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MAGISTRATE JUDGE BROWN

JUDGE BUCKLO

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

RECEIVED

MAR 01 2006

MAGISTRATE JUDGE  
MORTON DENLOW

UNITED STATES OF AMERICA	)	No. 05 CR 921
	)	
v.	)	Violations: Title 18,
	)	States Code, Sections 1343 and 2
RICHARD E. WARREN	)	

FILED

J.N

MAR 01 2006

COUNT ONE

The SPECIAL SEPTEMBER 2005 GRAND JURY charges:

MICHAEL W. DOBBINS  
CLERK, U.S. DISTRICT COURT

1. At times material to this indictment:

a. Defendant RICHARD E. WARREN ("WARREN"), who lived in Virginia, controlled and operated a company known as American Trade Industries, Inc. ("ATI"), which was also located in Virginia.

b. Co-schemer A, who lived in California, held himself out as a financial underwriter.

c. Frank L. Cowles, Jr. ("Cowles"), who lived in Virginia, was an attorney licensed to practice law in Virginia.

d. Defendant WARREN was the president of ATI; Co-schemer A held himself out as being an official associate member of ATI pending a security clearance; and Cowles was the Secretary and legal counsel for ATI. ATI was operated out of WARREN's home office, and did not have a separate business office. ATI had a bank account, but had almost no funds, and had no assets. WARREN was financially supported by Cowles from approximately 2003 through 2005, and lived rent-free in property owned by Cowles.

e. WARREN and Cowles incorporated numerous companies in Nevada, Delaware, and Virginia, which were shell companies, designed

to be used as needed. WARREN opened bank accounts in Italy, Germany, Spain, and Hong Kong.

f. Co-schemer B, who lived in Italy, opened accounts at various banks in Italy, at WARREN's direction, including accounts at Meliorbanca in Milano, Italy, and at Veneto Banca in Treviso, Italy.

g. Individual 1 managed and operated a financial services company, located in Lake Forest, Illinois, that managed money market accounts and invested funds on behalf of individual investors. Individual 1 created and operated a hedge fund (hereinafter referred to as "the hedge fund"), and managed funds invested by various investors. The hedge fund had approximately 22 investors, who invested a total of approximately \$25 million, which included some funds invested by Individual 1.

h. Co-schemer A and Individual 1 formed a company, Akela Capital, Inc. ("Akela") which was incorporated in Nevada in 2005, to be used in connection with investing the hedge fund investors' money. Individual 1 was the President of Akela; WARREN was the Executive Vice-President; Co-schemer A was the Vice-President, Managing Director, and Secretary; and Co-schemer B was the Vice-President of European Operations of Akela. Individual 1 transferred a total of approximately \$25 million from the hedge fund to Akela to be invested in a trading program offered by Co-schemer A and WARREN through ATI.

i. The United States Federal Reserve System ("Federal Reserve") was the Central Bank of the United States. The Federal

Reserve conducted the nation's monetary policy, regulated banking institutions, maintained the stability of the financial system, and provided financial services to depository institutions, and the U.S. government.

j. The Federal Reserve did not invest funds obtained from private individuals or private entities. The Federal Reserve did not engage in secret trading programs involving funds from private individuals or private entities designed to generate funds to be invested in humanitarian projects. The Federal Reserve did not have a trading program that accepted funds from WARREN, Co-schemer A, ATI, or Akela. The Federal Reserve did not employ a Federal Pool Administrator that was responsible for investing or overseeing funds invested by WARREN, Co-schemer A, ATI, or Akela.

2. Beginning no later than in or about early 2000 and continuing through in or about the end of 2005, in the Northern District of Illinois, Eastern Division, and elsewhere:

RICHARD E. WARREN,

defendant herein, and others, devised and intended to devise, and participated in, a scheme and artifice to defraud investors, including Individual 1, Akela, the hedge fund investors, and other investors, of money and property by means of materially false and fraudulent pretenses, representations, and promises, and material omissions, and in furtherance thereof used the United States mails and other interstate carriers, and interstate and foreign wires, which scheme is further described below.

3. It was part of the scheme that WARREN, and others, through ATI and other entities, attempted to obtain money and property from investors by fraudulently offering to invest funds in secret trading programs purportedly run by or associated with the U.S. government involving the international trading of financial instruments. In offering and selling these investments, WARREN and others made, and caused to be made, material misrepresentations and omissions about, among other things: the involvement of the United States government in the trading program; the management of the trading programs by the Federal Reserve; the risk involved in the investment and the safety of the invested funds; the expected return on the investment; the use of the money that was invested; the profits earned on the investment; the connection between the trading program and certain humanitarian programs; and the previous investment experience and background of those offering and selling the investment.

4. It was further part of the scheme that WARREN, together with Co-schemer A, fraudulently obtained approximately \$25 million from Individual 1 - which funds belonged to the hedge fund investors - by falsely representing that those funds would be, and were, invested in a trading program managed by the Federal Reserve, which would and did generate huge profits, without any risk to the invested funds. In order to retain the use of those funds and to conceal various parts of the scheme, WARREN and others attempted to lull Individual 1 through a series of misrepresentations and material omissions about

the nature and status of the investment and the profits involved in the transaction.

5. It was further part of the scheme that WARREN made, and caused others to make, material false representations and omissions in order to cause various individuals, including Individual 1, to invest funds in trading programs through ATI, and in order to avoid having to release funds invested by Individual 1, which included, among others, the following false representations:

a. WARREN had the ability, through ATI, to place funds in certain investment programs that were run by or associated with the U.S. government and major world banks that would generate huge profits for the investors.

b. Secret trading programs were being run by the Federal Reserve, and the person in charge of the program was a "Fed Pool Administrator", located in Europe, who was employed by the Federal Reserve to operate secret trading programs. There was a federal overseer that oversaw everything that was done, and ATI had to get clearance from the overseer for everything that ATI did. The secret trading programs involved major world banks and certain financial instruments.

c. WARREN had special government clearance, and was licensed by the U.S. government, to participate in those secret trading programs.

d. The U.S. government allowed WARREN and ATI to participate in such trading programs because ATI used most of its

profits from those programs to fund certain humanitarian programs which had been secretly approved by the U.S. government.

e. WARREN had successfully completed various financial transactions through ATI, which involved such secret trading programs run by the U.S. government.

f. WARREN had a working relationship with an individual on the Board of Governors of the Federal Reserve; WARREN was able to contact that individual - and did contact him - to get advice and assistance when problems arose relating to certain financial transactions, including the financial transaction involving Individual 1.

g. WARREN was an attorney, admitted to practice law in California.

h. WARREN had millions of dollars - as much as \$42 million - that belonged to him personally, which had been frozen by the federal government for years; those funds were going to be released in the near future.

i. Invested funds could generate huge profits without being spent, loaned, liened, or used as collateral, so the funds would never be at risk. The sole purpose of the funds was to demonstrate that a corporation had the financial capability to participate in a capital gain investment.

j. WARREN and ATI could place funds for Individual 1 into a trading program which would generate a profit of 80-100% per month.

k. All funds that were invested by Akela would be completely safe. Those funds would be held in a "non-depletion account" in a bank, which meant that the funds could not be touched or depleted except at Individual 1's direction.

l. A weekly accounting would be provided to Individual 1.

6. It was further part of the scheme that Co-schemer A took the following actions in order to cause Individual A to invest funds through ATI, and in connection with that investment:

a. Co-schemer A personally guaranteed that the \$20 million invested by Akela would be safe and that it would be returned to Individual 1. Co-schemer A gave Individual 1 a written guarantee stating that Co-schemer A would take full personal and legal responsibility for the safety of the \$20 million, and for the return of those funds. In fact, Co-schemer A knew that he did not have millions of dollars available to replace those funds if they were depleted.

b. Co-schemer A falsely represented to Individual 1 that Co-schemer A and WARREN had previously successfully completed and closed a financial transaction together, and Co-schemer A had been compensated for that transaction.

c. Co-schemer A drafted fraudulent documents relating to the funds being invested by Akela, including a group of documents that falsely represented that the funds being invested by Individual 1's company belonged to Individual 1.

7. It was further part of the scheme that WARREN falsely represented, and caused to be represented, to Individual 1 that the \$20 million which had been invested by Akela earned a profit of \$20 million in a period of approximately 3 weeks. In discussing those profits, WARREN asserted that \$10 million belonged to Akela, and \$10 million belonged to ATI, based on an agreement that each company would receive 50% of the profits earned on the funds invested by Akela. Co-schemer A and Individual 1 had also agreed that Co-schemer A would receive 25% of Akela's share of the profits. WARREN falsely represented to Individual 1 that a bank account statement would show that Akela had \$35 million in its account. In fact, no profits were ever generated, and therefore no profits were deposited into accounts belonging to either Akela or ATI.

8. It was further part of the scheme that in order to conceal the fact that no profits had been earned on the \$20 million, and to maintain possession of the \$20 million, as well as to obtain additional funds from Individual 1, WARREN took various steps, and caused others to take various steps, including, among others, the following:

a. WARREN falsely represented to Individual 1 that there was another investment opportunity that would allow Individual 1 to double Akela's money, namely, a 40-week trading program being operated by the Federal Reserve. WARREN caused Individual 1 to transfer another \$5 million to Meliorbanca in Italy, on or about July 11, 2005, to be invested in that 40-week trading program.



b. WARREN convinced Individual 1 that Akela's funds should be transferred out of Meliorbanca because the bank was being uncooperative. WARREN claimed, however, that Meliorbanca would not release the money based on directions from Individual 1, and the only way to get the money released was for Individual 1 to sign a document giving Co-schemer B authority to transfer funds out of the account.

c. WARREN falsely represented that Individual 1 would continue to have complete control over the funds, even though Individual 1 had signed the document giving Co-schemer B authority to transfer the funds.

d. WARREN represented that the funds would be moved to Veneto Banco, for a few days, and the funds would then be transferred to HSBC Bank in Frankfurt, Germany, to be held in connection with the Federal Reserve's 40-week trading program. WARREN promised that Individual 1 would have control of the funds at HSBC Bank, and Individual 1 would receive bank statements from HSBC Bank. In fact, the funds were never transferred to HSBC, and were never invested in a trading program.

e. In order to prevent Individual 1 from demanding the return of Akela's funds, and to obtain additional funds, WARREN caused money, which he identified as being advanced dividends against profits, to be sent from Italy to Akela's account in the United States on three separate occasions. WARREN arranged to have funds, totaling \$3.4 million, sent as follows: (i) On or about July 5,

2005, approximately \$1.6 million was transferred; (ii) On or about September 14, 2005, \$1 million was transferred; and (iii) On or about September 27, 2005, approximately \$800,000 was transferred.

f. WARREN falsely represented that the first transfer of funds, which was approximately \$1.6 million, constituted an advance payment against the \$10 million profit that Akela had recently earned as profits, and that the \$1.6 million was being taken out ATI's funds from a bank account that belonged to ATI at Meliorbanca. In fact, that \$1.6 million was taken out of Akela's own funds at Meliorbanca, thereby depleting Akela's principal by \$1.6 million, without authorization from Individual 1.

g. Shortly after the funds were transferred to Akela in July and September, Co-schemer A asked Individual 1 to pay him a fee of 25% of the funds that Akela received

9. It was further part of the scheme that in or about September 2005, Co-schemer A took steps to help Individual 1 conceal certain information concerning this transaction from the Securities and Exchange Commission ("SEC"), which was performing a routine audit of Individual 1's financial management services, including the hedge fund being managed by Individual 1. Co-schemer A's actions included, among other things, the following:

a. Co-schemer A drafted and backdated certain corporate documents for Akela, including the Articles of Incorporation for Akela, and the Operating Agreement, thereby concealing the fact that

Co-schemer A was supposed to get 25% of Akela's share of any profits, and that Co-schemer A owned 25% of Akela's stock.

b. Co-schemer A wrote a letter addressed to Individual 1, in which he stated that he was not an officer or shareholder of the company, even though he had previously signed certain documents stating that he was the Vice President of the company. In fact, a Corporate Board Resolution, dated April 1, 2005, had been filed with Meliorbanca, in which Co-schemer A was identified as an Officer, Director, and shareholder of the company. Moreover, Co-schemer A knew that shares in the company had been issued to him, and those shares were never rescinded.

10. It was further part of the scheme that WARREN attempted to lull Individual 1, and attempted to avoid repaying Individual 1, by taking certain steps, which included, among others, the following:

a. WARREN falsely represented that the \$25 million principal that belonged to Akela, and the \$10 million in profits that purportedly had been earned as profits by Akela, could not be returned because they had been placed into a 40-week trading program being run by the Federal Reserve, and the funds could not be withdrawn until the program ended.

b. WARREN repeatedly promised that the funds would be sent to Individual 1, but those funds were not sent as promised. In fact, approximately \$21.6 million of the principal was not returned until on or about November 16, 2005, immediately after WARREN, Co-schemer A, and Cowles were contacted by law enforcement officials. That

approximately \$21.6 million, together with the approximately \$3.4 million that had previously been returned - purportedly as proof that profits had been earned - totaled approximately \$25 million, which was the total amount of the principal.

c. WARREN repeatedly offered excuses to Individual 1 concerning why the money could not be returned, and why a bank statement could not be provided to Individual 1.

d. WARREN falsely represented that the Fed Pool Administrator had the final authority concerning when the money would be returned. WARREN falsely represented that the Fed Administrator would be so upset that the funds were not owned by Individual 1 - and that she had signed a fraudulent document - that the Fed Administrator would freeze the money and refuse to return any funds. In fact, as WARREN knew, there was no "Fed Pool Administrator", and the \$25 million from Individual 1 had not been invested in any program associated with the Federal Reserve.

11. It was further part of the scheme that in or about October 2005, WARREN attempted to convince Individual 1 to sign a Settlement Agreement and to pay \$500,000 to Co-schemer A. WARREN falsely represented, and caused others to represent, that the Fed Pool Administrator would not release the \$25 million capital that had been invested until Individual 1 paid \$500,000 to Co-schemer A as a fee.

12. It was further part of the scheme that WARREN misappropriated more than \$100,000 from the funds belonging to Akela by causing funds to be transferred from Akela's bank account in Italy

to WARREN's personal bank account and ATI's corporate bank account in Virginia. Those funds were never repaid to Akela or Individual 1.

13. It was further part of the scheme that WARREN and others did misrepresent, conceal and hide, and cause to be misrepresented, concealed, and hidden, acts done in furtherance of the scheme and the purposes of those acts.

14. It was further part of the scheme that WARREN and others executed and attempted to execute the scheme described above by causing correspondence, communications, contracts, invoices, other documents, funds, and other items, to be transmitted in interstate or foreign commerce by signals, over wire or radio, through the U.S. mails, or by private or commercial interstate carriers.

**Wire Fraud - E-Mail from Co-schemer A Defining a Non-Depletion Account**

15. On or about April 11, 2005, at Lake Forest, in the Northern District of Illinois, Eastern Division,

RICHARD E. WARREN,

defendant herein, for the purpose of executing the above-described scheme, and attempting to execute the above-described scheme, did knowingly cause to be transmitted in interstate commerce from California, to Lake Forest, Illinois, by means of wire and radio communications, certain writings, signs, and signals, namely: an e-mail from Co-schemer A to Individual 1 and her assistant, in which Co-schemer A defined a non-depletion bank account, and indicated that

funds could not be taken out of such an account by anyone other than Individual 1;

In violation of Title 18, United States Code, Sections 1343 and 2.

COUNT TWO

Wire Fraud - Transfer of \$20 Million from the U.S. to Italy

The SPECIAL SEPTEMBER 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 14 of Count One of this Indictment as though fully set forth herein.

2. On or about April 22, 2005, at Chicago, in the Northern District of Illinois, Eastern Division,

RICHARD E. WARREN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted in foreign commerce from the United States, to Italy, by means of wire and radio communications, certain writings, signs, and signals, namely: a wire transfer of approximately \$20 million from Akela's bank account at JP Morgan Chase Bank in the United States, to Akela's bank account at Meliorbanca in Italy;

In violation of Title 18, United States Code, Sections 1343 and 2.

COUNT THREE

Wire Fraud - E-Mail from Co-schemer A With Mailing Directions

The SPECIAL SEPTEMBER 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 14 of Count One of this Indictment as though fully set forth herein.

2. On or about April 29, 2005, at Lake Forest, in the Northern District of Illinois, Eastern Division,

RICHARD E. WARREN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted in interstate commerce from California, to Lake Forest, Illinois, by means of wire and radio communications, certain writings, signs, and signals, namely: an e-mail from Co-schemer A to Individual 1 and her assistant, in which Co-schemer A gave Individual 1 information concerning where she should send an original signature card and other documents relating to the Akela bank account at Meliorbanca in Italy;

In violation of Title 18, United States Code, Sections 1343 and 2.



COUNT FOUR

Wire Fraud - E-Mail from Co-schemer A Concerning Amended

Instructions

The SPECIAL SEPTEMBER 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 14 of Count One of this Indictment as though fully set forth herein.

2. On or about June 29, 2005, at Lake Forest, in the Northern District of Illinois, Eastern Division,

RICHARD E. WARREN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted in interstate commerce from California, to Lake Forest, Illinois, by means of wire and radio communications, certain writings, signs, and signals, namely: an e-mail from Co-schemer A to Individual 1 and her assistant, in which Co-schemer A told Individual 1 to send Amended Instructions to Meliorbanca - which instructions gave Co-schemer B authority to transfer funds out of the Akela account at Meliorbanca;

In violation of Title 18, United States Code, Sections 1343 and 2.

COUNT FIVE

Wire Fraud - Transfer of \$1.6 Million from Italy to the U.S

The SPECIAL SEPTEMBER 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 14 of Count One of this Indictment as though fully set forth herein.

2. On or about July 1, 2005, at Chicago, in the Northern District of Illinois, Eastern Division,

RICHARD E. WARREN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted in foreign commerce from Italy, to Chicago, Illinois, by means of wire and radio communications, certain writings, signs, and signals, namely: a wire transfer of approximately \$1.6 million from Akela's bank account at Meliorbanca in Italy, to Akela's bank account at JP Morgan Chase Bank in the United States, which depleted Akela's principal by approximately \$1.6 million, without the knowledge or authorization from Individual 1;

In violation of Title 18, United States Code, Sections 1343 and 2.

COUNT SIX

Wire Fraud - Transfer of \$5 Million from the U.S. to Italy

The SPECIAL SEPTEMBER 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 14 of Count One of this Indictment as though fully set forth herein.

2. On or about July 11, 2005, at Chicago, in the Northern District of Illinois, Eastern Division,

RICHARD E. WARREN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted in foreign commerce from the United States, to Italy, by means of wire and radio communications, certain writings, signs, and signals, namely: a wire transfer of approximately \$5 million from Akela's bank account at JP Morgan Chase Bank in the United States, to Akela's bank account at Meliorbanca in Italy;

In violation of Title 18, United States Code, Sections 1343 and 2.

COUNT SEVEN

Wire Fraud - E-Mail from Co-schemer A Concerning Veneto Banco

The SPECIAL SEPTEMBER 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 14 of Count One of this Indictment as though fully set forth herein.

2. On or about August 25, 2005, at Lake Forest, in the Northern District of Illinois, Eastern Division,

RICHARD E. WARREN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted in interstate commerce from California, to Lake Forest, Illinois, by means of wire and radio communications, certain writings, signs, and signals, namely: an e-mail from Co-schemer A to Individual 1 and her assistant, in which Co-schemer A said that ATI would replace the \$1.6 million that had been taken out of Akela's funds, and that Akela's funds were going to be sent to HSBC Bank in Frankfurt, Germany;

In violation of Title 18, United States Code, Sections 1343 and 2.

COUNT EIGHT

Wire Fraud - E-Mail from Co-schemer A re the Fed Administrator

The SPECIAL SEPTEMBER 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 14 of Count One of this Indictment as though fully set forth herein.

2. On or about September 30, 2005, at Lake Forest, in the Northern District of Illinois, Eastern Division,

RICHARD E. WARREN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted in interstate commerce from California, to Lake Forest, Illinois, by means of wire and radio communications, certain writings, signs, and signals, namely: an e-mail from Co-schemer A, to Individual 1, in which Co-schemer A said that WARREN was attempting to convince the Fed Administrator to return Akela's funds;

In violation of Title 18, United States Code, Sections 1343 and 2.

COUNT NINE

Wire Fraud - Telephone Call Between WARREN and Individual 1

The SPECIAL SEPTEMBER 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 14 of Count One of this Indictment as though fully set forth herein.

2. On or about October 25, 2005, at Lake Forest, in the Northern District of Illinois, Eastern Division,

RICHARD E. WARREN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted in interstate commerce from Lake Forest, Illinois, to in or near Washington D.C., by means of wire and radio communications, certain signs, and signals, namely: a telephone call from Individual 1 to defendant WARREN, in which they discussed, among other things, Akela's funds, the Fed Administrator, and ATI;

In violation of Title 18, United States Code, Sections 1343 and 2.

COUNT TEN

Wire Fraud - E-Mail from WARREN re Distribution of Funds

The SPECIAL SEPTEMBER 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 14 of Count One of this Indictment as though fully set forth herein.

2. On or about October 28, 2005, at Lake Forest, in the Northern District of Illinois, Eastern Division,

RICHARD E. WARREN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted in interstate commerce from Virginia, to Lake Forest, Illinois, by means of wire and radio communications, certain writings, signs, and signals, namely: an e-mail from defendant WARREN, to Individual 1, in which WARREN said that Akela should receive \$25 million as a return of principal, and \$10 million of profits;

In violation of Title 18, United States Code, Sections 1343 and  
2.

COUNT ELEVEN

Wire Fraud - Telephone Call Between Co-schemer A and Individual 1

The SPECIAL SEPTEMBER 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 14 of Count One of this Indictment as though fully set forth herein.

2. On or about November 9, 2005, at Lake Forest, in the Northern District of Illinois, Eastern Division,

RICHARD E. WARREN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted in interstate commerce from California, to Lake Forest, Illinois, by means of wire and radio communications, certain signs, and signals, namely: a telephone call from Co-schemer A to Individual 1, in which they discussed, among other things, Akela's profits, and Co-schemer A's fee;

In violation of Title 18, United States Code, Sections 1343 and 2.

A TRUE BILL:

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FOREPERSON

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UNITED STATES ATTORNEY