

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.
 :
 v. : Crim. No. 09-
 :
 EDWARD DOMBROWSKI and : 18 U.S.C. §§ 1343, 1349, & 2
 STEPHEN LOCROTONDO :

I N D I C T M E N T

The Grand Jury, in and for the District of New Jersey,
sitting at Newark, charges:

COUNT ONE

(Wire Fraud Conspiracy)

1. At all times relevant to this Indictment:

a. Defendant EDWARD DOMBROWSKI, a resident of Acworth, Georgia, was the founder and president of the Kellen Domnall Group, LTD ("KDG"). KDG purported to be an insurance agency in the business of creating, developing, marketing, and promoting insurance products. Among other things, defendant DOMBROWSKI created the KDG Charitable Foundation Plan (the "KDG Plan") and marketed the KDG Plan through KDG.

b. Defendant STEPHEN LOCROTONDO, a resident of Bridgewater, New Jersey, was the president of Millennium Benefits Service ("MBS"), a corporation engaged in consulting for, and representing the products and services of, companies and agencies in the insurance business, including KDG. Through MBS, defendant LOCROTONDO marketed the KDG Plan to various groups and employers.

c. The first victim of defendants DOMBROWSKI and LOCROTONDO and others operated as a premium finance company (the "Premium Finance Company"). Premium financing involves the lending of funds to a person or company to cover the costs of an insurance premium.

d. The second victim of defendants DOMBROWSKI and LOCROTONDO and others operated as a factoring company (the "Factoring Company"). Factoring is a financial transaction whereby a business or an individual sells its accounts receivable, such as invoices or commissions that are due from a debtor, to a third party (the "Factor") in exchange for immediate payment. Factoring is not a loan. Rather, it is the purchase of a financial asset, the account receivable. The Factor makes money from fees that it charges for its service, as well as from interest that it charges the seller of the account receivable based on how long the Factor must wait to receive payment from the debtor.

BACKGROUND

2. Life insurance is a contract, or "policy," between a policy owner and an insurer, where the insurer agrees to pay a sum of money (the "Policy Proceeds") to designated beneficiaries upon the insured person's death. In return, the policy owner agrees to pay an amount of money, called a "premium," to the insurer.

3. Generally, the policy owner and the insured person are the same person. So, in the typical situation, a policy owner pays a premium to the insurer, and the insurer, upon the policy owner's death, pays the Policy Proceeds to the beneficiary designated by the insured person.

4. While this is the typical situation, the policy owner and the insured person need not be the same person. Likewise, a policy can include more than one insured person. A group of people, for example the employees of a company or the members of a union, can be insured under a single policy. Such a policy is called a "group life insurance" policy.

5. In the insurance industry, a "binder" is a temporary insurance contract providing the agreed-upon coverage until a permanent policy is issued. Without either a binder or a permanent insurance policy, there is no finalized insurance policy and there is no insurance coverage.

6. Insurance policies are sold by individuals known as "agents" who are licensed in the state or states where they work. Generally, insurance agents are paid by commission, which is normally calculated as a percentage of the value of the insurance premium paid by the insured. These commissions are payable as negotiated. Often, the agent's commissions are not due when the agent sells the policy, but rather are paid out to the agent over time.

THE KDG PLAN

7. The KDG Plan was purportedly a group life insurance product whereby employees of an employer or union (the "Employees") were to be insured under a single group life insurance policy. Under the KDG Plan, the premium of the group life insurance policy would not be paid by the Employees or by their employer or union. Rather, the premium would be paid by a third party finance company, here, the Premium Finance Company.

8. The Premium Finance Company did not pay the premium to the insurer directly, but rather to a trust created by defendant DOMBROWSKI and KDG, known as Union Benefits Trust ("UBT"). Under the KDG Plan, UBT was to pay the premium to the insurer.

9. At the time of an Employee's death, the Policy Proceeds would be paid by the insurer to UBT. UBT would then divide the Policy Proceeds among several entities: a portion would be paid to the Employee's designated beneficiary or beneficiaries; a portion would be paid to the Employee's employer or union; and a portion would be paid to the Premium Finance Company.

THE CONSPIRACY

10. From at least as early as in or about December 2003 through in or about December 2004, in the District of New Jersey, and elsewhere, defendants

EDWARD DOMBROWSKI
and
STEPHEN LOCROTONDO

did knowingly and intentionally conspire and agree with others to devise a scheme and artifice to defraud the Premium Finance Company and the Factoring Company and to obtain money or property by means of materially false and fraudulent pretenses, representations, and promises, and for the purpose of executing such scheme and artifice to defraud, to transmit and cause to be transmitted by means of wire communication in interstate commerce writings, signs, signals, pictures and sounds, contrary to Title 18, United States Code, Section 1343.

OBJECTS OF THE CONSPIRACY

11. The objects of the conspiracy were for defendants DOMBROWSKI and LOCROTONDO to profit unlawfully: (a) from the marketing of the KDG Plan by obtaining payment of an insurance policy premium from the Premium Finance Company through false and fraudulent representations; and (b) by factoring non-existent commissions through the Factoring Company by representing that those commissions were due and owing, when in fact they were not.

MANNER AND MEANS OF THE CONSPIRACY

12. It was part of the scheme and artifice to defraud that defendants DOMBROWSKI and LOCROTONDO and others would market the KDG Plan to employers and their employees in New Jersey and

elsewhere, including to the employees of an entity located in New Jersey (the "Entity").

13. It was further part of the scheme and artifice to defraud that defendants DOMBROWSKI and LOCROTONDO and others would correspond with an insurance company located in Lincoln, Nebraska (the "Insurance Company") about binding an insurance policy pursuant to the KDG Plan for the Entity.

14. It was further part of the scheme and artifice to defraud that defendant DOMBROWSKI and others would contact the Premium Finance Company, represent that the Insurance Company had agreed to provide insurance to the Entity, and convince the Premium Finance Company to fund an insurance policy for the Entity that was not bound.

15. It was further part of the scheme and artifice to defraud that defendant DOMBROWSKI and others would take the actions set forth in paragraph 14 above notwithstanding that conversations with the Insurance Company never advanced beyond the preliminary stages and notwithstanding that the Insurance Company was not in a position to bind a policy for the Entity.

16. It was further part of the scheme and artifice to defraud that defendant DOMBROWSKI and others would represent to the Premium Finance Company that it should not pay the insurance premium to the Insurance Company directly, but rather should pay

the insurance premium to UBT, a trust over which defendant DOMBROWSKI and others would maintain control.

17. It was further part of the scheme and artifice to defraud that, once the payment was made by the Premium Finance Company to UBT, defendants DOMBROWSKI and LOCROTONDO and others would make no payments to the Insurance Company, but rather would take the money for their own benefit.

18. It was further part of the scheme and artifice to defraud that defendants DOMBROWSKI and LOCROTONDO and others would create false documents claiming that defendant LOCROTONDO was entitled to commissions for the marketing and sale of an insurance policy to the Entity, and other employers in New Jersey and elsewhere.

19. It was further part of the scheme and artifice to defraud that defendants DOMBROWSKI and LOCROTONDO and others would contract with the Factoring Company to immediately factor commissions that defendant LOCROTONDO was supposedly due and owing even though defendant DOMBROWSKI and LOCROTONDO well knew that no premiums were due and owing because no insurance policy was ever bound for the Entity or for any other employers.

OVERT ACTS

A. The Premium Finance Company Fraud

20. To defraud the Premium Financing Company as set forth above, defendants DOMBROWSKI and LOCROTONDO and others used

and caused to be used interstate and foreign wire communications, including the following:

a. On or about June 17, 2004, defendant DOMBROWSKI and others caused to be sent through interstate and foreign wire communications various documents from Georgia to the Premium Finance Company in Illinois related to an insurance policy for a city in New Jersey (the "City Policy"), including a Pro-Rata No Offset Agreement, a Collateral Assignment of Life Insurance Policy, a Commercial Insurance Premium Finance and Security Agreement, and a Variable Rate Addendum to Commercial Premium Finance Agreement. All of these documents contained forged signatures.

b. On or about June 21, 2004, based in part on the fraudulent misrepresentations caused to be made by defendant DOMBROWSKI and others, the Premium Finance Company sent through interstate and foreign wire communications approximately \$15 million from New York to a bank account at a Wachovia Bank in Georgia in the name of UBT and controlled by defendant DOMBROWSKI (the "UBT Account").

c. The Premium Finance Company funds in the UBT Account were never transferred to the Insurance Company, however. Rather, on or about June 28, 2004, defendant DOMBROWSKI caused a wire transfer of approximately \$690,000 to be sent through interstate and foreign communications from the UBT Account in

Georgia to an account in Tennessee for a purported real estate investment; on or about June 28, 2004, defendant DOMBROWSKI caused a wire transfer of approximately \$1,000,000 to be sent from the UBT Account for a purported purchase of stock in a company; and on or about July 2, 2004, defendant DOMBROWSKI withdrew approximately \$100,000 from the UBT Account and used the funds to purchase two luxury automobiles.

B. The Factoring Company Fraud

21. To defraud the Factoring Company as set forth above, defendants DOMBROWSKI and LOCROTONDO and others used and caused to be used interstate and foreign wire communications, including the following:

a. On or about December 12, 2003, defendants DOMBROWSKI and LOCROTONDO caused to be created and delivered a letter to defendant LOCROTONDO stating, in substance and in part, that defendant LOCROTONDO was due approximately \$437,000 in commissions for defendant LOCROTONDO's role in marketing the KDG Plan and helping to bind a group life insurance policy for a local union ("Union One").

b. In reliance on that letter and other documentation, on or about February 5, 2004, the Factoring Company wired approximately \$218,000 to MBS's Commerce Bank account, and other funds thereafter. Defendant LOCROTONDO was

not entitled to those funds because no group life insurance policy was ever bound for Union One.

c. On or about May 18, 2004, defendants DOMBROWSKI and LOCROTONDO caused to be created and delivered a letter to defendant LOCROTONDO stating, in substance and in part, that defendant LOCROTONDO was due approximately \$1.1 million in commissions for defendant LOCROTONDO's role in marketing the KDG Plan and helping to bind the City Policy.

d. In reliance on that letter and other documentation, on or about May 18, 2004, the Factoring Company wired approximately \$500,000 to MBS's Commerce Bank account, and other funds thereafter. Defendant LOCROTONDO was not entitled to those funds because the City Policy was never bound.

e. On or about June 24, 2004, defendant DOMBROWSKI caused a wire transfer of approximately \$100,000 to be sent from the UBT account to a different account controlled in part by defendant DOMBROWSKI in Georgia. On or about June 25, 2004, defendant DOMBROWSKI caused a wire transfer of approximately \$92,000 to be sent through interstate and foreign communications from that Georgia account controlled in part by defendant DOMBROWSKI to the Factoring Company's account in New Jersey.

f. On or about July 21, 2004, defendants DOMBROWSKI and LOCROTONDO caused to be created and delivered a

letter to defendant LOCROTONDO through interstate and foreign communications from Georgia to New Jersey, stating, in substance and in part, that defendant LOCROTONDO was due approximately \$700,000 in commissions for defendant LOCROTONDO's role in marketing the KDG Plan and helping to bind a group life insurance policy for another local union ("Union Two").

g. In reliance on that letter and other documentation, on or about July 21, 2004, the Factoring Company wired approximately \$200,000 to MBS's Commerce Bank account, and other funds thereafter. Defendant LOCROTONDO was not entitled to those funds because no group life insurance policy was ever bound for Union Two.

h. On or about September 9, 2004, defendants DOMBROWSKI and LOCROTONDO caused to be created and delivered a letter to defendant LOCROTONDO stating, in substance and in part, that defendant LOCROTONDO was due approximately \$1.8 million in commissions for defendant LOCROTONDO's role in marketing the KDG Plan and helping to bind a group life insurance policy for a company.

i. In reliance on that letter and other documentation, on or about September 24, 2004, the Factoring Company issued a check in the amount of approximately \$150,000 that was ultimately deposited in MBS's Commerce Bank account, and other funds thereafter. Defendant LOCROTONDO was not entitled to

those funds because no group life insurance policy was ever bound for the company.

22. As a result of the above fraudulent conspiratorial acts, the Premium Finance Company and the Factoring Company, among others, suffered losses.

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

COUNT TWO
(Wire Fraud)

1. Paragraphs one through nine and eleven through twenty-two of Count One of this Indictment are hereby alleged and incorporated as though set forth in full herein.

2. On or about December 10, 2004, in the District of New Jersey, and elsewhere, defendants

EDWARD DOMBROWSKI

having knowingly devised and intended to devise a scheme and artifice to defraud the Factoring Company and to obtain money or property by means of materially false and fraudulent pretenses, representations, and promises, and for the purpose of executing such scheme and artifice to defraud, did transmit and cause to be transmitted by means of wire communication in interstate commerce writings, signs, signals, pictures and sounds, namely that defendants DOMBROWSKI and LOCROTONDO and others caused to be sent through interstate and foreign wire communications a payment from an account controlled in part by defendant DOMBROWSKI and others in Georgia to the Factoring Company's account in New Jersey in the amount of approximately \$58,000.

In violation of Title 18, United States Code, Section
1343.

A TRUE BILL

FOREPERSON

PAUL J. FISHMAN
UNITED STATES ATTORNEY