



d. As a transfer agent, IST provided various services to customer companies and shareholders, similar to the services described above.

e. IST received funds from customer companies in connection with company acquisitions or mergers, so that IST could repurchase shares from shareholders on behalf of customer companies. That ordinarily occurred when one company was acquired by another company, or merged with another company, and shares of the acquired company were cancelled and repurchased from shareholders. Customers provided cash to IST, so that IST could pay shareholders in order to repurchase the relevant shares.

f. IST also received funds from certain shareholders, so that IST could purchase additional shares as part of IST's Dividend Reinvestment Plan. Certain customer companies allowed their shareholders, who enrolled in the Dividend Reinvestment Plan, to use their dividend payments to purchase additional shares in the companies. Those shareholders provided funds to IST, so that IST could reinvest the dividends and purchase additional shares for the shareholders.

g. IST maintained certain information on a computerized system, known as the Transtar system, concerning transactions being handled by IST, which included information concerning the purchase, sale, cancellation, and issuance of stocks, and the payment and reinvestment of dividends. Customers and shareholders were able to access certain information on the Transtar system, relating to the transactions that IST administered.

h. The SEC issued rules and regulations for transfer agents relating to safeguarding and protecting customers' funds. In particular, the SEC required transfer agents to ensure that all customer funds were safeguarded and protected against misuse.

i. The SEC and the New York Stock Exchange each required transfer agents, such as IST, to file annual audit reports, prepared by an independent accountant, concerning the transfer agent's system of internal accounting control and related procedures for safeguarding funds.

j. The SEC performed a financial examination of IST that began in or about October 2013 and continued through in or about April 2014.

k. IST had a bank account at BMO Harris Bank, entitled Miscellaneous Clearing Account (hereinafter "the Harris Bank account"), which defendant PEARSON controlled. Defendant PEARSON used that account to hold and distribute certain customers' funds, including funds provided by customer companies to repurchase shares as part of share exchanges, and funds provided by shareholders to purchase additional shares, as part of the dividend reinvestment plan.

l. Defendant PEARSON did not ordinarily segregate customers' funds and corporate funds, and he did not maintain separate accounts for each customer.

m. BMO Harris Bank had an operations center in Naperville, Illinois, where electronic transfers of funds from Harris Bank accounts were processed and manually entered into a software application maintained by a third party vendor. Those electronic transfers of funds were sent by interstate wire to the vendor's internet server in

Norcross, Georgia, and then through the Federal Reserve System to their final destination.

2. Beginning no later than February 2012, and continuing until in or about approximately April 2014, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT PEARSON,

defendant herein, devised, intended to devise, and participated in a scheme to defraud customers and shareholders, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, and by material omissions, which scheme is further described below.

3. It was part of the scheme that defendant PEARSON misappropriated more than \$1.2 million of funds, belonging to IST customers and shareholders, from the Harris Bank account. Defendant PEARSON knowingly and fraudulently made materially false representations to customers and shareholders concerning the safety and security of their funds, which false statements were designed to cause customers and shareholders to entrust funds to defendant PEARSON and his company, IST. In fact, defendant PEARSON knew that funds belonging to customers and shareholders were not safe or secure because defendant PEARSON was misappropriating funds from the Harris Bank account to cover his company's payroll expenses and payroll taxes.

4. It was further part of the scheme that defendant PEARSON falsely represented, and caused others to falsely represent, to customers and shareholders that his company complied with the SEC's rules and guidelines. Defendant PEARSON

advertised the company as having expertise in all SEC rules, and as having a complete understanding of the laws and legal requirements regarding securities transfers. In fact, defendant PEARSON knew that his company did not comply with the SEC rules, which mandated that transfer agents safeguard customers' funds. Defendant PEARSON concealed from customers and shareholders that he was violating the SEC rules by misappropriating funds.

5. It was further part of the scheme that defendant PEARSON falsely represented, and caused others to falsely represent, to customers and shareholders that defendant PEARSON's company, IST, would safeguard their funds, and would distribute or reinvest those funds as directed by the customers or shareholders. As defendant PEARSON knew, his company was not safeguarding all of the funds from customers and shareholders, because defendant PEARSON was misappropriating certain funds.

6. It was further part of the scheme that defendant PEARSON falsely represented, and caused others to falsely represent, to customers and shareholders that his company would protect their interests, and that they could rely on the integrity of the company. In fact, defendant PEARSON knew that he was misappropriating funds instead of protecting them.

7. It was further part of the scheme that defendant PEARSON falsely represented, and caused others to falsely represent, to customers that his company would hold the customer funds in a bank account, and would disburse those funds as directed by the customer. In fact, defendant PEARSON knew that certain customer funds would not

be held or disbursed as directed because defendant PEARSON was misappropriating customer funds.

8. It was further part of the scheme that defendant PEARSON falsely represented, and caused others to falsely represent, to customers and shareholders that the company's computerized system, Transtar, provided them with full access to all of the information and details relating to their accounts and the transactions that were being administered for them by the company. In fact, defendant PEARSON knew that information concerning his misappropriation of funds was not reflected on the Transtar system, and customers and shareholders did not have access to information about his misappropriation of funds from the Harris Bank account.

9. It was further part of the scheme that defendant PEARSON fraudulently provided two Management Letters to the company's outside accountant, which contained false representations, so that the accountant would prepare and submit two Auditor's Reports to the SEC and the New York Stock Exchange. Defendant PEARSON falsely represented: (a) that the company was appropriately safeguarding funds against loss from unauthorized use or disposition, and that the company maintained effective internal controls to do so; (b) that the company had made all relevant records available to the accountant; and (c) that the company's management had not engaged in any fraud. In fact, defendant PEARSON knew that the company's internal controls were inadequate, funds were not being safeguarded, defendant PEARSON had not disclosed the existence of the Harris Bank account to the accountant and had not provided records to the

accountant relating to that account, and defendant PEARSON, who was the CEO and President of the company, had engaged in fraud by misappropriating funds.

10. It was further part of the scheme that defendant PEARSON fraudulently caused the company's outside accountant to falsely represent to the SEC and to the New York Stock Exchange, in Auditor's Reports for 2012 and 2013, that defendant PEARSON's company, IST, appropriately safeguarded funds against loss from unauthorized use or disposition, and that the company maintained effective internal controls to do so. In fact, defendant PEARSON knew that the company was not safeguarding the funds that he misappropriated.

11. It was further part of the scheme that defendant PEARSON did misrepresent, conceal, and hide, and caused to be misrepresented, concealed, and hidden, acts done in furtherance of the scheme and the purpose of those acts.

12. It was further part of the scheme that, as a result of his actions, defendant PEARSON misappropriated over \$1,200,000.

13. On or about February 29, 2012, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT PEARSON,

defendant herein, for the purpose of executing the scheme to defraud, did knowingly cause to be transmitted in interstate commerce, from Naperville, Illinois, to Norcross, Georgia, by means of wire communication, certain writings, signs, and signals, namely: the electronic transfer of customer funds that defendant PEARSON misappropriated, in the amount of approximately \$13,915, which were sent by means of interstate wire from

BMO Harris Bank's processing center in Naperville, Illinois, to an internet server in Norcross, Georgia, and then through the Federal Reserve system, as part of the bank's transfer of funds and payment process, for the purpose of paying payroll related expenses;

In violation of Title 18, United States Code, Section 1343.



## COUNT TWO

The SPECIAL JANUARY 2015 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 12 of Count One of this indictment are incorporated here.

2. On or about May 30, 2012, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT PEARSON,

defendant herein, for the purpose of executing the scheme to defraud, did knowingly cause to be transmitted in interstate commerce, from Naperville, Illinois, to Norcross, Georgia, by means of wire communication, certain writings, signs, and signals, namely: the electronic transfer of customer funds that defendant PEARSON misappropriated, in the amount of approximately \$20,082, which were sent by means of interstate wire from BMO Harris Bank's processing center in Naperville, Illinois, to an internet server in Norcross, Georgia, and then through the Federal Reserve system, as part of the bank's transfer of funds and payment process, for the purpose of paying payroll related expenses;

In violation of Title 18, United States Code, Section 1343.

**COUNT THREE**

The SPECIAL JANUARY 2015 GRAND JURY further charges:

1. The allegations in paragraph 1 through 12 of Count One of this indictment are incorporated here.

2. On or about September 26, 2012, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT PEARSON,

defendant herein, for the purpose of executing the scheme to defraud, did knowingly cause to be transmitted in interstate commerce, from Naperville, Illinois, to Norcross, Georgia, by means of wire communication, certain writings, signs, and signals, namely: the electronic transfer of customer funds that defendant PEARSON misappropriated, in the amount of approximately \$21,082, which were sent by means of interstate wire from BMO Harris Bank's processing center in Naperville, Illinois, to an internet server in Norcross, Georgia, and then through the Federal Reserve system, as part of the bank's transfer of funds and payment process, for the purpose of paying payroll related expenses;

In violation of Title 18, United States Code, Section 1343.

## COUNT FOUR

The SPECIAL JANUARY 2015 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 12 of Count One of this indictment are incorporated here.

2. On or about December 12, 2012, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT PEARSON,

defendant herein, for the purpose of executing the scheme to defraud, did knowingly cause to be transmitted in interstate commerce, from Naperville, Illinois, to Norcross, Georgia, by means of wire communication, certain writings, signs, and signals, namely: the electronic transfer of customer funds that defendant PEARSON misappropriated, in the amount of approximately \$16,498, which were sent by means of interstate wire from BMO Harris Bank's processing center in Naperville, Illinois, to an internet server in Norcross, Georgia, and then through the Federal Reserve system, as part of the bank's transfer of funds and payment process, for the purpose of paying payroll related expenses;

In violation of Title 18, United States Code, Section 1343.

**COUNT FIVE**

The SPECIAL JANUARY 2015 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 12 of Count One of this indictment are incorporated here.

2. On or about May 29, 2013, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT PEARSON,

defendant herein, for the purpose of executing the scheme to defraud, did knowingly cause to be transmitted in interstate commerce, from Naperville, Illinois, to Norcross, Georgia, by means of wire communication, certain writings, signs, and signals, namely: the electronic transfer of customer funds that defendant PEARSON misappropriated, in the amount of approximately \$20,940, which were sent by means of interstate wire from BMO Harris Bank's processing center in Naperville, Illinois, to an internet server in Norcross, Georgia, and then through the Federal Reserve system, as part of the bank's transfer of funds and payment process, for the purpose of paying payroll related expenses;

In violation of Title 18, United States Code, Section 1343.

## COUNT SIX

The SPECIAL JANUARY 2015 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 12 of Count One of this indictment are incorporated here.

2. On or about October 11, 2013, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT PEARSON,

defendant herein, for the purpose of executing the scheme to defraud, did knowingly cause to be transmitted in interstate commerce, from Naperville, Illinois, to Norcross, Georgia, by means of wire communication, certain writings, signs, and signals, namely: the electronic transfer of customer funds that defendant PEARSON misappropriated, in the amount of approximately \$16,365, which were sent by means of interstate wire from BMO Harris Bank's processing center in Naperville, Illinois, to an internet server in Norcross, Georgia, and then through the Federal Reserve system, as part of the bank's transfer of funds and payment process, for the purpose of paying payroll related expenses;

In violation of Title 18, United States Code, Section 1343.

**COUNT SEVEN**

The SPECIAL JANUARY 2015 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 12 of Count One of this indictment are incorporated here.

2. On or about November 26, 2013, in the Northern District of Illinois, Eastern Division, and elsewhere,

**ROBERT PEARSON,**

defendant herein, for the purpose of executing the scheme to defraud, did knowingly cause to be transmitted in interstate commerce, from Naperville, Illinois, to Norcross, Georgia, by means of wire communication, certain writings, signs, and signals, namely: the electronic transfer of customer funds that defendant PEARSON misappropriated, in the amount of approximately \$16,533, which were sent by means of interstate wire from BMO Harris Bank's processing center in Naperville, Illinois, to an internet server in Norcross, Georgia, and then through the Federal Reserve system, as part of the bank's transfer of funds and payment process, for the purpose of paying payroll related expenses;

In violation of Title 18, United States Code, Section 1343.

## COUNT EIGHT

The SPECIAL JANUARY 2015 GRAND JURY further charges:

1. The allegations in paragraph 1 through 12 of Count One of this indictment are incorporated here.

2. On or about December 11, 2013, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT PEARSON,

defendant herein, for the purpose of executing the scheme to defraud, did knowingly cause to be transmitted in interstate commerce, from Naperville, Illinois, to Norcross, Georgia, by means of wire communication, certain writings, signs, and signals, namely: the electronic transfer of customer funds that defendant PEARSON misappropriated, in the amount of approximately \$18,342, which were sent by means of interstate wire from BMO Harris Bank's processing center in Naperville, Illinois, to an internet server in Norcross, Georgia, and then through the Federal Reserve system, as part of the bank's transfer of funds and payment process, for the purpose of paying payroll related expenses;

In violation of Title 18, United States Code, Section 1343.

**COUNT NINE**

The SPECIAL JANUARY 2015 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 12 of Count One of this indictment are incorporated here.

2. On or about January 29, 2014, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT PEARSON,

defendant herein, for the purpose of executing the scheme to defraud, did knowingly cause to be transmitted in interstate commerce, from Naperville, Illinois, to Norcross, Georgia, by means of wire communication, certain writings, signs, and signals, namely: the electronic transfer of customer funds that defendant PEARSON misappropriated, in the amount of approximately \$17,995, which were sent by means of interstate wire from BMO Harris Bank's processing center in Naperville, Illinois, to an internet server in Norcross, Georgia, and then through the Federal Reserve system, as part of the bank's transfer of funds and payment process, for the purpose of paying payroll related expenses;

In violation of Title 18, United States Code, Section 1343.



**COUNT TEN**

The SPECIAL JANUARY 2015 GRAND JURY further charges:

1. The allegations in paragraph 1 through 12 of Count One of this indictment are incorporated here.
2. On or about February 26, 2014, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT PEARSON,

defendant herein, for the purpose of executing the scheme to defraud, did knowingly cause to be transmitted in interstate commerce, from Naperville, Illinois, to Norcross, Georgia, by means of wire communication, certain writings, signs, and signals, namely: the electronic transfer of customer funds that defendant PEARSON misappropriated, in the amount of approximately \$20,346, which were sent by means of interstate wire from BMO Harris Bank's processing center in Naperville, Illinois, to an internet server in Norcross, Georgia, and then through the Federal Reserve system, as part of the bank's transfer of funds and payment process, for the purpose of paying payroll related expenses;

In violation of Title 18, United States Code, Section 1343.

A TRUE BILL:

\_\_\_\_\_  
FOREPERSON

\_\_\_\_\_  
UNITED STATES ATTORNEY