



**United States Department of Justice  
United States Attorney's Office  
District of Minnesota**

**B. Todd Jones,  
United States Attorney**

**Jeanne F. Cooney  
Director of Community Relations  
(612) 664-5611  
email: [jeanne.cooney@usdoj.gov](mailto:jeanne.cooney@usdoj.gov)**

# **News Release**

FOR IMMEDIATE RELEASE  
Friday, June 17, 2011  
[WWW.USDOJ.GOV/USAO/MN](http://WWW.USDOJ.GOV/USAO/MN)

## **Starbuck man pleads guilty to conspiring to commit bank fraud and money laundering**

MINNEAPOLIS – A 54-year-old man from the central Minnesota community of Starbuck pleaded guilty earlier today in federal court in Duluth to conspiring with others to steal more than \$1 million in loan proceeds from the First Bank of Kensington. Appearing before United States District Court Judge Richard H. Kyle, William Felix Schluter pleaded guilty to one count of conspiracy to commit both bank fraud and money laundering. Schluter was charged on September 24, 2010. In his plea agreement, Schluter admitted that from 2002 through 2006, he conspired with an unnamed individual to obtain money fraudulently from the bank through the use of straw borrowers.

In accordance with laws and bank policies, restrictions exist on the loan amounts allowed to any one borrower, and Schluter and the companies he owned had reached those limits. To bypass those limits, however, Schluter arranged for straw borrowers to apply for loans and then transfer the loan proceeds to business concerns owned by him. Many of the straw borrowers were companies that had no ability to repay the loans. Schluter also commingled various funds, including deposits and loan repayments, among his various ownership interests in an effort to cover up the conspiracy. In furtherance of the scheme, Schluter and the unnamed individual created and submitted to the bank false loan-purpose statements as well as falsified bank records. Once the loan proceeds were secured, Schluter used them for his personal use.

Specifically, on September 28, 2005, Schluter submitted a false loan-purpose statement to the bank in order to obtain a \$174,431 loan in the name of a straw company called Baja Development Corporation. Then, later that day, the loan proceeds were transferred to an entity he owned; and, ultimately, the money was used for his own benefit and for the benefit of his companies. The total estimated loss amount from this scheme is between \$1 million and \$2.5 million.

For his crime, Schluter faces a potential maximum penalty of five years in prison. Judge Kyle will determine his sentence at a future hearing, yet to be scheduled.

This case is the result of an investigation by the Internal Revenue Service-Criminal Investigation Division, the Federal Bureau of Investigation, and the Federal Deposit Insurance Corporation. It is being prosecuted by Assistant U.S. Attorney Nicole A. Engisch.

###