

FILED

JUN 03 2010

SUPERIOR COURT
CLERK'S OFFICE

SUPERIOR COURT OF NEW JERSEY
LAW DIVISION - CRIMINAL

State Grand Jury

Number SGJ584-10-8(1)

Superior Court

Docket Number 10-06-00073-S

STATE OF NEW JERSEY

v.

INDICTMENT

FRANCIS X. GARTLAND,

DEREK JOHNSON,

THOMAS B. KELLEHER,

FEDERAL HILL RISK
MANAGEMENT, LLC,

and

EAST COAST ADMINISTRATIVE
SERVICES, INC.

The Grand Jurors of and for the State of New Jersey, upon
their oaths, present that:

COUNT ONE

(Conspiracy - Second Degree)

FRANCIS X. GARTLAND

DEREK JOHNSON

THOMAS B. KELLEHER

FEDERAL HILL RISK MANAGEMENT, LLC

and

EAST COAST ADMINISTRATIVE SERVICES, INC.

and other persons whose identities are known and unknown to the Grand Jurors, who are coconspirators not named as defendants herein, between on or about January 1, 2005 and on or about July 21, 2009, at the City of Perth Amboy, in the County of Middlesex, at the City of Jersey City, in the County of Hudson, elsewhere, and within the jurisdiction of this Court, with the purpose of promoting or facilitating the commission of the crimes of Theft by Deception, False Representation for a Government Contract, Falsifying or Tampering with Records, and Misconduct by a Corporate Official did agree that:

1. One or more of them knowingly would engage in conduct which would constitute the aforesaid crimes, or

2. One or more of them knowingly would aid in the planning, solicitation or commission of said crime(s), that is:

A. Theft by Deception, in that one or more of them would purposely obtain property of another in the amount of \$75,000 or more by deception by creating or reinforcing a false impression, including a false impression as to law, value, intention or other state of mind, contrary to the provisions of N.J.S.A. 2C:20-4a;

B. False Representation for a Government Contract, in that one or more of them would knowingly make a material representation that was false in connection with the negotiation,

award or performance of a government contract, which contract was in the amount of \$25,000 or more, contrary to the provisions of N.J.S.A. 2C:21-34b;

C. Falsifying or Tampering with Records, in that one or more of them, with purpose to deceive or injure another or conceal any wrongdoing, would falsify, destroy, remove, conceal any writing or record, or utter any writing or record knowing that it contained a false statement or information, contrary to the provisions of N.J.S.A. 2C:21-4a; and

D. Misconduct by a Corporate Official, in that one or more of them, would knowingly use, control or operate a corporation for the furtherance or promotion of any criminal object, and would derive therefrom a benefit of \$75,000 or more, contrary to the provisions of N.J.S.A. 2C:21-9c.

THE DEFENDANTS AND ENTITIES

At all times relevant to the allegations contained in this indictment:

3. Defendant FEDERAL HILL RISK MANAGEMENT, LLC ("FHRM") was a Maryland limited liability company licensed to operate as an insurance broker/producer by the State of New Jersey, Department of Banking and Insurance, Division of Insurance. FHRM was named Broker of Record for health care insurance for the City of Perth Amboy, as enacted by a resolution(s) passed by the City

of Perth Amboy. FHRM was authorized to act on the City of Perth Amboy's behalf with the Insurance Carrier that provided medical insurance to the City of Perth Amboy and its employees.

4. Defendant EAST COAST ADMINISTRATIVE SERVICES, INC. ("ECAS") was a Maryland corporation licensed to operate as an insurance broker/producer by the State of New Jersey, Department of Banking and Insurance, Division of Insurance.

5. Defendant FRANCIS X. GARTLAND ("GARTLAND") was an insurance broker/producer licensed by the State of New Jersey, Department of Banking and Insurance, Division of Insurance. GARTLAND was a principal, officer, shareholder, or paid consultant of FHRM and ECAS.

6. Defendant DEREK JOHNSON ("JOHNSON"), the son-in-law to GARTLAND, was an insurance broker/producer licensed by the State of New Jersey, Department of Banking and Insurance, Division of Insurance. JOHNSON was a principal, officer, or shareholder of FHRM and ECAS.

7. Defendant THOMAS B. KELLEHER ("KELLEHER") was an insurance broker/producer licensed by the State of New Jersey, Department of Banking and Insurance, Division of Insurance. KELLEHER was a principal, officer, or shareholder of ECAS.

8. Insurance Carrier was a private insurance company that provided medical insurance to the City of Perth Amboy and its employees.

9. Vendor #1 was a private healthcare cost-management company in the business of providing programs in predictive care management.

10. Vendor #2, was a private company that used medically based fitness centers and programs, designed to provide state-of-the-art facilities to achieve health and wellness goals for people of all ages and fitness levels.

11. The Wellness Program as referenced herein is a non-existent health-related program that was never authorized by, nor implemented for, the City of Perth Amboy.

PURPOSE OF THE CONSPIRACY

12. The purpose of the conspiracy was for GARTLAND, JOHNSON, KELLEHER, FHRM, and ECAS to fraudulently bill the City of Perth Amboy, in order to obtain funds from the City of Perth Amboy, for a non-existent Wellness Program, and to conceal the conspiracy and its objects and acts undertaken in furtherance of it.

MANNER AND MEANS OF CONSPIRACY

13. Among the means by which the aforesaid conspirators would carry out the conspiracy are the following:

A. Use FHRM's position as the Broker of Record for the City of Perth Amboy to authorize or cause to be authorized payments to ECAS for a non-existent Wellness Program through the Insurance Carrier.

B. Falsely represent or cause to be falsely represented to the Insurance Carrier that the City of Perth Amboy had authorized the Insurance Carrier to build into the City of Perth Amboy insurance renewal rates beginning on January 1, 2007, a \$15 per employee per month fee ("PEPM") for the nonexistent Wellness Program, and that the Insurance Carrier would collect said fee as a part of its premiums from the City of Perth Amboy and then pass said fee through to ECAS.

C. Submit or cause to be submitted to the Insurance Carrier fraudulent monthly billing invoices for the nonexistent Wellness Program, which invoices would be paid by the City of Perth Amboy through the Insurance Carrier after the Insurance Carrier reconciled the specific number of eligible City of Perth Amboy employees.

D. Receive payments of approximately \$216,495 for the nonexistent Wellness Program, which were deposited into the bank account of ECAS and subsequently disbursed, in whole or part, to the conspirators.

OVERT ACTS

In furtherance of the conspiracy and to achieve its purposes, the aforesaid conspirators committed the following overt acts, among others:

14. In or about December 2006, JOHNSON, as an agent of FHRM, instructed an insurance broker associated with GARTLAND and/or FHRM ("Broker #1") to advise the Insurance Carrier that the City of Perth Amboy had authorized a Wellness Program at a fee of \$15 PEPM, that the Insurance Carrier was to act as a "pass-through" for the said fee, and that the said fee was to be built into the insurance renewal rates beginning January 1, 2007, despite the fact that the City of Perth Amboy had not in fact authorized said Wellness Program.

15. Between in or about December 2006 and on or about January 10, 2007, Broker #1, at the direction of JOHNSON, informed the Sales Account Manager for the Insurance Carrier of the information provided by JOHNSON regarding a nonexistent Wellness Program.

16. In or about January 2007, as a result of the false representations by FHRM that a Wellness Program had been authorized by the City of Perth Amboy, the Insurance Carrier took steps to implement the \$15 PEPM fee that it would "pass through" from the City of Perth Amboy to an unidentified vendor.

17. On or about February 27, 2007, KELLEHER emailed Broker #1, GARTLAND, JOHNSON and others, identified himself to the Insurance Carrier as the point of contact for ECAS and provided the contact information and tax identification number for ECAS.

18. On or about February 27, 2007, Broker #1 forwarded KELLEHER'S email to an Insurance Carrier employee, informed that employee that ECAS was the company that would invoice for the Wellness Program for the City of Perth Amboy and outlined the billing terms for the Wellness Program.

19. On or about March 7, 2007, the Insurance Carrier, in order to implement the billing terms established by JOHNSON, KELLEHER and others, emailed KELLEHER and others and informed KELLEHER that the Insurance Carrier would utilize the number of eligible employees for the City of Perth Amboy in the Insurance Carrier's existing medical coverage plan to reconcile and pay billing invoices submitted by ECAS for the nonexistent plan.

20. On or about March 13, 2007, KELLEHER sent billing invoices for the nonexistent "Wellness Program[s]" for the months of January through March 2007 to the Insurance Carrier on behalf of ECAS and asked the Insurance Carrier to "[p]lease process these initial billings on behalf of ECAS as per the contractual agreement with CIGNA."

21. On or about May 16, 2007, GARTLAND called Vendor #2 and requested a proposal for use of services of an existing facility as a fitness center as part of the Wellness Program for the City of Perth Amboy.

22. On or about May 17, 2007, in response to Gartland's request for a proposal regarding a fitness center as part of the nonexistent Wellness Program, Vendor #2 emailed a proposal to GARTLAND but thereafter did not receive a response from GARTLAND or any other named defendants herein and did not enter into any contract or other formal agreement regarding its proposal.

23. On or about June 18, 2007, KELLEHER emailed the Insurance Carrier, GARTLAND, JOHNSON, and another. In the email, KELLEHER asked the Insurance Carrier when the initial payment would be made for the Wellness Program.

24. On or about June 18, 2007, in response to KELLEHER's payment inquiry, the Insurance Carrier emailed KELLEHER, GARTLAND, JOHNSON, and another. In the email, the Insurance Carrier advised that it would begin processing payments on the first quarter billing invoices after the client [City of Perth Amboy] paid the Insurance Carrier's premium payment.

25. On or about June 29, 2007, GARTLAND emailed an associate who was acting as an intermediary with Vendor #1 and

informed the associate that the Mayor of the City of Perth Amboy wanted a presentation on a Wellness Program as soon as possible.

26. On or about July 2, 2007, JOHNSON scheduled a presentation on a Wellness Program to be given on July 24, 2007 by Vendor #1 to, among others, GARTLAND and the Mayor of the City of Perth Amboy.

27. On or about July 11, 2007, KELLEHER emailed GARTLAND and told him that ECAS had sent their seventh invoice to the Insurance Carrier, that the Insurance Carrier confirmed that the City of Perth Amboy had paid its premiums, and that ECAS could expect to receive a \$30,555 check for their outstanding three months billing from January through March 2007.

28. On or about July 24, 2007, Vendor #1, in response to a request from GARTLAND, made a presentation on a Wellness Program to, among others, GARTLAND, JOHNSON, the Mayor of the City of Perth Amboy, and the Business Administrator for the City of Perth Amboy.

29. On or about diverse dates, including but not limited to dates between March 2007 and December 2008, ECAS sent one or more billing invoices for a nonexistent Wellness Program for the City of Perth Amboy to the Insurance Carrier for payment.

30. On or about March 12, 2008, after numerous billing invoices had been submitted by ECAS to the Insurance Carrier, and

several payment checks had been issued by the Insurance Carrier to ECAS, KELLEHER entered into a pricing agreement with Vendor #1.

31. On or about the dates listed below, the Insurance Carrier, at the direction of ECAS, sent fifteen checks in the amounts listed below to ECAS as payment for administering the nonexistent Wellness Program for the City of Perth Amboy:

DATE OF CHECK	AMOUNT	DATE OF DEPOSIT BY ECAS
08/03/07	\$30,555	08/06/07
08/28/07	\$10,185	09/04/07
10/29/07	\$33,465	11/01/07
12/13/07	\$11,145	01/02/08
04/07/08	\$22,110	04/11/08
04/08/08	\$11,145	04/14/08
05/19/08	\$10,815	05/28/08
07/02/08	\$11,010	07/07/08
08/04/08	\$10,890	08/07/08
09/17/08	\$10,920	09/24/08
10/28/08	\$10,905	10/31/08
12/03/08	\$10,890	12/09/08
12/23/08	\$10,725	12/29/08
12/24/08	\$10,905	01/02/09
02/06/09	\$10,830	02/09/09
Total Paid	\$216,495	

32. On or about the dates listed below, ECAS distributed or caused to be distributed proceeds in the amount listed below from payments received from the Insurance Carrier for a nonexistent Wellness Program for the City of Perth Amboy:

Recipients of Proceeds of Theft	Amount	Dates of Distribution
KELLEHER	\$25,210	08/9/07 to 07/09/09
JOHNSON	\$18,000	12/12/07 to 02/03/09
GARTLAND	\$20,000	08/06/07 to 01/02/09
FHRM	\$70,000	08/07/07 to 04/27/09
TOTAL	\$ 133,210	

All contrary to the provisions of N.J.S.A. 2C:5-2, N.J.S.A. 2C:2-6 and N.J.S.A. 2C:2-7, and against the peace of this State, the government and dignity of the same.

COUNT TWO

(Theft by Deception - Second Degree)

FRANCIS X. GARTLAND

DEREK JOHNSON

THOMAS B. KELLEHER

FEDERAL HILL RISK MANAGEMENT, LLC

and

EAST COAST ADMINISTRATIVE SERVICES, INC.

and other persons whose identities are known and unknown to the Grand Jurors, who are coconspirators, but who are not named as defendants herein, between on or about December 1, 2006, and on or about July 21, 2009, at the City of Perth Amboy, in the County of Middlesex, at the City of Jersey City, in the County of Hudson, elsewhere, and within the jurisdiction of this Court, purposely did obtain property of another in the amount of \$75,000 or more from the City of Perth Amboy through the City of Perth Amboy's Insurance Carrier, by deception, by creating or reinforcing the false impression that the City of Perth Amboy had authorized and was receiving a Wellness Program, that is, the said THOMAS B. KELLEHER did submit or caused to be submitted false documents, to wit: Billing invoices from EAST COAST ADMINISTRATIVE SERVICES, INC. to the Insurance Carrier charging for a nonexistent Wellness Program for the City of Perth Amboy,

thereby obtaining for the said FRANCIS X. GARTLAND, DEREK JOHNSON, THOMAS B. KELLEHER, FEDERAL HILL RISK MANAGEMENT, LLC or EAST COAST ADMINISTRATIVE SERVICES, INC., funds of \$75,000 or more;

WHEREAS, in truth and in fact, as the said FRANCIS X. GARTLAND, DEREK JOHNSON, THOMAS B. KELLEHER, FEDERAL HILL RISK MANAGEMENT, LLC or EAST COAST ADMINISTRATIVE SERVICES, INC., well knew, that the said defendants did not administer or provide a Wellness Program to the City of Perth Amboy and the City of Perth Amboy had not authorized any Wellness Program, contrary to the provisions of N.J.S.A. 2C:20-4a, N.J.S.A. 2C:20-2b(1)(a), N.J.S.A. 2C:20-2b(4), N.J.S.A. 2C:2-6 and N.J.S.A. 2C:2-7, and against the peace of this State, the government and dignity of same.

COUNT THREE

(False Representation for a Government Contract - Second Degree)

FRANCIS X. GARTLAND

DEREK JOHNSON

THOMAS B. KELLEHER

FEDERAL HILL RISK MANAGEMENT, LLC

and

EAST COAST ADMINISTRATIVE SERVICES, INC.

and other persons whose identities are known and unknown to the Grand Jurors, who are coconspirators, but who are not named as defendants herein, between on or about December 1, 2006 and on or about July 21, 2009, at the City of Perth Amboy, in the County of Middlesex, at the City of Jersey City, in the County of Hudson, elsewhere and within the jurisdiction of this Court, knowingly did make a material representation that was false in connection with the negotiation, award or performance of a government contract valued at \$25,000 or more; that is the said FRANCIS X. GARTLAND, DEREK JOHNSON, THOMAS B. KELLEHER, FEDERAL HILL RISK MANAGEMENT, LLC and/or EAST COAST ADMINISTRATIVE SERVICES, INC. knowingly submitted false information contained in EAST COAST ADMINISTRATIVE SERVICES, INC.'s billing invoices to the Insurance Carrier in connection with the performance of a contract between the Insurance Carrier and the City of Perth Amboy, to wit: false

representations that the City of Perth Amboy had authorized and was receiving a Wellness Program administered or provided by EAST COAST ADMINISTRATIVE SERVICES, INC., contrary to the provisions of N.J.S.A. 2C:21-34b, N.J.S.A. 2C:2-6 and N.J.S.A. 2C:2-7, and against the peace of this State, the government and dignity of the same.

COUNT FOUR

(Falsifying or Tampering with Records - Fourth Degree)

FRANCIS X. GARTLAND

DEREK JOHNSON

THOMAS B. KELLEHER

FEDERAL HILL RISK MANAGEMENT, LLC

and

EAST COAST ADMINISTRATIVE SERVICES, INC.

and other persons whose identities are known and unknown to the Grand Jurors, who are coconspirators, but who are not named as defendants herein, between on or about December 1, 2006 and on or about July 21, 2009, at the City of Perth Amboy, in the County of Middlesex, at the City of Jersey City, in the County of Hudson, elsewhere and within the jurisdiction of this Court, with the purpose to deceive or injure another or conceal a wrongdoing, did falsify or cause to be falsified one or more writings or records or did utter or cause to be uttered one or more writings or records knowing it to contain a false statement or information, to wit: one or more false billing invoices pertaining to a nonexistent Wellness Program purportedly administered or provided to the City of Perth Amboy by EAST COAST ADMINISTRATIVE SERVICES, INC., contrary to the provisions of N.J.S.A. 2C:21-4a, N.J.S.A.

2C:2-6 and N.J.S.A. 2C:2-7, and against the peace of this State,
the government and dignity of same.

COUNT FIVE

(Misconduct by a Corporate Official - Second Degree)

FRANCIS X. GARTLAND

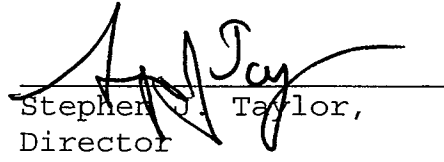
DEREK JOHNSON

and

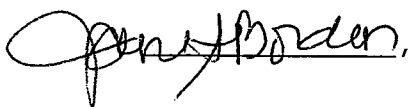
THOMAS B. KELLEHER

between on or about January 1, 2005 and on or about July 21, 2009, at the City of Perth Amboy, in the County of Middlesex, at the City of Jersey City, in the County of Hudson, elsewhere, and within the jurisdiction of this Court, knowingly did use, control or operate a corporation, that is FEDERAL HILL RISK MANAGEMENT, LLC, or EAST COAST ADMINISTRATIVE SERVICES, INC. for the furtherance or promotion of a criminal object, that is the crimes of Conspiracy, in violation of N.J.S.A. 2C:5-2; Theft by Deception, in violation of N.J.S.A. 2C:20-4; False Representation for a Government Contract, in violation of N.J.S.A. 2C:21-34b; or Falsifying or Tampering with Records, in violation of N.J.S.A. 2C:21-4; and did derive therefrom a benefit of \$75,000 or more, contrary to the provisions of N.J.S.A. 2C:21-9c and N.J.S.A. 2C:2-6, and against the peace of this State, the

government and dignity of same.


Stephen J. Taylor,
Director
Division of Criminal Justice

A TRUE BILL:

 Penny Borden, Deputy
Foreperson

Dated: 6/3/10

FILED

JUN 03 2010

**SUPERIOR COURT
CLERK'S OFFICE**

SUPERIOR COURT OF NEW JERSEY
LAW DIVISION - CRIMINAL

State Grand Jury

Number SGJ584-10-8(1)

Superior Court

Docket Number

10-06-00073-S

STATE OF NEW JERSEY)

v.)

FRANCIS X. GARTLAND)

DEREK JOHNSON)

THOMAS B. KELLEHER)

ORDER OF VENUE

FEDERAL HILL RISK)
MANAGEMENT, LLC)

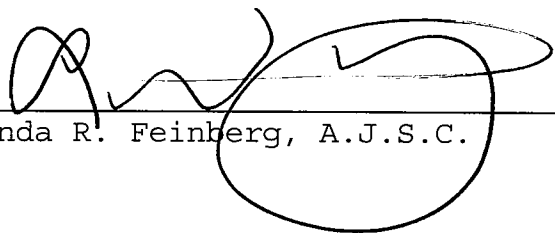
and

EAST COAST ADMINISTRATIVE)
SERVICES, INC.)

An Indictment having been returned to this Court by the
State Grand Jury in the above captioned matter

IT IS ORDERED on this 3rd day of June, 2010,
pursuant to paragraph 8 of the State Grand Jury Act, that the County
of Middlesex be and hereby is designated as the County of venue for
the purpose of trial.

IT IS FURTHER ORDERED that the Clerk of the Superior Court
shall transmit forthwith the Indictment in this matter and a
certified copy of this Order to the Criminal Division Manager of the
County of Middlesex for filing.



Linda R. Feinberg, A.J.S.C.