

Approved: \_\_\_\_\_  
JAMES MCMAHON  
Assistant United States Attorney

Before: HONORABLE JUDITH C. McCARTHY  
United States Magistrate Judge  
Southern District of New York

- - - - -x  
: UNITED STATES OF AMERICA :  
: : COMPLAINT  
: - v. - :  
: : Violations of  
MICHAEL KLEIN, : : 18 U.S.C. § 1343  
: : 26 U.S.C. § 7206(1)  
: Defendant. :  
: :  
- - - - -x

SOUTHERN DISTRICT OF NEW YORK, ss.:

TIMOTHY RYAN, being duly sworn, deposes and says that he is a Special Agent with the Internal Revenue Service - Criminal Investigation, and charges as follows:

COUNT ONE

From in or about January 2002 to in or about September 2015, in the Southern District of New York and elsewhere, MICHAEL KLEIN, the defendant, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, willfully and knowingly, and for the purpose of executing such scheme and artifice, did transmit and cause to be transmitted by means of wire communications in interstate commerce, writings, signs, signals, pictures, and sounds, to wit, KLEIN engaged in a scheme to embezzle more than \$5.7 million from the Mahopac Volunteer Fire Department ("MVFD") and sent electronic transfers of money and other communications in interstate commerce to further the scheme.

(Title 18, United States Code, Section 1343)

COUNTS TWO THROUGH SEVEN

On or about the dates set forth below, in the Southern District of New York and elsewhere, MICHAEL KLEIN, the defendant, willfully and knowingly, did make and subscribe to U.S. Individual Income Tax Returns, Forms 1040, for the tax years set forth below, which returns contained and were verified by the written declaration of KLEIN that they were made under penalties of perjury, and which returns KLEIN did not believe to be true and correct as to every material matter, in that KLEIN fraudulently omitted from his tax returns income he embezzled from the MVFD, thereby substantially understating his total income as set forth below for the years set forth below:

COUNT	APPROX. FILING DATE	TAX YEAR	REPORTED TOTAL INCOME	APPROX. UNREPORTED INCOME
TWO	09/20/2010	2009	\$ 93,108	\$354,410
THREE	10/24/2011	2010	\$106,809	\$465,814
FOUR	08/23/2013	2011	\$118,006	\$295,603
FIVE	10/12/2013	2012	\$ 69,916	\$499,224
SIX	10/14/2014	2013	\$112,996	\$296,147
SEVEN	9/12/2015	2014	\$ 73,530	\$584,937

(Title 26, United States Code, Section 7206(1))

The bases for my knowledge and the foregoing charges are, in part, as follows:

1. I am a Special Agent with the Internal Revenue Service - Criminal Investigation and I have been personally involved in the investigation of this matter. I have been a Special Agent with the IRS for more than thirty-two years. As such, I investigate violations of the Internal Revenue laws and related offenses. During my career, I have worked on cases involving public corruption; white-collar fraud such as mail, wire, and bank fraud; organized crime; and narcotics offenses. I have also worked on many cases involving a wide variety of tax offenses, including tax evasion, filing false tax returns, and filing false claims for refunds with the IRS. This affidavit is based upon my conversations with law enforcement agents and others and my examination of reports and records. Because this affidavit is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated.

I. Theft from the MVFD

2. The MVFD is located in Mahopac, New York. It provides fire protection services to portions of the Town of Carmel, New York. According to the MVFD's audited financial statements, the MVFD receives the majority of its revenue each year from the Town of Carmel.

3. MICHAEL KLEIN, the defendant, joined the MVFD in or about 1998. In or about 2001, KLEIN was elected the Treasurer of MVFD. Officers of the MVFD have told law enforcement officers that KLEIN, as Treasurer, was authorized to pay approved expenses by writing checks drawn on bank accounts held by the MVFD. Officers of the MVFD have also told law enforcement officers that KLEIN maintained the MVFD's financial records.

4. According to tax returns and other information I have reviewed, MICHAEL KLEIN, the defendant, was the president and principal owner of Abbie Graphic Services, Ltd. ("Abbie Graphics"), a printing company with its principal place of business in Mahopac, New York, during the relevant time period of 2002 to September 2015. I have also determined from reviewing tax returns and other information that KLEIN was the president and principal owner of Buckshollow Emergency Equipment Corp. ("BEEC"), a retailer of police and firefighting equipment with its principal place of business in Mahopac, New York, from the time of BEEC's incorporation in or about 2008 to the end of the relevant time period in September 2015.

5. According to interviews of the members of the MVFD's Board of Fire Commissioners by law enforcement officials, one of the Fire Commissioners first noticed discrepancies in the MVFD's financial statements in or about July 2015. This Commissioner eventually discovered that MICHAEL KLEIN, the defendant, had written and negotiated twenty checks drawn on the MVFD's bank accounts and made payable to BEEC in a total amount exceeding \$700,000. This Commissioner also determined that the MVFD's records as maintained by KLEIN indicated that these checks had been made payable to various vendors other than BEEC.

6. Law enforcement officers subpoenaed records of bank accounts held by MICHAEL KLEIN, the defendant, BEEC, Abbie Graphics and the MVFD, as well as the MVFD's and BEEC's electronic books and records. Upon reviewing these records, they noticed patterns by which: a) KLEIN wrote checks from the MVFD's accounts to Abbie Graphics and deposited them into bank accounts maintained by Abbie

Graphics from in or about January 2002 to in or about December 2008; and b) KLEIN wrote checks from the MVFD's accounts to BEEC and deposited them into BEEC's bank accounts from in or about July 2008 to in or about September 2015. KLEIN entered these checks into the MVFD's electronic books and records as having been made payable to various vendors, other than Abbie Graphics or BEEC, that provided firefighting equipment or services used by fire departments. KLEIN accounted for the checks he deposited to BEEC's accounts on BEEC's electronic books and records as either personal loans by him to BEEC or as sales by BEEC.

7. The review of these records as described above revealed that MICHAEL KLEIN, the defendant, embezzled a total of more than \$5,730,000 from the MVFD from in or about 2002 to in or about September 2015 by issuing and negotiating more than 275 checks in the manner described above. My review of these and other records obtained by law enforcement officers during this investigation indicates that KLEIN used the money to purchase, among other things: yachts, including a 55' Neptunus motor yacht named "K'Bam;" a second residence in Palm City, Florida; and jewelry. KLEIN also used the money to support BEEC and Abbie Graphics.

8. MICHAEL KLEIN, the defendant, used interstate wire communications to further his fraud scheme as described above. According to an officer of the Putnam County Savings Bank ("PCSB"), at which BEEC maintained an account, KLEIN had the ability to deposit checks into BEEC's account by scanning the checks and then forwarding them electronically to the PCSB. The PCSB officer has told me that these checks would be sent from KLEIN to the PCSB over the Internet through the PCSB's vendor in Texas and that such deposits would be labeled "Putnam County Sa Settlement" on BEEC's account statements.

9. For example, on or about August 11, 2015, KLEIN electronically deposited in this manner a check he drew from the MVFD's account and made payable to the BEEC in the amount of \$61,254.40. BEEC's account statement at the PCSB shows such a deposit that included that check labeled "Putnam County Sa Settlement." The MVFD's electronic books and records show that KLEIN recorded this check as being made payable to another vendor. BEEC's electronic books and records show that KLEIN recorded this deposit as being a loan from him personally to BEEC.

## II. Tax Violations

10. Records of the Internal Revenue Service ("IRS") show that MICHAEL KLEIN, the defendant, filed U.S. Individual Income Tax Return, Forms 1040 ("Forms 1040"), for the following years on the following dates:

Tax Year	Filing Date
2009	September 20, 2010
2010	October 24, 2011
2011	August 23, 2013
2012	October 12, 2013
2013	October 14, 2014
2014	September 12, 2015

KLEIN declared each filed return to be true and correct under penalties of perjury. The returns indicate that KLEIN self-prepared each return and filed them with the IRS electronically. KLEIN stated on each return that he was a resident of Mahopac, New York.

11. I have reviewed the Forms 1040 filed with the IRS by MICHAEL KLEIN, the defendant, for each of the years 2009 through 2014 and the tax returns filed by BEEC for each of those years except 2013, when BEEC did not file a return. KLEIN failed to report on his Forms 1040 any of the income he received by embezzling money from the MVFD, and did not include the income he classified on BEEC's books as loans from him personally on BEEC's returns.

12. My review of the documents in this case indicates that the total income MICHAEL KLEIN, the defendant, reported on his personal returns should have included, for each year, the unreported income set forth below:

COUNT	APPROX. FILING DATE	TAX YEAR	REPORTED TOTAL INCOME	APPROX. UNREPORTED INCOME
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## III. Dissipation of Asset

13. Following the discovery by law enforcement in the fall of 2015 of the above offenses by MICHAEL KLEIN, the defendant, KLEIN offered the 55' Neptunus motor yacht named "K'Bam" that he had purchased in part with proceeds of his embezzlement from the MVFD

for sale through a yacht broker in Florida, with an asking price of \$229,000. A representative of the yacht broker told me that KLEIN received an offer of \$175,000 for K'Bam, which offer he rejected. In or about April 2016, KLEIN sold K'Bam to an automobile dealer in Old Saybrook, CT. The automobile dealer told me that he learned about K'Bam from his employee, M.P. He also said he paid \$136,850.46 for K'Bam, paid approximately \$35,000 for repairs and gasoline to transport it to Connecticut, and is now offering it for sale for \$260,000. According to bank documents I have reviewed, this purchase price was just enough to pay down the balance on a loan KLEIN had taken out to purchase K'Bam.

14. On or about May 6, 2016, MICHAEL KLEIN, the defendant, executed a financial statement, which he gave to the United States Attorney. KLEIN claimed on this financial statement that BEEC had a loan payable of \$275,000 to "Carriage House" since 2008, that the loan was delinquent, and that it was now the subject of a lien placed on his home in Florida. BEEC's electronic books contain no mention of such a payable and contain no apparent evidence of proceeds from such a loan. Further, there is no such lien on KLEIN's Florida home, according to property records maintained by the relevant county in Florida. My investigation has also revealed that the entity

"Carriage House" is owned by M.P., an employee of the automobile dealer that purchased K'Bam. In addition, another law enforcement officer has told me that they saw KLEIN last fall driving a relatively new pickup truck owned by an entity controlled by M.P.

WHEREFORE, deponent prays that MICHAEL KLEIN, the defendant, be arrested, and imprisoned or bailed as the case may be.

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TIMOTHY RYAN  
Special Agent  
Internal Revenue Service -  
Criminal Investigations

Sworn to before me this  
9th day of June, 2016

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HONORABLE JUDITH C. McCARTHY  
UNITED STATES MAGISTRATE JUDGE  
SOUTHERN DISTRICT OF NEW YORK