

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.  
v. : Crim. No. 11-  
CHARLES K. SCHWARTZ : 18 U.S.C. §§ 1341 and 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:

THE DEFENDANT AND OTHER PARTIES

1. At all times relevant to this Information:

a. Defendant CHARLES K. SCHWARTZ was President of Allied Health Care Services, Inc. (herein referred to as "Allied"), a New Jersey durable medical equipment corporation with offices in Orange, New Jersey. Allied was founded in approximately 1976.

b. An individual who is named as a co-schemer but not as a defendant herein (herein referred to as "UC-1") was the sole owner of a New Jersey Corporation (herein referred to as "Company 1") located in Berkeley Heights, New Jersey, which purported to be a vendor of medical equipment.

c. C & C, Inc. (herein referred to as "C & C") was a purported New Jersey Corporation created and controlled by defendant CHARLES K. SCHWARTZ. C & C purported to be a distributor of medical equipment, but was in reality used by

defendant CHARLES K. SCHWARTZ for the sole purpose of carrying out the scheme to defraud.

d. Banks and corporate lending institutions were in the business of simultaneously purchasing new medical equipment, including ventilators, from vendors, and leasing that equipment to qualified creditworthy customers through lease-financing agreements (herein collectively the "Lenders"). The Lenders included, among others, Republic Bank of Chicago, based in Oak Brook, Illinois.

e. Brokers were involved in facilitating equipment lease-financing agreements for new medical equipment, including ventilators, between defendant CHARLES K. SCHWARTZ and Allied, and the Lenders (herein collectively the "Brokers"). The Brokers included, among others, ACC Alliance Commercial Capital, Inc., based in Chicago, Illinois.

#### THE SCHEME TO DEFRAUD

2. From at least in or about 2002, through at least in or about July 2010, in Essex and Union Counties, in the District of New Jersey, and elsewhere, defendant

CHARLES K. SCHWARTZ

did knowingly and willfully devise and intend to devise a scheme and artifice to defraud and for obtaining money and property by means of material false and fraudulent pretenses, representations, and promises, as set forth below.

3. It was part of the scheme and artifice to defraud that defendant CHARLES K. SCHWARTZ would request and obtain

medical equipment invoices from Company 1 through UC-1, which invoices falsely stated that Company 1 was providing valuable medical equipment, specifically ventilators, to Allied when, in fact, Company 1 provided no such medical equipment to Defendant CHARLES K. SCHWARTZ or Allied.

4. It was further part of the scheme and artifice to defraud that defendant CHARLES K. SCHWARTZ would solicit and then use the fraudulent invoices from Company 1 in order to seek and secure millions of dollars from Lenders, purportedly to finance Allied's leasing of the medical equipment. The Lenders would, in turn, purchase the medical equipment from Company 1 by providing money directly or through the Brokers to Company 1. The Lenders would not, however, take possession of the medical equipment. Instead, defendant CHARLES K. SCHWARTZ and Allied would agree to lease the medical equipment from the Lenders by making periodic lease payments to the Lenders, and Company 1 would purportedly ship the medical equipment directly to defendant CHARLES K. SCHWARTZ and Allied.

5. It was further part of the scheme and artifice to defraud that after Company 1 received the money from the Lenders, UC-1, at defendant CHARLES K. SCHWARTZ's direction, would transfer the money obtained from the Lenders to C & C or another entity controlled by defendant CHARLES K. SCHWARTZ. In this fashion, defendant CHARLES K. SCHWARTZ caused more than \$87 million in fictitious proceeds to be transferred from Company 1 to entities controlled by defendant CHARLES K. SCHWARTZ.

6. It was further part of the scheme and artifice to defraud that UC-1 was compensated for his role in the scheme, in that he sent approximately 95-97% of the money received from the Lenders to C & C or another entity controlled by defendant CHARLES K. SCHWARTZ, while keeping approximately 3-5% of the proceeds for UC-1's own benefit.

7. It was further part of the scheme and artifice to defraud that, in order to repay money obtained fraudulently as part of the scheme, defendant CHARLES K. SCHWARTZ obtained additional money throughout the duration of the scheme in a similar fashion, each time using fraudulent invoices obtained from Company 1 through UC-1. As such, in Ponzi-scheme fashion, defendant CHARLES K. SCHWARTZ made required payments to Lenders using money fraudulently obtained from other Lenders.

8. It was further part of the scheme and artifice to defraud that after the fraudulent proceeds were transferred from Company 1 to C & C or another entity controlled by defendant CHARLES K. SCHWARTZ, defendant CHARLES K. SCHWARTZ caused a substantial portion of those fraudulent proceeds to be directed to bank accounts in Allied's name, which defendant CHARLES K. SCHWARTZ also controlled. By doing so, defendant CHARLES K. SCHWARTZ made it appear to the Lenders - who frequently examined Allied's financial information as part of the financing approval process - that the transferred money was legitimate revenue for Allied, and that therefore Allied was creditworthy. In reality, during at least a portion of the relevant time period, the

fraudulent proceeds from C & C accounted for the vast majority of Allied's accounts receivable.

9. It was further part of the scheme and artifice to defraud that when the Lenders sought to examine the medical equipment purportedly leased by defendant CHARLES K. SCHWARTZ and Allied, defendant CHARLES K. SCHWARTZ concealed that, in fact, Company 1 provided no medical equipment to defendant CHARLES K. SCHWARTZ or Allied, by directing employees of Allied to alter serial numbers or create fraudulent serial numbers on existing equipment to match fraudulent invoices defendant CHARLES K. SCHWARTZ had supplied to the Lenders.

10. Through this scheme, defendant CHARLES K. SCHWARTZ defrauded Lenders out of at least \$80 million.

#### PROCEEDS OF THE FRAUD

11. Defendant CHARLES K. SCHWARTZ misappropriated millions of dollars in fraudulent proceeds for his personal benefit. For example, defendant CHARLES K. SCHWARTZ used money from Lenders, which had been diverted to accounts controlled by defendant CHARLES K. SCHWARTZ as described above, to pay for, among other things:

a. The payment of millions of dollars in distributions from Allied to defendant CHARLES K. SCHWARTZ and his family members; and

b. The purchase of approximately 10 residential, commercial, and other properties in New Jersey and New York, including one or more horse farms, for millions of dollars.

MAIL FRAUD

11. On or about November 23, 2008, in Union County, in the District of New Jersey, and elsewhere, for the purpose of executing and attempting to execute this scheme and artifice to defraud, defendant

CHARLES K. SCHWARTZ

did knowingly cause to be sent and delivered by a private or commercial interstate carrier, certain mail matter, namely a check in the amount of \$2,000,000 from ACC Alliance Commercial Capital, Inc., in Chicago, Illinois, to Company 1 in Berkeley Heights, New Jersey.

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

### FORFEITURE ALLEGATION

1. The allegations contained in this Information are hereby realleged and incorporated by reference for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c).

2. Upon conviction of the offense in violation of Title 18, United States Code, Section 1341, the defendant, CHARLES K. SCHWARTZ, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), all right, title, and interest in any property, real or personal, that constitutes or is derived from proceeds traceable to the offenses of conviction.

3. If any of the property described above, 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,

the United States shall be entitled, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United

States Code, Section 2461(c), to forfeiture of any other property of the defendant, CHARLES K. SCHWARTZ, up to the value of the property described in the preceding paragraph.

  
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PAUL J. FISHMAN  
United States Attorney

CASE NUMBER: \_\_\_\_\_

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

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**UNITED STATES OF AMERICA**

**v.**

**CHARLES K. SCHWARTZ**

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**INFORMATION FOR**

**18 U.S.C. §§ 1341 AND 2**

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**PAUL J. FISHMAN**

*U. S. ATTORNEY*

*NEWARK, NEW JERSEY*

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