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## **News Release**

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### **Michael Catain Sentenced for His Role in the Petters' \$3.7 Billion Ponzi Scheme**

The 52-year-old Shorewood man who laundered money for Wayzata businessman Tom Petters was sentenced earlier today in federal court in St. Paul. United States District Court Judge Richard H. Kyle sentenced Michael Catain to 90 months in federal prison on one count of conspiracy to commit money laundering. Catain was charged on October 3, 2008, and pleaded guilty on October 8, 2008. Petters, age 53, was sentenced in April of this year to 50 years in prison for operating a \$3.7 billion Ponzi scheme over a ten-year period. Petters is presently incarcerated in the federal penitentiary in Leavenworth, Kansas.

In his plea agreement, Catain admitted that from 2002 through September of 2008, he conspired with others to launder the proceeds of that fraud scheme. To that end, Catain started a business called Enchanted Family Buying Co. ("EFBC"), which was nothing more than a shell corporation. He then began depositing funds into the EFBC bank account on behalf of Petters Company, Inc. ("PCI"), a company formed by Tom Petters to further his fraudulent activities. The funds deposited into the EFBC account were provided by PCI investors, who were falsely advised that the money would be used for the purchase of consumer electronics, which, in turn, would be sold by PCI to big-box retail stores for a profit. In reality, however, the funds were simply wired back to PCI and then used to further the fraud scheme and support the lavish lifestyle of Tom Petters.

From 2002 through September of 2008, approximately \$12 billion was routed through the EFBC account and back to PCI again. Multiple times each month wire transfers were made to the EFBC account in amounts ranging from approximately \$2 million to \$25 million. Based on an agreement with PCI, Catain kept a percentage of the funds as his "commission." That commission ranged from .025 to .05 percent on each individual transfer and altogether totaled more than \$3 million.

Catain admitted he knew the wired funds came from investors, and that PCI had made false representations to those investors as to why they needed to send money to EFBC. Furthermore, Catain admitted he knew the real reason for depositing the funds into the EFBC account was to conceal and disguise the true nature, source, ownership and control of that money. According to Acting Special Agent in Charge Jose M. Martinez of the IRS–Criminal Investigation Division, one of the investigative agencies involved in this case, “By accepting commissions on the large wire transfers inherent in this fraud scheme, Catain financially profited while remaining silent about representations he knew to be false. Today he faced the consequences for his silence.”

On September 24, 2008, agents from the Internal Revenue Service-Criminal Investigation Division, the Federal Bureau of Investigation, and the U.S. Postal Inspection Service executed search warrants at Petters’ headquarters, Petters’ home, and other locations. They recovered numerous documents and evidence that created the basis for the prosecution of Tom Petters and his co-conspirators, including Catain. Following today’s sentencing, FBI Special Agent in Charge Ralph Boelter reminded the public that the FBI remains steadfast in its commitment to pursue those criminals who use deceit to prey on citizens to satisfy their own financial greed.

This case was prosecuted by Assistant U.S. Attorneys Joseph T. Dixon, John R. Marti, Timothy C. Rank, and John F. Docherty.

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