IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
MAR 11 2005
CLERK, U.S. DISTRICT COURT
By _____
Deputy

UNITED STATES OF AMERICA	§	
	§	
v.	§	NO.
	§	
EDWARD JOSEPH WEDELSTEDT (1),	§	
VIVIAN LEE SCHOUG (2),	§	
ARTHUR MORRIS BOTEN (3),	§	
JAMES RANDAL MARTINSON (4),	§	305 CR-043-K
JEFFREY MARK PARRISH (5),	§	
LEROY MOORE, SR. (6),	§	
BEVERLY KAY VAN DUSEN (7),	§	
GOALIE ENTERTAINMENT	§	
HOLDINGS, INC.(8)	§	

INDICTMENT

The Grand Jury Charges:

INTRODUCTION

1. During all times relevant to the indictment, **Edward Joseph Wedelstedt (Wedelstedt)** was the owner of numerous stores and arcades which dealt in pornographic magazines, movies, and sex-related products such as vibrators and lubricants. **Wedelstedt's** stores and arcades are and have been located in the States of Arizona, California, Colorado, Connecticut, Florida, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Nebraska, Nevada, North Dakota, South Dakota, Tennessee, Texas, and Wyoming.

2. In 1995, **Wedelstedt** consolidated ownership of the large number of companies under which these stores operated into a single holding company, **Goalie Entertainment Holdings, Inc. (GEH)**, a Colorado company. At all times relevant to the indictment, **GEH** and its subsidiaries, or its predecessors in interest, employed dozens of persons, at its corporate headquarters in Colorado, its purchasing and warehouse facilities in California, and elsewhere.

3. Among these numerous companies, **GEH** owned and operated two companies which are co-located in a single industrial building in Chatsworth, California: NLC, Inc., doing business as EPC (EPC), and Middle Management of America, Inc. doing business as M&M Sales (M&M). EPC handled the purchase and distribution of pornographic videos for the **GEH** adult bookstores. M&M handled the purchase and distribution of all other goods sold in the stores, including magazines and sex- related products.

4. The sexually-oriented stores owned and operated by **Wedelstedt** and **GEH** consisted of pornographic video arcades in the rear of the stores, and a retail sales room in the front of the store, dealing in pornographic magazines, sex-related products, and sexually explicit videos. The arcade services are also known as "video arcades" or "peep shows" (arcades), for the viewing of hard-core pornographic movies in small booths, known as "video arcade booths" or "peep show booths" (arcade booths).

5. In addition to providing arcade services in its own stores, **GEH** contracted to provide, for a percentage of the proceeds, arcade services in pornographic stores owned by other individuals and companies.

Count One
Racketeering Influenced and Corrupt Organizations
(18 U.S.C. § 1962(c))

At all times material to this Indictment:

THE ENTERPRISE

1. At various times relevant to this Indictment, the Defendants, **Edward Joseph Wedelstedt (Wedelstedt)** and **Goalie Entertainment Holdings, Inc. (GEH)**, and other persons known, including Vivian Lee Schoug, and unknown to the Grand Jury, and the following corporations, individuals, companies, partnerships, affiliates, associates, nominees, (hereinafter referred to as "entities"):

Goalie Entertainment Holdings, Inc. (GEH)
Goalie Entertainment, Inc.
4790 El Cajon Corp.
ABC, Inc.
ABV Management, Inc.
After Dark, LLC
Blue Basie, Inc.
Books, Inc.
Centex Business Consultants, L.C.
Clearwater Factor, Inc.
Chil Soung, Inc.
Clinton Books, Inc.
Crutch Corp.
Danish Book World, Inc.
EJ Club, LLC
EWAP, Inc.
Fantasy 66, Inc.
Hip Pocket Partnership
Jeff John, Inc.
Jim Johnson, Inc.
Kentucky After Dark, Inc.
KW Associates, Inc.
La Mew, Inc.
Lakota Books, Inc.
The Lynn, Inc.
Main Street News, Inc.
Miami Factor, Inc.
Middle Management of America Corp. doing business as M&M Sales
Midnite Vision, LLC
NL Management Co., Inc.
NLC, Inc., doing business as EPC
North Street News, Inc.

PPA, Ltd.
PPI, Ltd.
Pacific Beach Arcade, Inc.
Pacific Beach Arcade, Ltd.
Palm Avenue Books, Inc.
Plain Brown Wrapper News, Inc.
Pleasure Palace I, Inc. doing business as PPI, Ltd.
Pleasure Palace II, Inc. doing business as PPA, Ltd.
Pleasure Palace of Kansas, Inc.
Puck, Etc., Inc.
Starlight Club Management, Inc.
Studio One, Inc. doing business as Studio One, Ltd.
Swan Books, Inc.
Westside News, Inc.
Z&X Enterprises, Inc.
Beverly Realty, Inc. doing business as Bubba Realty, Inc.
Schoug Trust # 1
EJW Property Management
Goalie Construction Co., Inc.
EPC Transport, Inc.
Icing, Inc.

and other entities known and unknown to the Grand Jury, constituted an "enterprise" as defined by 18 U.S.C. §1961(4) (the "enterprise"), that is, a group of individuals and entities associated in fact, the activities of which affected interstate commerce, and which engaged in and whose leaders, members and associates operated and engaged in various unlawful activities in the Northern District of Texas and elsewhere. The enterprise constituted an ongoing organization whose members functioned as a continuing unit for a common purpose of achieving the objectives of the enterprise. This enterprise was engaged in, and its activities affected, interstate and foreign commerce.

PURPOSES OF THE ENTERPRISE

2. The purposes of the enterprise included:

A. the interstate transportation for the purpose of display, sale and distribution of obscene video tape and digital video disc (DVD) movies, as listed and charged in the Indictment as predicate offenses, the object of which was to obtain money for the members of the enterprise;

B. the distribution of the income, proceeds and property of the enterprise, directly and indirectly so as to hide the source and to benefit the defendants in the form of cash, cashier's checks, money orders, salaries, dividends, and interest payments; and

C. the acquisition of real estate for the purposes of distributing obscene, video films, and of profiting from the unlawful operation of the enterprise.

MANNER AND MEANS OF THE ENTERPRISE

3. Among the means and methods by which the Defendants and others known and unknown to the Grand Jury, conducted and participated in the conduct of affairs of the enterprise, were the following:

A. **Wedelstedt** established or purchased businesses known as NLC, Inc. doing business as EPC (EPC) and Middle Management of America, Inc., doing business as M&M Sales (M&M), co-located in the same facility in Chatsworth, California. EPC reviewed, selected, purchased and distributed movies in videotape and DVD formats for **Wedelstedt** or **GEH** owned arcades (including some operating under contract in stores owned by others). M&M performed a similar role for pornographic magazines and books, and sex-related products such as vibrators and lubricants.

B. As a means for selecting movies for his stores and arcades, **Wedelstedt** implemented a system for reviewing new movies. Each week, an employee or officer of EPC would purchase or otherwise obtain a copy of each new pornographic movie in which the company might be interested. The movies were divided among three to four reviewers. The reviewers were EPC employees who viewed each pornographic movie and recorded scores according to various criteria, specified on forms devised by **Wedelstedt**.

C. Periodically, an officer or employee of EPC sent a sample of the pornographic movies and score forms to **Wedelstedt** at the **GEH** office in Denver, so that

he could review the work performed by the video reviewers.

D. An EPC officer or employee reviewed the movies' scores, and selected approximately 16 pornographic movies each week for display in **GEH**'s arcades. EPC employees placed orders for sufficient copies of each movie selected for display in the arcades. Upon arrival at the EPC warehouse, these videotapes and DVDs were segregated from EPC's inventory of movies, and entered into its computerized inventory system.

E. Once each week, EPC employees created between 60 and 90 identical boxes, containing one copy each of the pornographic movies selected for display in **GEH**'s arcades. An employee used the computerized inventory system to generate a "shipper," a paper packing slip identifying the contents of each box and its destination. The boxes were then shipped by United Parcel Service, a common carrier engaged in the carriage of goods in interstate commerce, to the offices of **GEH**'s video technicians and arcade regional managers throughout the country.

F. Each of **GEH**'s arcades consisted of numerous videotape or DVD players, attached to a closed-circuit television system broadcasting each player's output on a separate channel. The system's broadcast was distributed to numerous booths, containing a video screen, a mechanism for accepting payment, and a mechanism for selecting one of the channels for display on the video screen.

G. In most of **GEH**'s arcades, the booths accepted coin-like tokens or currency, in the form of coins or bills. A typical customer was required to purchase a set amount of tokens from the store's cashier, before being admitted to the arcade area in the rear of the store. Once in the arcade, in addition to the tokens purchased at the front counter, the customer could either deposit cash into the currency acceptor in the arcade booth, or purchase more tokens from a bill changer, which was typically located in the arcade area of each store.

H. In certain **GEH**-operated arcades, the company had installed a "Cashless Video System" (CVS), which replaced the tokens with a plastic card with a magnetic stripe which could record a balance of credits. Credits could be used by inserting the card in the arcade booth, or added by inserting it along with currency in a device similar to a bill changer, typically located in the arcade area of each store.

I. Each token or CVS credit provided the customer with a small period of viewing time—approximately 45 seconds—on the system. The customer could extend the viewing of a movie by depositing additional tokens or currency, or debiting additional credits from the CVS card. A meter was installed in each video booth to record the number of tokens, currency, or credits deposited into it.

J. The operation of each of **GEH**'s arcades was supervised by a video technician, whose responsibilities included emptying the video arcade booths and coin changers of currency and tokens, replacing pornographic movies, and maintaining the video equipment. Video technicians also oversaw janitorial staff who cleaned the arcade booths. The video technicians recorded the arcade booths' meters on a weekly "meter sheet" prepared for their supervisors, the regional arcade managers.

K. Video technicians reported to **GEH**'s regional arcade managers. During all times relevant to the indictment, **GEH** divided its nationwide operations into regions. From 1997 to the present, this including five: the West Coast, based in Los Angeles; the Rocky Mountains, based in Denver, Colorado; the Midwest, based in Des Moines, Iowa; the South, based in Memphis, Tennessee; and Texas, based in Dallas.

L. Regional managers collected cash from the video technicians, and supervised their performance in maintaining the arcades. Regional managers' offices maintained the cash they received in either office safes or safe deposit boxes, after exchanging small bills for larger ones. The regional managers consolidated the information and cash received from the video technicians and recorded the totals on a

weekly summary sheet, which reflected the week's revenue for all the arcades in their area. After preparing a weekly summary sheet, the regional arcade managers secured it with its currency, and destroyed or disposed of the video technicians' meter sheets, which identified the amount of revenue generated by each store.

M. Regional managers were responsible for periodically providing the cash they received to **Wedelstedt**, who traveled to the regional offices' locations every three to four months on a Lear Jet owned by **GEH** and its subsidiaries. On these trips, **Wedelstedt** frequently visited the pornographic bookstores and arcades in the region with the regional manager, and reviewed their operations along with the goods sold or displayed in them.

N. At least twice each year, **Wedelstedt** traveled to each regional manager's office and collected a large sum of cash which was consistently withdrawn by the regional managers from each week's revenues and segregated.

O. **Wedelstedt** maintained a safe in his homes, and several safe deposit boxes, some held under the names of nominee owners. He deposited large amounts of currency in these storage locations.

P. On a periodic basis, **Wedelstedt** brought into the **GEH** accounting department in Colorado a large sum of cash, along with instructions to deposit the money into **GEH**'s bank account, and to credit the money as arcade revenue in **GEH**'s computerized accounting system. Because the accounting system included a separate revenue center (an account number within the system) for each region, **Wedelstedt** provided a breakdown, on a percentage basis, purporting to allocate the large sum of cash amongst each of the stores' arcades.

Q. **Wedelstedt** and **GEH**'s chief financial officer, routinely directed and oversaw financial transactions to obscure the nature of **GEH**'s cash flow and secretly obtain cash from **GEH**. For example, in the spring of 2001, **GEH**'s chief financial

officer directed a **GEH** employee to cash four $25,000 checks made out to that employee from **GEH**, and provide the cash from those checks back to the chief financial officer.

R. Similarly, On a periodic basis beginning in 2001 and ending in 2002, **Wedelstedt** directed the chief financial officer to have a **GEH** employee cash checks made out to that employee from **GEH** in the amount of $5,000, and provide the cash from those checks back to the chief financial officer, who in turn, provided that cash to **Wedelstedt.**

S. Vivian Lee Schoug, was **Wedelstedt's** spouse, and she acted as the director, owner, operator, proprietor, employee and trustee for **Wedelstedt** and his business entities, accounts, and safe deposit boxes, and as such was responsible for the execution of contracts, resolutions, and agreements for and on behalf of the Defendant and other entities comprising the enterprise.

ROLES OF THE DEFENDANTS

4. The Defendants participated in the operation and management of the enterprise as follows.

A. **Wedelstedt**, was owner and operator, directly and indirectly, of all of the business entities listed in Paragraph 1, above, and as such he had the power and authority, and exercised the responsibility to:

1) direct the day to day operation of the enterprise and to make and participate in all the major decisions concerning the enterprise;

2) oversee the system he had established to facilitate, select, order and pay for the interstate transportation or distribution of obscene movies, including video tape cassettes and DVD recordings;

3) recruit and cause to be recruited persons to serve as arcade regional managers, to collect cash from the video technicians;

4) collect, count, and supervise the collection and counting of

the receipts of the enterprise;

5) determine, order and execute the financial transactions of the enterprise, including bank transactions, so as to impede and impair the ascertainment and collection of federal and state income tax;

6) hire and fire employees of the enterprise and determine the payment of wages and salaries;

7) purchase and sell, and negotiate the purchase, sale, transfer, disposition and condemnation of real property owned by and in the name of the individuals, corporations and other entities which comprised the enterprise and which property was used to conduct the activity and business of the enterprise and which property constituted and H

B. **GEH** existed as the parent corporation for a majority of the subsidiary companies that participated directly in the acquisition, distribution, receipt, management, and sale actions for the enterprise.

THE RACKETEERING VIOLATION

From in or about 1992, and continuously thereafter, up to and including the date of this Indictment, in the Northern District of Texas and elsewhere, the Defendants, **Edward Joseph Wedelstedt** and **GEH**, and other persons known, including Vivian Lee Schoug, and unknown to the Grand Jury, being persons employed by and associated with the above-described enterprise, did knowingly conduct and participate, directly and indirectly, in the conduct of the enterprise's affairs, through a pattern of racketeering activity, as defined

by 18 U.S.C. §§ 1961(1) and 1961(5), which consisted of the acts set out in the following paragraphs:

THE PATTERN OF RACKETEERING ACTIVITY

5. The pattern of racketeering activity committed by the Defendants consisted of the following acts:

Racketeering Act 1

The Defendant, **Edward Joseph Wedelstedt**, committed the following acts, any of which alone constitutes Racketeering Act 1:

A1. The Grand Jury realleges Count Two of this Indictment relating to the movie American Bukkake # 7, the commission of said Count constitutes the commission of Racketeering Act 1.

A2. The Grand Jury realleges Count Three of this Indictment relating to the movie American Bukkake # 7, the commission of said Count constitutes the commission of Racketeering Act 1.

A3. The Grand Jury realleges Count Four of this Indictment relating to the movie American Bukkake # 7, the commission of said Count constitutes the commission of Racketeering Act 1.

Racketeering Act 2

The Defendant, **Edward Joseph Wedelstedt**, committed the following acts, any of which alone constitutes Racketeering Act 2:

B1. The Grand Jury realleges Count Five of this Indictment relating to the movie Cum Shots # 4, the commission of said Count constitutes the commission of Racketeering Act 2.

B2. The Grand Jury realleges Count Six of this Indictment relating to the movie Cum Shots # 4, the commission of said Count constitutes the commission of Racketeering Act 2.

B3. The Grand Jury realleges Count Seven of this Indictment relating to the movie Cum Shots # 4, the commission of said Count constitutes the commission of Racketeering Act 2.

Racketeering Act 3

The Defendant, **Edward Joseph Wedelstedt**, committed the following acts, any of which alone constitutes Racketeering Act 3:

C1. The Grand Jury realleges Counts Eight of this Indictment relating to the movie Gang Bang Angels # 11, the commission of said Count constitutes the commission of Racketeering Act 3.

C2. The Grand Jury realleges Count Nine of this Indictment relating to the movie Gang Bang Angels # 11, the commission of said Count constitutes the commission of Racketeering Act 3.

C3. The Grand Jury realleges Count Ten of this Indictment relating to the movie Gang Bang Angels # 11, the commission of said Count constitutes the commission of Racketeering Act 3.

Racketeering Act 4

The Defendant, **Edward Joseph Wedelstedt**, committed the following acts, any of which alone constitutes Racketeering Act 4:

D1. The Grand Jury realleges Count Eleven of this Indictment relating to the movie American Bukkake #8, the commission of said Count constitutes the commission of Racketeering Act 4.

D2. The Grand Jury realleges Count Twelve of this Indictment relating to the movie American Bukkake #8, the commission of said Count constitutes the commission of Racketeering Act 4.

D3. The Grand Jury realleges Counts Thirteen of this Indictment relating to the movie American Bukkake #8, the commission of said Count constitutes the commission

of Racketeering Act 4.

Racketeering Act 5

The Defendant, **Edward Joseph Wedelstedt**, committed the following acts, any of which alone constitutes Racketeering Act 5:

E1. The Grand Jury realleges Count Fourteen of this Indictment relating to the movie Tits and Ass # 8, the commission of said Count constitutes the commission of Racketeering Act 5.

E2. The Grand Jury realleges Count Fifteen of this Indictment relating to the movie Tits and Ass # 8, the commission of said Count constitutes the commission of Racketeering Act 5.

E3. The Grand Jury realleges Count Sixteen of this Indictment relating to the movie Tits and Ass # 8, the commission of said Count constitutes the commission of Racketeering Act 5.

Racketeering Act 6

The Defendant, **Edward Joseph Wedelstedt**, committed the following acts, any of which alone constitutes Racketeering Act 6:

F1. The Grand Jury realleges Count Fourteen of this Indictment relating to the movie 1 In The Pink 1 In the Stink #5, the commission of said Count constitutes the commission of Racketeering Act 6.

F2. The Grand Jury realleges Count Fifteen of this Indictment relating to the movie 1 In The Pink 1 In the Stink #5, the commission of said Count constitutes the commission of Racketeering Act 6.

F3. The Grand Jury realleges Count Sixteen of this Indictment relating to the movie 1 In The Pink 1 In the Stink #5, the commission of said Count constitutes the commission of Racketeering Act 6.

Racketeering Acts 7 to 24
(18 U.S.C. §§ 1341 and 2)

Scheme and Artifice to Defraud

At all times relevant to these racketeering acts:

G. The Iowa Department of Revenue was an agency of the State of Iowa charged with the ascertainment, computation, assessment, and collection of sales tax revenues in the State of Iowa, including revenues from the sale of video arcade services.

H. The North Dakota Office of the State Tax Commissioner was an agency of the State of North Dakota charged with the ascertainment, computation, assessment, and collection of sales tax revenues in the State of North Dakota, including revenues from the sale of video arcade services.

I. The South Dakota Department of Revenue was an agency of the State of South Dakota charged with the ascertainment, computation, assessment, and collection of sales tax revenues in the State of South Dakota, including revenues from the sale of video arcade services.

J. Beginning in or about 1994 and continuing until the present in the Northern District of Texas and elsewhere, the Defendants, **Edward Joseph Wedelstedt** and **GEH,** devised, intended to devise, executed, and attempted to execute a scheme and artifice to defraud the States of Iowa, North Dakota, and South Dakota of monies due and owing them for the sales tax on the proceeds from the sale of video arcade services, by means of false and fraudulent pretenses, representations and promises contained on state sales tax returns which were placed in a United States Post Office or authorized depository for mail matter to be delivered by the Postal Service.

K. In furtherance of the scheme, and to effect its objects, the Defendants and others at his direction committed and caused to be committed the following acts as parts of the scheme:

1) It was a part of the scheme that on or about April 5, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail an Iowa state sales tax return for the quarter ending March 31, 2000, for ABV Management, Inc., for sales tax collected at the following stores:

Bachelor's Library, 2202 East Euclid Avenue, Des Moines, Iowa;

Adult Emporium, 1401 East Army Post Road, Des Moines, Iowa;

Mini-Cinema, 15 North 5th Street, Fort Dodge, Iowa;

Adult Emporium/Forum, 511 Pearl Street, Sioux City, Iowa.

This sales tax return was false and fraudulent in that it understated these stores' gross sales by omitting cash removed from video arcades and bill changers located therein.

2) It was a part of the scheme that on or about April 7, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail an Iowa state sales tax return for the quarter ending March 31, 2000, for PPI, Ltd., for sales tax collected at the following store:

Pleasure Palace, 315 Kirkwood Avenue, Iowa City, Iowa.

This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

3) It was a part of the scheme that on or about April 7, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail an Iowa state sales tax return for the quarter ending March 31, 2000, for PPA, Ltd., for sales tax collected at the following store:

Pleasure Palace, 117 Kellogg Street, Ames, Iowa.

This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

4) It was a part of the scheme that on or about April 5, 2000, a **GEH** accounting employee was instructed to, and did, prepare and mail an Iowa state sales tax

return for the quarter ending March 31, 2000, for Books, Inc., for sales tax collected at the following store:

Adult Emporium, 3216 1St Avenue, Council Bluffs, Iowa.

This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

5) It was a part of the scheme that on or about April 10, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail an Iowa state sales tax return for the quarter ending March 31, 2000 for Swan Books, Inc., for sales tax collected at the following stores:

Adult Emporium/Danish Book World II, 1507 LaPorte Road, Waterloo, Iowa;

After Dark, 50662 189th Street, Council Bluffs, Iowa.

This sales tax return was false and fraudulent in that it understated these stores' gross sales by omitting cash removed from video arcades and bill changers located therein.

6) It was a part of the scheme that on or about March 16, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a North Dakota state sales tax return for the period ending February 28, 2000, for Lakota Books, Inc, for sales tax collected at the following store:

ABC Fargo, 415-417 "NP" Avenue, Fargo, North Dakota.

This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

7) It was a part of the scheme that on or about April 21, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a North Dakota state sales tax return for the period ending March 31, 2000, for Lakota Books, Inc., for sales tax collected at the following store:

ABC Fargo, 415-417 "NP" Avenue, Fargo, North Dakota.

This sales tax return was false and fraudulent in that it understated this store's gross sales by

omitting cash removed from video arcades and bill changers located therein.

8) It was a part of the scheme that on or about May 9, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a North Dakota state sales tax return for the period ending April 30, 2000, for Lakota Books, Inc., for sales tax collected at the following store:

ABC Fargo, 415-417 "NP" Avenue, Fargo, North Dakota.

This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

9) It was a part of the scheme that on or about June 19, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a North Dakota state sales tax return for the period ending May 31, 2000, for Lakota Books, Inc., for sales tax collected at the following store:

ABC Fargo, 415-417 "NP" Avenue, Fargo, North Dakota.

This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

10) It was a part of the scheme that on or about July 25, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a North Dakota state sales tax return for the period ending June 30, 2000, for Lakota Books, Inc., for sales tax collected at the following store:

ABC Fargo, 415-417 "NP" Avenue, Fargo, North Dakota.

This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

11) It was a part of the scheme that on or about March 16, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a North Dakota state sales tax return for the period ending February 28, 2000, for Plain Brown Wrapper News, for sales tax collected at the following store:

Plain Brown Wrapper News, 102 South 3rd Street, Grand Forks, North Dakota. This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

12) It was a part of the scheme that on or about April 21, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a North Dakota state sales tax return for the period ending March 31, 2000, for Plain Brown Wrapper News, for sales tax collected at the following store:

Plain Brown Wrapper News, 102 South 3rd Street, Grand Forks, North Dakota. This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

13) It was a part of the scheme that on or about May 9, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a North Dakota state sales tax return for the period ending April 30, 2000, for Plain Brown Wrapper News, for sales tax collected at the following store:

Plain Brown Wrapper News, 102 South 3rd Street, Grand Forks, North Dakota. This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

14) It was a part of the scheme that on or about June 21, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a North Dakota state sales tax return for the period ending May 31, 2000, for Plain Brown Wrapper News, for sales tax collected at the following store:

Plain Brown Wrapper News, 102 South 3rd Street, Grand Forks, North Dakota. This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

15) It was a part of the scheme that on or about March 9, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a South Dakota

state sales tax return for February, 2000, for Studio One, Ltd., for sales tax collected at the following store:

Studio One, 311 North Dakota Avenue, Sioux Falls, South Dakota.

This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

16) It was a part of the scheme that on or about April 18, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a South Dakota state sales tax return for March, 2000, for Studio One, Ltd., for sales tax collected at the following store:

Studio One, 311 North Dakota Avenue, Sioux Falls, South Dakota.

This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

17) It was a part of the scheme that on or about May 5, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a South Dakota state sales tax return for April, 2000, for Studio One, Ltd., for sales tax collected at the following store:

Studio One, 311 North Dakota Avenue, Sioux Falls, South Dakota.

This sales tax return was false and fraudulent in that it understated this store's gross sales by omitting cash removed from video arcades and bill changers located therein.

18) It was a part of the scheme that on or about June 6, 2000, a **GEH** accounting employee was instructed to, and did, prepare, sign, and mail a South Dakota state sales tax return for May, 2000, for Studio One, Ltd., for sales tax collected at the following store:

Studio One, 311 North Dakota Avenue, Sioux Falls, South Dakota.

This sales tax return was false and fraudulent in that it understated this store's gross sales by

omitting cash removed from video arcades and bill changers located therein.

19) On or about the dates stated, in the Northern District of Texas and elsewhere, the Defendants, **Edward Joseph Wedelstedt** and **GEH,** for the purpose of executing and attempting to execute the aforesaid scheme and artifice to defraud, knowingly caused to be delivered by the United States Postal Service mail, according to the direction thereon, the mail matter described:

RACKETEERING ACT	DATE ON OR ABOUT	DESCRIPTION
7	4/5/00	Iowa state sales tax return for the quarter ending March 31, 2000, for ABV Management Co, Inc.
8	4/7/00	Iowa state sales tax return for the quarter ending March 31, 2000, for PPI, Ltd.
9	4/7/00	Iowa state sales tax return for the quarter ending March 31, 2000, for PPA, Ltd.
10	4/5/00	Iowa state sales tax return for the quarter ending March 31, 2000, for Books, Inc.
11	4/10/00	Iowa state sales tax return for the quarter ending March 31, 2000, for Swan Books, Inc.
12	3/16/00	North Dakota state sales tax return for the period ending February 28, 2000, for Lakota Books, Inc.
13	4/21/00	North Dakota state sales tax return for the period ending March 31, 2000, for Lakota Books, Inc.
14	5/9/00	North Dakota state sales tax return for the period ending April 30, 2000, for Lakota Books, Inc.
15	6/19/00	North Dakota state sales tax return for the period ending May 31, 2000, for Lakota Books, Inc.
16	7/25/00	North Dakota state sales tax return for the period ending June 30, 2000, for Lakota Books, Inc.
17	3/16/00	North Dakota state sales tax return for the period ending February 28, 2000, for Plain Brown Wrapper News.
18	4/21/00	North Dakota state sales tax return for the period ending March 31, 2000, for Plain Brown Wrapper News.
19	5/9/00	North Dakota state sales tax return for the period ending April 30, 2000, for Plain Brown Wrapper News.
20	6/21/00	North Dakota state sales tax return for the period ending May 31, 2000, for Plain Brown Wrapper News.

21	3/9/00	South Dakota state sales tax return for February, 2000, for Studio One, Ltd.
22	4/18/00	South Dakota state sales tax return for March, 2000, for Studio One, Ltd.
23	5/5/00	South Dakota state sales tax return for April, 2000, for Studio One, Ltd.
24	6/6/00	South Dakota state sales tax return for May, 2000, for Studio One, Ltd.

In violation of 18 U.S.C. §§ 1962(c).

Count Two
Interstate Transportation of Obscene Material
By Common Carrier; Aiding and Abetting
(18 U.S.C. §§ 1462 and 2)

On or about March 13, 2000, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, aided and abetted by persons known and unknown to the Grand Jury, knowingly used an express company or other common carrier for carriage in interstate and foreign commerce, and knowingly took and received from such express company or other common carrier, an obscene video film, that is, American Bukkake # 7, a motion picture film and digital video disc (DVD) and video tape cassette.

In violation of 18 U.S.C. §§ 1462 and 2.

Count Three
Interstate Transportation of Obscene Material
For Purpose of Sale or Distribution
(18 U.S.C. §§ 1465 and 2)

On or about March 13, 2000, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, and other persons known and unknown to the Grand Jury, aided and abetted by each other, knowingly caused to be transported in interstate commerce for the purpose of sale and distribution, an obscene video film, that is, American Bukkake # 7, a motion picture film and digital video disc (DVD) and video tape cassette.

In violation of 18 U.S.C. §§ 1465 and 2.

Count Four
Engaging in the Business of
Selling or Transferring Obscene Matter;
Aiding and Abetting
(18 U.S.C. §§ 1466 and 2)

On or about March 13, 2000, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, aided and abetted by other persons known and unknown to the Grand Jury, being engaged in the business of selling and transferring obscene matter, did knowingly receive and possess with intent to distribute obscene films and videotapes, that is, American Bukkake # 7, a motion picture film and digital video disc (DVD) and video tape cassette, which had been shipped and transported in interstate commerce.

In violation of 18 U.S.C. §§ 1466 and 2.

Count Five
Interstate Transportation of Obscene Material
By Common Carrier; Aiding and Abetting
(18 U.S.C. §§ 1462 and 2)

On or about June 12, 2000, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, aided and abetted other persons known and unknown to the Grand Jury knowingly used an express company or common carrier for carriage in interstate and foreign commerce, and knowingly took and received from such express company or common carrier, an obscene video film, that is, Cum Shots # 4, a motion picture film and digital video disc (DVD) and video tape cassette.

In violation of 18 U.S.C. §§ 1462 and 2.

Count Six
Interstate Transportation of Obscene Material
For Purpose of Sale or Distribution
(18 U.S.C. §§ 1465 and 2)

On or about June 12, 2000, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, and other persons known and unknown to the Grand Jury, aided and abetted by each other, knowingly caused to be transported in interstate commerce for the purpose of sale and distribution, an obscene video film, that is, Cum Shots # 4, a motion picture film and digital video disc (DVD) and video tape cassette.

In violation of 18 U.S.C. §§ 1465 and 2.

Count Seven
Engaging in the Business of
Selling or Transferring Obscene Matter;
Aiding and Abetting
(18 U.S.C. §§ 1466 and 2)

On or about June 12, 2000, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, aided and abetted by persons known and unknown to the Grand Jury, being engaged in the business of selling and transferring obscene matter, did knowingly receive and possess with intent to distribute obscene films and videotapes, that is, Cum Shots # 4, a motion picture film and digital video disc (DVD) and video tape cassette, which had been shipped and transported in interstate commerce.

In violation of 18 U.S.C. §§ 1466 and 2.

Count Eight
Interstate Transportation of Obscene Material
By Common Carrier; Aiding and Abetting
(18 U.S.C. §§ 1462 and 2)

On or about April 24, 2000, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, aided and abetted by persons known and unknown to the Grand Jury, knowingly used an express company or other common carrier for carriage in interstate and foreign commerce, and knowingly took and received from such express company or other common carrier, an obscene video film, that is, Gang Bang Angels # 11, a motion picture film and digital video disc (DVD) and video tape cassette.

In violation of 18 U.S.C. §§ 1462 and 2.

Count Nine
Interstate Transportation of Obscene Material
For Purpose of Sale or Distribution
(18 U.S.C. §§ 1465 and 2)

On or about April 24, 2000, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, and other persons known and unknown to the Grand Jury, aided and abetted by each other, knowingly caused to be transported in interstate commerce for the purpose of sale and distribution, an obscene video film, that is, Gang Bang Angels # 11, a motion picture film and digital video disc (DVD) and video tape cassette.

In violation of 18 U.S.C. §§ 1465 and 2.

Count Ten
Engaging in the Business of
Selling or Transferring Obscene Matter;
Aiding and Abetting
(18 U.S.C. §§ 1466 and 2)

On or about April 24, 2000, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, aided and abetted by persons known and unknown to the Grand Jury, being engaged in the business of selling and transferring obscene matter, did knowingly receive and possess with intent to distribute obscene films and videotapes, that is, Gang Bang Angels # 11, a motion picture film and digital video disc (DVD) and video tape cassette, which had been shipped and transported in interstate commerce.

In violation of 18 U.S.C. §§ 1466 and 2.

Count Eleven
Interstate Transportation of Obscene Material
By Common Carrier; Aiding and Abetting
(18 U.S.C. §§ 1462 and 2)

On or about May 22, 2000, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, aided and abetted by other persons known and unknown to the Grand Jury, knowingly used an express company or common carrier for carriage in interstate and foreign commerce, and knowingly took and received from such express company or other common carrier, an obscene video film, that is, American Bukkake #8, a motion picture film and digital video disc (DVD) and video tape cassette.

In violation of 18 U.S.C. §§ 1462 and 2.

Count Twelve
Interstate Transportation of Obscene Material
For Purpose of Sale or Distribution
(18 U.S.C. §§ 1465 and 2)

On or about May 22, 2000, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, and other persons known and unknown to the Grand Jury, aided and abetted by each other, knowingly caused to be transported in interstate commerce for the purpose of sale and distribution, an obscene video film, that is, American Bukkake #8, a motion picture film and digital video disc (DVD) and video tape cassette.

In violation of 18 U.S.C. §§ 1465 and 2.

Count Thirteen
Engaging in the Business of
Selling or Transferring Obscene Matter;
Aiding and Abetting
(18 U.S.C. §§ 1466 and 2)

On or about May 22, 2000, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, aided and abetted by persons known and unknown to the Grand Jury, being engaged in the business of selling and transferring obscene matter, did knowingly receive and possess with intent to distribute obscene films and videotapes, that is, American Bukkake #8, a motion picture film and digital video disc (DVD) and video tape cassette, which had been shipped and transported in interstate or foreign commerce.

In violation of 18 U.S.C. §§ 1466 and 2.

Count Fourteen
Interstate Transportation of Obscene Material
By Common Carrier; Aiding and Abetting
(18 U.S.C. §§ 1462 and 2)

On or about January 10, 2005, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, aided and abetted by known and unknown to the Grand Jury, knowingly used an express company or other common carrier for carriage in interstate and foreign commerce, and knowingly took and received from such express company or common carrier, an obscene video film, that is, Tits and Ass # 8, a motion picture films and digital video disc (DVD) and video tape cassette.

In violation of 18 U.S.C. §§1462 and 2.

Count Fifteen
Interstate Transportation of Obscene Material
For Purpose of Sale or Distribution
(18 U.S.C. §§ 1465 and 2)

On or about January 10, 2005, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, and other persons known and unknown to the Grand Jury, aided and abetted by each other, knowingly caused to be transported in interstate commerce for the purpose of sale and distribution, an obscene video film, that is, Tits and Ass # 8, a motion picture film and digital video disc (DVD) and video tape cassette.

In violation of 18 U.S.C. §§ 1465 and 2.

Count Sixteen
Engaging in the Business of
Selling or Transferring Obscene Matter;
Aiding and Abetting
(18 U.S.C. §§ 1466 and 2)

On or about January 10, 2005, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, aided and abetted by persons known and unknown to the Grand Jury, being engaged in the business of selling and transferring obscene matter, did knowingly receive and possess with intent to distribute an obscene video film, that is, Tits and Ass # 8, a motion picture film and digital video disc (DVD) and video tape cassette, which had been shipped and transported in interstate commerce.

In violation of 18 U.S.C. §§ 1466 and 2.

Count Seventeen
Interstate Transportation of Obscene Material
By Common Carrier; Aiding and Abetting
(18 U.S.C. §§ 1462 and 2)

On or about January 4, 2005, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, aided and abetted by persons known and unknown to the Grand Jury, knowingly used an express company or other common carrier for carriage in interstate and foreign commerce, and knowingly took and received from such express company or common carrier, an obscene video film, that is, 1 In The Pink 1 In The Stink #5, a motion picture film and digital video disc (DVD) and video tape cassette .

In violation of 18 U.S.C. §§1462 and 2.

Count Eighteen
Interstate Transportation of Obscene Material
For Purpose of Sale or Distribution
(18 U.S.C. §§ 1465 and 2)

On or about January 4, 2005, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, and other persons known and unknown to the Grand Jury, aided and abetted by each other, knowingly caused to be transported in interstate commerce for the purpose of sale and distribution, an obscene video film, that is, 1 In The Pink 1 In The Stink #5, a motion picture film and digital video disc (DVD) and video tape cassette.

In violation of 18 U.S.C. §§ 1465 and 2.

Count Nineteen
Engaging in the Business of
Selling or Transferring Obscene Matter;
Aiding and Abetting
(18 U.S.C. §§ 1466 and 2)

On or about January 4, 2005, in the Northern District of Texas, Dallas Division, and elsewhere, the Defendant, **Edward Joseph Wedelstedt**, aided and abetted by persons known and unknown to the Grand Jury, being engaged in the business of selling and transferring obscene matter, did knowingly receive and possess with intent to distribute an obscene video films, that is, 1 In The Pink 1 In the Stink #5, a motion picture film and digital video disc (DVD) and video tape cassette, which had been shipped and transported in interstate commerce.

In violation of 18 U.S.C. §§ 1466 and 2.

Count Twenty
Conspiracy to Engage in the Business of
Selling or Transferring Obscene Matter
(18 U.S.C. § 371 (18 U.S.C. § 1466))

1. Beginning on or about April 1, 1990, the exact date being unknown to the Grand Jury, and continuing to the present time, within the Northern District of Texas and elsewhere, the Defendants, **Edward Joseph Wedelstedt**, **Arthur Morris Boten**, **James Randal Martinson**, **Jeffrey Mark Parrish**, **LeRoy Moore, Sr.**, and **Beverly Kay Van Dusen**, together with each other and with other persons known and unknown to the Grand Jury, did knowingly conspire and agree to violate the obscenity laws of the United States, by engaging in the business of selling and transferring obscene material, in violation of 18 U.S.C. § 1466, and one or more of the Defendants did do one or more overt acts in furtherance of the conspiracy.

OBJECT OF THE CONSPIRACY

2. The object of the conspiracy was to distribute and sell obscene material through a network of video arcades located in pornographic book and video stores.

MANNER AND MEANS

3. The unlawful conspiracy was to be accomplished by the Defendants and other persons known and unknown to the Grand Jury through the means and methods alleged in Count One, paragraphs 3 through 3(S), which are realleged as if set forth fully herein, among others.

OVERT ACTS

4. In furtherance of the conspiracy the Defendants committed the Racketeering Acts alleged in Count One, paragraphs 5 through 5(K)(19), which are realleged as overt acts as if set forth fully herein.

5. On or about April 1, 1990, Defendants **LeRoy Moore, Sr.** and **Beverly Kay Van Dusen** signed a service agreement with BB, Inc., later known as Goalie Entertainment,

Inc., which stated that **Moore** and **Van Dusen** were the owners of New Video, Star Video, and Bright Lights, which were all sexually oriented businesses which operated adult video arcades. Under the terms of the agreement and the amendment, **LeRoy Moore, Sr.** and **Beverly Kay Van Dusen** agreed to pay thirty-five percent (35%) of all gross revenues collected from customers for the use of the video devices in the adult video arcades to BB, Inc. until April 1, 1992, and twenty-five percent (25%) of the gross revenues after that date.

6. On or about January 7, 1998, **Wedelstedt, James Randal Martinson** and other persons known and unknown to the Grand Jury visited Kentucky After Dark, a pornographic bookstore owned by **Wedelstedt** and GEH, located at 933 Winchester Road, Lexington, Kentucky, in their capacities as GEH officers and employees.

7. On or about September 21, 1998, GEH officers and employees traveled to Phoenix, Arizona, to negotiate the purchase of Book-Cellar, Inc., the operator of seven sexually-oriented businesses in Phoenix, Arizona.

8. On or about November 30, 1998, **Wedelstedt, Arthur Morris Boten**, and others visited the Eastown Capri store, a pornographic bookstore owned by **Wedelstedt** and GEH, located at 686-690 West Michigan Avenue, Battle Creak, Michigan, in their capacities as GEH officers and employees.

9. On or about August 30, 1999, **Jeffrey Mark Parrish** visited the Galaxy Theater, a pornographic bookstore owned by **Wedelstedt** and GEH, located at 633 Colfax Avenue, Denver, Colorado, in his capacity as a GEH officer and employee, and serviced the arcades located there.

10. On or about October 19, 1999, **Wedelstedt, LeRoy Moore, Sr.**, and a person known to the Grand Jury, visited the Superstore Video, a pornographic bookstore owned by **Wedelstedt** and GEH, located on Lindale Road, Dallas, Texas; **Wedelstedt** and a person known to the Grand Jury did so in their capacities as GEH officers and employees.

11. On or about October 19, 1999, **Wedelstedt** traveled to Texas to meet with GEH

employees and officers at GEH's regional arcade headquarters on Freewood Drive in Dallas. While in Texas, **Wedelstedt** met a person known to the Grand Jury at the regional arcade headquarters office, and picked up cash removed from the video arcades in the Texas region. Thereafter, **Wedelstedt** transported the cash in the GEH Lear Jet to Denver, Colorado.

12. Between on or about November 1, 1999, and on or about November 30, 1999, **Jeffrey Mark Parrish**, in his capacity as a GEH officer and employee, hired a person known to the Grand Jury as a video technician.

13. On or about December 8, 1999, **Beverly Kay Van Dusen** filed a Texas Renewal Application for Coin-Operated Machines to permit the continued use of GEH-operated arcades in New Video, Bright Lights Video, Star Video, New Video II and Bright Lights II, pornographic bookstores which were owned by **LeRoy Moore, Sr.**

14. Between on or about September 1, 2000, and on or about September 30, 2000, **Arthur Morris Boten**, in his capacity as a GEH officer and employee, instructed a GEH employee under his supervision– a person known to the Grand Jury– to begin depositing cash taken from the arcades in a GEH-controlled bank account, rather than giving it to **Arthur Morris Boten**, as had been the practice previously.

15. Between on or about August 20, 2000, and on or about December 31, 2000, James Greentree, the Texas Regional Arcade Manager, flew from Dallas, Texas to Memphis, Tennessee to meet with **Wedelstedt, James Randal Martinson,** and another person known to the Grand Jury and discussed, and coordinated a lie to be told to federal law enforcement agents regarding deductions from weekly cash receipts listed on weekly summary sheets prepared by the GEH regional arcade managers; specifically, they agreed that if asked about a line item which in fact represented cash salary payments to the regional managers, they would tell federal law enforcement agents that the money was used to test the functioning of bill changers in the arcades.

16. On or about May 22, 2000, **Wedelstedt** arrived in Dallas, Texas on the GEH Lear Jet and traveled to the Dallas Regional Office at 2648 Freewood Drive, Dallas, Texas where he met with James Greentree and other persons known and unknown to the grand jury. Upon entering the location, **Wedelstedt** was observed carrying an empty black bag. While inside, **Wedelstedt** obtained the arcade proceeds collected and stored by James Greentree and placed the money in the black bag.

In violation of Title 18 U.S.C. Section 371 (18 U.S.C. § 1466).

Count Twenty-One
Conspiracy to Defraud the United States
(18 U.S.C. § 371 (26 U.S.C. § 7201))

1. The Internal Revenue Service (hereinafter IRS) is an agency of the United States Department of Treasury responsible for administering and enforcing the tax laws of the United States and collecting the taxes owed to the Treasury of the United States by its citizens.

2. Beginning in or about 1989, the exact date being unknown to the Grand Jury, and continuing to the present time, within the Northern District of Texas and elsewhere, the Defendants, **Edward J. Wedelstedt (Wedelstedt)** and **Vivian Lee Schoug (Schoug)**, hereinafter called Defendants, together with each other and with others known and unknown to the Grand Jury, did unlawfully, knowingly and willfully conspire, combine, confederate and agree together and with each other to defraud the United States of America by impeding, impairing, obstructing and defeating the lawful governmental functions of the IRS of the Treasury Department of the United States in the ascertainment, computation, assessment, and collection of the revenue, specifically federal income taxes for **Wedelstedt** and GEH.

PURPOSE AND OBJECT OF THE CONSPIRACY

3. The object of the conspiracy was to defraud the United States of America by impeding, impairing, obstructing and defeating the lawful governmental functions of the IRS of the Treasury Department of the United States by concealing the amount and disposition of income, the true ownership, control, management, operation, and sources of funds used to acquire and expand the businesses of **Wedelstedt** as set out above. As a result, verification by the IRS of the true income and expenses required to be reported by particular persons, entities, businesses and corporations was hindered, impeded, impaired, obstructed and defeated.

MANNER AND MEANS OF THE CONSPIRACY

The manner and means of the conspiracy, included, among others, the following:

4. Cash collected by regional managers, from the operation of video arcade machines located in stores owned and operated by GEH, was periodically provided to **Wedelstedt** who traveled to the regional offices every three to four months. The paperwork prepared by the arcade video technicians reflecting the income the arcades generated was systematically destroyed without making it available to the GEH accounting department.

5. The cash that **Wedelstedt** received from the regional managers, that was not infused back into GEH, was never accounted for in GEH's books and records and was ultimately not accounted for on **Wedelstedt's** personal or GEH's corporate tax returns.

6. **Wedelstedt**, with the assistance of **Schoug**, and others, both known and unknown to the grand jury, attempted to conceal **Wedelstedt's** interest in the unreported cash derived from the operation of the arcade machines by acting as nominees in the context of corporations, enterprises, safety deposit boxes and tax returns.

OVERT ACTS

In furtherance of the conspiracy, in the Northern District of Texas and elsewhere, one or more co-conspirators committed at least one of the following overt acts, among others:

7. On or about December 29, 1999, a person known to the Grand Jury gave **Wedelstedt** who was on a business trip to Dallas, Texas, many envelopes full of cash that had been stored in a safe located at the Dallas Regional Office on Freewood Drive, Dallas, Texas.

8. Between 1998 and August 2000, a person known to the Grand Jury, failed to report the quarters collected from the arcades on the weekly summary sheets, compiled at the Dallas Regional Office, and provided to the Goalie accounting department.

Instead, he provided the income from the quarters to **Wedelstedt** during when **Wedelstedt** traveled to Dallas, Texas.

9. Between late 1997 and 2000, **Wedelstedt** paid approximately $56,620 in cash bonuses and cash salary to a person known to the grand jury.

10. Between 1998 and 1999, **Wedelstedt** paid a GEH employee approximately $21,948 in unreported cash as part of her salary.

11. On or about October 19, 1998, **Wedelstedt** signed and filed a Form 1040, U.S. Individual Income Tax Return, that did not report all of the cash that he had acquired through the operation of the goalie arcades in tax year 1997.

12. On or about September 27, 1999, **Wedelstedt** signed and filed a Form 1040, U.S. Individual Income Tax Return, that did not report all of the cash that he had acquired through the operation of the goalie arcades in that tax year 1998.

13. On or about September 14, 1998, **Wedelstedt** signed and caused to be filed a Form 1120 U.S. Coporation Income Tax Return for GEH for the year 1997.

14. On or about September 15, 1999, **Wedelstedt** signed and caused to be filed a Form 1120 U.S. Coporation Income Tax Return for GEH for the year 1998.

15. On or about September 23, 1994, **Wedelstedt** had a GEH employee sign as owner of Wedelstedt's corporation, Pacific Beach Arcades, Inc., on the Form 1120 U.S. Corporation Income Tax Return. **Wedelstedt** paid this same GEH employee unreported cash bonuses for that employee to be a nominee.

16. On or about September 14, 1995, **Wedelstedt** had a GEH employee sign as owner of Wedelstedt's corporation, Pacific Beach Arcades, Inc., on the Form 1120 U.S. Corporation Income Tax Return. **Wedelstedt** paid this same GEH employee unreported cash bonuses for that employee to be a nominee.

17. On or about April 17, 1992, **Schoug** opened safe deposit box #275 at U.S. Bank, 2401 Arapahoe Rd., Littleton, Colorado.

18. On or about March 4, 1998, **Schoug** accessed the contents of this box, containing cash that was never reported.

19. On or about November 3, 1999, **Schoug** accessed the contents of this box, containing cash that was never reported.

20. **Wedelstedt** listed **Schoug** as a nominee name on his corporation, BB, Inc. and on or about September 15, 1989, Schoug signed as President of BB, Inc., on the 1988 Form 1120 U.S. Corporation Income Tax Return for B.B. Inc. Additionally, in 1991 and 1992, **Wedelstedt** signed as President of B.B., Inc., but continued to list **Schoug** as 100% owner even though he knew this was not true.

21. Between on or about August 20, 2000, and on or about December 31, 2000, the Dallas Regional Manager, a person known to the Grand Jury, flew from Dallas, Texas to Memphis, Tennessee to meet with **Wedelstedt**, James Randal Martinson, and another person known to the Grand Jury and discussed, and coordinated a lie to be told to federal law enforcement agents regarding deductions from weekly cash receipts listed on weekly summary sheets prepared by the GEH regional arcade managers; specifically, they agreed that if asked about a line item which in fact represented cash salary payments to the regional managers, they would tell federal law enforcement agents that the money was used to test the functioning of bill changers in the arcades.

22. On or about May 24, 2000, **Wedelstedt** traveled to the Dallas Regional Office at 2648 Freewood Drive, Dallas, Texas where he met with other persons known and unknown to the Grand Jury. Upon entering the location, **Wedelstedt** was observed carrying a black bag. While inside, **Wedelstedt** obtained the arcade proceeds collected and stored by a person known to the Grand Jury, and placed the money in the black bag.

In violation of 18 U.S.C. § 371 (26 U.S.C. § 7201).

Count Twenty-Two
Rico Forfeiture
(18 U.S.C. § 1963)

1. The allegations contained in Count One of this Indictment are hereby repeated, realleged, and incorporated by reference herein as though fully set forth at length for the purpose of alleging forfeiture pursuant to the provisions of Title 18, United States Code, Section 1963.

2. Pursuant to Rule 32.2, Fed. R. Crim. P., notice is hereby given to the Defendant that the United States will seek forfeiture as part of any sentence in accordance with 18 U.S.C. § 1963 in the event of any Defendants' conviction under Count One of this Indictment.

3. The Defendants, **Edward Joseph Wedelstedt** and **Goalie Entertainment Holdings, Inc.**:

A. have acquired and maintained interests in violation of 18 U.S.C. § 1962, which interests are subject to forfeiture to the United States pursuant to 18 U.S.C. § 1963(a)(1);

B. have an interest in, security of, claims against, and property and contractual rights which afford a source of influence over, the enterprise named and described herein which the Defendants established, operated, controlled, conducted, and participated in the conduct of, in violation of 18 U.S.C. §1962, which interests, securities, claims, and rights are subject to forfeiture to the United States pursuant to Title 18 U.S.C. § 1963 (a)(2); and,

C. have property constituting and derived from proceeds obtained, directly and indirectly, from racketeering activity, in violation of 18 U.S.C. § 1962, which property is subject to forfeiture to the United States pursuant to 18 U.S.C. § 1963(a)(3).

4. The interests of the Defendants subject to forfeiture to the United States pursuant to 18 U.S.C. §§ 1963(a)(1), (a)(2), and (a)(3), include but are not limited to:

A. At least $48,000,000 in gross proceeds, acquired during the relevant times of the racketeering enterprise, which Defendants obtained through violations of 18 U.S.C. § 1962;

B. All shares of stock, interest, holdings, proceeds and claims to the proceeds owned by and on behalf of **Edward Joseph Wedelstedt** and **Goalie Entertainment Holdings, Inc.** in the following Corporations, Trusts, Partnerships, and other legal entities:

1. Goalie Entertainment Holdings, Inc.
2. Goalie Entertainment, Inc.
3. 4790 El Cajon Corp.
4. ABC, Inc.
5. ABV Management, Inc.
6. After Dark, LLC
7. Blue Basie, Inc.
8. Books, Inc.
9. Centex Business Consultants
10. Clearwater Factor, Inc.
11. Chil Soung, Inc.
12. Clinton Books, Inc.
13. Crutch Corp.
14. Danish Book World, Inc.
15. EJ Club, LLC
16. EWAP, Inc.
17. Fantasy 66, Inc.
18. Hip Pocket Partnership
19. Jeff John, Inc.
20. Jim Johnson, Inc.
21. Kentucky After Dark, Inc.
22. KW Associates, Inc.
23. La Mew, Inc.
24. Lakota Books, Inc.
25. The Lynn, Inc.
26. Main Street News, Inc.
27. Miami Factor, Inc.
28. Middle Management of America Corp.
29. Midnite Vision, LLC
30. NL Management Co., Inc.
31. NLC, Inc.
32. North Street News, Inc.
33. PPA, Ltd.
34. PPI, Ltd.
35. Pacific Beach Arcade, Inc.
36. Pacific Beach Arcade, Ltd.
37. Palm Avenue Books, Inc.

38. Plain Brown Wrapper News, Inc.
39. Pleasure Palace I, Inc.
40. Pleasure Palace II, Inc.
41. Pleasure Palace of Kansas, Inc.
42. Puck, Etc., Inc.
43. Starlight Club Management, Inc.
44. Studio One, Inc.
45. Swan Books, Inc.
46. Westside News, Inc.
47. Z&X Enterprises, Inc.
48. Beverly Realty, Inc.(d/b/a Bubba Realty, Inc.)
49. Schoug Trust # 1
50. EJW Property Management
51. Goalie Construction Co., Inc.
52. EPC Transport, Inc.
53. Icing, Inc.

C. The following real properties:

1. The real property including any improvement, appurtenances, and fixtures located at 117 KELLOGG ST., AMES, IOWA and legally described as:

   Lot 10 in Lee and Munns Subdivision of Lot "A" in Block 49, Fourth Addition to Ames, Iowa, except the West 60 feet thereof.

2. The real property including any improvement, appurtenances, and fixtures located at 121 KELLOGG AVE., AMES, IOWA.

3. The real property including any improvement, appurtenances, and fixtures located at 1200 SPUR 228, AMARILLO, TEXAS.

4. The real property including any improvement, appurtenances, and fixtures located at 1200 SPUR 228 (Route 2 Box 970), AMARILLO, TEXAS.

5. The real property including any improvement, appurtenances, and fixtures located at 3305 EAST HIGHWAY 80, ABILENE, TEXAS.

6. The real property including any improvement, appurtenances, and fixtures located at 311 NORTH DAKOTA AVE., SIOUX FALLS, SOUTH DAKOTA, and legally described as:

   Lot 12, Block 1, Phillips J. L., now included in and forming a part of the City of Sioux Falls, Minnehaha County, South Dakota.

7. The real property including any improvement, appurtenances, and fixtures located at 315 KIRKWOOD AVE., IOWA CITY, IOWA, and legally described as:

The North One Hundred (100) feet of Lot No. 16 (16) in "Garden Place" in the City of Waterloo, Black Hawk County, Iowa.

8. The real property including any improvement, appurtenances, and fixtures located at 4655 COLORADO BLVD., DENVER, COLORADO, and legally described as:

LOT: 3-5; BLOCK: 1; CITY: DENVER; SUBDIVISION: DICKINSON SUBDIVISION.

9. The real property including any improvement, appurtenances, and fixtures located at 1401 SE ARMY POST ROAD, DES MOINES, IOWA.

10. The real property including any improvement, appurtenances, and fixtures located at 3216 1ST AVENUE, COUNCIL BLUFFS, IOWA, Lots 1, 2, 3, and 4; Blk 5.

D. The following vehicle:

1. Lear Turbo Jet; Tail No. N610LJ (proposed change to N354GE); Model: 35A; Serial Number: 35A-610; Manufacturer: Gates Lear Jet Corp.

5. If any of the property described in Paragraph 4, as a result of any act or omission of the Defendants identified in Paragraph 4(B)

(A) cannot be located upon the exercise of due diligence;

(B) has been transferred or sold to, or deposited with, a third party;

(C) had been placed beyond the jurisdiction of the court;

(D) had been substantially diminished in value; or

(E) had been commingled with other property which cannot be divided without difficulty,

the court shall order the forfeiture of any other property of the Defendants up to the value of any property described in Paragraph 4.

Count Twenty-Three
Obscenity Forfeiture
(18 U.S.C. § 1467(a))

In accordance with 18 U.S.C. § 1467(a), and Rules 7(c)(2) and 32.2(a) of the Federal Rules of Criminal Procedure, and premised upon the conviction of Defendant **Edward Joseph Wedelstedt** of one or more violations of Chapter 71, title 18, United States Code, Sections 1460, et seq., as set forth in Counts Two through Nineteen of this Indictment, the Defendants shall forfeit to the United States any obscene material produced, transported, mailed, shipped or received in connection with the violations set forth in this Indictment; any real and personal property constituting or traceable to gross profits and other proceeds obtained from the violations set forth in this Indictment; and any real and personal property used or intended to be used to commit or to promote the commission of the violations set forth in this Indictment.

A TRUE BILL.

United States Department of Justice
Criminal Division
Child Exploitation and Obscenity Section

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