

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)	No.
)	
v.)	Violations: Title 18, United States Code,
)	Sections 1341 and 2326(2)(A) and (B)
JONATHAN PAPA and)	
METHSIRI "LAL" PALLIYAGURU)	

The SPECIAL SEPTEMBER 2014 GRAND JURY charges:

1. At times material to this indictment:

a. Defendants JONATHAN PAPA and METHSIRI PALLIYAGURU managed various companies that purported to be in the business of offering and selling certificates of deposit and real estate investments, including International Realty Holdings, International Banking Group, U.S. Deposit Brokers, Guardian Deposit Brokers, Heritage Deposit Brokers, Heritage Corporation, Mellon Financial Management Group, American Asset Financial Group, Legacy Brokers Corporation, Bradley Cooper Financial Services, Fortress Capital, and Alliance Partners.

b. Defendants PAPA and PALLIYAGURU managed these companies primarily from the Manila, Philippines area. The defendants typically operated only one of these companies at a time, usually until authorities began investigating a particular company's sales activities. Co-schemer Austin Etches worked for defendants PAPA and PALLIYAGURU, and assisted them in managing the companies.

c. The companies operated through telemarketing call centers located

in and around the Manila, Philippines area. English-speaking telephone qualifiers at the telemarketing call centers in the Philippines placed phone calls to the United States targeting senior citizens in order to generate interest in purported certificates of deposit and real estate investments offered and sold by the companies.

d. The companies operated in the United States through “virtual offices” located in or near major metropolitan areas, including Chicago, Los Angeles, San Diego, New York, and Miami. These “virtual offices” were locations at which, for a fee, mail and telephone calls were received on the companies’ behalf. Employees from the companies were not physically present at the “virtual offices.”

2. Beginning in or around August 2008, and continuing until in or around at least August 2013, in the Northern District of Illinois, Eastern Division, and elsewhere,

JONATHAN PAPA and METHSIRI PALLIYAGURU,

defendants herein, along with co-schemer Austin Etches and others, devised, intended to devise, and participated in a scheme to defraud investors, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, and by concealment of material facts, which scheme is further described below.

3. It was part of the scheme to defraud that defendants JONATHAN PAPA, METHSIRI PALLIYAGURU, and co-schemer Etches fraudulently raised more than \$10,000,000 through the companies by offering and selling phony certificates of deposit and non-existent real estate investments to investors, primarily senior citizens in the

United States. Defendants PAPA, PALLIYAGURU, and co-schemer Etches offered and sold the fraudulent investments through telemarketing by telephone qualifiers who worked at call centers operated by the defendants in the Philippines. Defendants PAPA, PALLIYAGURU, and co-schemer Etches made and caused to be made materially false representations about the existence of the certificates of deposit and real estate investments, the ways investors' funds would be used, the expected and actual returns on the investments, and the risks involved in purchasing purported certificates of deposit and real estate investments from the companies. Defendants PAPA, PALLIYAGURU, and co-schemer Etches also misappropriated and caused to be misappropriated investors' funds. In order to conceal and further the scheme, defendants PAPA, PALLIYAGURU, and co-schemer Etches caused to be created and sent to investors fraudulent account statements, which falsely showed that the investors actually owned investments, and that those investments were increasing in value.

4. It was further part of the scheme that defendant JONATHAN PAPA directed co-schemer Etches and others used the internet to research and locate American retirement communities to target potential investors.

5. It was further part of the scheme that defendant JONATHAN PAPA and co-schemer Etches organized and staffed telemarketing call centers in Manila through which the companies operated. Defendant PAPA and co-schemer Etches trained the English-speaking telephone qualifiers in how to fraudulently solicit American senior

citizens to purchase the companies' purported investments.

6. It was further part of the scheme that after making telemarketing calls to the American senior citizens located by co-schemer Etches and others, the telephone qualifiers passed along the contact information of interested potential investors to defendants JONATHAN PAPA and METHSIRI PALLIYAGURU, who completed and attempted to complete sales of the phony investments.

7. It was further part of the scheme that defendants JONATHAN PAPA, METHSIRI PALLIYAGURU, and co-schemer Etches used and caused the use of voice-over-internet-protocol technology to disguise the fact that they were calling investors and prospective investors in the United States from the Philippines. The VOIP technology made it appear as though the telephone calls were being made from telephone numbers within the United States.

8. It was further part of the scheme that defendants JONATHAN PAPA, METHSIRI PALLIYAGURU, and co-schemer Etches falsely represented and caused to be represented to investors during telephone calls and in promotional materials that investors' funds would be used to purchase interest-bearing certificates-of-deposit, and to make investments in real estate. As defendants and co-schemer Etches knew, they never intended to use investors' funds to purchase certificates of deposit, or to make real estate investments. Instead, they intended to, and did, misappropriate investors' funds for other purposes, primarily for the personal benefit of the defendants.

9. It was further part of the scheme that defendants JONATHAN PAPA, METHSIRI PALLIYAGURU, and co-schemer Etches falsely represented and caused to be represented to investors during telephone calls and in promotional materials that Warren Buffett and Berkshire Hathaway were involved with the real estate investments offered by the company known as International Realty Holdings. As defendants PAPA, PALLIYAGURU, and co-schemer Etches knew, neither Warren Buffett nor Berkshire Hathaway were involved with International Realty Holdings, and the real estate investments offered by International Realty Holdings did not exist.

10. It was further part of the scheme that defendants JONATHAN PAPA, METHSIRI PALLIYAGURU, and co-schemer Etches falsely represented and caused to be represented to investors during phone calls and in promotional materials that the certificates of deposit sold by the companies offered higher rates of return than certificates of deposit offered by banks. As defendants PAPA, PALLIYAGURU, and co-schemer Etches knew, the certificates of deposit offered by the companies did not exist.

11. It was further part of the scheme that defendants JONATHAN PAPA, METHSIRI PALLIYAGURU, and co-schemer Etches falsely represented and caused to be represented to investors during phone calls and in promotional materials that the certificates of deposit they purchased were insured by the Federal Deposit Insurance Corporation and National Credit Union Administration. As defendants PAPA,

PALLIYAGURU, and co-schemer Etches knew, investors' funds were not used to purchase insured certificates of deposit.

12. It was further part of the scheme that defendants JONATHAN PAPA, METHSIRI PALLIYAGURU, and co-schemer Etches and others hired so-called "ground men" in the United States to assist the companies with various tasks. Defendants PAPA, PALLIYAGURU, and co-schemer Etches and others directed the "ground men" to mail the fraudulent investment and promotional materials to American investors, incorporate the companies in the United States, open "virtual offices" in the United States, open bank accounts in the United States, deposit investment proceeds into the accounts, and transfer the investment proceeds overseas to bank accounts in China, Hong Kong and the Philippines.

13. It was further part of the scheme that defendants JONATHAN PAPA, METHSIRI PALLIYAGURU, and co-schemer Etches caused to be prepared and distributed to investors fraudulent account statements which falsely represented that investors owned investments that were increasing in value.

14. It was further part of the scheme that defendants JONATHAN PAPA, METHSIRI PALLIYAGURU, and co-schemer Etches misrepresented, concealed, and hid, and caused to be misrepresented, concealed, and hidden, the existence of the scheme, the purposes of the scheme, and acts done in furtherance of the scheme, by, among other things, using and causing the use of aliases and frequently changing the names of the

companies offering and selling the phony investments.

15. As a result of the scheme, defendants JONATHAN PAPA, METHSIRI PALLIYAGURU, and co-schemer Etches fraudulently obtained over \$10,000,000 from nearly 200 investors, primarily senior citizens, through the offer and sale of phony investments in certificates of deposit and real estate, and caused a loss to investors of more than \$10,000,000.

16. On or about February 23, 2011, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

JONATHAN PAPA and METHSIRI PALLIYAGURU,

defendants herein, for the purpose of executing the scheme to defraud, caused to be delivered by commercial interstate carrier according to the directions thereon from the Avenue Business Center, Suite 300, 500 N. Michigan Avenue, Chicago, Illinois, to West End, North Carolina, a Heritage Deposit Brokers marketing brochure to Victim Investor SW, which contained a solicitation to purchase fraudulent certificates of deposit, in violation of Title 18, United States Code, Section 1341; and, defendants committed the offense in connection with the conduct of telemarketing that victimized 10 or more persons over the age of 55 and targeted persons over the age of 55, in violation of Title 18, United States Code, Sections 2326(2)(A) and (B).

COUNT TWO

The SPECIAL SEPTEMBER 2014 GRAND JURY further charges:

1. Paragraphs 1 through 15 of Count One this indictment are incorporated here.
2. On or about March 30, 2011, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

JONATHAN PAPA and METHSIRI PALLIYAGURU,

defendants herein, for the purpose of executing the scheme to defraud, caused to be delivered by commercial interstate carrier according to the directions thereon from Ocala, Florida to the Avenue Business Center, Suite 300, 500 N. Michigan Avenue, Chicago, Illinois, a check in the amount of \$10,000, which represented payment for purchase of a fraudulent certificate-of-deposit by Victim Investor WC, in violation of Title 18, United States Code, Section 1341; and, defendants committed the offense in connection with the conduct of telemarketing that victimized 10 or more persons over the age of 55 and targeted persons over the age of 55, in violation of Title 18, United States Code, Sections 2326(2)(A) and (B).

COUNT THREE

The SPECIAL SEPTEMBER 2014 GRAND JURY further charges:

1. Paragraphs 1 through 15 of Count One this indictment are incorporated here.
2. On or about April 7, 2011, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

JONATHAN PAPA and METHSIRI PALLIYAGURU,

defendants herein, for the purpose of executing the scheme to defraud, caused to be delivered by commercial interstate carrier according to the directions thereon from Galloway, New Jersey to the Avenue Business Center, Suite 300, 500 N. Michigan Avenue, Chicago, Illinois, a check in the amount of \$10,000, which represented payment for purchase of a fraudulent certificate-of-deposit by Victim Investor GP, in violation of Title 18, United States Code, Section 1341; and, defendants committed the offense in connection with the conduct of telemarketing that victimized 10 or more persons over the age of 55 and targeted persons over the age of 55, in violation of Title 18, United States Code, Sections 2326(2)(A) and (B).

COUNT FOUR

The SPECIAL SEPTEMBER 2014 GRAND JURY further charges:

1. Paragraphs 1 through 15 of Count One this indictment are incorporated here.
2. On or about April 19, 2011, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

JONATHAN PAPA and METHSIRI PALLIYAGURU, defendants herein, for the purpose of executing the scheme to defraud, caused to be delivered by commercial interstate carrier according to the directions thereon from Ocala, Florida to the Avenue Business Center, Suite 300, 500 N. Michigan Avenue, Chicago, Illinois, a check in the amount of \$100,000, which represented payment for purchase of a fraudulent certificate-of-deposit by Victim Investor WC, in violation of Title 18, United States Code, Section 1341; and, defendants committed the offense in connection with the conduct of telemarketing that victimized 10 or more persons over the age of 55 and targeted persons over the age of 55, in violation of Title 18, United States Code, Sections 2326(2)(A) and (B).

COUNT FIVE

The SPECIAL SEPTEMBER 2014 GRAND JURY further charges:

1. Paragraphs 1 through 15 of Count One this indictment are incorporated here.

2. On or about June 16, 2011, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

JONATHAN PAPA and METHSIRI PALLIYAGURU,

defendants herein, for the purpose of executing the scheme to defraud, caused to be delivered by commercial interstate carrier according to the directions thereon from Ocala, Florida to the Avenue Business Center, Suite 300, 500 N. Michigan Avenue, Chicago, Illinois, a check in the amount of \$30,000, which represented payment for purchase of a fraudulent certificate-of-deposit by Victim Investor WC, in violation of Title 18, United States Code, Section 1341; and, defendants committed the offense in connection with the conduct of telemarketing that victimized 10 or more persons over the age of 55 and targeted persons over the age of 55, in violation of Title 18, United States Code, Sections 2326(2)(A) and (B).

COUNT SIX

The SPECIAL SEPTEMBER 2014 GRAND JURY further charges:

1. Paragraphs 1 through 15 of Count One this indictment are incorporated here.
2. On or about June 1, 2011, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

JONATHAN PAPA and METHSIRI PALLIYAGURU,

defendants herein, for the purpose of executing the scheme to defraud, caused to be delivered by commercial interstate carrier according to the directions thereon from West End, North Carolina to the Avenue Business Center, Suite 300, 500 N. Michigan Avenue, Chicago, Illinois, a check in the amount of \$9,917.09, which represented payment for purchase of a fraudulent certificate-of-deposit by Victim Investor SW, in violation of Title 18, United States Code, Section 1341; and, defendants committed the offense in connection with the conduct of telemarketing that victimized 10 or more persons over the age of 55 and targeted persons over the age of 55, in violation of Title 18, United States Code, Sections 2326(2)(A) and (B).

COUNT SEVEN

The SPECIAL SEPTEMBER 2014 GRAND JURY further charges:

1. Paragraphs 1 through 15 of Count One this indictment are incorporated here.

2. On or about June 27, 2011, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

JONATHAN PAPA and METHSIRI PALLIYAGURU,

defendants herein, for the purpose of executing the scheme to defraud, caused to be delivered by commercial interstate carrier according to the directions thereon from Monroe Township, New Jersey to the Avenue Business Center, Suite 300, 500 N. Michigan Avenue, Chicago, Illinois, a check in the amount of \$100,000, which represented payment for purchase of a fraudulent certificate-of-deposit by Victim Investor AL, in violation of Title 18, United States Code, Section 1341; and, defendants committed the offense in connection with the conduct of telemarketing that victimized 10 or more persons over the age of 55 and targeted persons over the age of 55, in violation of Title 18, United States Code, Sections 2326(2)(A) and (B).

COUNT EIGHT

The SPECIAL SEPTEMBER 2014 GRAND JURY further charges:

1. Paragraphs 1 through 15 of Count One this indictment are incorporated here.
2. On or about August 9, 2011, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

JONATHAN PAPA and METHSIRI PALLIYAGURU,

defendants herein, for the purpose of executing the scheme to defraud, caused to be delivered by commercial interstate carrier according to the directions thereon from Manchester, New Jersey to the Avenue Business Center, Suite 300, 500 N. Michigan Avenue, Chicago, Illinois, an "Account Opening Form" and a check in the amount of \$10,000, which represented payment for purchase of a fraudulent certificate-of-deposit by Victim Investor LF, in violation of Title 18, United States Code, Section 1341; and, defendants committed the offense in connection with the conduct of telemarketing that victimized 10 or more persons over the age of 55 and targeted persons over the age of 55, in violation of Title 18, United States Code, Sections 2326(2)(A) and (B).

FORFEITURE ALLEGATION

The SPECIAL SEPTEMBER 2014 GRAND JURY further charges:

1. The allegations of Counts One through Eight of this indictment are incorporated here for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. As a result of their violations of Title 18, United States Code, Sections 1341, as alleged in the foregoing indictment,

JONATHAN PAPA and
METHSIRI PALLIYAGURU,

defendants herein, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any and all right, title, and interest they may have in any property, real and personal, that constitutes and is derived, directly and indirectly, from gross proceeds traceable to the commission of the offense, namely, a total of approximately \$10 million, which property is subject to forfeiture pursuant to Title 18, United States Code, Section, 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

3. If any of the forfeitable property described above, as a result of any act or omission by the defendants:

- a. Cannot be located upon the exercise of due diligence;
- b. Has been transferred or sold to, or deposited with, a third party;
- c. Has been placed beyond the jurisdiction of the Court;

- d. Has been substantially diminished in value; or
- e. Has been commingled with other property which cannot be divided without difficulty;

the United States of America shall be entitled to forfeiture of substitute property under the provisions of Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

All pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

A TRUE BILL:

FOREPERSON

UNITED STATES ATTORNEY