

UNITED STATES DISTRICT COURT
District of Minnesota

CR17-284 ADM/HB
INDICTMENT

UNITED STATES OF AMERICA,

Plaintiff,

v.

ANTONIO CARLOS DE GODOY BUZANELI, and

JOSE MANUEL ORDOÑEZ, JR.,

Defendants.

18 U.S.C. § 1349
18 U.S.C. § 1341
18 U.S.C. § 2
18 U.S.C. § 981(a)(1)(C)
28 U.S.C. § 2461(c)

THE UNITED STATES GRAND JURY CHARGES THAT:

INTRODUCTION

1. At times relevant to this Indictment:

a. Providence Financial Investments, Inc. was a Miami-based company that purported to generate high rates of return for investors by purchasing accounts receivable at a discount in Brazil.

b. Providence Holdings International, Inc. was a Delaware holding company based in Key Biscayne, Florida. Defendant ANTONIO CARLOS DE GODOY BUZANELI, defendant JOSE MANUEL ORDOÑEZ, JR., and others formed Providence Holdings International, Inc., in or about 2008.

c. Providence Financial Investments, Inc. and Providence Fixed Income Fund LLC were subsidiaries of Providence Holdings International, Inc. Defendant BUZANELI, defendant ORDOÑEZ, and Julio Enrique Rivera ("Rivera") formed Providence Financial Investments, Inc. and Providence Fixed Income Fund LLC

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(collectively, along with Providence Holdings International, Inc., “Providence”), in or about 2009 and 2010 in order to raise money from investors. Defendant BUZANELI, defendant ORDOÑEZ, and Rivera served as Providence’s Managing Directors.

d. The purchase of accounts receivable at a discount is known as factoring. Providence’s marketing materials explained that in Brazil, consumers write ten separate post-dated checks for \$100 – one per month – to pay for \$1,000 in retail items such as consumer electronics or groceries. The retailer sells the ten post-dated checks to Providence for approximately \$820, and Providence earns \$180 over ten months as the checks mature. As a result, Providence claimed to make a 48% annual return on money invested in factoring in Brazil.

e. From in or about 2010 until in or about June 2016, Providence raised approximately \$150 million from investors worldwide, including more than \$64 million from investors in the United States. In the United States, Providence employed a nationwide network of brokers who sold promissory notes to Providence investors. These promissory notes typically carried an annual interest rate between 12% and 24%. Defendant BUZANELI, defendant ORDOÑEZ, and Rivera provided the brokers with Providence marketing materials to show investors that the money they invested would be used to factor accounts receivable in Brazil.

f. In reality, instead of using the investors’ money to factor accounts receivable in Brazil, and as defendant BUZANELI, defendant ORDOÑEZ, and Rivera well knew, Providence personnel diverted a significant amount of the U.S. investors’ funds by paying purported profits to investors and commissions to brokers, including commissions

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to Rivera. In addition, defendant BUZANELI and defendant ORDOÑEZ diverted investor funds to other companies that they controlled.

g. Defendant BUZANELI, defendant ORDOÑEZ, and others formed a host of companies, including an import/export company, a travel company, a credit restoration service, and a catering company and food truck operated by defendant BUZANELI's wife. Defendant BUZANELI and defendant ORDOÑEZ used money raised from Providence investors to fund these other companies' operations, despite causing the investors to be told their money would be invested in Brazilian factoring.

h. Beginning in or about 2011, defendant BUZANELI and defendant ORDOÑEZ opened Providence-affiliated entities around the world, including in the Bailiwick of Guernsey and in Hong Kong. Through these entities, Providence raised approximately \$85 million from investors, purportedly to invest in Brazilian factoring. Instead of using the offshore investors' money to factor accounts receivable in Brazil, and as defendant BUZANELI and defendant ORDOÑEZ well knew, Providence personnel diverted the majority of the offshore investors' funds to other Providence-related entities, including to pay U.S. investors and to pay commissions to U.S. brokers.

i. Infinity Income was a financial advisory firm headquartered in St. Louis Park, Minnesota, and was owned and operated by Individual J.C. Between in or about July 2013 and in or about January 2016, Individual J.C. raised approximately \$2.4 million for Providence from Minnesota investors through Infinity Income by representing to investors that Providence would invest their money in factoring in Brazil.

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COUNT 1

(Conspiracy to Commit Mail Fraud)

2. The grand jury hereby re-alleges and incorporates Paragraph 1 as if fully set forth herein.

3. From at least in or about 2010 through at least in or about July 2016, in the State and District of Minnesota and elsewhere, the defendants,

**ANTONIO CARLOS DE GODOY BUZANELI and
JOSE MANUEL ORDOÑEZ, JR.,**

did knowingly conspire with each other, with Julio Enrique Rivera, and with others known and unknown to the grand jury, to devise and participate in a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, promises, and material omissions, and for the purpose of executing such scheme and artifice, and attempting to do so, caused the sending, delivering, and receipt of various matters and things by United States Postal Service and private and commercial interstate carrier.

4. The purpose of the conspiracy was to enrich defendant BUZANELI, defendant ORDOÑEZ, and Rivera, to solicit and obtain millions of dollars of investors' funds through false and misleading pretenses, representations, and promises, and to conceal from the investors Providence's true financial condition and the manner in which defendant BUZANELI, defendant ORDOÑEZ, and Rivera were using Providence investors' money.

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Defendant BUZANELI, defendant ORDONEZ, and Rivera Caused Investors to Invest in Providence by Falsely Representing They Would Use the Investors' Money to Invest in Factoring in Brazil

5. Beginning in or about 2010 and continuing through at least June 2016, Providence raised more than \$64 million from investors in the United States by selling promissory notes with annual interest rates between 12% and 24%. Providence solicited investors through a network of brokers located throughout the United States, including in Minnesota. Defendant BUZANELI, defendant ORDONEZ, Rivera, and Providence's brokers told investors that Providence would use the investors' money for factoring receivables in Brazil.

6. Beginning in or about April 2011, Rivera participated in drafting and revising an Executive Memorandum for use in soliciting investors for Providence. The Executive Memorandum stated that Providence would use the investors' funds "for the sole purpose" of making a loan to a Brazilian subsidiary of Providence "which will use the proceeds of the loan to acquire receivables or financial instruments such as post-dated checks and/or Duplicatas in the Brazilian Factoring Market." The Executive Memorandum also contained a section entitled "Understanding How a Low Risk 12% ROI [or, Return on Investment] is Possible," which represented that because of the functioning of the Brazilian banking system, investors could receive a 12% annual rate of return in exchange for a low-risk investment in Providence. Rivera provided draft copies of Providence's Executive Memorandum to defendant BUZANELI and defendant ORDONEZ for approval prior to their use.

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7. Defendant BUZANELI, defendant ORDONEZ, and Rivera were all aware that the Executive Memorandum contained false representations and material omissions regarding Providence's use of investor funds. Nevertheless, they provided the Executive Memorandum to potential investors and directed that Providence's brokers provide the Executive Memorandum to potential investors. In addition, defendant BUZANELI, defendant ORDONEZ, Rivera, and others acting at their direction made verbal misrepresentations to investors and potential investors regarding Providence's use of investors' funds, including falsely representing that the investors' funds would be invested in factoring in Brazil.

8. Providence employed a nationwide network of brokers to solicit investors. None of these brokers were licensed to sell securities. The brokers received a substantial annual commission on the investor funds they raised for Providence. Some of the brokers recruited additional brokers and collected commissions on the investments solicited by those brokers as well. The brokers continued to receive their commissions for as long as the investors kept their money in Providence. By 2015, one of the brokers was receiving more than \$100,000 per month in commissions on investor funds he had previously solicited for Providence.

9. Individual J.C. was an insurance salesman who acted as Providence's broker in Minnesota. Individual J.C. induced potential investors to meet with him by holding free "Social Security seminars" through his company, Infinity Income. He invited the seminar attendees to a follow-up appointment, at which time he provided them with the Executive Memorandum and other Providence marketing materials and pitched the Providence

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investment in factoring in Brazil. Approximately 13 Minnesotans invested a total of at least \$2.4 million in Providence after meeting with Individual J.C. and receiving Providence's marketing materials.

10. For the purpose of executing the fraud scheme, defendant BUZANELI, defendant ORDOÑEZ, and Rivera caused Providence employees to use the United States Postal Service and private and commercial interstate carrier to send and receive materials to and from brokers and investors, including investors in Minnesota. For example, during the course of the scheme, Providence employees used the United Parcel Service to send promissory notes executed by Providence personnel, including defendant BUZANELI, to investors in Minnesota, and to receive fully executed promissory notes back from Minnesota investors.

Defendant BUZANELI, defendant ORDOÑEZ, and Rivera Used Investors' Money to Pay Other Investors, to Pay Commissions to Brokers, and to Fund Other Companies

11. Between August 2010 and June 2016, Providence personnel transferred only about \$14 million of the \$64 million invested in Providence by United States investors to Brazil. Instead, at defendant BUZANELI's direction, and as defendant ORDOÑEZ and Rivera well knew, Providence employees used the investors' funds for other purposes, including:

- a. to make Ponzi-style interest payments and principal redemptions to existing investors;
- b. to pay commissions to Providence's nationwide network of brokers, including commissions paid to Rivera;

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- c. to pay hundreds of thousands of dollars in travel expenses for defendant BUZANELI, defendant ORDOÑEZ, and other Providence personnel; and
- d. to transfer money to dozens of corporate entities formed by defendant BUZANELI, defendant ORDOÑEZ, and others, including an entertainment company, a travel company, an import/export company, a credit rehabilitation company, a realty company, and other limited liability companies.

12. By the end of 2010, defendant BUZANELI, defendant ORDOÑEZ, and Rivera were each aware that Providence had substantial cash flow problems caused by Providence's failure to use investor funds to factor receivables in Brazil as they had represented to investors. By 2014, Providence required more than \$1 million per month to make monthly interest payments to investors, monthly commission payments to brokers, and to pay its bills. Nevertheless, Providence continued to solicit money from investors for use in making interest and commission payments. In doing so, defendant BUZANELI, defendant ORDOÑEZ, Rivera, and the brokers told investors that their money would be used to factor receivables in Brazil, and did not disclose that a significant amount of their money would be used to make interest payments to existing investors and to pay commissions to Providence brokers.

Defendant BUZANELI Lied to Investors to Cover Up the Fraud Scheme

13. As the Providence promissory notes came due, Providence personnel and the broker who solicited the investments made efforts to induce the investors to roll over the

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investment into a new promissory note. However, some investors chose to redeem their investments at the conclusion of the term of the promissory note and to withdraw their principal. In order to meet redemptions, Providence needed to raise new investor money. As a result, there were often delays in repaying the investors' principal while Providence obtained money from new investors to repay prior investors.

14. When investor redemptions were delayed by the need to raise new investor funds, and with the knowledge of defendant ORDÓÑEZ and Rivera, defendant BUZANELI lulled the investors into believing that their funds were safe, prevented the discovery of the fraud scheme, and forestalled legal action by the investors by directing Providence personnel to make materially false statements to the investors about the status of their funds. For example, on several occasions, defendant BUZANELI and Providence personnel acting at his direction falsely informed investors that delayed redemptions were caused by the need to transfer money from Brazil.

Defendant BUZANELI and Defendant ORDÓÑEZ Established Offshore Funds to Raise Money from International Investors by Falsely Representing They Would Use the Investors' Money to Invest in Factoring in Brazil

15. In or about December 2011, defendant BUZANELI and defendant ORDÓÑEZ incorporated Providence Global Limited ("Providence Global") in the Bailiwick of Guernsey, an island territory located in the English Channel that is administered as a Dependency of the British Crown.

16. After forming Providence Global, defendant BUZANELI and defendant ORDÓÑEZ established several Guernsey-based investment funds (collectively, the "Guernsey Funds"). Providence Investment Management International Limited was a

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Providence Global subsidiary formed in Guernsey for the purpose of administering the Guernsey Funds.

17. Defendant BUZANELI and defendant ORDONEZ fraudulently solicited, and caused others to fraudulently solicit, more than £37 million (equivalent to approximately \$55 million) from European investors by falsely representing that money invested in the Guernsey Funds would be used to factor accounts receivable in Brazil. Investors were told that the money invested in the Guernsey Funds would be lent to a Providence subsidiary in Brazil, which would use the money to purchase receivables in the Brazilian factoring market. The Guernsey Funds promised to provide investors with returns between 9.5% and 14.25%, with the investors' interest and principal payments being paid from the returns on these Brazilian factoring investments.

18. Defendant BUZANELI and defendant ORDONEZ did not use the money invested in the Guernsey Funds as promised. The majority of the investors' money was not lent to Providence's Brazilian subsidiary or otherwise invested in Brazilian factoring. Instead, much of the investors' money was transferred to an array of Providence-controlled entities around the world. Investor funds were also sent to bank accounts controlled by defendant BUZANELI and defendant ORDONEZ in the United States, where they were used to pay commissions to U.S. brokers who solicited investments in U.S.-based Providence Financial Investments, Inc. and Providence Fixed Income Fund LLC, and to repay American investors in Providence's U.S.-based entities. Investors in the Guernsey Funds were not told their money was being used in this manner.

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19. Defendant BUZANELI and defendant ORDONEZ also opened, or caused to be opened, Providence offices and affiliates around the world, including in London, Hong Kong, Taipei, Shanghai, Singapore, Vancouver, and Panama.

20. In or about 2012, for example, defendant BUZANELI and defendant ORDONEZ opened a Providence affiliate in Hong Kong called Providence Preferred Financial Limited (“Providence Asia”). Like the other Providence entities, Providence Asia purported to be a company that invested in the Brazilian factoring market. Providence Asia employed brokers who sold promissory notes to investors throughout Asia. These brokers, acting at the direction of defendant BUZANELI and defendant ORDONEZ, solicited and received the equivalent of approximately \$30 million from investors in Providence Asia. These investors were told that their money would be lent to a Providence subsidiary in Brazil, which would use the money to purchase receivables in the Brazilian factoring market.

21. In reality, Providence Asia did not use these investors’ money to purchase receivables in the Brazilian factoring market. Instead, much of the investors’ money was transferred to other Providence-controlled entities around the world as well as to bank accounts controlled by defendant BUZANELI and defendant ORDONEZ, where the money was used for payments unrelated to Brazilian factoring, including to pay commissions to U.S. brokers and to make interest payments to American investors in Providence’s U.S.-based entities.

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Providence Became Insolvent Causing Investors Worldwide to Lose More Than \$100 Million

22. In or about March 2013, Rivera resigned from his day-to-day management functions and relinquished his ownership interest in Providence and its related companies. Although Rivera knew that Providence was not using a significant portion of the investors' funds to factor receivables in Brazil, Rivera continued to conceal this information from the investors that he had personally solicited for Providence. As a result, instead of withdrawing their money from Providence when their promissory notes came due, Rivera's investors renewed their investments by purchasing new promissory notes from Providence.

23. On or about July 28, 2016, Providence Financial Investments, Inc. and Providence Fixed Income Fund LLC declared bankruptcy. In bankruptcy court filings, each entity claimed to have estimated assets between \$0 and \$50,000. As a result of the fraud scheme, Providence investors in the United States lost more than \$64 million.

24. On or about August 9, 2016, a Guernsey court appointed the international accounting firm Deloitte LLP as Administration Manager of Providence Global to conduct a review of Providence Global and the Guernsey Funds. Deloitte LLP found that the majority of the Guernsey Funds' investors' money was not invested in Brazilian factoring. Instead, the investors' money was transferred to an array of businesses controlled by defendant BUZANELI around the world. Deloitte LLP further concluded that the businesses into which the investors' money was transferred had little or no value and that Providence Global and the Guernsey Funds were insolvent. On or about August 22, 2016,

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a Guernsey court ordered Providence Global and the Guernsey Funds to be compulsorily wound up.

25. As a result of the defendants' fraud scheme, Providence investors worldwide lost a total of more than \$100 million.

26. All in violation of Title 18, United States Code, Section 1349.

COUNTS 2-13
(Mail Fraud)

27. The grand jury hereby re-alleges and incorporates Paragraphs 1 through 26 as if fully set forth herein.

28. From at least in or about 2010 through at least in or about July 2016, in the State and District of Minnesota and elsewhere, the defendants,

**ANTONIO CARLOS DE GODOY BUZANELI and
JOSE MANUEL ORDOÑEZ, JR.,**

each aiding and abetting one another, and being aided and abetted by one another and by others known and unknown to the Grand Jury, did knowingly and unlawfully devise and execute a scheme to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, promises, and material omissions, which scheme and artifice is described above in Paragraphs 1 through 26.

29. On or about the dates set forth below, for the purpose of executing and attempting to execute the above-described scheme and artifice to defraud, the defendants knowingly caused to be sent, delivered, and moved by the United States Postal Service and commercial interstate carrier, according to the directions thereon, various mailings, items, and things, as described below:

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Count	Date of Mailing (on or about)	Mailing
2	5/5/2014	Letter from Individual J.C. at Infinity Income to Individual L.J. in Minnesota, enclosing Providence brochure and Riedel Research "Buy Recommendation"
3	5/27/2014	Letter from Individual J.C. at Infinity Income to Individual R.S. in Minnesota, enclosing Providence brochure and Riedel Research "Buy Recommendation"
4	10/14/2014	Letter from defendant BUZANELI to Individual T.A. in Minnesota offering a 5% bonus for new investments
5	10/14/2014	Letter from defendant BUZANELI to Individual K.H. in Minnesota offering a 5% bonus for new investments
6	10/27/2014	Letters from Providence to Individual R.N. in Minnesota, enclosing two \$120,000 promissory notes signed by defendant BUZANELI
7	12/19/2014	Letter from Providence to Individual K.H. in Minnesota, enclosing \$45,000 promissory note signed by defendant BUZANELI
8	1/6/2015	Letter from Providence to Individual T.A. in Minnesota, enclosing \$215,865.02 promissory note signed by defendant BUZANELI
9	9/16/2015	Letter from Providence to Individual J.L. in Minnesota, enclosing \$48,270.11 promissory note signed by defendant BUZANELI
10	12/3/2015	Letter from defendant BUZANELI to Individual R.N. in Minnesota stating "Providence Financial is not issuing notes at this time."
11	1/15/2016	Letter from Providence to Individual L.J. in Minnesota, enclosing \$21,809.60 promissory note signed by defendant BUZANELI
12	2/20/2016	\$182,156.02 promissory note signed by defendant BUZANELI and sent to Minnesota for Individual N.F.
13	3/2/2016	Letter from Providence to Individual T.A. in Minnesota, enclosing \$419,439.41 promissory note signed by defendant BUZANELI

30. All in violation of Title 18, United States Code, Sections 1341 and 2.

FORFEITURE ALLEGATIONS

Paragraphs 1 through 30 of this Indictment are incorporated herein by reference for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

As a result of the offenses alleged in Counts 1 through 13, the defendants 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 property, real or personal, which constitutes or is derived from proceeds traceable to violations of Title 18, United States Code, Sections 1341 and 1349.

If any of the above-described forfeitable property is unavailable for forfeiture, the United States intends to seek the forfeiture of substitute property as provided for in Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

A TRUE BILL

ACTING UNITED STATES ATTORNEY

FOREPERSON