

UNITED STATES DISTRICT COURT
 DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.
 :
 v. : Criminal No. 12-_____
 :
 RICHARD REKUC : 18 U.S.C. § 1344 & § 2

I N F O R M A T I O N

The defendant having waived in open court prosecution by indictment, the United States Attorney for the District of New Jersey charges:

1. At all times relevant to this Information:

a. Defendant RICHARD REKUC resided in or around Asbury Park, New Jersey and operated a luggage manufacturing company named Royalox International, Inc. ("Royalox"), based in or around Phillipsburg, New Jersey.

b. Lakeland Bank ("Lakeland") was a financial institution, as that term is defined in Title 18, United States Code, Section 20, and was based in or around Oak Ridge, New Jersey.

c. "Accounts receivable" was an accounting measure that tracked the revenues a business had earned, but had not yet received.

d. "Lines of credit" were types of loans made by financial institutions, including Lakeland, to businesses and individuals. The amount of credit that a financial institution

was willing to extend could be based on any number of metrics, including the revenues or the accounts receivable of the borrower.

2. From at least as early as in or about 2004 through in or about December 2009, in Warren and Passaic Counties, in the District of New Jersey, and elsewhere, defendant

RICHARD REKUC

did knowingly devise and intend to devise a scheme and artifice to defraud Lakeland, and to obtain moneys, funds and assets owned by and under the control of Lakeland by means of false and fraudulent pretenses, representations and promises, which scheme and artifice was in substance as set forth below.

OBJECT OF THE SCHEME AND ARTIFICE TO DEFRAUD

3. It was the object of the scheme for defendant REKUC to obtain money from Lakeland through a line of credit, secured using fraudulent accounts receivable that purported to show that Royalox was doing more business than it actually did, and to divert much of the money obtained from Lakeland for his personal benefit and the benefit of his entities.

MANNER AND MEANS OF THE SCHEME AND ARTIFICE TO DEFRAUD

4. It was part of the scheme and artifice that beginning at least as early as in or about 2004, defendant REKUC obtained a line of credit from Lakeland. This line of credit was based upon the accounts receivable of Royalox, so that the higher the

accounts receivable, the more defendant REKUC could borrow from Lakeland.

5. It was further part of the scheme and artifice that defendant REKUC made it appear as though Royalox was doing more business than it actually did, thus fraudulently increasing Royalox's accounts receivable. Defendant REKUC furthered the scheme and artifice to defraud through several steps:

a. First, defendant REKUC invented fake customers for Royalox, using names very similar to some of Royalox's real clients (the "Fake Customers").

b. Second, defendant REKUC opened bank accounts for the Fake Customers (the "Fake Customers' Accounts"), and deposited money into the Fake Customers' Accounts from accounts defendant REKUC controlled.

c. Third, defendant REKUC created false invoices, which showed Royalox billing the Fake Customers for purported sales made by Royalox, when in fact Royalox had never made those sales.

d. Fourth, defendant REKUC transferred money from the Fake Customers' Accounts to Royalox's bank accounts, purportedly as "payments" from the Fake Customers to Royalox.

e. Fifth, defendant REKUC submitted the false invoices and copies of the "payments" from the Fake Customers' Accounts to Lakeland, to demonstrate that Royalox was doing more

business than it actually was doing.

6. It was further part of the scheme and artifice that these false invoices and fraudulent payments induced Lakeland to believe that Royalox was doing a substantial amount of business and was entitled to draw down on the line of credit to cover payments for materials and other expenses, when in fact there were no such expenses, and defendant REKUC was using much of the money from the line of credit for his own purposes.

7. As just one example:

a. On or about August 24, 2007, defendant REKUC opened a bank account at Wachovia Bank in the name of "Eagle Creek Sports" (the "Eagle Creek Bank Account"). In fact, no such company existed, but this name was similar to that of an actual sporting goods company.

b. In or around November 2007, defendant REKUC caused money to be deposited into the Eagle Creek Bank Account from accounts controlled by defendant REKUC.

c. Defendant REKUC then created or caused to be created fraudulent journal entries in Royalox's accounts receivable, purporting to show approximately \$63,095.00 in sales to "Eagle Creek Sports" (the "Fraudulent Eagle Creek Journal Entries"). In fact, no such sales were made, because "Eagle Creek Sports" did not exist.

d. Defendant REKUC also caused a check to be written

from the Eagle Creek Bank Account to Royalox in the approximate amount of \$65,095.00 (the "Fraudulent Eagle Creek Payment").

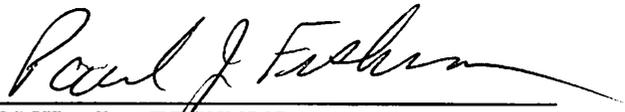
e. Defendant REKUC then caused the Fraudulent Eagle Creek Journal Entries and the Fraudulent Eagle Creek Payment to be faxed to Lakeland Bank.

f. On or about November 7, 2007, defendant REKUC requested approximately \$95,000 from Lakeland as an advance from the line of credit.

g. In or around November, 2007, relying on the fraudulent documentation provided by defendant REKUC, Lakeland released approximately \$95,000 to Royalox as part of the line of credit.

8. As a result of defendant REKUC's scheme and artifice to defraud, Lakeland suffered losses exceeding \$3 million.

All in violation of Title 18, United States Code, Section 1344 and Section 2.



PAUL J. FISHMAN
United States Attorney

**United States District Court
District of New Jersey**

UNITED STATES OF AMERICA

v.

RICHARD REKUC

INFORMATION FOR

18 U.S.C. § 1344

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