

MEMO# 21632

September 24, 2007

Indictment Handed Down Against "The Bishop" For Securities Fraud And Other Federal Offenses

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TO: TECHNOLOGY ADVISORY COMMITTEE No. 28-07 RE: INDICTMENT HANDED DOWN AGAINST "THE BISHOP" FOR SECURITIES FRAUD AND OTHER FEDERAL OFFENSES

On September 18, 2007, John Tomkins, a/k/a "The Bishop" (the "Defendant") was indicted by the U.S. District Court for the Northern District of Illinois, Eastern Division, on sixteen counts of violating federal law. The indictment included:

- Ten counts of securities fraud;
- Two counts of knowingly depositing and causing to be delivered a communication containing a threat to injure the person of the addressee with intent to extort;
- Two counts of knowingly and intentionally possessing firearms (i.e., pipe bombs) that were contained in mailed parcels; and
- Knowingly using, carrying, and possessing a firearm.

The indictment also seeks forfeiture of two "destructive devices" seized from an apartment storage unit in Dubuque, Iowa. The facts alleged in the indictment, which led to the above charges, are briefly summarized below.

According to the indictment, the Defendant held two brokerage accounts over which he exercised discretionary authority and made investment decisions. Between May 2005 to approximately April 2007, he employed a manipulative device and contrivance in contravention of Rule 10b-5, the antifraud rule under the Securities Exchange Act of 1934. In particular, the indictment alleges that the Defendant engaged in a scheme to induce, by threats of violence, third-party investors and executives to manipulate and cause the common stock of two companies to trade at artificially high prices, thereby artificially and fraudulently increasing the market value of the Defendant's investment positions in these companies. (The Defendant had purchased common stocks in the two companies and

options contracts on the stocks with the intent of selling or exercising the options contracts when the market price for the securities had been artificially altered in compliance with his scheme.)

The indictment alleges that the Defendant attempted to manipulate the price of these two stocks by mailing and causing to be mailed threatening letters and extortionate communications to senior officials associated with investment management firms that traded in the national securities markets who exercised investment discretion over assets entrusted to their management. These letters contained threats of violence and bodily injury, including death and kidnapping, if the stock prices did not hit the Defendant's target price. It was the Defendant's purpose and intent to cause the recipients of the letters to execute trades and to take such manipulative and fraudulent action as may be required to increase the price of the stocks to the Defendant's target price.

The recipients of the Defendant's letters and extortionate communications included a chairman of the board, chief executive officer, president, chief investment officer, director, partner, and/or portfolio manager from approximately 14 funds or asset managers. According to the indictment, the Defendant sent his communications on seven different dates postmarked from: Chicago, IL; Palatine, IL; Wilmington, DE; Milwaukee, WI; Mequon, WI; Des Moines, IA; Orlando, FL; and Rolling Meadows, IL. In January 2007, two of the Defendant's mailings included "an improvised explosive weapon, also known as a pipe bomb, and a letter stating that '[t]he only reason you are still alive is because I did not attach one wire' and warning that 'if you decide you want to keep the people around you safe, you will do as I say.'" The Defendant's packages demanded that there be a rally in the stocks' price.

The Defendant was arrested on April 25th. If convicted of all charges, he faces up to life in prison and a mandatory minimum sentence of 30 years. A copy of the indictment is attached.

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[Attachment](#)