

UNITED STATES DISTRICT COURT

for the

Eastern District of Pennsylvania

United States of America

v.

Gary Alan Frank

Case No.

18-393-M

Defendant(s)

CRIMINAL COMPLAINT

I, the complainant in this case, state that the following is true to the best of my knowledge and belief.

On or about the date(s) of July 2014 - March 1, 2018 in the county of Philadelphia, PA in the Eastern District of Pennsylvania, the defendant(s) violated:

Code Section
18 U.S.C. sec. 1343

Wire fraud

Offense Description

This criminal complaint is based on these facts:

Attached affidavit incorporate here.

Continued on the attached sheet.

Kathleen Kaderabek, Special Agent
Complainant's signature

Special Agent Kathleen Kaderabek

Printed name and title

Sworn to before me and signed in my presence.

Date: 3-16-18

Judge's signature

Judge's signature

City and state: Philadelphia, PA

Hon. Jacob P. Hart

Printed name and title

A F F I D A V I T

I, Kathleen Kaderabek, being duly sworn, depose and state as follows:

1. I am a Special Agent with the Federal Bureau of Investigation (“FBI”) and have been since December 1997. I am currently assigned to the FBI Philadelphia Division, Complex Financial Crimes squad. As part of my duties as a Special Agent, I have investigated various financial crimes, including money laundering, structuring, bank fraud, mail fraud, and wire fraud.

2. I am part of the FBI team that is investigating a large fraudulent scheme perpetrated by GARY ALAN FRANK.

3. The information contained in this affidavit is based upon my personal knowledge, information provided to me by other law enforcement officers, information provided by third parties, including victims and potential victims of the fraud, and my review of documents.

4. Because this affidavit is being submitted for the limited purpose of obtaining a criminal complaint against GARY ALAN FRANK, I have not included each and every fact known to me concerning this investigation.

I N V E S T I G A T I O N

5. From at least July 2014 through on or about March 1, 2018, FRANK defrauded and attempted to defraud various lenders and prospective lenders, including the Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company (collectively, “Prudential”), which together extended a \$40 million “debt facility” to FRANK’s corporation, the Legal Coverage Group, Ltd. (or “LCG”). This “debt facility” was essentially a line of credit allowing the Legal Coverage Group to borrow up to \$40 million.

6. Frank was the sole shareholder, sole director, and sole officer of the Legal Coverage Group, which contracts with employers desiring to offer their employees a legal plan as part of their employee benefits plans.

7. The Legal Coverage Group’s principal place of business is 50 Monument Drive, Suite 105, Bala Cynwyd, Pennsylvania. The company has approximately 10 employees. LCG’s annual revenues in 2017 were less than \$2 million, and it serviced less than 10,000 enrollees during 2017.

8. Since the end of 2014, the Legal Coverage Group has maintained two bank accounts at Penn Liberty Bank (now known as WSFS Bank) and one bank account at Bank of America. FRANK was the primary signatory on all of these accounts.

9. On or about December 31, 2014, FRANK caused the Legal Coverage Group to obtain a \$40 million “debt facility” from Prudential by making various false representations regarding the size and revenue of LCG’s business. For instance, FRANK misrepresented the number of LCG employees, its annual revenues, and the number of its enrollees. In addition, FRANK disclosed LCG’s account at Penn Liberty Bank to Prudential, but concealed LCG’s account at Bank of America. Accordingly, in the financial contracts, the Legal Coverage Group provided Prudential with access to only the Penn Liberty account statements.

10. Soon after the financing contracts were executed, the Legal Coverage Group drew down approximately \$30 million from the “debt facility.”

11. The Legal Coverage Group made quarterly payments on this obligation during 2015 and 2016 using proceeds from the loan. The Legal Coverage Group, however, failed to provide Prudential with audited financial reports for either 2014 or 2015, as required by the financing contracts.

12. The Legal Coverage Group failed to make its March 2017 debt service payment on time, eventually paying it several weeks late. In or about June 2017, the Legal Coverage Group failed to provide audited financial statements for 2016. The Legal Coverage Group also missed its June 2017 debt service payment, making a late payment in August 2017.

13. In or about August 2017, Prudential exercised its right under the financing contracts to obtain the bank account statements for LCG’s operating account at Penn Liberty/WSFS Bank. At the time, based upon the Legal Coverage Group’s representations, Prudential understood that this was LCG’s only bank account.

14. When Prudential’s representatives reviewed the bank account, they discovered that the account did not reflect the revenue levels that the Legal Coverage Group had claimed, and it was virtually empty. As a result, on or about October 6, 2017, Prudential filed a lawsuit in New York state court against the Legal Coverage Group and FRANK alleging a loan default and seeking repayment of the approximately \$30 million that the Legal Coverage Group had drawn down on the “debt facility.”

15. Shortly after, FRANK caused the Legal Coverage Group to disclose its Bank of America account to Prudential for the first time, however, FRANK also caused the Legal Coverage Group to make material misrepresentations regarding this account.

16. For instance, on or about October 10, 2017, FRANK caused one of LCG’s attorneys to send an email to an attorney for Prudential that forwarded a fraudulent screenshot of this bank account. Specifically, this attachment falsely stated that the account’s balance was \$12,989,584.69 as of October 6, 2017, when the balance was actually less than \$5,000.

17. In addition, on or about October 11, 2017, FRANK caused LCG's attorney to send a false Bank of America account summary to Prudential's attorney via email. The account summary, for an account ending 3456 and the period of September 1 through 30, 2017, fraudulently reflected an ending balance of \$1,526,322.12, even though the actual ending balance for this period was approximately \$13,114.24.

18. During the New York litigation, FRANK continued to make material misrepresentations, including in an affidavit dated October 25, 2017.

19. In October and November 2017, the court in New York ordered the Legal Coverage Group on several occasions to provide full bank statements for its Bank of America account to Prudential by December 1, 2017. The Legal Coverage Group, however, failed to comply with this order, and the court held FRANK and the Legal Coverage Group in contempt.

20. Meanwhile, during late 2017, FRANK pursued refinancing of the Legal Coverage Group's "debt facility" with Prudential. As part of the refinancing process, FRANK continued to make material misrepresentations regarding the Legal Coverage Group to multiple prospective lenders.

21. In mid-January 2018, FRANK caused LCG's counsel to provide additional fraudulent bank documents to counsel for Prudential. Specifically, on or about January 18, 2018, another attorney for the Legal Coverage Group delivered three additional false Bank of America account summaries and one additional false Bank of America screenshot to an attorney for Prudential. Comparison of the three account summaries to authentic account summaries obtained from Bank of America reveals multiple falsities, such as the false ending balances set forth below:

Month	Ending Balance on Account Summaries Provided by the Legal Coverage Group	Ending Balance on Account Summaries Provided by Bank of America
October 2017	\$13,657,126.86	\$3,280.66
November 2017	\$44,489,475.85	\$631.85
December 2017	\$2,777,361.12	\$211.96

22. On January 26, 2018, FRANK caused the Legal Coverage Group to file a bankruptcy petition under Chapter 11 in the Eastern District of Pennsylvania. This petition contained multiple misrepresentations, including an inflated statement of the Legal Coverage Group's assets.

23. During the bankruptcy proceedings, FRANK made and caused others to make additional material misrepresentations regarding the Legal Coverage Group, until at least March 1, 2018, when the government executed a court-authorized search of the company's premises.

24. Furthermore, from 2014 through March 1, 2018, FRANK obtained loans from various individuals by making misrepresentations and material omissions regarding the operations and assets of the Legal Coverage Group.

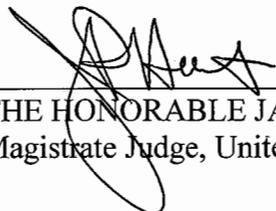
25. As part of his scheme, on or about October 10 and 11, 2017, FRANK caused counsel for the Legal Coverage Group, located in Philadelphia, Pennsylvania, to send emails to counsel for Prudential, located outside of the Eastern District of Pennsylvania, attaching false and fraudulent bank documents.

CONCLUSION

26. Based on the above facts, I believe that there is probable cause to conclude that between at least July 2014 and March 1, 2018, in the Eastern District of Pennsylvania and elsewhere, GARY ALAN FRANK did knowingly commit an offense against the United States, that is, to knowingly execute and attempt to execute a scheme to defraud multiple lenders, and to obtain monies owned by and under the care, custody, and control of these lenders, by means of false and fraudulent pretenses, representations, and promises, in violation of Title 18, United States Code, Section 1343. Therefore, I request that a warrant be issued for the arrest of GARY ALAN FRANK.


Kathleen Kaderabek
Special Agent
Federal Bureau of Investigation

Sworn to and Subscribed to before me
on this 16 day of March 2018


THE HONORABLE JACOB P. HART
Magistrate Judge, United States District Court