conspirators," and that he maintains records related to the fraud scheme in an envelope that he at times keeps in his vehicle or takes home. WHITE further describes the fraud scheme as a "Ponzi scheme," and estimates that at least \$100 million of PCI's debt is fraudulent. WHITE discusses cleaning out his office because he is worried.
  - d. VENNES cautions that if investors send auditors out to visit warehouses where the merchandise is located, that the scheme would implode. VENNES also asks that COLEMAN prepare purchase orders to be submitted to investors so that the investors will extend the due dates on debt.
  - e. Accountant JIM WEHMHOFF tells PETTERS that federal auditors are examining his taxes, and will be examining PETTERS' expenses and deductions. PETTERS responds by admitting that he cheats on all those items. PETTERS and WEHMHOFF further discuss PETTERS illegally taking mortgage deductions on multiple residences.

- f. REYNOLDS admits that PETERS told him about the fake purchase orders, and that REYNOLDS has known about this for many years. REYNOLDS estimates the amount of fraud as in excess of \$2 billion.

#### VENDORS - CONSPIRATORS

#### 13. ENCHANTED FAMILY BUYING COMPANY

- a. ENCHANTED is affiliated with and operated by MICHAEL CATAIN. CATAIN resides on Enchanted Point in Mound, Minnesota. The CW advised that PETERS and CATAIN jointly owned a music company in the mid-90's. The CW further advised that PETERS, CATAIN and WHITE participated in a joint scheme to use false purchase orders to obtain \$20 million from a large commercial lending company.
- b. A public business journal reported that on August 18, 2003, PETERS and CATAIN jointly owned a music and entertainment company called Liquid 8 Records & Entertainment, which was also affiliated with a holding company named "Enchanted Entertainment."
- c. As described earlier in this affidavit, the CW advised that ENCHANTED has on more than one occasion received money directly from investors in payment of fraudulent purchase orders provided by PCI to investors. ENCHANTED did not provide any merchandise to PCI or its affiliated entities. Shortly after receiving the funds directly from the investors, ENCHANTED paid those funds over to PETERS and PCI. A review of documents provided by the CW confirms that PETERS, on occasion, had investors make payments directly to ENCHANTED.
- d. The CW advised that several years ago CATAIN stated the he was no longer in the business of selling merchandise to PCI. The fabricated documents provided by the CW indicate that, purportedly, ENCHANTED annually buys and sells tens of millions of dollars of electronic merchandise. In a six month period in 2008, PCI purportedly bought \$23,142,459.50 in electronic goods from ENCHANTED that PCI then resold to Sam's Club.
- e. If, in fact, ENCHANTED sold merchandise, ENCHANTED will have purchase orders, bills of lading and other shipping, freight, and inventory records which correspond to the purported purchase, storage and resale of merchandise, whereas the absence of these records is further evidence of the fraud scheme. However, ENCHANTED should have financial records and communications related to payments and transactions with PETERS and PCI. The absence of such records would be evidence of the fraud.

- f. Based on the evidence developed in this investigation, there is probable cause to believe that ENCHANTED is a sham business used by PETTERS and CATAIN solely to facilitate the fraudulent purchase order scheme. As noted below, visual inspection of the ENCHANTED offices corroborates that ENCHANTED is a sham entity.

14. NATIONWIDE INTERNATIONAL RESOURCES, INC.

- a. The CW advised that NIR is affiliated with LARRY REYNOLDS. REYNOLDS assists PETTERS in executing the fraudulent scheme in numerous ways, including:
  - i. REYNOLDS acts as a conduit for funds provided by investors directly to NIR, which REYNOLDS then delivers to PCI/PETTERS, less a percentage as a commission;
  - ii. At PETTERS' request, REYNOLDS meets with and speaks to PCI's investors, falsely representing that his company is selling PCI large amounts of merchandise as depicted in the fictitious purchase orders;
  - iii. REYNOLDS has arranged for representatives of insurance companies (insuring the fictitious goods) to tour warehouses of electronic goods owned by other companies, while representing that the goods are those sold to PCI; and
  - iv. REYNOLDS has discouraged auditors for investors from viewing the merchandise by stating that the goods were in warehouses that were not accessible.
- b. In recordings summarized above, REYNOLDS admits to his participation in the fraudulent scheme. An analysis of wires further confirms his receipt of substantial sums of money as a result of the fraud.
- c. If, in fact, NIR sold merchandise to PCI, NIR will have purchase orders, bills of lading and other shipping, freight, and inventory records which correspond to the purported purchase, storage and resale of merchandise, whereas the absence of these records is further evidence of the fraud scheme. However, NIR should have financial records and communications related to payments and transactions with PETTERS and PCI. The absence of such records would be evidence of the fraud.
- d. Based on the evidence developed in this investigation, there is probable cause to believe that NIR is used by PETTERS and REYNOLDS to facilitate the fraudulent investment scheme.

## EXISTENCE OF RECORDS

15. Based on my training and experience, and information provided by other agents participating in this investigation, I know that persons and companies are required by law to maintain business and tax related records. Title 26, Part 1, Section 1.6001-1 of the Code of Federal Regulations states, in part, that "any person subject to tax under subtitle A of the Code, or any person required to file a return of information with respect to income, shall keep such permanent books of account or records, including inventories, as are sufficient to establish the amount of gross income, deductions, credits, or other matters required to be shown by such persona in any return of such tax or information." The above section further states that "the books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained so long as the contents thereof may become material in the administration of any internal revenue law."
16. Individuals routinely maintain within their personal residence items which are evidence of income, assets and financial transactions. These items include receipts, bank statements and records, money order and cashier's check receipts, property records, investment records, correspondence, diaries, handwritten notes and personal tax returns and related records. These records are usually maintained for an extended time period, often years.
17. Businesses generally maintain or keep journals, ledgers, bank statements and records, receipts, invoices, and other documents evidencing the receipt and disbursement to funds, inventories, and assets of the business. These records are usually kept and maintained for extended periods of time, often years, at the place of business or residence of the proprietor, or both. These types of documents are maintained in both paper format and using computers or other electronic storage media.
18. Individuals often use personal computers at their residence to store personal and business records and financial data. Computers and computer peripherals are currently and have been an integral part of the operation of most businesses since the mid-1990's.
19. Individuals engaging in financial frauds routinely discard or hide items that may indicate income or their involvement in criminal activity. However, because of their failure to understand the incriminating nature of certain innocuous appearing items, their need for the records, or their carelessness, these individuals nevertheless will usually retain within their residence items of evidentiary value.
20. Individuals engaged in financial frauds use various methods by which to conceal their assets and income from the Government and other third parties, including the use of currency, whenever possible. They will also use nominee names to title assets in order to conceal the assets from the Government.

## LOCATIONS TO BE SEARCHED

### 21. LOCATION 1: OFFICES OF PCI AND AFFILIATED ENTITIES

- a. The CW has advised, and your affiant's investigation and surveillance have corroborated, that PCI conducts business and maintains business records and computer equipment at 4400 Baker Road, Minnetonka, Minnesota. This building is occupied by PCI and affiliated entities associated with PETERS. The CW stated that PETERS and PCI have retained documents related to the fraud scheme, and that these documents are stored at this premises. In the recorded communications, PETERS, COLEMAN, and WHITE describe preparing fraudulent documents in the offices of PCI.
- b. Furthermore, the CW advises that PCI has a central computer server in this building, and that employees have assigned computers with access to the computer network. The CW provided your affiant with copies of email containing communications between PETERS, COLEMAN, WHITE, and investors which are related to the fraudulent scheme. Individuals identified as having records related to the business operations of PCI include PETERS, COLEMAN, WHITE, assistants for PETERS and COLEMAN, bookkeeper SANDY INDAHL, and accountant JAMES WEHMHOFF.

### 22. LOCATION 2: OFFICES OF ENCHANTED FAMILY BUYING COMPANY

- a. The address for ENCHANTED on its correspondence and business records is 701 West Highway 7, Excelsior, Minnesota. Minnesota Secretary of State records also reflect this address as the registered address. The CW advised that this location is a car wash. Agents who surveilled this address state that the first floor of this address is a paint store abutting a parking lot. Also abutting the parking lot is a car wash.
- b. The building has a side door with a stairway to a second floor that is not open to the public. A mailbox near this door has a sign that merely states "upstairs." There is no signage associated with ENCHANTED at this location.

### 23. LOCATION 3: OFFICES OF NATIONWIDE INTERNATIONAL RESOURCES, INC.

- a. Records provided by the CW indicate that NIR maintains an office at 2346 Westwood Blvd, #6, Los Angeles, California. FBI agents who surveilled this location describe it as an older two story complex. "Nationwide International" is shown on a sign on the street. The windows for suite 6 are closed up and there is a sign on unit 6 which asks to deliver the mail to unit 9 from July to August.

- b. The CW advised that the CW has caused items and things to be delivered to NIR at this address.
24. LOCATION 4: THOMAS J. PETTERS' RESIDENCE
- a. The CW advised that PETTERS routinely works at home, and takes documents to his residence at 655 Bushaway Road, Wayzata, Minnesota.
  - b. Furthermore, PETTERS has access to the computer network supporting PCI. The CW advised that, on occasion, records related to the fraud scheme were delivered to PETTERS at his residence.
25. LOCATIONS 5, 6, 7, and 8: ROBERT WHITE'S OFFICES, VEHICLES AND RESIDENCE
- a. The CW advised that ROBERT WHITE uses office space in the building occupied by PCI, on the 4th floor of 4400 Baker Road, Minnetonka. The CW further advises that WHITE also uses a laptop computer with access to the computer networks of PCI, and used the computer to prepare the false invoices related to fictitious purchases from Sam's Club and BJ's Wholesale Warehouse.
  - b. WHITE confirms in recorded communications that he maintains an office at this location.
  - c. The CW further advised that WHITE also recently acknowledged that he maintains records relating to the above described fraud scheme in his personal vehicles, a convertible and an SUV, in case the scheme collapses. Minnesota Driver Vehicle Service records indicate that the following vehicles are registered to WHITE:
    - i. 2005 Porsche convertible, Minnesota license plate URT332
    - ii. 2005 Honda Element, Minnesota license plate PHA531
  - d. Lastly, the CW confirms that WHITE resides at 538 Grace Street, Excelsior, Minnesota. This address was confirmed by postal inspectors and public record checks. This is a single family residence that abuts a lake.
  - e. I know, as more specifically set forth above, that WHITE is required to keep tax records, as well as records related to his income and books and records. Individuals also routinely maintain within their personal residence items which are evidence of income, assets and financial transactions. These records are usually maintained for an extended time period, often years.

- f. There is probable cause to believe that WHITE will maintain records related to the accretion and disposition of funds obtained from fraud, and that these records are located at his residence. Furthermore, WHITE has admitted in recorded communications and other communications to taking documents related to the fraud scheme to his home.

26. LOCATION 9: FRANK VENNES' RESIDENCE

- a. FRANK E. VENNES JR. is the broker for five investors who have provided financing to PCI, MGC Finance, and Palm Beach Finance Holdings, Inc. Currently the five investors are owed approximately \$1.2 billion by PETERS and his companies. As a broker, VENNES has earned commissions totaling around \$28 million related to delivering investors to PCI and PETERS
- b. VENNES was the subject of a prior federal prosecution. In about 1987, VENNES plead guilty to money laundering, and entered a nolo contendere plea to illegally selling a firearm and using a telephone to facilitate the distribution of cocaine. He was sentenced to 5 years imprisonment.
- c. In the recorded communications, PETERS, COLEMAN, and WHITE discuss providing false documents to VENNES related to Palm Beach Financial Holdings. The CW confirms that PETERS and PCI have provided false documents via email to VENNES at his offices in Minnesota and Florida.
- d. The CW advised that on January 1, 2008, VENNES closed his Minnesota office. On September 12, 2008, VENNES' son stated that VENNES keeps business records at VENNES' home. A review of public records confirms that VENNES lists his home address as 27820 Island View Road, Shorewood, Minnesota. The United States Postal Service confirms that Vennes is receiving mail at this address.
- e. In 2006 VENNES was interviewed as a witness in a separate investigation by Special Agents of IRS CID at this residence. The agents have informed me that VENNES has an office at this residence, and that VENNES retrieved records for the agents from that office.
- f. I know, as more specifically set forth above, that VENNES is required to keep tax records, as well as records related to his income and books and records. Individuals also routinely maintain within their personal residence items which are evidence of income, assets and financial transactions. These records are usually maintained for an extended time period, often years.

- g. There is probable cause to believe that VENNES will maintain records related to the accretion and disposition of funds obtained from fraud, and that these records are located at his residence.

27. LOCATION 10: MICHAEL CATAIN'S RESIDENCE.

- a. A search of public records indicate that CATAIN's residence is 4550 Enchanted Point, Mound, Minnesota. Postal Inspectors have confirmed that CATAIN is receiving mail at this address.
- b. Public records indicate that CATAIN bought this residence for \$1,500,000 in July, 2004. The home value is assessed as \$2 million. Agent surveillance identifies this as a large single family residence.
- c. I know, as more specifically set forth in paragraph 3 above, that CATAIN is required to keep tax records, as well as records related to his income and books and records. Individuals also routinely maintain within their personal residence items which are evidence of income, assets and financial transactions. These records are usually maintained for an extended time period, often years.
- d. There is probable cause to believe that CATAIN will maintain records related to the accretion and disposition of funds obtained from fraud, and that these records are located at his residence.

28. LOCATION 11: LARRY REYNOLDS' RESIDENCE

- a. Public records and postal inspectors confirm that REYNOLDS resides and is receiving mail at 15 Castle Oaks Court, Las Vegas, Nevada. This address was purchased as raw land in 2006 for \$515,000. The residence is now completed and the total market value was assessed at \$2.1 million in value in 2007.
- b. I know, as more specifically set forth in paragraph 3 above, that REYNOLDS is required to keep tax records, as well as records related to his income and books and records. Individuals also routinely maintain within their personal residence items which are evidence of income, assets and financial transactions. These records are usually maintained for an extended time period, often years.
- c. There is probable cause to believe that REYNOLDS will maintain records related to the accretion and disposition of funds obtained from fraud, and that these records are located at his residence.



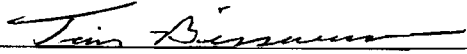
29. SEARCH/SEIZURE OF COMPUTERS AND ELECTRONIC DATA

- a. I know that computer hardware, software, documentation, passwords, and data security devices may be important to a criminal investigation in two distinct and important respects: (1) the objects themselves may be instrumentalities, fruits, or evidence of crime, and/or (2) the objects may have been used to collect and store information about crimes (in the form of electronic data). Rule 41 of the Federal Rules of Criminal Procedure permits the government to search and seize computer hardware, software, documentation, passwords, and data security devices which are (1) instrumentalities, fruits, or evidence of crime, or (2) storage devices for information about crime.
- b. Based on my knowledge, training, and experience in the execution of previous search warrants, I know that searching and seizing information from computers often requires agents to seize most or all electronic storage devices (along with related peripherals) to be searched later by a qualified computer expert in a laboratory or other controlled environment. This is true because of the following:
  - i. The volume of evidence. Computer storage devices (i.e., hard disks, diskettes, tapes, laser disks, Bernoulli drives) can store the equivalent of thousands of pages of information. Additionally, a suspect may try to conceal criminal evidence by storing it in random order or with deceptive file names. This may require searching authorities to examine all the stored data to determine which particular files are evidence or instrumentalities of crime. This sorting process can take weeks or months, depending on the volume of data stored, and it would be impractical to attempt this kind of data search on site.
  - ii. Technical requirements. Searching computer systems for criminal evidence is a highly technical process requiring expert skill and a properly controlled environment. The vast array of computer hardware and software available requires even computer experts to specialize in some systems and applications, so it is difficult to know before a search which expert is qualified to analyze the system and its data. In any event, data search protocols are exacting scientific procedures designed to protect the integrity of the evidence and to recover even "hidden," erased, compressed, password-protected, or encrypted files.
- c. Based on my knowledge, training, and experience, and consultations with FBI Computer Analysis Response Team (CART) examiners, I know that searching computerized information for evidence or instrumentalities of crime commonly requires agents to seize most or all of a computer system's input/output peripheral devices, related software, documentation, and data security devices (including

passwords) so that a qualified computer expert can accurately retrieve the system's data in a laboratory or other controlled environment. This is true because of the following: The peripheral devices which allow users to enter or retrieve data from the storage devices vary widely in their compatibility with other hardware and software. Many system storage devices require particular input/output (I/O) devices in order to read the data on the system. It is important that the analyst be able to properly reconfigure the system as it now operates in order to accurately retrieve the evidence listed below. In addition, the analyst needs the relevant system software, (operating systems, interfaces, and hardware drivers) and any application's software which may have been used to create the data (whether stored on hard drives or on external media), as well as all related instruction manuals or other documentation and data s security devices.

- d. Based on your affiant's consultation with agents who will conduct the search of computer and data equipment, the computers at business locations will be imaged on-site as long as circumstances permit. These agents utilize special software and equipment to capture the contents of hard drives and other forms of media. The goal of this team is to minimize the impact of this warrant on normal business operations. To accomplish this, the team will attempt to capture images of business computer servers as well as computer hard drives in specific computers considered to contain items of evidence in this investigation. These images will be verified on-site to insure the images are functional and access to the data can be gained. Also, the selected programs and data files may be copied from the servers for subsequent analysis. Further, in an effort to minimize the impact on the bank's customers, agents will attempt to work with the business's IT personnel in imaging the bank's computer system.
- e. If, upon arriving at the scene or while executing the search, the agents conclude that it would be impractical to search the computer hardware on-site for this evidence, the agents will remove the equipment for an off-site search. If after inspecting the computers, the analyst determines that some or all of this equipment is no longer necessary to retrieve and preserve the evidence, the government will return it within a reasonable time.

Further Affiant sayeth not.

  
TIMOTHY BISSWURM, Special Agent  
Federal Bureau of Investigation

SUBSCRIBED and SWORN TO before me

on this 19 day of September, 2008.

  
ANN D. MONTGOMERY  
United States District Judge