



Department of Justice

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PRINCIPALS OF DEFUNCT HEDGE FUND INDICTED FOR \$30 MILLION INTERNATIONAL FRAUD SCHEME

ATLANTA, GA - THOMAS REPKE, 57, of Salt Lake City, Utah, was arraigned today before a U.S. Magistrate Judge in Atlanta on multiple counts of mail fraud, wire fraud and conspiracy, relating to his operation of the Utah-based investment company, "Coadum Capital." REPKE was indicted on December 15, 2010, along with an alleged accomplice, JAMES JEFFERY, 58, of Belleville, Ontario, Canada. JEFFERY has not yet made his initial appearance on these charges.

United States Attorney Sally Quillian Yates said, "This indictment alleges a major international investment fraud scheme that defrauded over 100 victims around the country out of tens of millions of dollars, most of which has been transferred to overseas accounts. Those who prey on the investing public in this way will continue to find themselves facing federal felony charges."

According to United States Attorney Yates, the charges and other information presented in court: REPKE and JEFFERY operated Coadum Capital in 2006 and 2007, which at its height attracted over 100 investors and over \$30 million in investments. Coadum offered shares in hedge funds and advertised monthly returns of 5%. Part of the sales pitch that Coadum made to investors was that their funds would remain protected in an escrow account and would therefore not be at risk. For example, several investors were provided marketing materials which read, "Cash Deposit ALWAYS remains in escrow in your name," and "Cash Depositor's principal deposit NEVER at risk."

REPKE and JEFFERY also allegedly described the investments in monthly account statements sent to investors as "Principal Preserved Alternative Investments for Growth Oriented Clients," and these account statements reported the investors' "Ending Principal Balance in Escrow Account." The monthly account statements also stated a purported rate of interest or earnings that had been earned by the fund that month, which was generally between 3-5%.

The indictment in this case alleges that, in fact, although investors were instructed to and did transmit much of their funds to one or more supposed "escrow" accounts,

including one in Atlanta, the money did not stay in any such account. Rather, unbeknownst to investors, REPKE and JEFFERY transferred over \$20 million overseas to accounts in Switzerland and the Mediterranean island of Malta. This money was supposedly invested in a series of hedge funds or other investments operated by a supposed Malta-based trader. The indictment alleges that these investments produced no earnings at all, and, in fact, by the end of 2007 only a fraction of the transferred funds remained deposited in these European accounts.

The indictment alleges that REPKE and JEFFERY continued to send account statements every month to investors continuing to represent that their funds remained intact, preserved in escrow accounts, and that monthly earnings of 3-5% continued to accrue. REPKE and JEFFERY knew these statements were false, because they knew the funds were not protected in escrow accounts, and to the contrary, had been transferred overseas to accounts over which REPKE and JEFFERY had no control and about which they received little or no information. REPKE and JEFFERY received no information from the supposed European trader to suggest that returns of 3-5% a month were being achieved. To the contrary, the defendants' correspondence shows that they were frustrated in their repeated requests to obtain information about where the funds were being held, how they were being used by the trader, and whether and to what extent earnings were being generated.

The indictment alleges that through 2007, REPKE and JEFFERY generally honored requests by investors for distributions of supposed earnings that the investors had been told existed. This was one of the methods the defendants allegedly used to give Coadum the appearance of a legitimate, profitable fund. However, because Coadum had received little or no earnings from its investments during this period, REPKE and JEFFERY were only able to make these payments by diverting newly invested funds from other investors. The investors were not told that newly-invested monies, and not actual "earnings," were a principal source of the distributions they received.

The indictment alleges that investors lost approximately \$30 million with Coadum.

The indictment charges 22 counts of mail fraud, wire fraud and conspiracy. The charges carry a maximum sentence of 20 years in prison and a fine of up to \$250,000 each. In determining the actual sentence, the Court will consider the United States Sentencing Guidelines, which are not binding but provide appropriate sentencing ranges for most offenders.

Members of the public are reminded that the indictment contains only allegations. A defendant is presumed innocent of the charges and it will be the government's burden to prove a defendant's guilt beyond a reasonable doubt at trial.

This law enforcement action has been undertaken as part of President Barack Obama's Financial Fraud Enforcement Task Force.

President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

This case is being investigated by Special Agents of the Federal Bureau of Investigation. United States Attorney Yates also thanked the staff of the Atlanta Division Office of the Securities and Exchange Commission (“SEC”), which referred the matter for criminal investigation.

Assistant United States Attorneys Justin S. Anand and Alana R. Black are prosecuting the case.

For further information please contact Sally Q. Yates, United States Attorney, or Charlyse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is www.justice.gov/usao/gan.