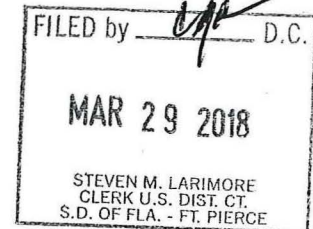


UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 18-14016-CR-ROSENBERG/REINHART

18 U.S.C. § 641
18 U.S.C. § 1341
18 U.S.C. § 1343
26 U.S.C. § 7201
42 U.S.C. § 408(a)(4)



UNITED STATES OF AMERICA

v.

ARTHUR JOHN KRANZ,

Defendant.

INDICTMENT

The Grand Jury charges that:

GENERAL ALLEGATIONS

At times relevant to this Indictment:

1. Defendant ARTHUR JOHN KRANZ maintained a residence in Hobe Sound, Florida within Martin County, in the Southern District of Florida.
2. Defendant Kranz was a physician with a Doctor of Medicine (MD) degree and specialized in psychiatry, the branch of medicine focused on the diagnosis, treatment and prevention of mental, emotional and behavioral disorders.
3. EPP Services, Inc. (EPP) was a Pennsylvania Business Corporation incorporated on or about July 16, 2007. At times, Defendant Kranz was listed as the President, Vice President, Secretary, and Treasurer of EPP. At other times, A.C. was listed as the President, Vice President, Secretary, and Treasurer of EPP. A.C. was an individual related to Defendant Kranz.

4. Pakan, Inc. (Pakan) was a Florida Profit Corporation incorporated on or about July 21, 2011. Defendant Kranz represented to be the President and Treasurer. N.K. and A.K. were listed as officers of Pakan, Inc. N.K. and A.K. were related to Defendant Kranz.

5. On various dates, between in or about October 1992 and September 2000, Defendant Kranz purchased private individual disability insurance policies from Company A (hereafter Insurance Company). The insurance policies covered the defendant in the event he was unable to perform the important duties of his occupation and in that event were to pay him a fixed monthly benefit.

6. On or about July 8, 2002, Defendant Kranz submitted a claim for payment to Insurance Company on his private disability insurance policies. On or about September 5, 2002, Insurance Company notified the defendant that his claim was approved and it would be paying him a monthly disability benefit payment. In subsequent correspondence, Insurance Company informed Defendant Kranz that he was required to inform Insurance Company if he went back to work and of the amount of any monthly earnings/income he received.

7. In or about December 2003, Defendant Kranz submitted an application to the Social Security Administration (SSA) for Title II disability benefits. SSA pays disability benefits to disabled individuals, who otherwise qualify for benefits, when the individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

8. By signing and submitting to SSA the application for disability benefits, the defendant affirmed, in pertinent part, the following obligations: "I agree to notify the Social Security Administration of all events as explained to me. I agree to notify the Social Security

Administration . . . if I go to work whether as an employee or a self-employed person. . . . The above events may affect my eligibility to disability benefits as provided in the Social Security Act, as amended.”

9. On or about August 22, 2004, SSA granted Defendant Kranz’s application for disability benefits and began paying him a monthly benefit.

10. On or about August 24, 2004, Defendant Kranz submitted to SSA an application for Child’s Insurance Benefits on behalf of his minor children. The Social Security Child’s Insurance Benefits is a federally funded program managed by the SSA and provides benefits for children whose parents (one or both) are disabled.

11. On or about August 30, 2004, SSA began paying monthly child’s benefits to Defendant Kranz in his capacity as the representative payee for his children.

12. Beginning in or about January 2006 and continuing to in or about March 2013, while receiving SSA disability benefits and private disability insurance benefits, Defendant Kranz worked for Company B (hereafter Medical Staffing Company). Defendant Kranz was assigned by Medical Staffing Company to work in the psychiatric services department of a hospital located in Torrance, Pennsylvania (hereafter the Hospital).

13. From in or about January 2006 through in or about March 2013, Defendant Kranz worked at the Hospital as a psychiatrist approximately 37.5 hours per week providing medical services to patients. Defendant Kranz was paid approximately \$135 per hour and earned over \$1.6 million in total compensation.

14. Defendant Kranz did not report the fact that he was working for Medical Staffing Company at the Hospital to the SSA and Insurance Company.

15. On various dates between in or about March 2006 and in or about November 2013, Defendant Kranz submitted to Insurance Company claims documents on which he falsely stated that he was not working.

16. Defendant Kranz concealed the fact that he was working and being paid by Medical Staffing Company from Insurance Company, SSA, and the Internal Revenue Service (IRS) by directing payments for his work at the Hospital to nominee individuals and corporations, rather than directly to him. The nominee individuals and corporations included, but were not limited to: A.C., N.K., A.K., EPP, and Pakan.

17. By concealing and failing to disclose to the SSA and Insurance Company that he had worked at and earned compensation from Medical Staffing Company, the defendant received payment of benefits in a greater amount than was due. As a result of his actions, Defendant Kranz fraudulently obtained an overpayment of Social Security Title II disability benefits of at least \$296,153, an overpayment of Social Security Child's Insurance Benefits of at least \$154,873, and an overpayment of private insurance disability benefits paid by Insurance Company of at least approximately \$341,032.

COUNT ONE
Mail Fraud
18 U.S.C. § 1341

18. Paragraphs 1 through 17 of this Indictment are realleged and incorporated as though fully set forth herein.

19. From in or about October 2005 through in or about November 2013 in the Southern District of Florida, and elsewhere, Defendant,

ARTHUR JOHN KRANZ

having knowingly and intentionally devised and intended to devise a scheme and artifice to defraud and to obtain money by means of materially false and fraudulent pretenses, representations, and promises, caused to be delivered certain mail matter by the United States Postal Service and by private and commercial interstate carriers, according to the direction thereon.

PURPOSE OF THE SCHEME AND ARTIFICE

20. It was the purpose of the scheme and artifice for the Defendant ARTHUR JOHN KRANZ to unjustly and fraudulently enrich himself by defrauding Insurance Company.

THE SCHEME AND ARTIFICE

21. It was part of the scheme and artifice that Defendant ARTHUR JOHN KRANZ would and did purchase and maintain private disability insurance;

22. It was further part of the scheme and artifice that Defendant ARTHUR JOHN KRANZ would and did use the U.S. mail and interstate wires to send and receive information concerning private disability insurance policy benefits that were being paid to him;

23. It was further part of the scheme and artifice that Defendant ARTHUR JOHN KRANZ would and did submit to Insurance Company claims forms on which he made and caused

to be made materially false, fraudulent, and misleading representations and concealed material facts concerning his work status in order to continue to receive disability benefit payments;

24. It was further part of the scheme and artifice that Defendant ARTHUR JOHN KRANZ would and did intentionally conceal from Insurance Company that he had returned to work and was earning compensation;

25. It was further part of the scheme and artifice that Defendant ARTHUR JOHN KRANZ would and did take affirmative steps to conceal the fraud, including but not limited to causing to be incorporated and establishing nominee corporations, opening and titling bank accounts in the names of nominees, making materially false statements and providing materially false documents to Insurance Company.

USE OF THE MAILS

26. On or about the date listed below, within Martin County, in the Southern District of Florida, and elsewhere, Defendant ARTHUR JOHN KRANZ, for the purpose of executing and in furtherance of the aforesaid scheme and artifice to defraud, did knowingly cause to be delivered certain mail matter by the United States Postal Service and by private and commercial interstate carrier, according to the directions thereon, as more particularly described below:

COUNT	DATE	DESCRIPTION OF MAILING
ONE	7/10/2013	Individual Disability Status Update form mailed by Insurance Company to Defendant Kranz that asked, among other things, "Have you returned to work?" and "Have you worked anywhere for pay, profit, or any other type of earnings?"

In violation of Title 18, United States Code, Section 1341.

COUNT TWO
Wire Fraud
18 U.S.C. § 1343

27. Paragraphs 1 through 17 of this Indictment are realleged and incorporated as though fully set forth herein.

28. From in or about October 2005 through in or about November 2013 within the Southern District of Florida, and elsewhere, defendant,

ARTHUR JOHN KRANZ

having knowingly and intentionally devised and intended to devise a scheme and artifice to defraud and to obtain money by means of materially false and fraudulent pretenses, representations, and promises, and for the purpose of executing the scheme and artifice, caused to be transmitted by means of wire communication in interstate commerce, communications, signals, sounds and writings, in violation of Title 18, United States Code, Section 1343.

PURPOSE OF THE SCHEME AND ARTIFICE

29. Paragraph 20 of this Indictment is realleged and incorporated as though fully set forth herein.

THE SCHEME AND ARTIFICE

30. Paragraphs 21 through 25 of this Indictment are realleged and incorporated as though fully set forth herein.

USE OF WIRE COMMUNICATIONS

31. On or about the date listed below, within Palm Beach County, in the Southern District of Florida, and elsewhere Defendant ARTHUR JOHN KRANZ, for the purpose of executing the aforesaid scheme and artifice to defraud, transmitted, and caused to be transmitted,

by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds as more particularly described below:

COUNT	DATE	DESCRIPTION OF WIRE COMMUNICATION
TWO	11/12/2013	Letter transmitted by interstate fax from Palm Beach County, Florida to Insurance Company signed by Defendant Kranz stating that the allegations that he worked for and received earnings from Medical Staffing Company are false.

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

COUNT THREE
Theft of Government Funds
18 U.S.C. § 641

32. Paragraphs 1 through 17 of this Indictment are realleged and incorporated as though fully set forth herein.

33. From at least in or about March 2013 and continuing through in or about December 2017, within Martin County, in the Southern District of Florida, and elsewhere, the defendant,

ARTHUR JOHN KRANZ

did knowingly and willfully embezzle, steal, purloin, and convert to his own use money of the United States, specifically monthly payments of SSA Title II disability benefits, the total value of the benefits exceeding the sum of \$1,000.

In violation of Title 18, United States Code, Section 641.

COUNT FOUR
Theft of Government Funds
18 U.S.C. § 641

34. Paragraphs 1 through 17 of this Indictment are realleged and incorporated by reference as though fully set forth herein.

35. From at least in or about March 2013 and continuing through in or about December

2017, within Martin County, in the Southern District of Florida, and elsewhere, the defendant,

ARTHUR JOHN KRANZ

did knowingly and willfully embezzle, steal, purloin, and convert to his own use money of the United States, specifically monthly payments of Social Security Child's Insurance Benefits, the total value of the benefits exceeding the sum of \$1,000.

In violation of Title 18, United States Code, Section 641.

COUNT FIVE

Failure to Disclose Event Affecting Right to Payment

42 U.S.C. § 408(a)(4)

36. Paragraph 1 through 17 of this Indictment are realleged and incorporated as if fully set forth herein.

37. Beginning in or about January 2006 and continuing through in or about December 2017, within Martin County, in the Southern District of Florida, and elsewhere, the defendant,

ARTHUR JOHN KRANZ

having knowledge of the occurrence of an event affecting his continued right to payment of SSA Title II disability benefits specifically, the defendant's having been engaged in substantial gainful employment for which he received wages and other payments, concealed and failed to disclose such event with the intent fraudulently to secure payment of disability benefits in greater amount than was due and when no payment was authorized.

In violation of Title 42, United States Code, Section 408(a)(4).

COUNT SIX
Evasion of Income Tax – 2010
26 U.S.C. § 7201

38. Paragraph 1 through 17 of this Indictment are realleged and incorporated as if fully set forth herein.

39. From on or before January 1, 2010, through at least May 7, 2012, within Martin County, in the Southern District of Florida, and elsewhere, the defendant,

ARTHUR JOHN KRANZ

willfully attempted to evade and defeat substantial income tax due and owing by him to the United States of America, for the calendar year 2010, by committing the following affirmative acts of evasion, among others:

- a. filing his false and fraudulent U.S. Individual Income Tax Return, Form 1040, for calendar year 2010 with the IRS;
- b. using and causing to be used a bank account in the name of EPP Services, Inc.;
- c. directing businesses to make his paychecks payable to EPP Services, which checks represented payment to the defendant for services Defendant Kranz personally provided;
- d. depositing, and causing to be deposited, into the EPP Services Inc. bank account, paychecks made payable to EPP Services for services Defendant Kranz personally provided;
- e. directing A.C. to return portions of the income earned by the defendant to defendant by moving the funds from EPP Services Inc.'s bank account to A.C.'s personal bank account, by depositing cash directly into the defendant's personal

bank account and by paying the defendant's personal expenses; and

- f. providing false information to accountants and tax return preparers.

In violation of Title 26, United States Code, Section 7201.

COUNT SEVEN
Evasion of Income Tax – 2011
26 U.S.C. § 7201

40. Paragraph 1 through 17 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

41. From on or before January 1, 2011, through at least January 24, 2013, within Martin County, in the Southern District of Florida, and elsewhere, the defendant,

ARTHUR JOHN KRANZ

willfully attempted to evade and defeat substantial income tax due and owing by him to the United States of America, for the calendar year 2011, by committing the following affirmative acts of evasion, among others:

- a. incorporating Pakan, Inc. to serve as his nominee;
- b. filing his false and fraudulent U.S. Individual Income Tax Return, Form 1040, for calendar year 2011 with the IRS;
- c. filing a false and fraudulent U.S. Corporation Income Tax Return, Form 1120, for tax year beginning July 21, 2011, and ending June 30, 2012, in the name of Pakan, Inc.;
- d. using and causing to used nominee bank accounts in the names of EPP Services Inc. and Pakan, Inc.;
- e. directing businesses to make his paychecks payable to EPP Services Inc. and

- Pakan, Inc. for services Defendant Kranz personally provided;
- f. depositing, and causing to be deposited, into the EPP Services Inc. and Pakan, Inc. bank accounts, paychecks made payable to EPP Services Inc. and Pakan, Inc. for services Defendant Kranz personally provided;
 - g. using the EPP Services Inc. and Pakan, Inc. bank accounts to pay personal expenses and to pay the defendant's income to the defendant's family members, including N.K. and A.K.;
 - h. making false entries to describe expenses on the memo lines of checks drawn on a bank account held in the name of Pakan, Inc.; and
 - i. providing false information to accountants and tax return preparers;

In violation of Title 26, United States Code, Section 7201.

COUNT EIGHT
Evasion of Income Tax - 2012
26 U.S.C. § 7201

42. Paragraph 1 through 17 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

43. From on or before January 1, 2012, through at least October 2, 2013, within Martin County, in the Southern District of Florida, and elsewhere, the defendant,

ARTHUR JOHN KRANZ

willfully attempted to evade and defeat substantial income tax due and owing by him to the United States of America, for the calendar year 2012, by committing the following affirmative acts of evasion, among others:

- a. filing his false and fraudulent U.S. Individual Income Tax Return, Form 1040,

for calendar year 2012 with the IRS;

- b. filing false and fraudulent U.S. Corporation Income Tax Returns, Forms 1120, for tax year ending June 30, 2012, and for tax year ending June 30, 2013, in the name of Pakan, Inc.;
- c. using and causing to be used a bank account in the name of Pakan, Inc.;
- d. directing businesses to make his paychecks payable to Pakan Inc. for services Defendant Kranz personally provided;
- e. depositing, and causing to be deposited, into the Pakan, Inc. bank account, paychecks made payable to Pakan, Inc. for services Defendant Kranz personally provided;
- f. using the Pakan, Inc. bank accounts to pay personal expenses and to pay the defendant's income to the defendant's family members, including N.K. and A.K.;
- g. providing false information to accountants and tax return preparers; and
- h. making false entries to describe expenses on the memo lines of checks drawn on a bank account held in the name of Pakan, Inc.

In violation of Title 26, United States Code, Section 7201.

COUNT NINE
Evasion of Income Tax – 2013
26 U.S.C. § 7201

44. Paragraph 1 through 17 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

45. From on or before January 1, 2013, through at least October 15, 2014, within Martin County, in the Southern District of Florida, and elsewhere, the defendant,

ARTHUR JOHN KRANZ

willfully attempted to evade and defeat income tax due and owing by him to the United States of America, for the calendar year 2013, on taxable income he earned and received, by failing to make an income tax return on or before October 15, 2014, as required by law, to any proper officer of the Internal Revenue Service, failing to pay the income tax due and owing to the Internal Revenue Service, and committing the following affirmative acts of evasion, among others:

- a. filing and causing to be filed a false Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return with the IRS, on which he reported an estimate of total tax liability for 2013 of \$0.00;
- b. filing a false and fraudulent U.S. Corporation Income Tax Return, Form 1120, for tax year, ending June 30, 2013, in the name of Pakan, Inc.;
- c. using and causing to be used a bank account in the name of Pakan, Inc.;
- d. directing businesses to make his paychecks payable to Pakan, Inc. for services Defendant Kranz personally provided;
- e. depositing, and causing to be deposited, into the Pakan, Inc. bank account, paychecks made payable to Pakan, Inc. for services Defendant Kranz personally

provided;

- f. using the Pakan, Inc. bank accounts to pay personal expenses and to pay the defendant's income to the defendant's family members, including N.K. and A.K.;
- g. providing false information to accountants and tax return preparers; and
- h. making false entries to describe expenses on the memo lines of checks drawn on a bank account held in the name of Pakan, Inc.

In violation of Title 26, United States Code, Section 7201.

CRIMINAL FORFEITURE

46. Upon conviction of any of the violations alleged in Counts One through Four, defendant **ARTHUR JOHN KRANZ** shall forfeit to the United States all property, real and personal, which constitutes or is derived from proceeds traceable to a violation of the aforesaid offenses, including, but not limited to, a monetary judgment.

Pursuant to Title 28, United States Code, Section 2461, Title 18, United States Code, Section 981(a)(1)(C), and Title 21, United States Code, Section 853.

47. If the property described above as being 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 person;
- 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 subdivided without

difficulty;

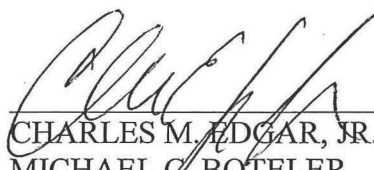
it is the intent of the United States pursuant to Title 21, United States Code, Section 853(p) to seek forfeiture of any other property of the defendants up to the value of the above forfeitable property.

All pursuant to Title 28, United States Code, Section 2461, Title 18, United States Code, Section 981(a)(1)(C), and Title 21, United States Code, Section 853.

A TRUE BILL

FOREPERSON

RICHARD E. ZUCKERMAN
Principal Deputy Assistant Attorney General
U.S. Department of Justice, Tax Division


CHARLES M. EDGAR, JR.
MICHAEL C. BOTELER
TERRI-LEI O'MALLEY
DEPARTMENT OF JUSTICE, TRIAL ATTORNEYS