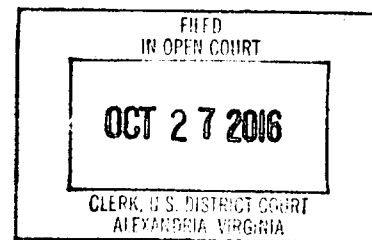


IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division



UNITED STATES OF AMERICA,	)	Case No. 1:16-cr-244 (AJT)
)	
v.	)	18 U.S.C. §§ 1343 & 2
	)	Wire Fraud
KAREN HOLTZ,	)	(Counts 1-20)
)	
Defendant.	)	18 U.S.C. §§ 1028A & 2
	)	Aggravated Identity Theft
	)	(Counts 21-25)
)	
	)	18 U.S.C. §§ 1512(c)(1) & 2
	)	Obstruction of Justice
	)	(Count 26)
)	
	)	26 U.S.C. § 7206(1)
	)	Filing False Income Tax Returns
	)	(Counts 27-30)
)	
	)	Forfeiture Notice

INDICTMENT

October 2016 Term – Alexandria, Virginia

THE GRAND JURY CHARGES THAT:

INTRODUCTORY ALLEGATIONS

At all times relevant to this Indictment, unless otherwise stated:

1. JMS Ventures, Inc. (“JMS”), d/b/a The Kenyan Collection, was a Virginia company that imported, marketed, and sold goods handmade in Kenya, including dog collars, bracelets, and other goods.

2. JMS was owned and founded by J.S. In or around 2004, J.S. hired defendant KAREN HOLTZ (“HOLTZ”), a resident of Haymarket, Virginia, and J.S.’s niece, to work for

JMS. HOLTZ was responsible for taking, processing, and fulfilling customer orders; accepting customer payments; preparing invoices to send to customers with their ordered goods; keeping track of JMS's inventory; and maintaining JMS's books and records, including updating JMS's books and records to reflect all customer purchases.

3. HOLTZ maintained JMS's books and records electronically using QuickBooks, an accounting software program. Until in or around April 2013, the QuickBooks file containing JMS's books and records was in HOLTZ's possession. Until in or around April 2013, J.S. did not have direct control or access to the QuickBooks file.

4. HOLTZ had control and access to certain JMS email addresses as part of her work for JMS, including karen@jmsventuresinc.com and orders@jmsventuresinc.com.

5. JMS maintained one business bank account at Virginia Commerce Bank ending in x0336 ("JMS bank account"). As a signatory to the JMS bank account, HOLTZ had authority to sign checks on behalf of JMS. HOLTZ also had online access to the JMS bank account.

6. HOLTZ maintained two personal bank accounts at United Services Automobile Association ("USAA") ending in x6883 ("HOLTZ USAA account x6883") and x6306 ("HOLTZ USAA account x6306").

7. eBay is an online website for buying and selling goods. PayPal is an online business allowing payments and money transfers to be made through the Internet, including for goods bought on eBay. HOLTZ had control and access to a PayPal account ending in x2033 ("HOLTZ PayPal account") and an eBay account registered under the user ID "adholtz" ("HOLTZ eBay account").

8. JMS used the HOLTZ eBay account to sell damaged or otherwise inferior goods, known as "seconds," belonging to JMS. Customers used PayPal to pay JMS for the "seconds" it

sold on eBay. Sometimes, customers used PayPal to pay for goods that JMS sold outside of eBay. The customer payments were deposited into the HOLTZ PayPal account. J.S. had no direct control or access to the HOLTZ eBay and HOLTZ PayPal accounts.

9. JMS maintained a merchant account ending in x6003 (“JMS merchant account”) with Vantiv, LLC (“Vantiv”), a company that processed credit and debit card transactions. A “merchant account” was a type of account that allowed a merchant to charge a customer’s credit or debit card. GoEMerchant, LLC (“GoEMerchant”) serviced the JMS merchant account. JMS used the JMS merchant account to charge customer credit and debit cards. Funds charged using the JMS merchant account settled into the JMS bank account.

10. HOLTZ had control and access to the JMS merchant account. As part of her work for JMS, HOLTZ was responsible for using the JMS merchant account to charge customers’ credit and/or debit cards for the goods the customers ordered from JMS.

11. From approximately September 2010, GoEMerchant’s servers were located in Texas. Vantiv’s servers were located in Kentucky and Michigan. USAA’s servers were located in Texas.

12. USAA and VCB were financial institutions within the meaning of Title 18, United States Code, Section 20, with branches within the Eastern District of Virginia.

13. Personally identifiable information (“PII”) was information that could be used, alone or in conjunction with other information, to identify a specific individual. PII included a specific individual’s name, credit or debit card number, the billing address associated with the credit or debit card, the card expiration date, and the CVV (“Card Verification Value”) number. As part of her work for JMS, HOLTZ had access to PII belonging to JMS customers.

14. The Internal Revenue Service (“IRS”) was an agency of the U.S. Department of the Treasury, a department of the United States within the meaning of Title 18, United States Code, Section 6. The IRS had responsibility for the ascertainment, computation, assessment, and collection of taxes, including income taxes.

15. The allegations in paragraphs 1 through 14 are realleged in each Count of this Indictment as if set forth fully therein.

**COUNTS 1-20
(Wire Fraud)**

I. The Scheme

16. From a date unknown to the Grand Jury but by at least in or around January 2008 through at least in or around May 2013, within the Eastern District of Virginia and elsewhere, the defendant KAREN HOLTZ, having knowingly devised a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, caused to be transmitted by means of wire communications in interstate commerce certain writings, signs, signals, and sounds, for the purpose of executing such scheme and artifice to defraud.

II. Purpose

17. The purpose of the scheme to defraud was to financially enrich HOLTZ by, among other things, defrauding JMS and J.S., defrauding JMS's customers, and concealing the existence of the scheme to defraud.

III. Manner and Means

18. The manner and means by which the defendant KAREN HOLTZ accomplished the scheme and artifice to defraud included, but were not limited to, the following:

- a. HOLTZ used the PII of JMS customers to make unauthorized charges to their credit and/or debit cards using GoEMerchant and Vantiv, including charges for orders the customers never placed and overcharges on orders that the customers actually placed.
- b. HOLTZ used her signatory authority to write checks to herself from the JMS bank account and then electronically deposited, or caused the electronic transfer of, these

checks into HOLTZ's personal bank accounts, without the authorization of JMS or J.S.

- c. HOLTZ electronically transferred, or caused to be electronically transferred, JMS customer payments from the HOLTZ PayPal account into HOLTZ's personal bank accounts, without the authorization of JMS or J.S.
- d. If and when questioned about unauthorized credit card charges, HOLTZ made false and misleading statements.
- e. If and when questioned about checks that HOLTZ wrote to herself from the JMS bank account, HOLTZ made false and misleading statements.
- f. HOLTZ falsified the QuickBooks of JMS, such as by creating false invoices for the amount of the unauthorized charges and failing to record in QuickBooks checks that HOLTZ wrote herself from the JMS bank account and PayPal transfers HOLTZ made to her personal bank accounts.
- g. HOLTZ commingled funds in the JMS bank account with funds from her personal bank accounts.
- h. HOLTZ concealed, and attempted to conceal, the scheme to defraud by deleting and/or altering JMS records, including in QuickBooks and in JMS email accounts that HOLTZ controlled.

IV. Wire Communications in Furtherance of the Scheme to Defraud

A. Unauthorized Charges to Credit Cards Belonging to JMS Customers

19. HOLTZ obtained PII from JMS's customers typically by wire communication, including telephone and email.

20. Without the knowledge of JMS's customers, HOLTZ used their PII to make unauthorized charges to their credit and/or debit cards using GoEMerchant and Vantiv.

21. At the time that HOLTZ made the unauthorized charges, HOLTZ knew that the PII belonged to real people, and that the charges were not authorized.

22. In some instances, HOLTZ charged a customer, or caused a customer to be charged, more than the actual amount of the order placed by the customer ("overcharges"). In other instances, HOLTZ charged a customer for an order the customer never placed ("phantom sales").

23. To account for these unauthorized overcharges and phantom sales, HOLTZ would often create a false invoice in QuickBooks for the amount of an unauthorized credit card charge. At least some of these false invoices listed the item purportedly being sold as "Special Order" and/or "New Patterns/Samples," a category originally created for custom orders, even though the customer had not ordered or received a new pattern sample or custom order from JMS.

24. On or about the dates set forth below, in the Eastern District of Virginia and elsewhere, the defendant KAREN HOLTZ, and other persons known and unknown to the Grand Jury, for the purpose of executing the scheme and artifice to defraud, and to aid and abet the same, transmitted and caused to be transmitted by means of wire communications in interstate commerce certain writings, signs, signals and sounds as described for each count below:

Count	Date	Description of Wire
1	2/28/2012	Charge of \$246.50 to credit card ending in x1002 belonging to A.S.
2	4/19/2012	Charge of \$302.60 to credit card ending in x1174 belonging to J.V.C.
3	5/29/2012	Charge of \$256.50 to credit card ending in x3075 belonging to J.H.
4	7/26/2012	Charge of \$283.50 to credit card ending in x1002 belonging to A.S.
5	9/7/2012	Charge of \$333.00 to credit card ending in x3075 belonging to J.H.
6	9/26/2012	Charge of \$565.20 to credit card ending in x1174 belonging to J.V.C.
7	12/19/2012	Charge of \$269.00 to credit card ending in x3574 belonging to B.K.
8	12/28/2012	Charge of \$326.00 to credit card ending in x5879 belonging to W.G.

9	3/5/2013	Charge of \$300.00 to credit card ending in x5879 belonging to W.G.
10	3/5/2013	Charge of \$287.00 to credit card ending in x3574 belonging to B.K.

B. Unauthorized Electronic Deposits of Checks Drawn on JMS Bank Account

25. HOLTZ had checkbooks for the JMS bank account and, as part of her work with JMS, was responsible for paying certain JMS expenses out of the JMS bank account. HOLTZ was only authorized to write checks out of the JMS bank account for actual, legitimate expenses that JMS incurred as part of its operations.

26. HOLTZ wrote checks to herself from the JMS bank account that were not authorized by J.S. HOLTZ electronically deposited these unauthorized checks into her personal bank accounts.

27. On or about the dates set forth below, in the Eastern District of Virginia and elsewhere, the defendant KAREN HOLTZ, and other persons known and unknown to the Grand Jury, for the purpose of executing the scheme and artifice to defraud, and to aid and abet the same, transmitted and caused to be transmitted by means of wire communications in interstate commerce certain writings, signs, signals and sounds as described for each count below:

Count	Date	Check #	Description of Wire
11	3/30/2012	2770	Deposit of \$2,600 check into HOLTZ USAA account x6883
12	5/2/2012	2794	Deposit of \$2,100 check into HOLTZ USAA account x6883
13	7/2/2012	2838	Deposit of \$3,000 check into HOLTZ USAA account x6883
14	8/13/2012	2868	Deposit of \$2,300 check into HOLTZ USAA account x6883
15	3/18/2013	3044	Deposit of \$2,100 check into HOLTZ USAA account x6306

C. Unauthorized Transfers of JMS Customer Payments from PayPal

28. At times, JMS's customers paid for JMS's goods using PayPal. These payments constituted JMS sales receipts and were deposited into the HOLTZ PayPal account.

29. HOLTZ then electronically transferred, or caused the electronic transfer, via wire communication of these payments from the HOLTZ PayPal account to her personal bank accounts.

30. HOLTZ was not authorized by JMS or J.S. to transfer these payments to her personal bank accounts.

31. On or about the dates set forth below, within the Eastern District of Virginia and elsewhere, the defendant KAREN HOLTZ, and other persons known and unknown to the Grand Jury, for the purpose of executing the scheme and artifice to defraud, and to aid and abet the same, transmitted and caused to be transmitted by means of wire communications in interstate commerce certain writings, signs, signals and sounds as described for each count below:

Count	Date	Description of Wire
16	1/18/2012	Transfer of \$1,175 from HOLTZ PayPal account to HOLTZ USAA account x6883
17	11/12/2012	Transfer of \$1,686 from HOLTZ PayPal account to HOLTZ USAA account x6883
18	1/22/2013	Transfer of \$939 from HOLTZ PayPal account to HOLTZ USAA account x6883
19	3/19/2013	Transfer of \$1,076 from HOLTZ PayPal account to HOLTZ USAA account x6883
20	3/22/2013	Transfer of \$1,310 from HOLTZ PayPal account to HOLTZ USAA account x6883

(All in violation of Title 18, United States Code, Sections 1343 and 2.)

COUNTS 21-25
(Aggravated Identity Theft)

THE GRAND JURY FURTHER CHARGES THAT:

32. On or about the dates set forth below, in the Eastern District of Virginia and elsewhere, the defendant KAREN HOLTZ did knowingly transfer, possess, and use the means of identification of another person identified below, without lawful authority, during and in relation to a felony violation enumerated in 18 U.S.C. § 1028A(c), to wit, wire fraud in violation of 18 U.S.C. § 1343, by making unauthorized charges to the credit cards identified below, using the means of identification of another, knowing that the means of identification belonged to another actual person.

Count	Date	Means of Identification Used	Related Count	Amount Charged
21	2/28/2012	Credit card number ending in x1002 and cardholder name A.S.	1	\$246.50
22	4/19/2012	Credit card number ending in x1174 and cardholder name J.V.C.	2	\$302.60
23	5/29/2012	Credit card number ending in x3075 and cardholder name J.H.	3	\$256.50
24	12/19/2012	Credit card number ending in x3574 and cardholder name B.K.	7	\$269.00
25	12/28/2012	Credit card number ending in x5879 and cardholder name W.G.	8	\$326.00

(All in violation of Title 18, United States Code, Sections 1028A and 2.)

COUNT 26
(Obstruction of Justice)

THE GRAND JURY FURTHER CHARGES THAT:

33. Beginning on a date unknown, but by at least in or around March 2013 through in or around June 2013, in the Eastern District of Virginia and elsewhere, the defendant KAREN HOLTZ did corruptly alter, destroy, and conceal and attempt to corruptly alter, destroy and conceal records, documents and other objects, specifically, the books and records of JMS stored on QuickBooks and emails sent to and from the JMS email addresses to which she had access or control with the intent to impair the integrity and availability of these items for use in an official proceeding, to wit, a federal Grand Jury proceeding in the Eastern District of Virginia, in violation of Title 18, United States Code, Section 1512(c)(1).

(All in violation of Title 18, United States Code, Sections 1512(c)(1) and 2.)

COUNTS 27-30
(Filing False Tax Returns)

THE GRAND JURY FURTHER CHARGES THAT:

34. On or about the dates shown below, in the Eastern District of Virginia and elsewhere, the defendant KAREN HOLTZ did willfully make and subscribe a joint U.S. Individual Income Tax Return, IRS Form 1040, and related Schedules, for the following tax years, which was each verified by a written declaration that it was made under the penalties of perjury and which HOLTZ did not believe to be true and correct as to every material matter. These Forms 1040 and related Schedules, which were electronically filed with the IRS, reported that HOLTZ and her husband's total income (Line 22, Form 1040) were as follows and did not report any additional income elsewhere on the Forms 1040 or related Schedules, whereas, as HOLTZ then and there knew, she had additional income in excess of the amounts reported on the Forms 1040 and related Schedules.

Count	Date of Filing	Tax Year	Line 22, Form 1040 – Total Income
27	2/17/2011	2010	\$172,684
28	3/22/2012	2011	\$163,387
29	4/3/2013	2012	\$173,831
30	4/15/2014	2013	\$203,350

(All in violation of Title 26, United States Code, Section 7206(1).)

Forfeiture Notice

THE GRAND JURY FURTHER FINDS PROBABLE CAUSE THAT:

1. Pursuant to Rule 32.2(a), the defendant KAREN HOLTZ is hereby notified that, if convicted of any of the wire fraud offenses alleged in Counts 1-20 above, she shall forfeit to the United States of America, pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the offense(s).

The property to be forfeited includes, but is not limited to, the following property:

A. The real property located at 15641 Picketts Store Pl., Haymarket, VA;

B. A sum of money equal to at least \$350,000 in United States currency, representing the amount of proceeds obtained as a result of the violations of 18 U.S.C. § 1343.

C. Pursuant to 21 U.S.C. § 853(p), the defendant shall substitute forfeit substitute property, up to the value of the amount described in paragraph B, if, by any act or omission of the defendants, the property described in paragraph B cannot be located upon the exercise of due diligence; has been transferred or sold to, or deposited with, a third party; has been placed beyond the jurisdiction of the court; has been substantially diminished in value; or has been commingled with other property which cannot be divided without difficulty,

(In accordance with Title 18, United States Code, Section 981(a)(1)(C), Title 28, United States Code, Section 2461(c), and Rule 32.2(a), Federal Rules of Criminal Procedure.)

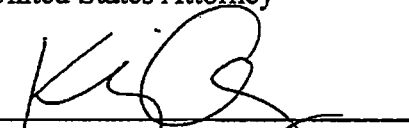
A TRUE BILL

Pursuant to the Government Act,
the original of this page has been filed
under seal in the Clerk's Office.

FOREPERSON

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