



U.S. Department of Justice
United States Attorney
Northern District of Illinois
Western Division

Michael D. Love
Assistant U.S. Attorney

308 West State Street - Room 300
Rockford, Illinois 61101

PH: (815) 987-4444
FAX: (815) 987-4236

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CARROLL COUNTY BUSINESSMEN CHARGED WITH BANK FRAUD

ROCKFORD – PATRICK J. FITZGERALD, United States Attorney for the Northern District of Illinois, and ROBERT D. GRANT, Special Agent-In-Charge of the Chicago Office of the Federal Bureau of Investigation, today made the following announcement:

A federal grand jury in Rockford today returned a nine-count indictment charging **MARVIN PEUGH** (“Peugh”), age 54, Milledgeville, Illinois, and **STEVEN HOLLEWELL** (“Hollewell”), age 61, Lanark, Illinois, with bank fraud.

According to the indictment, Peugh was President and Hollewell was Secretary of the Grainary, Inc., a business located in Lanark, Illinois, engaged in purchasing, selling, drying, and storing grain. Peugh and Hollewell were also officers, shareholders and directors of Agri-Tech, Inc., an Illinois corporation engaged in the business of custom farming services. The indictment alleges the two men managed the day to day business of the Grainary and Agri-Tech, Inc., and between January 1999 and August of 2000 were involved in a scheme to defraud several banks by obtaining loans to the Grainary by making false statements and representations to banks concerning contracts for the future delivery of grain by Agri-Tech, Inc. to the Grainary. According to the indictment, in order to obtain the loans, Peugh and Hollewell created fraudulent and misleading contracts for the future delivery and sale of hundreds of thousands of bushels of grain by Agri-Tech to the Grainary. The contracts were for Agri-Tech to deliver and sell grain it allegedly produced when, in fact, Agri-Tech did not own or lease any land or receive grain from any land on which it operated.

The indictment also alleges that Peugh and Hollewell engaged in a scheme known as a “check kite.” A “check kite” is a situation where one or more persons write, or cause to be written, numerous checks drawn on more than one checking account where checks are deposited into the accounts in such a manner and at such times to artificially and fraudulently inflate the apparent balances in each of the accounts.

According to the indictment, Peugh and Hollewell were authorized to sign checks on and make deposits to various bank accounts, and caused a series of checks made payable to themselves, the Grainary, the Hope Group, Inc. and others, to be written and drawn on the accounts, knowing that the balance in each account was insufficient to cover these checks. Defendants caused worthless checks drawn on these accounts to be deposited into other accounts to create false balances in those accounts in order to deceive those banks into honoring and paying checks drawn on those accounts. The indictment alleges that as a result of the artificially inflated balances generated by the defendants, they were able to withdraw approximately \$460,000 from the inflated accounts at the banks, which was not supported by actual funds.

If convicted of the crimes charged in the indictment, each defendant faces up to 30 years in federal prison and a fine of up to \$1,000,000 for each of the nine charges, as well as any restitution ordered by the court. If convicted, each defendant's actual sentence will be determined by the United States District Court, guided by the United States Sentencing Guidelines.

The case is being investigated by the Rockford Office of the Federal Bureau of Investigation with the assistance of the Illinois Department of Agriculture, Bureau of Warehouses. The case will be prosecuted in federal court by Assistant United States Attorney Michael D. Love.

Members of the public are reminded that an indictment is only a charge and is not evidence of guilt. Each defendant is entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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