SEALED

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

FILED
U.S. DISTRICT COURT
INDIANAPOLIS DIVISION
2019 APR 22 PM 2:50
SOUTHERN DISTRICT
OF INDIANA
LAURA A. BRIGGS
CLERK

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	
	)	
v.	)	
	)	
DANNY RAY WILLIAMS,	)	CAUSE NO.
	)	
Defendant.	)	1:19-cr-138 JRH-DML

INFORMATION

The United States Attorney charges that:

General Allegations

1. The Celadon Group, Inc. ("Celadon") was a truckload shipping company headquartered in Indianapolis, Indiana. Starting in or around November 2009, Celadon's stock was traded publicly on the New York Stock Exchange ("NYSE"), a national securities exchange, and was registered with the United States Securities and Exchange Commission ("SEC"), an agency of the United States, pursuant to Section 12(b) of the Securities Exchange Act of 1934.

2. The Defendant, **DANNY RAY WILLIAMS**, was President of Quality Companies, LLC ("Quality"), a subsidiary of Celadon that was also headquartered in Indianapolis, Indiana. Quality owned trucks, which it leased to truck drivers who contracted directly with Quality or through other companies. By June 2016, Quality had thousands of trucks under management.

3. The SEC is an agency of the United States government charged by law with preserving honest and efficient markets in securities. The federal securities laws, regulations, and rules were designed to ensure that the financial information of publicly traded companies is

accurately recorded and disclosed to the investing public. Securities laws, as well as the SEC's regulations and rules for public companies, required that Celadon and its directors, officers, and employees, among other things, make and keep books, records, and accounts that accurately and fairly reflected the transactions and disposition of the company's assets, and prohibited the knowing and willful falsification of Celadon's books, records, or accounts.

4. Because it was Celadon's subsidiary, Quality's financial information was included in Celadon's books and records and in Celadon's disclosures to the investing public.

5. An auditor is an independent certified public accountant who examines the financial statements that a company's management has prepared. Federal securities laws, regulations, and rules required that an independent auditor examine and report on the financial information that Celadon provided to the SEC and the investing public.

6. Beginning in or around 2013, a known public accounting firm ("Accounting Firm A") with offices in Indianapolis, Indiana, and elsewhere, acted as the independent auditor of Celadon's financial statements. Accounting Firm A relied on **WILLIAMS** and other Celadon employees to provide truthful and accurate information about Celadon's finances and transactions, including those involving Quality, in order for Accounting Firm A to perform the services that are required by the SEC.

COUNT 1
Conspiracy to Commit Securities Fraud, to Make False Statements to a Public Company's Accountants, and to Falsify Books, Records, and Accounts of a Public Company (18 U.S.C. § 371)

7. Paragraphs 1 through 5 are incorporated by reference as though set forth fully herein.

8. From at least in or around June 2016 until in or around April 2017, within the Southern District of Indiana and elsewhere,

DANNY RAY WILLIAMS,

the Defendant herein, did knowingly and willfully combine, conspire, confederate and agree with others, known and unknown to the United States Attorney, to:

a. knowingly and willfully execute a scheme and artifice (1) to defraud any person in connection with any security of Celadon, an issuer with a class of securities registered under Section 12 of the Securities Exchange Act of 1934 (15 U.S.C. § 78l), and (2) to obtain, by means of materially false and fraudulent pretenses, representations, and promises, and by statements containing material omissions, any money and property in connection with the purchase and sale of any security of Celadon, an issuer with a class of securities registered under Section 12 of the Securities Exchange Act of 1934 (15 U.S.C. § 78l), in violation of Title 18, United States Code, Section 1348;

b. knowingly and willfully, directly and indirectly: (1) make and cause to be made materially false or misleading statements to Accounting Firm A, and omit to state, and cause another person to omit to state, any material fact to Accounting Firm A necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading, and (2) take action to coerce, manipulate, mislead, and fraudulently influence Accounting Firm A knowing that such action, if successful, could result in rendering Celadon's financial statements materially misleading, in connection with Accounting Firm A's review of Celadon's financial statements and preparation of Celadon's quarterly and annual reports required to be filed with the SEC, in violation of Title 15, United States Code, Section 78ff, and Title 17, Code of Federal Regulations, Sections 240.13b2-2(a) and 240.13b2-2(b); and

c. knowingly and willfully falsify, and cause to be falsified, books, records, and accounts required to, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Celadon, in violation of Title 15, United States Code, Sections 78m(b)(2), 78m(b)(5), and 78ff, and Title 17, Code of Federal Regulations, Sections 240.13b2-1.

Purpose of the Conspiracy

9. The purpose of the conspiracy was for **WILLIAMS** and his co-conspirators to mislead Celadon's shareholders, regulators, independent auditors, and the investing public about Celadon's true financial condition in order to (a) maintain and increase the market price of Celadon's stock; and (b) unjustly enrich **WILLIAMS** and his co-conspirators through their continued receipt of compensation and other benefits.

Manner and Means of the Conspiracy

10. From in or around at least June 2016, through in or around at least April 2017, the Defendant and others at Celadon agreed to (a) defraud Celadon's shareholders and the investing public, (b) falsify Celadon's books and records in order to hide losses incurred by the company; and (c) mislead Celadon's independent auditors and regulators, including individuals at Accounting Firm A, by making and causing others to make false and misleading statements about Celadon's financial condition and business practices.

11. By in or around 2016, Quality owned hundreds of trucks that collectively were overvalued on its books by tens of millions of dollars. For certain trucks, Quality was unable to find drivers interested in leasing them, in part due to prior defects in the truck model that had affected performance. The depressed demand for these trucks had caused a significant fall in

their value. **WILLIAMS** met with executives of Celadon and informed them of the declining fair market values of Quality's trucks.

12. **WILLIAMS** and others at Celadon were aware that Celadon had failed to properly disclose millions of dollars of losses due to the diminished fair market values of its assets (Quality's trucks). For example, in or around June 2016, **WILLIAMS** was told by a high-ranking Celadon Executive ("Executive A") that Celadon "really need[ed] to sell the $70M or so of excess," referring to unleased and unused trucks that Celadon had listed on its own books as being worth $70 million. **WILLIAMS** responded by telling Executive A, "We aren't in the money on hardly any of the $70M," meaning they had overvalued the Quality trucks and would suffer losses if the trucks were sold for their fair market value.

13. Rather than properly recognizing these losses, writing down these trucks to fair market value, and reporting the losses on its books, **WILLIAMS** and others, including high-ranking executives at Celadon, agreed to pursue a series of transactions designed to dispose of its problematic trucks without publicly reporting the losses. **WILLIAMS** was directed by Celadon executives, and agreed to, take steps to dispose of these troubled assets (the trucks) in a way that continued to hide the fact that significant losses had been incurred by Celadon.

14. Starting in at least June 2016, **WILLIAMS** and others at Celadon developed a scheme to trade away Quality's impaired trucks to a truck dealer located in Indianapolis, Indiana ("Truck Dealer A"), while continuing to hide the losses incurred by the fall in the values of the trucks Quality was trading away. The scheme involved Quality trading hundreds of its older and less desirable trucks to Truck Dealer A in exchange for Truck Dealer A's newer and more desirable trucks. To conceal the fact that Quality and Celadon's trucks were worth significantly less than they previously reported to investors, however, **WILLIAMS** and others at Celadon arranged for

Quality to engage in simultaneous "sales" and "purchases" of trucks with Truck Dealer A at inflated prices rather than at the trucks' market value, which avoided disclosing the fact that these trucks were worth significantly less than Celadon had listed on its books.

a. **WILLIAMS** was an active participant in this scheme, which generally operated as follows. First, **WILLIAMS** provided Truck Dealer A with a list of trucks Quality wanted to sell along with Quality's overinflated book value for each truck. Truck Dealer A would then calculate how much the trucks were overvalued by (i.e., the difference between Quality's book value for the trucks and the trucks' true fair market value), a number Truck Dealer A referred to as an "over allowance" (or "O/A" for short). Truck Dealer A then inflated its invoices to Quality by the same total "over allowance" that Quality had included in its prices to Truck Dealer A. The net effect was to create trades with values on both sides inflated by millions of dollars.

b. The use of inflated values in the paperwork accompanying these trades allowed **WILLIAMS** and others at Celadon to continue to hide tens of millions of dollars of losses in book values of Quality's trucks. By trading trucks to Truck Dealer A at inflated prices, **WILLIAMS** and others at Celadon disposed of certain overpriced trucks without revealing that the trucks were actually worth significantly less than Celadon had disclosed. However, because Truck Dealer A also inflated the prices of the trucks it traded to Quality, **WILLIAMS** and others at Celadon recorded the value of the trucks it received from Truck Dealer A at the deliberately inflated prices, thereby perpetuating the undisclosed losses on Quality's (and Celadon's) books. Had **WILLIAMS** and others at Celadon booked the trucks acquired from Truck Dealer A at their true fair market values,

Celadon would have disclosed that its financial condition was substantially worse than it had falsely represented to its shareholders and the investing public.

15. Between in or around June 2016 and September 2016, Quality engaged in a series of four transactions through which it traded, in total, approximately 900 overvalued trucks to Truck Dealer A for approximately 650 newer used trucks. As described above, Quality hid losses by using inflated prices for its trucks so it would appear Quality had disposed of these trucks without incurring a loss. In actuality, Quality hid its losses by "buying" Truck Dealer A's newer trucks at likewise inflated prices. The inflated prices for the sale and purchase were designed to offset each other.

16. In the process, Quality paid more money to Truck Dealer A than it received from Truck Dealer A and traded away more trucks than it received, in order to make up the difference in the value of the trucks the two companies were trading.

17. While arranging the trades, **WILLIAMS** received documents from Truck Dealer A explicitly calculating how much each side had inflated the prices of the trucks to be traded.

a. On or about August 24, 2016, **WILLIAMS** received an email from Truck Dealer A analyzing the value of approximately 343 trucks that Quality wanted to sell. Truck Dealer A calculated that Quality had inflated the value of the trucks by approximately $13 million. Truck Dealer A indicated to **WILLIAMS** that, in order to complete the trade, Truck Dealer A would need to inflate the value of its trucks by a similar and offsetting amount.

b. On or about September 5, 2016, **WILLIAMS** received an email from Truck Dealer A analyzing the values of approximately 519 trucks that Quality wanted to trade away. Truck Dealer A calculated that Quality had inflated the value of the trucks by

approximately $20.76 million. Truck Dealer A indicated to **WILLIAMS** that, in order to complete the trade, Truck Dealer A would need to inflate the value of its trucks by a similar and offsetting amount. Truck Dealer A further sent **WILLIAMS** extensive calculations showing how much each truck would have to be inflated in order to achieve $20.76 million "over allowance." These calculations showed that the price of each truck sold by Truck Dealer A would need to be inflated by tens of thousands of dollars, and each truck would need to be inflated by up to approximately $75,000 (depending on the number of trucks Quality took in return from Truck Dealer A).

18. In total, the hundreds of trucks traded away by **WILLIAMS** and others at Quality and Celadon were worth tens of millions of dollars less than Celadon had originally reported. Nevertheless, Celadon did not report losses on the transactions on its financial statements, but instead falsely reported that the trucks had a value of at least $30 million more than they were actually worth.

19. After the trades with Truck Dealer A were completed, Accounting Firm A questioned officers and employees of Celadon, including **WILLIAMS**, about these transactions. In response, **WILLIAMS** and others at Celadon made false and intentionally misleading statements to members of Accounting Firm A about the nature of these transactions. For example, **WILLIAMS** and others at Celadon falsely denied that Quality had engaged in trades with Truck Dealer A, instead falsely claiming that the sale of trucks to Truck Dealer A had been negotiated independently from the purchase of trucks from Truck Dealer A. In fact, the transactions involving Truck Dealer A were, and **WILLIAMS** and others at Celadon knew to be, linked trades in which Quality and Truck Dealer A agreed to exchange money and trucks at the same time, in

both directions. Such linked trade transactions would have resulted in different accounting treatment, which would have affected Celadon's books and records.

a. While negotiating, **WILLIAMS** and Truck Dealer A explicitly referred to the transactions as "trades." For example, on June 27, 2016, **WILLIAMS** received an email from Truck Dealer A that "confirm[ed] our conversation today concerning the sale of our (149) trucks and our taking your (149) trucks in trade" (emphasis added). On or about September 14, 2016, **WILLIAMS** received an email from Truck Dealer A describing what outstanding "information on trades" was needed to complete the fourth transaction.

b. Prior to falsely claiming the Truck Dealer A transactions were not trades, **WILLIAMS** and others at Celadon referred to the transactions explicitly as trades. For example, on or about July 30, 2016, **WILLIAMS** received an email from another Celadon executive ("Executive B") directing him to put together materials summarizing the "trade transactions" that **WILLIAMS** had negotiated with Truck Dealer A.

20. After Accounting Firm A began to further scrutinize the transactions involving Truck Dealer A, **WILLIAMS** and others at Celadon agreed to delete certain emails in order to avoid Accounting Firm A locating those emails. In or around the first half of 2017, another Celadon executive ("Executive C") instructed **WILLIAMS** to delete certain emails involving Truck Dealer A. **WILLIAMS** also discussed with one other Quality employee the fact that **WILLIAMS** had been instructed to delete the emails. During the conversation, the Quality employee told **WILLIAMS** how to make sure emails were more permanently deleted from Celadon's computer system.

21. The actions of **WILLIAMS** and others at Celadon caused significant harm to shareholders of Celadon stock. In or around April 2017, Accounting Firm A informed Celadon that it was withdrawing its certification of Celadon's financial statements. On the day Celadon disclosed to investors that its financial statements could no longer be relied upon, Celadon's stock lost approximately $60 million in total value.

Overt Acts

22. In furtherance of the conspiracy and to achieve its unlawful purpose, at least one of the conspirators committed and caused to be committed, in the Southern District of Indiana, and elsewhere, the following overt acts, among others:

a. On or about June 27, 2016, **WILLIAMS** wrote to Executive A, "We aren't in the money on hardly any of the $70M," meaning Celadon had overvalued the Quality trucks and would suffer losses if they were sold.

b. On or about August 26, 2016, **WILLIAMS** and others at Celadon caused an invoice to be sent to Trucking Dealer A for approximately $12,432,675.06 for trucks Quality intended to trade to Truck Dealer A. The invoice included truck prices that had been deliberately inflated to conceal the true fair market value of Celadon's assets (the trucks).

c. On or about September 28, 2016, Executive C wrote to **WILLIAMS** informing him to have the terms of an agreement between Quality and Trucking Dealer A changed in order to hide the fact that the purchase and sale of trucks was being done as part of a trade. **WILLIAMS** informed Truck Dealer A that the terms of the agreement would need to be altered and later proposed language designed to hide the fact that Quality and Truck Dealer A were trading trucks via linked transactions.

d. On or about September 29, 2016, **WILLIAMS** and others at Celadon caused two invoices to be sent to Truck Dealer A that totaled approximately $30,467,504.38 for trucks Quality intended to trade to Truck Dealer A. The invoice included truck prices that had been deliberately inflated to conceal the true fair market value of Celadon's assets (the trucks).

e. On or about November 9, 2016, **WILLIAMS** and others at Celadon caused Celadon to submit a SEC Form 10-Q, which misrepresented Celadon's financial condition and failed to disclose millions of dollars in losses arising from the fall in value of the trucks owned by Quality.

f. On or about January 23, 2017, **WILLIAMS** signed a representation letter and a Sarbanes-Oxley Act of 2002 sub-certification in which he falsely stated that he had no knowledge of any actions of fraud or suspected fraud that had not been properly reported. **WILLIAMS** also falsely stated that he had not been asked, instructed, or convinced to improperly record or defer revenue or expenses, or take any other initiative or action that made him believe that the financial statements and underlying accounts and records of Celadon were not maintained/presented in according with proper accounting standards.

g. In or around March 2017, **WILLIAMS**, at the direction of Executive C, deleted emails from his company email account that pertained to Truck Dealer A, in order to avoid those emails being reviewed by Accounting Firm A.

All of which is a violation of Title 18, United States Code, Section 371.

FORFEITURE

23. The allegations contained in Counts 1 of this Information are hereby re-alleged and incorporated by reference for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Section 982(a)(1) and Title 28, United States Code, Section 2461(c).

24. Upon conviction of the offense in violation of Title 18, United States Code, Section 371 set forth in Count 1 of this Information,

DANNY RAY WILLIAMS,

the Defendant herein, shall forfeit to the United States of America, pursuant to Title 18, United States Code, Section 981(a)(1) and Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the offense.

25. If any of the property described above, as a result of any act or omission of the Defendant:

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 pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

26. In keeping with the foregoing, it is the intent of the United States to seek forfeiture of any other property of the Defendant up to the value of all forfeitable property as described above.

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

Title 28, United States Code, Section 2461(c).

JOSH J. MINKLER
United States Attorney

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

Steven D. DeBrota and Nicholas J. Linder, being first duly sworn, upon oath depose and say that they are Assistant United States Attorneys in and for the Southern District of Indiana, that they make this affidavit for and on behalf of the United States of America, and that the allegations in the foregoing Information are true as they are informed and verily believe.

Steven D. DeBrota
Deputy Chief, General Crimes Unit
Nicholas J. Linder
Assistant United States Attorney

Subscribed and sworn to before me, a notary public, on this 22nd ~~th~~ day of April, 2019.

Guey Jen Yang
Notary Public

My Commission Expires:

June 27, 2022

My County of Residence:

Hendricks

GUEY JEN YANG
Commission Expires 06-27-2022
NOTARY PUBLIC
NOTARY SEAL
Comm. #653454
Hendricks County
STATE OF INDIANA