

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)
)
) No. 11 CR _____)
) Violations: Title 18, United States Code,)
) Section 1341)
MICHAEL CROOK and)
RODERICK RIEMAN)

COUNT ONE

The SPECIAL MARCH 2010 GRAND JURY alleges:

1. At times material to this indictment:

Entities Involved

a. Z Touch Systems, Inc. (Z Touch) was incorporated in Nevada in September 2001 and was located in Las Vegas, Nevada. It purported to engage in the manufacture and sale of interactive kiosks, including On Demand Interactive Environments also called ODIEs. Z Touch offered and sold its stock to the public as well as offered and sold investment interests in ODIEs to the public. Z Touch never generated any revenues from operating the ODIEs.

b. Global Payment Solutions, Inc. (GPS) was incorporated in Nevada in March 2003. GPS officed at the same location as Z Touch. GPS purported to be in the prepaid debit card business and offered and sold its stock to the public. GPS never generated any revenues from business operations.

c. Bluko Information Group, Inc. (Bluko) was incorporated in Nevada in October 2003 and officed in the same location as GPS and Z Touch. Bluko purportedly took

over the prepaid debit card business of GPS in or about November 2004. Bluko offered and sold its stock to the public.

d. Smart Restaurant Solutions, Inc. (Smart Restaurant) was incorporated in Nevada in June 2004 and officed in the same location as Z Touch, GPS and Bluko. It purported to be in the business of selling software to restaurants relating to reservations, seating and guest profiles. Smart Restaurant offered and sold its common stock to the public. Smart Restaurant only generated revenues from business operations for a short period of time.

Defendants

e. Defendant MICHAEL CROOK (CROOK) held himself out to the public as a officer, usually president, of Z Touch, GPS, Bluko and Smart Restaurant and was primarily responsible for the operation of each of the companies.

f. Defendant RODERICK RIEMAN (RIEMAN) was the owner and operator of an Illinois insurance and investment business called Innovative Financial Services, Inc. (Innovative Financial). Innovative Financial's office was originally located in Oswego, Illinois and later moved to Naperville, Illinois followed by St. Charles, Illinois. Defendant RIEMAN was primarily responsible for the offer and sale of investments related to Z Touch, GPS, Bluko and Smart Restaurant. He also held himself out to the public as an director of Z Touch, GPS and Bluko.

The Investments

g. Z Touch, GPS, Bluko and Smart Restaurant, primarily through defendant RIEMAN, offered and sold their stock to the public, with Z Touch, GPS and Smart Restaurant offering similar terms. Those terms often included that investors would receive their principal

back in a specified period of time ranging from six months to thirty-six months and would also receive quarterly payments equal to a percentage of the particular company's net revenues. For example, an investor purchased Z Touch stock for \$200,000 in December 2003. In exchange, Z Touch agreed to give the investor 750,000 shares of the company's stock, to pay quarterly dividends to the investor of 1% of the company's net revenues and to return the \$200,000 to the investor in 12 months.

h. During the period from in or about 2003 to in or about 2006: Z Touch offered and sold over \$1,800,000 of its stock to about 30 investors; GPS offered and sold over \$2,600,000 of its stock to more than 40 investors; Bluko offered and sold more than \$1,000,000 of its stock to about 18 investors; and, Smart Restaurant offered and sold more than \$460,000 of its stock to about 10 investors.

i. Z Touch primarily through defendant RIEMAN also offered and sold investment interests purportedly in ODIEs to the public. Z Touch generally sold each investment interest in a particular ODIE for \$7,500 in exchange for monthly payments of 18% annual interest, 100% return of invested funds in no more than 3 years and a security interest in the particular ODIE placed in a business in the marketplace. The interest payments were to be made from the revenue generated from the operation of the particular ODIE. Z Touch offered and sold over \$1,700,000 of these investment interests in ODIEs to more than 25 investors.

j. Defendant CROOK, primarily through defendant RIEMAN, offered and sold over \$1,000,000 of Bluko stock to approximately 30 investors, which stock defendant CROOK claimed to personally own. Defendant RIEMAN also sold approximately \$100,000 of Bluko stock to an investor, which stock defendant RIEMAN claimed to personally own.

k. Defendant RIEMAN through Innovative Financial also offered and sold interests in a fund, which purported to invest in such companies as Z Touch and Bluko. The terms of the investment were usually that an investor was offered at least an 8% annual return plus the return of principal in 36 months. The name of the fund was Emerging Growth Ventures, LLC.

l. Each of the companies paid commissions on the sales of stock and investment interests in the purported ODIEs. The commissions paid on the ODIE investments equaled 25% of the funds invested by investors plus an additional monthly payment of \$25 for each ODIE. Most of these commissions were paid to Innovative Financial, defendant RIEMAN and salesmen directed by defendant RIEMAN.

m. In addition to the offer and sale of investments, defendant CROOK attempted to obtain and obtained additional funds in connection with one or more of the companies through loans.

2. Beginning no later than in or about 2004 through at least in or about August 2007, in the Northern District of Illinois, Eastern Division, and elsewhere,

MICHAEL CROOK and
RODERICK RIEMAN,

defendants herein, and others devised, intended to devise and participated in a scheme to defraud providers of funds and to obtain money and property by means of materially false and fraudulent pretenses, promises and representations and by material omissions, which is more fully discussed below.

3. As a part of the fraudulent financing scheme engaged in by defendants CROOK and RIEMAN and others, the defendants and others fraudulently obtained, retained and used

over \$5,000,000 primarily through the offer and sale of stock in Z Touch, GPS, Bluko and Smart Restaurant and the offer and sale of investment interests in purported ODIEs. In fraudulently obtaining and retaining funds, defendants CROOK and RIEMAN misrepresented and caused to be misrepresented, among other things: the expected return on investments, the risks associated with investments, the existence and value of collateral, the use of proceeds, the source of funds used to make promised payments, the status of investments and the financial condition and business transactions of the companies.

4. It was further part of the scheme that defendants CROOK and RIEMAN misrepresented and caused to be misrepresented that funds raised by a particular company would be used in connection with the business of that company, when the defendants intended to and did cause funds raised from investors to be used interchangeably among the companies, a portion of which funds the defendants caused to be misappropriated to make Ponzi-type payments to investors. That is, the defendants intended to and did raise new funds from investors to make previously promised payments to investors and concealed the Ponzi-nature of these payments from both the new investors and the earlier investors. For instance, the defendants misused and caused the misuse of part of \$14,000 purportedly invested in Z Touch ODIEs in December 2005 to make promised monthly interest payments on earlier purported ODIE investments.

5. It was further part of the scheme that defendants CROOK and RIEMAN caused other funds raised from investors to be misappropriated for the benefit of companies and individuals other than those directly relating to the particular investment. For example, the

defendants misused and caused the misuse of another part of the above \$14,000 invested in purported Z Touch ODIEs in December 2005 to fund transfers to Smart Restaurant and GPS.

6. It was further part of the scheme that defendants CROOK and RIEMAN misrepresented and concealed and caused to be misrepresented and concealed the risks involved in the investments and loans. For instance, defendants CROOK and RIEMAN falsely represented and caused to be falsely represented to prospective investors and investors in the ODIEs that each \$7,500 investment related to a particular ODIE in which the investor had a security interest. Although the defendants sold and caused the sale of investments in more than 250 ODIEs, only a small number of ODIEs were ever built and none were successfully placed in businesses for commercial use. As another example, defendant RIEMAN misled prospective investors and investors about the risks of investments by telling them such things as: there was no risk in a Z Touch investment; a Z Touch investment was a sure thing with no downside risk; defendant RIEMAN was so sure of Z Touch that he invested his own money; defendant RIEMAN would oversee the investments as a director of Z Touch, GPS and Bluko; and, a Bluko investment was a sure thing.

7. It was further part of the scheme that defendants CROOK and RIEMAN falsely represented and caused to be falsely represented to prospective investors and investors the returns they could expect on an investment. As an example, the defendants falsely claimed and caused to be falsely claimed to prospective investors and investors in the ODIEs that they would receive annual returns of 18% on their investments from revenues generated from the operation of the ODIEs. Only a small number of ODIEs were built and no revenues were generated from the operation of ODIEs. Promised annual returns from the ODIE investments could only be paid

from other sources including raising funds from new investors to make Ponzi-type payments of the previously promised returns.

8. It was further part of the scheme that defendants CROOK and RIEMAN failed to disclose to investors and prospective investors that they were paying and causing to be paid at times commissions of more than 25% of the funds invested. On the offer and sale of the purported ODIE investments, defendant RIEMAN and his company Innovative Financial received an undisclosed 25% commission plus an additional \$25 per month on each ODIE totaling more than \$350,000. This meant that Z Touch had to make over 30% annually on the remainder of an ODIE investor's funds just to have sufficient funds to make the promised payments. Moreover, on occasion, defendant RIEMAN kept an investor's entire amount of invested funds in payment of these and other commissions.

9. It was further part of the scheme that defendants CROOK and RIEMAN falsely represented and caused to be falsely represented to prospective investors and investors that their invested funds would be returned on certain investments in a specified period of time. For example, defendants RIEMAN and CROOK were still selling and causing to be sold GPS stock, Z Touch stock, Smart Restaurant stock and Z Touch ODIE investments by representing that the principal would be returned in as little as six months, when earlier investors to whom defendant RIEMAN had made the same representations had not received their principal as promised. As another example, defendants CROOK and RIEMAN continued to offer and sell and cause the offer and sale of investments with repayment of principal terms, when GPS had no revenues and Z Touch and Smart Restaurant had insufficient revenues to make the promised payments.

10. It was further part of the scheme that defendants CROOK and RIEMAN misrepresented and caused to be misrepresented to prospective investors and investors the value of the companies and the status of business transactions. For example, defendant CROOK falsely represented and caused to be represented to purchasers of Bluko stock that a “very well known and respected technology banker” had placed a \$400,000,000 valuation in the next twelve months on Bluko. As another example, defendant RIEMAN misled prospective investors and investors by telling them such things as: Bluko and Z Touch had contracts with the United States military and with Habitat for Humanity; Morgan Stanley was going to take Bluko to the promised land; and, the United States had purchased a large number of ODIEs for use by soldiers.

11. It was further part of the scheme that defendants CROOK and RIEMAN in or about 2004 caused the transfer of the business of GPS to Bluko to the financial detriment of GPS shareholders. Moreover, the defendants still offered and sold and caused the offer and sale of GPS stock after the business had been transferred to Bluko.

12. It was further part of the scheme that defendants CROOK and RIEMAN offered and sold Bluko stock, which had not been and never was issued to them.

13. It was further part of the scheme that defendants CROOK and RIEMAN misrepresented and caused to be misrepresented the status of investments and otherwise misled and lulled investors by, among other things, making and causing to be made Ponzi-type interest payments to investors, distributing and causing to be distributed monthly statements falsely indicating that ODIEs actually existed and falsely representing and causing to be falsely represented that delays in making payments to investors were caused by such things as a change

in the accounting system, a change in the computer system, a major computer virus, trouble getting money from a big client, and funds being tied up by an audit.

14. It was further part of the scheme the defendants CROOK and RIEMAN misrepresented, concealed and hid, and caused to be misrepresented, concealed and hidden, from investors and other providers of funds the existence of the scheme and certain other material facts, including the acts and purposes of the acts done in furtherance of the scheme.

15. As a result of the scheme, the defendants fraudulently raised over \$5,000,000, ultimately causing more than 100 investors in GPS, Z Touch, Smart Restaurant and Bluko to lose their entire investments, except for the Ponzi-type payments made to them as a part of the scheme.

16. On or about July 6, 2006, in the Northern District of Illinois, and elsewhere,

MICHAEL CROOK and
RODERICK RIEMAN,

defendants herein, for the purpose of executing the scheme and attempting to do so, knowingly caused to be delivered by United States mail according to the directions thereon, to Batavia, Illinois an envelope addressed to Investor A containing at least an ODIE Monthly Interest Statement and a check in the amount of \$780 as a purported return on an ODIE investment;

In violation of Title 18, United States Code, Section 1341.

COUNT TWO

The SPECIAL MARCH 2010 GRAND JURY further charges:

1. Paragraphs 1 through 15 are realleged and incorporated as if fully set out in this count.

2. On or about April 8, 2006, in the Northern District of Illinois and elsewhere,

MICHAEL CROOK and
RODERICK RIEMAN,

defendants herein, for the purpose of executing the scheme and attempting to do so, knowingly caused to be delivered by United States mail according to the directions thereon, to Batavia, Illinois an envelope addressed to Investor A containing at least an ODIE Monthly Interest Statement and a check for \$780 as a purported return on an ODIE investment;

In violation of Title 18, United States Code, Section 1341.

COUNT THREE

The SPECIAL MARCH 2010 GRAND JURY further charges:

1. Paragraphs 1 through 15 are realleged and incorporated as if fully set out in this count.
2. On or about May 27, 2006, in the Northern District of Illinois and elsewhere,

MICHAEL CROOK and
RODERICK RIEMAN,

defendants herein, for the purpose of executing the scheme and attempting to do so, knowingly caused to be delivered by United States mail according to the directions thereon, to Batavia, Illinois an envelope addressed to Investor A containing at least an ODIE Monthly Interest Statement and a check for \$780 as a purported return on an ODIE investment;

In violation of Title 18, United States Code, Section 1341.

COUNT FOUR

The SPECIAL MARCH 2010 GRAND JURY further charges:

1. Paragraphs 1 through 15 are realleged and incorporated as if fully set out in this count.
2. On or about May 23, 2006, in the Northern District of Illinois and elsewhere,

MICHAEL CROOK and
RODERICK RIEMAN,

defendants herein, for the purpose of executing the scheme and attempting to do so, knowingly caused to be delivered by United States mail according to the directions thereon, to Bolingbrook, Illinois an envelope addressed to Investor B containing at least an ODIE Monthly Interest Statement and a check for \$225 as a purported return on an ODIE investment;

In violation of Title 18, United States Code, Section 1341.

COUNT FIVE

The SPECIAL MARCH 2010 GRAND JURY further charges:

1. Paragraphs 1 through 15 are realleged and incorporated as if fully set out in this count.
2. On or about May 23, 2006, in the Northern District of Illinois and elsewhere,

MICHAEL CROOK and
RODERICK RIEMAN,

defendants herein, for the purpose of executing the scheme and attempting to do so, knowingly caused to be delivered by United States mail according to the directions thereon, to Carol Stream, Illinois an envelope addressed to Investor C containing at least an ODIE Monthly Interest Statement and a check for \$225 as a purported return on an ODIE investment;

In violation of Title 18, United States Code, Section 1341.

COUNT SIX

The SPECIAL MARCH 2010 GRAND JURY further charges:

1. Paragraphs 1 through 15 are realleged and incorporated as if fully set out in this count.
2. On or about May 26, 2006, in the Northern District of Illinois and elsewhere,

MICHAEL CROOK and
RODERICK RIEMAN,

defendants herein, for the purpose of executing the scheme and attempting to do so, knowingly caused to be delivered by United States mail according to the directions thereon, to Colorado Springs, Colorado an envelope addressed to Investor D containing at least an ODIE Monthly Interest Statement;

In violation of Title 18, United States Code, Section 1341.

COUNT SEVEN

The SPECIAL MARCH 2010 GRAND JURY further charges:

1. Paragraphs 1 through 15 are realleged and incorporated as if fully set out in this count.

2. On or about May 8, 2006, in the Northern District of Illinois and elsewhere,

MICHAEL CROOK and
RODERICK RIEMAN,

defendants herein, for the purpose of executing the scheme and attempting to do so, knowingly caused to be delivered by United States mail according to the directions thereon, to Glendale Heights, Illinois an envelope addressed to Investor E containing at least an ODIE Monthly Interest Statement and a check for \$225 as a purported return on an ODIE investment;

In violation of Title 18, United States Code, Section 1341.

COUNT EIGHT

The SPECIAL MARCH 2010 GRAND JURY further charges:

1. Paragraphs 1 through 15 are realleged and incorporated as if fully set out in this count.

2. On or about May 23, 2006, in the Northern District of Illinois and elsewhere,

MICHAEL CROOK and
RODERICK RIEMAN,

defendants herein, for the purpose of executing the scheme and attempting to do so, knowingly caused to be delivered by United States mail according to the directions thereon, to Sandwich, Illinois an envelope addressed to Investor F containing at least an ODIE Monthly Interest Statement and a check for \$450 as a purported return on an ODIE investment;

In violation of Title 18, United States Code, Section 1341.

COUNT NINE

The SPECIAL MARCH 2010 GRAND JURY further charges:

1. Paragraphs 1 through 15 are realleged and incorporated as if fully set out in this count.

2. On or about April 11, 2006, in the Northern District of Illinois and elsewhere,

MICHAEL CROOK and
RODERICK RIEMAN,

defendants herein, for the purpose of executing the scheme and attempting to do so, knowingly caused to be delivered by United States mail according to the directions thereon, to Durand, Illinois an envelope addressed to Investor G containing at least an ODIE Monthly Interest Statement and a check for \$1,462.50 as a purported return on an ODIE investment;

In violation of Title 18, United States Code, Section 1341.

COUNT TEN

The SPECIAL MARCH 2010 GRAND JURY further charges:

1. Paragraphs 1 through 15 are realleged and incorporated as if fully set out in this count.
2. In or about the end of June, 2006, in the Northern District of Illinois and elsewhere,

MICHAEL CROOK and
RODERICK RIEMAN,

defendants herein, for the purpose of executing the scheme and attempting to do so, knowingly caused to be delivered by United States mail according to the directions thereon, to Naperville, Illinois an envelope addressed to Investor H containing a letter from defendant RIEMAN representing that Z Touch “will have all payments caught up in early July and I believe the company outlook is excellent.”

In violation of Title 18, United States Code, Section 1341.

A TRUE BILL:

FOREPERSON

UNITED STATES ATTORNEY