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2009R01238/RJG

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

APR 11 2013

AT 8:30  
WILLIAM T. WALSH  
CLERK

UNITED STATES OF AMERICA : Crim. No. 13-253(JAP)  
:   
v. :   
: 18 U.S.C. §§ 1343,  
MICHAEL Y. LAWSON : 1956(a)(2)(B)(i) and 2.

INDICTMENT

The Grand Jury in and for the District of New Jersey,  
sitting in Trenton, charges:

COUNTS 1 to 6  
(Wire Fraud)

1. At all times relevant to this Indictment:

a. Defendant MICHAEL Y. LAWSON was a resident of Sparta, New Jersey. LAWSON was the owner and operator of several internet-based companies, including Musical Events Fundamentals, Amadeus Home Music School, and Home Art School (collectively, the "LAWSON Companies"). LAWSON operated the LAWSON Companies from his home in Sparta, New Jersey.

b. The LAWSON Companies operated internet websites that purported to offer a service, for a fee, that matched art and music teachers (the "Teachers") with students in need of lessons throughout the United States. The students, or their parents or others paying on the students' behalf (collectively, the "Students"), paid the fees associated with lessons obtained through the LAWSON Companies by credit card. These credit card transactions were done through the website for the particular LAWSON Company through which the Student arranged for lessons. The fees paid by the Students included the costs associated with

the Teachers providing the lessons, which were to be directly paid to the Teachers by the LAWSON Companies. The fees also included an amount retained by the LAWSON Companies for providing the service, as well as a fee for processing the credit card transaction. To process these on-line credit card transactions, LAWSON retained a credit card processing company (the "Credit Card Processor").

**The Scheme to Defraud**

2. From in or about November 2008, to in or about April 2009, in the District of New Jersey, and elsewhere, the defendant,

MICHAEL Y. LAWSON, did knowingly and willfully devise and intend to devise a scheme and artifice to defraud the Teachers and the Students of money and property by means of materially false and fraudulent pretenses, representations and promises, as set forth below.

**The Object of the Scheme**

3. The object of the scheme and artifice to defraud was to obtain money for music lessons that were not provided to the Students, and to convert to LAWSON's use fees owed to the Teachers for music lessons that they provided to the Students.

**The Means and Methods of the Scheme to Defraud**

4. Among the means and methods used by LAWSON to carry out the scheme and artifice to defraud included the following:

a. As part of the process for obtaining lessons through the Amadeus Home Music School, the Students were required to enter into a service contract with the Amadeus Home Music

School. That contract established the fee that the Students would be required to pay for the lessons that the Students sought. The Students were then required to provide a credit card number to which that fee would be charged. The Students entered into the contract and provided the credit card information through the Amadeus Home Music School's website.

b. In or about February 2008, LAWSON caused an account to be opened with the Credit Card Processor to process the credit card transactions for the Amadeus Home Music School and the other LAWSON Companies. The Credit Card Processor was headquartered in Princeton, New Jersey. LAWSON opened that account in the name of one of the LAWSON Companies, Home Art School.

c. LAWSON caused the following bank accounts to be opened for the LAWSON Companies: an account for Musical Events Corp. (the "Musical Events Corp. Account"); two accounts for the Amadeus Home Music School (the "Amadeus Home School Operating Account" and the "Amadeus Home Music School Teachers' Account"); and an account in the name of Fundamentals of Music and Movement (the "Fundamentals of Music and Movement Account").

d. After the Students had entered their credit card information into the website for the Amadeus Home Music School, the Credit Card Processor processed the payment. The Students' credit card processing bank then electronically transferred the money to the Credit Card Processor's data transfer station located in Plano, Texas. From there, the money was transferred to the Credit Card Processor's settlement bank, which was located

in Cleveland, Ohio (the "Settlement Bank"). The Settlement Bank then transferred the money from its facility in Ohio through the Federal Reserve in New Jersey to the Musical Events Corp. Account at a local bank in or around Sparta, New Jersey.

e. Beginning in or about November 2008, LAWSON started renewing the Students' contracts for music lessons through the Amadeus Home Music School without the knowledge and consent of the Students and charging the Students' credit cards for lessons that they had not requested. When the Students realized that their contracts for lessons had been renewed without their consent and that their credit cards had been charged for those lessons, they complained to their respective credit card companies which, in turn, sought reimbursements from the Credit Card Processor. The Credit Card Processor is obligated under its contractual agreement with Visa/MasterCard to immediately reimburse any disputed charges to the cardholder's bank. Ultimately, the Credit Card Processor reimbursed approximately \$660,000 to the Students' credit card companies that it was unable to recover from LAWSON and the LAWSON Companies.

f. LAWSON instructed an employee ("Employee-1") to assume responsibility for charging contract renewals. Initially, LAWSON was very specific about which Students' contracts to renew, and for how much. Thereafter, beginning in or about November 2008, the frequency and urgency of LAWSON's requests to renew contracts increased. Eventually, LAWSON instructed Employee-1 to renew contracts indiscriminately, explaining that

LAWSON needed money for a gold mine operation in which LAWSON had invested in Africa. These renewals were done without the knowledge and consent of the Students.

g. In or about January 2009, LAWSON hired a second employee ("Employee-2"), who LAWSON tasked with renewing the Students' contracts. Approximately once or twice a day, LAWSON sent Employee-2 spreadsheets of names of the Students whose contracts LAWSON wanted renewed and instructed Employee-2 to renew the contracts immediately and not to wait until the end of the day. These renewals were done without the knowledge or consent of the Students.

h. LAWSON had been receiving notices from the Credit Card Processor that the Credit Card Processor was issuing reimbursements to the Students' credit card companies for charges related to lessons that the Students had not requested. LAWSON was aware that the charge-backs emanated from LAWSON renewing charges on customer credit cards for services the LAWSON Companies had not performed.

i. On or about the dates set forth in Paragraph 5, below, LAWSON caused funds, including but not limited to, the amounts set forth in Paragraph 5, below, to be deposited via interstate wire transmission into the Musical Events Corp. Account. These wire transactions, including but not limited to, each of the wires set forth in Paragraph 5, below, represent unauthorized billing of music lesson fees charged to a Student's credit card and processed by the Credit Card Processor without that Student's knowledge and consent.



j. LAWSON caused money obtained from customer credit card charges processed by the Credit Card Processor to be deposited into the Musical Events Corp. Account and then transferred to the Fundamentals of Music and Movement Account.

k. Between on or about December 19, 2008 and on or about April 9, 2009, LAWSON instructed Employee-1 and Employee-2 to wire money via Western Union to LAWSON in Africa from the Fundamentals of Music and Movement Account. Employee-1 and Employee-2 transferred approximately \$207,000 to LAWSON and others at LAWSON's direction to accounts located in Sierra Leone and the United Arab Emirates. The approximately \$207,000 included money that LAWSON had charged the Students for lessons that were not provided and money that LAWSON owed to Teachers for lessons that were provided to the Students. In order to avoid scrutiny, LAWSON instructed Employee-1 and Employee-2 to structure the wire transfers in amounts less than \$10,000.

5. On or about the dates listed below, in Sussex County, in the District of New Jersey, and elsewhere, defendant

MICHAEL Y. LAWSON

for the purpose of executing and attempting to execute a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, did knowingly and willfully cause writings, signs, signals, pictures, and sounds to be transmitted by means of wire communications in interstate commerce, as set forth below:

COUNT	DATE	WIRE TRANSMISSION
1	September 25, 2008	\$1,280 from Chase Bank to the Credit Card Processor in Plano, Texas, then to the Settlement Bank in Cleveland, Ohio, to the United States Federal Reserve in New Jersey, to LAWSON's account in New Jersey.
2	November 28, 2008	\$825 from Citibank to the Credit Card Processor in Plano, Texas, then to the Settlement Bank in Cleveland, Ohio, to the United States Federal Reserve in New Jersey, to LAWSON's account in New Jersey.
3	December 4, 2008	\$2,875 from Citibank to the Credit Card Processor in Plano, Texas, then to the Settlement Bank in Cleveland, Ohio, to the United States Federal Reserve in New Jersey, to LAWSON's account in New Jersey.
4	December 30, 2008	\$544 from Chase Bank to the Credit Card Processor in Plano, Texas, then to the Settlement Bank in Cleveland, Ohio, to the United States Federal Reserve in New Jersey, to LAWSON's account in New Jersey.
5	February 7, 2009	\$631 from Chase Bank to the Credit Card Processor in Plano, Texas, then to the Settlement Bank in Cleveland, Ohio, to the United States Federal Reserve in New Jersey, to LAWSON's account in New Jersey.
6	February 24, 2009	\$464 from GE Money Bank to the Credit Card Processor in Plano, Texas, then to the Settlement Bank in Cleveland, Ohio, to the United States Federal Reserve in New Jersey, to LAWSON's account in New Jersey.

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

**COUNTS 7 to 12**  
**(International Money Laundering)**

1. Paragraphs 1 and 4 of Counts 1 to 6 of this Indictment are hereby incorporated and realleged as if fully set forth herein.

2. On or about the dates listed below, in the District of New Jersey, and elsewhere, defendant

MICHAEL Y. LAWSON

did transmit and transfer, and attempt to transmit and transfer funds, from a place in the United States, that is, New York, New York, to a place outside the United States, knowing that the funds involved in the transmittal and transfer represented the proceeds of some form of unlawful activity and knowing that such transmittal and transfer was designed in whole or in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of specified unlawful activity, to wit, wire fraud, as set forth below:

COUNT	DATE	WIRE TRANSMISSION
7	December 22, 2008	\$4,878.05 sent from New York, New York to LAWSON in Freetown, Sierra Leone.
8	December 22, 2008	\$4,878.05 sent from New York, New York to LAWSON in Freetown, Sierra Leone.
9	December 23, 2008	\$7,400 sent from New York, New York to LAWSON in Freetown, Sierra Leone.
10	February 17, 2009	\$7,317 sent from New York, New York to LAWSON in Freetown, Sierra Leone.
11	February 17, 2009	\$7,317 sent from New York, New York to LAWSON in Freetown, Sierra Leone.



COUNT	DATE	WIRE TRANSMISSION
12	April 6, 2009	\$2,900 sent from New York, New York to LAWSON in Dubai, United Arab Emirates.

In violation of Title 18, United States Code, Section 1956(a)(2)(B)(i) and Title 18, United States Code, Section 2.

**FIRST FORFEITURE ALLEGATION**

1. The allegations contained in Counts 1 to 6 of this Indictment 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. The United States hereby gives notice to the defendant charged in Counts 1 through 6 that, upon his conviction of any such offense, the government will seek forfeiture in accordance with Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), which requires any person convicted of such offenses to forfeit any property constituting or derived from proceeds obtained directly or indirectly as a result of such offenses.

3. If any of the above-described forfeitable property, 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 21, United States Code, Section 853(p), as incorporated by Title 28,

United States Code, Section 2461(c) and Title 18, United States Code, Section 982(b)(1), to seek forfeiture of any other property of such defendant up to the value of the forfeitable property described in this forfeiture allegation.

**SECOND FORFEITURE ALLEGATION**

1. The allegations contained in Counts 7 to 12 of this Indictment are hereby realleged and incorporated by reference for the purpose of noticing forfeiture pursuant to Title 18, United States Code, Section 982.

2. The United States hereby gives notice to the defendant charged in Counts 7 through 12 that, upon his conviction of any such offense, the government will seek forfeiture in accordance with Title 18, United States Code, Section 982, of all property involved in such offense and all property traceable to such property.

3. If any of the above-described forfeitable property, 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 18,

United States Code, Section 982(b), to seek forfeiture of any other property of the defendant up to the value of the forfeitable property described in this forfeiture allegation.

A TRUE BILL

FC

Paul J. Fishman  
PAUL J. FISHMAN  
United States Attorney



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

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**UNITED STATES OF AMERICA**

**v.**

**MICHAEL Y. LAWSON**

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**INDICTMENT FOR**

18 U.S.C. § 1343  
18 U.S.C. § 1956  
18 U.S.C. § 2

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**A True Bill,**



**Foreperson**

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**PAUL J. FISHMAN**  
*U.S. ATTORNEY*

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**R. JOSEPH GRIBKO**  
*ASSISTANT U.S. ATTORNEY*  
609-989-2020