

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

UNITED STATES OF AMERICA)	Criminal No.: 1:02-CR-355
)	
v.)	Filed: May 31, 2002
)	
PUMPS, VALVES & EQUIPMENT,)	
INC.,)	
d/b/a THE SCRUGGS COMPANY)	Violation:
)	18 U.S.C. § 371
)	
Defendant.)	

INFORMATION

The United States of America, acting through its attorneys, charges:

CONSPIRACY
(18 U.S.C. § 371)

1. PUMPS, VALVES & EQUIPMENT, INC. d/b/a THE SCRUGGS COMPANY (hereinafter "PVE") is hereby made a defendant on the charge stated below.

I. DEFENDANT AND CO-CONSPIRATORS

2. During the period covered by this Information, PVE was a corporation organized and existing under the laws of the State of Texas with its principal place of business in Houston, Texas.

3. From at least as early as early 1996 until December 31, 1997, Co-Conspirator Number One (hereinafter "CC-1") was an employee of the Henry Pratt Company who lived in Illinois. CC-1 retired from the Henry Pratt Company effective December 31, 1997, and moved to the Northern District of Georgia. The Henry Pratt Company was a manufacturer and supplier of equipment used in water and wastewater treatment plants, nuclear power plants, and other industrial installations and had its principal place of business in Aurora, Illinois.

II. DESCRIPTION OF THE OFFENSE

4. Beginning at least as early as early 1996 and continuing thereafter at least through May 26, 1998, the exact dates being unknown to the United States, in the Northern District of Georgia and elsewhere, the defendant, CC-1, and other co-conspirators did unlawfully, willfully, and knowingly conspire, combine, confederate, and agree in violation of Title 18,

United States Code, Section 371 to commit offenses against the United States, to wit, to violate Title 18, United States Code, Sections 1341, 1343, and 1346.

5. It was a part and object of said conspiracy that the defendant, CC-1, and other co-conspirators, having devised and intending to devise a scheme and artifice to (a) defraud the Henry Pratt Company; (b) obtain money from the Henry Pratt Company by means of false and fraudulent pretenses, representations, and promises; and (c) deprive the Henry Pratt Company of its right to the honest services of CC-1, executed the scheme and artifice by and through the use of the United States mail and certain writings, signs, sounds, and signals transmitted in interstate wire communications.

III. THE MANNER AND MEANS BY WHICH THE CONSPIRACY WAS CARRIED OUT

6. The Henry Pratt Company was defrauded by a kickback scheme arranged by the defendant and CC-1. The Henry Pratt Company relied on CC-1 to conduct his work on the company's behalf in an honest fashion so as to benefit his employer, including his work in helping to secure equipment for resale by the company. However, as a result of the scheme and artifice to

defraud, the defendant paid kickbacks to CC-1 for CC-1's role in the Henry Pratt Company's purchase of equipment that the defendant had obtained. In order to facilitate the purchase of the equipment by the Henry Pratt Company and thus the payment of the kickbacks, the defendant and CC-1 concealed from the Henry Pratt Company the defendant's participation in the obtaining of the equipment and the payments of kickbacks by defendant to CC-1. Said scheme and artifice had the result that the Henry Pratt Company was deceived as to the true source of certain items it purchased in the course of its business and kickbacks that CC-1 received from defendant as a result of said purchases were concealed from the Henry Pratt Company.

7. For the purpose of forming and effectuating the aforesaid combination and conspiracy, the defendant, CC-1, and other co-conspirators did those things that they combined and conspired to do, including, among other things:

- (a) CC-1 advising defendant that the Henry Pratt Company had potential customers interested in purchasing certain surplus equipment to fulfill the needs of said customers' businesses and that CC-1 would be involved in the Henry Pratt Company's purchase of said equipment;
- (b) CC-1 and defendant agreeing that defendant would purchase from a third party on CC-1 and defendant's behalf certain surplus equipment of the kind that a potential customer of the Henry Pratt Company would be interested in purchasing;
- (c) Defendant arranging for the purchase, and purchasing, from a third party the kind of surplus equipment that CC-1 and defendant knew potential Henry Pratt Company customers would be interested in purchasing;
- (d) CC-1 advising defendant that CC-1 had arranged for the Henry Pratt Company to agree to purchase for resale to its potential customers certain surplus equipment that defendant had purchased from a third party;

- (e) Defendant and CC-1 agreeing that defendant would pay kickbacks to CC-1 from the net profits from the resale of said surplus equipment by defendant;
- (f) CC-1 advising defendant that the Henry Pratt Company would not agree to purchase the aforesaid surplus equipment from defendant if it knew that defendant were the seller;
- (g) With CC-1's express knowledge and consent, defendant arranging for the surplus equipment the Henry Pratt Company wished to purchase to be sold by defendant to an unrelated company (hereinafter "front company"), at a price selected by defendant and CC-1, so as to conceal from the Henry Pratt Company the true source of that equipment, which was to be purchased with CC-1's assistance by the Henry Pratt Company from the front company;
- (h) To help conceal the identity of defendant as the true source of said surplus equipment, defendant and CC-1 arranging for the front company to sell the surplus equipment to the Henry Pratt Company at a price which included an amount in excess of the price the front company had paid defendant for the equipment; and
- (i) In accordance with their agreement, defendant and CC-1 splitting

the net proceeds from the sale of the surplus equipment to the front company, with defendant making kickback payments to CC-1 from defendant's accounts.

8. During the course of the conspiracy, neither defendant nor CC-1 disclosed to the Henry Pratt Company the fact that CC-1 was taking kickbacks from defendant for CC-1's role in arranging for the purchase of surplus equipment by the Henry Pratt Company from defendant through the front company.

IV. OVERT ACTS

9. In addition to mailings of documents which defendant, CC-1, and other co-conspirators made or caused to be made by means of the United States mail and interstate telephone calls and facsimiles made and transmitted in furtherance of the aforesaid conspiracy, the following CC-1 payments were made by defendant on or about the following dates to CC-1, by the following means and methods, in furtherance of the aforesaid kickback scheme:

<u>Payment</u>	<u>Date Transmitted</u>	<u>Method of Payment</u>
\$4,000.00	May 3, 1996	Wire transfer originating at Texas financial institution and received at Illinois financial institution
\$6,000.00	July 8, 1996	Wire transfer originating at Texas financial institution and received at Illinois financial institution
\$20,000.00	July 15, 1996	Wire transfer originating at Texas financial institution and received at Illinois financial institution
\$10,000.00	August 22, 1996	Wire transfer originating at Texas financial institution and received at Illinois financial institution
\$15,000.00	October 7, 1996	Wire transfer originating at Texas financial institution and received at Illinois financial institution
\$12,996.13	November 7, 1996	Wire transfer originating at Texas financial institution and received at Illinois financial institution
\$5,052.50	April 1, 1997	Wire transfer originating at Texas financial institution and received at Illinois financial institution

\$3,775.25	June 13, 1997	Wire transfer originating at Texas financial institution and received at Illinois financial institution
\$8,234.50	September 3, 1997	Wire transfer originating at Texas financial institution and received at Illinois financial institution
\$1,543.10	October 24, 1997	Wire transfer originating at Texas financial institution and received at Illinois financial institution
\$8,000.00	February 19, 1998	Wire transfer originating at Texas financial institution and received at Northern District of Georgia financial institution
\$4,000.00	March 16, 1998	Wire transfer originating at Texas financial institution and received at Northern District of Georgia financial institution
\$3,913.00	May 19, 1998	Check sent by United States mail from Texas and received in the Northern District of Georgia

V. JURISDICTION AND VENUE

10. The conspiracy charged in this Information was formed and carried out, in part, in the Northern District of Georgia, Atlanta Division,

within the five years preceding the filing of this Information.

ALL IN VIOLATION OF TITLE 18, UNITED STATES CODE,
SECTION 371.

Dated this 31st day of May, 2002.

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