

Sealed

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. _____

12-20588

CR-SEITZ

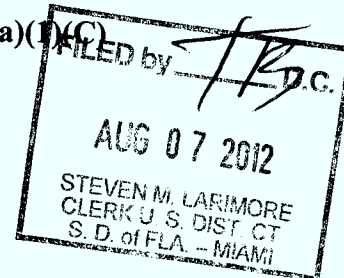
18 U.S.C. § 1349

18 U.S.C. § 1343

18 U.S.C. § 2

18 U.S.C. § 981(a)(1)(C)

RECEIVED JUDGE
SIMONTON



UNITED STATES OF AMERICA

vs.

**ARTHUR JOHN SCHLECHT,
FREDERICK BART GOMER,
RICARDO JORGE PADRON, and
CARLOS RODRIGUEZ, JR.,**

Defendants.

INDICTMENT

The Grand Jury charges that:

GENERAL ALLEGATIONS

At various times relevant to this Indictment:

Relevant Terms Defined

1. The term "investment brokerage" referred to a business that initiated and/or conducted ("brokered") investment transactions with third parties on behalf of its investing clients. Investment brokerages derived a substantial portion of their profits from "brokerage commissions" which were calculated as a percentage of the total purchase price of an investment, as well as an additional source of profits generated from so-called "spreads" (or "spread markups") which amounted to the difference between the price paid by an investment brokerage to acquire an

investment for its investing client and the price which the investing client was required to pay the investment brokerage for that same investment. Brokerage commissions and spreads paid by investing clients were often divided between the investment brokerage and its salespersons who were referred to as “brokers.”

2. The terms “leverage,” “leveraging,” “leveraged investment,” and “leveraged transaction” all referred to the process in which an investment purchase was conducted substantially as a result of borrowed funds or credit extended to the investing client for the purpose of making the investment. The greater the debt or credit extended to the investing client, the greater the degree the investment was considered to have been “leveraged.”

3. Buying or purchasing “on margin,” “margined investment,” “margin loan,” and “margin financing” all referred to when an investment brokerage required an investing client to provide only a fractional portion of the purchase price of the leveraged investment. This fractional portion was commonly referred to as “investor-supplied equity” or the “initial margin requirement.” The remaining larger portion of the total purchase price of a margined investment was paid with borrowed funds or credit supplied by a lender or lending source (hereinafter referred to as a “margin lender”).

4. The term “clearing firm” referred to another type of investment brokerage which had more direct access to the various markets, exchanges, financial institutions, and other necessary resources through which investment transactions were regularly conducted. Clearing firms conducted all of the transactions involved in the purchasing and selling (“trading”) of investments on behalf of the investing clients of smaller investment brokerages which had lesser access to such resources. Investments acquired through clearing firms (commonly referred to as “investment

positions” or “account positions”) as well as any uninvested cash on deposit with the clearing firm (commonly referred to as “cash positions”) were then held for the investing client by the clearing firm in the investing client’s own personal “brokerage account.” Clearing firms routinely served as the margin lender or source of margin financing with respect to the financed portion of an investing client’s margined investments and would charge investing clients interest. Clearing firm brokerages derived a substantial portion of their profits from spread markups which were passed on to the investing client.

5. The term “introducing brokerage” referred to those smaller investment brokerages which engaged the services of a clearing firm brokerage in order to conduct the necessary investment transactions for their investing clients.

6. The terms “equity” or “account equity” referred to the difference between the market value of margined investment positions and cash positions held for the investing client by the clearing firm brokerage minus the amount of the investing client’s margin-related debt (the loan amount). Initially, the equity was equal to the fractional amount of the total purchase price that the investing client was required to supply at the time of the margined investment purchase. Thereafter, the investing client’s account equity would fluctuate, depending upon the changing market value of the margined investments held as positions in the investing client’s brokerage account.

7. The terms “minimum margin requirement” and “margin maintenance amount” both referred to a continuing requirement imposed upon investors who bought investments on margin. In accordance with this requirement, margin lenders required that the investors who were indebted to them consistently maintain their account equity at a minimum loan-to-value percentage.

8. The terms “margin call” and “equity call” both referred to the process in which an investing client who had bought investments on margin was required to supply additional cash “equity” to the margin lender. Margin calls or equity calls were triggered when a decline in the market value of an investing client’s margined investment positions resulted in a loan-to-value equity percentage which fell below the account’s minimum margin requirement.

9. The term “spot market” referred to any market in which certain assets, currency or commodities were bought/sold (“traded”) for cash in accordance with the terms of a contract requiring immediate delivery.

10. A “spot contract” was a contract utilized in spot market transactions. Spot contracts priced their assets, currency or commodities at the time of agreement (“trade date”) and usually required immediate settlement and delivery of the item within forty-eight hours or two business days thereafter. Due to this requirement, spot contracts had no real ability to appreciate or depreciate in market value over time and were, therefore, not acquired or held by investors as investments.

11. The term “derivative,” “derivative contract,” or “derivative investment” referred to a broad class of investments consisting of contracts between two or more parties specifying the conditions under which payments were to be made for a particular underlying asset, currency or commodity. Unlike spot contracts, the value of a derivative contract or derivative investment appreciated or depreciated over time as dictated by fluctuations in the market value of the derivative contract’s underlying asset, currency or commodity. Consequently, derivatives could be acquired and held as an investment.

12. The term “precious metal rolling spot contract” referred to a type of derivative investment wherein the underlying commodity consisted of precious metals such as gold, silver,

platinum or palladium bullion. In a rolling spot contract, the forty-eight-hour settlement and delivery requirement normally in effect for spot contract transactions was never satisfied, but was continuously “rolled over” on a daily basis and indefinitely deferred. Accordingly, rolling spot contracts could be acquired or held as investments in hopes that over time they would increase in value. Investing clients who acquired an interest in precious metals rolling spot contracts never obtained possession of, or any ownership interest in, the underlying physical metal. Rather, such investing clients did nothing more than engage in speculative investing regarding the movement of the spot market price of the particular precious metal in question.

13. The Commodity Futures Trading Commission (“CFTC”) was an independent regulatory agency of the United States government which regulated the commodity futures and option markets in the United States.

14. The National Futures Association (“NFA”) was the self-regulatory organization of the commodity futures and options industry in the United States, as well as those individuals and investment firms engaged in the business of commodity futures and option investment transactions.

The Corporations

15. Global Bullion Trading Group, Inc. was a Florida corporation incorporated on or about December 26, 1995 under its original corporate name, Schlecht Group, Inc. On or about March 21, 2003, the corporation changed its name to Global Bullion Trading Group, Inc. (“Global Bullion”).

16. Global Bullion conducted its business from an office located at 14707 South Dixie Highway, Miami, Florida (“the South Dixie Highway Office”). In approximately March 2008, Global Bullion relocated its operations to the Greenery Mall, 7700 Kendall Drive, Miami, Florida

("the Greenery Mall Office").

17. WJS Funding, Inc. ("WJS") was a Florida corporation incorporated on November 8, 2002. WJS did business under the registered fictitious name "Capital Asset Management." WJS Funding, Inc. d/b/a "Capital Asset Management" (hereinafter collectively referred to as "CAM") conducted its business from the same South Dixie Highway Office as Global Bullion. In or around April 2007, CAM relocated its office to Two Datan Center, 9130 South Dadeland Boulevard, Miami, Florida ("the Datan Center Office").

18. Certified, Inc. ("Certified") was a Florida corporation incorporated on or about August 7, 1992. Certified engaged in no business activity whatsoever until approximately the Spring of 2007 when it commenced engaging in two different types of business activities at the same time. One business was conducted under the registered fictitious name "Certified Clearing" and was headquartered, alongside CAM, at the Datan Center Office. Certified's other business was conducted under the name "Certified, Inc. International Bullion Brokerage Services" (hereinafter referred to as "CIIBBS") and was headquartered at various times at the Datan Center Office and eventually the Greenery Mall Office, alongside Global Bullion.

19. On or about October 26, 2009, Global, CAM and Certified each filed separate bankruptcy petitions in the United States Bankruptcy Court for the Southern District of Florida ("Bankruptcy Court"). Approximately three weeks later, the Bankruptcy Court ordered that the business operations of all three corporations be shut down on an emergency basis and a bankruptcy Trustee was appointed.

The Defendants

20. Defendant **ARTHUR JOHN SCHLECHT** was a resident of Miami-Dade County,

Florida and was the sole member of Global Bullion's Board of Directors until on or about January 30, 2005.

21. **ARTHUR JOHN SCHLECHT** owned and controlled Global Bullion and its business operations from the time of its incorporation until at least the Summer of 2006, despite the absence of **SCHLECHT's** name from Florida public corporation records after January 30, 2005. After the Summer of 2006, **SCHLECHT** continued to substantially control, manage, run and otherwise influence the corporation's most significant business decisions and operations.

22. **ARTHUR JOHN SCHLECHT** was the owner of WJS at the time of WJS' incorporation, although a family member of **SCHLECHT**, whose initials coincidentally consisted of the letters "W.J.S.," was designated in the Florida public record as WJS's sole director and officer. On or about April 22, 2007, documents were filed with the State of Florida which removed **SCHLECHT's** family member as the director of WJS in the public record.

23. **ARTHUR JOHN SCHLECHT** owned and controlled WJS and its business operations conducted under the name "Capital Asset Management" ("CAM") from the time of its incorporation until at least the Summer of 2006, despite the absence of **SCHLECHT's** name from Florida public corporation records. Thereafter, **SCHLECHT** continued to substantially control, manage, run and otherwise influence the corporation's most significant business decisions and operations.

24. **ARTHUR JOHN SCHLECHT** substantially controlled, managed, ran and otherwise influenced Certified's significant business decisions and operations.

25. **ARTHUR JOHN SCHLECHT** had an existing history of regulatory enforcement and disciplinary actions and sanctions arising from his activities in the commodities investment

industry. These matters included a complaint filed in the United States District Court by the CFTC against **SCHLECHT** and Concorde Trading Group, Inc., a commodities investment brokerage which **SCHLECHT** had owned at the time. This CFTC civil action resulted in a 1996 consent order of permanent injunction against **SCHLECHT** and his firm, as well as court-ordered restitution payable to certain former clients of that firm. Additionally, **SCHLECHT** had been the subject of: (a) an earlier six-month suspension of his NFA "associate member" registration imposed by the NFA in 1990; (b) a five-year withdrawal of **SCHLECHT's** NFA membership effective June 2002 as a consequence of two separate NFA enforcement actions and related settlements which also included the permanent termination of Concorde Trading Group's NFA membership status; and (c) an uncontested Cease and Desist Order issued by the State of Maine in 2003 directed both toward **SCHLECHT** and Schlecht Group, Inc. d/b/a "U.S. Metals," yet another precious metals-related brokerage operation which **SCHLECHT** then controlled.

26. Defendant **FREDERICK BART GOMER**, a resident of Broward County, Florida, served as an outside accountant and bookkeeper for Global Bullion and CAM throughout 2005 and approximately the first six months of 2006. Commencing in approximately June 2006, **GOMER** was enlisted to conduct his accounting work for Global Bullion and CAM on a full-time basis at the brokerage's Dixie Highway Office as a salaried employee.

27. **FREDERICK BART GOMER** purchased Certified as a non-active business on or about November 1, 2006. Thereafter, documents were filed with the State of Florida on or about December 7, 2006 which designated **GOMER** as the sole director and officer of the corporation.

28. **FREDERICK BART GOMER** replaced **SCHLECHT's** family member as the director of CAM in the Florida public record on or about April 22, 2007.

29. Defendant **RICARDO JORGE PADRON**, a resident of Miami-Dade County, Florida, served as a sales associate or broker at Global Bullion while working at the Dixie Highway Office and later for both Global Bullion and Certified, Inc.'s "CIIBBS" operation at the Greenery Mall Office.

30. **RICARDO JORGE PADRON** was designated as Global Bullion's sole director in the Florida public record on or about January 12, 2006.

31. Defendant **CARLOS RODRIGUEZ, JR.**, a resident of Miami-Dade County, Florida, served as a sales associate or broker at Global Bullion while working at the Dixie Highway Office and later for both Global Bullion and Certified, Inc.'s "CIIBS" operation at the Greenery Mall Office.

COUNT 1
CONSPIRACY TO COMMIT MAIL AND WIRE FRAUD
(18 U.S.C. § 1349)

1. Paragraphs 1 through 31 of the General Allegations section of this Indictment are realleged and incorporated herein by reference as though fully set forth herein.

2. From in or around at least as early as January 2005, through in or around October 2009, in Miami-Dade County, in the Southern District of Florida, and elsewhere, the defendants,

ARTHUR JOHN SCHLECHT,
FREDERICK BART GOMER,
RICARDO JORGE PADRON, and
CARLOS RODRIGUEZ, JR.,

did wilfully, that is, with the intent to further the objects of the conspiracy, and knowingly combine, conspire, confederate and agree with each other, and with others known and unknown to the Grand Jury, to commit certain offenses against the United States, namely:

a. to knowingly and with intent to defraud, devise and intend to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, knowing that the pretenses, representations and promises were false and fraudulent when made, and knowingly cause to be delivered certain mail matter by the United States Postal Service and any private or commercial interstate carrier, according to the directions thereon, for the purpose of executing the scheme and artifice, in violation of Title 18, United States Code, Section 1341; and

b. to knowingly and with intent to defraud, devise and intend to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, knowing that the pretenses, representations and promises were false and fraudulent when made, and knowingly transmit and cause to be transmitted by wire communications in interstate and foreign commerce certain writings, signs and signals, for the purpose of executing the scheme and artifice, in violation of Title 18, United States Code, Section 1343.

PURPOSE OF THE CONSPIRACY

3. It was the purpose of the conspiracy for the defendants and their co-conspirators to defraud investors and obtain money and property by means of materially false and fraudulent pretenses, representations, and promises in connection with precious metals-related investments by: (a) soliciting and causing others to solicit millions of dollars in funds from investors under false pretenses consisting of materially false statements and omissions of material facts; (b) intentionally failing to utilize investor-supplied funds and assets in the manner which the defendants, their co-conspirators and others had promised; (c) misappropriating and converting investor-supplied funds

for their own benefit and the benefit of others without the knowledge or authorization of the investors; and (d) engaging in false statements and other fraudulent activities designed to conceal the commission of such conduct.

MANNER AND MEANS OF THE CONSPIRACY

The manner and means by which the defendants and their co-conspirators sought to accomplish the objects and purpose of the conspiracy included, among others, the following:

A. Fraudulent Marketing Activities

4. The defendants, their co-conspirators and others; represented and caused to be represented to the investing public that Global Bullion, CAM and Certified were investment brokerages offering potential and existing clients (“investors”) the opportunity to make leveraged purchases of what was represented to be physical gold, silver, platinum and palladium bullion with the aid of margin financing.

5. In connection with their business operations, the defendants, their co-conspirators and others would develop, implement and utilize various marketing strategies and marketing-related activities which would target investors within and outside the State of Florida. These activities would consist of solicitations made to investors over telephones, advertising, fax, email, internet website displays, and downloadable website documents, all touting the investment opportunity in supposed precious metals.

6. As a further part of their marketing strategies and marketing-related activities, the defendants, their co-conspirators and others would also develop, implement and utilize printed advertising and transactional materials concerning Global Bullion, CAM and Certified which they would deliver to investors residing throughout the United States and in certain foreign countries by

the United States Postal Service or by private or commercial interstate carriers.

7. To induce individuals to invest with Global Bullion, CAM and Certified, the defendants, their co-conspirators and others falsely and fraudulently represented and caused to be represented to investors through their marketing materials and otherwise that investors could purchase precious metals in ounce increments, which precious metals would be owned by each individual investor, and would be stored in trust for the investor in depository vaults or other secured precious metals depositories. The defendants, their co-conspirators and others further represented that the investor's precious metals would be insured.

8. The defendants, their co-conspirators and others also falsely and fraudulently represented and caused to be represented to investors through their marketing materials and otherwise that the particular stored precious metals which the individual investor had purchased could be shipped to them from the depository where their precious metals were allegedly stored, and that the investor could take delivery and physical possession of his or her metals upon payment of shipping and other fees, provided that any outstanding margin loan balances were paid off.

9. The defendants, their co-conspirators and others would represent to investors that the metals could be purchased through margin financing, and that this financing would be supplied by one of two so-called "clearing firm" brokerages with which their firms would claim to be associated. In the case of Global Bullion, CAM would be represented to investors as the "clearing firm" and margin lender for the leveraged portion of the investors' precious metals purchases. In the case of Certified (doing business as "CIIBBS"), "Certified Clearing" would be represented to investors as the purported "clearing firm" and margin lender.

10. The defendants, their co-conspirators and others would represent and cause to be represented to investors that interest would be charged to the accounts of investing clients as a fee for the investing clients' use of the funds or credit extensions which would supposedly be loaned to these investors by CAM or Certified.

11. To offer individuals a sense of security regarding the integrity of their investments, the defendants, their co-conspirators and others would falsely and fraudulently represent to investors that the investors' ownership of the precious metals would be recorded and held as investment positions within the investors' individual brokerage accounts purportedly maintained by CAM or Certified. The defendants, their co-conspirators and others would further represent to investors that each individual investor's assigned broker would assist the investor in making precious metals purchases and sales ("trades"), but that no such trades would ever be conducted without the express authorization and consent of the investor.

12. Several of the defendants, their co-conspirators and others would conduct the above-described marketing activities as self-described brokers or sales associates who would attempt to convince investors to agree to make purported precious metal bullion purchases. In so doing, these same brokers would stand to earn brokerage commissions and/or portions of spread markups received in connection with each such purchase.

13. Based on the above false and fraudulent representations concerning the investment, investors would agree to purchase precious metals and would send funds by interstate wire transfers or checks delivered to the various offices of Global Bullion, CAM and Certified in the Southern District of Florida by the United States Postal Service or by private or commercial interstate carriers. In each such instance, investor-supplied funds would be deposited into bank accounts maintained

by the firms at branches located in the Southern District of Florida.

14. The defendants, their co-conspirators and others would represent to investors that after brokerage commissions, spreads and certain other fees were deducted from the funds which investors supplied, the remaining portions of such funds would be used as the fractional investor-supplied equity amounts necessary to make the “leveraged” precious metals purchases.

15. After receiving investor money, the defendants, their co-conspirators and others also would regularly send to investing clients so-called account statements, which would be delivered by the United States Postal Service, listing the metal which the investing clients were alleged to have purchased and further delineating the ounces of gold, silver, platinum or palladium purportedly acquired.

16. Investing clients were thereafter frequently required by CAM or Certified to honor purported “margin call” or “equity call” obligations and to pay additional funds because their account equity levels had allegedly dropped below the minimum margin amount due to declining market conditions.

B. Material Misrepresentations and Omissions Concerning the Purchase of the Precious Metals

17. The precious metals which the defendants, their co-conspirators and others promised to purchase and obtain for their investing clients, and later claimed to have purchased and obtained, did not exist. Instead, what was purchased, if anything, was nothing more than an ambiguous and indirect interest in a derivative investment consisting of precious metal rolling spot contracts actually owned and held by CAM and Certified in the two firms’ rolling spot trading accounts which had been established by CAM and Certified with a clearing firm brokerage.

18. The precious metals which the defendants, their co-conspirators and others promised to purchase and obtain for their investing clients, and claimed to have purchased and obtained, were not physically stored for their investing clients in depository vaults or other secured precious metals depositories, as the defendants, co-conspirators and others did not purchase any physical metal. Likewise, the investors could never obtain any ownership of any amount of physical metal. Furthermore, neither CAM nor Certified possessed or held any stock of physical precious metals which CAM or Certified could store on behalf of their investing clients, nor had these two firms obtained, nor would they obtain, any amount of physical metal such that any investing client could ever take delivery from CAM or Certified of any metal stored by either of these two firms for the investing client.

C. Commingling of Investing Clients' "Brokerage Accounts"

19. In order to conduct the business of Global Bullion, CAM and Certified, certain investment trading accounts were established with a clearing firm brokerage located in the United Kingdom (hereinafter referred to as the "London Broker/Dealer"). Through the actions of **ARTHUR JOHN SCHLECHT** and others, CAM established its account by means of account opening documents signed by a **SCHLECHT** family member as CAM's president. In approximately June 2007, through the actions of **SCHLECHT, FREDERICK BART GOMER**, their co-conspirators and others, Certified established its first investment trading account with this same London Broker/Dealer by means of account opening documents signed by **GOMER** as Certified's president.

20. The London Broker/Dealer agreed to conduct over-the-counter ("OTC") market transactions and other investment-related activities for CAM and Certified with respect to the purchase/sale ("trading") of precious metal rolling spot contracts to be held and maintained in

CAM's and Certified's respective investment trading accounts (hereinafter referred to as the "rolling spot trading accounts").

21. The rolling spot trading accounts established for CAM and Certified with the firms' London Broker/Dealer were non-segregated, such that the corresponding CAM and Certified brokerage accounts which CAM and Certified claimed to have established for each of their individual investing clients were not recognized by the London Broker/Dealer. In fact, all of the rolling spot contracts purchased through the London Broker/Dealer, which were owned by CAM and Certified, were subject to terms and conditions which had earlier been agreed upon between these two firms and their London Broker/Dealer, but without the investing clients' knowledge or consent, even though it was the investing clients' funds and assets which made these purchases possible. This also exposed the investing clients to additional risks arising from the London Broker/Dealer's minimum margin maintenance requirements and the Broker/Dealer's right to initiate margin calls.

22. As a result of the non-segregated nature of the rolling spot trading accounts, the defendants, their co-conspirators and others concealed that CAM and Certified: (a) failed to conduct some or all of their investing clients' promised investment purchase transactions despite having been supplied funds by these clients for this purpose and (b) regularly conducted unauthorized trading with their clients' funds and assets without the investing clients' knowledge or in total disregard of their instructions.

D. Conversion of Investor-Supplied Funds for the Benefit of Arthur John Schlecht

23. Over the course of the conspiracy, certain of the defendants, their co-conspirators and others used the illusion of the supposed "clearing firms" to funnel investor money to **ARTHUR JOHN SCHLECHT**.

24. Despite representations to the contrary by the defendants, their co-conspirators, and others, CAM was not an independent clearing firm business with which Global Bullion had become associated. Rather, both Global Bullion and CAM were predominantly controlled by **ARTHUR JOHN SCHLECHT** and operated by the defendants, their co-conspirators and others. This alter ego relationship between Global Bullion and CAM was never disclosed, and it was actively concealed from investing clients by the defendants, their co-conspirators and others. "Certified Clearing" also was not an independent business with which Certified had become associated for the purpose of engaging in various "clearing firm" functions for its "CIIBBS" operation.

25. Neither CAM nor Certified were *bona fide* clearing firms engaged in the business of supplying margin credit to investing clients for the purpose of financing leveraged investment transactions. Neither CAM nor Certified supplied any loan proceeds or extensions of credit to their investing clients, nor did these firms have the assets or resources to obtain the required level of margin financing for their numerous investing clients from a third party lender or financial institution.

26. Despite not providing the margin financing represented, the defendants, their co-conspirators and others falsely represented and cause to be represented to investing clients that margin loans were being supplied to these investors by CAM or Certified, such that the defendants and their co-conspirators would assess and collect millions in supposed interest-related charges from their investing clients in connection with these non-existent loans.

27. CAM and Certified were subject to significantly less stringent minimum margin requirements by their London Broker/Dealer than the minimum margin and equity requirements which the defendants, their co-conspirators and others would concurrently impose upon the firms'

investing clients. Consequently, the defendants and co-conspirators retained significant portions of the equity-related funds received from these investing clients and never supplied the funds to the London Broker/Dealer for purposes consistent with maintaining, insuring and safeguarding margin and account equity funds and required equity and margin levels. In addition, substantial portions of equity-related funds supplied by investing clients in connection with so-called "margin calls" or "equity calls" which were initiated by the defendants, their co-conspirators and others, were also held back in similar fashion once received. In all such instances, the firms' investing clients were never informed that a substantial portion of the funds which they had supplied as "equity" would never be used in connection with the investing clients' leveraged precious metals purchases.

28. The local checking accounts in which investor-supplied equity funds were deposited were not segregated, nor were they maintained exclusively for the purpose of safeguarding the firms' clients' equity-related funds. Rather, these funds were commingled within the firms' various operating accounts which were used to pay operating expenses. These operating accounts were also used for the fraudulent funding of payments to certain of the defendants and their co-conspirators or payments to third parties for the benefit of these same defendants and co-conspirators. This resulted in investing clients' equity funds being used for the purpose of making fraudulent payments without their authorization, consent or knowledge.

29. **ARTHUR JOHN SCHLECHT**, often with the assistance of **FREDERICK BART GOMER**, would receive direct disbursements of investor-supplied funds from the above-described checking accounts. Additionally, **SCHLECHT** would benefit from direct disbursements to members of **SCHLECHT's** family, as well as from additional disbursements and payments to various third parties and credit card providers in connection with services, materials and merchandise

which would benefit **SCHLECHT** and/or members of **SCHLECHT's** family. **SCHLECHT** fraudulently used investor-supplied funds totaling multiple millions of dollars, including payments to third parties for such personal expenses as: (a) maid services, (b) personal income tax payments, (c) salary payments and social security account contributions for a **SCHLECHT** family member who was fraudulently carried as an employee of Global Bullion, (d) clothing, (e) jewelry, (f) personal loan interest and principal payments, (g) dining, (h) hotel, airline and other travel expenses, (i) private school tuition, (j) automobile purchases, customization and repairs, (k) automobile lease and loan payments, (l) home landscaping, remodeling, construction, repair, decorating and interior furnishing expenses, (m) vacation home construction, landscaping, window tinting, decorating and interior furnishing expenses, (n) family health insurance premiums, (o) home theater and sound systems, (p) cable television charges, (q) home electric charges, (r) monthly home rental payments for another **SCHLECHT** family member, (s) groceries and specialty food deliveries, (t) boat maintenance and repairs, and (u) massage services.

E. Concealment of Arthur John Schlecht's Involvement in Global Bullion and CAM

30. The defendants and their co-conspirators would engage in certain deceitful practices designed to conceal that **ARTHUR JOHN SCHLECHT** owned and/or controlled Global Bullion and CAM. These concealment activities were orchestrated in response to certain investing clients' complaints and expressed concerns regarding their discovery of **SCHLECHT's** negative history, and would also serve to prevent potential investors from making similar discoveries.

31. In furtherance of their fraudulent efforts to conceal **ARTHUR JOHN SCHLECHT's** negative regulatory and disciplinary history from investors and to further misrepresent the nature and extent of **SCHLECHT's** involvement concerning Global Bullion and

CAM, **SCHLECHT** would falsely and misleadingly represent to investing clients and others that he no longer owned Global Bullion and CAM and/or had minor involvement with these two firms. These same false representations would also be made under oath by **SCHLECHT, FREDERICK BART GOMER** and **RICARDO JORGE PADRON** during civil litigation brought by certain of the firms' investing clients, as well as made by **PADRON**, with **SCHLECHT's** knowledge and assistance, to the CFTC during an inquiry by that federal agency concerning complaints which had been brought before the CFTC by a number of investing clients of Global Bullion and CAM.

32. In order to further substantiate their false and misleading claims concerning **ARTHUR JOHN SCHLECHT's** non-ownership and limited involvement and control concerning Global Bullion and CAM, **SCHLECHT, FREDERICK BART GOMER** and **RICARDO JORGE PADRON** would participate in certain fraudulent and misleading purported sales transactions wherein it would be represented that **SCHLECHT** had sold Global Bullion to **PADRON** for \$1 million (or \$750,000) and CAM to **GOMER** for \$500,000. Additionally, written sales agreements were prepared and fraudulently back-dated. These agreements falsely indicated that **GOMER** and **PADRON** were both indebted to **SCHLECHT** for their respective purchase prices and obligated to make monthly installment payments to **SCHLECHT**. In truth, no such payments were ever made by **GOMER** or **PADRON**, and **SCHLECHT** continued to retain substantial control and influence over the business operations of both corporations. Further, **SCHLECHT, GOMER, and PADRON** would falsely testify under oath during the course of the above-referenced civil proceedings concerning the dates of these purported sales and that installment payments had been made, and were being made, by **GOMER** and **PADRON** on a monthly basis.

E. Creation of Certified as a Successor to Global Bullion and CAM

33. In or around November 2006, the defendants and their co-conspirators agreed to conduct the same business conducted by Global Bullion and CAM, with substantially the same staff of brokers, but under Certified's corporate name, due to: (a) the negative impact which **ARTHUR JOHN SCHLECHT**'s public regulatory and disciplinary history was having upon Global Bullion's investor solicitation activities, and (b) adverse publicity arising from a multitude of investor complaints concerning Global Bullion and CAM which were set forth in the public record. As a result, **SCHLECHT, FREDERICK BART GOMER** and their co-conspirators would create and establish Certified's investment brokerage and clearing firm operations, while the defendants, their co-conspirators and others would represent to investors and the public that Certified was a separate and distinct firm with over sixteen years experience in the investment business. In truth, Certified had been a dormant, non-active corporation during this entire sixteen-year time period. Certified's establishment as an investment brokerage was a means by which the defendants and their co-conspirators could continue to solicit investors in connection with their existing precious metals investment operations without investors becoming aware of the negative public record information which was then affecting Global Bullion and CAM.

F. Concealment of "Spread Rebates" Paid to Schlecht

34. In or around July 2007, while **ARTHUR JOHN SCHLECHT** was representing that he no longer owned or had involvement with CAM or Global Bullion, **SCHLECHT** obtained an agreement from the London Broker/Dealer to begin a process in which the Broker/Dealer would rebate a portion of the spread markup it charged to CAM for CAM's rolling spot contract purchases. Through this process, the London Broker/Dealer would supply funds back to CAM as a type of

reward for the business CAM was bringing to the Broker/Dealer. This same “inside the spread rebate” procedure was also initiated by **SCHLECHT** and the London Broker/Dealer a few months later in approximately October 2007 with regard to rolling spot contract purchases conducted upon Certified’s rolling spot trading accounts.

35. The above-referenced rebated spread funds were funneled back to CAM and Certified through the actions of **FREDERICK BART GOMER** by wire transfers from the London Broker/Dealer to operating accounts maintained by Global Bullion, CAM and Certified. Thereafter, the overwhelming majority of these funds, amounting to multiple millions of dollars, were secretly forwarded to **ARTHUR JOHN SCHLECHT** through check payments and wire transfers conducted by **GOMER** at **SCHLECHT**’s direction to a **SCHLECHT**-owned corporation for so-called “consulting services” which **SCHLECHT** could falsely claim to have performed for these firms.

36. Investing clients were never informed of the rebate or that **ARTHUR JOHN SCHLECHT** was the recipient of the majority of these rebated funds.

G. Global Bullion/CAM Operates While Insolvent and With an “Empty Book”

37. Throughout the relevant period, not only did the defendants and their co-conspirators fail to purchase any physical metal bullion as promised to their investing clients, but even the rolling spot contract purchases conducted by CAM did not come close to the quantity of “precious metals” purchases which were supposedly being made upon the investing clients’ behalf. The defendants and their co-conspirators were aware that investor-supplied equity funds delivered to Global Bullion and CAM in support of investment purchases had, in addition to not being used to make “leveraged” purchases of any physical precious metals, been misappropriated and used for purposes having nothing whatsoever to do with the investing clients’ promised leveraged precious metals purchases.

38. The account equity related to the investment positions possessed by all of CAM's investing clients amounted to liabilities or "exposure" which CAM owed to these investing clients. Because the defendants and their co-conspirators did not utilize investor-supplied funds in full and appropriate fashion, CAM's liabilities to its investing clients exceeded the total of CAM's and Global Bullion's rolling spot trading account investment positions and the firms' other account assets by multiple millions of dollars. Accordingly, CAM and Global Bullion were operating as insolvent businesses with substantial liabilities in the form of the non-existent precious metals which their investing clients were deceived into believing had been purchased for them (as reflected in their account statements), but which actually were never purchased, whether as physical precious metal bullion or even as rolling spot contracts. This situation was routinely referred to by the defendants and their co-conspirators as an "empty book."

H. Transfer of CAM's "Empty" Investing Client Accounts to Certified

39. In 2008, **ARTHUR JOHN SCHLECHT** decided to transfer the brokerage accounts of the investing clients of Global Bullion and CAM to the newly formed Certified operation, knowing that the account positions and investment assets of the firms' investing clients were substantially non-existent or "empty" and a product of a large amount of fictitious internal recordkeeping. In order to do this, **SCHLECHT** enlisted the help of **FREDERICK BART GOMER, RICARDO JORGE PADRON, CARLOS RODRIGUEZ, JR.** and at least one other co-conspirator.

40. The idea to transfer multiple millions of dollars in additional liabilities to Certified in the form of uncovered investor account positions was orchestrated by the defendants and their co-conspirators as a way to continue hiding the insolvency of Global Bullion and CAM from investing

clients and to hide the fact that all or a significant portion of their investments had not been acquired or were then not covered and “empty.” Accordingly, in or around October, 2008, the defendants and their co-conspirators implemented the plan to shift Global Bullion’s and CAM’s investors to Certified by mailing letters to investing clients which stated that their accounts would be transferred to “Certified, Inc. . . . a sixteen year old premier brokerage concern” offering “new technology” and “technical innovations.” At no point in this correspondence or in other communications concerning the transfer of these investing clients’ accounts were they informed that “Certified, Inc.” was an alter ego operation of Global Bullion and CAM.

G. The Continuation of Operations While Insolvent

41. Despite the fact that Certified would become infected and, like Global Bullion and CAM, be driven into immediate insolvency by the transfer of CAM’s “empty” investing client account positions and resultant multi-million dollar liabilities, the defendants and their co-conspirators would continue operating Certified, as well as conducting residual operations for CAM and Global Bullion, by aggressively soliciting new and existing investors, and convincing them to supply funds for precious metals purchases, while knowing that these investor-supplied funds would be misappropriated and used by the defendants and their co-conspirators for purposes completely unrelated to the promised, agreed and expected use of these newly-solicited investors’ funds for purchasing their precious metals. Rather, the defendants and their co-conspirators would use these funds for such undisclosed and unauthorized purposes as: (a) acquiring rolling spot contract investments, in many instances, so as to fill the “empty” account positions of other investors; (b) providing funds to prior investing clients who would request that their precious metals be sold and were demanding delivery of the sales proceeds; (c) paying operating expenses and broker

commissions that, due to the firms' insolvency, could only be paid with the equity funds supplied by investors; (d) making settlement payments to investing clients who had filed lawsuits or were threatening litigation; and (e) additional fraudulent payments of the type previously described to, or for the benefit of, **ARTHUR JOHN SCHLECHT**.

42. In a further attempt to continue the firms' operations while concealing the fact that the firms were insolvent with uncovered or "empty" investing client account positions, the defendants and their co-conspirators agreed and decided to engage in large-scale unauthorized proprietary trading by **RICARDO JORGE PADRON** and **CARLOS RODRIGUEZ, JR.** using the firms' London rolling spot accounts. By doing this, the defendants and their co-conspirators would treat the investment positions and assets available to CAM and Certified in the rolling spot accounts as essentially belonging to them to do with as they pleased, instead of assets entrusted to them by investing clients to be bought and sold in accordance with the investing clients' consent. Consequently, without consulting the affected investing clients, large undisclosed and unauthorized trades would be conducted with large blocks of assets in the rolling spot trading accounts in an attempt to engage in wide-ranging speculation with investing clients' assets exposing these investing clients to substantial risks without their knowledge. These fraudulent activities were designed to generate hoped-for trading profits with their investing clients' account assets, allowing the profits to be used by the defendants and their co-conspirators to purchase additional rolling spot contracts to cover empty investing client account positions.

All in violation of Title 18, United States Code, Section 1349.

COUNT 2
WIRE FRAUD
(18 U.S.C. § 1343)

1. Paragraphs 1 through 31 of the General Allegations section of this Indictment are realleged and incorporated herein by reference as if full set forth herein.

2. From in or around at least as early as January 2005, to in or around October 2009, in Miami-Dade County, in the Southern District of Florida, and elsewhere, the defendant,

ARTHUR JOHN SCHLECHT,

did knowingly, and with intent to defraud, devise and intend to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, knowing that the pretenses, representations, and promises were false and fraudulent when made and attempted to do so and knowingly transmit and cause to be transmitted by wire communications in interstate and foreign commerce certain writings, signs and signals, for the purpose of executing the scheme and artifice.

PURPOSE OF THE SCHEME AND ARTIFICE

3. It was the purpose of the scheme and artifice for **ARTHUR JOHN SCHLECHT** and his accomplices to defraud investors and obtain money and property by means of materially false and fraudulent pretenses, representations, and promises in connection with precious metals-related investments by: (a) soliciting and causing others to solicit millions of dollars in funds from investors under false pretenses consisting of materially false statements and omissions of material facts; (b) intentionally failing to utilize investor-supplied funds and assets in the manner which **SCHLECHT**, his accomplices and others had promised; (c) misappropriating and converting investor-supplied funds for their own benefit and the benefit of others without the knowledge or authorization of the

investors; and (d) engaging in false statements and other fraudulent activities designed to conceal the commission of such conduct.

MANNER AND MEANS OF THE SCHEME AND ARTIFICE

4. Paragraphs 4 through 42 of the Manner and Means Section of Count 1 are realleged and incorporated herein as a description of the scheme and artifice.

USE OF THE WIRES

5. On or about August 10, 2007, the defendant, **ARTHUR JOHN SCHLECHT**, for the purpose of executing and in furtherance of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises, did knowingly transmit and cause to be transmitted by means of wire communication in interstate commerce certain writings, signs, signals, pictures and sounds, to wit, a wire transfer originating in the Southern District of Florida in the amount of \$100,000.00 for debit upon originating Wachovia Bank checking account number *****7494 in the name of Global Bullion Trading Group, Inc. and electronically transmitted to Bank of America, N.A., New York, N.Y. as receiving institution for said wire transfer for eventual further credit to the beneficiary financial institution, Bank of America checking account number *****1248 in Miami, Florida, in violation of Title 18, United States Code, Sections 1343 and 2.

FORFEITURE
(18 U.S.C. § 981(a)(1)(C))

1. The allegations in Counts 1 and 2 of this Indictment are realleged and fully incorporated herein by reference for the purpose of alleging forfeiture to the United States of America of certain property in which the defendants, **ARTHUR JOHN SCHLECHT**,

FREDERICK BART GOMER, RICARDO JORGE PADRON and CARLOS RODRIGUEZ, JR., have an interest.

2. Upon conviction of any violation alleged in this Indictment, defendants **ARTHUR JOHN SCHLECHT, FREDERICK BART GOMER, RICARDO JORGE PADRON and CARLOS RODRIGUEZ, JR.** shall forfeit to the United States of America, pursuant to Title 18, United States Code, Section 981(a)(1)(C), any property, real or personal, which constitutes, or is derived from, any proceeds traceable to such violation.

All pursuant to Title 18, United States Code, Section 981(a)(1)(C), made applicable through Title 28, United States Code, Section 2461(c), and the procedures set forth at Title 21, United States Code, Section 853.

A TRUE BILL


FOREPERSON


WIFREDO A. FERRER
UNITED STATES ATTORNEY


PETER B. OUTERBRIDGE
ASSISTANT UNITED STATES ATTORNEY

UNITED STATES OF AMERICA

CASE NO. _____

vs.

ARTHUR JOHN SCHLECHT
FREDERICK BART GOMER
RICARDO JORGE PADRON, and
CARLOS RODRIGUEZ, JR.,

CERTIFICATE OF TRIAL ATTORNEY*

Superseding Case Information:

Defendant. _____

Court Division: (Select One)

X Miami _____ Key West
FTL _____ WPB _____ FTPNew Defendant(s) _____
Number of New Defendants _____
Total number of counts _____

Yes _____ No _____

I do hereby certify that:

1. I have carefully considered the allegations of the indictment, the number of defendants, the number of probable witnesses and the legal complexities of the Indictment/Information attached hereto.
2. I am aware that the information supplied on this statement will be relied upon by the Judges of this Court in setting their calendars and scheduling criminal trials under the mandate of the Speedy Trial Act, Title 28 U.S.C. Section 3161.

3. Interpreter: (Yes or No) No
List language and/or dialect _____

4. This case will take 24 days for the parties to try.

5. Please check appropriate category and type of offense listed below:

(Check only one)

(Check only one)

I	0 to 5 days	_____	Petty	_____
II	6 to 10 days	_____	Minor	_____
III	11 to 20 days	_____	Misdem.	_____
IV	21 to 60 days	<u>X</u>	Felony	<u>X</u>
V	61 days and over	_____		

6. Has this case been previously filed in this District Court? (Yes or No) No

If yes:

Judge: _____

Case No. _____

(Attach copy of dispositive order)

Has a complaint been filed in this matter? (Yes or No) No

If yes:

Magistrate Case No. _____

Related Miscellaneous numbers: _____

Defendant(s) in federal custody as of _____

Defendant(s) in state custody as of _____

Rule 20 from the _____ District of _____

Is this a potential death penalty case? (Yes or No) No

7. Does this case originate from a matter pending in the Northern Region of the U.S. Attorney's Office prior to October 14, 2003? _____ Yes X No

8. Does this case originate from a matter pending in the Central Region of the U.S. Attorney's Office prior to September 1, 2007? _____ Yes X No

PETER B. OUTERBRIDGE
ASSISTANT UNITED STATES ATTORNEY
Florida Bar No. 0289914

*Penalty Sheet(s) attached

REV 4/8/08

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET

Defendant's Name: Arthur John Schlecht

Case No: _____

Count #1:
Conspiracy To Commit Mail and Wire Fraud

Title 18, United States Code, Section 1349

*** Max. Penalty:** 20 years' imprisonment

Count #2:
Wire Fraud

Title 18, United States Code, Section 1343

***Max. Penalty:** 20 years' imprisonment

Count #

***Max. Penalty:** _____

Count #:

***Max. Penalty:** _____

***Refers only to possible term of incarceration, does not include possible fines, restitution, special assessments, parole terms, or forfeitures that may be applicable.**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET

Defendant's Name: Frederick Bart Gomer

Case No: _____

Count #1: Conspiracy To Commit Mail and Wire Fraud

Title 18, United States Code, Section 1349

*** Max. Penalty:** 20 years' imprisonment

Count #: _____

***Max. Penalty:** _____

Count # _____

***Max. Penalty:** _____

Count #: _____

***Max. Penalty:** _____

***Refers only to possible term of incarceration, does not include possible fines, restitution, special assessments, parole terms, or forfeitures that may be applicable.**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET

Defendant's Name: Ricardo Jorge Padron

Case No: _____

Count #1: Conspiracy To Commit Mail and Wire Fraud

Title 18, United States Code, Section 1349

*** Max. Penalty:** 20 years' imprisonment

Count #: _____

***Max. Penalty:** _____

Count # _____

***Max. Penalty:** _____

Count #: _____

***Max. Penalty:** _____

***Refers only to possible term of incarceration, does not include possible fines, restitution, special assessments, parole terms, or forfeitures that may be applicable.**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET

Defendant's Name: Carlos Rodriguez, Jr.

Case No: _____

Count #1: _____
Conspiracy To Commit Mail and Wire Fraud

_____ Title 18, United States Code, Section 1349

*** Max. Penalty:** 20 years' imprisonment

Count #: _____

***Max. Penalty:** _____

Count # _____

***Max. Penalty:** _____

Count #: _____

***Max. Penalty:** _____

***Refers only to possible term of incarceration, does not include possible fines, restitution, special assessments, parole terms, or forfeitures that may be applicable.**