

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	CRIMINAL NO. 12-
	:	
v.	:	DATE FILED:
	:	
JOHN C. TAUSCHE,	:	VIOLATIONS:
a/k/a “Jay”	:	18 U.S.C. § 1344 (bank fraud - 1 count)
	:	18 U.S.C. § 1957 (money laundering - 1 count)
	:	18 U.S.C. § 2 (aiding and abetting)

INFORMATION

COUNT ONE

THE UNITED STATES ATTORNEY CHARGES THAT:

At all times material to this information:

A. Background

1. Defendant JOHN C. TAUSCHE, a United States citizen, owned and operated a financial consulting business located in Wichita, Kansas, through which he established and controlled certain hedge funds incorporated in the Bahamas (the “Oceanus Funds”).

2. Hedge funds are privately managed investment entities that are speculative, loosely regulated investment products, open only to qualified private investors or financial institutions.

3. H.K. (charged elsewhere), a German national, was an investment manager who established and controlled certain hedge funds incorporated in the British Virgin Islands (the “K1 Funds”). H.K. marketed the K1 Funds to financial institutions as hedge funds with investments in other independently managed hedge funds (“funds of funds”), which funds were

diversified to avoid concentration of risk.

4. Barclays Bank, PLC (“Barclays”) was a foreign financial institution incorporated under the laws of the United Kingdom.

B. The Scheme

5. From in or about early 2006 through December 2008, in the District of Kansas and elsewhere, defendant

**JOHN C. TAUSCHE,
a/k/a “Jay,”**

knowingly executed and attempted to execute a scheme to defraud Barclays Bank PLC, a financial institution, and to obtain monies owned by and under the care, custody and control of that financial institution by means of false and fraudulent pretenses, representations and promises, and aided and abetted the execution of the scheme, resulting in a loss to Barclays totaling approximately \$137 million.

It was part of the scheme that:

6. In or about March 2006, Barclays entered into an investment management agreement with the K1 Funds, under which H.K. agreed as investment manager to invest in diverse, non-leveraged, multi-strategy funds of funds. In exchange, Barclays agreed to offer leverage to the K1 Funds at a rate of 3-to-1 (meaning that Barclays agreed to invest \$3 for every \$1 invested by the K1 Funds).

7. In or about June 2006, Barclays began selling to its customers leveraged certificates linked to the performance of the K1 Funds and guaranteed by Barclays to insure a minimum rate of return. Barclays also invested its own internal financial resources to purchase

said leveraged certificates.

8. Rather than invest the aforementioned funds into diverse, non-leveraged, multi-strategy funds of funds via arms-length transactions, H.K. invested them into the Oceanus Funds and then directed defendant JOHN C. TAUSCHE to transfer the money back to the K1 Funds, thereby creating a circular flow of money. By creating this circularity, H.K. and defendant TAUSCHE knowingly and intentionally fostered the false appearance that the K1 Funds were increasing in value, in order to induce Barclays to continue to provide leverage to the K1 Funds.

9. From in or about May 2008 to late-December 2008, defendant JOHN C. TAUSCHE and H.K. provided false and misleading information to Barclays in response to inquiries regarding the K1 Funds and the Oceanus Funds, repeatedly representing the Oceanus Funds to be diversified funds of funds with exposure to over 250 underlying funds, in order to disguise the extent to which defendant TAUSCHE was channeling money back to the K1 Funds.

10. From in or about 2006 until in or about December 2008, Barclays invested a total of approximately \$137 million into the Oceanus Funds in this manner.

All in violation of Title 18, United States Code, Sections 1344 and Section 2.

COUNT TWO

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

At all times material to this information:

1. Paragraphs one through four, and six through ten of Count One are incorporated here.
2. Defendant JOHN C. TAUSCHE paid and caused to be paid to H.K. sales agent fees based on a percentage of the Barclays funds that were invested by H.K. into the Oceanus Funds and then re-invested by defendant TAUSCHE into the K1 Funds.
3. On or about April 25, 2008, in the District of Kansas and elsewhere, defendant

**JOHN C. TAUSCHE,
a/k/a “Jay,”**

a United States person, knowingly engaged in, and aided, abetted, and willfully caused, a monetary transaction affecting interstate commerce in criminally derived property of a value greater than \$10,000, namely a wire transfer in an amount greater than \$10,000 from a Bahamian bank account controlled by defendant TAUSCHE to a Swiss bank account controlled by H.K., and such property was derived from a specified unlawful activity, that is bank fraud, in violation of 18 U.S.C. § 1344.

All in violation of Title 18, United States Code, Sections 1957 and 2.

**ZANE DAVID MEMEGER
UNITED STATES ATTORNEY**