

AFFIDAVIT OF EILEEN RICE

I, Eileen Rice, 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 19 years. As a Special Agent I have been involved in the investigations of money laundering, bank fraud, securities fraud, 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.
3. The following information is known to me by own investigation, or was provided to me by SAs of a joint federal investigative task force.
4. This Affidavit is submitted in support of a Complaint for injunctive relief under 18 U.S.C. § 1345. 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 the Defendants and their related entities have been engaged in, or are the recipients of proceeds from, a scheme to violate 18 U.S.C. § 1341 (mail fraud) or §

(5)

FILED 10/2/08
 EDUARDO S. SENTER, CLERK
 JUDGMENT ENTD.
 DEPUTY CLERK *[Signature]*

1343 (wire fraud) which affected a financial institution (bank fraud)(18 U.S.C. 3322(d)(1)(B).

CURRENT INVESTIGATION

5. This is a joint federal investigation with the FBI, Internal Revenue Service - Criminal Investigation Division, and the United States Postal Inspection Service that is focusing on the business and financing activities of PETTERS COMPANY, INC ("PCI"), PCI affiliated entities and persons; NATIONWIDE INTERNATIONAL RESOURCES, INC. ("NIR"); and ENCHANTED FAMILY BUYING COMPANY ("ENCHANTED").
6. Based on this investigation, for the reasons set forth below, the SAs believe that there is probable cause to believe that these entities and individuals working on behalf of these entities have committed violations of Title 18, United States Code, Section 1341 (mail fraud), Title 18, United States Code, Section 1343 (wire fraud), Title 18, United States Code, Section 1956 (money laundering) and Title 18, United States Code, Section 371 (conspiracy). The SAs also believe there is probable cause to believe that banking violations have occurred in that the Defendants' mail and wire fraud scheme affected at least one financial institution to date.
7. THOMAS JOSEPH PETTERS, the owner of PCI; employees of PCI, and other PETTERS' entities; and other businesses have created and are executing a scheme to fraudulently induce investors to provide funds for, and financing to, PCI. Based on the investigation conducted to date, it is believed that the Defendants received in excess of \$3 billion as a result of their fraudulent activities.
8. The primary method of effectuating the fraud scheme involves PETTERS, 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

9. A Cooperating Witness ("CW"), who was associated with PETERS and PCI until at least September 24, 2008, 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 (affiliated with ENCHANTED), LARRY

REYNOLDS (affiliated with NIR), and other persons. The scheme began in the mid 1990's.

- c. PETERS and his associates 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. 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 (affiliated with NIR) and MICHAEL CATAIN (affiliated with 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.

10. The CW provided the following 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 document 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.
- iii. Based on their review of records, agents believe the following entities are associated with PCI: Edge One, LLC; MGC Finance Inc.; PAC Funding, LLC; Palm Beach Finance Holdings, Inc.; PC Funding, LLC; PL LTD, Inc.; Thousand Lakes, LLC.
- c. The CW provided a recent purchase order from NIR to PETERS, which the CW identified as being fraudulent, dated June 19, 2008. This purchase order purportedly reflects that NIR sold over 10,000 camcorders to PCI for over \$3.1 million. The

address on this purchase order for NIR is 2346 Westwood Boulevard, Los Angeles, California.

CORROBORATION OF COOPERATING WITNESS

11. Agents provided copies of four purchase orders provided by the CW to a security official for Wal-Mart Stores, Inc., the corporate owner of Sam's Club. The purchase orders purportedly depict PCI selling merchandise to Sam's Club. These purchase orders reflect over \$10 million in merchandise purchases from PCI. 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.
 - 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.
12. Agents have learned that First Regional Bank, Century City, California, reports that NIR and REYNOLDS, as Vice President of NIR, 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.
- d. A First Regional Bank account statement for NIR dated August 29, 2008 reflects that NIR received 3 incoming wires totaling over \$15,393,461 from Edge One, LLC, an entity identified on records provided by the CW as an investor providing funds to

PCI. Immediately after the 3 incoming wires, the bank statements reflect 3 outgoing wires to PCI for over \$15,385,600.

e. The address for NIR on the bank statement is 2346 Westwood Blvd, Ste #6, Los Angeles, California. Bank records also reflect that REYNOLDS is listed as Vice President of NIR.

13. 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 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

14. In September 2008, the government obtained consensually monitored conversations involving PETTERS, DEANNA COLEMAN, ROBERT WHITE, JAMES WEHMHOFF, LARRY REYNOLDS, FRANK VENNES, and other persons. Other SAs 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.

15. In these recordings, PETERS repeatedly admits executing the fraud scheme by providing fraudulent information to investors. PETERS repeatedly discusses the stressed financial condition of his company, as well as the need to find more capital. Although at times PETERS 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. PETERS talks about fleeing the country and creating fabricated defenses if the fraud scheme is discovered.
- a. PETERS also attributes knowledge of, and participation in, the fraud scheme to COLEMAN, WHITE, VENNES (investor broker), and REYNOLDS (Vice President of NIR). PETERS states that VENNES told PETERS that they are "a little paper manufacturing plant." On one occasion, PETERS states that he and VENNES would be jointly implicated a scheme to defraud investors out of \$130 million.
 - b. WHITE admits that he, COLEMAN, and PETERS 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.
 - c. 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.

- d. 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.
- e. In September 2008, REYNOLDS admitted that PETTERS 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. On September 22, 2008, REYNOLDS informed the CW that someone claiming to be from PCI had contacted REYNOLDS and requested to inspect NIR's warehouse for goods. REYNOLDS told that person that the warehouse is empty. REYNOLDS further told the CW that he will tell this person that the goods were recently shipped out.

ENCHANTED FAMILY BUYING COMPANY

- 16. ENCHANTED is affiliated with and operated by MICHAEL CATAIN. CATAIN resides on Enchanted Point in Mound, Minnesota. The CW advised that PETTERS and CATAIN jointly owned a music company in the mid-90's. The CW further advised that PETTERS, CATAIN and WHITE participated in a joint scheme to use false purchase orders to obtain \$20 million from a large commercial lending company.
- 17. A public business journal reported that on August 18, 2003, PETTERS 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."

18. 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.

a. 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.

b. Based on the evidence developed in this investigation, there is probable cause to believe that ENCHANTED is a sham business used by PETERS 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.

NATIONWIDE INTERNATIONAL RESOURCES, INC

19. The CW advised that NIR is affiliated with LARRY REYNOLDS. REYNOLDS assists PETERS in executing the fraudulent scheme in numerous ways, including:

- a. 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;
 - b. 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;
 - c. 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
 - d. REYNOLDS has discouraged auditors for investors from viewing the merchandise by stating that the goods were in warehouses that were not accessible.
20. The CW advised that the address for NIR is 2346 Westwood Boulevard, #6, Los Angeles, California.
21. In recordings summarized above, REYNOLDS admits to his participation in the fraudulent scheme. Bank records for NIR further confirm his receipt (through NIR) via wire transfer of substantial sums of money from investors followed by his immediate wiring of funds to PCI, less a commission that REYNOLDS retains for his participation in the fraud.
22. On September 24, 2008, an agent from the Los Angeles Division, FBI, interviewed the manager for the business complex located at 2346 Westwood Boulevard, Los Angeles, California. The manager informed the agent of the following:
- a. the lease for Unit #6 is in the name of Larry Reynolds and it is still active;
 - b. Mr. Reynolds presented the agent with a business card in the name NIR and told him that he was operating NIR's business out of Unit #6; and

- c. Mr. Reynolds travels a lot on business and often has packages routed to the manager while he is away. The manager has observed Mr. Reynolds at the business complex off and on over the past several months.

FRANK VENNES

23. The CW and records provided by the CW evidence that 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. The CW advised that as a broker, VENNES has earned commissions totaling at least \$28 million related to delivering investors to PCI and PETERS.
24. 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.
25. 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.
26. VENNES was the subject of a prior federal prosecution. In about 1987, VENNES pled 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. VENNES subsequently petitioned for a pardon. VENNES was interviewed on August 6, 2001, in connection with his petition. According to VENNES, he was released from prison in 1990. VENNES stated that he still owed \$100,000 in restitution after he served his sentence. In 1995, the amount of restitution was negotiated down to \$50,000 which he paid in 1996. He paid it from income from his business transactions, saying that he would have had to borrow money if he paid it any earlier. VENNES stated that in 1998 he became the sole proprietor for Metro Gold Inc., which is involved in wholesale buying and selling of coins, diamonds and rarities.

27. VENNES was also interviewed May 29, 2002, in connection with his petition for a pardon. VENNES stated that in the early 1990's he was working at Morissey Inc. in Bloomington, Minnesota making about seven dollars an hour and trying to develop a rare coin business on the side. He explained that he was also paying child support and was under a \$100,000 restitution order. In explaining why his driving privileges had been suspended, he stated that he drove several miles during this time period just trying to fulfill these obligations and pay all of his bills.
28. On September 24, 2008, special agents of this investigation executed a search of VENNES' residence pursuant to a warrant authorized by the Honorable Ann Montgomery, U.S. District Judge for the District of Minnesota. The search found numerous boxes of records related to VENNES' association with PCI.
29. Agents interviewed VENNES and his wife during the search of their Minnesota residence on September 24, 2008. During the interview, VENNES stated that:
 - a. VENNES stated that he started working with PETERS in approximately May 1995. He further stated that since May 1995 most of his assets were acquired from monies

earned from his relationship with PETERS. Vennes also stated that over 90% of VENNES' income over the last 14 years has come from his relationship with PCI and PETERS and that last year VENNES earned approximately \$45,000,000 in gross income, with approximately \$38,000,000 being paid from PCI and PETERS. VENNES stated that his income from Metro Gold was \$1.5 million.

b. Frank Vennes stated that he owns a home in Florida worth approximately \$6 million. Kimberly Vennes, Frank Vennes' wife, stated that they spend the majority of their time at their home in Jupiter, Florida. The Venneses live at the Shorewood, MN residence from June until the end of September each year.

30. On September 26, 2008, a search warrant was executed at the VENNES residence at 24 Ocean Drive, Jupiter, Florida. In VENNES' closet, a briefcase was located containing four boxes of coins. These boxes contained two hundred fifty-six \$20 gold pieces dated 1904, and eight un-circulated one-half dollar silver coins.

BANKING LAW VIOLATIONS

31. Your affiant has probable cause to believe that the Defendants' mail and wire fraud scheme has affected at least two financial institutions. Specifically, your affiant knows that during the course of the conspiracy to defraud, Michael Catain made a false statement to Anchor Bank of Wayzata, Minnesota and First Regional Bank of Century City, California.

32. On or about September 29, 2008, a Special Agent spoke with a Anchor Bank representative regarding the account of Michael Catain dba Enchanted Family Buying, Ltd.. That representative subsequently provided the Special Agent with a written report of a meeting between Anchor Bank and Mr. Catain which occurred in June 2008. The report states the

purpose of the meeting was to discuss requirements for a loan, the bank's concerns regarding the nature of large incoming/outgoing wires to Enchanted Family Buying, Ltd. and to discuss daily balances within Enchanted Family Buying Ltd. The report details Catain's responses to the bank's concerns as follows:

- a. Enchanted Family Buying, Ltd is a payment conduit for Petters Company, Inc. Deposits to this account are received primarily via incoming wire transfers from various parties (retail end-user) to which Petters is providing the sale of liquidation products. Upon receipt to Anchor Bank, proceeds are then forwarded to Petters Company, Inc. (outgoing wire), less Catain's commission.
- b. Catain spent 4 years living in Japan where he developed several Japanese as well as Chinese resources from which to purchase liquidated products. From that, Catain started purchasing products from China and Japan for the benefit of Petters Company, Inc. In those cases, payment was made to China / Japan vendors directly from a Catain entity. Today, Petters directly orders from and makes payment to these China / Japan vendors whose relationships with Petters stem from the initial introductions made by Catain. Petters recognizes the value of these relationships and knows they continue to have a pool of liquidation vendors in China / Japan because of Catain's resources, and that Catain's influence could stop the relationship with Petters at any time. Catain and Petters maintained a "gentlemen's agreement" in that although Petters directly orders from and makes payment to China / Japan vendors (for the purchase of liquidation products to be sold to Petter's customers, the retail end-user) collection of Petters' account receivables from certain retailers will go

through Enchanted Family Buying Ltd., and Catain will be allowed payment of commission before forwarding the remaining wired proceeds onto Petters.

c. Petters prefers that certain account receivables continue to be collected by Enchanted Family Buying Ltd. to ensure:

1. the contacts/resources that Catain has of which Petters benefits from not be put in jeopardy;
2. Petters' retail end-user not be made aware that Petters is buying product directly from China / Japan vendors because in some instances the end-user will then just go directly to the vendor and eliminate Petters portion of the sale all together.

d. Catains' 6/08 Personal Financial Statement indicated \$350 million income from these wires.

33. Your affiant knows from information provided by the CW, and from statements made by co-conspirator Robert White and Catain himself, that no product was ever purchased by Mr. Petters from Enchanted Family Buying Ltd., and that in fact the Enchanted Family Buying, Ltd., account at Anchor Bank, Wayzata, Minnesota, was merely a conduit for incoming investor money received as a result of the Defendants' fraudulent statements, conduct and activity.

34. A review of records from First Regional Bank shows that Larry Reynolds told First Regional Bank the following regarding his Nationwide International Resources, Inc. account:

a. Nationwide is engaged in the buying and selling of products. 95% of the company's sales are as a "partner" with Petters Company Worldwide, a multi-billion dollar

company that among other things, sells numerous consumer products to Wal-Mart, Best Buy, Target, Sam's Club and Circuit City. The partnership results in individual sales that amount to several million dollars and are the source of the numerous incoming and outgoing wire transfers from the Nationwide account at First Regional Bank.

b. The reason so many wires are received one day and sent out the next day for a slightly smaller amount is because Petters has corporate "partners" of which Nationwide is one, which act as agents that handle sales, and oversees warehousing and shipping of electronic products that are owned by Petters. When Nationwide makes a sale for products owned by Petters, the money is transferred through Nationwide to a division of Petters (PCI) that actually purchases the product. Nationwide receives an incoming wire for the gross sale amount and then the next day sends the outgoing wire to PCI for the purchase of the products, less Nationwide's commission. The incoming wire represents financing for the purchase of the product.

35. Your affiant knows from information provided by the CW, and from statements made to your affiant by co-conspirator Robert White that no product was ever purchased by Mr. Petters from Nationwide International Resources, Inc., and that in fact the Nationwide account at First Regional Bank was merely a conduit for incoming investor money received as a result of the Defendants' fraudulent statements, conduct and activity.

DISSIPATION OF FRAUD PROCEEDS

36. The investigation shows that Defendants received in excess of \$3 billion in fraudulent investments as a result of their scheme to defraud, and that Defendants continue to dissipate the fraud proceeds.
37. A review of Petters Company Inc. Account Number 09101XXXX held at Crown Bank shows dissipation of assets to the following individuals and/or entities:
- a. Thomas Petters. On or about September 29, 2008, Thomas Petters withdrew \$500,000 in funds for his personal use.
 - b. Robert White. Co-conspirator Robert White received \$500,000 on or about December 18, 2007, and \$525,000 on or about December 20, 2007.
 - c. Deanna Coleman. Co-conspirator Deanna Coleman is the Vice President of Operations at PCI. Records show that Coleman received a salary of \$300,000 per year and at least \$8 million in bonus money since 2004.
 - d. Jim Wehmhoff. Records show that co-conspirator Jim Wehmhoff received \$1,000,000 on or about December 14, 2007.
 - e. Bill Dunlap. According to the CW, Dunlap is a personal friend of Tom Petters who also earned a salary of between \$200,000 and \$300,000 for working part time at Petters Group Worldwide. Records show that Dunlap received \$500,000 on or about December 19, 2007.
 - f. Jay Salmen. According to the CW, Salmen is the former CEO of Sun Country Airline but now is employed with Petters Aviation. Records show that Salmen received \$250,000 on or about December 7, 2007.
 - g. Thomas Beaudoin. According to the CW, Beaudoin is the former CEO of Polaroid. Records show that Beaudoin received \$500,000 on or about December 11, 2007.
 - h. Patty Hamm. According to the CW, Hamm is the Human Resource Manager of Petters Worldwide Group who received a yearly salary of approximately \$400,000. Records show that Hamm received \$500,000 on or about December 7, 2007.
 - i. Integrity Marketing and Sales. According to the CW, Integrity Marketing and Sales is an entity owned and operated by Stephen Ratliff. Ratliff is a salesman for

Polaroid. Records show that Integrity Marketing and Sales received \$850,000 on or about December 7, 2007.

j. Mary Jeffries. According to the CW, Jeffries is the former COO of Petters Group Worldwide and now works as the CEO for Polaroid. Records show that Jeffries received \$1,000,000 on or about December 7, 2007.

38. On or about September 23, 2008, a Nevada Gaming Enforcement Agent has informed SAs that Thomas Petters is the largest comped-room guest at the Bellagio Casino in Las Vegas, Nevada. He also told SAs that Thomas Petters has gambling losses in excess of \$10 million.

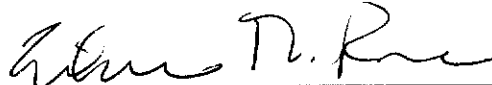
CONCLUSION

39. Based upon my training and experience, the facts stated in this affidavit, and information provided by other agents participating in this investigation, I believe probable cause exists to believe that the Defendants and their related entities have committed, or were the recipients of proceeds from, a scheme to violate Title 18, United States Sections 1341 and 1343 which affected at least one financial institution, and that Defendants are or likely will be participating in the dissipation of assets.

40. Based on the facts set forth above, I believe there is also probable cause to believe that ill-gotten monies earned by the Defendants through their investment fraud scheme are, to date, in excess of \$3 billion.

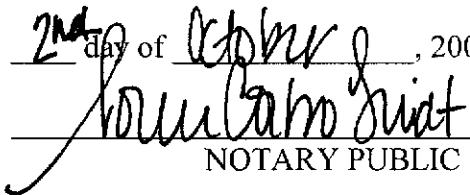
41. The investigation has identified the substantial assets now in Defendants' hands as ill-gotten gains from their fraudulent scheme.

Further Affiant sayeth not.


EILEEN RICE, Special Agent
Federal Bureau of Investigation

SUBSCRIBED and SWORN to before me this

2nd day of October, 2008.


NOTARY PUBLIC

