

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

**UNITED STATES OF AMERICA** : **CRIMINAL NO. 10-797**

**v.** : **DATE FILED: September 15, 2011**

**KENNETH G. REIDENBACH** : **VIOLATIONS:**  
**HERBERT P. HENDERSON** : **18 U.S.C. § 371 (conspiracy to conceal property in  
bankruptcy and to commit bankruptcy fraud- 1  
count)**  
: **18 U.S.C. § 152(1) (concealing property in  
bankruptcy - 2 counts)**  
: **18 U.S.C. § 152 (3) (false declaration,  
certification, or verification in bankruptcy - 1  
count)**  
: **18 U.S.C. § 152(7) (agent concealing property in  
bankruptcy - 2 counts)**  
: **18 U.S.C. § 153 (embezzlement against  
bankruptcy estate - 2 counts)**  
: **18 U.S.C. § 157 (bankruptcy fraud - 1 count)**  
: **18 U.S.C. § 2 (aiding and abetting)**  
**Notice of forfeiture**

**SECOND SUPERSEDING INDICTMENT**

**COUNT ONE**

**THE GRAND JURY CHARGES THAT:**

At all times material to this indictment:

1. Title 11 of the United States Code was the uniform federal law governing all bankruptcy cases. The bankruptcy system was designed to achieve the dual objectives of assisting honest debtors and protecting creditors. Chapter 7 bankruptcy cases involved the liquidation of the debtor's assets. When a Chapter 7 bankruptcy case was filed, an impartial bankruptcy trustee was appointed to collect and liquidate assets for the benefit of creditors.
2. Whenever a bankruptcy case was filed, a bankruptcy "estate" was created

consisting of the debtor's legal and equitable interests in property and in any other assets at the time the bankruptcy case was filed.

3. At the commencement of a bankruptcy case, the debtor was required to sign and file, under penalty of perjury, a bankruptcy petition, schedules providing information regarding all of the debtor's interests in assets, and a statement of financial affairs disclosing, among other things, the transfers of assets during the year preceding the filing of bankruptcy. During the pendency of a bankruptcy case, the court appointed bankruptcy trustee may ask questions of the debtors at a Section 341 Meeting of Creditors.

4. Federal Rule of Bankruptcy Procedure 2016(b) required an attorney representing a debtor to disclose the amount of compensation received from a debtor or on behalf of a debtor in a bankruptcy case.

5. Debtors J.M. and M.M., persons known to the grand jury, lived in Lancaster, Pennsylvania and owned a number of rental properties. J.M. and M.M. owed debts to a number of creditors, including holders of the mortgage on their rental properties, holders of liens on automobiles owned by J.M. and M.M., and various credit card companies.

6. Defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON were attorneys licensed to practice in the Commonwealth of Pennsylvania and who had offices at 36 East King Street, in Lancaster, Pennsylvania.

7. Beginning in or about August 2003, and continuing through at least January 9, 2006, in Lancaster, in the Eastern District of Pennsylvania, and elsewhere, defendants

**KENNETH G. REIDENBACH and  
HERBERT P. HENDERSON**

conspired and agreed together to commit offenses against the United States, that is, to knowingly and fraudulently conceal property belonging to the estate of a debtor and make false oaths, declarations, and certifications, in violation of 18 U.S.C. § 152, and to knowingly devise a scheme to defraud in relation to a bankruptcy proceeding, in violation of 18 U.S.C. § 157.

#### **MANNER AND MEANS**

It was part of the conspiracy that:

8. Attorney defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON hid more than \$50,000 in cash from the bankruptcy trustee and then conspired to keep the cash for themselves.

9. Beginning in or about August 2003, J.M. and M.M. sought legal advice in connection with a possible bankruptcy filing.

10. On or about August 18, 2003, J.M. and M.M. retained the services of defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON to represent them in connection with a possible bankruptcy filing. J.M. and M.M. paid defendants REIDENBACH and HENDERSON approximately \$2,500 as a retainer to cover legal fees and expenses.

11. Between February and June 2004, on the instruction of defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON, J.M. and M.M. sold four rental properties, netting total proceeds to J.M. and M.M. at settlement of approximately \$51,489.

12. Defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON further instructed debtors J.M. and M.M. to transfer the proceeds of any sale of rental property owned by J.M. and M.M. to a trust account controlled by defendant

REIDENBACH. Defendants REIDENBACH and HENDERSON falsely represented that they would return these funds to J.M. and M.M. after the discharge of J.M. and M.M.'s bankruptcy.

13. Defendant HERBERT P. HENDERSON attended closings on the sale of rental properties owned by J.M. and M.M. and collected the proceeds of the sales.

14. Defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON did not send an accounting of the funds in their possession or a bill for legal services to J.M. and M.M. for more than two years after J.M. and M.M. engaged defendants REIDENBACH and HENDERSON.

15. As it was clear that J.M. and M.M. could not pay their creditors, Defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON advised J.M. and M.M. to file a voluntary Chapter 7 bankruptcy petition.

16. Defendant HERBERT P. HENDERSON instructed J.M. and M.M. not to disclose during the bankruptcy proceedings any of the more than \$51,000 that J.M. and M.M. realized from the sale of J.M. and M.M.'s property, which money J.M. and M.M. had transferred to an account controlled by defendant KENNETH G. REIDENBACH.

17. Defendant HERBERT P. HENDERSON prepared a fraudulent voluntary Chapter 7 bankruptcy petition on behalf of J.M. and M.M. that concealed the funds transferred by J.M. and M.M. to an account controlled by defendant.

18. After the Bankruptcy Court entered an order of discharge for J.M. and M.M., defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON prepared a fraudulent bill for legal services that exceeded by more than 20 times the amount that defendants REIDENBACH and HENDERSON agreed to accept as fees for the bankruptcy proceeding and

exceeded the approximately \$51,489 that J.M. and M.M. had transferred to an account controlled by defendant REIDENBACH.

### **OVERT ACTS**

In furtherance of the conspiracy, defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania and elsewhere:

1. On or about August 18, 2003, defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON met with J.M. and M.M. to discuss debts that J.M. and M.M. owed to various creditors.
2. On or about August 18, 2003, defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON entered into a fee agreement with J.M. and M.M., in which defendants REIDENBACH and HENDERSON represented that \$2,200 was “a good faith estimate of the amount of professional time which will be expended by the law firm in undertaking” the representation of J.M. and M.M.
3. On or about August 18, 2003, defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON instructed J.M. and M.M. to transfer the proceeds of sales of rental property to an account controlled by defendant REIDENBACH.
4. On or about February 27, 2004, defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON obtained \$7,362.10, which represented the proceeds of the sale of a property owned by J.M. and M.M., and deposited \$7,362.10 into an account at Citizens Bank that was controlled by defendant REIDENBACH.
5. On or about February 27, 2004, defendants KENNETH G. REIDENBACH

and HERBERT P. HENDERSON obtained \$13,449.69, which represented the proceeds of the sale of a property owned by J.M. and M.M., and deposited \$13,449.69 into an account at Citizens Bank that was controlled by defendant REIDENBACH.

6. On or about April 8, 2004, defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON obtained \$24,747.77, which represented the proceeds of the sale of a property owned by J.M. and M.M., and deposited \$24,747.77 into an account at Citizens Bank that was controlled by defendant REIDENBACH.

7. On or about June 7, 2004, defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON obtained \$5,929.47, which represented the proceeds of the sale of a property owned by J.M. and M.M., and deposited \$5,929.47 into an account at Citizens Bank that was controlled by defendant REIDENBACH.

8. On or about August 12, 2005, defendant HERBERT P. HENDERSON filed a fraudulent voluntary Chapter 7 bankruptcy petition in the United States Bankruptcy Court for the Eastern District of Pennsylvania (docket number 05-24688-ref) on behalf J.M. and M.M., which petition did not list any assets held by defendants HENDERSON and KENNETH G. REIDENBACH in an account controlled by defendant REIDENBACH. The statement of financial affairs in the Chapter 7 bankruptcy petition, filed by defendant HENDERSON, falsely stated that debtors J.M. and M.M. paid defendants HENDERSON and REIDENBACH \$1,500 in the year prior to filing bankruptcy.

9. On or about August 12, 2005, defendant HERBERT P. HENDERSON signed a Federal Rule of Bankruptcy Procedure Rule 2016(b) statement under penalty of perjury, and filed the statement in the United States Bankruptcy Court for the Eastern District of

Pennsylvania, in which defendant HENDERSON falsely stated that defendants HENDERSON and KENNETH G. REIDENBACH had received and agreed to accept \$1,500 for services rendered in or related to the debtors bankruptcy case.

10. On or about October 24, 2005, defendant HERBERT P. HENDERSON attended a Section 341 First Meeting of Creditors with debtors J.M. and M.M. At this meeting, the court appointed trustee asked J.M. and M.M. if they had engaged in any real estate transactions in the two years preceding the bankruptcy filing. Neither J.M. nor M.M. nor defendant HENDERSON disclosed their real estate sales or the approximately \$51,489 of real estate proceeds that J.M. and M.M. transferred at the direction of defendants HENDERSON and KENNETH G. REIDENBACH to an account controlled by defendant REIDENBACH.

11. On or about December 15, 2005, the United States Bankruptcy Court for the Eastern District of Pennsylvania entered an order of discharge that discharged J.M. and M.M. of their debts, as provided by the bankruptcy code.

12. On or about January 9, 2006, defendants KENNETH G. REIDENBACH and HERBERT P. HENDERSON prepared and presented to J.M. and M.M. an inflated statement of account for professional services provided to J.M. and M.M. This statement fraudulently billed J.M. and M.M. \$31,633 for professional services and \$23,247.33 for costs associated with representation of J.M. and M.M. This statement falsely alleged that J.M. and M.M. had made the following payments to the firm for legal services: \$2,500 on August 18, 2003; \$13,449.69 on March 2, 2004; \$7,362.10 on March 2, 2004; \$24,747.77 on April 12, 2004; and \$5,929.47 on June 8, 2004.

All in violation of Title 18, United States Code, Section 371.

**COUNT TWO**

**THE GRAND JURY FURTHER CHARGES THAT:**

1. Paragraphs One through Six and overt acts One through Twelve of Count One are incorporated here.

2. Beginning on or about August 18, 2003, and continuing until on or about December 15, 2005, in Lancaster, in the Eastern District of Pennsylvania, and elsewhere, defendants

**KENNETH G. REIDENBACH and  
HERBERT P. HENDERSON,**

in connection with a case under Title 11, the Bankruptcy Code, knowingly and fraudulently concealed, and aided, abetted, counseled, induced, and willfully caused the concealment of, property belonging to the estate of a debtor from creditors, the Bankruptcy Court, and the United States Trustee, in that the defendants concealed approximately \$51,489 that belonged to the estate of J.M. and M.M. as debtors.

In violation of Title 18, United States Code, Sections 152(1) and 2.



**COUNT THREE**

**THE GRAND JURY FURTHER CHARGES THAT:**

1. Paragraphs One through Six and overt acts One through Twelve of Count One are incorporated here.

2. Beginning on or about August 18, 2003, and continuing until on or about December 15, 2005, in Lancaster, in the Eastern District of Pennsylvania, and elsewhere, the defendants

**KENNETH G. REIDENBACH and  
HERBERT P. HENDERSON,**

in a personal capacity and as agents of J.M. and M.M. in contemplation of a case under Title 11, the Bankruptcy Code, by J.M. and M.M., and with the intent to defeat the provisions of Title 11, knowingly and fraudulently transferred and concealed, and aided and abetted the transfer and concealment of, property belonging J.M. and M.M., that is, approximately \$51,489.

In violation of Title 18, United States Code, Sections 152(7) and 2.

**COUNT FOUR**

**THE GRAND JURY FURTHER CHARGES THAT:**

1. Paragraphs One through Six and overt acts One through Twelve of Count One are incorporated here.

2. From on or about August 18, 2003 to on or about January 9, 2006, in Lancaster, in the Eastern District of Pennsylvania, defendants

**KENNETH G. REIDENBACH and  
HERBERT P. HENDERSON,**

who were attorneys and officers of the court who had access to property and documents of an estate of a debtor under Chapter 11, United States Code, and participated in the administration of the estate and performed a service with respect to the estate, knowingly and fraudulently appropriated to their own use and transferred, and aided and abetted the appropriation and transfer of, property, that is, approximately \$51,489, belonging to the bankruptcy estate of J.M. and M.M. as debtors.

In violation of Title 18, United States Code, Sections 153 and 2.

## COUNT FIVE

### **THE GRAND JURY FURTHER CHARGES THAT:**

1. Paragraphs One through Four of Count One are incorporated here.
2. On or about March 22, 2007, B.G., a person known to the Grand Jury, met with defendant KENNETH G. REIDENBACH for a consultation regarding defendant REIDENBACH representing B.G. in a divorce action. Following the consultation, B.G. hired defendant REIDENBACH, defendant REIDENBACH charged her \$4,000 on her credit card as a retainer.
3. On or about May 16, 2007, defendant KENNETH G. REIDENBACH informed B.G. that he needed another payment. Defendant REIDENBACH charged B.G. an additional \$10,000 on her credit cards to pay for legal services. Defendant REIDENBACH assured B.G. that any excess funds would be returned to her after her divorce was final.
4. In or about October 2007, as B.G.'s divorce was being negotiated, defendant KENNETH G. REIDENBACH arranged for a real estate agent to list B.G.'s house for sale.
5. On or about October 24, 2008, B.G. and her ex-husband finalized their divorce and agreed to share the proceeds of the sale of B.G.'s house, with B.G. getting 60% of the net proceeds of the sale.
6. On or about October 31, 2008, defendant KENNETH G. REIDENBACH caused an attorney working for him to attend the closing on the sale of B.G.'s house. The attorney working for defendant REIDENBACH took a check for B.G.'s share of the sale proceeds, in the amount of \$39,900.98, from the closing. Defendant REIDENBACH then caused the \$39,900.08 to be deposited into his law firm trust account.
7. In or about November 2008, after defendant KENNETH G. REIDENBACH

deposited the proceeds of the sale of B.G.'s house into his law firm account, B.G. informed defendant REIDENBACH that she was unable to make her credit card payments. Defendant REIDENBACH suggested that her best option was to declare bankruptcy. Defendant REIDENBACH told B.G. that the bankruptcy would cost her only \$900. Defendant REIDENBACH further told B.G. that she would get the proceeds of the sale of her house back once the bankruptcy was discharged.

8. Between in or about November 2008 and on or about December 10, 2009, defendant KENNETH REIDENBACH never sent a bill to B.G. for legal services he alleged he was providing. Defendant REIDENBACH applied the proceeds of the sale of B.G.'s house toward legal services he allegedly provided for B.G. without informing B.G. that he had exhausted the \$14,000 B.G. had already paid him. Defendant REIDENBACH never informed B.G. that he was going to use the proceeds of the sale of B.G.'s house to pay for legal fees and expenses and never obtained B.G.'s agreement to so use these proceeds.

9. On or about December 10, 2009, in Lancaster, in the Eastern District of Pennsylvania, defendant

**KENNETH G. REIDENBACH,**

with the intent to devise a scheme to defraud B.G. and B.G.'s creditors, that is, to conceal and appropriate approximately \$39,900 of B.G.'s assets, and for the purpose of executing and concealing said scheme, filed a petition under Title 11, United States Code and made a false and fraudulent representation, claim, and promise concerning and in relation to a proceeding under Title 11, United States Code, that is, that he had received within one year prior to filing a petition under Title 11, United States Code, and had agreed to receive \$1,500 as compensation for

services rendered and to be rendered on behalf of debtor B.G. in contemplation of and in connection with the bankruptcy case.

In violation of Title 18, United States Code, Section 157.

**COUNT SIX**

**THE GRAND JURY FURTHER CHARGES THAT:**

1. Paragraphs One through Four of Count One are incorporated here.
2. Beginning on or about October 31, 2008, and continuing until on or about March 24, 2010, in Lancaster, in the Eastern District of Pennsylvania, and elsewhere, defendant

**KENNETH G. REIDENBACH**

in connection with a case under Title 11, the Bankruptcy Code, knowingly and fraudulently concealed, and aided, abetted, counseled, induced, and willfully caused the concealment of, property belonging to the estate of a debtor from creditors, the Bankruptcy Court, and the United States Trustee, in that the defendant concealed, and aided and abetted the concealment of, approximately \$39,900 that belonged to the estate of B.G. as debtor.

In violation of Title 18, United States Code, Sections 152(1) and 2.

**COUNT SEVEN**

**THE GRAND JURY FURTHER CHARGES THAT:**

1. Paragraphs One through Four of Count One and Two through Seven of Count Five are incorporated here.

2. From on or about March 22, 2007, to on or about March 24, 2010, in Lancaster, in the Eastern District of Pennsylvania, defendant

**KENNETH G. REIDENBACH,**

who was an attorney and officer of the court who had access to property and documents of an estate of a debtor under Chapter 11, United States Code, and participated in the administration of the estate and performed a service with respect to the estate, knowingly and fraudulently appropriated to his own use and transferred, and aided and abetted the appropriation and transfer of, property, that is, approximately \$39,900, belonging to the bankruptcy estate of B.G. as debtor.

In violation of Title 18, United States Code, Sections 153 and 2.

**COUNT EIGHT**

**THE GRAND JURY FURTHER CHARGES THAT:**

1. Paragraphs One through Four of Count One and Two through Seven of Count Five are incorporated here.

2. Beginning on or about March 22, 2007, and continuing until on or about March 24, 2010, in Lancaster, in the Eastern District of Pennsylvania, and elsewhere, the defendant

**KENNETH G. REIDENBACH,**

in a personal capacity and as agent of B.G. in contemplation of a case under Title 11, the Bankruptcy Code, by B.G., and with the intent to defeat the provisions of Title 11, knowingly and fraudulently transferred and concealed, and aided and abetted the transfer and concealment of, property belonging to B.G., that is, approximately \$39,900.

In violation of Title 18, United States Code, Sections 152(7) and 2.



**COUNT NINE**

**THE GRAND JURY FURTHER CHARGES THAT:**

1. Paragraphs One through Four of Count One are incorporated here.
2. On or about November 5, 2010, in Lancaster, in the Eastern District of Pennsylvania, and elsewhere, defendant

**KENNETH G. REIDENBACH**

in relation to a case under Title 11, the Bankruptcy Code, knowingly and fraudulently made a false declaration, certificate, and verification, that is, that he had agreed to accept and had received \$1,500 from debtor M.C., a person known to the Grand Jury, for services rendered and to be rendered on behalf of debtor M.C. in contemplation of or in connection with debtor M.C.'s bankruptcy case, when in fact, he had received approximately \$4,800 from debtor M.C. for services rendered and to be rendered in contemplation of or in connection with debtor M.C.'s bankruptcy case.

In violation of Title 18, United States Code, Sections 152(3).

**NOTICE OF FORFEITURE NO. 1**

**THE GRAND JURY FURTHER CHARGES THAT:**

1. As a result of the violations of Title 18, United States Code, Section 152 set forth in Counts Two and Three of this indictment, defendants

**KENNETH G. REIDENBACH and  
HERBERT P. HENDERSON**

shall forfeit to the United States of America any and all property that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the commission of the offenses, including, but not limited to, \$51,489 in United States currency, any property involved in such offenses, and any property traceable to such property.

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
- (e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to

seek forfeiture of any other property of the defendants up to the value of the property subject to forfeiture.

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

**NOTICE OF FORFEITURE NO. 2**

**THE GRAND JURY FURTHER CHARGES THAT:**

1. As a result of the violations of Title 18, United States Code, Section 152 set forth in Counts Six, Eight, and Nine of this indictment, defendant

**KENNETH G. REIDENBACH**

shall forfeit to the United States of America any and all property that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the commission of the offenses, including, but not limited to, \$42,900 in United States currency, any property involved in such offenses, and any property traceable to such property.

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 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, Sections 981(a)(1)(C) and Title 28, United States Code, Section 2461.

**A TRUE BILL:**

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**GRAND JURY FOREPERSON**

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**ZANE DAVID MEMEGER**  
**United States Attorney**