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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,) CR No. 02-_____
)
Plaintiff,)
) **I N F O R M A T I O N**
v.)
) [18 U.S.C. § 371: Conspiracy]
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ALEXANDER MARK REMINGTON,)
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Defendant.)
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The United States Attorney charges:

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PLJ:plj
Remington information

1 [18 U.S.C. § 371]

2 [Conspiracy]

3 **THE OBJECTS OF THE CONSPIRACY**

4 1. Beginning on a date unknown, and continuing until in or about
5 January 1999, in the Central District of California, and elsewhere,
6 defendant ALEXANDER MARK REMINGTON ("REMINGTON" or "defendant"),
7 together with others known and unknown to the United States Attorney,
8 knowingly and willfully conspired, confederated, and agreed to commit
9 the following offenses against the United States:

10 a. To commit mail fraud by using the United States
11 mails and commercial interstate carriers for the purpose of executing
12 a scheme and artifice to defraud as to material matters, and to obtain
13 money and property by means of material false and fraudulent
14 pretenses, representations, and promises, and the concealment of
15 material facts, in violation of Title 18, United States Code, Section
16 1341; and

17 b. To commit wire fraud by means of interstate wire
18 communications for the purpose of executing a scheme and artifice to
19 defraud as to material matters, and to obtain money and property by
20 means of material false and fraudulent pretenses, representations, and
21 promises, and the concealment of material facts, in violation of Title
22 18, United States Code, Section 1343.

23 **BACKGROUND**

24 A. **Defendant and The Corporations Involved**

25 2. For all times relevant to this information, defendant
26 REMINGTON was an owner and officer of Micro Equipment Corporation
27 ("MEC"). Beginning in or about July 1997 and continuing through in or
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1 about the Spring of 1999, defendant was also a director of NewCom,
2 Inc. ("NewCom").

3 3. Defendant and his co-conspirators carried out their fraud
4 through three corporations: NewCom, MEC, and Aura Systems, Inc.
5 ("Aura"). In or about June 1994, NewCom was incorporated in Delaware.
6 From 1994 until it ceased operations in or about May 1999, NewCom was
7 an operating company headquartered in Westlake Village, California.
8 In or about May 1983, MEC was incorporated in Georgia. From 1983
9 through at least 1999, MEC was headquartered in Norcross, Georgia, a
10 suburb of Atlanta. In or about 1987, Aura was incorporated in
11 Delaware. From 1987 through at least 1999, Aura was headquartered in
12 El Segundo, California. At least two of defendant's co-conspirators
13 were officers of NewCom, and at least one of defendant's co-
14 conspirators was an officer of Aura.

15 4. Defendant and his co-conspirators conspired to defraud
16 Actrade Capital Inc. ("Actrade") in connection with Actrade's trade
17 acceptance draft ("TAD") program. During the time relevant to this
18 information, Actrade was a finance company incorporated in Delaware
19 and headquartered in New York City, New York.

20 **B. Trade Acceptance Draft Program**

21 5. Actrade provided financing to its customers through a
22 financing arrangement called the TAD program. The TAD program allowed
23 Actrade's customers to finance over time payments for the purchase of
24 goods from sellers. In the TAD program, Actrade paid the sellers
25 immediately the full invoice amount at the time of the sale of the
26 goods. In turn, the sellers assigned to Actrade all rights to collect
27 on the invoices. Actrade's customers then paid Actrade for those
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1 goods over an extended period of time through the use of negotiable
2 instruments called trade acceptance drafts, which they referred to as
3 TADs. TADs were negotiable instruments that looked similar to and
4 functioned like post-dated checks. Actrade earned its profits by
5 charging its customers finance charges. Actrade's TAD program, in
6 essence, worked as follows:

7 a. A customer, such as NewCom, first needed to join
8 Actrade's TAD program. To do so, the customer signed a buyer's
9 agreement with Actrade and thereby became an approved buyer. By
10 signing the buyer's agreement, the customer promised to do the
11 following: (i) to use TADs only in connection with a commercial
12 transaction; (ii) to use TADs only to purchase merchandise from an
13 approved seller, such as MEC, in the ordinary course of business;
14 (iii) not to submit TADs unless the goods listed on the invoice had
15 been received by the buyer and accepted without dispute; and (iv) to
16 have sufficient funds available in its bank account on the due date
17 written on the TADs.

18 b. A seller, such as MEC, also needed to join Actrade's
19 TAD program. To do so, the seller signed a seller's agreement with
20 Actrade and thereby became an approved seller. By signing the
21 seller's agreement, the seller promised that when the seller offered
22 to sell or assign TADs to Actrade, the seller did so only after the
23 seller had sold the merchandise associated with the TADs to Actrade's
24 customer in a bona fide contemporaneous commercial transaction entered
25 into in the ordinary course of business between the seller and
26 Actrade's customer.

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1 c. After both the buyer and the seller joined the TAD
2 program, they agreed to use the TAD program in connection with
3 specific commercial transactions as permitted by the program.

4 d. The seller provided to Actrade a copy of an invoice for
5 the sale of goods to Actrade's customer.

6 e. Actrade sent the seller a bill of sale and assignment
7 form for the transaction, which the seller signed and returned to
8 Actrade. This form, prepared by Actrade, listed specific TADs and
9 assigned to Actrade the right to collect the money associated with the
10 listed TADs. The total dollar amount of the TADs listed on the form
11 totaled the full invoice amount plus Actrade's finance charges for the
12 transaction.

13 f. The buyer prepared and signed original TADs
14 corresponding to the dollar figures, dates, and TAD numbers listed on
15 the bill of sale and assignment form. These TADs equally divided the
16 invoice price plus finance charges over several months, and were post-
17 dated sequentially one month apart. In essence, the TADs represented
18 future payments for the goods. The buyer then sent the original TADs
19 by Federal Express or another interstate commercial carrier to
20 Actrade. By signing the TADs, the buyer represented that the buyer
21 had received and accepted the merchandise associated with the TADs.

22 g. After receiving the invoice, the bill of sale and
23 assignment form, and the original, signed TADs, Actrade wire
24 transferred to the seller the full amount of the invoice, minus minor
25 incidental fees.

26 h. As the TADs came due, Actrade presented each TAD to its
27 bank for collection. In a manner similar to how a check clears
28 through the Federal Reserve System, each TAD was sent to the buyer's

1 bank so that the funds were withdrawn from the buyer's bank account
2 and forwarded to Actrade's bank.

3 **THE MANNER AND MEANS OF THE CONSPIRACY**

4 6. In or about September 1998, NewCom was having difficulties
5 paying its vendors, including MEC, due to cash flow problems. NewCom
6 arranged to address the problem by joining Actrade's TAD program so
7 that Actrade would pay NewCom's vendors directly for the shipment of
8 goods to NewCom.

9 7. Beginning in or about September 1998 and continuing to in or
10 about January 1999, defendant, acting with an intent to defraud,
11 knowingly and willfully conspired and agreed with others, known and
12 unknown to the United States Attorney, to defraud Actrade in
13 connection with NewCom's participation in Actrade's TAD program by
14 committing mail fraud and wire fraud in the following manner:

15 a. In or about September 1998, a co-conspirator at NewCom
16 asked defendant to have MEC become an approved seller with Actrade.
17 Defendant was told that he needed to sign a seller's agreement with
18 Actrade and provide wire instructions so that Actrade could wire MEC
19 money. Defendant, on behalf of MEC, signed a seller's agreement with
20 Actrade which memorialized the TAD financing arrangement that Actrade
21 was offering to NewCom's vendor, MEC. By signing this agreement,
22 defendant, on behalf of MEC, promised to abide by the terms of the
23 seller's agreement.

24 b. In or about September 1998, a co-conspirator, on behalf
25 of NewCom, signed a buyer's agreement with Actrade which memorialized
26 the TAD financing arrangement that Actrade offered to NewCom. By
27 signing this agreement, a co-conspirator on behalf of NewCom promised
28 to abide by the terms of the buyer's agreement.

1 c. Thereafter, defendant caused invoices to be sent to
2 Actrade in connection with contemporaneous sales that MEC purportedly
3 made to NewCom. Defendant sent these invoices by interstate wire
4 communications and other means from MEC's offices in Georgia to
5 Actrade's offices in New York. Some of these invoices contained
6 materially false and fraudulent representations.

7 d. Defendant signed and caused to be signed bill of sale
8 and assignment forms, which he caused to be sent to Actrade so that
9 MEC's rights to collect on the fraudulent invoices from NewCom were
10 assigned to Actrade. Defendant caused these bill of sale and
11 assignment forms to be sent by interstate wire communications and
12 other means from MEC's offices in Georgia to Actrade's offices in New
13 York.

14 e. A co-conspirator signed the original TADs made payable
15 to MEC and caused them to be sent by commercial interstate carriers
16 from the Central District of California to Actrade's offices in New
17 York.

18 f. After Actrade received an invoice, a bill of sale and
19 assignment form, and the original, signed TADs associated with a
20 specific transaction between NewCom and MEC, Actrade wire transferred
21 to MEC the full amount of the invoice, minus minor incidental fees.

22 8. As a result of their conspiracy, defendant and his co-
23 conspirators caused Actrade to wire approximately \$1,131,440 to
24 defendant based upon materially false and fraudulent invoices.

25 **OVERT ACTS**

26 9. In furtherance of the conspiracy, and to accomplish its
27 objects, defendant, together with his co-conspirators, committed and
28 caused others to commit the following overt acts, among others, in the
Central District of California, and elsewhere:

1 Overt Act No. 1: In or about September 1998, defendant discussed
2 with one or more of his co-conspirators how they might utilize
3 Actrade's TAD program to fraudulently obtain money from Actrade.

4 Overt Act No. 2: On or about September 21, 1998, defendant, on
5 behalf of MEC, signed a seller's agreement with Actrade.

6 Overt Act No. 3: On or about September 24, 1998, a co-
7 conspirator, on behalf of NewCom, signed a buyer's agreement with
8 Actrade.

9 Overt Act No. 4: On or about October 13, 1998, defendant caused
10 invoice number 65922 to be provided to Actrade. The invoice falsely
11 represented that MEC had sold 5,000 modems to NewCom for a total of
12 \$195,000.

13 Overt Act No. 5: On or about October 15, 1998, a co-conspirator
14 caused six TADs to be sent from the Central District of California to
15 New York via commercial interstate carrier so that MEC would
16 immediately receive approximately \$195,000 from Actrade as payment for
17 invoice number 65922.

18 Overt Act No. 6: On or about December 4, 1998, defendant caused
19 invoice number 79842 to be faxed from MEC's offices in Georgia to
20 Actrade's offices in New York. The invoice falsely represented that
21 MEC had sold 20,000 modems to NewCom for a total of \$680,000,
22 materially overstating the true number of modems purchased and the
23 total cost to NewCom for those modems.

24 Overt Act No. 7: On or about December 4, 1998, a co-conspirator
25 caused six TADs to be sent from the Central District of California to
26 New York via commercial interstate carrier so that MEC would
27 immediately receive approximately \$680,000 from Actrade as payment for
28 invoice number 79842.

1 Overt Act No. 8: On or about December 8, 1998, defendant caused
2 invoice number 80123 to be faxed from MEC's offices in Georgia to
3 Actrade's offices in New York. The invoice falsely represented that
4 MEC had sold 2,000 DVD-Rom drives to NewCom for a total of \$210,000.

5 Overt Act No. 9: On or about December 8, 1998, a co-conspirator
6 caused six TADs to be sent from the Central District of California to
7 New York via commercial interstate carrier so that MEC would
8 immediately receive approximately \$210,000 from Actrade as payment for
9 invoice number 80123.

10 Overt Act No. 10: On or about December 15, 1998, defendant
11 caused invoice number 81199 to be faxed from MEC's offices in Georgia
12 to Actrade's offices in New York. The invoice falsely represented
13 that MEC had sold 4,000 DVD-Rom drives to NewCom for a total of
14 \$424,000, materially overstating the true number of DVD-Rom drives
15 purchased and the total cost to NewCom for those drives.

16 Overt Act No. 11: On or about December 15, 1998, a co-
17 conspirator caused six TADs to be sent from the Central District of
18 California to New York via commercial interstate carrier so that MEC
19 would immediately receive approximately \$424,000 from Actrade as
20 payment for invoice number 81199.

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1 Overt Act No. 12: In or about January 1999, a co-conspirator
2 failed to maintain sufficient funds in NewCom's bank account at
3 Imperial Bank in Inglewood, California to pay for TADs as they came
4 due.

5
6 DEBRA W. YANG
7 United States Attorney

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9 JOHN S. GORDON
10 Assistant United States Attorney
11 Chief, Criminal Division

12 GREGORY J. WEINGART
13 Assistant United States Attorney
14 Chief, Major Frauds Section
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