



2. The defendant owned 99% of a holding company that owned three hedge funds, Lancelot Investors Fund, LP ("Lancelot I"), Lancelot Investors Fund II, LP ("Lancelot II"), and Lancelot Investors Fund, Ltd. ("Lancelot Limited"), as well as the entity that managed these hedge funds, Lancelot Investment Management ("Lancelot Management"). The defendant made all significant decisions for Lancelot, including, but not limited to, all investment decisions, all investment allocation decisions, and all significant operational and personnel decisions. The defendant also routinely met with and provided information about the Lancelot Funds to both existing and potential Lancelot investors, and he was the primary point of contact for Lancelot investors with respect to the operation of the Lancelot Funds.

3. The Lancelot Funds were invested almost exclusively in short term, trade finance, promissory notes issued by Petters Company, Incorporated ("PCI"). PCI, including Thomas Petters personally, represented to investors that it used the money raised through the sale of those notes to finance the acquisition and resale at a profit of large quantities of consumer goods.

4. In late 2007, PCI started to become late in paying its notes when they came due. Even later in 2007 and in early 2008 PCI was no longer paying its notes at all.

5. The delinquent payments from PCI were not reported to Lancelot investors by Bell. Instead, on December 18, 2007, Bell executed an agreement with Thomas Petters that extended the

repayment term of all the PCI notes held by Lancelot from 180 to 270 days. The effects of this extension were that those notes that had been delinquent on a 180-day maturity schedule were no longer delinquent, and that the day on which any other note would have to be acknowledged as delinquent was pushed back by 90 days. Bell only revealed this note extension if questioned specifically about it by an investor, but did not disclose to investors that the extension was prompted by delinquent payment by PCI. Bell's failure to disclose information regarding the extension of the payment terms of the PCI notes was material.

6. By February 2008, even with the 90-day extension of time Bell gave to PCI to pay the notes, PCI failed to make payments and the PCI notes again became delinquent. To conceal this information from Lancelot investors, the defendant, between February 26, 2008 and September 24, 2008, aided and abetted by officers and employees of PCI, including Thomas Petters, and by the defendant's subordinate employees at Lancelot, engineered approximately 86 sham "round-trip" banking transactions that gave investors and potential investors the false impression that PCI was paying its promissory notes in a timely manner.

7. In these transactions, money was wired from a Lancelot-controlled account at a Chicago bank to a PCI account at a Milwaukee bank. Shortly afterwards, the money was wired back to the Lancelot-controlled account. The transactions were structured to make it look like PCI was paying off an outstanding PCI

promissory note or a number of invoices contained within a particular PCI promissory note. Bell intentionally concealed from Lancelot investors information about these "round-trip" transactions, thereby concealing PCI's delinquent payments from Lancelot investors.

8. The round-trip transactions were preceded by telephone calls and/or an exchange of e-mails between Lancelot personnel in Illinois and PCI personnel in Minnesota about the amounts of money that would be involved in the upcoming transaction.

9. In early September 2008, a Lancelot investor asked the defendant for a note-by-note accounting of the payoff status of a number of PCI promissory notes. Defendant directed his subordinates at Lancelot to create a spreadsheet he knew was going to be provided to this investor which purported to show that a number of the notes about which the investor was inquiring had been paid in full; one had been partially paid; and the balance were notes that were not yet due. All of the notes characterized as either fully or partially paid had in fact been paid through round-trip transactions, but this information was not disclosed to the investor.

10. The misrepresentations to investors that PCI was paying its notes when due, when in fact PCI was only paying notes when Lancelot self-funded those payments, were made during the time the scheme and artifice to defraud was in operation. These misrepresentations were material.

11. After the "round trip" transactions commenced, on or about February 26, 2008, until on or about September 24, 2008, Lancelot raised over \$200 million, but less than \$400 million, in new investor money from approximately 43 investors.

12. The defendant understood that in furtherance of the scheme, there were communications and transfers of funds which were transmitted in interstate commerce, by means of wire communications.

All in violation of Title 18, United States Code, Section 1343.

**Forfeiture Allegations**

Count 1 of this Information is hereby realleged and incorporated as if fully set forth 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 the result of the offense alleged in Count 1 of this Information, the defendant 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 the violations of Title 18, United States Code, Section 1343.


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).

All in violation of Title 18, United States Code, Sections 981(a)(1)(C) and 1343, and Title 28, United States Code, Section 2461(c).

Dated: *Sept. 17, 2009*

B. TODD JONES  
United States Attorney

  
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