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UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

AT 8:30 4:15 PM
WILLIAM T. WALSH
CLERK
SPC

UNITED STATES OF AMERICA : Hon. Kevin McNulty
: :
v. : Crim. No. 22- 184
: :
KURT PHELPS : 18 U.S.C. § 1349
: : 18 U.S.C. § 215(a)(2)

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:

COUNT ONE
(Conspiracy to Commit Bank Fraud)

INTRODUCTION

1. From in or around 2013 through in or around 2019, defendant KURT PHELPS (“PHELPS”) solicited and accepted large cash bribes—tens of thousands of dollars at a time—in connection with a multi-million dollar line of credit that was predicated, as PHELPS knew, on materially false financial information submitted to his employer, Victim Bank-1. PHELPS advised his co-conspirators on how to falsify the information that would be submitted to Victim Bank-1, and he worked to prevent Victim Bank-1 from detecting the fraud scheme.

2. At all times relevant to this Indictment:

- a. PHELPS was a Senior Vice President at Victim Bank-1.
- b. Co-conspirator-1 (“CC-1”), Co-conspirator-2 (“CC-2”), Co-conspirator-3 (“CC-3”) (together, the “Co-conspirators”) were senior employees at Starnet Business Solutions, Inc., a New Jersey-based printing company, which also

operated under the names Starnet Business Graphix, Inc. and Starnet Graphix, Inc. ("Starnet").

c. "Victim Bank-1" was a financial institution, as defined in Title 18, United States Code, Section 20, whose deposits were insured by the Federal Deposit Insurance Corporation and with headquarters in Charlotte, North Carolina.

THE CONSPIRACY

3. From in or around 2013 through in or around 2019, in the District of New Jersey and elsewhere, the defendant,

KURT PHELPS,

did knowingly and intentionally conspire and agree with others to execute and attempt to execute, a scheme and artifice to defraud a financial institution, as defined in Title 18, United States Code, Section 20, namely Victim Bank-1, whose deposits were insured by the Federal Deposit Insurance Corporation, and to obtain money, funds, credits, assets, securities, and other property owned by, and under the custody and control of, that financial institution, by means of materially false and fraudulent pretenses, representations, and promises, contrary to Title 18, United States Code, Section 1344.

GOAL OF THE CONSPIRACY

4. It was the goal of the conspiracy for PHELPS and the Co-conspirators to fraudulently obtain millions of dollars' worth of credit for Starnet from Victim Bank-1 based on materially false representations to Victim Bank-1 about Starnet's financial condition.

MANNER AND MEANS OF THE CONSPIRACY

5. It was part of the conspiracy that:

a. In or around 2013, PHELPS helped Starnet obtain an approximately \$1.5 million line of credit from Victim Bank-1 (the “Line of Credit”). The Co-conspirators provided, and caused others to provide, false financial information to Victim Bank-1 in connection with the Line of Credit.

b. Over the next several years, the Line of Credit increased and was approximately \$8 million in 2018.

c. CC-1 sent inflated account receivable information for Starnet to Victim Bank-1 on a monthly basis. CC-2 and CC-3 provided other materially false financial information about Starnet to Victim Bank-1 in connection with the Line of Credit, including a twice-yearly financial report.

d. PHELPS coached Starnet on how to defraud Victim Bank-1. PHELPS reviewed draft financial information for Starnet and provided feedback on how Starnet should falsify the information before submission to Victim Bank-1. PHELPS also worked to prevent Victim Bank-1 from detecting the fraud scheme by helping Starnet avoid Victim Bank-1’s audits and other quality control measures.

e. The Co-conspirators agreed to pay cash bribes to PHELPS in exchange for PHELPS’ assistance with the scheme. CC-2 hand-delivered bribe payments to PHELPS. In total, PHELPS received hundreds of thousands of dollars in bribe payments.

f. As a result of the fraud, Victim Bank-1 allowed Starnet to maintain the Line of Credit and increased the Line of Credit available to Starnet by

millions of dollars at various points in time. By in or around 2018, the Line of Credit available to Starnet was worth approximately \$8 million. Repayment of the Line of Credit became due in 2019, but Starnet did not repay it.

All in violation of Title 18, United States Code, Section 1349.

COUNT TWO
(Bank Bribery)

1. The allegations contained in Paragraphs 1, 2, 4, and 5 of Count One of this Indictment are realleged here.
2. From in or around 2013 through in or around 2019, in the District of New Jersey and elsewhere, the defendant,

KURT PHELPS,

an officer, employee, and agent of Victim Bank-1, did knowingly and corruptly solicit and demand for the benefit of himself and accepted and agreed to accept a thing of value exceeding \$1,000, intending to be influenced and rewarded in connection with a transaction and the business of Victim Bank-1, a financial institution as defined in Title 18, United States Code, Section 20.

In violation of Title 18, United States Code, Section 215(a)(2).

FORFEITURE ALLEGATION AS TO COUNTS ONE AND TWO

1. As a result of committing the offenses charged in Counts One and Two of this Indictment, defendant,

KURT PHELPS,

shall forfeit to the United States pursuant to Title 18, United States Code, Sections 982(a)(2)(A), any property, real or personal, constituting, or derived from, proceeds obtained directly or indirectly as a result of the offenses charged in Counts One and Two of this Indictment.

SUBSTITUTE ASSETS PROVISION
(Applicable to All Forfeiture Allegations)

2. 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;

the United States shall be entitled, pursuant to 21 U.S.C. § 853(p) (as incorporated by 28 U.S.C. § 2461(c) and 18 U.S.C. § 982(b)), to forfeiture of any other property of the defendant up to the value of the above-described forfeitable property.

A TRUE BILL

FOREPERSON



Philip R. Sellinger
PHILIP R. SELLINGER
United States Attorney

CASE NUMBER: 22-184 (KM)

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

UNITED STATES OF AMERICA

v.

KURT PHELPS

INDICTMENT FOR

**18 U.S.C. § 1349
18 U.S.C. § 215(a)(2)**

A TRUE BILL

Foreperson

**PHILIP R. SELLINGER
UNITED STATES ATTORNEY
FOR THE DISTRICT OF NEW JERSEY**

**HEATHER SUCHORSKY
ASSISTANT U.S. ATTORNEY
NEWARK, NEW JERSEY
(973) 645-2802**