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Two bank officers and customer indicted for concealing customer's multimillion dollar check-kiting scheme

MINNEAPOLIS – Earlier today in federal court, two Twin Cities area bank officers were indicted, along with their bank customer, for allegedly concealing that customer's multimillion dollar check-kiting scheme through a series of fraudulent nominee loans. John Anthony Markert, age 57, of Mendota Heights; Gregory Paul Pederson, age 43, of Roseville; and George Leslie Wintz, Jr., age 61, of Minneapolis, were charged with five counts of misapplication of bank funds.

The indictment alleges that from March 6, 2009, through January 29, 2010, Markert and Pederson, aided and abetted by Wintz, misapplied approximately $1.9 million from Pinehurst Bank in St. Paul. Markert was the bank's president and Pederson was the bank's chief credit officer and senior vice president. Wintz is a businessman who owns and controls trucking and warehousing businesses, and was a long-time banking customer of Markert at both Pinehurst and at a second bank where Markert previously served as president. When Markert left to join Pinehurst Bank, he recruited Wintz to become a new customer. Meanwhile, Wintz continued to keep some business accounts at that second bank.

Check-kiting is a fraudulent scheme whereby a person intentionally writes a check for a value greater than the account balance from an account in one bank, then writes a check from another account in another bank, also with non-sufficient funds, with the second check serving to cover the non-sufficient funds from the first account. In so doing, the account balances are falsely inflated which permits the schemer to use the funds to cover payment of other items. The indictment alleges that Wintz was kiting larger and larger amounts of bad checks between Pinehurst Bank and the second bank until late February 2009, when the second bank discovered the scheme and returned over $1.8 million in bad checks to Pinehurst Bank, well beyond Wintz's already-exhausted borrowing limit at the bank of $1.25 million.

Allegedly, Markert, Pederson, and Wintz then arranged five loans to go to straw borrowers of Wintz, and disbursed the $1.9 million to those borrowers, knowing those funds were intended to cover and did cover the check-kiting scheme. In each instance, Markert and Pederson knew that Wintz, not the straw borrowers, was the actual borrower. The indictment alleges Markert and Pederson actively recruited the straw borrowers, and both were on the bank committee that approved the five loans.

The indictment alleges that Markert, Pederson, and Wintz took steps to conceal the loans from the bank's board and regulators. But in January of 2010, the scheme was uncovered during an independent audit, and the bank terminated both Markert and Pederson. The bank was required to declare the loans as losses, rendering it undercapitalized and leading to its closing by regulators in May 2010.

If convicted, the defendants face a potential maximum penalty of 30 years in prison on each count. All sentences will be determined by a federal district court judge. This case is the result of an investigation by the Federal Bureau of Investigation, the Federal Deposit Insurance Corporation-Office of Inspector General and the United States Department of Labor-Employee Benefits Security Administration. It is being prosecuted by Assistant U.S. Attorney William J. Otteson.

This law enforcement action is in part sponsored by the interagency Financial Fraud Enforcement Task Force. The task force was established to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. It 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, 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.

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