

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	CRIMINAL NO. 07-
v.	:	DATE FILED: June 26, 2007
DONALD DOUGHERTY, JR.	:	VIOLATIONS:
	:	18 U.S.C. § 1027 (false statements -
	:	ERISA - 38 counts)
	:	18 U.S.C. § 664 (theft of employee
	:	benefits plans - ERISA - 38 counts)
	:	29 U.S.C. § 186 (unlawful payment to a
	:	union official - 2 counts)
	:	18 U.S.C. § 1035 (false statements relating
	:	to health care matters - 1 count)
	:	18 U.S.C. § 215(a)(1) (bank bribery - 1
	:	count)
	:	26 U.S.C. § 7201 (tax evasion - 17 counts)
	:	26 U.S.C. § 7206(1) (filing false and
	:	fraudulent tax returns - 3 counts)
	:	18 U.S.C. § 2 (aiding and abetting)
		Notice of forfeiture

INDICTMENT

COUNTS ONE THROUGH THIRTY-EIGHT

(FALSE STATEMENTS - ERISA)

THE GRAND JURY CHARGES THAT:

At all times material to this indictment:

1. Defendant DONALD DOUGHERTY, JR. was the president and sole shareholder of Dougherty Electric, Inc. ("Dougherty Electric"), an electrical contracting business that provided electrical and telecommunications services, including installation, design, and cable and fiber optics, located in Philadelphia, Pennsylvania.

2. Defendant DONALD DOUGHERTY, JR., as an employer, was a party to collective bargaining agreements with the International Brotherhood of Electrical Workers Local 98 ("IBEW Local 98"), a trade union headquartered at 1701 Spring Garden Street in Philadelphia, Pennsylvania.

3. IBEW Local 98 was an employee labor organization subject to and within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended, Title 29, United States Code, Section 1001, et seq. ("ERISA"). IBEW Local 98 was a labor organization engaged in an industry affecting commerce within the meaning of Sections 402(i) and 402(j) of Title 29, United States Code. IBEW Local 98 represented and admitted to membership employees of Dougherty Electric as electricians.

4. The collective bargaining agreements between Dougherty Electric and IBEW Local 98 required that Dougherty Electric and defendant DONALD DOUGHERTY, JR. submit a monthly report along with payments representing employer contributions to employee welfare benefit and pension plans maintained by IBEW Local 98 pursuant to Title I of ERISA, including the following: IBEW Local 98's Pension Fund, Deferred Income Fund, Vacation Fund, and Health and Welfare Fund (hereinafter, the "employee benefit plans").

5. Defendant DONALD DOUGHERTY, JR. and Dougherty Electric were provided with a pre-printed monthly form, identified as an "IBEW Local 98 Monthly Payroll Report Summary," on which defendant DOUGHERTY and Dougherty Electric were required to report the "gross productive electrical payroll" during the monthly period covered by the form and to calculate the amount of Dougherty Electric's contribution to the employee benefit plans

based on the monthly gross earnings of defendant DOUGHERTY and other IBEW Local 98 electricians employed by Dougherty Electric.

6. Defendant DONALD DOUGHERTY, JR. and Dougherty Electric were required to submit the monthly payroll report summary forms to IBEW Local 98. Title I of ERISA required that these payroll report summaries be kept as part of the records of IBEW Local 98's employee benefit plans.

7. Title I of ERISA required the administrator of IBEW Local 98's employee benefit plans to publish and annually file a Form 5500 Annual Return/Report of Employee Benefit Plan with the Secretary of the United States Department of Labor. The monthly payroll report summaries submitted by defendant DONALD DOUGHERTY, JR. and Dougherty Electric were required to contain necessary and basic information to verify, explain, clarify, and check for accuracy and completeness the annual report published and filed by the administrator of IBEW Local 98's employee benefit plans.

8. Wachovia Bank was the depository of IBEW Local 98's employee benefit plans, and Wachovia Bank's Taft-Hartley Department Manager was the designated recipient of the IBEW Local 98 Monthly Payroll Report Summaries. Under Title I of ERISA, the Taft-Hartley Department Manager was required to verify, explain, clarify, and check the accuracy and completeness of each monthly payroll report summary form submitted by Dougherty Electric. The Taft-Hartley Department Manager relied upon the accuracy of the statements and representations of fact contained on Dougherty Electric's monthly summaries and the accompanying contributions submitted by Dougherty Electric.

9. The Taft-Hartley Department Manager's responsibilities also included tracking down delinquent payroll report summaries and contributions from electrical contractors. In the event of a delinquency, the Taft-Hartley Department Manager provided IBEW Local 98's Board of Trustees with "Employer On-Time Reports" in order for the Board of Trustees to exercise its authority to collect the delinquent contributions and impose sanctions on the delinquent electrical contractor(s).

10. Defendant DONALD DOUGHERTY, JR. was chiefly responsible for the operation and management of Dougherty Electric, including making payroll to his IBEW Local 98 employees and other employees, and authorizing the monthly payroll report summaries and employer contributions submitted on behalf of Dougherty Electric to Wachovia Bank's Taft-Hartley Department Manager for deposit into IBEW Local 98's employee benefit plans. At defendant DOUGHERTY's direction, Dougherty Electric employed Advantage/Paychex ("Advantage"), a payroll service, which withdrew money from Dougherty Electric's payroll account at St. Edmond's Federal Savings Bank to fund Dougherty Electric's weekly payroll and prepare the payroll checks. Advantage made deductions for all federal payroll taxes, including Federal Income Tax Withholding ("FITW") and the Federal Insurance Contributions Act ("FICA"), in addition to state, and local payroll taxes, IBEW Local 98 dues, IBEW Local 98 Job Recovery Fund, and the IBEW Local COPE Fund (Committee on Political Education). On a monthly basis, Dougherty Electric calculated the monthly gross earnings and hours worked by each of Dougherty Electric's IBEW Local 98 member electrical employees and prepared an IBEW Local 98 Monthly Payroll Report. Dougherty Electric prepared a check drawn on Dougherty Electric's general fund account at St. Edmond's Bank which represented Dougherty

Electric's contribution to employees' ERISA employee benefit plans. Afterwards, Dougherty Electric submitted the remittance report and the check to Wachovia Bank's Taft-Hartley Department Manager.

DOUGHERTY'S ILLEGAL CASH PAYROLL SCHEME

11. In addition to the monies received from the payroll service, defendant DONALD DOUGHERTY, JR. also paid himself and Dougherty Electric's electrical and other employees "under the table" in cash. The cash payroll scheme consisted of defendant DOUGHERTY making and causing to be made regular withdrawals of cash from Dougherty Electric's operating account at St. Edmond's Federal Savings Bank. Defendant DOUGHERTY received \$3,000 in cash every week, and Dougherty Electric's IBEW Local 98 member electrical employees and other employees received cash payments for overtime work and, at times, their regular work hours.

12. Defendant DONALD DOUGHERTY, JR. concealed and caused Dougherty Electric employees to conceal on Dougherty Electric's monthly payroll report summaries that defendant DOUGHERTY and Dougherty Electric IBEW Local 98 member electrical employees received cash earnings and the substantial underpayment of employer contributions resulting from defendant DOUGHERTY's failure to report such earnings.

13. Between at least January 2001 and October 2005, defendant DONALD DOUGHERTY, JR. maintained a cash payroll for himself and his employees that amounted to approximately \$2,659,120. By operating a cash payroll, defendant DOUGHERTY caused Dougherty Electric to avoid the payment of federal, state and local payroll taxes on the cash

payments and approximately \$1,067,534 in employer contributions to Dougherty Electric's electrical employees' IBEW Local 98 employee benefit plans.

14. In or about the months listed below, in Philadelphia, in the Eastern District of Pennsylvania, defendant

DONALD DOUGHERTY, JR.,

in payroll report summaries submitted on behalf of Dougherty Electric, required by Title I of the Employment Retirement Income Security Act of 1974, as amended, (ERISA), to be kept as part of records of the International Brotherhood of Electrical Workers Local 98 employee welfare and pension benefit plans, knowingly made, and aided, abetted, and willfully caused to be made, false statements and representations of fact, and knowingly concealed, covered up, and failed to disclose, and aided, abetted, and willfully caused the concealment, cover up, and failure to disclose, facts, the disclosure of which were required by Title I of ERISA, and which were necessary to verify, explain, clarify and check for accuracy and completeness the International Brotherhood of Electrical Workers Local 98's Form 5500, required to be published and certified, in that defendant DOUGHERTY knowingly under-reported the earnings of Dougherty Electric's electrical employees so as to reduce Dougherty Electric's required benefit contributions to the International Brotherhood of Electrical Workers Local 98's employee benefit plans, as follows:

Count	Report Date	Earnings reported	Actual earnings
1	August 2002	\$334,375	\$378,098
2	September 2002	\$279,283	\$290,948
3	October 2002	\$207,858	\$224,705
4	November 2002	\$174,558	\$183,785

Count	Report Date	Earnings reported	Actual earnings
5	December 2002	\$58,303	\$184,179
6	January 2003	\$61,921	\$169,459
7	February 2003	\$124,168	\$137,480
8	March 2003	\$187,070	\$199,797
9	April 2003	\$226,722	\$241,862
10	May 2003	\$239,752	\$252,738
11	July 2003	\$151,334	\$251,369
12	August 2003	\$254,577	\$296,244
13	September 2003	\$298,495	\$320,620
14	October 2003	\$120,593	\$255,603
15	November 2003	\$203,359	\$303,147
16	December 2003	\$210,322	\$291,828
17	January 2004	\$220,116	\$241,099
18	February 2004	\$184,776	\$210,818
19	March 2004	\$239,257	\$278,364
20	April 2004	\$189,792	\$227,583
21	May 2004	\$87,515	\$196,769
22	June 2004	\$252,324	\$306,708
23	July 2004	\$190,436	\$235,562
24	August 2004	\$250,771	\$355,774
25	September 2004	\$198,466	\$255,313
26	October 2004	\$205,711	\$236,441
27	November 2004	\$170,183	\$225,885
28	December 2004	\$168,099	\$293,705
29	January 2005	\$235,080	\$250,066

Count	Report Date	Earnings reported	Actual earnings
30	February 2005	\$177,012	\$217,578
31	March 2005	\$169,093	\$227,144
32	April 2005	\$199,525	\$239,776
33	May 2005	\$267,216	\$305,567
34	June 2005	\$1,350	\$40,201
35	July 2005	\$194,263	\$274,874
36	August 2005	\$137,167	\$255,767
37	September 2005	\$207,084	\$227,533
38	October 2005	\$211,463	\$223,725

All in violation of Title 18, United States Code, Sections 1027 and 2.

COUNTS THIRTY-NINE THROUGH SEVENTY-SIX

(THEFT FROM EMPLOYEE BENEFIT PLANS - ERISA)

THE GRAND JURY FURTHER CHARGES THAT:

At all times material to this indictment:

1. The allegations set forth in paragraphs 1 through 13 of Counts One through Thirty-Eight are realleged here.
2. In or about the months listed below, in Philadelphia, in the Eastern District of Pennsylvania, defendant

DONALD DOUGHERTY, JR.

embezzled, stole, unlawfully abstracted, converted to his own use, and aided, abetted, and willfully caused the embezzlement, theft, unlawful abstraction, and conversion to his own use of, approximately \$869,599, from the moneys, funds, securities, premiums, credits, property and other assets of IBEW Local 98's employee benefit plans subject to Title I of ERISA, those plans having been established and maintained by IBEW Local 98, as follows:

Count	Report Date	Cash earnings	Amount stolen
39	August 2002	\$43,723	\$17,979
40	September 2002	\$11,665	\$4,748
41	October 2002	\$16,847	\$6,857
42	November 2002	\$9,227	\$3,755
43	December 2002	\$125,876	\$51,232
44	January 2003	\$107,538	\$43,768
45	February 2003	\$13,312	\$5,418
46	March 2003	\$12,727	\$5,180

Count	Report Date	Cash earnings	Amount stolen
47	April 2003	\$15,140	\$6,162
48	May 2003	\$12,986	\$5,285
49	July 2003	\$100,035	\$42,545
50	August 2003	\$41,667	\$17,721
51	September 2003	\$22,125	\$9,410
52	October 2003	\$135,010	\$57,420
53	November 2003	\$99,788	\$42,440
54	December 2003	\$81,506	\$34,665
55	January 2004	\$20,983	\$8,924
56	February 2004	\$26,042	\$11,076
57	March 2004	\$39,107	\$16,632
58	April 2004	\$37,791	\$16,073
59	May 2004	\$109,254	\$46,466
60	June 2004	\$54,384	\$24,152
61	July 2004	\$45,126	\$20,040
62	August 2004	\$105,003	\$46,632
63	September 2004	\$56,847	\$25,246
64	October 2004	\$30,730	\$13,647
65	November 2004	\$55,702	\$24,737
66	December 2004	\$125,606	\$55,782
67	January 2005	\$14,986	\$6,655
68	February 2005	\$40,566	\$18,015
69	March 2005	\$58,051	\$25,780
70	April 2005	\$40,251	\$17,875
71	May 2005	\$38,351	\$17,032
72	June 2005	\$38,851	\$17,254

Count	Report Date	Cash earnings	Amount stolen
73	July 2005	\$80,611	\$35,799
74	August 2005	\$118,600	\$52,670
75	September 2005	\$20,449	\$9,081
76	October 2005	\$12,262	\$5,446

All in violation of Title 18, United States Code, Sections 664 and 2.

COUNT SEVENTY-SEVEN

(UNLAWFUL PAYMENT TO A UNION OFFICIAL)

THE GRAND JURY FURTHER CHARGES THAT:

At all times material to this indictment:

1. The allegations set forth in paragraphs 1 through 3 of Counts One through Thirty-Eight are realleged here.

2. IBEW Local 98 Official #1 was responsible for the management and supervision of the field activities and business office, and for conducting the daily business of IBEW Local 98. IBEW Local 98 Official #1 was a representative of IBEW Local 98 members, including IBEW Local 98 members employed by Dougherty Electric.

**SECTION 186 OF THE LABOR MANAGEMENT
RELATIONS ACT OF 1947 ("TAFT-HARTLEY ACT")**

3. Section 186 of the Labor Management Relations Act of 1947 ("LMRA" or "Taft-Hartley Act"), 29 U.S.C. §§ 147 to 187, restricts financial transactions between an employer and a labor organization's representatives or employees.

4. Section 186(a)(2) and (d)(2) makes it unlawful for an employer, or a person acting in the interest of an employer, to pay, lend or deliver, or agree to pay, lend or deliver, any money or other thing of value to an officer or employee of a labor organization which represents, seeks to represent or would admit to membership such employer's employees who are employed in an industry affecting interstate commerce. Employers are permitted to engage in financial transactions with an officer or employee of a labor organization only if the transaction was "at the prevailing market price in the regular course of business."

SALE OF ALLEN DRIVE, UNIT 101A, N. WILDWOOD, NEW JERSEY

5. In or about April 1999, defendant DONALD DOUGHERTY, JR. purchased a condominium at Allen Drive, Unit 101A, North Wildwood, New Jersey. Between 1999 and December 2001, defendant DOUGHERTY made home improvements that consisted of painting, new rugs and furniture, and recessed lighting.

6. In or about 2003, defendant DONALD DOUGHERTY, JR. agreed to sell Allen Drive, Unit 101A to IBEW Local 98 Official #1.

7. In anticipation of the sale of the condominium to IBEW Local 98 Official #1, defendant DONALD DOUGHERTY, JR. directed employees of Dougherty Electric to perform major upgrades. These upgrades included: multiple flat panel televisions, including a 42-inch plasma television; installation of a home audio-video system and a surround sound system; a gas furnace; an air conditioning condenser; a gas hot water heater, coils and insulation; and, other electrical work in the kitchen, including recessed lighting. Three Dougherty Electric employees performed the work over a three to four-day period in May 2003. Afterwards, a Dougherty Electric employee returned to the condominium to show IBEW Local 98 Official #1, who was taking possession of the condominium over the Memorial Day weekend, how to work the electronic equipment.

8. In addition to the work conducted by Dougherty Electric employees, defendant DONALD DOUGHERTY, JR. hired other contractors to install new hardwood flooring and other kitchen upgrades.

9. At the direction of defendant DONALD DOUGHERTY, JR., the cost of the materials installed into the condominium by Dougherty Electric employees, estimated to be

somewhere between \$20,000 and \$30,000, and the Dougherty Electric employees' labor costs were "buried" in other electrical contracts Dougherty Electric was performing at the time.

10. In or about August 2003, IBEW Local 98 Official #1 obtained an appraisal of Allen Drive, Unit 101A, N. Wildwood, New Jersey in order to obtain a bank loan. The appraisal valued the condominium at \$230,000. The appraisal did not include the renovation work described in paragraphs 7 and 8.

11. On or about October 17, 2003, defendant DONALD DOUGHERTY, JR. sold Allen Drive, Unit 101A to IBEW Local 98 Official #1 for \$206,000, a price that defendant DOUGHERTY knew was below the prevailing market price and did not include the value of the renovation work described in paragraphs 7 and 8.

12. On or about October 17, 2003, in the Eastern District of Pennsylvania and the District of New Jersey, defendant

DONALD DOUGHERTY, JR.,

being an employer, that is, owner and operator of Dougherty Electric which had employees in an industry affecting commerce who were represented by IBEW Local 98, willfully paid, lent, and delivered a thing of value, that is, the sale of Allen Drive, Unit 101A, N. Wildwood, New Jersey, at least approximately \$20,000 below the prevailing market price to IBEW Local 98 Official #1, an officer of a labor organization, that is, IBEW Local 98, whose organization represented employees of Dougherty Electric.

In violation of Title 29, United States Code, Section 186(a)(2) and (d)(2).

COUNT SEVENTY-EIGHT

(UNLAWFUL PAYMENT TO A UNION OFFICIAL)

THE GRAND JURY FURTHER CHARGES THAT:

At all times material to this indictment:

1. The allegations set forth in paragraphs 1 through 3 of Counts One through Thirty-Eight and paragraphs 2 through 4 of Count Seventy-Seven are realleged here.

**RENOVATION WORK OF IBEW
LOCAL 98 OFFICIAL #1's PERSONAL RESIDENCE**

2. In or about August or September 2004, defendant DONALD DOUGHERTY, JR. began making renovations on IBEW Local 98 Official #1's Moyamensing Avenue rowhouse. In or about September 2004, defendant DOUGHERTY and Dougherty Electric obtained a permit from the City of Philadelphia Department of Licenses & Inspections to perform electrical work at the rowhouse.

3. After defendant DONALD DOUGHERTY, JR. began the renovation work, defendant DOUGHERTY asked Fastrack Construction, Inc. ("FTC") to assist in making the renovations. Defendant DOUGHERTY advised FTC that they were to conduct a total renovation of the rowhouse, including one of the side walls, the rear wall, and all of the interior walls.

4. With the exception of finishing touches, defendant DONALD DOUGHERTY, JR. and FTC completed the renovation work in or about March 2005.

5. FTC billed IBEW Local 98 Official #1 as the renovation work progressed. On or about August 1, 2005, FTC submitted a final bill to IBEW Local 98 Official #1 that showed that the cost of FTC's work was \$310,000 and that a balance of \$250,000 was owed.

6. On or about December 1, 2005, FTC received a \$50,000 payment from IBEW Local 98 Official #1, leaving a balance of \$200,000.

7. On or about November 10, 2006, FTC received a \$150,000 payment from IBEW Local 98 Official #1, leaving a balance of \$50,000.

8. From the completion of their work in or about March 2005 through in or about June 2006, Dougherty Electric did not prepare or submit an invoice to IBEW Local 98 Official #1 for the work Dougherty Electric performed at IBEW Local 98 Official #1's rowhouse, which work was in addition to the work that FTC performed.

9. In approximately June 2006, after defendant DONALD DOUGHERTY, JR.'s personal residence and Dougherty Electric's office were searched by federal law enforcement officers pursuant to a court-authorized search warrant, and IBEW Local 98 Official #1 requested an invoice for the work, defendant DOUGHERTY submitted an invoice to IBEW Local 98 Official #1 for approximately \$115,600 for building materials, labor, and related costs incurred by Dougherty Electric in connection with the renovation work on IBEW Local 98 Official #1's rowhouse.

10. Beginning in or about August 2004 and continuing through at least June 2006, in Philadelphia, in the Eastern District of Pennsylvania, defendant

DONALD DOUGHERTY, JR.,

being an employer, that is, owner and operator of Dougherty Electric, which had employees in an industry affecting commerce who were represented by IBEW Local 98, willfully paid, lent, and delivered a thing of value, that is, approximately \$115,600 in building materials, labor, and related costs in connection with the renovation of the personal residence at Moyamensing

Avenue, Philadelphia, Pennsylvania, belonging to IBEW Local 98 Official #1, an officer of a labor organization, that is, IBEW Local 98, which represented employees of Dougherty Electric.

In violation of Title 29, United States Code, Sections 186(a)(2) and (d)(2).

COUNT SEVENTY-NINE

(FALSE STATEMENT RELATING TO HEALTH CARE MATTERS)

THE GRAND JURY FURTHER CHARGES THAT:

At all times material to this indictment:

1. The allegations set forth in paragraphs 1 through 3 of Counts One through Thirty-Eight are realleged here.
2. In or about October 2004, C.F., a relative of IBEW Local 98 Official #2, began her employment with Pennsport Civic Association ("PCA"), a neighborhood organization presided over by IBEW Local 98 Official #1, in his capacity as PCA President.
3. B.M., an employee of PCA sought to obtain health care coverage solely for C.F. because, with the exception of C.F., all of the officers and other employees of PCA received health care coverage from other employers or through the health care coverage of other family members.
4. IBEW Local 98 Official #1, in his capacity as PCA's President, asked defendant DONALD DOUGHERTY, JR. to include C.F. on Dougherty Electric's health coverage plan.
5. Dougherty Electric's employees received health care coverage through Independence Blue Cross. At the direction of defendant DONALD DOUGHERTY, JR., Independence Blue Cross enrollment forms were prepared which falsely identified C.F. as an employee of Dougherty Electric and were submitted to Independence Blue Cross to begin her health care coverage.

6. From in or about October 2004 to in or about October 2005, Independence Blue Cross provided health care coverage for and paid claims on behalf of C.F.

7. From in or about October 2004 through in or about October 2005, Dougherty Electric received checks from PCA, signed by IBEW Local 98 Official #1, in his capacity as PCA President, and/or a PCA Boardmember, to subsidize Dougherty Electric for C.F.'s health care coverage.

8. In or about October 2004, in Philadelphia, in the Eastern District of Pennsylvania, defendant

DONALD DOUGHERTY, JR.,

in a matter involving a health care benefit program, that is, Independence Blue Cross health care insurance, knowingly and willfully made, and aided, abetted, and willfully caused the making of, a materially false and fraudulent writing and document, knowing the same to contain a materially false, fictitious, and fraudulent statement and entry in connection with the delivery of and payments for health care benefits, items and services, in that defendant DOUGHERTY falsely represented and caused to be falsely represented to Independence Blue Cross that C.F. was an employee of Dougherty Electric in connection with C.F.'s application for health care coverage, when, as defendant DOUGHERTY well knew, C.F. was an employee of Pennsport Civic Association and not an employee of Dougherty Electric.

In violation of Title 18, United States Code, Sections 1035 and 2.

COUNT EIGHTY

(BANK BRIBERY)

THE GRAND JURY FURTHER CHARGES THAT:

1. The allegations set forth in paragraph 1 of Counts One through Thirty-Eight are realleged here.
2. Bank Official was the Senior Vice-President of NOVA Savings Bank ("NSB"), a financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation, located at 1535 Locust Street, Philadelphia, Pennsylvania. Bank Official's responsibilities included the initiation and management of NSB's portfolio for commercial and residential loans, including loans obtained by defendant DONALD DOUGHERTY, JR.
3. At a time when defendant DONALD DOUGHERTY, JR. had a low-credit score and was offering his creditors settlement on outstanding debts, Bank Official assisted defendant DONALD DOUGHERTY, JR. in obtaining the following loans: a \$475,000 loan in June 2003 for defendant DOUGHERTY to finance the construction and furnishing of his personal residence; a \$735,000 loan in February 2003 for property located at 35 South 25th Street, Sea Isle City, New Jersey; a \$675,000 loan in December 2003; a \$300,000 loan in June 2004 for defendant DOUGHERTY to finance commercial property; a \$500,000 line of credit in October 2004; and, a \$2,700,000 loan in October 2005 for the construction of eight townhomes.
4. Between in or about November 2003 through in or about August 2005, defendant DONALD DOUGHERTY, JR. directed Dougherty Electric employees to perform electrical and plumbing work at Bank Official's Voorhees, New Jersey residence. Defendant

DOUGHERTY did not bill for or receive from Bank Official the cost of the supplies or the labor which totaled approximately \$9,476.74.

5. In or about January 2005, defendant DONALD DOUGHERTY, JR. provided Bank Official with four Super Bowl tickets and accommodations for four guests at an Amelia Island, Florida condominium valued at approximately \$8,535.64.

6. Between in or about November 2003 to in or about June 2005, in the Eastern District of Pennsylvania and elsewhere, defendant

DONALD J. DOUGHERTY, JR.,

corruptly gave, offered, and promised something of value, that is, electrical services, sports tickets, and lodging, with a value totaling approximately \$18,012.38, to Bank Official, an officer of NOVA Savings Bank, with the intent to influence and reward Bank Official in connection with loans obtained from NOVA Savings Bank.

In violation of Title 18, United States Code, Section 215(a)(1).

COUNTS EIGHTY-ONE THROUGH NINETY-SEVEN

(TAX EVASION)

THE GRAND JURY FURTHER CHARGES THAT:

At all times material to this indictment:

1. The allegations set forth in paragraphs 1, 10 and 11 of Counts One through Thirty-Eight are realleged here.

APPLICABLE PROVISIONS OF THE INTERNAL REVENUE CODE

2. The Internal Revenue Code and regulations required employers to withhold from employees' paychecks and pay to the Internal Revenue Service ("IRS") certain payroll taxes, including Federal Income Tax Withholding ("FITW") and the Federal Insurance Contributions Act ("FICA") taxes as follows:

- a. Employers were required to withhold FITW on wages of employees and pay the money withheld to the IRS;
- b. FICA contributions were made up of four components: the employee's and employer's equal shares of 6.2% for Social Security and 1.45% for Medicare taxes. An employer was required to withhold the employee's share and contribute it together with the equal employer's share, a total of 15.30% of wages, to the IRS;
- c. Employers were required to file a quarterly combined FITW and FICA tax return on an Employer's Quarterly Tax Return, IRS Form 941;
- d. Employers were required to issue to each employee and file with the IRS an IRS Form W-2 reporting all wages paid, and all FITW and FICA taxes withheld.

DOUGHERTY'S ILLEGAL CASH PAYROLL SCHEME

4. Between at least January 2001 through October 2005, defendant DONALD DOUGHERTY, JR. maintained an "under the table" cash payroll for himself and his employees that amounted to approximately \$2,659,120 and willfully did not report the cash earnings to the IRS.

5. Defendant DONALD DOUGHERTY, JR. also willfully did not withhold any federal payroll taxes, including FITW and FICA taxes, or any state or local taxes from the earnings that were paid to defendant DOUGHERTY and Dougherty Electric's employees in cash.

6. By willfully failing to report to the IRS his substantial regular wages and his employees' overtime and regular wages, defendant DONALD DOUGHERTY, JR. caused Dougherty Electric to avoid the payment of approximately \$805,698 in FITW and FICA taxes.

7. Between at least January 2001 and October 2005, by willfully failing to report to the IRS his substantial regular wages and his employees' overtime and regular wages, and overtime wages paid to employees, defendant DONALD DOUGHERTY, JR. also caused to be prepared and filed numerous false and fraudulent Employer's Quarterly Federal Tax Returns, IRS Forms 941, and Wage and Tax Statements, IRS Forms W-2, which under-reported taxable income by more than \$2.5 million.

8. On or about the following dates, in Philadelphia, in the Eastern District of Pennsylvania, defendant

DONALD DOUGHERTY, JR.

willfully and knowingly attempted to evade and defeat a substantial part of the employer's federal payroll tax due and owing by Dougherty Electric for each quarter, by filing and causing to

be filed with the Internal Revenue Service Center, Philadelphia, Pennsylvania, a false and fraudulent Form 941 wherein defendant DOUGHERTY falsely understated Dougherty Electric's employer payroll taxes due and owing for each quarter as described below, when, as defendant DOUGHERTY well knew, Dougherty Electric's employer's payroll taxes were the approximate amounts more fully described below:

Count	Form 941 quarter ending	Reported payroll	Cash payroll	Actual payroll	Payroll tax due
81	6/2001	\$598,245	\$109,655	\$707,900	\$33,225
82	9/2001	\$710,360	\$194,067	\$904,427	\$58,802
83	12/2001	\$741,996	\$64,088	\$806,084	\$19,418
84	9/2002	\$2,696,088	\$55,388	\$2,751,476	\$16,782
85	12/2002	\$1,447,557	\$157,612	\$1,605,169	\$47,757
86	3/2003	\$611,338	\$138,747	\$750,085	\$42,040
87	6/2003	\$1,126,073	\$44,552	\$1,170,625	\$13,499
88	9/2003	\$977,934	\$167,711	\$1,145,645	\$50,817
89	12/2003	\$870,466	\$334,672	\$1,205,138	\$101,406
90	3/2004	\$879,201	\$113,308	\$992,509	\$34,317
91	6/2004	\$827,145	\$222,206	\$1,049,351	\$67,329
92	9/2004	\$993,305	\$221,698	\$1,215,003	\$67,175
93	12/2004	\$877,728	\$224,628	\$1,102,356	\$68,062
94	3/2005	\$969,660	\$124,604	\$1,094,264	\$37,755
95	6/2005	\$1,131,495	\$125,592	\$1,257,087	\$38,055
96	9/2005	\$793,571	\$229,230	\$1,022,801	\$69,457
97	12/2005	\$869,821	\$15,041	\$884,862	\$4,557

All in violation of Title 26, United States Code, Section 7201.

COUNTS NINETY-EIGHT THROUGH ONE HUNDRED

(FILING FALSE AND FRAUDULENT INCOME TAX RETURNS)

THE GRAND JURY FURTHER CHARGES THAT:

At all times material to this indictment:

1. The allegations set forth in paragraphs 1, 10 and 11 of Counts One through Thirty-Eight are realleged here.

2. Dougherty Electric was an incorporated entity which defendant DONALD DOUGHERTY, JR. elected to be taxed under Subchapter S of the Internal Revenue Code so that taxable items would pass through to defendant DOUGHERTY to report on his U.S. Individual Income Tax Return.

3. Defendant DONALD DOUGHERTY, JR. and his wife, D.D., filed joint U.S. Individual Income Tax Returns.

4. The U.S. Individual Income Tax Returns filed by defendant DONALD DOUGHERTY, JR. included the standard warning: "Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete."

UNDISCLOSED INCOME

5. On tax returns filed by defendant DONALD DOUGHERTY, JR. for tax years 2002, 2003, and 2004, defendant DOUGHERTY did not include the cash that he received as part of the illegal cash payroll scheme that defendant DOUGHERTY implemented for himself and other Dougherty Electric employees as his personal income.

6. On tax returns filed by defendant DONALD DOUGHERTY, JR. for tax years 2002, 2003, and 2004, defendant DOUGHERTY did not include approximately \$572,625 of the approximately \$675,624 that Dougherty Electric received from IBEW Local 98's Job Recovery Fund as personal income. IBEW Local 98's Job Recovery Fund was designed to subsidize electrical contractors who are parties to collective bargaining agreements with the union when they compete against non-union electrical contractors on bids for jobs. During the period 2002 through 2004, Dougherty Electric received approximately \$672,625 in Job Recovery Fund monies from IBEW Local 98, which were authorized by IBEW Local 98 Official #1, for the purported purpose of offsetting price costs to remain competitive with non-union companies. At the direction of defendant DOUGHERTY, checks from IBEW Local 98's Job Recovery Fund were handled in the following manner:

a. Defendant DONALD DOUGHERTY, JR. either gave or had a Dougherty Electric employee pick up Job Recovery Fund checks and directed Dougherty Electric employees to deposit the checks into one of Dougherty Electric's bank accounts. Afterwards, Dougherty Electric employees were directed by defendant DOUGHERTY to withdraw the proceeds as cash or obtain a bank check for defendant DOUGHERTY's personal use. For example, Job Recovery Fund check number 1339, dated March 8, 2002, in the amount of \$40,000 was deposited into Dougherty Electric's St. Edmond's Federal Savings Bank account on or about April 22, 2002. The same day, a \$43,045.50 transfer was made from Dougherty Electric's account to defendant DOUGHERTY's personal account at St. Edmond's Federal Savings Bank. With those funds, a St. Edmond's bank check was issued to Tweeter, a retailer of high-end audio and video systems, for \$43,045.50 for an entertainment system installed at

defendant DOUGHERTY's personal residence in Sea Isle City, NJ. Job Recovery Fund check number 1380, dated October 11, 2002, in the amount of \$10,000, was converted into a St. Edmond's bank check number 20405 for \$10,000 to the architect for fees incurred for designing defendant DOUGHERTY's personal residence in Philadelphia, Pennsylvania.

b. Defendant DONALD DOUGHERTY, JR. directed Dougherty Electric employees not to record the Job Recovery Fund monies on Dougherty Electric's books. Only on three occasions were Job Recovery Fund checks, totaling approximately \$145,000, recorded as income in Dougherty Electric's books; the remaining checks were unreported personal income of defendant DOUGHERTY.

ILLEGAL BUSINESS DEDUCTIONS

7. On tax returns filed by defendant DONALD DOUGHERTY, JR. for tax years 2002, 2003, 2004, and 2005, defendant DOUGHERTY disguised personal expenses as business expenses so that these expenses would not appear as income to defendant DOUGHERTY in the following manner:

a. During the period 2002 through 2004, defendant DONALD DOUGHERTY, JR. constructed his personal residence located on Pierce Street, in Philadelphia, Pennsylvania for approximately \$2.5 million. Defendant DOUGHERTY purchased eight adjacent lots on Pierce Street and constructed a single-family residence with a two car garage and in-ground swimming pool. The majority of the costs related to the purchase of the properties, construction, and furnishing of his residence were paid by Dougherty Electric and deducted as business expenses.

b. During the period 2002 and 2003, defendant DONALD DOUGHERTY, JR. constructed a condominium located on West Pine Avenue, in North Wildwood, New Jersey. A majority of the construction costs were paid for by Dougherty Electric and were deducted as business expenses.

c. During the period 2002 through 2004, defendant DONALD DOUGHERTY, JR. purchased a condominium on South 25th Street, in Sea Isle City, New Jersey for \$975,000. Defendant DOUGHERTY made and caused to be made several renovations to the condominium, including new tile floors, carpeting, painting, a home entertainment system, and bathroom and kitchen renovations. Most of the work was completed by Dougherty Electric employees, and the costs were paid by Dougherty Electric. Dougherty Electric also paid for and expensed a large amount of the furnishings. All of the expenses were deducted as Dougherty Electric business expenses, rather than being treated as personal expenses and income to defendant DOUGHERTY. In or about June 2004, defendant DOUGHERTY sold the South 25th Street condominium for \$1,700,000, and, on his 2004 tax return, defendant DOUGHERTY treated the condominium as personal property, rather than an asset of Dougherty Electric.

d. During the 2003 tax year, defendant DONALD DOUGHERTY, JR. deducted \$90,000 incurred by Dougherty Electric in improvements made to defendant DOUGHERTY 's Allen Drive, Unit 101A, N. Wildwood, New Jersey condominium as business expenses. Some of the improvements made to the condominium included new hardwood flooring, recessed lighting, a new HVAC system, paint, and a home audio-video surround sound system that were installed in anticipation of defendant DOUGHERTY selling the condominium to IBEW Local 98 Official #1.

e. During the 2004 and 2005 tax years, defendant DONALD DOUGHERTY, JR. and employees of Dougherty Electric, acting under the direction of defendant DOUGHERTY, provided renovation and electrical work at the residence of IBEW Local 98 Official #1 on Moyamensing Avenue, in Philadelphia, Pennsylvania. Dougherty Electric incurred material and labor costs totaling approximately \$115,670, but no invoices or bills were forwarded to IBEW Local 98 Official #1 and no payments from IBEW Local 98 Official #1 were recorded on Dougherty Electric's financial records as an account payable during this time period. A bill was not forwarded to IBEW Local 98 Official #1 until sometime after defendant DOUGHERTY's residence and Dougherty Electric's business office were searched by federal law enforcement officers pursuant to a court-authorized search warrant in 2006. No payments from IBEW Local 98 Official #1 were recorded on Dougherty Electric's financial records. The building, materials and labor costs were deducted as business expenses.

f. Defendant DONALD DOUGHERTY, JR. also deducted a \$16,000 Rolex watch, expensive clothing, daycare for defendant DOUGHERTY's son, and plastic surgery for a member of DOUGHERTY's family as business expenses.

8. On or about the following dates, in Philadelphia, in the Eastern District of Pennsylvania, defendant

DONALD DOUGHERTY, JR.,

a resident of Philadelphia, willfully made and subscribed a United States Individual Income Tax Return, Form 1040, for defendant DOUGHERTY and his spouse, D.D., which were verified by a written declaration that it was made under the penalties of perjury and was filed with the Internal Revenue Service, which income tax return defendant DOUGHERTY did not believe to be true

and correct as to every material matter in that the return under-reported the total income of defendant DOUGHERTY and his spouse, in the approximate amounts listed below:

Count	Form 1040	Date filed	Omitted Income	Income tax due
98	2002	04/15/03	\$814,490	\$249,679
99	2003	04/15/04	\$1,396,625	\$328,725
100	2004	04/15/05	\$274,885	\$83,638

All in violation of Title 26, United States Code, Section 7206(1).

NOTICE OF FORFEITURE

THE GRAND JURY FURTHER CHARGES THAT:

1. As a result of the violations of Title 18, United States Code, Sections 664 and 1027, as set forth in Counts One through Seventy-Six of this indictment, defendant

DONALD DOUGHERTY, JR.

shall forfeit to the United States of America any property that constitutes or is derived from gross proceeds traceable to the commission of such offenses, including, but not limited to, the sum of \$1,067,534:

2. If any of the property subject to forfeiture, as a result of any act or omission of the defendants:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b), incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant up to the value of the property subject to forfeiture.

All pursuant to Title 18, United States Code, Section 982(a).

NOTICE OF FORFEITURE

THE GRAND JURY FURTHER CHARGES THAT:

1. As a result of the violations of Title 29, United States Code, Section 186, set forth in Counts Seventy-Seven and Seventy-Eight of this indictment, defendant

DONALD DOUGHERTY, JR.

shall forfeit to the United States of America any property, real or personal, that constitutes or is derived from proceeds traceable to the commission of such offenses, including, but not limited to, the sum of \$135,600:

2. If any of the property subject to forfeiture, as a result of any act or omission of the defendant:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be divided without difficulty;


it is the intent of the United States, pursuant to Title 28, United States Code, Section 2461(c), incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other

property of the defendant(s) up to the value of the property subject to forfeiture.

All pursuant to Title 28, United States Code, Section 2461(c) and Title 18, United States Code, Section 981(a)(1)(C).

A TRUE BILL:

GRAND JURY FOREPERSON

For 
PATRICK L. MEEHAN
UNITED STATES ATTORNEY

First Assistant U.S. Attorney