

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA	:	Hon.
	:	
	:	Criminal No.
v.	:	
	:	18 U.S.C. § 1343
	:	
ANDREW SILVERMAN	:	18 U.S.C. § 2

INFORMATION

The defendant having waived in open court prosecution by Indictment, the United States Attorney for the District of New Jersey charges:

Background

1. At various times relevant to this Information:

The Defendant and Relevant Entities

- a. Defendant Andrew Silverman ("defendant SILVERMAN"), a resident of Gladwyne, Pennsylvania, was the President, Chief Executive Officer, and owner of DataQ Internet Equipment Corporation ("DataQ").

- b. DataQ, which defendant SILVERMAN founded in 1986, was headquartered in King of Prussia, Pennsylvania, and sold computer hardware and software to end-user consumers.

- c. TeleQ Network Solutions, Inc. ("TeleQ"), was headquartered in King of Prussia, Pennsylvania, and was a reseller of computer equipment. Defendant SILVERMAN held a 51% interest in TeleQ.

d. Hewlett-Packard Company ("HP") was a multinational information technology company, which was headquartered in Palo Alto, California, and was a manufacturer and supplier of computer hardware and software. HP also had offices in Berkeley Heights and Princeton, New Jersey.

e. Cisco Systems, Inc. ("Cisco") was a multinational corporation headquartered in San Jose, California. Cisco designed, manufactured, and sold networking equipment. Cisco also had offices in Montvale, Iselin, and Moorestown, New Jersey.

HP's "Big Deal" Discount Program

f. HP typically sold its products through distributors and authorized partners rather than directly to end-user consumers. The majority of HP's sales were through its "Tier 1 Distributors," who distributed products to the "Tier 2 Partners," who then sold the products to the ultimate end-user consumers. HP sold a small percentage of its products directly to certain "Tier 2 Partners" and to its largest end-users. HP's Tier 1 Distributors and Tier 2 Partners were able to obtain HP products at a discount from HP's list price so they, in turn, could sell those products for profit to ultimate end-users.

g. In order to adjust its prices to address unique circumstances and potentially win additional business, HP developed its "Big Deal" program, which authorized substantial discounts to specific end-users who agreed to use the products internally and not re-sell them. Some of the legitimate business reasons HP would provide Big Deal discounts included creating the opportunity

for future large volume sales, furthering utilization of HP products in the customer's technology infrastructure, and continuing the maintenance of existing HP products. HP Big Deals often involved discounts in the millions of dollars.

h. Customers seeking Big Deal discounts had to provide HP with certain information, including verification that the products were intended solely for the customer's internal use, would remain in the country of purchase, and were not for re-sale. In the Big Deals HP negotiated directly with end-users, HP simply offered the discounted price directly to the end-user. When a Big Deal was negotiated through an HP Tier 1 Distributor or Tier 2 Partner, HP had to approve the discount provided to the end-user, and then HP paid a "rebate" to the distributor or partner equal to the amount of the approved discount.

Cisco's Deal Support Automation ("DSA") Discount Program

i. Like HP, Cisco typically sold its products through distributors and authorized partners rather than directly to end-user consumers. Most of Cisco's sales were through its "Tier 1 Distributors," who distributed products to Cisco's "Registered Partners," who then sold the products to the ultimate end-user consumers. Cisco's Tier 1 Distributors and Registered Partners were able to obtain Cisco products at a discount from Cisco's list price so they, in turn, could sell those products for a profit to ultimate end-users.

j. On occasion, Cisco Tier 1 Distributors, Registered Partners, or end-users requested that Cisco approve higher discounts, under the DSA

discount program, based on a particular opportunity for the Cisco Registered Partner to meet competition or some other individually articulated business rationale. Like HP, customers seeking higher discounts under the DSA discount program had to provide Cisco with certain information, including verification that the products were intended only for the customer's internal use, that a legitimate business opportunity existed, and that the products were not for re-sale. When a DSA discount was negotiated through a Cisco Tier 1 Distributor or a Registered Partner, Cisco had to approve the discount provided to the end-user, and then Cisco paid a "rebate" to the distributor or registered partner equal to the amount of the approved discount.

The Scheme to Defraud

2. Beginning at least as early as January 2008 and continuing through in or about May 2012, in Essex County, in the District of New Jersey and elsewhere, the defendant,

ANDREW SILVERMAN,

did knowingly and intentionally devise a scheme and artifice to defraud HP and Cisco, and to obtain money and property from HP and Cisco by means of materially false and fraudulent pretenses, representations, and promises, as set forth below.

Object of the Scheme to Defraud

3. The object of the scheme to defraud was for defendant SILVERMAN to enrich himself by obtaining large quantities of HP and Cisco computer

equipment at deeply discounted prices, i.e., Big Deal and DSA discounts, to which he was not entitled by making materially false and fraudulent representations about his identity and his intended uses of the equipment, and then re-selling the computer equipment contrary to the term of HP's and Cisco's programs and contrary to his representations to HP and Cisco, for his own personal benefit.

Methods and Means of the Scheme to Defraud

4. It was part of the scheme to defraud that defendant SILVERMAN enlisted business owners to serve as "straw buyers," who posed as individuals and companies interested in procuring large quantities of HP and Cisco computer equipment for their businesses.

5. It was further part of the scheme to defraud that defendant SILVERMAN provided the straw buyers with the type and quantity of the HP and Cisco computer equipment that he wanted them to purchase.

6. It was further part of the scheme to defraud that defendant SILVERMAN directed the straw buyers to falsely represent to HP and Cisco that computer equipment would, among other things, be used internally by the straw buyers' businesses.

7. It was further part of the scheme to defraud that as a result of the false representations that the straw buyers made to HP and Cisco they fraudulently obtained Big Deal and DSA discounts from the manufacturers.

8. It was further part of the scheme to defraud that defendant SILVERMAN sent funds via international wire transfer to the straw buyers to cover the cost of purchasing the deeply discounted HP and Cisco computer equipment, which the straw buyers used to pay HP and Cisco from their own bank accounts in order to further deceive HP and Cisco and their distributors and partners into believing that the straw buyers were legitimately purchasing the discounted computer equipment for their own use.

9. It was further part of the scheme to defraud that defendant SILVERMAN directed that the deeply discounted HP and Cisco computer equipment be shipped to destinations other than the straw buyers' businesses, including to New Jersey and other locations within the United States.

10. It was further part of the scheme to defraud that defendant SILVERMAN compensated the straw buyers for their role in deceiving HP and Cisco in obtaining the deeply discounted HP and Cisco computer equipment pursuant to the scheme.

11. It was further part of the scheme to defraud that defendant SILVERMAN personally concealed his identity and posed as a Big Deal- and DSA-eligible end-user to induce HP and Cisco to sell him deeply discounted computer equipment to which he was not entitled. For example, defendant SILVERMAN sent multiple emails to an authorized HP Tier 1 Distributor and an authorized HP Tier 2 Partner, posing as an individual named "P.B.," regarding the purchase of deeply discounted HP equipment. In addition, defendant

SILVERMAN also sent multiple emails to HP personnel in Germany posing as "P.B."

12. It was further part of the scheme to defraud that defendant SILVERMAN created a company called "Integrated Data Centers" to conduct negotiations with an authorized HP Tier 1 Distributor so he could fraudulently obtain deeply discounted HP products.

13. It was further part of the scheme to defraud that defendant SILVERMAN conducted his scheme to defraud internationally, including in Uruguay.

14. On or about July 27, 2010, for the purpose of executing the scheme and artifice to defraud described above, in Essex County, in the District of New Jersey and elsewhere, the defendant,

ANDREW SILVERMAN,

knowingly transmitted and caused to be transmitted by means of wire communications in interstate commerce certain writing, signs, signals and pictures, and sounds, namely a wire transfer of approximately \$849,559.82 sent from a bank account in Pennsylvania held in DataQ's name and controlled by defendant SILVERMAN to a bank account in Uruguay held by a straw purchaser.

In violation of Title 18, United States Code, Section 1343 and Section 2.

FORFEITURE ALLEGATION

1. The allegations contained in this Information are incorporated by reference as though set forth in full herein for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461.

2. The United States hereby gives notice to defendant SILVERMAN that, upon conviction of the offense charged in this Information, the United States will seek forfeiture, in accordance with Title 18, United States Code, Section 2461(c), and Title 18, United States Code, Section 981(a)(1)(C), of any and all property, real or personal, that constitutes or is derived from proceeds traceable to the violation of Title 18, United States Code, Section 1343, alleged in this information, including but not limited to a sum of money equal to at least \$2,500,000 million in United States currency.

3. If by any act or omission of defendant SILVERMAN any of the property subject to forfeiture described in paragraph 2 herein:

- 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 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 defendant SILVERMAN up to the value of the property described in this forfeiture allegation.

A handwritten signature in blue ink, reading "Paul J. Fishman", written over a horizontal line.

PAUL J. FISHMAN
UNITED STATES ATTORNEY

CASE NUMBER:

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

UNITED STATES OF AMERICA

v.

ANDREW SILVERMAN

INFORMATION FOR

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18 U.S.C. § 2

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