

United States District Court

FOR THE
NORTHERN DISTRICT OF CALIFORNIA

VENUE: SAN FRANCISCO

FILED

2012 DEC 18 P 3:22

RICHARD S. BARKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

v.

CR 11-540CRB

DOUGLAS DEAN HOLLINGSWORTH,

DEFENDANT(S).

SECOND SUPERSEDING INDICTMENT

VIOLATIONS:

Title 18, United States Code, Section 1341--Mail Fraud; Title 18,
United States Code, Section 1343--Wire Fraud; 18 U.S.C. § 1957--
Money Laundering; 18 U.S.C. U.S.C. §§ 981, 982 & 28
U.S.C. § 2461(c)--Criminal Forfeiture

A true bill.

J. Asher

Foreman

Filed in open court this 18 day of

Dec. 2012.

John J. Amiel

Clerk

Bail, \$ no process

Nathanael Cousins

Nathanael Cousins
United States Magistrate Judge

AO 257 (Rev. 6/78)

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT
 BY: ☐ COMPLAINT ☐ INFORMATION ☒ INDICTMENT
☒ SUPERSEDING
OFFENSE CHARGED
 Cts 1-2, Mail Fraud - 18 U.S.C. § 1341; Cts
 3-23, Wire Fraud - 18 U.S.C. § 1343; Cts 24-27,
 Money Laundering - 18 U.S.C. § 1957;
 Criminal Forfeiture

☐ Petty
☐ Minor
☐ Misdemeanor
☒ Felony
PENALTY:

See Attachment A

PROCEEDING
 Name of Complainant Agency, or Person (& Title, if any)
 Federal Bureau of Investigation, SA Noel Boswell

☐ person is awaiting trial in another Federal or State
 Court, give name of court

☐ this person/proceeding is transferred from another
 district per (circle one) FRCrP 20, 21 or 40. Show
 District

☐ this is a prosecution of
 charges previously dismissed
 which were dismissed on
 motion of:

☐ U.S. Att'y ☐ Defense

☒ this prosecution relates to a
 pending case involving this same
 defendant

☐ prior proceedings or appearance(s)
 before U.S. Magistrate regarding
 this defendant were recorded under

 SHOW
 DOCKET NO.
 CR 11-540 CRB

 MAGISTRATE
 CASE NO.

 Name and Office of Person
 Furnishing Information on
 THIS FORM

Melinda Haag

☒ U.S. Att'y ☐ Other U.S. Agency

 Name of Asst. U.S. Att'y
 (if assigned)

Denise Marie Barton / Tracie L. Brown

 Name of District Court, and/or Judge/Magistrate Location
 NORTHERN DISTRICT OF CALIFORNIA

DEFENDANT - U.S.

DOUGLAS DEAN HOLLINGSWORTH

DISTRICT COURT NUMBER

CR11-540 CRB

DEFENDANT**IS NOT IN CUSTODY**

- 1)
- ☐
- Has not been arrested, pending outcome this proceeding.
-
- If not detained give date any prior summons
-
- was served on above charges
-
- 2)
- ☐
- Is a Fugitive
-
- 3)
- ☒
- Is on Bail or Release from (show District)

NDCA

IS IN CUSTODY

- 4)
- ☐
- On this charge
-
- 5)
- ☐
- On another conviction
-
- 6)
- ☐
- Awaiting trial on other }
- ☐
- Fed't
- ☐
- State
-
- charges

If answer to (6) is "Yes", show name of institution

 Has detainer
 been filed?

☐ Yes
☐ No

 If "Yes"
 give date
 filed

**DATE OF
 ARREST**

Month/Day/Year

Or... if Arresting Agency & Warrant were not

**DATE TRANSFERRED
 TO U.S. CUSTODY**

Month/Day/Year

☐ This report amends AO 257 previously submitted
ADDITIONAL INFORMATION OR COMMENTS**PROCESS:**
☐ SUMMONS ☒ NO PROCESS*

☐ WARRANT Bail Amount:

If Summons, complete following:

☐ Arraignment ☐ Initial Appearance

Defendant Address:

 *Where defendant previously apprehended on complaint, no new summons
 or warrant needed, since Magistrate has scheduled arraignment

Date/Time:

Before Judge:

Comments:

ATTACHMENT A

DOUGLAS DEAN HOLLINGSWORTH

Cts 1-2: Mail Fraud – 18 U.S.C. § 1341

20 years imprisonment; fine of twice the gross gain/loss; 3 yrs SR supervised release; \$100 SA; Restitution

Cts 3-23: Wire Fraud - 18 U.S.C. § 1343

20 years imprisonment; fine of twice the gross gain/loss; 3 yrs SR supervised release; \$100 SA; Restitution

Cts 4-27: Money Laundering –18 U.S.C. § 1957

10 years imprisonment; fine of twice the gross gain/loss; 3 yrs SR supervised release; \$100 SA; Restitution

MELINDA HAAG (CABN 132612)
United States Attorney

FILED
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CLERK OF DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

DOUGLAS DEAN HOLLINGSWORTH,

Defendant.

No.: CR 11-540 CRB

VIOLATIONS: Title 18, United States
Code, Section 1341—Mail Fraud; Title 18,
United States Code, Section 1343—Wire
Fraud; 18 U.S.C. § 1957—Money
Laundering; 18 U.S.C. §§ 981, 982 & 28
U.S.C. § 2461(c)—Criminal Forfeiture

SECOND SUPERSEDING INDICTMENT

The Grand Jury charges:

INTRODUCTION

At all times relevant to this Second Superseding Indictment:

1. DOUGLAS DEAN HOLLINGSWORTH was a resident of Santa Rosa, California, in Sonoma County, in the Northern District of California. HOLLINGSWORTH maintained personal and business accounts at Bank of America and J.P. Morgan Chase Bank in California, as well as at other financial institutions.

2. E.S. and S.H. were a married couple who resided in Petaluma, California.

3. P.D. and K.D were a married couple who resided in Santa Rosa, California. P.D.

SECOND SUPERSEDING INDICTMENT

1 and K.D maintained an account at Wells Fargo Bank, N.A. in California.

2 4. A.K. was an individual who resided in Virginia who operated a Virginia non-
3 profit corporation and a foundation in A.K.'s family name. A.K. maintained accounts at
4 Wachovia Bank in Virginia.

5 5. D. L. was an individual who resided in Lahaina, Hawaii. D.L. maintained
6 accounts at American Savings Bank FSB and First Hawaiian Bank, both in Hawaii.

7 6. T.H. was an individual who resided in Gatineau, Quebec, Canada. T.H.
8 maintained an account at Bank of Montreal in Quebec, Canada.

9 7. M.M. was an individual who resided in Montclair, New Jersey. M.M. maintained
10 an account at J.P. Morgan Chase Bank, N.A. in New Jersey.

11 8. M.Z. was an individual who resided in Northport, Michigan. M.Z. maintained
12 accounts at Northwestern Bank and Huntington National Bank, both in Michigan.

13 9. J.S. was an individual who resided in Northport, Michigan. J.S. maintained an
14 account at Northwestern Bank in Michigan.

15 10. N.P. was an individual who resided in Northport, Michigan. N.P. maintained an
16 account at Northwestern Bank in Michigan.

17 THE SCHEME TO DEFRAUD

18 11. HOLLINGSWORTH represented that he owned and operated companies called
19 Baytree Investors, LLC ("Baytree") and Capsule Partners, LLC ("Capsule").

20 HOLLINGSWORTH falsely represented to E.S., S.H., P.D., K.D., A.K., D.L., T.H., M.M., M.Z.,
21 J.S., N.P., and others that Baytree and Capsule had developed a sophisticated computer system
22 that permitted HOLLINGSWORTH to identify financial market trends and, by acting on those
23 trends, engage in highly profitable, short-term trading in securities.

24 12. HOLLINGSWORTH promised E.S., S.H., P.D., K.D., A.K., D.L., T.H., M.M.,
25 M.Z., J.S., N.P., and others significant returns – up to 6% per month – on any money they
26 provided to Baytree and Capsule. HOLLINGSWORTH falsely represented to E.S., S.H., P.D.,
27 K.D., A.K., D.L., T.H., M.M., M.Z., J.S., N.P., and others that HOLLINGSWORTH, Baytree,
28 and Capsule could afford to pay such returns because the computer-based trading system was so

1 successful.

2 13. Based on HOLLINGSWORTH's false representations, E.S., S.H., P.D., K.D.,
3 A.K., D.L., T.H., M.M., M.Z., J.S., N.P., and others understood that HOLLINGSWORTH,
4 Baytree, and Capsule would be using their funds in profitable short-term trading based on
5 Baytree's and Capsule's sophisticated trading software. HOLLINGSWORTH also told some
6 individuals that he was developing trading software to improve on his existing trading software
7 and further represented that some of their money would be used to develop that new software.
8 Based on HOLLINGSWORTH's representations as to the success of his computer-based trading
9 system and the promised rates of return, E.S., S.H., P.D., K.D., A.K., D.L., T.H., M.M., M.Z.,
10 J.S., N.P., and others provided HOLLINGSWORTH, Baytree, Capsule, and individuals acting on
11 behalf of HOLLINGSWORTH substantial sums of money.

12 14. HOLLINGSWORTH did not advise M.Z., J.S., and N.P., before they provided
13 money to him, that in July 2010 his residence had been searched and that certain bank accounts
14 under his control had been seized pursuant to search and seizure warrants obtained by federal law
15 enforcement agents.

16 15. HOLLINGSWORTH did not advise M.Z., J.S., and N.P., before they provided
17 money to him, that he had been indicted on wire fraud charges.

18 16. HOLLINGSWORTH, Baytree, and Capsule did not use funds from E.S., S.H.,
19 P.D., K.D., A.K., D.L., T.H., M.M., M.Z., J.S., N.P., and others for profitable, short-term
20 computer-based trading as HOLLINGSWORTH had falsely represented he would.
21 HOLLINGSWORTH engaged in minimal and unsuccessful trading, and instead used the money
22 from E.S., S.H., P.D., K.D., A.K., D.L., T.H., M.M., M.Z., J.S., N.P., and others for his personal
23 use and to make payments to other individuals who had provided funds to HOLLINGSWORTH,
24 Baytree, and Capsule and were owed the significant returns HOLLINGSWORTH had promised.

25 COUNT ONE: (18 U.S.C. § 1341 - Mail Fraud)

26 17. Paragraphs 1 through 16 are realleged as though set forth fully herein.

27 18. Beginning at a time unknown to the Grand Jury, but no later than June 2007, and
28 continuing until approximately October 2012, in the Northern District of California and

elsewhere, the defendant,

DOUGLAS DEAN HOLLINGSWORTH,

did knowingly and intentionally devise a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations, promises, and omission and concealment of material facts, knowing that the pretenses, representations, promises, omissions, and concealment were false and fraudulent when made, and, for the purpose of executing such scheme and artifice, did knowingly cause the following items to be sent and delivered by the United States Postal Service, and private and commercial interstate carriers, on or about the date set forth below:

Count	Date	Description of Violation
ONE	9/29/2007	\$500 check from HOLLINGSWORTH to E.S.
TWO	5/14/2009	\$8,000 check from HOLLINGSWORTH to P.D.

Each in violation of Title 18, United States Code, Section 1341.

COUNTS THREE THROUGH TWENTY-THREE: (18 U.S.C. § 1343 - Wire Fraud)

19. Paragraphs 1 through 16 are realleged as though set forth fully herein.

20. Beginning at a time unknown to the Grand Jury, but no later than June 2007, and continuing until approximately October 2012, in the Northern District of California and elsewhere, the defendant,

DOUGLAS DEAN HOLLINGSWORTH,

did knowingly and intentionally devise a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations, promises, and omission and concealment of material facts, knowing that the pretenses, representations, promises, omissions, and concealment were false and fraudulent when made, and, for the purpose of executing such scheme and artifice, did knowingly cause to be transmitted the following wire communications in interstate and foreign commerce, on or about the dates set forth below:

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Count	Date	Amount	From	To
THREE	4/30/2008	\$130,874.79	First Hawaiian Bank in Hawaii	Bank of America, N.A. in California
FOUR	7/1/2008	\$250,000	Wachovia Bank, N.A. in Virginia	Bank of America, N.A. in California
FIVE	7/31/2008	\$1,150,000	Wachovia Bank, N.A. in Virginia	Bank of America, N.A. in California
SIX	7/31/2008	\$370,000	Wachovia Bank, N.A. in Virginia	Bank of America, N.A. in California
SEVEN	8/26/2008	\$100,000	Wachovia Bank, N.A. in Virginia	Bank of America, N.A. in California
EIGHT	8/27/2008	\$30,000	Wachovia Bank, N.A. in Virginia	Bank of America, N.A. in California
NINE	8/29/2008	\$100,000	Wachovia Bank, N.A. in Virginia	Bank of America, N.A. in California
TEN	11/17/2008	\$100,000	Wachovia Bank, N.A. in Virginia	Bank of America, N.A. in California
ELEVEN	11/25/2008	\$100,000	Wachovia Bank, N.A. in Virginia	Bank of America, N.A. in California
TWELVE	11/25/2008	\$150,000	Wachovia Bank, N.A. in Virginia	Bank of America, N.A. in California
THIRTEEN	4/16/2010	\$189,980	Bank of Montreal, Montreal, Quebec, Canada	Bank of America, N.A. in California
FOURTEEN	5/26/2010	\$6,890	Bank of America, N.A. in California	American Savings Bank FSB in Hawaii
FIFTEEN	5/27/2010	\$36,000	Bank of America, N.A. in California	Wells Fargo, N.A. in California via North Carolina

SIXTEEN	12/27/2010	\$25,000	Northwestern Bank in Michigan	Bank of East Asia in California
SEVENTEEN	5/16/2011	\$149,854	J.P. Morgan Chase Bank, N.A. in New Jersey	J. P. Morgan Chase Bank, N.A. in California
EIGHTEEN	10/21/2011	\$50,000	Northwestern Bank in Michigan	Bank of America, N.A. in California
NINETEEN	11/1/2011	\$1,500	J. P. Morgan Chase Bank, N.A. in California	Northwestern Bank in Michigan
TWENTY	1/11/2011	\$2,000	J.P. Morgan Chase, N.A. in California	Northwestern Bank in Michigan
TWENTY- ONE	2/21/2012	\$50,000	Huntington National Bank in Michigan	J.P. Morgan Chase Bank, N.A. in California
TWENTY- TWO	9/12/2012	\$50,000	Northwestern Bank in Michigan	Union Bank, N.A. in California
TWENTY- THREE	9/28/2012	\$3,000	Union Bank, N.A. in California	Northwestern Bank in Michigan

Each in violation of Title 18, United States Code, Section 1343.

COUNTS TWENTY-FOUR THROUGH TWENTY-SEVEN: (18 U.S.C. § 1957 – Money Laundering)

21. Paragraphs 1 through 16 are realleged as though set forth fully herein.

22. On or about the dates set forth below, in the Northern District of California and elsewhere, the defendant,

DOUGLAS DEAN HOLLINGSWORTH,
did knowingly engage and attempt to engage in monetary transactions in criminally derived

property of a value greater than \$10,000, that was derived from specified unlawful activity, namely, mail fraud and wire fraud, as alleged above in Counts One through Twenty-Three, in violation of Title 18, United States Code, Sections 1341 and 1343, as follows:

Count	Date	Nature of Monetary Transaction
TWENTY-FOUR	7/8/2008	Check number 3786 for \$13,000 paid to Earthworks from a Bank of America account in the name of Baytree Investors / Douglas Hollingsworth
TWENTY-FIVE	7/11/2008	Check number 3791 for \$29,343.60 to Earthworks from a Bank of America account in the name of Baytree Investors / Douglas Hollingsworth
TWENTY-SIX	3/27/2009	Check card purchase for \$14,190.53 paid to Best Buy from a Bank of America account in the name of Baytree Investors / Douglas Hollingsworth
TWENTY-SEVEN	4/7/2010	Check card purchase for \$20,192 paid to Santa Rosa Dental Care from Bank of America account in the name of Capsule Partners, LLC ending in 2604

Each in violation of Title 18, United States Code, Section 1957.

FORFEITURE ALLEGATION: (18 U.S.C. § 981(a)(1)(C), 982(a)(2) and 28 U.S.C. § 2461(c) - Forfeiture)

23. The allegations of Counts One through Twenty-Three of this indictment are realleged and by this reference fully incorporated herein for the purpose of alleging forfeiture pursuant to the provisions of Title 18, United States Code, Sections 981(a)(1)(C), 982(a)(2) and 28 U.S.C. § 2461(c).

24. Upon a conviction of any of the offenses alleged in Counts One through Twenty-Three, the defendant,

DOUGLAS DEAN HOLLINGSWORTH,

shall forfeit to the United States all property, constituting and derived from proceeds traceable to said offenses, including but not limited to:

- (a) A money judgment equal to the amount of the proceeds obtained from the offense;

- (b) Approximately \$71,375.00 seized from the Rosenthal Collins Group, LLC. Account Number XXXXX-8219 of Capsule Partners on July 16, 2010;
- (c) Approximately \$3,744.81 seized from the Wells Fargo Bank Account Number XXXX-4023 of Rebecca Hollingsworth on July 16, 2010;
- (d) Approximately \$3,260.77 seized from the Rosenthal Collins Group, LLC. Account Number XXXX-4356 of Douglas Hollingsworth on July 16, 2010; and
- (e) Approximately \$2,832.74 from the Bank of America Account Number XXXXX-0632 of Baytree Investors on July 16, 2010.

25. If any of said property, as a result of any act or omission of the defendant,

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to or deposited with, a third person;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be subdivided without difficulty, any and all interest defendant has in other property shall be vested in the United States and forfeited to the United States pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c) and Rule 32.2 of the Federal Rules of Criminal Procedure.

SECOND FORFEITURE ALLEGATION: 18 U.S.C. § 982(a)(1)–Money Laundering Forfeiture

26. The allegations of Counts One through Twenty-Three of this indictment are realleged and by this reference fully incorporated herein for the purpose of alleging forfeiture pursuant to the provisions of Title 18, United States Code, Section 982(a)(1).

27. Upon a conviction for any of the offenses alleged in Counts Twenty-Four through Twenty-Seven, the defendant,

DOUGLAS DEAN HOLLINGSWORTH,

shall forfeit to the United States, any property, real or personal, involved in such offense, or any property traceable to such property, including but not limited to:

- (a) A money judgment equal to the amount of property involved in such offense;
- (b) Approximately \$71,375.00 seized from the Rosenthal Collins Group, LLC. Account Number XXXXX-8219 of Capsule Partners on July 16, 2010;
- (c) Approximately \$3,744.81 seized from the Wells Fargo Bank Account Number XXXX-4023 of Rebecca Hollingsworth on July 16, 2010;
- (d) Approximately \$3,260.77 seized from the Rosenthal Collins Group, LLC. Account Number XXXX-4356 of Douglas Hollingsworth on July 16, 2010; and
- (e) Approximately \$2,832.74 from the Bank of America Account Number XXXXX-0632 of Baytree Investors on July 16, 2010.

28. If any of the aforementioned property, as a result of any act or omission of the defendant:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third person;
- c. has been placed beyond the jurisdiction of the Court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property that cannot be divided without difficulty,

any and all interest the defendant has in other property shall be vested in the United States and forfeited to the United States pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. § 982(b)(1).

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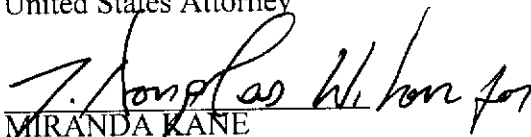
1 All in violation of Title 18, United States Code, Sections 981(a)(1)(C), 982(a)(1),
2 982(a)(2), and Title 28, United States Code, Section 2461(c), and Rule 32.2 of the Federal Rules
3 of Criminal Procedure.

4
5
6 Dated: December 18, 2012

A True Bill.

7
8 
FOREPERSON

9 MELINDA HAAG
10 United States Attorney

11 
12 MIRANDA KANE
Chief, Criminal Division

13
14 (Approved as to form: _____)
AUSA BARTON