

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

<b>UNITED STATES OF AMERICA</b>	:	<b>CRIMINAL NO:</b> <u>15-432</u>
<b>v.</b>	:	<b>DATE FILED:</b> <u>9-17-15</u>
<b>DOUGLAS S. RAE</b>	:	<b>VIOLATIONS:</b>
	:	18 U.S.C. § 1341 (mail fraud - 7
	:	counts)
	:	18 U.S.C. § 1343 (wire fraud - 25
	:	counts)
	:	18 U.S.C. § 1957 (money laundering - 3
	:	counts)
		Notice of forfeiture

**INDICTMENT**

**COUNTS ONE THROUGH SEVEN**  
**[MAIL FRAUD]**

**THE GRAND JURY CHARGES THAT:**

At all times material to this indictment:

1. Defendant DOUGLAS S. RAE was living in Coopersburg, Pennsylvania, and was employed at a company referred to herein as "Company A" as Manager of the Lighting Department, a supervisory position in Company A's West Chester, Pennsylvania facility. In that role, defendant RAE was responsible for purchasing, and overseeing the purchasing of, lighting related products and services, including lamps and other items, as well as merchandise and services relating to larger projects such as studio set designs.

2. Company A was a general merchandise electronic retail company that marketed and sold a wide variety of products directly to consumers through various media, including its television programming and the internet. Company A had its principal place of business in West Chester, Pennsylvania.

3. Lighting Equipment Sales and Service, Inc. ("LESS"), was a business entity with addresses in Allentown and Bethlehem, Pennsylvania, and was controlled and operated by defendant DOUGLAS S. RAE.

4. Lighting Products International, Inc. ("LPI"), was a business entity with addresses in Allentown and Bethlehem, Pennsylvania, and was controlled and operated by defendant DOUGLAS S. RAE.

### **THE SCHEME**

5. From in or about November 2006 to in or about May 2013, defendant

### **DOUGLAS S. RAE**

devised and intended to devise a scheme to defraud Company A, and to obtain money and property by means of false and fraudulent pretenses, representations and promises.

### **MANNER AND MEANS**

It was part of the scheme that:

6. Defendant DOUGLAS S. RAE caused false invoices from LESS and LPI to be submitted to Company A for lighting products and services that were not delivered or performed, and thereby caused Company A to pay over \$900,000 for product and services that were never delivered. Defendant RAE took the proceeds for his own use.

It was further a part of the scheme that:

7. Company A paid the bogus invoices by issuing checks to LESS and LPI, which it then mailed to the companies' addresses on file.

8. Defendant DOUGLAS S. RAE caused the Company A checks to LESS and LPI to be deposited into bank accounts he controlled and used the proceeds for personal expenditures.

9. On or about each of the dates set forth below, in West Chester, in the Eastern District of Pennsylvania, and elsewhere, defendant

**DOUGLAS S. RAE,**

for the purpose of executing the scheme described above, and attempting to do so, knowingly caused to be delivered by mail according to the directions thereon, the following items, each mailing constituting a separate count:

COUNT	DATE	DESCRIPTION
1	10/14/2010	Check from Company A to LESS for \$3,876.80
2	5/9/2011	Check from Company A to LPI for \$33,455
3	3/5/2012	Check from Company A to LESS for \$7,721.19
4	5/21/2012	Check from Company A to LESS for \$7,119.50
5	8/1/2012	Check from Company A to LPI for \$56,158.88
6	8/20/2012	Check from Company A to LPI for \$56,158.88
7	12/19/2012	Check from Company A to LESS for \$6,286.75

All in violation of Title 18, United States Code, Sections 1341 and 1349.

**COUNTS EIGHT THROUGH TWENTY-TWO**  
**[WIRE FRAUD]**

**THE GRAND JURY FURTHER CHARGES THAT:**

1. Paragraphs 1 through 4 of Counts One through Seven are incorporated here.
2. John R. Hodde, charged elsewhere, lived in Virginia and was the General Manager of the Alexandria, Virginia, office of Barbizon Capitol, Inc. ("Barbizon"). Barbizon had provided Hodde with a corporate American Express credit card account to use for business purposes.
3. Barbizon was a company which sold a variety of lighting equipment to various customers, including Company A.

**THE SCHEME**

4. From in or about February 2007 to in or about May 2013, defendant

**DOUGLAS S. RAE**

and John R. Hodde devised and intended to devise a scheme to defraud Company A, and to obtain money and property by means of false and fraudulent pretenses, representations and promises.

**MANNER AND MEANS**

It was part of the scheme that:

5. Defendant DOUGLAS S. RAE and John R. Hodde caused bogus invoices to be submitted to Company A, and to be paid by Company A, for product that was not supplied to Company A. They did so in the following ways:

- a. Defendant DOUGLAS S. RAE used John R. Hodde's corporate American Express credit card account to purchase items for his personal use, and then to cover those expenses, defendant RAE and Hodde caused Barbizon to submit bogus invoices to Company

A for merchandise that Barbizon had not supplied to Company A. In this manner, defendant RAE and Hodde caused Company A to pay over \$560,000 for bogus invoices submitted to it.

Defendant RAE used most of these proceeds for his own personal expenditures.

b. Defendant DOUGLAS S. RAE and John R. Hodde caused Company A to pay bogus invoices for product invoiced from LESS or LPI to Barbizon, and then from Barbizon to Company A, when in fact LESS, LPI, and Barbizon did not supply or ship any of the product to Company A. In this manner, defendant RAE and Hodde caused Company A to pay over \$200,000 for the bogus invoices. Defendant RAE took most of these proceeds for his own personal use.

It was further part of the scheme that:

6. In connection with defendant DOUGLAS S. RAE's personal use of John R. Hodde's corporate American Express account, defendant RAE used the account to purchase numerous home appliances, airline tickets for him and his wife to visit their vacation home, personal electronics, dental services, and other items of a personal nature.

7. On approximately a monthly basis, John R. Hodde reviewed his credit card charges for the month to determine which charges had been incurred by defendant DOUGLAS S. RAE.

8. John R. Hodde e-mailed defendant DOUGLAS S. RAE a summary of the charges defendant RAE had incurred for the month.

9. Defendant DOUGLAS S. RAE responded by e-mail as to whether he disagreed concerning his responsibility for any of the charges summarized by John R. Hodde. Defendant RAE then gave directions to Hodde concerning specific language to put on fictitious invoices from Barbizon to Company A so that Barbizon would be reimbursed by Company A for

defendant RAE's use of the Barbizon credit card account for his personal expenditures.

Defendant RAE's instructions typically included item descriptions, unit numbers, and prices.

10. By agreement, the bogus invoices defendant DOUGLAS S. RAE instructed John R. Hodde to generate built in a profit margin for Barbizon to retain, which was usually 10% of what defendant RAE had charged on Barbizon's American Express account. The approximate 10% mark-up was referred to at least once in an e-mail exchange between defendant RAE and Hodde as the "vig."

11. Sometimes defendant DOUGLAS S. RAE and John R. Hodde worked together to generate bogus invoices from Barbizon to Company A that were in dollar amounts equal to what defendant RAE had charged on Hodde's Barbizon corporate credit card account for the period, plus the approximately 10% mark-up.

12. Other times, the bogus invoices from Barbizon to Company A did not match the amount that defendant DOUGLAS S. RAE had charged for the month, and then usually defendant RAE and John R. Hodde carried the balance forward and made up for it in future bogus invoices to Company A.

13. John R. Hodde caused the bogus invoices from Barbizon, which he had created at the direction of defendant DOUGLAS S. RAE, to be submitted to Company A. Company A paid Barbizon for the amounts invoiced.

14. In connection with the transactions indirectly billed from LESS or LPI, to Barbizon, and then to Company A, defendant DOUGLAS S. RAE caused LESS and LPI to invoice Barbizon for certain products. LESS and LPI did not supply or ship any of the pertinent product to Barbizon or Company A.

15. At defendant DOUGLAS S. RAE's direction, John R. Hodde caused Barbizon to pay the bogus LESS and LPI invoices. Defendant RAE kept the proceeds for his personal use.

16. Defendant DOUGLAS S. RAE and John R. Hodde caused Barbizon to submit corresponding bogus invoices to Company A for product purportedly sold by Barbizon to Company A. Defendant RAE and Hodde created the Barbizon invoices to Company A in amounts equal to the LESS and LPI invoices to Barbizon, plus an additional approximately 10% mark-up, which Barbizon was to keep. Barbizon did not supply or ship any of the pertinent product to Company A.

17. John R. Hodde caused the bogus invoices from Barbizon, which he had created at the direction of defendant DOUGLAS S. RAE, to be submitted to Company A. Company A paid Barbizon for the amounts of those invoices.

18. On or about each of the dates set forth below, in West Chester, in the Eastern District of Pennsylvania, and elsewhere, defendant

**DOUGLAS S. RAE**

and John R. Hodde, for the purpose of executing the scheme described above, and conspiring and attempting to do so, caused to be transmitted by means of wire communication in interstate commerce the signals and sounds described below for each count, each transmission constituting a

separate count:

COUNT	DATE	DESCRIPTION
8	12/7/2010	E-mail from John R. Hodde to defendant DOUGLAS S. RAE with Subject "Nov. AMEX" stating "Hi Doug, Your total AMEX charges were \$ 27,378.72 - 22,209.90 (open credit) balance due \$ 5,168.82 x 10%( 516.88) = \$ 5,685.70..." with attachment "Nov amex.xlsx," a list of credit card purchases
9	12/20/2010	E-mail from defendant DOUGLAS S. RAE to John R. Hodde with Subject "RE: Nov. AMEX" stating "balance due \$5,168.82 x 10%( 516.88) = \$ 5,685.70 Please send me an invoice for the following: 'BEDROOM SET' 125 LLS-12-120-WW CoveBrite Warm White 12" strip 45.50 5,687.50 Thanks Doug..."
10	12/20/2010	E-mail from John R. Hodde to defendant DOUGLAS S. RAE with Subject "Invoice" stating "Thanks Doug. John Hodde..." with attachment "37699.pdf," a Barbizon invoice to Company A totaling \$5,687.50
11	9/4/2012	E-mail from John R. Hodde to defendant DOUGLAS S. RAE with Subject "August Amex" stating "Hi Doug. Your new balance due is \$10,859.00. Thanks. John Hodde..." with attachment "XXX Amex 082012.xlsx"
12	9/7/2012	E-mail from defendant DOUGLAS S. RAE to John R. Hodde with Subject "Invoice" stating "Please create an invoice for the following..."
13	10/2/2012	E-mail from defendant DOUGLAS S. RAE to John R. Hodde with Subject "New Invoice" stating "Please create an invoice for the following:..."



COUNT	DATE	DESCRIPTION
14	2/5/2013	E-mail from John R. Hodde to defendant DOUGLAS S. RAE with Subject "Jan. Amex" stating "Hi Doug. John Hodde..." with attachment "XXX Amex Jan.2013.xlsx," a list of credit card purchases ending with "balance due \$4,271.00"
15	2/19/2013	E-mail from defendant DOUGLAS S. RAE to John R. Hodde with Subject "Invoice #3" stating "Please create an invoice for the following..."
16	2/19/2013	E-mail from John R. Hodde to defendant DOUGLAS S. RAE with Subject "Invoices" stating "Thanks Doug. John Hodde..." with attachments "Inv56446.pdf," "Inv56447.pdf," and "Inv56448.pdf"
17	9/24/2010	E-mail from defendant DOUGLAS S. RAE to John R. Hodde with Subject "Invoice line items" that includes a table with a total of \$20,411.50
18	11/22/2010	E-mail from John R. Hodde to defendant DOUGLAS S. RAE with Subject "Inv35353" stating "Hi Doug, Could you please check into the payment status of this one..." with attachment "Inv35353.pdf," a Barbizon invoice to Company A totaling \$20,411.50
19	11/10/2010	E-mail from John R. Hodde to defendant DOUGLAS S. RAE with Subject "L.E.S.S." stating "Hi Doug, I received a invoice from them this morning... Your cost \$15,249.36 x 10% ( 1,524.93) = \$16,774.28..."
20	11/17/2010	E-mail from John R. Hodde to defendant DOUGLAS S. RAE with Subject "Invoices" stating "Thanks Doug. John Hodde..." with attachments "Inv36934.pdf" and "Inv36935.pdf," two Barbizon invoices to Company A totaling \$16,712.28 and \$2,454.50

COUNT	DATE	DESCRIPTION
21	7/27/2011	E-mail from defendant DOUGLAS S. RAE to John R. Hodde with Subject "Here is the purchase order" stating "Please send invoice today..." with attachment "Barbizon Purchase Order Request.pdf," a Company A purchase order totaling \$22,750
22	7/27/2011	E-mail from John R. Hodde to defendant DOUGLAS S. RAE with Subject "Invoice" stating "Thanks Doug. John Hodde..." with attachment "Inv42844.pdf," a Barbizon invoice to Company A totaling \$22,750

All in violation of Title 18, United States Code, Sections 1343 and 1349.

**COUNTS TWENTY-THREE THROUGH THIRTY-TWO**  
**[WIRE FRAUD]**

**THE GRAND JURY FURTHER CHARGES THAT:**

1. Paragraphs 1, 2, and 4 of Counts One through Seven are incorporated here.
2. Michael H. Keppler, charged elsewhere, was a resident of New Jersey and was the owner of Keppler Engineers, LLC ("Keppler Engineers"), a business that performed engineering services for the lighting industry whose principal place of business was in Ridgewood, New Jersey.

**THE SCHEME**

3. From in or about November 2010 to in or about November 2012, defendant

**DOUGLAS S. RAE**

and Michael H. Keppler, devised and intended to devise a scheme to defraud Company A, and to obtain money and property by means of false and fraudulent pretenses, representations and promises.

**MANNER AND MEANS**

It was part of the scheme that:

4. Defendant DOUGLAS S. RAE and Michael H. Keppler caused Company A to pay bogus invoices for product invoiced from LPI to Keppler Engineers, and then from Keppler Engineers to Company A, when in fact neither LPI nor Keppler Engineers supplied or shipped any product to Company A, and for services purportedly performed by Keppler Engineers that were not in fact performed by Keppler Engineers. In this manner, defendant RAE and Keppler caused Company A to pay over \$170,000 for goods and services that LPI and Keppler Engineers had not

supplied or provided to Company A. Defendant RAE took most of these proceeds for his own personal use.

5. Between approximately November 2010, and February 2011, defendant DOUGLAS S. RAE directed Michael H. Keppler to send defendant RAE invoices from Keppler Engineers to Company A for particular amounts, with particular product descriptions, item numbers, and unit prices. Defendant RAE instructed Keppler how much of the total amount was to go to Keppler Engineers, which was typically about 10% of the total amount of the invoice, and the remainder was to go to LPI.

6. Michael H. Keppler generated Keppler Engineer invoices to Company A as directed by defendant DOUGLAS S. RAE and forwarded them to defendant RAE.

7. Defendant DOUGLAS S. RAE caused the Keppler Engineer invoices to be submitted to Company A for processing and payment.

8. Neither LPI nor Keppler Engineers supplied or shipped the pertinent product to Company A.

9. Company A issued checks to pay Keppler Engineers for the amounts in the invoices.

10. Michael H. Keppler caused Keppler Engineers to issue corresponding checks to LPI in the amounts directed by defendant DOUGLAS S. RAE.

11. Defendant DOUGLAS S. RAE caused the Keppler Engineer checks to be deposited into bank accounts controlled by defendant RAE.

12. In or about May 2012, defendant DOUGLAS S. RAE directed Michael H. Keppler to create a Keppler Engineers quotation for services in connection with a Company A

dimmer rack installation project. Defendant RAE provided Keppler with detailed language to include in the Keppler Engineers proposal to Company A.

13. As directed by defendant DOUGLAS S. RAE, Michael H. Keppler generated a quotation for Company A with the language provided by defendant RAE.

14. Defendant DOUGLAS S. RAE caused the Keppler Engineers proposal to be submitted to Company A. Company A unwittingly approved the quotation and issued a purchase order to Keppler Engineers for the services.

15. Between approximately July and October 2012, knowing that Keppler Engineers had not performed any of the services on the Company A dimmer rack project, Michael H. Keppler forwarded to defendant DOUGLAS S. RAE several Keppler Engineers invoices to Company A for services purportedly performed in connection with the project. Company A issued checks to Keppler Engineers to pay the invoices, and Keppler then forwarded corresponding checks to defendant RAE for tens of thousands of dollars each, which defendant RAE deposited into an account he controlled.

16. On or about each of the dates set forth below, in West Chester, in the Eastern District of Pennsylvania, and elsewhere, defendant

**DOUGLAS S. RAE,**

and Michael H. Keppler, for the purpose of executing the scheme described above, and conspiring and attempting to do so, caused to be transmitted by means of wire communication in interstate commerce the signals and sounds described below for each count, each transmission constituting a

separate count:

COUNT	DATE	DESCRIPTION
23	11/23/2010	E-mail from defendant DOUGLAS S. RAE to Michael H. Keppler with Subject "Invoice" stating "Please send me an invoice for the following items: 500.00 is for Keppler Engineering..."
24	11/23/2010	E-mail from Michael H. Keppler to defendant DOUGLAS S. RAE with Subject "RE: Invoice" stating "Doug, please find attached our invoice for your PO100494 Let me know if you need any additional information Best Regards..." with attachment "68 KE IN 2236.pdf," an invoice to Company A totaling \$6,676.50
25	12/12/2010	Email from defendant DOUGLAS S. RAE to Michael H. Keppler with Subject "Lighting Products International, Inc. - Invoice# 2815" stating "Mike, Here is the invoice we spoke about. Hopefully you can send check today. Call me with questions Thanks, Doug" with attachment "Invoice - id334.pdf"
26	12/23/2010	E-mail from defendant DOUGLAS S. RAE to Michael H. Keppler with Subject "Invoice" stating "...Total Invoice \$9521.25 Check gets made out to LPI, Inc. \$8521.25 Mike gets \$1,000.00"
27	12/23/2010	E-mail from Michael H. Keppler to defendant DOUGLAS S. RAE with Subject "RE: Invoice" stating "I can mail you the check today to: XXXX Daisy Lane Coopersburg, PA 18036-9548..."
28	12/23/2010	E-mail from Michael H. Keppler to defendant DOUGLAS S. RAE with Subject "RE: invoice for LPI" stating "FYI..." with attachment "71 KE IN XXX.pdf," an invoice to Company A totaling \$9,521.25

COUNT	DATE	DESCRIPTION
29	5/16/2012	E-mail from defendant DOUGLAS S. RAE to Michael H. Keppler with Subject "Create invoice" stating "Keppler Engineers LLC is an is an employer of Certified Technicians. Included in our proposal are the services of a local Project Manager assigned to this project. The Project Manager shall..."
30	7/23/12	E-mail from Michael H. Keppler to defendant DOUGLAS S. RAE with Subject "RE: Invoice" stating "Hi Doug, please find attached the invoice let me know if that will work..." with attachment "PO KE 109-2336.pdf," an invoice to Company A for \$50,000
31	9/2/2012	E-mail from Michael H. Keppler to defendant DOUGLAS S. RAE with Subject "invoice" stating "Hello Doug, please find attached the invoice with a new invoice number..." with attachment "PO KE 110-2336.pdf," an invoice to Company A for \$50,000
32	10/8/2012	E-mail from Michael H. Keppler to defendant DOUGLAS S. RAE with Subject "Final invoice" stating "Hello Doug, please find attached the final invoice for this project. Mike..." with attachment "PO KE 111-2336.pdf," an invoice to Company A for \$42,500

All in violation of Title 18, United States Code, Sections 1343 and 1349.

**COUNTS THIRTY-THREE THROUGH THIRTY- FIVE**  
**[MONEY LAUNDERING]**

**THE GRAND JURY FURTHER CHARGES THAT:**

At all times material to this indictment:

1. Paragraphs 1 through 8 of Counts One through Seven, paragraphs 2 through 17 of Counts Eight through Twenty-Two, and paragraphs 2 through 15 of Counts Twenty-Three through Thirty-Two are incorporated here.
2. On or about the dates listed below, in the Eastern District of Pennsylvania and elsewhere, defendant

**DOUGLAS S. RAE**

knowingly engaged in, and aided, abetted and willfully caused, a monetary transaction affecting interstate commerce in criminally derived property of a value greater than \$10,000, described more fully below, and such was derived from a specified unlawful activity, that is, mail fraud and wire fraud, in violation of Title 18, United States Code, Sections 1341 and 1343:

COUNT	DATE	DESCRIPTION
33	7/30/2012	Wire transfer from LESS Santander Bank account ending in 7608 of \$15,000 for purchase of an automobile
34	8/7/2012	Wire transfer from LPI Santander Bank account ending in 1699 of \$34,870 for purchase of an automobile
35	10/9/2012	Deposit of check no. 1141 for \$45,000 from Keppler Engineers to defendant DOUGLAS S. RAE's Santander Bank account ending in 6892

All in violation of Title 18, United States Code, Section 1957.



### **NOTICE OF FORFEITURE**

1. As a result of the violations of Title 18, United States Code, Sections 1341 and 1343 set forth in this indictment, defendant

**DOUGLAS S. RAE**

shall forfeit to the United States of America any property, real or personal, that constitutes or is derived from proceeds traceable to the commission of such offense, including, but not limited to, the sum of approximately \$2,000,000.

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;

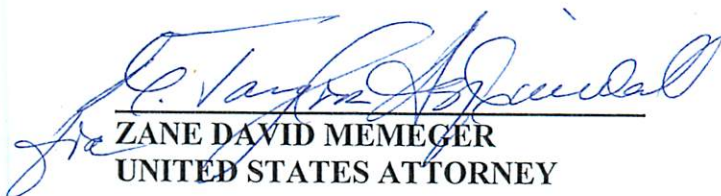
it is the intent of the United States, pursuant to Title 28, United States Code, Section 2461(c), incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant up to the value of the property subject to forfeiture.

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

A TRUE BILL:

---

GRAND JURY FOREPERSON



**ZANE DAVID MEMEGER**  
**UNITED STATES ATTORNEY**