

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES OF AMERICA,)	INDICTMENT	CR 08-364 RHK/AJB
)		
Plaintiff,)	(18 U.S.C. § 1341)	
)	(18 U.S.C. § 1343)	
v.)	(18 U.S.C. § 371)	
)	(18 U.S.C. § 1956)	
1. THOMAS JOSEPH PETTERS,)	(18 U.S.C. § 1957)	
2. PETTERS COMPANY, INC., and)	(18 U.S.C. § 2)	
3. PETTERS GROUP WORLDWIDE,)		
LLC,)		
Defendants.)		

THE UNITED STATES GRAND JURY CHARGES THAT:

INTRODUCTION

1. Defendant THOMAS JOSEPH PETTERS is a resident of Minnesota.
2. Defendant PETTERS COMPANY, INC. (PCI) is a Minnesota corporation with its headquarters and operations located in Minnesota. PETTERS is the sole owner and president of PCI.
3. Defendant PETTERS GROUP WORLDWIDE, LLC (PGW) is a Delaware limited liability corporation with its headquarters and operations principally located in Minnesota. PETTERS is the sole owner, Chairman, and Chief Executive Officer of PGW.

THE FRAUD SCHEME AND ARTIFICE

4. From at least in or about 1995 and continuing through in or about September 2008, in the State and District of Minnesota and elsewhere, the defendants,

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THOMAS JOSEPH PETERS,
PETERS COMPANY, INC., and
PETERS GROUP WORLDWIDE, LLC,

aided and abetted by persons and affiliated business entities, including Deanna Lynn Coleman, Robert Dean White, Michael Catain, Larry Reynolds, and others known and unknown to the Grand Jury, did knowingly and unlawfully devise and participate in a scheme and artifice to defraud and to obtain billions of dollars in money and property by means of materially false and fraudulent pretenses, representations, and promises.

5. Defendant PETERS used defendants PCI and PGW and their affiliates, including subsidiary corporations, to execute an extensive fraud scheme. PETERS, PCI and its agents (including Coleman and White), and PGW and its agents, made numerous false statements, false representations and material omissions to fraudulently induce investors to provide defendants PCI and PGW with billions of dollars. These funds were purportedly to be used to purchase merchandise which would then be resold to retailers at a profit. In fact, there were no such purchases or resales. Instead, defendants PETERS, PCI and PGW and their co-conspirators would divert the funds to other purposes.

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6. On many occasions, the defendants and their co-conspirators would direct investors to send the fraudulently obtained funds to accounts maintained by the purported suppliers of the merchandise, including Enchanted Family Buying Company (EFBC), a company operated in Minnesota by Michael Catain, and Nationwide International Resources, Inc. (NIR), a company operated in California by Larry Reynolds. Rather than supplying merchandise, Catain and Reynolds would wire the investor funds to accounts controlled by the defendants less a commission. During the course of the scheme and artifice, Catain and Reynolds funneled tens of billions of dollars through the EFBC and NIR bank accounts, respectively, to accounts controlled by the defendants in furtherance of the scheme and artifice. Reynolds and Catain received millions of dollars in commissions for the use of their respective company bank accounts to conceal and disguise the nature, source, ownership and control of the funds.
7. To induce investors to provide the funds, defendants PETTERS, PCI and PGW and their co-conspirators, including Coleman, White, and other persons, made false statements, made material misrepresentations and created false documentation, including purchase orders, invoices, bills of sale, wire transfer confirmations, shipping documents, and financial statements,

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in order to trick investors into providing the defendants with billions of dollars. In many instances, the funds provided by investors to the defendants were secured by promissory notes and security agreements that purported to pledge as collateral either: (a) the merchandise that defendant PCI (or an affiliate) purportedly had purchased from EFBC and NIR; and/or (b) fictitious accounts receivable. In many instances, the defendants provided fictitious wire transfer confirmations from PCI to EFBC and/or NIR to further the illusion that PCI was also providing a percentage of the funds (in addition to those provided by the investors) necessary to purchase the merchandise.

8. The proceeds from the fraud were used (i) to make lulling payments to investors, (ii) to make large payments, sometimes exceeding millions of dollars, to individuals who assisted in the scheme, such as Coleman and White, and others associated with the defendants, (iii) to fund businesses owned or controlled by the defendants, and (iv) to fund PETERS' extravagant lifestyle.

COUNTS 1-7

(Mail Fraud)

18 U.S.C. § 1341

9. The Grand Jury hereby re-alleges and incorporates paragraphs 1 through 8 of this Indictment as if stated in full herein.

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10. On or about the dates set forth below, in the State and District of Minnesota and elsewhere, and for the purpose of executing and attempting to execute the scheme and artifice, the defendants,

**THOMAS JOSEPH PETERS,
PETERS COMPANY, INC., and
PETERS GROUP WORLDWIDE, LLC,**

aided and abetted by Deanna Lynn Coleman, Robert Dean White, Michael Catain, Larry Reynolds, and other persons known and unknown to the Grand Jury, did knowingly cause to be sent, delivered, and moved by the United States Postal Service and interstate commercial carrier various mailings, items and things, as described below:

COUNT	DATE	MAILING
1	January 28, 2008	Wire transfer confirmation of \$6,000,000 for D.V. investment mailed from M&I Bank, Milwaukee, Wisconsin to PCI, Minnetonka, Minnesota
2	April 18, 2008	Wire transfer confirmation of \$50,000,000 for Interlachen Harriet Investments Limited investment mailed from M&I Bank, Milwaukee, Wisconsin to PCI, Minnetonka, Minnesota
3	June 3, 2008	Wire transfer confirmation of \$6,000,000 for T.D. investment mailed from M&I Bank, Milwaukee, Wisconsin to PCI, Minnetonka, Minnesota
4	June 23, 2008	Wire transfer confirmation of \$1,100,000 for True North Funding, LLC investment mailed from M&I Bank, Milwaukee, Wisconsin to PCI, Minnetonka, Minnesota

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COUNT	DATE	MAILING
5	July 17, 2008	Wire transfer confirmation of \$1,500,000 for C&C Capital, LLC investment mailed from M&I Bank, Milwaukee, Wisconsin to PCI, Minnetonka, Minnesota
6	August 5, 2008	Wire transfer confirmation of \$10,000,000 for Apriven Partners investment mailed from M&I Bank, Milwaukee, Wisconsin to PCI, Minnetonka, Minnesota
7	September 26, 2008	Letter from defendants PETTERS and PCI to Interlachen Harriet Investments Limited, Minneapolis, Minnesota, sent via Federal Express

11. All in violation of Title 18, United States Code, Sections 1341 and 2.

COUNTS 8-10

(Wire Fraud)

18 U.S.C. § 1343

12. The Grand Jury hereby re-alleges and incorporates paragraphs 1 through 8 of this Indictment as if stated in full herein.

13. On or about the dates set forth below, in the State and District of Minnesota and elsewhere, and for the purpose of executing and attempting to execute the scheme and artifice, the defendants,

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**THOMAS JOSEPH PETERS,
PETERS COMPANY, INC., and
PETERS GROUP WORLDWIDE, LLC,**

aided and abetted by Deanna Lynn Coleman, Robert Dean White, Michael Catain, Larry Reynolds, and other persons known and unknown to the Grand Jury, by means of wire communications, did knowingly cause to be transmitted in interstate commerce numerous writings, signals and sounds, including the interstate wire communications described below:

COUNT	DATE	WIRE COMMUNICATION
8	May 23, 2008	Wire transfer of \$3,881,000 from Arrowhead Capital Finance LTD, account at Wells Fargo Bank, Minneapolis, Minnesota to Nationwide International Resources account at First Regional Bank, Los Angeles, California
9	August 4, 2008	Wire transfer of \$2,876,939 from Ark Discovery II account at Charter One Bank, Chicago, Illinois, to the Enchanted Family Buying Company account at Anchor Bank, Wayzata, Minnesota
10	August 5, 2008	Wire transfer of \$4,629,600 from Ark Discovery II account at Charter One Bank, Chicago, Illinois, to the Enchanted Family Buying Company account at Anchor Bank, Wayzata, Minnesota

14. All in violation of Title 18, United States Code, Sections 1343 and 2.

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COUNT 11

(Conspiracy to Commit Mail and Wire Fraud)
18 U.S.C. § 371

15. From in or about 1995 through in or about September 2008, in the State and District of Minnesota and elsewhere, the defendants,

**THOMAS JOSEPH PETERS,
PETERS COMPANY, INC., and
PETERS GROUP WORLDWIDE, LLC,**

did knowingly and willfully combine, conspire, and agree with each other and with Deanna Lynn Coleman, Robert Dean White, Michael Catain, Larry Reynolds, and others known and unknown to the Grand Jury, to commit offenses against the United States, that is, mail fraud and wire fraud as described in Counts 1 through 10 above, in violation of Title 18, United States Code, Sections 1341 and 1343.

MANNER AND MEANS

16. The conspiracy included the manner and means described in paragraphs 1 through 8 of the Indictment, which are hereby re-alleged and incorporated herein.

OVERT ACTS

17. In order to effect the objects of the conspiracy and in furtherance of the conspiracy, the defendants and their co-conspirators committed and caused to be committed the acts

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alleged in Counts 1 through 10 of this Indictment, which are hereby re-alleged and incorporated herein.

18. All in violation of Title 18, United States Code, Section 371.

COUNT 12

(Money Laundering Conspiracy)
18 U.S.C. § 1956(h)

19. The Grand Jury hereby re-alleges and incorporates paragraphs 1 through 8 of this Indictment as if stated in full herein.

20. From in or about 1995 and continuing through in or about September 2008, in the State and District of Minnesota and elsewhere, the defendants,

**THOMAS JOSEPH PETERS,
PETERS COMPANY, INC. (PCI), and
PETERS GROUP WORLDWIDE, LLC (PGW),**

did knowingly and willfully combine, conspire and agree with each other and with Michael Catain, Larry Reynolds, and others known and unknown to the Grand Jury, to conduct and attempt to conduct financial transactions affecting interstate commerce, namely, transfers of the proceeds of specified unlawful activity to themselves or for their benefit, which transactions involved proceeds of a specified unlawful activity, that is, mail fraud and wire fraud, knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity and knowing that the transactions were designed in whole and in part to

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conceal or disguise the nature, source, ownership and control of the proceeds of the specified unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

21. All in violation of Title 18, United States Code, Section 1956(h).

COUNTS 13 - 20
(Money Laundering)
18 U.S.C. §§ 1957

22. The Grand Jury hereby re-alleges and incorporates paragraphs 1 through 18 of this Indictment as if stated in full herein.
23. On or about the dates listed for each count below, in the State and District of Minnesota and elsewhere, the defendant,

THOMAS JOSEPH PETTERS,

and persons known and unknown to the Grand Jury, aiding and abetting one another, knowingly engaged and attempted to engage in monetary transactions affecting interstate commerce in criminally derived property of a value greater than \$10,000, such property having been derived from specified unlawful activity, that is mail fraud and wire fraud, in violation of Title 18, United States Code, Sections 1341, 1343 and 2, as follows:

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COUNT	DATE	MONETARY TRANSACTION
13	June 11, 2004	Wire transfer in the amount of \$300,000.00 from PCI's M&I Marshall & Ilsley Bank account number XXX9018 to FAC Acquisitions
14	June 23, 2004	Wire transfer in the amount of \$2,500,000.00 from PCI's M&I Marshall & Ilsley Bank account number XXX9018 to uBid, Inc.
15	July 28, 2004	Wire transfer in the amount of \$1,000,000.00 from PCI's M&I Marshall & Ilsley Bank account number XXX9018 to Petters Fashion Group
16	July 14, 2005	Wire transfer in the amount of \$130,000.00 from PCI's M&I Marshall & Ilsley Bank account number XXX9018 to Innovative Campus
17	October 27, 2005	Wire transfer in the amount of \$275,000.00 from PCI's M&I Marshall & Ilsley Bank account number XXX9018 to Petters Warehouse Direct
18	December 19, 2007	Wire transfer in the amount of \$250,000.00 from PCI's M&I Marshall & Ilsley Bank account number XXX9018 to PETERS' personal Northern Trust bank account number XXXXXX4886
19	March 24, 2008	Wire transfer in the amount of \$2,000,000.00 from PCI's M&I Marshall & Ilsley Bank account number XXX9018 to PETERS' personal Northern Trust bank account number XXXXXX4886
20	June 4, 2008	Wire transfer for \$3,000,000.00 from PGW's Crown Bank account number xxx4074 to PETERS' personal Northern Trust account number xxxxxx6561

24. All in violation of Title 18, United States Code, Sections 1957 and 2.

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FORFEITURE ALLEGATIONS

25. Counts 1 through 20 of this Indictment are hereby realleged and incorporated as if fully set forth herein by reference, for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and 982(a)(1), and Title 28, United States Code, Section 2461(c).
26. As the result of the offenses alleged in Counts 1 through 11 of this Indictment, defendants PETTERS, PCI and PGW shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C), in conjunction with Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the violations alleged in Counts 1 through 11 of this Indictment, including but not limited to the following:
- a. Funds in the amount of \$1,026,352.86 seized from M&I Marshall & Ilsley Bank account number 1959018;
 - b. Funds in the amount of \$120,983.01 seized from Crown Bank account number 1102227;
 - c. Funds in the amount of \$289,658.89 previously held in Crown Bank Certificate of Deposit number 3113081; and
 - d. Funds in the amount of \$115,512.46 previously held in Crown Bank Certificate of Deposit number 3113065.

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27. As a result of the offenses alleged in Counts 12 through 20 of this Indictment, defendants PETERS, PCI, and PGW, shall forfeit to the United States pursuant to Title 18, United States Code, Section 982(a)(1), any property, real or personal, involved in such offenses, or any property traceable to such property, including the sum of money involved in each of Counts 12 through 20.
28. If any of the above-described forfeitable property is unavailable for forfeiture, the United States intends to seek the forfeiture of substitute property as provided for in Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1) and by Title 28, United States Code, Section 2461(c).
29. All in violation of Title 18, United States Code, Sections 2, 371, 981(a)(1)(C), 982(a)(1), 1341, 1343, 1956(a)(1)(B)(i), 1956(h) and 1957.

A TRUE BILL

UNITED STATES ATTORNEY

FOREPERSON