

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA
OF AMERICA : CRIMINAL NO. 07-_____
v. : DATE FILED: _____
R : VIOLATIONS:
R : 18 U.S.C. § 1341 (mail fraud - 2 counts)
R : 26 U.S.C. § 7201 (tax evasion - 1 count)
R : Notice of forfeiture

INFORMATION

COUNT ONE

(Mail Fraud)

THE UNITED STATES ATTORNEY CHARGES THAT:

At all times material to this Information:

1. The Independence Seaport Museum (hereafter “ISM” or the “Museum”) was a non-profit corporation located at 211 S. Columbus Boulevard in Philadelphia, Pennsylvania, dedicated to collecting, preserving, exhibiting, and making available art, artifacts, and archival materials pertaining to the maritime history and traditions of the Delaware River, Bay, and tributaries, and to interpreting general themes relating to civilization and the sea. ISM sought to achieve its mission through its exhibitions, research library, publications, and educational and public programs, and its museum was open to visitors year-round. ISM was accredited by the American Association of Museums and was supported by government grants, private contributions, and admission and other revenue.

2. ISM, at various times, owned two historic yachts, the *Principia* and the *Enticer*, which the Museum endeavored to charter to private customers in order to raise funds for the

Museum. In order to restore, preserve, and maintain these historic vessels, ISM incurred substantial expenditures. ISM also owned, at various times, other boats, which it had acquired through donations or through purchases.

3. ISM was governed by a board of directors (referred to as the “Board of Port Wardens”). The directors, including defendant JOHN S. CARTER, owed a fiduciary duty to the museum and were required to adhere to a code of ethics, adopted in or about 1996, which provided, among other rules, the following:

Port Wardens serve the Independence Seaport Museum and its public. They should not attempt to derive any personal material advantages from their connection with the Museum. Port Wardens must use Museum property only for official purposes, and make no personal use of the Museum’s collection, property, or services in a manner not available to a comparable member of the general public.

4. For approximately 17 years, until his April 2006 termination, defendant JOHN S. CARTER was the president and chief executive officer of the Independence Seaport Museum and its predecessor entity. Defendant CARTER also was a voting member of ISM’s board of directors. While serving as ISM’s president and chief executive officer, defendant CARTER was provided with the free use of an ISM-purchased townhouse, located at 537 Spruce Street in Philadelphia, Pennsylvania.

5. Nantucket Sound Boatworks, Inc. was a corporation that defendant JOHN S. CARTER formed in Delaware on or about April 25, 1997 through Yacht Registry, Ltd., with a registered office at 3511 Silverside Road, Suite 105, Wilmington, Delaware 19810. Defendant CARTER was the sole shareholder and director of the corporation, and used his home address in Osterville, Massachusetts as the actual address for the corporation. The sole purpose of the corporation was to own defendant CARTER’s boats. ISM had no ownership interest in this

corporation. Defendant CARTER never notified ISM's board of directors of the existence of this corporation.

6. In the ordinary course of its business activities, ISM utilized the United States mails and commercial interstate carriers in contracting with and making payments to its outside vendors and contractors.

THE SCHEME TO DEFRAUD

7. From in or about 1997 to in or about April 2006, defendant

JOHN S. CARTER

devised and intended to devise a scheme to defraud the Independence Seaport Museum, and to obtain money and property from the Independence Seaport Museum by means of knowingly false and fraudulent pretenses, representations, and promises.

8. The object of this scheme to defraud was for defendant JOHN S. CARTER to obtain unauthorized personal financial benefits by misusing his authority as president and chief executive officer of ISM in the following ways, among others: (a) creating and submitting fraudulent invoices for cash reimbursements to defendant CARTER for work that was never performed and for work performed at defendant CARTER's personal residence in Osterville, Massachusetts and which was made to appear as if performed at the ISM-owned Spruce Street property in Philadelphia; (b) purchasing and charging to ISM a wide variety of merchandise and other personal items that were intended for defendant CARTER rather than ISM and which defendant CARTER falsely claimed were legitimate ISM business expenditures; (c) purchasing and charging to ISM services and other items that were delivered and installed at defendant CARTER's Osterville address and which defendant CARTER fraudulently stated were charges associated with the ISM-owned Spruce Street property in Philadelphia; (d) purchasing and

charging ISM for the construction of a wooden sailboat for defendant CARTER personally at a repair facility that was repairing other ISM vessels; (e) obtaining title to a one-of-a-kind vessel which had been donated to the ISM, arranging for the ISM to pay for the vessel's refurbishment, and then selling the vessel and retaining all of the proceeds for defendant CARTER; and (f) purchasing with ISM funds a modern luxury power boat which defendant CARTER used for his own personal pleasure, all without the knowledge or approval of ISM's board of directors.

9. As a result of this scheme, defendant JOHN S. CARTER caused and intended to cause ISM to incur losses of more than \$1.5 million as a result of fraudulent expenditures and reimbursement requests made by defendant CARTER for his own personal benefit.

It was a part of this scheme to defraud that:

10. Between approximately 2001 and 2006, defendant JOHN S. CARTER used for his own personal benefit several different business credit cards issued to ISM including, among others, a corporate American Express card, a corporate Mellon Bank business Mastercard, an MBNA Platinum Plus for Business card, and a Citibank business Mastercard. Using these credit cards, defendant CARTER made numerous purchases of services and merchandise for his own personal benefit. In order to avoid paying for the purchases out of his own pocket, defendant CARTER routinely submitted the credit card statements to ISM's accounting department for payment and fraudulently misrepresented the nature and the purpose of the transactions.

11. Between approximately 1997 and 2006, defendant JOHN S. CARTER routinely fabricated reimbursement requests by creating fictional invoices and by making photocopies of the front side of personal checks he submitted for reimbursement but which were never actually negotiated in order to further the illusion that he had incurred out-of-pocket expenses for the

benefit of ISM. Based on his fraudulent misrepresentations, ISM paid the reimbursement requests.

12. Defendant JOHN S. CARTER, a trusted and highly respected executive and director of ISM who was nationally acclaimed in his field and extremely well-compensated for his service to ISM, took full advantage of the fact that ISM and its outside auditors exercised insufficient oversight over his activities, particularly his lavish expenditures of ISM funds. Defendant CARTER operated and completely controlled ISM without any regard to his fiduciary duties as its president and board member, all the while using ISM's endowment and other funds as his personal piggy bank. Defendant CARTER fully recognized and exploited the fact that ISM had a weak and insufficient system of internal controls. As a consequence, defendant CARTER spent ISM's funds on every conceivable type of personal expense, while misrepresenting to ISM's accounting department and board of directors the true nature of the purchases and fabricating invoices and other documents to cover his tracks and evade detection.

A. Fraudulent Charges Paid by ISM for Work Performed at Carter's Osterville, Massachusetts Residence.

13. Between approximately 2001 and 2006, defendant JOHN S. CARTER submitted to ISM for reimbursement numerous invoices for a variety of third party vendors that performed work at CARTER's Osterville, Massachusetts residence but which defendant CARTER fraudulently altered to reflect that the work was performed on the ISM-owned Spruce Street residence in Philadelphia or which provided no explanation of where the work was actually performed, thereby resulting in losses to ISM of more than \$335,000.

1. New Carriage House from David Manning Construction Co. in Cummaquid, Massachusetts

14. Between March 27, 2003 and August 6, 2003, at the direction of defendant JOHN S. CARTER, ISM paid a total of \$210,000 to an individual named David Manning in Cummaquid, Massachusetts. The supposed purpose of the payments, according to defendant CARTER, was for ISM to acquire from Mr. Manning a 19th century painting by the Philadelphia marine artist George R. Bonfield for \$155,000 and four sketch books of George R. Bonfield created between 1830 and 1898 for \$55,000.

15. In truth and in fact, however, as defendant JOHN S. CARTER well knew, David Manning never owned any of these items and, instead, operated a residential construction business. The \$210,000 in payments to Manning by ISM were not for the purpose of acquiring a painting or sketch books, but, rather, were payments for the construction of a new carriage house adjacent to defendant CARTER's residence in Osterville, Massachusetts. This two-story carriage house was built to match the style and color of defendant CARTER's Osterville home, and featured hardwood and tile floors, a three car garage, a laundry room, a basement with a wine cellar, two bathrooms, a second floor with a media room, a large sitting room and a bedroom.

16. In persuading ISM to pay for the construction of his new carriage house, defendant JOHN S. CARTER created an elaborate set of phony invoices, correspondence and other documents, all designed to create the illusion that he was acquiring valuable artwork for the benefit of the museum. For example, defendant CARTER created a phony March 12, 2003 invoice for \$155,000 for the George Bonfield painting, "A Scene Depicting Delaware River

Shipping,” on the letterhead of David Manning, along with a phony November 15, 2002 letter from Mr. Manning (including a forged signature of Manning) that purported to describe the history of the painting (its “provenance”) and how Mr. Manning supposedly acquired the painting. Defendant CARTER also created two phony appraisals for this painting. One of the phony appraisals was purportedly issued by Hyland Granby Antiques in Hyannis Port, Massachusetts, and falsely stated that the painting was worth between \$150,000 and \$180,000. The other phony appraisal was purportedly issued by the Vose Galleries in Boston, Massachusetts, and falsely claimed that the painting was worth between \$145,000 and \$175,000. In fact, as defendant CARTER well knew, Bonfield paintings are worth but a small fraction of the prices reflected in these phony appraisals, and the highest amount that any Bonfield painting has sold for at auctions over the last 12 or more years is a mere \$4,200.

17. With respect to the George Bonfield sketch books that ISM paid \$55,000 to acquire, defendant JOHN S. CARTER created a phony August 9, 2003 invoice on the letterhead of David Manning that described the four sketch books, stating that they “belonged to and were used by George Bonfield (1830-1898) Philadelphia marine artist, and contain watercolor, pen and ink and pencil drawings and sketches of shipping scenes, various vessels both power and steam, early Philadelphia residences and public buildings, wharf scenes and related sketches of people and other places.” In truth and in fact, as defendant CARTER well knew, there never were any such sketch books, and the \$55,000 payment from ISM was not used to acquire these sketch books, but, instead, paid for the construction of defendant CARTER’s carriage house.

2. Landscaping Work from Gardens by Rebecca in Centerville, Massachusetts

18. Between approximately October 20, 2003 and December 16, 2005, Gardens by Rebecca, which is located near defendant JOHN S. CARTER's home in Osterville, Massachusetts, performed extensive planting and maintenance of the gardens at defendant CARTER's Osterville residence.

19. During that period, Gardens by Rebecca provided to defendant JOHN S. CARTER several invoices which totaled approximately \$15,368 in charges and which reflected that the work was performed at defendant CARTER's Osterville residence.

20. After receiving the invoices from Gardens by Rebecca, defendant JOHN S. CARTER altered them to show that the work was performed at the 537 Spruce Street address and submitted them to ISM for reimbursement. In reliance on the fraudulent invoices and reimbursement requests, ISM paid defendant CARTER for this work.

3. Sprinkler System from Waterworks Irrigation in Osterville, Massachusetts

21. Between approximately January 11, 2002 and August 15, 2003, Waterworks Irrigation, which is located in Osterville, Massachusetts, installed and maintained the sprinkler system at defendant JOHN S. CARTER's Osterville residence.

22. During that period, defendant JOHN S. CARTER charged a total of \$12,080 on his ISM credit card for the work and then submitted the credit card bills to ISM for payment.

23. In reliance on defendant JOHN S. CARTER's fraudulent misrepresentations that the charges were incurred in connection with the ISM-owned Spruce Street residence, ISM paid all of the charges.

4. Landscaping Work from Brickstone Landscaping in Bridgewater, Massachusetts

24. Between approximately December 22, 2001 and March 9, 2006, Brickstone Landscaping, which is located approximately 10 miles from Osterville, Massachusetts, performed landscaping, hardscaping, and the repointing of bricks on the house exterior and walkways at defendant JOHN S. CARTER's residence in Osterville.

25. During that period, at the direction of defendant JOHN S. CARTER, ISM paid a total of approximately \$89,760 in connection with 12 false invoices submitted to ISM by defendant CARTER and which purported to show that Brickstone Landscaping performed all of the work at the 537 Spruce Street address.

26. Eight of the 12 invoices were paid by ISM directly to Brickstone Landscaping and the remaining four payments, totaling \$17,950, were reimbursement requests that defendant JOHN S. CARTER submitted to ISM with a copy of the front side of a personal check purportedly issued by defendant CARTER as proof of payment but which was never actually given to Brickstone Landscaping.

27. In reliance on defendant JOHN S. CARTER's fraudulent misrepresentations that the charges were incurred in connection with the ISM-owned Spruce Street residence, ISM paid all of the charges.

5. New Roof from a Contractor in Marston Mills, Massachusetts

28. On or about October 15, 2001, a local contractor in Marston Mills, Massachusetts installed a new roof at the residence of defendant JOHN S. CARTER in Osterville, Massachusetts. The total cost was approximately \$8,250.

29. In order to pay for the charges associated with this new roof, defendant JOHN S. CARTER created a phony invoice, submitted it to the accounting department of ISM, and requested that a check in the amount of \$8,250 be issued to the contractor. The fraudulent invoice that defendant CARTER prepared falsely stated that the work performed by the contractor was caulking work performed on the *Enticer*.

30. In reliance on defendant JOHN S. CARTER's assertions that the charges were incurred in connection with the ISM-owned *Enticer* vessel, ISM issued the requested check and paid all of the charges.

6. Wood Shed from Pine Harbor Wood Products in Hyannis, Massachusetts

31. On or about May 27, 2005, Pine Harbor Wood Products, Hyannis, Massachusetts, which is located approximately 8 miles from Osterville, delivered and installed a 10' x 12' Cotuit Classic wooden shed with chestnut brown roof shingles in the back yard of defendant JOHN S. CARTER's Osterville residence.

32. The cost of this shed was \$2,598, which defendant JOHN S. CARTER charged on his ISM credit card.

33. ISM paid this charge after defendant JOHN S. CARTER submitted the bill and noted that this expense should be charged to the *Enticer*.

B. Personal Expenses and Purchases Made by Defendant John S. Carter But Paid for by ISM

34. Between 2001 and 2006, on numerous occasions, defendant JOHN S. CARTER fraudulently caused ISM to pay for more than \$280,000 worth of personal expenditures that

defendant CARTER falsely represented were related to ISM's business activities, including the following:

1. Jewelry from A.G.A. Correa and Sons in Edgecomb, Maine

35. On or about January 22, 2001, defendant JOHN S. CARTER purchased from A.G.A. Correa and Sons, a watch and jewelry retailer located in Edgecomb, Maine, an 18 kt. gold woman's rope band diamond ring (size 5), which cost \$2,080, and which was shipped to defendant CARTER's Osterville residence.

36. This diamond ring, which defendant JOHN S. CARTER gave to his wife as a gift, was charged to an ISM credit card and was paid for by ISM at defendant CARTER's direction after defendant CARTER concealed from ISM the true nature of the transaction by describing the purchase to ISM's accountants as "*Enticer* supplies."

37. On or about August 8, 2002, defendant JOHN S. CARTER purchased from A.G.A. Correa and Sons an 18 kt. gold four strand Turk's head bracelet for a total purchase price of \$3,275.

38. This gold bracelet was charged to an ISM credit card and was paid for by ISM at defendant JOHN S. CARTER's direction after defendant CARTER noted on the credit card statement he submitted to ISM that the charges were incurred in connection with "supplies - rebuilding" for the *Enticer*.

2. Plasma Televisions, Stereo and Electronics Equipment from Tweeter in Hyannis, Massachusetts

39. Between approximately March 14, 2001 and September 23, 2005, using his ISM credit card, defendant JOHN S. CARTER purchased from the Hyannis, Massachusetts location

of Tweeter, a high-end audio and video equipment merchant, a variety of merchandise totaling approximately \$54,562 including, among others, four large screen plasma and high-definition televisions, stereo receivers, stereo speakers, a satellite radio, remote control devices, and the installation charges associated with these items.

40. In submitting the bills for the Tweeter charges to ISM for payment, defendant JOHN S. CARTER falsely stated on his credit card statements that these charges were to outfit the *Enticer* with audio/visual equipment when, in fact, as defendant CARTER well knew, all of the equipment was installed inside of his Osterville residence and was never installed on the *Enticer*. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid these charges.

3. Home and Garden Supplies from Mahoney's Garden Center in East Falmouth, Massachusetts

41. Between approximately April 14, 2001 and April 1, 2005, Mahoney's Garden Center, a retailer located in East Falmouth, Massachusetts, sold to defendant JOHN S. CARTER a total of approximately \$4,471.20 worth of home and garden supplies for defendant CARTER's residence in Osterville, Massachusetts.

42. During that period, defendant JOHN S. CARTER charged all of the purchases of home and garden supplies from Mahoney's Garden Center to his ISM credit cards. In submitting the credit card bills to ISM's accounting department for payment, defendant CARTER falsely represented that these purchases were incurred in connection with the ISM residence at 537 Spruce Street in Philadelphia. For example, defendant CARTER falsely represented to ISM's accounting department that a May 24, 2003 purchase in the amount of \$190.95 and a June 15,

2003 purchase in the amount of \$387.47 were “plant material” for “537 Spruce.” An August 22, 2003 purchase in the amount of \$160.44 was falsely described by defendant CARTER as “misc. plant material” for “537 Spruce.” A December 1, 2003 purchase for \$224.78 was falsely described by defendant CARTER as “misc. holiday decorations” for “537 Spruce.”

43. In reliance on defendant JOHN S. CARTER’s assertions that the charges were legitimate business expenses of ISM, ISM issued the requested checks and paid all of the charges.

4. Gourmet Food, Kitchen Utensils and Espresso Machine from Williams-Sonoma in Osterville, Massachusetts

44. Between approximately February 24, 2002 and August 4, 2003, defendant JOHN S. CARTER made a total of five purchases of a large variety of gourmet food, kitchen utensils, and a \$1,799 espresso machine from the Williams-Sonoma store in Osterville, Massachusetts. The total amount of expenditures was \$4,803.86.

45. Defendant JOHN S. CARTER charged all of these Williams-Sonoma purchases to his ISM credit cards. In submitting the credit card bills to ISM’s accounting department for payment, defendant CARTER falsely represented that these purchases were incurred in connection with the *Enticer* or were otherwise legitimate ISM business expenditures.

46. In reliance on defendant JOHN S. CARTER’s fraudulent misrepresentations that the charges were legitimate business expenses of ISM, ISM issued the requested checks and paid all of the charges.

5. Clothing from Paul Stuart in New York

47. Between approximately May 21, 2001 and May 2, 2003, defendant JOHN S. CARTER made a total of five purchases of a variety of clothing from Paul Stuart, a high-end New York clothing store located at 350 Madison Avenue in Manhattan, totaling approximately \$7,005.25.

48. All of the clothing purchases were made by defendant JOHN S. CARTER for his own personal benefit using ISM credit cards, which, at defendant CARTER's direction, were paid for by ISM as a result of fraudulent misrepresentations made by defendant JOHN S. CARTER that the expenses were in connection with ISM's business activities. For example, defendant CARTER falsely represented to ISM's accounting department that the March 21, 2003 purchase for \$1,045.50 and the May 2, 2003 purchase for \$499.00 were "supplies" for the *Enticer*.

6. Furniture from Country Casual in Gaithersburg, Maryland

49. Between approximately June 1, 2001 and March 13, 2006, defendant JOHN S. CARTER made four purchases from Country Casual, a Gaithersburg, Maryland furniture retailer, totaling approximately \$30,601.90. Included among the items purchased are four Windermere Armchairs for \$1,463, a Brunswick Circular Tree Seat for \$3,847.50, a Lutyens Bench for \$1,363.25, a teak umbrella for \$660.25, four Chippendale sidechairs for \$1,216, two estate planters for \$712.50, a Windermere Bench for \$484.50, Berwick side and coffee tables for \$559.50, a Snowdon round extension table for \$1,175, four Concord folding sidechairs for \$940, six Chippendale II sidechairs for \$1,804.80, a Victoria storage chest for \$1,029.30, two Whitby folding tables for \$620.40, four Seneca lounge armchairs for \$2,519.20, a Seneca coffee table for

\$352.50, two Seneca tiered side tables for \$517, a Riviera recliner with cushion for \$1,643.12, and many other items.

50. All of these purchases were made by defendant JOHN S. CARTER using his ISM credit card. All of the items purchased were shipped directly to defendant CARTER's residence in Osterville, Massachusetts. In submitting the credit card charges to ISM for payment, defendant CARTER falsely represented to ISM that the charges were legitimate business expenses of ISM, claiming that he was purchasing furniture for the *Enticer*. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid all of the charges.

7. Rare Artifacts from Hyland Granby Antiques in Hyannis, Massachusetts

51. On or about January 18, 2002, defendant JOHN S. CARTER purchased from Hyland Granby, a Hyannis, Massachusetts antiques dealer which specializes in the maritime field, a 19th century Arctic narwhal tusk, which was mounted onto a mahogany base. This artifact, which cost \$11,000, was purchased by defendant CARTER for his own personal collection and was paid for by defendant CARTER with a check from his personal checking account.

52. In order to persuade ISM to pay for this personal item, defendant JOHN S. CARTER prepared a phony invoice on Hyland Granby letterhead which purported to reflect the purchase of a "Riggs and Brothers/Chelsea 8 ½" Chronometer" for \$11,000. On the phony invoice, which he submitted to ISM's accounting department for reimbursement, defendant CARTER made the following handwritten notation: "I bought this chronometer for the museum at the Winter Antiques Show in NY – please reimburse me – Thanks." All of these statements

were false. Defendant CARTER further instructed ISM's accounting department to "Chg to curatorial but take out of 'off budget' funds." In reliance on defendant CARTER's false statements and fraudulent misrepresentations, on or about January 25, 2002, ISM issued a check to defendant CARTER to reimburse him for this \$11,000 purchase. Defendant CARTER never disclosed to ISM the true nature of this fraudulent transaction.

53. On or about May 7, 2002, defendant JOHN S. CARTER purchased from Hyland Granby a painting by the noted American artist Antonio Jacobsen titled *Lonestar*. The painting, which cost \$33,000, was intended to be for the benefit of ISM. In making this purchase, however, defendant CARTER instructed ISM's accounting department to make a wire transfer payment to Hyland Granby for \$69,000 instead of \$33,000 and submitted to the ISM accounting department an altered invoice that falsely stated that the purchase price for the painting was \$69,000.

54. Defendant JOHN S. CARTER submitted the altered invoice with an inflated purchase price so that he could secretly purchase from Hyland Granby with ISM funds a second item for his own personal collection: a rare painted American Paddle Box carved eagle, which was found on Cape Cod in or about 1860. The purchase price for this rare item was \$36,960. As instructed by defendant CARTER, ISM made a \$69,000 wire transfer payment to Hyland Granby on or about May 16, 2002. On or about May 24, 2002, after receiving from defendant CARTER another phony Hyland Granby invoice purportedly reflecting a charge to re-frame the *Lonestar* painting, ISM made an additional payment of \$960, which was the remaining balance on the \$69,960 acquisition of both items. Defendant CARTER never disclosed to anyone at ISM that he

had purchased the carved eagle as part of the \$69,960 payment, and misled ISM into believing that the actual price of the Lonestar painting was \$69,960 (including re-framing charges).

8. Furniture from In Home Furnishings in Hyannis, Massachusetts

55. On or about June 15, 2002, defendant JOHN S. CARTER purchased from In Home Furnishings, a Hyannis, Massachusetts furniture retailer, a green clothes dresser for a total purchase price of \$3,074.50. This dresser was shipped directly to defendant CARTER's residence in Osterville, Massachusetts and was purchased by defendant CARTER with his ISM credit card.

56. In submitting the credit card charges to ISM for payment, defendant JOHN S. CARTER falsely represented to ISM that the charges were legitimate business expenses of ISM. In reliance on defendant CARTER's fraudulent misrepresentation, ISM paid the charges.

9. Clothing from Advanced Embroidery in Hyannis, Massachusetts

57. Between approximately June 21, 2002 and September 28, 2004, defendant JOHN S. CARTER made a series of specialty clothing purchases from Advanced Embroidery in Hyannis, Massachusetts, totaling approximately \$6,757.20. The purchases consisted primarily of men's polo shirts, t-shirts, sweatshirts and hats, which were monogrammed with the name of *Albacore*, a boat owned by defendant CARTER, and which also included references to annual cruises aboard that vessel and yacht races over a period of several years.

58. All of these purchases were made by defendant JOHN S. CARTER using his ISM credit card, and the items purchased were used solely by defendant CARTER for his personal benefit. In submitting the credit card charges to ISM for payment, defendant CARTER represented that these purchases were "crew uniforms" for the *Enticer*. In truth and in fact, as

defendant CARTER well knew, these purchases were not crew uniforms for the *Enticer* and instead were purchases made solely for defendant CARTER's personal benefit. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid all of the charges.

**10. Furniture and Household Furnishings from Leonards
New England's Retail Store in Mashpee, Massachusetts**

59. Between approximately June 24, 2002 and April 29, 2005, defendant JOHN S. CARTER made a series of purchases from Leonards New England, a Seekonk, Massachusetts based furniture retailer, totaling approximately \$15,991. The purchases, which were made at the Leonards New England retail store located in Mashpee, Massachusetts on Cape Cod, included the following items: a king size Tiger Maple bed for \$6,900, a king size mattress and box spring for \$1,800, two Oriental lamps for \$590, a Catherine chair for \$1,950, a fruit wood ottoman for \$1,325, an armchair with an English heirloom finish for \$1,777.50, and 12 sapphire goblets for \$768.

60. All of these purchases were made by defendant JOHN S. CARTER using his ISM credit card, and all of the items purchased were used solely by defendant CARTER at his residence in Osterville, Massachusetts. In submitting the credit card charges to ISM for payment, defendant CARTER falsely represented that these purchases were either for the ISM residence at 537 Spruce Street or were "supplies" for the *Enticer*. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid all of the charges.

**11. 50" High-Definition Television from Best Buy
in Hyannis, Massachusetts**

61. On or about August 1, 2002, defendant JOHN S. CARTER purchased from Best Buy in Hyannis, Massachusetts a 50" Toshiba high-definition television, along with accessories

that included a DVD player, surge protector, remote control, and cable, for a total purchase price of approximately \$3,204.27. These items were purchased by defendant CARTER with an ISM credit card. All of the items were shipped to the address of a member of defendant CARTER's family in Cambridge, Massachusetts. None of these items was purchased for the use or benefit of ISM.

62. In submitting the credit card charges to ISM for payment, defendant JOHN S. CARTER falsely represented to ISM that the charges were legitimate business expenses of ISM and did not disclose that these items were purchased for personal use. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid the charges.

12. Home Furnishings from the Spectrum in Brewster, Massachusetts

63. On or about September 3, 2002, defendant JOHN S. CARTER purchased approximately \$1,953 worth of home furnishings from the Spectrum, a Brewster, Massachusetts retailer, including a handcrafted table for \$840, a ceramic bowl with stand for \$995, and a ceramic tile for \$25. These items were purchased by defendant CARTER for his personal use at his residence in Osterville, Massachusetts. Defendant CARTER paid for these items with his ISM credit card.

64. In submitting the credit card charges to ISM for payment, defendant JOHN S. CARTER falsely represented to ISM's accounting department that the charges were incurred to purchase an "Admiral Dewey pitcher," and thus were legitimate "curatorial" expenses of ISM. In reliance on defendant CARTER's fraudulent misrepresentation, ISM paid the charges.

13. Bulbs from Van Engelen Flowers in Bantam, Connecticut

65. Between approximately October 11, 2002 and October 18, 2005, Van Engelen, Inc., a business that sells flowers, plants, and bulbs, and which is located in Bantam, Connecticut, sold to defendant JOHN S. CARTER approximately \$5,184.19 worth of flowers and bulbs, including, among many other varieties, tulips (numerous exotic varieties), Lily Black Dragon, Hyacinth L'Innocence, Iris Amber Beauty, Lily Barcelona, Lily Coral Sunrise, Lily Moonstruck, Narcissi King Alfred Jumbo, Narcissi Red Rascal, Frintillaria Imperialis Lutea, Muscari Armeniacum, Scilla Pratensis, Ipheion Uniflorum Rolf Fiedle, and Lily Golden Splendour. All of these flowers and bulbs were shipped directly to defendant CARTER's Osterville residence.

66. During that period, defendant JOHN S. CARTER charged all of the purchases of flowers and bulbs from VanEngelen, Inc. to his ISM credit cards. In submitting the credit card bills to ISM for payment, defendant CARTER falsely represented that these purchases were incurred in connection with the ISM-owned residence at 537 Spruce Street in Philadelphia.

67. In reliance on defendant JOHN S. CARTER's assertions that the charges were incurred in connection with the ISM-owned Spruce Street residence, ISM paid all of the charges.

14. Books and Magazines from Kitchen Arts & Letters in New York

68. Between approximately January 14, 2003 and January 17, 2006, defendant JOHN S. CARTER purchased approximately 140 books and magazines from Kitchen Arts & Letters in New York, New York, for a total purchase price of approximately \$4,679.40. All of these purchases were cookbooks or food-related, and included a wide range of titles such as "Food Lover's Guide - Paris," by Patricia Wells, "Caviar, Truffles and Foie Gras," by Katherine Alford, "Susanna Foo Fresh Inspirations," by Susanna Foo, and "Lobster at Home," by Jasper White.

69. All of the books and magazines that defendant JOHN S. CARTER purchased from Kitchen Arts and Letters in New York were purchased with an ISM credit card and were shipped to his Osterville residence. Defendant CARTER submitted all of the charges to ISM for payment, and falsely characterized the purchases as legitimate business expenses. For example, the January 14, 2003 purchase for \$510.50 was falsely characterized by defendant CARTER as the purchase of a “GE oven insert/special order,” and he instructed museum staff to charge the expense to the *Enticer*. The January 21, 2005 purchase for \$742.95 was falsely characterized by defendant CARTER as “supplies - Enticer.” The October 19, 2005 purchase for \$746.50 was falsely characterized by defendant CARTER as “Misc. Admin.” The January 14, 2004 purchase for \$769.05 was falsely characterized by defendant CARTER as “catering/entertainment.” The January 17, 2006 purchase for \$819.75 was falsely characterized by defendant CARTER as an “Enticer order.”

70. Defendant JOHN S. CARTER never disclosed to ISM the fact that all of the books and magazines he purchased from Kitchen Arts and Letters were for his own personal benefit and use. In reliance on defendant CARTER’s fraudulent misrepresentations, ISM paid all of the charges.

15. Clothing and Accessories from Orvis Catalog

71. Between on or about March 13, 2003 and May 1, 2003, defendant JOHN S. CARTER charged on his ISM credit card a total of approximately \$1,555.95 worth of merchandise that he purchased from the catalog of the Orvis Company, a specialty retailer of men’s and women’s clothing and outdoors accessories. The items purchased included, among others, “Safari Web Belts” (olive and khaki in color), the “World’s Coolest Shirt,” a Swiss field

watch, "Upland Field Pants," cotton socks, a "Travelers Hopsack Blazer," a "Superslim Watch," a hand-braided horsehair belt, pleated "Herringbone Hemp Pants," "Rhinohide" pants, "Upland Field" pants, and two pairs of "Seersucker Montauk" pants. All of the items purchased were shipped by Orvis to defendant CARTER's home in Osterville, Massachusetts.

72. In submitting the credit card bills for these purchases to ISM's accounting department for payment, defendant JOHN S. CARTER falsely reported that all of the purchases were "Enticer supplies." Based on defendant CARTER's fraudulent misrepresentations, ISM paid the charges.

16. Clothing from Boyd's in Philadelphia

73. On or about March 26, 2003, at Boyd's, a Philadelphia men's and women's clothing store, defendant JOHN S. CARTER charged on his ISM credit card a total of approximately \$2,735 worth of merchandise, including a men's suit for \$1,195, two sport coats for \$595 each, and two pairs of slacks for \$175 each, which he falsely represented to ISM as uniforms for the crew of the *Enticer*. Based on defendant CARTER's fraudulent misrepresentations, ISM paid the charges.

17. Books from Rizzoli Bookstore in New York

74. Between approximately April 17, 2003 and January 17, 2006, defendant JOHN S. CARTER purchased approximately 27 books and magazines from the Rizzoli Bookstore in New York, New York, for a total purchase price of approximately \$1,263.42. These purchases, all of which were shipped directly to defendant CARTER's Osterville residence, are summarized as follows:

Date	Amount	Brief Description
4/17/03	\$306.86	8 books relating to interior decorating, architecture, and food.
10/19/04	\$631.52	12 books relating to, among other subjects, interior decorating and home restoration, cooking, and restaurants, including the Zagat New York City restaurant guide.
1/17/06	\$325.04	7 books relating to travel, wrist watches, art and architecture.

75. All of the books that defendant JOHN S. CARTER acquired from the Rizzoli Bookstore were purchased with an ISM credit card. Defendant CARTER submitted all of the charges to ISM for payment, and falsely characterized the purchases as legitimate business expenses. For example, the April 17, 2003 purchase for \$306.86 was charged by defendant CARTER to the ISM expense account for "misc. admin." The October 19, 2004 purchase for \$631.52 was falsely categorized by defendant CARTER as a purchase for the "Foster book." The January 17, 2006 purchase for \$325.04 was falsely characterized by defendant CARTER as "book order/library" and charged to the expense account for "misc. admin."

76. Defendant JOHN S. CARTER never disclosed to ISM the fact that all of the books he purchased from the Rizzoli Bookstore were for his own personal benefit and use. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid all of the fraudulent charges.

18. Artwork and Home Furnishings from Yankee Accent in Osterville, Massachusetts

77. Between on or about April 19, 2003 and February 11, 2006, defendant JOHN S. CARTER purchased from Yankee Accent in Osterville, Massachusetts a total of approximately \$5,930.95 worth of artwork, including a framed, signed, and numbered limited edition print

Cotuit Oyster Company by Richard Sparre for \$550, a framed, signed, and numbered limited edition print *Monhegan* by John Stobart for \$625, a framed, signed, and numbered limited edition print *Crosby Marine* by Richard Sparre for \$450, a framed, signed, and numbered limited edition print *Crosby Boat Yard* by John Burgoyne for \$395, a framed, signed, and numbered limited edition print *Before the Season* by Richard Sparre for \$1,395, along with a variety of home furnishings, including black lab napkin rings, hand hooked McAdoo rugs with black lab designs, Wianno Yacht Club pennants with mounting plates and frames for vehicles, bow tie and cummerbund in a sunflower motif, and other McAdoo rugs with designs that included “Heading Home catboat design” and “Nantucket Lightship design.” All of the items purchased were for defendant CARTER’s personal use at his Osterville residence. All of these items were purchased by defendant CARTER with his ISM credit card.

78. In submitting the credit card bills to ISM for payment, defendant JOHN S. CARTER falsely represented the nature of these purchases in various ways. He identified the purchases to ISM’s accounting department as “curatorial purchases” for ISM, “misc. admin” for ISM, or stated that the items were purchased for the *Enticer*, and thereby incurred in connection with the ISM’s legitimate business activities. Defendant CARTER did not disclose that the items were purchased for his personal use. In reliance on defendant CARTER’s fraudulent misrepresentations, ISM paid all of the charges.

19. Garden Supplies from Gardener's Supply Co. in Burlington, Vermont

79. Between on or about May 22, 2003 and on or about June 10, 2005, defendant JOHN S. CARTER purchased from Gardener's Supply Co. in Burlington, Vermont a total of approximately \$1,021.41 worth of home and garden supplies, including, among others, a steel hose caddy, y-stakes, linking stakes, single-stem supports, two ultra bright double spotlights, and 30" support rings. All of the purchases were made by defendant CARTER with an ISM credit card, and all of the items purchased were shipped directly to defendant CARTER's Osterville home.

80. In submitting the credit card bills to ISM for payment, defendant JOHN S. CARTER falsely represented that these purchases were for the ISM residence at 537 Spruce Street in Philadelphia. Defendant CARTER did not disclose that the items were purchased for his personal use. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid all of the charges.

20. Merchandise from Tumi Outlet Store in Manchester, Vermont

81. Between on or about July 24, 2003 and October 19, 2005, defendant JOHN S. CARTER purchased from the Tumi Outlet store in Manchester, Vermont a total of approximately \$1,863.62 worth of merchandise for his personal use. Tumi describes itself as "the brand of choice for sophisticated travelers," and offers "a broad selection of hand bags, wallets, computer cases and travel accessories." All of the purchases were made by defendant CARTER with an ISM credit card.

82. In submitting the credit card bills to ISM for payment, defendant JOHN S. CARTER falsely represented that the nature and purpose of the purchases in different ways. Defendant CARTER falsely reported to ISM's accounting department that the July 24, 2003 purchase at Tumi for \$851.18 was for "hotel accommodation/NEMA conference." Defendant CARTER falsely described two purchases on October 19, 2005 for \$985.44 as "supplies for Enticer." Defendant CARTER did not disclose that the items were purchased for his personal use. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid all of the charges.

21. Root Canal Procedure at Professional Endodontists in West Yarmouth, Massachusetts

83. On or about September 3, 2003, at Professional Endodontists in West Yarmouth, Massachusetts, defendant JOHN S. CARTER underwent a root canal procedure and used his ISM credit card to pay for the \$965 in charges for the procedure. Defendant CARTER submitted the credit card bill to ISM's accounting department, and requested that ISM pay for the charges. In order to persuade ISM's accounting department to pay the bill, defendant CARTER falsely stated that the charges were for "Enticer supplies" and never disclosed that the payment was to cover a dental procedure. In reliance upon defendant CARTER's fraudulent misrepresentation, ISM paid this charge.

22. Tools from Toolbook in Des Moines, Iowa

84. On or about December 9, 2003, defendant JOHN S. CARTER purchased from Toolbook in Des Moines, Iowa a total of approximately \$2,923.10 worth of tools and related items, including a 5 drawer roll away tool chest, a special application mechanics tool set, an 8

drawer tool chest, and four other tool sets. All of the items purchased were for defendant CARTER's personal use at his Osterville residence. All of these items were purchased by defendant CARTER with his ISM credit card and were shipped to his Osterville residence.

85. In submitting the credit card bills to ISM for payment, defendant JOHN S. CARTER falsely represented that these purchases were "misc. supplies" for the *Enticer* and submitted fraudulent invoices that falsely showed that these tools were shipped to the captain of the *Enticer* in Chesapeake, Virginia rather than to his home in Osterville. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid all of the charges.

**23. Wine Rack and Shelving Units from Shelving Direct
In Cincinnati, Ohio**

86. Between approximately January 13, 2004 and May 25, 2004, defendant JOHN S. CARTER purchased from Shelving Direct LLC in Cincinnati, Ohio approximately \$2,717.59 worth of shelving units and other items, including a wine rack, a sawhorse and a work bench. All of these items were shipped to defendant CARTER's residence in Osterville, Massachusetts. All of these items were purchased by defendant CARTER with his ISM credit card.

87. In submitting the credit card bills to ISM for payment, defendant JOHN S. CARTER falsely represented that these purchases were incurred in connection with the ISM property at 537 Spruce Street and did not disclose that the items were purchased for his personal use. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid all of the charges.

24. Painting from David Findlay Galleries in New York

88. On or about January 15, 2004, defendant JOHN S. CARTER purchased for \$3,000 a 9" x 12" original oil painting by Kathleen Kolb, which is titled *Morning Ski*, and which Kolb signed and dated in the lower right hand corner. This painting was purchased by defendant CARTER at the David Findlay Galleries, New York City, New York, and was obtained by defendant CARTER for his personal use and enjoyment at his home in Osterville.

89. In order to persuade ISM to pay for this purchase, defendant JOHN S. CARTER prepared a phony invoice and sales receipt, which he then submitted to the ISM accounting department for payment. The phony receipt prepared by defendant CARTER purported to reflect a purchase of an “[e]arly lithograph in good condition (some acid burning from previous frame backing) of the Merchant and Miner steam paddlewheel vessel Benj. DeFord (Deford was a trustee of the company) that was built in Wilmington, DE by the Harlan and Hollingsworth Company, a major shipbuilding firm in the 19th century.” On this phony receipt, defendant CARTER instructed ISM staff to charge the expense to “artifact purchase.” In reliance on defendant CARTER’s fraudulent misrepresentations, ISM paid the bill.

25. Industrial Woodworking Equipment from Wilke Machinery In York, Pennsylvania

90. On or about March 14, 2004, defendant JOHN S. CARTER purchased industrial woodworking equipment from Wilke Machinery in York, Pennsylvania. A few weeks later, on or about March 29, 2004, this equipment, which cost \$9,492.22 and weighed approximately 3,500 pounds, was shipped directly to defendant CARTER’s residence in Osterville and was installed in his garage there.

91. Although he purchased this equipment for his own personal use and benefit, defendant JOHN S. CARTER submitted the \$9,492.22 bill for payment to ISM. Defendant CARTER submitted to ISM's accounting department a phony invoice that falsely stated that the item that was purchased was a "propeller shaft" for the *Enticer*. The delivery instructions on the phony invoice listed only the Independence Seaport Museum, with the notation "TBD" in the address line. Based on defendant CARTER's fraudulent misrepresentation that the Wilke Machinery charges were for the purchase of a propeller shaft for the *Enticer*, ISM paid the charges.

**26. Men's Ties from Mark, Fore & Strike
in Osterville, Massachusetts**

92. On or about April 24, 2004, defendant JOHN S. CARTER purchased five men's ties, which ranged in price from \$30 to \$89.50 each, for a total purchase price of \$308.00. The purchases were made at the Osterville, Massachusetts location of Mark, Fore & Strike, a specialty clothing retailer. On or about December 10, 2004, defendant CARTER made an additional purchase of \$139.00 from this store.

93. Defendant JOHN S. CARTER used ISM credit cards to make both of the purchases. With respect to the April 24, 2004 purchase, defendant CARTER submitted the credit card statement to ISM's accounting department for payment and falsely represented that the charges were incurred in connection with the *Enticer*. With respect to the December 10, 2004 purchase, defendant CARTER submitted the credit card bill to the ISM accounting department and falsely asserted that the charges were for a "photographic order" in connection with the "Foster book." Defendant CARTER did not disclose to ISM that the charges were personal in

nature. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid the charges.

27. Vacation to France and England in 2004

94. Between approximately October 1 and 11, 2004, defendant JOHN S. CARTER and his wife vacationed in France and England, incurring charges on an ISM credit card of approximately \$8,137.48 for the trip. In order to persuade ISM to pay for his European vacation, defendant CARTER falsely claimed that he was attending a conference of the International Congress of Maritime Museums ("ICMM"). However, to the contrary, as defendant CARTER well knew, ICMM's conferences occur every other year, and there was no such conference in 2004. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid for all of the charges for this trip.

28. Paintings from the Maritime Gallery at Mystic Seaport in Connecticut

95. On or about October 29, 2004, defendant JOHN S. CARTER submitted to ISM for payment a receipt for \$5,925, which purported to be a receipt from the Maritime Gallery at Mystic Seaport in Connecticut reflecting the purchase of three paintings. In truth, however, as defendant CARTER well knew, this receipt was phony and fraudulent, and was created by CARTER in a fraudulent attempt to make ISM pay for other artwork that defendant CARTER had purchased from the Maritime Gallery for his own personal benefit. On this phony receipt, defendant CARTER instructed ISM accounting personnel to categorize the expense as "Misc. Admin."

96. The phony receipt that defendant JOHN S. CARTER submitted to ISM was created to persuade ISM to pay for the purchase by defendant CARTER of two paintings from

the Maritime Gallery at Mystic Seaport named *Clouds from the Sea: Nantucket*, by William P. Duffy, for \$4,400, and *Gas House Beach II*, by Racket Shreve, for \$1,400, for a total purchase price of \$5,925 (including shipping costs for shipping the paintings directly to defendant CARTER's Osterville residence). In reliance on the phony receipt and defendant CARTER's fraudulent misrepresentations, ISM paid for the paintings.

**29. Escargot Dishes and Place Settings from
The Gallery of Danby Green in Danby, Vermont**

97. On or about October 29, 2004, defendant JOHN S. CARTER submitted to the ISM for payment a receipt for \$901.69, which purported to be a receipt from the Gallery of Danby Green in Danby, Vermont reflecting the purchase of the following item:

One steamship print by Dutton circa 1870, color, Samuel Walters, delineator, "Royal Mail Steamship 'ASIA'" on white paper, unmounted with minor abrasions throughout but in overall very fine condition, size cut down from original but only in outer margins. The Royal Mail steamship ASIA traveled between Philadelphia and Liverpool carrying the mail and passengers; there were successive vessels of this name on the route over the years but this is believed to be the first ASIA. The marine artist Samuel Walters of Liverpool painted the original oil painting for the RMSL and the painting now resides at Greenwich in the National Maritime Museum. This is a rare print and for its age in very fine condition.

98. In truth, however, as defendant JOHN S. CARTER well knew, this receipt was phony and fraudulent, and was created by defendant CARTER in a fraudulent attempt to make ISM pay for other items that defendant CARTER had purchased on that day from the Gallery of Danby Green for his own personal benefit. Specifically, instead of the rare steamship print reflected in the phony receipt he created, defendant CARTER actually purchased \$901.69 worth of merchandise, including escargot dishes, snail forks, ten 5-piece place settings, and a variety of other dishware and glassware items, all of which were shipped directly to defendant CARTER's

Osterville residence. On this phony receipt, defendant CARTER instructed ISM accounting personnel to categorize the expense as “print curatorial/coll.” In reliance upon the phony receipt and defendant CARTER’s fraudulent misrepresentations, ISM paid the charges.

30. Chinese Doors, Teapot and Bow from Tao Water Art Gallery in Barnstable, Massachusetts

99. On or about December 22, 2004, defendant JOHN S. CARTER used his ISM credit card to purchase two Chinese doors (which cost \$1,195.00 each), a tea pot and a Chinese bow from Tao Water Art Gallery in Barnstable, Massachusetts. Tao Water Art Gallery mainly features Chinese contemporary fine arts. The total amount of these purchases was \$2,945.15.

100. In order to persuade ISM to pay for these personal charges, defendant JOHN S. CARTER submitted to ISM staff the credit card statement reflecting this purchase, and falsely represented that the charges were incurred for a “carving for collection.” In truth and in fact, as defendant CARTER well knew, these purchases were made by defendant CARTER for his own personal use and enjoyment at his Osterville home, and there was no “carving” for ISM’s “collection” as part of this purchase. In reliance on defendant CARTER’s fraudulent misrepresentations, ISM paid the charges.

31. Clothing from Zareh’s in Boston

101. On or about January 6, 2005, defendant JOHN S. CARTER submitted a request for reimbursement to ISM in the amount of \$6,310 and, in connection with that request, supplied a receipt purportedly issued by Zareh, Inc, One Liberty Square, Boston, Massachusetts that identifies the purchased items as 4 John Deere marine water pumps, shipping costs, with handwritten instructions to bill these costs to the *Enticer* account.

102. Based on the invoice submitted by defendant JOHN S. CARTER, ISM reimbursed defendant CARTER without knowing that the invoice had, in fact, been altered by defendant CARTER and that the \$6,310 in charges were actually for purchases by defendant CARTER of fine men's clothing at Zareh's on December 6, and 17, 2005.

103. On or about on December 22, 2001, defendant JOHN S. CARTER purchased \$10,160 worth of fine men's clothing from Zareh's and fraudulently billed those purchases to the ISM by concealing the true nature of the purchase. Based on defendant CARTER's fraudulent misrepresentations, ISM paid these charges.

32. Clothing from Peaches En Regalia in Del Mar, California

104. On or about February 18, 2005, defendant JOHN S. CARTER charged approximately \$1,583.48 to the ISM credit card for purchases made at Peaches En Regalia, an upscale clothing store located in Del Mar, California. The items purchased include men's and women's clothing such as pants, skirts, and tops from brand name designers such as Gigi Clark, Tallia Hartz & Co., Toscano, and Felicia, among others. In submitting these charges to ISM for payment, defendant CARTER falsely represented to ISM that these purchases were for *Enticer* supplies, thereby causing ISM to pay the charges.

33. Classic Sofa in New York

105. On or about April 13, 2005, defendant JOHN S. CARTER charged a total of \$5,403.00 for a purchase from Classic Sofa in New York, New York of a Civic sofa and Civic chair, which were delivered to defendant CARTER's Osterville, Massachusetts residence on or about May 21, 2005.

106. Defendant JOHN S. CARTER annotated in the margin of his credit card statement that the purchase should be charged to the *Enticer* account. In reliance on defendant CARTER's fraudulent misrepresentations, ISM personnel accepted defendant CARTER's explanation and paid the charges in full.

34. Paintings from Tree's Place in Orleans, Massachusetts

107. On or about April 16, 2005, defendant JOHN S. CARTER used his ISM credit card to purchase two paintings for \$2,950 from Tree's Place, Orleans, Massachusetts: *Distant Mountains Provence*, by Loretta Feeney, and *I Will See you Again*, by Rod O'Flaherty. Both paintings were purchased by defendant CARTER for his personal enjoyment at his Osterville residence.

108. In submitting his ISM credit card statement reflecting these purchases for payment by ISM, defendant JOHN S. CARTER falsely categorized the charges as an *Enticer* expense. The ISM, as a result, paid the bill. *Distant Mountains Provence* was later returned by defendant CARTER to Tree's Place, and defendant CARTER received an \$850 store credit for the return of the painting.

35. Boat Trailers from Anchor Outboard Co. in Hyannis, Massachusetts

109. On or about June 21, 2005, defendant JOHN S. CARTER used his ISM credit card to purchase a new Karavan boat trailer from Anchor Outboard Co., Inc. in Hyannis, Massachusetts for a total purchase price of \$525.00. This trailer was acquired by defendant CARTER for his personal use.

110. Approximately two months later, on or about August 20, 2005, defendant JOHN S. CARTER again used his ISM credit card to purchase another Karavan boat trailer, which was identical or nearly identical to the one that he had purchased on June 21, 2005. The purchase price was \$575.00. This trailer purchase had nothing to do with ISM and was sold by defendant CARTER to another person.

111. In submitting these charges to ISM's accounting department for payment, defendant JOHN S. CARTER falsely claimed that the charges were incurred in connection with the *Enticer*. In reliance on defendant CARTER's fraudulent misrepresentations, ISM paid the charges.

36. Philadelphia Sports Club Charges

112. Between approximately July 22, 2005 and April 1, 2006, defendant JOHN S. CARTER incurred charges of approximately \$6,478.80 at Philadelphia Sports Clubs, a Philadelphia health club. The charges consisted primarily of membership fees and personal training sessions for defendant CARTER and his wife.

113. Defendant JOHN S. CARTER used an ISM credit card to pay for the PSC charges, and then caused ISM to pay for the charges as legitimate ISM business expenses by falsely describing them in ISM billing records as "meetings." Based on defendant CARTER's fraudulent misrepresentations, ISM paid the charges.

C. Fraud Involving Boats Owned by ISM and Defendant

114. In his capacity as president and chief executive officer of ISM, defendant JOHN S. CARTER arranged for several vessels that had been donated to the ISM to be refurbished at Benjamin River Marine and D.N. Hylan and Associates, which are located adjacent to one another in Brooklin, Maine, and which both specialize in the refurbishment of antique wooden

boats. Two of the ISM vessels that were repaired at these facilities were the *Albacore* and the *Nellie*, both of which are antique wooden sailboats. During his tenure as ISM's president, between 1997 and 2006, defendant CARTER engaged in fraudulent conduct regarding several boats that he used for his personal pleasure at ISM expense, thereby causing losses of more than \$900,000 to ISM.

1. *Albacore*

115. On or about May 22, 1997, ISM conveyed title to the *Albacore*, a vessel that had been donated to ISM in 1996, to defendant JOHN S. CARTER's own personal company, the Nantucket Sound Boat Works, Inc., for total consideration of one dollar. This transaction was never presented to or approved by ISM's board of directors at any time. The board member who signed the transfer of title documents on behalf of the museum did so without presenting the transfer to the ISM board for a vote.

116. Between 1998 and 2004, at ISM expense, the *Albacore* underwent extensive restoration and refurbishment work at the D.N. Hylan and Benjamin Marine boatyards in Maine, with total charges of approximately \$408,500 for this work.

117. Between 1998 and 2004, defendant JOHN S. CARTER caused ISM to pay for all of the \$408,500 of charges for restoration and refurbishment work on the *Albacore* by submitting to ISM for payment invoices that defendant CARTER had altered in order to make the bills appear to be related to work performed on other ISM vessels, including the *Enticer* and the *Nellie*.

118. In or about July, 1998, D.N. Hylan and Associates began to question defendant JOHN S. CARTER as to why the costs of restoring the *Albacore* were being paid by ISM rather than defendant CARTER, who was the owner of the vessel. In order to assuage these concerns

and prevent his fraudulent scheme from being uncovered, defendant CARTER created a series of phony memos and correspondence reflecting an elaborate and complex explanation for the payments, including the following letter that defendant CARTER sent to D.N. Hylan and Associates:

You do deserve an explanation on the ALBACORE billings and let me state I am sorry for any discomfort. When I purchased the boat from the museum my funds were held in escrow with a plan conceived to have me make a significant donation of Cisco Systems stock (highly appreciated) for the restoration. This would mean that I was paying approximately \$.65 for every dollar expended on the boat as I could take the other \$.35 as a tax deduction. As long as the boat was owned by the museum then the work could proceed by BRM with my restricted donation going to the restoration. I was able to take a tax deduction on the appreciated value of the stock and it seemed to work out well. This is why I asked you what it was going to take to do the work because I wanted to make the transfer in bulk amounts while the market continued to be high.

The whole thing is problematic from many angles. But what made it more problematic is when I took full control of the boat and ALBACORE was no longer on the ISM books as an account as the museum entered a new fiscal year which is different from the calendar year. I personally had not realized that this would make a difference. At that time the business office told me they would be willing to transfer the funding to another boat and proceed as before which seemed an ideal solution. However they did not have billings for another boat and our resident "computer whiz" in the boat shop began generating bills for a boat which I continued to sign off on. I thought they were just consolidated billings not regenerated ones, I guess I should have looked more closely and compared them to what I had received but a month goes by between when they come in and a check goes out and I often sign as many as 50-75 or more checks a week. My mistake.

Today I went back through the last six (including most recent that is now due) and had three thrown out and originals substituted. I will not be able to receive a tax deduction for the amounts of these and the one now due or ones coming but it will be much "cleaner" from a book keeping standpoint to re-establish ALBACORE as a "commercial" account than to receive the tax benefit. If I can extract the roughly \$35,000. in funding now held by the museum in my account I will pay BRM directly. I thank you for pointing out the problem and apparently they began to send you copies of the "new" billings assuming that you and I had discussed transferring ALBACORE to another account, which I hadn't bothered to do because BRM was being paid and the internal mechanization about how didn't

seem to be necessary. This had not been approved by myself as a course of action, except transferring billing to another account. I'm torn about coming down too hard on them because they were doing it to help me out and keep my tax deduction for the stock I gave to the museum. I hope this explains the situation with some clarity. Again my apologies for any discomfort it may have provided you. I look forward to seeing the completed product.

All of the statements made by defendant CARTER in this letter, as defendant CARTER well knew, were entirely false. There was no Cisco stock that was donated by defendant CARTER to ISM as part of the purchase of *Albacore*. There were no accounting errors or misclassifications. Instead, all of the payments made by ISM were the result of defendant CARTER's lies and fraudulent misrepresentations.

119. In addition to the fraudulent letter quoted in the above paragraph, defendant JOHN S. CARTER also sent to D.N. Hylan and Associates two phony ISM internal memoranda dated July 23, 1998 and July 24, 1998 to and from ISM bookkeepers and others at ISM which purported to document and confirm the issues and problems described in the letter. These memoranda were purely fictional and, among other things, reference general ledger accounts that did not actually exist, accounting procedures that were never undertaken, and a series of events that never actually occurred. Based on the elaborate and sophisticated series of lies contained in these documents, D.N. Hylan and Associates continued to work on the *Albacore*, and ISM continued to pay for such work.

120. On or about August 16, 2004, defendant JOHN S. CARTER sold the *Albacore* to a third party purchaser for a total of \$190,000 and wrongly retained all of the proceeds of the sale for himself.

2. *Sadie*

121. In or about June, 2005, defendant JOHN S. CARTER requested that D.N. Hylan & Associates build for defendant CARTER a smaller wooden sailboat for his personal use. Hylan agreed and began construction of a sailboat called the *Sadie*.

122. Between approximately July 5, 2005 and March 14, 2006, defendant JOHN S. CARTER received monthly bills for work performed by Hylan in connection with construction of the *Sadie*, altered the bills to make them appear as if related to work performed by Hylan on other ISM owned vessels, and then submitted the bills to ISM for payment.

123. When questioned by Hylan regarding why ISM was paying the bills associated with the construction of the *Sadie*, defendant JOHN S. CARTER falsely explained that, as president of the ISM, he had arranged with the board of directors to fund a portion of defendant CARTER's personal expenses, rather than provide him with additional salary.

124. As part of his scheme to fund the construction of the *Sadie* with the assets of ISM, between approximately July 5, 2005 and March 14, 2006, defendant JOHN S. CARTER submitted to ISM a series of fraudulent Hylan invoices totaling approximately \$99,380, of which a total of approximately \$71,093 were actually paid by ISM.

125. On or about March 8, 2006, defendant JOHN S. CARTER purchased \$500 worth of sailboat related equipment for his sailboat, the *Sadie*, from Nat Wilson Sailmakers in Boothbay Harbor, Maine, and used the ISM credit card to make the purchase. In submitting the bill to ISM for payment, defendant CARTER falsely reported to ISM that the charges should be expensed to the *Enticer* which, as defendant CARTER well knew, does not have any sails. As a result of defendant CARTER's misrepresentation, ISM paid the bill.

126. On or about April 2, 2006, just days after defendant JOHN S. CARTER was terminated by ISM, he wrote an email to ISM's operations manager in which he attempted to conceal the fact that ISM had been paying for the construction of his own personal sailboat, the *Sadie*. In his email to the operations manager, defendant CARTER falsely stated that the *Nellie*, a museum owned vessel undergoing restoration at D.N. Hylan and Co. at the same time that *Sadie* was being constructed, was, in fact, the same boat as the *Sadie*:

BUTTERFLY/NELLIE/SADIE (and probably other names) is at D.N. Hylan Assoc. on Brooklin, ME. . . they have done a lot of work on the boat over the past three years and it has all new frames, new keel, new floors, new keel bolts and a lot of new planking but still needs to be finished if it is to sell for anything; this is an important Nat Herreshoff designed historic yacht one of three sister ships . . .

3. **Kiah/Cyrene**

127. On or about August 29, 2002, at the direction of defendant JOHN S. CARTER, ISM purchased for \$275,000 (including a \$25,000 sales commission) a 1999 Shelter Island 38' luxury power boat named the *Kiah* from two individuals who lived in New York, New York. This transaction was never submitted to ISM's board of directors for consideration and approval, and was completed solely at the direction of defendant CARTER.

128. The *Kiah*, a modern luxury power yacht built in 1999, was of absolutely no historical value to ISM and was purchased by defendant JOHN S. CARTER for his personal use and benefit. At the time of the transaction, defendant CARTER intended to use the boat for his own personal recreational use while at his home in Osterville, Massachusetts (where he spent virtually the entire summer each year), all the while claiming to ISM's accountants and outside auditors that he had acquired the boat with the intention of holding it for resale at a higher price in the future.

129. On or about January 15, 2003, defendant JOHN S. CARTER fraudulently transferred title to the *Kiah* to Nantucket Sound Boatworks, Inc., a Delaware corporation that he owned and controlled. This title transfer, which was reported to the U.S. Coast Guard, was undertaken by defendant CARTER without the knowledge or approval of ISM. In order to accomplish this transfer of title over to his own company, defendant CARTER made a series of false and fraudulent statements in a letter dated September 11, 2002 to the person who brokered the transaction:

Dear Steve:

I am assuming that you made up this Bill of Sale which is why I am returning same to you to redo if you will and then have [the sellers] sign the new one in front of a notary and have the notary stamp it and sign it. There is no need to send it overnight or anything special just address it to my attention so it doesn't get lost here. You will note that we have set up a new Delaware corporation for the ultimate transfer of this boat and the new Bill of Sale should be made out to that corporation. This in no way affects the donation or bargain sale of the boat but merely allows us to send in this Bill of Sale (never to be seen again) to the USCG and document the vessel under the new corporation (wholly owned by the museum I might add) rather than under the museum. It basically saves us a step in securing documentation. . . .

130. Contrary to the assertions contained in the above quoted excerpt of this September 11, 2002 letter, the corporation which defendant JOHN S. CARTER identified was not owned by ISM at all. Instead, as defendant CARTER well knew, the corporation to which title to the *Kiah* was transferred at his direction was Nantucket Sound Boatworks, Inc., a Delaware corporation of which defendant CARTER was the sole owner. In addition, contrary to the assertions in his letter, the sale of the *Kiah* to a corporation that defendant CARTER controlled instead of ISM, a non-profit corporation, invalidated the tax deductibility to the sellers of the portion which had been designated as a donation.

131. On or about April 15, 2003, defendant JOHN S. CARTER changed the name of the *Kiah* to the *Cyrene* and registered the name change with the U.S. Coast Guard. This name change was undertaken by defendant CARTER without the knowledge or approval of ISM. At or around the date of this change of name from *Kiah* to *Cyrene*, defendant CARTER did not disclose to anyone at ISM the fact that the name had been changed until, as explained below, he was questioned by ISM's controller nearly one year later. The change of name of the boat from *Kiah* to *Cyrene* was undertaken by defendant CARTER to conceal the fact that he had transferred ownership of the boat to himself. ISM had already owned another boat which had also been renamed *Cyrene*, a boat formerly known as the *Seaquester*, which was a 29' Dyer that defendant CARTER had used in prior years for his personal pleasure and enjoyment at the expense of ISM.

132. On or about February 20, 2004, ISM's controller sent an email to defendant JOHN S. CARTER questioning why invoices issued to ISM for services provided in connection with the *Kiah* stated that the name of the vessel was *Cyrene* rather than *Kiah*. In response, on or about February 20, 2004, defendant CARTER sent an email reply which stated the following:

Both the owners who donated/sold us first Seaquester and later Kiah reserved the yacht's name so we've used "Cyrene" as a name to register them under our ownership because we couldn't use the names they were donated under to register them (document them with USCG) so you are right Seaquester became CYrene then we sold her and then Kiah became Cyrene; do you get it?

Defendant CARTER's statement that the owners of the *Kiah* had specifically reserved the name *Kiah* was, as defendant CARTER well knew, a deliberately false statement. In truth and in fact, as defendant CARTER well knew, the owners of the *Kiah* did not reserve the name *Kiah* and there was no reason for defendant CARTER to have changed the name of the vessel other than to attempt to create confusion on the part of ISM's accounting department and to conceal that he had secretly transferred ownership of the vessel to a corporation that he owned and controlled.

133. During the summers of 2003, 2004 and 2005, at a very substantial cost to ISM, defendant JOHN S. CARTER used the newly-named *Cyrene* for his personal pleasure and enjoyment and reported to friends that the *Cyrene* was his boat. During those three summers, the *Cyrene* was docked at a small marina in Osterville, Massachusetts that was in close proximity to defendant CARTER's residence. Defendant CARTER submitted the summer storage invoices from this marina to ISM for a total payment of \$15,426.

134. In order to further conceal the fact that he had been using the *Kiah/Cyrene* for his personal enjoyment rather than attempting to sell the boat, defendant JOHN S. CARTER created phony invoices for summer storage costs that falsely stated that the *Kiah/Cyrene* was not being used and was being held for resale. Rather than submit the original, authentic invoice for Bridge Street Marina for 2005 summer storage near his home in Osterville, on or about October 17, 2005, defendant CARTER instead submitted a phony invoice in the same amount as the original but which falsely stated as follows: "boat in water but not commissioned and unused." In truth and in fact, as defendant CARTER well knew, there were no such special instructions associated with the use of the *Kiah/Cyrene*. Instead, defendant CARTER treated the boat as if it were his own and used it exclusively for his personal enjoyment and benefit without any attempts to sell it for the benefit of ISM.

135. During the winters of 2002/2003, 2003/2004 and 2005/2006, the *Cyrene* was stored inside at Hinckley Yacht Services in Portsmouth, Rhode Island. In addition to causing ISM to incur substantial expenditures for inside storage at the Hinckley facility, ISM also paid for repair, maintenance and many other upgrades to the *Cyrene*, for total costs of approximately \$156,845.99.

136. In addition to varied charges for regular maintenance and repairs of the *Kiah/Cyrene*, the Hinckley Yacht Services charges also included well in excess of \$10,000 in charges for upgrades to the boat, including a new GPS and auto-pilot system, an Icom VHF radio, an Alpine stereo XM receiver, Alpine 12 disc CD changer, Alpine and Bose speakers, and a new teak dining table, among others.

137. On or about March 15, 2006, just a few weeks before he was terminated by ISM, defendant JOHN S. CARTER submitted to ISM's accounting department an invoice for \$5,700 purportedly issued by Nauticus Marina, Inc. for summer storage in 2006 for the *Kiah/Cyrene* at the marina formerly owned by Bridge Street Marina, Inc., where the boat had been docked during the summer months in 2003, 2004 and 2005. The invoice stated under the heading "Special Instructions" the following: "vessel only used for demonstration purposes by broker."

138. However, as defendant JOHN S. CARTER well knew, this invoice was phony and the special instructions reference was invented by defendant CARTER in order to attempt to create the false appearance that the *Kiah/Cyrene* was docked in Osterville for the sole purpose of being displayed for a possible sale and not for the purpose of making it available for CARTER's personal use and enjoyment. In fact, as defendant CARTER well knew, the authentic invoice issued by Nauticus Marina, Inc. for the same amount did not entail any such restrictions and made no reference to the limited purposes described in the phony invoice that defendant CARTER submitted to ISM.

139. On or about April 2, 2006, in a further attempt to conceal from ISM his prior misuse of the *Kiah/Cyrene* for his personal pleasure and benefit, defendant JOHN S. CARTER prepared and sent an email to ISM's operations manager in which he discussed several subjects, including the *Kiah/Cyrene*. He stated in part: "KIAH/CYRENE is at Hinckley Yard in

Portsmouth RI where it has been since donated. . . . “ To the contrary, as defendant CARTER well knew, the *Kiah/Cyrene* was moved each spring to Osterville so that it could be used and enjoyed by defendant CARTER during the spring and summer months, and did not remain at the Hinckley boatyard during the entire time it was owned by ISM.

140. On or about April 7, 2006, shortly after ISM terminated the employment of defendant JOHN S. CARTER and initiated an investigation into his fraudulent activities, defendant CARTER transferred title to the *Cyrene* back to ISM from Nantucket Sound Boatworks, Inc. to conceal his misuse of this ISM asset.

141. On or about January 11, 2006, in the Eastern District of Pennsylvania and elsewhere, defendant

JOHN S. CARTER

for the purpose of executing the scheme described above, and attempting to do so, and aiding and abetting its execution, knowingly caused to be delivered by United States mail, according to the directions thereon, check number 1731 for \$6,310 issued by the Enticer Corporation, 211 S. Columbus Boulevard, Philadelphia, Pennsylvania 19106, to Zareh, Inc., One Liberty Square, Boston, Massachusetts 02109.

All in violation of Title 18, United States Code, Section 1341.

COUNT TWO

(Mail Fraud)

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. Paragraphs 1-6 of Count One are incorporated here by reference.
2. On or about February 17, 1997, the Independence Seaport Museum, as part of a "Supplemental Executive Retirement Program" ("SERP") provided to defendant JOHN S. CARTER, purchased a "Split/Owner Split Dollar Life Insurance Plan," Policy No. 23-7951405 (hereafter the "Insurance Policy"), from Lincoln National Life Insurance Company. The SERP required that ISM make annual premium payments of approximately \$100,000 per year.
3. A split-dollar insurance plan is an arrangement between two parties that involves "splitting" the premium payments, the cash values, the ownership of the policy, and the death benefits. The arrangement generally involves permanent cash value insurance such as whole life, universal life, variable universal life, or a term/whole life blend. By splitting the premiums and ownership with the employee, the employer is essentially guaranteed of receiving the cost of the employer's contributions to the plan. At the time of death of the insured-employee, the employer will typically receive an amount equal to the total premiums paid, and the beneficiaries designated by the employee will receive the remaining death benefit. Split dollar arrangements allow a company to provide significant life insurance and retirement benefits to key employees with funds that the company can eventually recover.
4. The Insurance Policy issued to defendant JOHN S. CARTER provided a death benefit of \$2 million in addition to an accumulated cash value. On or about January 9, 2007, the cash surrender value of this policy was approximately \$1,083,017.76.

5. In consideration of ISM's agreement to make all or nearly all of the policy premium payments of approximately \$100,000 per year, on or about November 22, 1996, defendant JOHN S. CARTER executed an assignment in favor of ISM which provided certain rights to ISM, including, among others, the following:

- a. Upon the death of defendant CARTER, ISM would be entitled to an amount equal to the cumulative premium payments it had made to Lincoln National Life Insurance Co. under the Insurance Policy, less any policy loans and unpaid interest, or cash withdrawals it had previously made.
- b. In the event that both ISM and defendant CARTER elected to surrender or cancel the policy, ISM's interest in the Insurance Policy would be equal to the lesser of the amount of cumulative premiums paid by ISM to the insurer, less any amounts already received by ISM via policy loans or withdrawals, or the policy's net cash surrender value.
- c. ISM would be required to release its assignment to defendant CARTER in the event that CARTER requested such release and had made full payment to ISM of its interest in the split dollar portion of the policy.

6. In order for its interest in the Insurance Policy to be terminated, it was necessary for ISM to execute and submit to Lincoln National Life Insurance Co. a "Release of Assignment" form, which required the signatures of two officers of ISM. Execution of a release of assignment form by ISM would vest defendant JOHN S. CARTER with all rights, title and interest in the policy, including the full amount of the death benefit and accumulated cash value.

7. On or about May 26, 2006, nearly two months after defendant JOHN S. CARTER was terminated by ISM following revelations that he had engaged in fraudulent activities,

including those described in Count One of this Information, defendant CARTER submitted to Lincoln National Life Insurance Co. a request that it update its records to reflect a change of address for defendant CARTER from the ISM address in Philadelphia to defendant CARTER's residence in Osterville, Massachusetts. On or about July 19, 2006, Lincoln National Insurance Co. notified defendant CARTER that it had updated its records as requested. A copy of this letter was sent to ISM in Philadelphia by U.S. mail.

8. On or about July 21, 2006, ISM's counsel wrote a letter to Lincoln National Insurance Co. in which it notified the insurer that defendant JOHN S. CARTER was no longer employed by ISM. The letter also stated: "Accordingly, no action (including, but not limited to, loans withdrawals, etc.) should be made under the policy unless the Museum gives its specific written concurrence. This letter follows a call by the Museum's acting president, Karen Cronin, to your offices in the past couple of days."

THE SCHEME TO DEFRAUD

9. From on or about December 21, 2006 to on or about January 10, 2007, defendant

JOHN S. CARTER

devised and intended to devise a scheme to defraud the Independence Seaport Museum, and to obtain money and property from the Independence Seaport Museum by means of knowingly false and fraudulent pretenses, representations, and promises.

10. The object of this scheme to defraud was for defendant JOHN S. CARTER to obtain control of a split dollar life insurance policy in which the Independence Seaport Museum had a substantial ownership interest, and which had a cash surrender value in excess of \$1 million and a death benefit of \$2 million.

It was a part of this scheme to defraud that:

11. On or about December 21, 2006, more than one month after the FBI and IRS executed a search and seizure warrant at his residence in Osterville, Massachusetts, defendant JOHN S. CARTER telephoned Lincoln National Life Insurance Co. requesting information about obtaining a loan on the policy. Defendant CARTER was advised during the conversation that he had a split dollar assignment on the policy. Defendant CARTER requested that a release of assignment form be sent to him. Lincoln National Insurance Co. complied with this request and faxed the release of assignment form to defendant CARTER.

12. On or about January 2, 2007, defendant JOHN S. CARTER forged the signatures of two members of the board of directors of ISM onto the release of assignment form, and transmitted the form to Lincoln National Insurance Co. by U.S. mail. Specifically, defendant CARTER forged the signatures of ISM's board chairman and board vice chairman onto the form. On the envelope he used to mail this form to Lincoln Financial Group, defendant CARTER used as a return address the ISM owned residence at 537 Spruce Street, Philadelphia, Pennsylvania 19106.

13. The release of assignment form that defendant JOHN S. CARTER forged and submitted to Lincoln National Life Insurance Co. contained the following false and fraudulent certifications of ISM's two board members:

By signing below I (We) certify that:

- * The obligation resulting in this assignment has been fully satisfied and that;
- * I (We) am releasing this assignment and all interest acquired in this policy/certificate and that;
- * Unless otherwise noted, this will release all assignments of the noted Assignee and that;
- * I (We) am legally capable of executing this release.

14. On or about January 10, 2007, in reliance on the fraudulent release of assignment form that defendant JOHN S. CARTER had submitted, Lincoln National Life Insurance Co. processed the request and released the assignment, thereby divesting ISM of any further interest in the policy. On that same date, Lincoln National Life Insurance Co. mailed a letter confirming this fact to defendant CARTER's Osterville, Massachusetts address.

15. On or about January 3, 2007, in the District of Massachusetts and elsewhere, defendant

JOHN S. CARTER,

for the purpose of executing the scheme described above, and attempting to do so, and aiding and abetting its execution, knowingly caused to be delivered by United States mail to Lincoln Financial Group, Client Services MIR1, P.O. Box 5048, Hartford, Connecticut 06102-2835, a fraudulent release of assignment form containing the forged signatures of two members of ISM's board of directors.

All in violation of Title 18, United States Code, Section 1341.

COUNT THREE

(Tax Evasion)

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. Paragraphs 1-6 and paragraphs 8-140 of Count One are incorporated here by reference.

2. As explained in Count One, during the tax years 1997 through 2005, defendant JOHN S. CARTER obtained more than \$1.5 million in proceeds as a result of a scheme to defraud his employer, the Independence Seaport Museum.

3. All of the proceeds that defendant JOHN S. CARTER obtained through the scheme to defraud charged in Count One were income which defendant CARTER was required to report on his federal income tax returns for each year.

4. During each of those years, however, defendant JOHN S. CARTER and his wife filed joint federal income tax returns which failed to report as income the proceeds that defendant CARTER received from his scheme to defraud ISM charged in Count One.

5. On or about April 15, 2004, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOHN S. CARTER,

a resident of Philadelphia, Pennsylvania and Osterville, Massachusetts, who during calendar year 2003 was married, willfully attempted to evade and defeat a large part of the tax due and owing by him and his spouse to the United States of America for the calendar year 2003 through various means, including, among other things:

(1) by filing and causing to be filed with the Director, Internal Revenue Service Center, Philadelphia, Pennsylvania, a false and fraudulent U.S. Individual

Income Tax Return, Form 1040, on behalf of himself and his spouse, in which it was stated that their joint taxable income was the sum of \$211,979 and that the amount of tax due thereon was \$56,973, but as he then well knew and believed, their joint taxable income for the year was substantially in excess of that stated and that upon this additional joint taxable income a substantial additional tax was due and owing to the United States; and

(2) by concealing sources and amounts of his true and correct income by making false and deceptive statements to the accountant who prepared his tax return.

In violation of Title 26, United States Code, Section 7201.

NOTICE OF FORFEITURE

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. As a result of the violations of Title 18, United States Code, Section 1341, set forth in this information, defendant

JOHN S. CARTER

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 real estate and improvements at 74 Grand Island Drive, Osterville, Massachusetts 02655, and the sum of \$1,560,156.

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 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).

PATRICK L. MEEHAN
United States Attorney