

UNITED STATES DISTRICT COURT

for the Northern District of Iowa

United States of America v.

RUSSELL WASENDORF, SR.

Defendant

)
)
)
)
)

Case No. 12-MJ-131

RECEIVED

JUL 11 2012

UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF IOWA

CRIMINAL COMPLAINT

I, the complainant in this case, state that the following is true to the best of my knowledge and belief.

On or about the date of 2010-July 2012 in the county of Black Hawk in the Northern District of Iowa, the defendant violated 18 U. S. C. § 1001(a)(1)&(3), an offense described as follows: making and using false statements in a matter within the jurisdiction of the Government of the United States.

This criminal complaint is based on these facts:

See Attached Affidavit

Continued on the attached sheet.

William F. Langdon (handwritten signature)

Complainant's signature

William Langdon, Special Agent, FBI

Printed name and title

Sworn to before me and signed in my presence.

Date: 07/11/2012

Jon Stuart Scoles (handwritten signature)

Judge's signature

City and state: Cedar Rapids, IA

Jon Stuart Scoles, Chief Magistrate Judge

Printed name and title

AFFIDAVIT

I, William F. Langdon, being duly sworn states as follows:

1. I have been a Special Agent (SA) with the Federal Bureau of Investigation (FBI) for approximately twenty-five years. I am presently assigned to the FBI, Omaha Field Office. As part of my daily duties as an FBI agent, I investigate criminal violations with an emphasis on white collar crime and fraud cases including violations pertaining to wire fraud, in violation of Title 18, United States Code, Section 1343; mail fraud, in violation of Title 18, United States Code, Section 1341; and Identity Theft, in violation of Title 18, United States Code, Section 1028.
2. This affidavit is made in support of a criminal complaint charging Russell Wasendorf, Sr. (Wasendorf) with making and using false statements in a matter within the jurisdiction of the Government of the United States, in violation of Title 18, United States Code, Section 1001(a)(1) & (3).
3. On July 9, 2012, at approximately 8:05 am, law enforcement dispatch for Black Hawk County, Iowa, received a 911 call regarding a possible suicide attempt at Peregrine Financial Group, Inc. (PFG), One Peregrine Way, Cedar Falls, Iowa. Emergency personnel, to include Black Hawk County Sheriff's Deputies, were dispatched to the location. Upon arrival, emergency personnel found Wasendorf, Chief Executive Officer and Chairman of the Board of PFG, unresponsive in his automobile. Inside the vehicle, Black Hawk County Deputy Sheriff Sergeant Petersen found an apparent suicide note to Wasendorf's wife and a signed statement detailing fraud committed by Wasendorf through his

business, PFG, over the past twenty years. PFG is a futures commission merchant (FCM) registered with and regulated by the United States Commodities Future Trade Commission (CFTC). FCMs receive money, securities and other property from their customers to margin, guarantee, or secure the customers' futures and options trades. FCMs are required by law to segregate and separately account for all customer funds.

4. At approximately the same time, Russel Wasendorf, Jr. (Russ Jr.), Wasendorf's son and President and Chief Operating Officer of PFG, arrived at his office located at One Peregrine Way, Cedar Falls, Iowa, and found an exact copy of the signed statement along with a suicide note addressed to Russ Jr.
5. In the signed statement found in Wasendorf's vehicle and found by Russ, Jr., Wasendorf wrote, in part:

I have committed fraud. For this I feel constant and intense guilt. I am very remorseful that my greatest transgressions have been to my fellow man. Through a scheme of using false bank statements I have been able to embezzle millions of dollars from customer accounts at Peregrine Financial Group, Inc. The forgeries started nearly twenty years ago and have gone undetected until now. I was able to conceal my crime of forgery by being the sole individual with access to the US Bank accounts held by PFG. No one else in the company ever saw an actual US Bank statement. The Bank statements were always delivered directly to me when they arrived in the mail. I made counterfeit statements within a few hours of receiving the actual statements and gave the forgeries to the accounting department.

6. Later in the signed statement, Wasendorf wrote, in part:

. . . . I had no access to additional capital and I was forced into a difficult decision: Should I go out of business or cheat? I guess my ego was too big to admit failure. So I cheated, I falsified the very core of the financial documents of PFG, the Bank Statements. At first I had to make forgeries of both the Firststar Bank Statements and the Harris Bank Statements. When I choose [sic] to close the Harris Account I only had to falsify the

Firststar statements [elsewhere in the signed statement Wasendorf noted that Firststar "eventually became US Bank"]. I also made forgeries of official letters and correspondence from the bank, as well as transaction confirmation statements.

Using a combination of Photo Shop, Excel, scanners, and both laser and ink jet printers I was able to make very convincing forgeries of nearing every document that came from the Bank. I could create forgeries very quickly so no one suspected that my forgeries were not the real thing that had just arrived in the mail.

With careful concealment and blunt authority I was able to hide my fraud from others at PFG. PFG grew out of a one man shop, a business I started in the basement of my home. As I added people to the company everyone knew I was the guy in charge. If anyone questioned my authority I would simply point out that I was the sole shareholder. I established rules and procedures as each new situation arose. I ordered that US Bank statement were to be delivered directly to me unopened, to make sure no one was able to examine an actual US Bank Statement. I was also the only person with online access to PFG's account using US Bank's online portal. On US Bank side, I told representatives at the Bank that I was the only person they should interface with at PFG.

When it became a common practice for Certified Auditors and the Field Auditors of the Regulators to mail Balance Confirmation Forms to Banks and other entities holding customer funds I opened a post office box. The box was originally in the name of Firststar Bank but was eventually changed to US Bank. I put the address "PO Box 706, Cedar Falls, IA 50613-0030" on the counterfeit Bank Statements. When the auditors mailed Confirmation Forms to the Bank's false address, I would intercept the Form, type in the amount I needed to show, forge a Bank Officer's signature and mail it back to the Regulator or Certified Auditor.

When online Banking became prevalent I learned how to falsify online Bank Statements and the Regulators accepted them without question.

7. On July 9, 2012, Russ Jr. reported to law enforcement that, to determine if Wasendorf's statements in the signed statement were accurate, Russ, Jr. obtained a purported bank statement for PFG's US Bank account ending in 845, titled "Customer Segregated Acct," for the month ending December 31, 2011. Russ Jr. obtained the purported statement from PFG's accounting department.

The ending balance on the purported bank statement was \$221,770,946.18.

Subsequently, Russ, Jr. obtained the bank statement for the same period directly from US Bank personnel. The bank statement obtained from US Bank personnel indicated an ending balance as of December 31, 2011 of \$6,337,628.14.

8. In an interview with law enforcement on July 9, 2012, the Chief Financial Officer of PFG verified she used the purported bank statement from PFG's accounting department indicating a balance of \$221,770,946.18 as of December 31, 2011 when she prepared PFG's year end financial statement. This financial statement, reflecting an inflated amount of customer segregated funds, was sent to PFG's regulators to include the CFTC.
9. The CFTC is an independent federal regulatory agency charged by Congress with the responsibility for administering and enforcing the provisions of the Commodity Exchange Act, 7 U.S.C. §§ 1 et seq. (2006), as amended, and the Regulations promulgated thereunder, 17 C.F.R. §§ 1.1 et seq. (2012). The National Futures Association (NFA) is a not-for-profit industry membership corporation, formed as a registered futures association authorized under 7 U.S.C. § 21, that operates under the supervision of the CFTC. The NFA is responsible, under CFTC oversight, for certain aspects of the regulation of futures entities. In 2010 and 2012, the NFA was PFG's designated self-regulatory organization responsible for monitoring and auditing PFG for compliance with the minimum financial and related reporting requirements of the domestic exchanges of which PFG was a member.

10. In an interview with law enforcement on July 10, 2012, a PFG employee whose responsibilities included reconciling PFG's customer segregated funds confirmed that she used the US Bank customer segregated account balances as reflected in PFG's internal accounting system in calculating the amount of PFG's customer segregated funds for regulatory purposes.
11. PFG customer segregated account verification records in possession of the NFA (and obtained from the CFTC) include falsified US Bank statements and corresponding account confirmation forms purporting to be for PFG's US Bank account ending in 845 (PFG's customer segregated account). The falsified US Bank statements and corresponding account confirmation forms list US Bank's address as "P.O. Box 706, Cedar Falls, IA 50613-0030." One such US Bank statement is for the period ending February 28, 2010 and reports a total balance of \$207,260,962.28 in the account. A corresponding account confirmation form reports the same balance and bears a purported signature of an authorized representative of US Bank. Another such US Bank statement is for the period ending March 31, 2011 and reports a total balance of \$218,650,550.98 in the account. A corresponding account confirmation form reports the same balance and bears a purported signature of an authorized representative of US Bank. According to the CFTC, the records were sent to the NFA. Law enforcement has obtained copies of actual statements for PFG's US Bank account ending in 845 for the time periods including February 28, 2010, and March 31, 2011. According to the actual statements from US Bank, on February 28, 2010, the account held a total of \$9,171,177.08, and on March 31, 2011, the account held

a total of \$7,181,336.36.

12. According to the US Postal Inspection Service, Post Office Box 706 in Cedar Falls, Iowa, was opened by Wasendorf on October 11, 2006, and has remained under his control since that time. Wasendorf presented his driver's licence and a vehicle registration renewal form bearing his name in order to open the Post Office Box. While in control of the Post Office Box, Wasendorf added "U.S. Bank Fund LLC", as an addressee receiving mail at the Post Office Box.
13. During the afternoon of July 9, 2012, Wasendorf was interviewed by law enforcement at the University of Iowa Hospital in Iowa City, Iowa. Wasendorf acknowledged that he wrote the signed statement using a computer at his residence and that the information contained in the statement was true. Wasendorf estimated the amount of loss due to his fraud exceeded \$100 million.
14. Based on the above information, there is probable cause to believe that Russell Wasendorf, Sr. committed the crime of making and using false statements in a matter under the jurisdiction of the Government of the United States, in violation of Title 18, United States Code, Section 1001(a)(1) & (3).



William F. Langdon
Special Agent, FBI

Subscribed and sworn to before me this date of July 12th, 2012.



JON STUART SCOLES
CHIEF MAGISTRATE JUDGE
UNITED STATES DISTRICT COURT