

UNITED STATES DISTRICT COURT  
DISTRICT OF MINNESOTA

FILED UNDER SEAL

UNITED STATES OF AMERICA, )  
 )  
 Plaintiff, )  
 )  
 v. )  
 )  
 HAROLD ALAN KATZ, )  
 )  
 Defendant. )

INFORMATION *CR 09-243 PAM*  
(18 U.S.C. § 371)

UNDER SEAL

THE UNITED STATES ATTORNEY CHARGES THAT:

Count 1  
(Conspiracy)  
18 U.S.C. § 371

1. From on or about February 26, 2008 to on or about September 24, 2008, in the State and District of Minnesota and elsewhere, the defendant,

**HAROLD ALAN KATZ,**

did knowingly and unlawfully conspire and agree with Gregory Malcolm Bell, principals of Petters Company, Inc. ("PCI"), and others known and unknown to the United States, to perpetrate a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises and did knowingly transmit and cause to be transmitted in interstate commerce, by means of wire communications, certain signals and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, Section 371.

2. The defendant is a Chartered Accountant and a Certified Public Accountant licensed by the State of Illinois. On November

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FILED **AUG 20 2009**  
RICHARD D. SLETTEN  
JUDGMENT ENTD.  
DEPUTY CLERK *[Signature]*

19, 2007, the defendant was hired as the Vice President of Finance and Accounting for Lancelot Investment Management, LLC ("Lancelot Management"), a company owned and run by Gregory Bell. Lancelot Management managed three hedge funds that were organized as limited partnerships. These hedge funds were Lancelot Investors Fund, LP ("Lancelot I"), Lancelot Investors Fund II, LP ("Lancelot II") and Lancelot Investors Fund, Ltd. ("Lancelot Limited") (collectively, the "Lancelot Funds"). Gregory Bell 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.

3. Prior to being hired by Lancelot Management, the defendant worked for two CPA firms which had performed the yearly audits of the financial statements of the Lancelot Funds for 2003 through 2007. The defendant was the Senior Manager/Director of these audits.

4. Lancelot I, Lancelot II, and Lancelot Limited were invested almost exclusively in short-term, trade finance, promissory notes issued by PCI. PCI purportedly used the money raised by the sale of its notes to finance the acquisition of large quantities of consumer electronics from two supplier companies, which PCI then resold to big box retailers.

5. The defendant became aware in late 2007 that PCI was late in paying some of its notes when they came due. The defendant was aware that this situation persisted into early 2008.

6. The late payments from PCI were not reported to Lancelot investors by Bell. Instead, on December 18, 2007, Bell executed an agreement with PCI 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.

7. 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.

8. Between February 26, 2008 and September 24, 2008, the defendant conspired with Bell and individuals at PCI to make approximately 86 fraudulent banking transactions that gave investors and potential investors the false impression that PCI was paying its promissory notes, and was doing so in a timely manner.

Defendant participated in these "round-trip" transactions at Bell's direction, knowing that the information about the transactions was not disclosed to Lancelot investors, thereby concealing PCI's delinquent payments from Lancelot investors.

9. In these transactions, money was wired from a Lancelot-controlled account at a Chicago bank to a PCI account at a Milwaukee bank. Shortly thereafter, 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, and Lancelot investors were not advised that Lancelot was in fact funding those payments.

10. In early September, the defendant was asked by an investor for a note-by-note accounting of the pay off status of a number of PCI promissory notes. Defendant created a spreadsheet he knew was going to be provided to the 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 been paid through round-trip transactions, but this information was not disclosed to the investor.

11. 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.

12. After the "round trip" transactions commenced, on or about February 27, 2008, until on or about September 24, 2008, Lancelot raised approximately \$243 million in new investor money.

13. 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 371.

Date: August 20, 2009

B. TODD JONES  
United States Attorney

BY:   
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JOHN F. DOCHERTY  
TIMOTHY C. RANK  
Assistant U.S. Attorneys