

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 v.)
)
 (1) ERIC RICHARD KRAHNKE and)
)
 (2) MICHAEL IAN STRIKER,)
)
 Defendants.)

INDICTMENT
(18 U.S.C. § 2)
(18 U.S.C. § 1344)
(18 U.S.C. § 1349)
(18 U.S.C. § 1957)

CR-08-266 JMR/JJG

THE UNITED STATES GRAND JURY CHARGES THAT:

INTRODUCTION

At all times relevant to this Indictment:

1. Defendant Eric Richard KRAHNKE, a Minnesota resident, was a construction loan officer at Associated Bank. KRAHNKE was also the owner of an independent mortgage brokerage company called Worldwide Mortgage & Investments LLC ("Worldwide").

2. Defendant Michael Ian STRIKER, a Minnesota resident, was an Associated Bank customer of KRAHNKE's, and was the President and sole owner of a real estate company that he created in early 2002 called U.S. Equities of Minnesota Inc. ("U.S. Equities"). STRIKER acted either in his own name or through U.S. Equities. Hereafter STRIKER, whether acting in his own name or through U.S. Equities, will be referred to collectively as "STRIKER."

3. Associated Bank (the "Bank") was a "financial institution" with deposits that were insured by the Federal Deposit Insurance Corporation.

SCANNED
AUG 20 2008
U.S. DISTRICT COURT MPLS

FILED AUG 20 2008
RICHARD D. SLETTEN
JUDGMENT ENTD _____
DEPUTY CLERK _____

COUNT 1

(Conspiracy to Commit Bank Fraud)

4. The Grand Jury re-alleges and incorporates Paragraphs 1 through 3 of the Indictment as if set forth fully herein.

5. From on or about March 5, 2003, and continuing until on or about October 31, 2003, in the State and District of Minnesota, the defendants,

**ERIC RICHARD KRAHNKE and
MICHAEL IAN STRIKER,**

knowingly and willfully conspired and agreed with each other to execute and to attempt to execute a scheme and artifice to defraud, and to obtain moneys, funds, credits, assets, securities, and other property owned by, and under the custody or control of, a financial institution, by means of material false and fraudulent pretenses, representations, and promises.

OBJECT OF CONSPIRACY

6. It was the object of the conspiracy to defraud the Bank and to obtain money from the Bank in the form of residential real estate loans that generated cash back to STRIKER, and concealed fees and commissions to KRAHNKE.

MANNER AND MEANS OF CONSPIRACY

7. The manner and means of the conspiracy included:
- a. STRIKER submitted at least 21 real estate loan applications to KRAHNKE, all of which KRAHNKE

accepted as a loan officer for the Bank and all of which were ultimately processed by the Bank and disbursed, in an aggregate amount in excess of \$4 million (collectively the "Loans");

- b. In connection with the Loan applications, STRIKER submitted false and misleading information that overstated his and U.S. Equities' financial condition;
- c. STRIKER caused to be submitted, and KRAHNKE knowingly accepted, inflated appraisals for the underlying properties that were above the true market value of the properties. The inflated appraisals resulted in higher gross Loan amounts, which allowed KRAHNKE and STRIKER to obtain money out of the Loan proceeds that they otherwise would not have been able to obtain;
- d. To get STRIKER's Loan application materials through the Bank, KRAHNKE manipulated the Bank's internal loan approval process by: (i) seeking, as to different Loans, approval from different approving Bank officers, in different Bank locations; and (ii) typing, on many of the Loan approval forms, that the Loans had been "approved by" KRAHNKE's

superior, when in truth the superior had not approved the Loans;

- e. In total, STRIKER obtained over \$4 million in proceeds, and personally obtained over \$724,000 at closing on the Loans, the latter representing the remaining Loan amount after payment of any purchase price, prior loan obligation, closing costs, and fees.
- f. Although the Loans were represented to be for the purpose of construction financing of the underlying properties, in fact STRIKER did little, if any, of the rehab construction work for which he represented these funds would be used, and instead used these funds for payment of other expenses and debts unrelated to the purchased properties, including debts that STRIKER owed on other real estate loans;
- g. In the case of many of the Loans, the properties were not vacant rehab properties at all, but rather were homes that financially-distressed individual homeowners were still living in. The homeowners had conveyed their title to STRIKER, or businesses that STRIKER was working with, under a contractual

agreement whereby they re-purchased the residence on a contract for deed. At the same time these homeowners thought that STRIKER was helping them to stay in their homes, STRIKER was falsely representing to the Bank an intention to rehab and re-sell these properties;

- h. KRAHNKE authorized payment of, and STRIKER received, 100 percent of each Loan amount in a single distribution, despite standard Bank and construction lending procedures that would have required STRIKER to obtain, and KRAHNKE to approve, periodic installments, or draws, as the construction work was being completed;
- i. KRAHNKE received commissions from the Bank for originating the Loans. But in addition, STRIKER agreed to pay a broker fee, in the amount of usually 3 percent of the net Loan amount, to Worldwide which, unknown to the Bank, was secretly owned by KRAHNKE. STRIKER paid, and KRAHNKE accepted, this broker fee, even though the loan was originated directly through the Bank;
- j. In addition to the aforementioned fees and commissions, STRIKER purchased and gave KRAHNKE a

Rolex-brand watch worth several thousand dollars, which as KRAHNKE knew was in violation of the Bank's code of conduct for employees concerning receipt of bribes, kickbacks, and personal benefits from a customer.

8. All in violation of Title 18, United States Code, Sections 1344 and 1349.

COUNTS 2-22
(Bank Fraud)

9. The Grand Jury re-alleges and incorporates Paragraphs 1 through 3 of the Indictment as if set forth fully herein.

10. On or about the dates listed below, in the State and District of Minnesota, the defendants,

**ERIC RICHARD KRAHNKE and
MICHAEL IAN STRIKER,**

aiding and abetting each other, and aided and abetted by others known and unknown to the grand jury, did knowingly execute and attempt to execute a scheme and artifice to defraud, and to obtain the moneys, funds, credits, assets, securities, and other property owned by, and under the custody or control of, a financial institution by means of material false and fraudulent pretenses, representations, and promises.

PURPOSE OF THE SCHEME AND ARTIFICE

11. It was the purpose of the scheme and artifice that STRIKER and KRAHNKE would fraudulently obtain money and funds from the Bank in the form of residential real estate loans that generated cash back to STRIKER, and concealed fees and commissions to KRAHNKE.

SCHEME AND ARTIFICE

12. The Grand Jury re-alleges and incorporates all the allegations contained in paragraph 7 of Count 1 as describing the scheme and artifice to defraud and to obtain the moneys, funds, credits, assets, securities, and other property owned by, and under the custody or control of, a financial institution by means of material false and fraudulent pretenses, representations, and promises.

EXECUTION OF THE SCHEME AND ARTIFICE

13. On or about the dates listed below, within the State and District of Minnesota, KRAHNKE and STRIKER, aiding and abetting each other, and aided and abetted by others known and unknown to the grand jury, executed and attempted to execute the scheme and artifice as set forth above in paragraphs 9 through 12, by submitting fraudulent loan documents and by fraudulently obtaining Bank approvals that caused the Bank to disburse Loan amounts in the approximate amounts set forth below:

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Count	Bank Note No.	Date	Disbursement
2	5881	4/24/2003	Bank check no. 811901 in the amount of \$166,950.00
3	8661	4/30/2003	Bank check no. 811943 in the amount of \$296,450.00
4	6367	5/15/2003	Bank check no. 812007 in the amount of \$335,000.00
5	9031	5/22/2003	Bank check no. 812030 in the amount of \$162,000.00
6	3116	5/30/2003	Bank check no. 812049 in the amount of \$162,000.00
7	3537	6/19/2003	Bank check no. 838509 in the amount of \$139,500.00
8	9001	6/25/2003	Cashier's check no. 154840 in the amount of \$207,000.00
9	9002	6/26/2003	Cashier's check no. 154851 in the amount of \$188,255.00
10	9003	7/18/2003	Cashier's check no. 155077 in the amount of \$116,100.00
11	9004	7/22/2003	Cashier's check no. 155018 in the amount of \$190,800.00
12	9005	7/28/2003	Cashier's check no. 156305 in the amount of \$154,594.00
13	9006	8/1/2003	Wire transfer in the amount of \$215,020.00
14	9007	8/1/2003	Wire transfer in the amount of \$117,000.00
15	9008	8/6/2003	Cashier's check no. 156380 in the amount of \$154,460.00
16	9009	8/8/2003	Wire transfer in the amount of \$140,420.00

Count	Bank Note No.	Date	Disbursement
17	9010	8/13/2003	Cashier's check no. 156432 in the amount of \$299,000.00
18	9011	8/18/2003	Cashier's check no. 156460 in the amount of \$235,000.00
19	9014	8/22/2003	Cashier's check no. 159906 in the amount of \$197,000.00
20	9013	8/29/2003	Cashier's check no. 159983 in the amount of \$166,000.00
21	9015	9/5/2003	Cashier's check no. 160050 in the amount of \$169,310.00
22	9016	9/10/2003	Wire transfer in the amount of \$170,100.00

All in violation of Title 18, United States Code, Sections 1344 and 2.

COUNT 23
(Money Laundering)

14. The Grand Jury re-alleges and incorporates Paragraphs 1 through 3 of the Indictment as if set forth fully herein.

15. Central Bank was at all times relevant to this indictment a "financial institution" with deposits that were insured by the Federal Deposit Insurance Corporation.

16. On or about October 24, 2003, in the State and District of Minnesota, the defendant,

ERIC RICHARD KRAHNKE,

did knowingly engage and attempt to engage in a monetary transaction by, through, and to a financial institution, affecting interstate and foreign commerce, in criminally-derived property of a value greater than \$10,000, namely, KRAHNKE executed a telephone transfer from the Worldwide account at Central Bank to KRAHNKE's personal account at Central Bank, in the amount of \$17,943.00, such property having been derived from a specified unlawful activity, that is, bank fraud; all in violation of Title 18, United States Code, Section 1957.

COUNT 24

(Money Laundering)

17. The Grand Jury re-alleges and incorporates Paragraphs 1 through 3 of the Indictment as if set forth fully herein.

18. Bremer Bank was at all times relevant to this indictment a "financial institution" with deposits that were insured by the Federal Deposit Insurance Corporation.

19. On or about September 3, 2003, in the State and District of Minnesota, the defendant,

MICHAEL IAN STRIKER,

did knowingly engage and attempt to engage in a monetary transaction by, through, and to a financial institution, affecting interstate and foreign commerce, in criminally-derived property of a value greater than \$10,000, namely, STRIKER issued a check from a U.S. Equities account at Bremer Bank payable to "River Run Properties," in the amount of \$13,000.00, such property having been derived from a specified unlawful activity, that is, bank fraud; all in violation of Title 18, United States Code, Section 1957.

A TRUE BILL

UNITED STATES ATTORNEY

FOREPERSON