USAO 2007R01242

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA	:	Honorable
v.	:	Criminal No. 11-
MITCHELL KURLANDER and ALAN ABESHAUS	:	18 U.S.C. §§ 981(a)(1)(C), 1341, 1343, 1349 and § 2;
	:	28 U.S.C. § 2461

I N D I C T M E N T

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

COUNT 1

CONSPIRACY

(Mitchell Kurlander and Alan Abeshaus)

The Defendants

1. During the time period relevant to Count 1 of this Indictment, defendant MITCHELL KURLANDER ("defendant KURLANDER") served as the Chief Financial Officer ("CFO") of Circle System Group, Inc. ("Circle"), a privately owned Pennsylvania corporation that was engaged in the business of selling and reconditioning athletic equipment, uniforms and apparel. From in or about 2003 until the company was sold in or about September 2005, defendant KURLANDER was a part owner of Circle. Defendant KURLANDER, as Circle's CFO, was responsible for overseeing and managing Circle's accounts payables, accounts receivables, billing and the submission of bids and quotes to Circle's customers.

2. During the time period relevant to Count 1 of this Indictment, defendant ALAN ABESHAUS ("defendant ABESHAUS") served as the de facto Chief Executive Officer ("CEO") of Circle and was the largest single shareholder of Circle. Defendant ABESHAUS, as Circle's de facto CEO, was responsible for setting the policies and framework for Circle's operations. Defendant ABESHAUS was kept abreast of company developments by Circle's employees, including defendant KURLANDER. Defendant ABESHAUS also was the father-in-law of defendant KURLANDER.

Circle System Group, Inc.

3. During the time period relevant to Count 1 of this Indictment, Circle's principal offices were in Easton, Pennsylvania. In or about September 2005, Circle was acquired by Schutt Holdings, Inc.

Circle's Business and Its Customers

4. A significant part of Circle's business was reconditioning football equipment such as football helmets and shoulder pads. Reconditioning is the process of repairing, sanitizing, cleaning, and sometimes repainting used athletic equipment.

5. Although Circle's products and reconditioning services were marketed nationally, a large portion of its sales of athletic equipment and reconditioning services were to middle and high schools, colleges, and youth sports programs in New

Jersey. (The schools with which Circle did business will hereafter collectively be referred to as the "Schools" and certain of the schools in New Jersey that Circle did business with will be identified in this Indictment as "NJ School #__." The NJ Schools are identified by name in an addendum attached to this Indictment). To make these sales, Circle's sales force maintained personal relationships with the school officials who were responsible for purchasing athletic equipment and reconditioning services on behalf of the Schools. These school officials included athletic directors, equipment managers, trainers, and coaches. [These school officials will hereafter be collectively referred to as the "School Athletic Officials."]

Other Conspirators

6. David Drill was a conspirator of defendants KURLANDER and ABESHAUS. During the time period relevant to Count 1 of this Indictment, Drill was the President of Circle. As President, Drill was primarily responsible for, among other things, the day-to-day management of Circle's sales force. Beginning in approximately 2003 until Circle was sold to Schutt in or about September 2005, Drill was a part owner of Circle.

7. Circle employed a team of sales representatives, each of whom was responsible for a particular geographic region, including regions throughout New Jersey. [The sales representatives responsible for New Jersey will hereinafter be

collectively referred to as the "NJ Sales Representatives."] The NJ Sales Representatives reported to defendant KURLANDER and co-conspirator Drill and were themselves conspirators.

The Conspiracy

8. From at least in or about August 1997 to in or about June 2007, in the District of New Jersey, and elsewhere, defendants

MITCHELL KURLANDER and
ALAN ABESHAUS

and others, including David Drill and the NJ Sales Representatives, knowingly and intentionally combined, conspired, confederated and agreed to devise a scheme and artifice to defraud, and to obtain money and property from the Schools by means of materially false and fraudulent pretenses, representations, and promises, and for the purpose of executing such scheme and artifice and to obtain money and property, did utilize the United States mails, private and commercial interstate carriers, and interstate wire communications, contrary to Title 18, United States Code, Section 1341 (mail fraud) and Section 1343 (wire fraud).

Object Of The Conspiracy

9. The principal object of the conspiracy was to obtain money and other things of value from the Schools for Circle by means of a number of fraudulent business practices and through the use of United States Mail, private and commercial

interstate carriers and interstate wire communications. The fraudulent business practices included, but were not limited to, the following: (A) retaining, and converting to Circle's own use, duplicate payments by the Schools that should have been returned or credited to the Schools; (B) submitting fake quotes to the School Athletic Officials so that their purchases from Circle would seemingly comply with applicable laws, regulations, and policies; and (C) submitting fraudulent invoices to the Schools in order to: (i) recoup money that Circle had expended for donations to the Schools and the School Athletic Officials; (ii) pay for personal gifts given to the School Athletic Officials; (iii) ensure that Circle achieved its desired profits on goods and services that had been intentionally "underpriced;" and (iv) hide the nature and timing of purchases by the School Athletic Officials when requested to do so by the School Athletic Officials.

Means and Methods of the Conspiracy

A. Circle's Improper Retention of Duplicate Payments by the Schools

10. After the completion of a sale to a school, Circle typically sent an invoice to the school detailing the products and services delivered and the amount that was due and owing to Circle from the school. Circle also typically sent a monthly statement to the school indicating any outstanding sales and whether any money was due and owing to Circle. Circle's invoices

and statements were strikingly similar in form and appearance, including the color of the documents, except for the words "Statement" or "Invoice" at the top of the respective documents.

11. At various times, the Schools paid Circle's invoices and also paid for the same items when they received Circle's statements. In other words, these schools paid for the same items twice.

12. Throughout the course of the conspiracy, Circle received more than 500 duplicate payments from the Schools that collectively were worth more than approximately $970,000. Rather than return these duplicate payments, defendant KURLANDER instructed Circle employees to deposit the money into Circle's bank account.

13. Defendant KURLANDER kept account of these duplicate payments in the "Z Account," a secret account in Circle's general ledger into which these duplicate payments were directed for accounting purposes. The money from the duplicate payments would not be reflected on the Schools' accounts or the monthly statements that Circle sent to the Schools. If a school recognized its mistake and questioned Circle about the duplicate payment, then the money would be refunded or credited to the school. Otherwise, the money would remain with Circle in the Z Account, and after a period of time, portions would be used for

the benefit of at least one member of Circle's management, defendant ABESHAUS.

14. During the course of the conspiracy, at the direction of defendants KURLANDER and ABESHAUS, Circle improperly retained and converted to the personal use and benefit of defendant ABESHAUS, at least approximately $822,000 in duplicate payments from various schools with which it did business. Specifically, defendants KURLANDER and ABESHAUS converted the following amounts from the Z Account, consisting of duplicate payments from Schools, to income on Circle's general ledger:

(1) approximately $225,000 on or about August 31, 1997;

(2) approximately $125,000 on or about August 31, 1998;

(3) approximately $165,000 on or about August 31, 2001; and

(4) approximately $307,343.42 on or about August 31, 2003. At the direction of defendants KURLANDER and ABESHAUS, Circle then paid out these amounts to defendant ABESHAUS as special bonuses. On each such occasion, defendant ABESHAUS used the bonus to pay down the principal balance on a mortgage that he held on property located at 8 McFadden Road, Easton, Pennsylvania, which is where Circle performed its football helmet reconditioning.

15. To conceal Circle's fraudulent retention of duplicate payments from the Schools, defendant KURLANDER directed Circle's outside information technology consultant to program Circle's computer system so that the "Z" account would not be

visible when Circle's financial reports were run and printed by Circle's employees or its accountants. Defendant KURLANDER also had Circle's IT consultant password protect the "Z" account so that only defendant KURLANDER could access or view it. Additionally, when duplicate payments were received from the Schools, Circle employees would post the duplicate payments to the account of the school that had over paid and then notify defendant KURLANDER about the existence of the overpayment. Defendant KURLANDER, usually within one business day, would delete the record of the overpayment from the school's account and transfer that money to the "Z" account.

B. Fake Quotes

16. Pursuant to applicable laws, regulations, and policies, the School Athletic Officials at times were supposed to obtain multiple price quotes from different companies before purchasing goods or services for the Schools. The Schools were required to award the business to the company that submitted the lowest quote assuming the specifications of the products or services to be provided were comparable.

17. In an effort to increase Circle's sales and profits, Circle sales representatives, with the knowledge and approval of Circle's management, including defendants KURLANDER and ABESHAUS, represented to the School Athletic Officials that, if the School Athletic Officials wanted to purchase goods and

services from Circle but needed to obtain additional price quotes to justify doing so, Circle could provide those additional price quotes for the files of the School Athletic Officials or the Schools' business administrators.

18. When the School Athletic Officials asked Circle for additional price quotes, the Circle sales representatives typically informed Circle's management, including defendant KURLANDER and co-conspirator DRILL, of the request. Defendant KURLANDER and co-conspirator DRILL would use the Circle price quote that the sales representative had given, or would be giving, to the School Athletic Officials, to create fake prices purporting to be from other companies that would be higher than what Circle had quoted, or would be quoting, to the School Athletic Officials. At the direction of defendant KURLANDER and co-conspirator DRILL, Circle employees then would use quote forms with the letterhead of other companies to prepare the fake price quotes using the price information provided to them by defendant KURLANDER and co-conspirator DRILL. Circle used quote forms with the letterhead of at least four different companies to generate the fake quotes. In some instances, Circle employees would forge the signatures of the owners of those companies on the quotes to make them appear genuine. These fake quotes then were transmitted to the School Athletic Officials by mail, fax (many of which were transmitted interstate), or hand-delivery. When

Circle employees would fax the fake quotes to the Schools, they often would use a fax machine that did not input Circle's company fax header on the faxes to conceal the fact that the fake quotes were actually coming from Circle. When the fake quotes were mailed, Circle employees sometimes would give the fake quotes to Circle delivery men or sales representatives to mail from locations outside of Easton, Pennsylvania, where Circle was located, so that the postage mark on the envelope would be from a location not associated with Circle.

19. In some instances, these fake quotes were submitted to the School Athletic Officials under circumstances in which the School Athletic Officials knew, or should have known, that the price quotes were fake. For example, on some occasions, officials asked for additional quotes after the officials had caused goods or services to be purchased from Circle, and in these circumstances, the additional purported price quotes were backdated to at or near the time of the purchase.

20. Throughout the course of the conspiracy, Circle submitted at least hundreds of such fake quotes to at least 100 different schools, including more than 60 public schools in New Jersey and schools in approximately eleven other states.

C. Fraudulent Invoices

21. During the course of the conspiracy, Circle submitted fraudulent invoices to the Schools for new equipment

purchases and reconditioning services. The nature of these fraudulent invoices varied. On some occasions, Circle misrepresented the nature of the product or service that had been provided. On other occasions, Circle fraudulently inflated the amount of the invoice. On still other occasions, Circle misrepresented the nature of the product or service and fraudulently inflated the amount of the invoices. On all occasions, the personnel in the business offices at the Schools who were responsible for paying the invoices were not aware of the fraudulent nature of the invoices. There were several purposes for these fraudulent invoices.

i. Reimbursement for Donations

22. First, Circle fraudulently inflated invoices to recoup money that Circle had expended for donations. As a regular part of Circle's business and to ingratiate Circle with the School Athletic Officials, Circle's management, including defendant KURLANDER, authorized Circle and its employees, including the NJ Sales Representatives, to make donations to the Schools, as well as other charitable causes. With the knowledge and approval of defendant KURLANDER, Circle often would reimburse itself for these donations by charging the Schools for reconditioning services that it had not performed and for new equipment that it had not actually provided. Defendant KURLANDER emphasized to Circle's employees that they were to give nothing

to the Schools for free. Instead, Circle would recoup the amount of money that Circle had expended for these donations by submitting false invoices to the Schools or by fraudulently deducting the amount of the donations from the Schools' internal credits. This fraudulent billing was done without the knowledge of the individuals at the Schools responsible for paying the invoices, but sometimes with the knowledge of the School Athletic Officials with whom Circle dealt and who solicited the donations.

23. For example:

a. In or about October 2003, Circle made a $500 donation to the "annual appeal" for NJ School #1. Circle then recouped part of that donation on or about May 18, 2004 by fraudulently billing NJ School #1 approximately $400 for the reconditioning of shoulder pads that Circle had not actually performed.

b. On or about May 13, 2004, Circle paid $500 to sponsor and participate in a charity golf outing to benefit NJ School #1. Circle then recouped that donation by fraudulently billing $500 to NJ School #1 for the reconditioning of basketball equipment that Circle had not actually performed.

c. In or about September 2004, Circle donated $350 to participate and sponsor a charity golf outing to benefit an educational foundation for NJ School #2. In or about June 2005, Circle recouped at least $175 of this donation by

fraudulently billing NJ School #2 for the reconditioning of football equipment that Circle had not actually performed and the replacement of certain football equipment that Circle had not actually provided.

d. In or about February 2005, Circle donated $400 to a football clinic that was being run by a football coach from NJ School #3. In or about July 2005, Circle fraudulently recouped that entire donation by fraudulently billing NJ School #3 for the reconditioning of 10 shoulder pads that Circle had not actually performed. Similarly, in or about February 2006, Circle donated $400 to the same football clinic and then recouped the cost of that donation by fraudulently billing NJ School #3 for the replacement of football helmet liners and cages that Circle had not actually provided and the reconditioning of shoulder pads that Circle had not actually performed. Once again, in or about February 2007, Circle donated $750 to this football clinic, which it later recouped by fraudulently billing NJ School #3 for the reconditioning of 10 shoulder pads that it had not performed and the cost of 16 new football helmet cages that it had not provided to the school.

e. In or about April 2005, Circle donated approximately 400 tee shirts, which cost approximately $1,600, to NJ School #4 to benefit NJ School #4's football clinic. Circle recouped the entire cost of this donation by fraudulently billing

NJ School #4 for replacement football helmet cages that Circle had not actually provided.

f. In or about May 2005, Circle made a $200 donation to sponsor a golf hole for a charity golf outing to benefit NJ School #1, paid $300 for two golfers to participate in that outing and spent $50 on a cocktail dinner party following the outing. In or about June 2005, Circle recouped the $550 that Circle expended in connection with that charitable event by billing NJ School #1 for reconditioning work that it had not performed and replacement parts that it had not provided. Circle also used the same fraudulent invoice to recoup a $500 "appeal" donation to NJ School #1 and $600 that Circle had paid to sponsor four golfers for a golf outing to benefit NJ School #1 the year before.

g. In or about September 2005, Circle donated approximately 27 embroidered pullover jackets to an athletic conference that included certain school customers of Circle, including NJ School #5. Circle fraudulently billed the cost of each pullover – approximately $35 - to some of the schools within the conference for which it performed reconditioning work, including NJ School #5.

h. In or about fall 2005, Circle made a $2,000 donation to NJ School #1 in connection with NJ School #1's 2005 Hall of Fame Luncheon. In or about May 2006, Circle made an $800

donation to sponsor a hole at NJ School #1's golf outing fund-raiser. In June 2006, Circle recouped the cost of both donations by fraudulently billing NJ School #1 for new football helmets and shoulder pads that Circle had not actually provided.

i. On or about April 20, 2006, a NJ Sales Representative made a $450 political contribution to the Athletic Director from NJ School #6 who was campaigning for a city council seat. In or about May 2006, Circle recouped that donation by fraudulently billing NJ School #6 for 19 football helmet stabilizers that Circle had not actually provided.

j. In or about Spring 2006, Circle donated $100 to sponsor a golf hole at a golf outing to benefit the educational foundation for NJ School #7. In or about June 2006, Circle recouped that donation by fraudulently billing NJ School #7 for replacement football helmet cages that Circle had not actually provided. In the same bill, Circle fraudulently billed NJ School #7 for $210 in replacement football helmet cages that Circle had not actually provided to offset some of the cost of softball jerseys sold to NJ School #7's Athletic Director for his personal softball team.

k. In or about the summer of 2006, Circle made a $50 donation to a golf outing to benefit the high school football and cheerleading programs for NJ School #2. In or about June 2006, Circle recouped this donation by fraudulently billing NJ

School #2 for reconditioning and repair work for certain football equipment that Circle had not actually performed.

l. In or about late summer 2006, Circle made a $600 donation to a football clinic run by the football coach for NJ School #8. Circle recouped half of that donation amount by fraudulently billing NJ School #8 for the reconditioning of equipment bags and a pitching machine that Circle had not actually performed. Circle transmitted the fraudulent invoice to NJ School #8 by interstate fax on or about February 5, 2007.

ii. Fraudulent Benefits to, and for, the School Athletic Officials

24. Second, Circle, with the knowledge and approval of defendant KURLANDER and the NJ Sales Representatives, submitted fraudulent invoices to pay for personal gifts and other benefits for the School Athletic Officials.

a. Gifts to the School Athletic Officials

25. In many instances, Circle used the money obtained by these fraudulent invoices to defray, or reimburse itself for, the costs of gifts and other goods for the personal use of the School Athletic Officials and others. In some instances, the School Athletic Officials were not aware that the items were being fraudulently billed to their schools as other products or services, or were being deducted from credits their schools had on account at Circle, while in other instances, these officials were aware that this was happening.

26. The following chart sets forth some examples of gifts and other goods for the personal use of the School Athletic Officials and others that Circle provided and how Circle fraudulently recouped the money for these items from the Schools:

DATE (IN OR ABOUT)	NJ SCHOOL	GIFTS OR PERSONAL ITEMS PROVIDED	HOW COSTS OF GIFTS AND OTHER ITEMS WERE FRAUDULENTLY RECOUPED	APPROXIMATE DOLLAR AMOUNT CHARGED TO THE SCHOOL FOR THE ITEMS
April 2002	#9	laptop computer, digital camera, video game console, game accessories, computer speakers and music CDs	deducted from credit created by submitting false invoices	$5,419
2002 to 2007	#10	personal apparel, including leather jackets and gifts for family members of a school athletic official	billed as reconditioning work that was not performed and deducted from credit created by submitting false invoices	more than $5,000

DATE (IN OR ABOUT)	NJ SCHOOL	GIFTS OR PERSONAL ITEMS PROVIDED	HOW COSTS OF GIFTS AND OTHER ITEMS WERE FRAUDULENTLY RECOUPED	APPROXIMATE DOLLAR AMOUNT CHARGED TO THE SCHOOL FOR THE ITEMS
July 2004	#9	laptop computer, flat-screen TV, computer monitor, and camera accessories	deducted from credit created by submitting false invoices	$3,838
August 2004	#7	24 boxes of high-end golf balls	deducted from credit created by submitting false invoices	$1,056
September 2004	#11	two tickets for professional football game	billed as reconditioning work and replacement work on football equipment that was not performed	$130
October 2004	#7	desktop computer and accessories	deducted from credit created by submitting false invoices	$4,200
February 2005	#7	video equipment	deducted from credit created by submitting false invoices	$753
March 2005	#7	golf bag	inflated the number of golf bags purportedly going to the school's golf team	$90

DATE (IN OR ABOUT)	NJ SCHOOL	GIFTS OR PERSONAL ITEMS PROVIDED	HOW COSTS OF GIFTS AND OTHER ITEMS WERE FRAUDULENTLY RECOUPED	APPROXIMATE DOLLAR AMOUNT CHARGED TO THE SCHOOL FOR THE ITEMS
March 2005	#9	laptop computer, DVD player and DVD movies	deducted from credit created by submitting false invoices	$4,500
March 2005	#7	24 boxes of high-end golf balls	deducted from credit created by submitting false invoices	$1,230
July 2005	#12	golf clubs	billed as the reconditioning of 50 shoulder pads that was not performed	$800
August 2005	#7	camera accessories	billed as boys and girls lacrosse equipment that was not provided	$265
February 2006	#13	Palm Pilot device	billed as the reconditioning of two pitching machines that was not performed	$850
February 2006	#11	personal apparel purchased at retail clothing stores	deducted from credit created by submitting false invoices	$750

DATE (IN OR ABOUT)	NJ SCHOOL	GIFTS OR PERSONAL ITEMS PROVIDED	HOW COSTS OF GIFTS AND OTHER ITEMS WERE FRAUDULENTLY RECOUPED	APPROXIMATE DOLLAR AMOUNT CHARGED TO THE SCHOOL FOR THE ITEMS
March 2006	#14	laptop computer	deducted from credit created by submitting false invoices	$2,379
April 2006	#15	personal apparel, including 20 golf shirts	billed as the reconditioning of equipment bags that was not performed	$895
August 2006	#16	baseball bat for school Athletic Director's son	billed as new football helmets that were not provided	$200
September 2006	#17	golf clubs	deducted from credit created by submitting false invoices	$995
October 2006	#11	personal apparel from Coors Light catalogue	deducted from credit created by submitting false invoices	$950
November 2006	#18	250 golf umbrellas, 250 hats and 14 briefcases	billed as the reconditioning of equipment bags that was not performed	$9,130
December 2006	#15	lamb's wool fashion jacket, leather jacket, suede jacket, 22 shirts and 5 sweaters	billed as the reconditioning of equipment bags that was not performed	$1,204

DATE (IN OR ABOUT)	NJ SCHOOL	GIFTS OR PERSONAL ITEMS PROVIDED	HOW COSTS OF GIFTS AND OTHER ITEMS WERE FRAUDULENTLY RECOUPED	APPROXIMATE DOLLAR AMOUNT CHARGED TO THE SCHOOL FOR THE ITEMS
December 2006	#11	flat-panel TV and Bose radio system	deducted from credit created by submitting false invoices	$3,548
January 2007	#11	digital camera	deducted from credit created by submitting false invoices	$482
February 2007	#11	personal apparel from retail sporting goods store	deducted from credit created by submitting false invoices	$1,000

27. With respect to most of the items listed above in paragraph 26, at the direction of defendant KURLANDER, Circle would significantly mark-up the cost of the products when it fraudulently billed them to the Schools or deducted them from the Schools' internal credits, often by 50% or more than Circle's own cost, so that Circle still could garner a profit after providing personal gifts and other items to the School Athletic Officials.

28. All of the amounts billed to the Schools listed in paragraph 26 above were ultimately paid by the Schools.

b. "P" Accounts

29. Circle also allowed the School Athletic Officials to purchase products for themselves on account at Circle. These

were known at Circle as "P" accounts. In some instances, these accounts were personally paid for by the School Athletic Officials. In other instances, Circle billed the balances of the personal accounts to the Schools by submitting fraudulent invoices or deducting the amounts outstanding in the personal accounts from credits that were built up at Circle through the Schools' payment of fictitious invoices.

30. For example, in or about late 2004 to early 2005, a school athletic official from NJ School #15 generated a balance in his Circle personal account of approximately $2,293.40 by purchasing, among other items, ladies' and mens' down jackets, ladies' shearling fleeces and ladies' fleece vests, all in assorted colors. In or about March 2005, at the direction of defendant KURLANDER, Circle fraudulently billed the outstanding balance of that school athletic official's personal account to NJ School #15 purporting to be for repair work on pitching machines.

31. In another instance, in or about September 2005, a school athletic official from NJ School #19 provided a "bogus" purchase order in the amount of $628.50 from NJ School #19 purportedly for 30 new pairs of pants. Circle fraudulently billed NJ School #19 for those pants and then used the money that it received from the school to pay off the personal account of the school athletic official.

c. Golf Outings and Meals

32. Circle often took the School Athletic Officials out on golf outings. On some occasions, these golf outings coincided with visits by the School Athletic Officials to Circle's helmet reconditioning facility in Easton, Pennsylvania. On other occasions, the golf outings were held by a school to raise money for the school or the school's athletic programs. In either case, with the approval of defendant KURLANDER, Circle often fraudulently billed the cost of the golf outings, including the cost of items purchased for the School Athletic Officials during the golf outings, such as golf balls, golf tees and food, back to the school under the guise of reconditioning work and new equipment.

33. Circle also entertained the School Athletic Officials by taking them out for meals. With the approval of defendant KURLANDER, Circle recouped the cost of these meals by fraudulently billing the particular school for purported reconditioning work and new equipment.

34. For example:

a. On or about August 6, 2002, a NJ Sales Representative took the athletic director and approximately seven athletic coaches from NJ School #11 on a golf outing. The cost of the golf was approximately $639. Before the golf outing, these officials were taken to lunch, which cost approximately

$191, and after the golf outing, the school officials were taken to dinner, which cost approximately $310. In or about September 2003, Circle recouped the cost of the golf outing and the meals totaling approximately $1,200 by fraudulently billing NJ School #11 for the reconditioning of football equipment that Circle had not actually performed.

b. In or about March 2005, Circle spent approximately $200 on dinner with school athletic officials from NJ School #7. On or about August 10, 2005, Circle recouped that amount by fraudulently billing NJ School #7 for helmet parts that Circle had not actually provided.

c. In or about April 2006, a Circle sales representative took the assistant football coach from NJ School #11 golfing. During that golf outing, the sales representative bought three sleeves of golf balls and three bags of golf tees at a total cost of approximately $25.50. At the direction of defendant KURLANDER, Circle fraudulently charged approximately $50 to NJ School #11 for these golf balls and tees, representing approximately a 100% mark-up, by deducting that amount from the school's internal credit.

d. In or about September 2006, Circle paid approximately $500 for a Circle sales representative and three school athletic officials from NJ School #11 to play in a golf outing to benefit the school. In or about November 2006, Circle

recouped the cost of this golf outing by fraudulently billing NJ School #11 for sixty replacement chin straps for football helmets that Circle had not actually provided.

35. Defendant KURLANDER also took steps to conceal Circle's fraudulent invoices. Through all stages of the reconditioning process, Circle utilized cardboard forms, referred to as "boards," to track the progress of athletic equipment as it moved through the various stages of the reconditioning process. The boards were two-sided. The front-side of the boards would reflect the actual items that Circle picked up from the Schools for reconditioning. The back-side of the boards would reflect the actual work that Circle's reconditioning staff performed on the equipment. After the equipment was reconditioned, the completed boards would be sent to Circle's accounting department, and ultimately to defendant KURLANDER, so that they could utilize the back-side of the board to invoice the Schools for the reconditioning work that was performed. As discussed above, defendant KURLANDER often would inflate the nature and quantity of the reconditioning work that Circle performed in order to fraudulently inflate the invoices sent to the Schools. This fraud would be apparent by comparing the back-side of the boards, which reflected the work actually performed, against the invoices that defendant KURLANDER submitted to the Schools. Defendant KURLANDER specifically instructed Circle's employees to only copy

and keep a record of the front-side of the boards in Circle's files. In order to conceal his fraud, after the invoices were generated, defendant KURLANDER would take the original boards to his home every night and discard them.

iii. Fraudulent Achievement of Desired Profits

36. Third, Circle fraudulently inflated invoices to ensure that Circle achieved its desired profits on goods and services. In order to obtain business from the Schools, Circle sometimes submitted bid packages and price quotations for goods and reconditioning services that were lower than the prices that Circle otherwise would have charged in order for Circle to cover its costs and achieve its desired profits. On many occasions in these circumstances, Circle billed the Schools at the quoted prices and then garnered its desired profits by fraudulently inflating the quantity or nature of the reconditioning work performed by Circle or by fraudulently inflating other invoices to those schools for reconditioning services. Defendant KURLANDER directed this fraudulent scheme.

37. For example, Circle often bid and quoted the base price for reconditioning a football helmet as low as $.25 or $.50 per helmet, but actually billed the Schools in excess of $5.00 per helmet by fraudulently inflating the amount of parts installed and the number of helmets reconditioned. Thus, Circle's invoice to the Schools still reflected the bid or quoted

price, but Circle actually would achieve its desired profit margin by adding work to the bills that had never been done and parts that had never been installed. Circle management, including defendant KURLANDER, referred to the difference between the price that it bid or quoted and what it needed to charge to achieve its desired profit margin as "shortages." Circle often made up these "shortages" by fraudulently inflating its reconditioning invoices to the Schools.

38. Circle also circumvented the bid or quoted prices by fraudulently changing the names of the types of clothing items and apparel that it was reconditioning. This allowed Circle to charge substantially more, sometimes by as much as 700%, than it had previously bid or quoted the Schools to recondition the same products.

39. The School Athletic Officials or school business administrators sometimes discovered Circle's fraudulent billing practices and contacted Circle to dispute a charge. For example, when a school district in New York conducted an audit of Circle's 2005-2006 invoices, the school district discovered approximately seventy separate instances where Circle billed more, in some instances as much as 800%, than the price Circle included in its bid package to the school district. The total amount overbilled to that particular school district in those two years was approximately $8,580.42.

40. On some occasions when a school detected Circle's billing fraud, defendant KURLANDER instructed Circle employees to credit the disputed amount back to the particular school so that it appeared that Circle was voiding the amount from the invoice. However, after the credit was issued, defendant KURLANDER sometimes recouped the credited money by fraudulently billing the school for reconditioning work that Circle had not performed in the same amount as Circle credited back to the school. By doing so, Circle fraudulently achieved its desired profits even when a school detected Circle's fraudulent billing practices.

41. For example, in or about February 2004, a NJ Sales Representative provided two sets of shoulder pads to NJ School #20 as part of a free promotional deal to solicit the school to purchase that particular style of shoulder pads for its football team. In or about the summer of 2004, Circle billed the school for these two "free" shoulder pads in the amount of approximately $1,098.79. When NJ School #20 received the invoice, the school athletic official contacted the NJ Sales Representative to dispute the invoice, and the NJ Sales Representative assured the official that there would be no charge for the shoulder pads as Circle previously represented. After the school athletic official received another invoice from Circle for these same shoulder pads in or about November 2005, the official again contacted the NJ Sales Representative and again the NJ Sales

Representative represented that the shoulder pads were free. In or about October 2005, Circle faxed yet another invoice to the school for the same shoulder pads, and the school athletic official sent an email to Circle refusing to pay. Approximately one day after Circle received that email, the NJ Sales Representative directed a Circle employee to void the invoice but to recoup the approximately $1,098.79 for these "free" shoulder pads by fraudulently billing the school for football reconditioning work that Circle had not performed.

42. In another example, in or about December 2005, the business manager from NJ School #21 refused to pay a Circle invoice in the amount of approximately $435 because Circle failed to obtain a purchase order for softball reconditioning work. Circle voided the disputed invoice, but then a NJ Sales Representative, with the approval of defendant KURLANDER, fraudulently inflated the amount of reconditioning work that Circle did for NJ School #21 to recoup the disputed amount. Circle faxed the quote which included the inflated reconditioning work to the school athletic official on or about December 16, 2005.

iv. Hiding the Nature and Timing of Transactions

43. Finally, the fraudulent invoices also were used to hide the nature and timing of purchases by the School Athletic Officials on behalf of their respective Schools. The School

Athletic Officials with whom Circle dealt generally operated on fiscal year budgets for new equipment and reconditioning services, which budgets usually were set by the Schools prior to, or at the beginning of, the fiscal-year. In New Jersey, this fiscal-year period was usually from July 1 to June 30 of the next calendar year.

44. At various times, the School Athletic Officials did not have the need to use all of the money in their budgets. However, these officials generally believed that, if they did not use the money that had been budgeted by the schools, they would "lose" most of the money in future budgets. In addition, these officials believed that the amount budgeted for the purchase of new equipment or reconditioning services would likely be lower in future budgets because they did not expend all the money that had been budgeted in that fiscal year. In other instances, these officials would have exhausted their school's budget for new equipment purchases prior to the fiscal year end, but still had money available in the school's reconditioning budget, and would want to use reconditioning money to purchase new equipment.

45. In an effort to increase Circle's sales, Circle sales representatives, with the knowledge and approval of Circle's management, including defendant KURLANDER, offered the School Athletic Officials a means by which they could, through Circle's creation of fraudulent paperwork for submission to the

Schools, use the money in their budgets so that it would appear that the money had been used for budgeted items in the current fiscal year, when, in fact, it would be used either (i) in the next fiscal year for whatever new equipment and reconditioning services that the School Athletic Officials wanted to purchase, or (ii) in the current fiscal year for new equipment and reconditioning services different from those for which the money had been budgeted. It was common that after the Schools paid fraudulent invoices for goods or services that had not actually been performed or provided, Circle credited the money that had been fraudulently obtained to internal accounts that defendant KURLANDER controlled. The existence of these credits often were not known to those in the Schools who were responsible for paying Circle's invoices, and when these credits were subsequently used, Circle did not send invoices or credit notices to the Schools to reflect these later uses. Throughout the course of the conspiracy, Circle engaged in hundreds of transactions involving fraudulent paperwork of the type described above.

Use of the Mails and Interstate Wires

46. Throughout the course of the conspiracy, many of the fake quotes were sent to the Schools via the United States Mail or fax from Pennsylvania to other states, including New Jersey. Moreover, most of the fraudulent paperwork, including the fraudulent invoices, created by Circle was sent to the

Schools, many of which were in New Jersey, via the United States Mail, as were most of the checks that were sent to Circle by the Schools in payment of Circle's invoices and statements. Circle also was required to provide the Schools, including those in New Jersey, with signed purchase order and invoice vouchers, certifying that Circle's bills were true and accurate. These signed vouchers were either sent back to the Schools via United States Mail or by fax from Pennsylvania to other states, including New Jersey.

In violation of Title 18, United States Code, Section 1349.

COUNTS 2 to 22

MAIL AND WIRE FRAUD

(Mitchell Kurlander)

1. Paragraphs 1 to 7 and 10 to 46 of Count 1 of this Indictment are hereby realleged and incorporated as if set forth in full herein.

2. From in or about August 1997 to in or about June 2007, in the District of New Jersey and elsewhere, defendant

MITCHELL KURLANDER

and others knowingly and intentionally did devise and intend to devise a scheme and artifice to defraud the Schools and to obtain money and property from the Schools by means of materially false and fraudulent pretenses, representations, and promises, which scheme is described in substance above in Count 1 of this Indictment.

3. On or about the dates set forth below, in the District of New Jersey and elsewhere, for the purpose of executing and attempting to execute this scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, defendant

MITCHELL KURLANDER

knowingly and intentionally placed and caused to be placed in a post office and authorized depository for mail, and caused to be

delivered thereon certain mail matter as described below, to be sent and delivered by the United States Postal Service, and took and received therefrom certain mail matter as described below, and transmitted and caused to be transmitted by means of wire communication in interstate commerce certain writings, signs, signals, pictures and sounds, as described below:

COUNT	DATE	USE OF MAIL/ INTERSTATE WIRE	NJ SCHOOL WHERE THE MAILING/ INTERSTATE WIRE WAS SENT OR TRANSMITTED TO
2	6/7/05	Mailing of Signed Purchase Order Voucher	#2
3	9/2/05	Wire of Circle Quote	#22
4	10/13/05	Wire of Fake Quotes	#23
5	12/16/05	Wire of Fraudulently Inflated Quote	#21
6	4/27/06	Mailing of Signed Fraudulent Invoice Voucher	#11
7	5/26/06	Wire of Circle Quote	#16
8	6/5/06	Wire of Circle Quote	#16
9	6/28/06	Mailing of Signed Fraudulent Invoice Voucher	#24
10	7/7/06	Wire of Fraudulent Invoice	#15
11	8/4/06	Mailing of Signed Fraudulent Invoice Voucher	#16

COUNT	DATE	USE OF MAIL/ INTERSTATE WIRE	NJ SCHOOL WHERE THE MAILING/ INTERSTATE WIRE WAS SENT OR TRANSMITTED TO
12	8/16/06	Wire of Fake Quote	#25
13	8/29/06	Mailing of Signed Purchase Order Voucher	#11
14	9/8/06	Mailing of Signed Purchase Order Voucher	#11
15	10/24/06	Wire of Circle Quote	#16
16	11/2/06	Mailing of Signed Fraudulent Invoice Voucher	#11
17	11/3/06	Mailing of Signed Fraudulent Invoice Voucher	#11
18	11/7/06	Wire of Fraudulent Invoice	#18
19	11/20/06	Mailing of Signed Fraudulent Invoice Voucher	#26
20	2/5/07	Wire of Fraudulent Invoice	#8
21	2/7/07	Wire of Fraudulent Invoice	#15
22	3/1/07	Wire of Signed Purchase Order Voucher	#17

In violation of Title 18, United States Code, Sections 1341 and 1343, and Section 2.

Forfeiture Allegation Relating to Count 1

As a result of committing the aforementioned offense in violation of Title 18, United States Code, Section 1349, as alleged in Count 1 of this Indictment, defendants MITCHELL KURLANDER and ALAN ABESHAUS shall forfeit to the United States pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, all property, real and personal, that constituted and was derived from proceeds traceable to the commission of the above offense of conspiracy to commit mail and wire fraud, including but not limited to the following: (1) a sum of money representing the amount of the proceeds obtained as a result of the offense; and (2) $822,000 traceable to all that lot or parcel of land, together with its buildings, appurtenances, improvements, fixtures, attachments and easements, located at 8 McFadden Road, Easton, Pennsylvania 18045. If more than one defendant is convicted of this offense, the defendants so convicted are jointly and severally liable for the amount subject to forfeiture under this paragraph.

If any of the above-described forfeitable property, as a result of any act or omission of defendants MITCHELL KURLANDER and ALAN ABESHAUS:

(1) cannot be located upon the exercise of due diligence;

(2) has been transferred or sold to, or deposited with, a third party;

(3) has been placed beyond the jurisdiction of the Court;

(4) has been substantially diminished in value; or

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

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), to seek forfeiture of any other property of defendants MITCHELL KURLANDER and ALAN ABESHAUS, up to the value of the above forfeitable property.

In violation of Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461.

Forfeiture Allegation Relating to Counts 2 to 22

As a result of committing the aforementioned offenses in violation of Title 18, United States Code, Section 1341 and Section 1343, and Section 2, as alleged in Counts 2 to 22 of this Indictment, defendant MITCHELL KURLANDER, shall forfeit to the United States pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, all property, real and personal, that constituted and was derived from proceeds traceable to the commission of the above offenses of mail and wire fraud, including but not limited to the following: (1) a sum of money representing the amount of the proceeds obtained as a result of the offenses; and (2) $822,000 traceable to all that lot or parcel of land, together with its buildings, appurtenances, improvements, fixtures, attachments and easements, located at 8 McFadden Road, Easton, Pennsylvania 18045.

If any of the above-described forfeitable property, as a result of any act or omission of defendant MITCHELL KURLANDER:

(1) cannot be located upon the exercise of due diligence;

(2) has been transferred or sold to, or deposited with, a third party;

(3) has been placed beyond the jurisdiction of the Court;

(4) has been substantially diminished in value; or

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

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), to seek forfeiture of any other property of defendant MITCHELL KURLANDER, up to the value of the above forfeitable property.

In violation of Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461.

A TRUE BILL.

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FOREPERSON

/JBC

PAUL J. FISHMAN
UNITED STATES ATTORNEY

ADDENDUM IDENTIFYING THE NEW JERSEY HIGH SCHOOLS REFERENCED IN COUNTS 1 TO 22 OF THE THIS INDICTMENT

NJ SCHOOL #	NAME OF ENTITY
1	Immaculata High School (Somerville, NJ)
2	Somerville High School
3	Lacey Township High School
4	Rutgers University
5	Watchung Hills Regional High School
6	Bayonne High School
7	Barnegat Township High School
8	Freehold Boro High School
9	Long Branch High School
10	Union Township High School
11	Elizabeth High School
12	Plainfield High School
13	Bound Brook High School
14	Robbinsville High School
15	Jersey City Public Schools
16	Millburn High School
17	Linden High School
18	Newark Public Schools
19	South Plainfield High School
20	Monmouth University
21	Belvidere High School
22	Passaic County Technical & Vocational High School
23	Hillsborough Middle School
24	Lyndhurst High School
25	Morristown High School
26	New Eqypt High School

CASE NUMBER: 11-

United States District Court
District of New Jersey

UNITED STATES OF AMERICA

v.

MITCHELL KURLANDER
and
ALAN ABESHAUS

INDICTMENT

18 U.S.C. §§ 981(a)(1)(C), 1341, 1343, 1349 and § 2;
28 U.S.C. § 2461

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