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**BCI AIRCRAFT LEASING, INC., AND ITS OWNER, BRIAN HOLLNAGEL,
CONVICTED IN \$50 MILLION FRAUDULENT FINANCING SCHEME**

CHICAGO — A federal jury today convicted the owner of an aircraft leasing company and his corporation on fraud and obstruction charges for engaging in a fraudulent financing scheme that raised more than \$50 million from investors and lenders, federal law enforcement officials announced.

Brian Hollnagel, 38, of Chicago, the owner, president and chief executive officer of **BCI Aircraft Leasing, Inc.**, and the corporation itself were each convicted of six counts of wire fraud and one count of obstruction of justice for obstructing a Securities and Exchange Commission lawsuit against them. The jury deadlocked on a second obstruction count against Hollnagel and BCI, as well as on all three wire fraud counts against co-defendant **Craig Papayanis**, 51, of Moorpark, Calif., who held various positions at BCI, including managing director and chief financial officer. BCI bought, sold and leased commercial airplanes and operated first in Naperville and later Chicago.

The jury deliberated approximately nine days following a seven-week trial in Federal Court. U.S. District Judge Amy St. Eve scheduled a status hearing on April 2 for further proceedings, including forfeiture of assets and the government's post-trial motion to revoke Hollnagel's \$1.7 million secured bond.

On each count of wire fraud, Hollnagel faces a maximum penalty of 30 years in prison and a \$1 million fine, or a fine totaling twice the loss to any victim or twice the gain to the defendant, whichever is greater. He also faces a maximum prison term of 20 years and a \$250,000 fine for obstructing the SEC lawsuit. As a corporate defendant, BCI faces fines and terms of probation.

Three other co-defendants, two of whom testified as government witnesses in the trial, pleaded guilty in the case and are also awaiting sentencing. They are: **Jason R. Hyatt**, 38, of Winfield, Ill., an owner of Hyatt Johnson Capital, LLC., an investment company that offered and sold to its customers investments totaling more than \$20 million in BCI aircraft financing deals; **Robert Carlsson**, 43, of Chicago, a licensed securities broker who raised more than \$20 million for BCI from outside investors, and who, at various times, was a managing director for BCI, chief executive officer of BCI Capital Management, and owner of 21 Capital Group, Inc., a registered securities broker-dealer; and **Brian Olds**, 69, of the Dallas area and formerly of Kildeer, Ill., who accepted more than \$400,000 in bribes as part of the scheme.

According to the trial evidence, between at least early 2000 through early 2009, Hollnagel, BCI and others fraudulently obtained and retained financing and other funds for BCI and enriched themselves to the detriment of investors and lenders by:

- ▶ making misrepresentations to investors and prospective investors about the expected returns on their investments, the source of funds used to pay returns to investors, the use of funds raised from investors, the status of investments,

and the ownership interest that certain investment groups had in particular aircraft;

- ▶ using bribes to obtain pricing and competitive advantages; and
- ▶ making misrepresentations to lenders regarding the membership of various investment groups and BCI's ownership interest in collateral.

As a result, Hollnagel and BCI raised or otherwise obtained more than \$50 million, commingled those funds, and misappropriated some of the funds for their own use. They also concealed the scheme by providing false information in connection with the SEC's lawsuit, misleading and attempting to mislead BCI's investors and independent auditors, and creating phony accounting records.

For example, in December 2004, Hollnagel and BCI sold two aircraft on lease to US Airways for a combined total of \$15.4 million, resulting in a profit of almost \$4 million that was misappropriated for other purposes. Those two aircraft were the subject of a bribe, with Hollnagel paying \$250,000 to Olds — formerly vice president of a competing commercial aircraft sale and leasing company, AAR Corp., of suburban Wood Dale — to ensure AAR's purchase of the aircraft for \$15.4 million from BCI, providing BCI with a \$4 million profit just a few months after BCI acquired one airplane and only two weeks after it acquired the second aircraft. Hollnagel and BCI then concealed from some investors that both aircraft had been sold.

As a further example, Hollnagel, BCI and others falsely represented to prospective investors and actual investors in two BCI-managed investment groups, as well as to Hyatt Johnson Capital and its customers, that their combined funds of more than \$5 million would be, and had been, used to acquire an ownership interest in aircraft on lease to US Airways that BCI had acquired in the spring of 2005. The defendants knew, however, that the lender that had financed the acquisition of

the aircraft had prohibited any ownership interests by outside investors without the lender's approval, which was never sought nor granted.

After the SEC filed its civil enforcement action against Hollnagel and others in 2007, *SEC v. Hollnagel, et al.*, 07 CV 4538 (N.D. Ill.), Hollnagel and BCI created false documents and provided them to the SEC in response to a court order.

The government is being represented by Assistant U.S. Attorneys Kenneth Yeadon, Clifford Histed and William Hogan.

The verdict was announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois; Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation, and Alvin Patton, Special Agent-in-Charge of the Internal Revenue Service, Criminal Investigation Division in Chicago. The SEC cooperated with the investigation, which falls under the umbrella of the Financial Fraud Enforcement Task Force.

The Financial Fraud Enforcement 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. For more information on the task force, visit: www.StopFraud.gov.

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