

FILED

DEC 11 2007

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF ILLINOIS

CLERK, U.S. DISTRICT COURT
SOUTHERN DISTRICT OF ILLINOIS
EAST ST. LOUIS OFFICE

UNITED STATES OF AMERICA,)

Plaintiff,)

vs.)

LAURA KR PAN, a.k.a. LAURA ZOLLER,)

TARA MORGAN, a.k.a. TARA PRINCE)

a.k.a TARA JONES and)

LT CONSULTING, INC.,)

Defendants.)

CRIMINAL NO. 07-30193-JPG-CJP

Title 18
United States Code,
Sections 2, 1341, 1343, 1349.

INDICTMENT

THE GRAND JURY CHARGES:

Introduction

1. From on or about January 17, 2002, continuing through on or about May 17, 2006, **LAURA KR PAN, TARA MORGAN, LT CONSULTING, INC.**, and other persons and entities, devised a scheme to defraud insurance companies, client companies, and individuals. **LAURA KR PAN** and **TARA MORGAN** established **LT CONSULTING, INC.**, on January 17, 2002 for the purpose of contracting with small businesses to act as an employee leasing company to administer the payroll, insurance, and other administrative functions of the small businesses. Such responsibilities included obtaining and paying for workers compensation insurance for the individual small businesses. The defendants engaged in fraud by: 1) obtaining reduced workers compensation premium payments by under reporting the businesses' payrolls to which the premium rates are indexed; 2) obtaining reduced workers compensation premium payments by providing false classification codes of workers to cause the insurance companies to believe that they were insuring lower risk workers (e.g., clerical workers) rather than higher risk workers (e.g., loggers); 3) concealing the fact that **LAURA KR PAN** was convicted of Mail Fraud on September 25, 2000 for

using the mail to further a scheme to defraud insurance companies, and thereby fraudulently obtaining insurance; and 4) providing false and fraudulent documents in an attempt to deceive insurance companies into believing that **LT CONSULTING, INC.**, had ceased operating as an employee leasing company.

2. In January, 2002, **LT CONSULTING, INC.**, was incorporated in the State of Illinois and began to operate as an employee leasing company, also known as a Professional Employee Organization, ("PEO"). In this capacity, **LT CONSULTING, INC.**, was responsible for not only administering payroll to companies, but also providing for workers compensation insurance coverage. As an employee leasing company, insurance companies assessed rates on individual companies that were clients of **LT CONSULTING, INC.**, based upon an assessment of risk ("modifier") for all of **LT CONSULTING, INC.**'s PEO clients and employees. In approximately the summer of 2004, premium rates increased for **LT CONSULTING, INC.**, clients due, in part, to a number of workers compensation claims as well as auditing conducted by the insurance companies that revealed misclassification of employees and underreporting of payroll. Because **LT CONSULTING, INC.**, was acting as a PEO that leased the employees back to the companies, the rate increase applied to all individual companies contracting for employee leasing with **LT CONSULTING, INC.** In an attempt to lower the premium rates and obtain an assignment of rates for each individual company, the defendants attempted to convince the insurance companies that **LT CONSULTING, INC.**, had ceased to lease employees, and had become an Administrative Services Organization ("ASO") that only provided payroll services and did not lease employees back to the client companies. In reality, **LT CONSULTING, INC.**, did not alter its relationship with its client companies and continued to function as a PEO rather than an ASO. However, in an attempt to

convince the insurance companies that **LT CONSULTING, INC.**, was functioning as an ASO, the defendants submitted correspondence containing false information, and submitted forged and otherwise fraudulently altered documents.

3. As a result of the defendants' actions, at least one employee of the individual client companies filed claims against nonexistent worker's compensation coverage. In an attempt to continue the fraudulent scheme, the defendants provided correspondence containing false information and provided fraudulently altered documents, including a forged Certificate of Insurance.

4. In one instance, **LAURA KRPAN** submitted an application for insurance in which she falsely claimed that she had never been convicted of an insurance fraud related offense. Question # 22 on the policy application asked, "Has the applicant or any person having financial interest in the policy been indicted or convicted of fraud, bribery, arson or any other crime for the purpose of defrauding an insurance company?" The answer was marked "No" and the application was signed by **LAURA KRPAN** on January 28, 2005.

5. The defendants defrauded or attempted to defraud the insurance companies of approximately \$1,334,900.00 through a total of approximately \$1,035,386.00 in premium payments owed and a total of \$299,514.00 in claims paid out by insurance companies.

COUNT 1

Conspiracy to Commit Mail and Wire Fraud

Paragraphs 1 through 37 are alleged as part of Count 1.

From on or about January 17, 2002, and continuing through on or about May 16, 2007, within Perry County and Williamson County, within the Southern District of Illinois, and elsewhere,

**LAURA KRPAN,
TARA MORGAN, and
LT CONSULTING, INC.,**

defendants herein, individually, together, and with other persons and entities, did knowingly conspire and agree with each other, and with others, to devise a scheme and artifice to defraud and to obtain money by false and fraudulent pretenses through the use of the United States Mail, private and commercial interstate carriers, and through the use of interstate wire communications,

Object of the Conspiracy

6. It was an object of the conspiracy to commit mail fraud and wire fraud by executing a scheme for obtaining money by false and fraudulent pretenses, and involving the foreseeable use of the Postal Service, private and commercial interstate carriers, and transmissions by wire in interstate commerce, in violation of Title 18, United States Code 1341, 1343, and 1349.

Purpose of the Conspiracy

7. It was a purpose of the conspiracy to fraudulently obtain insurance coverage by the submission of false information to insurance carriers.

8. It was a purpose of the conspiracy to obtain fraudulently reduced premiums for **LT CONSULTING INC.**'s client companies.

The Scheme

9. Beginning on or about January 17, 2002, and continuing through on or about May 16, 2007, both dates being approximate and inclusive, within Perry County in the Southern District of Illinois, and elsewhere, **LAURA KR PAN** and **TARA MORGAN**, with and through **LT CONSULTING, INC.**, and with other persons and entities known and unknown to the Grand Jury, devised, intended to devise, and knowingly participated in a scheme to defraud and to obtain money from businesses, in an amount in excess of \$1,336,738.20, by means of materially false and fraudulent pretenses, representations, and promises.

10. It was part of the scheme that the defendants attempted to reduce premium payments, and did in fact reduce premium payments, by falsely underreporting the payroll of their client companies in various forms and correspondence. Such forms and correspondence were sent by United States Mail, by private and commercial carrier, and by telephone facsimile in interstate commerce.

11. It was part of the scheme that the defendants attempted to reduce premium payments, and did in fact reduce premium payments, by falsely classifying the workers of their client companies to the insurance companies. The defendants falsely claimed that individual workers performed lower risk jobs than were actually performed. Such false information was provided on forms and various correspondences that were sent by United States Mail, by private and commercial carrier, and by telephone facsimile in interstate commerce. Such correspondence included forged and otherwise deceptive letters to insurance companies that purported to have been sent by representatives of individual client companies challenging audits of the businesses and the characterization of the businesses' work (e.g., false claims that the company primarily engaged in

excavation rather than logging). The representatives of these individual client companies did not draft, send, or authorize such fraudulent letters.

12. It was further part of the scheme, beginning on or about August 3, 2004, to falsely represent to the insurance companies that **LT CONSULTING, INC.**, served in the role of ASO, in which it supposedly only administered payroll functions and did not actually lease employees as a PEO. Such false information was provided on forms and in various correspondences, and was supported by forged and otherwise fraudulently altered documents, which were sent by United States Mail, by private and commercial carrier, and by telephone facsimile in interstate commerce. Such documents included fraudulent contracts purporting to show that the client companies had transitioned their relationship with **LT CONSULTING, INC.**, from PEO to ASO, and false claims through an insurance broker that the clients had asked him directly to obtain workers compensation coverage upon termination of the employee leasing relationship with **LT CONSULTING, INC.**

13. It was further part of the scheme to provide false information to the Illinois Workers Compensation Appeals Board, including false information presented at a hearing of the Illinois Workers Compensation Appeals Board held via teleconference on May 17, 2006, and including wire communications in interstate commerce.

14. It was further part of the scheme to obtain insurance for properties owned by LT Properties, Inc., an entity created by **TARA MORGAN** and the husband of **LAURA ZOLLER**, through the submission of false information sent by United States Mail and private commercial carrier.

Acts in Furtherance of Conspiracy to Commit Mail and Wire Fraud

15. On or about July 16, 2004, the defendants caused to be mailed a policy application to the National Council on Compensation Insurance, Inc., ("NCCI") for **LT CONSULTING, INC.**'s own workers compensation policy. The application was sent with an accompanying letter from their broker that contained false information regarding **LT CONSULTING, INC.**, including claims that **LT CONSULTING, INC.**, did not lease employees to any other company.

16. On or about July 16, 2004, the defendants caused to be mailed a policy application to Kentucky Employers Mutual Insurance ("KEMI") for 7th Street Café's workers compensation insurance. The application was sent from the defendant's insurance broker and contained false information, including claims that 7th Street Café did not lease employees from any other company.

17. On or about August 4, 2004, the defendants caused to be mailed to NCCI a letter from **LT CONSULTING, INC.**, and accompanying forged and otherwise fraudulent client services agreements purporting to demonstrate that **LT CONSULTING, INC.**, had changed from a PEO to an ASO in i relationships with Basil Adams Logging, M&H Millworks, Keller Grain, Shepard Logging, and Bozarth Logging.

18. On or about September 23, 2004, the defendants caused to be mailed a letter from **TARA MORGAN** and **LT CONSULTING, INC.**, to Cambridge Integrated Services Group (Virginia Surety), advocating for lower insurance premium rates using fraudulent information, including the false claim of having transitioned from a PEO to an ASO.

19. On or about October 8, 2004, the defendants caused to be mailed a purported Certificate of Liability Insurance for the 7th Street Café. Such certificate had been fraudulently

created from an existing certificate, and was mailed by an injured worker to an insurance broker in an attempt to prove her mistaken belief that she had workers compensation coverage.

20. On or about October 12, 2004, the defendants caused to be mailed a letter from **TARA MORGAN** and **LT CONSULTING, INC.**, to Cambridge Integrated Services Group (Virginia Surety). Such letter contained false information, including the claim that **LT CONSULTING, INC.**, had received a certificate of insurance for the 7th Street Café.

21. On or about October 15, 2004, the defendants caused a telephone facsimile to be transmitted by wire in interstate commerce. Such facsimile included an application for workers compensation insurance for R.B. Erection, and contained false information. Such information included the false claim that R.B. Erection was not in an employee leasing relationship with another business.

22. On or about February 3, 2005, the defendants caused to be mailed an application on behalf of **LAURA KR PAN** for property owned by LT Properties, Inc., a company established by **TARA MORGAN** and **LAURA KR PAN**'s husband. Such application asked, "Has the applicant or any person having financial interest in the policy been indicted or convicted of fraud, bribery, arson or any other crime for the purpose of defrauding an insurance company?" The answer was falsely marked "No," and the application was signed by **LAURA KR PAN**.

23. On or about April 7, 2005, the defendants caused a telephone facsimile to be transmitted by wire in interstate commerce from **LT CONSULTING, INC.**, to St. Paul Travelers Insurance. Such facsimile included "fax cover sheets" each purporting to bear headings for individual companies that included Hunter & Son Logging, M & H Millworks, Wayne Bozarth Logging, and Basil Adams Logging, all dated April 7, 2005. Such cover sheets also purported to

have been sent by individual representatives of each company. Such cover sheets each requested that audit results for each company be sent via telephone facsimile to the individual businesses, but each actually provided the facsimile telephone number for **LT CONSULTING, INC.**

24. On or about April 26, 2005, the defendants caused to be mailed to St. Paul Travelers Insurance a client services agreement purportedly between Barry Hughes of M&H Millworks and **LT CONSULTING, INC.** Such document had been forged and was otherwise fraudulent, and falsely purported to show that the relationship between M&H Millworks and **LT CONSULTING, INC.**, had transitioned from PEO to ASO.

25. On or about May 2, 2005, the defendants caused to be mailed to St. Paul Travelers Insurance a letter purporting to be authorized by Basil Adams Logging. Such letter claimed to be Basil Adams Logging's official notice disputing the issued policy. Such letter contained false information and included the false claim that Basil Adams Logging predominantly did excavating work rather than logging. Such letter appeared to bear a signature of an employee of Basil Adams Logging with the initials "lk" next to the signature.

26. On or about May 2, 2005, the defendants caused to be mailed to St. Paul Travelers Insurance a letter purporting to have been sent by Keller Grain. Such letter claimed to be Keller Grain's official notice disputing the issued policy. Such letter bore a forged signature of a Keller Grain employee.

27. On or about May 2, 2005, the defendants caused to be mailed to St. Paul Travelers Insurance a letter purporting to be authorized by Hunter and Son Logging. Such letter claimed to be Hunter and Son Logging's official notice disputing the issued policy. Such letter contained false information and included the false claim that Hunter and Son Logging predominantly did excavating

work rather than logging. Such letter appeared to bear a signature of an employee of Hunter and Son Logging with the initials "lk" next to the signature.

28. On or about May 2, 2005, the defendants caused to be mailed to St. Paul Travelers Insurance a letter purporting to have been sent by M&H Millworks. Such letter claimed to be M&H Millwork's official notice disputing the issued policy. Such letter bore a forged signature of an M&H Millwork's employee.

29. On or about May 2, 2005, the defendants caused to be mailed to St. Paul Travelers Insurance a letter purporting to be from Wayne Bozarth Logging. Such letter claimed to be Wayne Bozarth Logging's official notice disputing the issued policy. Such letter contained false information and included the false claim that Wayne Bozarth Logging predominantly did excavating work rather than logging. Such letter bore a forged signature of a Wayne Bozarth Logging employee.

30. On or about May 2, 2005, the defendants caused to be mailed to St. Paul Travelers Insurance a letter purporting to have been sent by Jack Shepard Logging and Trucking. Such letter claimed to be Jack Shepard Logging and Trucking's official notice disputing the issued policy. Such letter bore a forged signature of a Jack Shepard Logging and Trucking employee.

31. On or about July 22, 2005, the defendants caused to be mailed to KEMI a workers compensation insurance application for 7th Street Café. Such application contained false information and included the false claim that 7th Street Café did not lease employees to or from any other business.

32. On or about September 25, 2005, the defendants caused to be mailed to St. Paul Travelers Insurance a letter from their broker containing false information. In such letter their

broker falsely claimed that Hunter and Son Logging, Shepard Logging & Trucking, Keller Grain Company, Basil Adams Logging, and Wayne Bozarth Logging were “former clients” of **LT CONSULTING, INC.** In such letter their broker falsely claimed that these clients “came to me for work comp coverage.” In such letter their broker falsely claimed that these clients “terminated their leasing agreement with LT Consulting in December 2004 but retained the payroll services.”

33. On or about November 10, 2005, the defendants caused to be mailed a letter and attachment from **LT CONSULTING, INC.**, and **LAURA ZOLLER** to St. Paul Travelers Insurance. Such letter fraudulently sought a reduction in insurance rates for Jack Shepard Logging and Trucking, and asked that a refund be mailed to **LT CONSULTING, INC.** Such letter and attachment contained false information including the claim that the PEO relationship between **LT CONSULTING, INC.**, and Jack Shepard Logging and Trucking that existed prior to the issuance of the policy no longer existed.

34. On or about November 21, 2005, the defendants caused to be mailed a letter from **LT CONSULTING, INC.**, and **LAURA ZOLLER** to AIG. Such letter fraudulently sought a reduction in insurance rates for Adams Construction, and asked that a refund be mailed to **LT CONSULTING, INC.** Such letter contained false information including the claim that the PEO relationship between **LT CONSULTING, INC.**, and Adams Construction that existed prior to the issuance of the policy no longer existed.

35. On or about August 4, 2004, the defendants caused a wire communication in interstate commerce of a telephone facsimile of a letter on **LT CONSULTING, INC.**, letterhead to N.C.C.I. in Boca Raton, Florida. Such letter falsely claimed that certain clients had executed new contracts to transition from a PEO relationship to an ASO relationship. The letter insisted that the

clients be issued policies at the lowest modifier and stated to N.C.C.I. that “[y]our delay is breaking the law that is set forth in Illinois.”

36. On or about August 11, 2004 the defendants caused a wire communication in interstate commerce of a telephone facsimile of letters on fax cover sheets from their broker to N.C.C.I. in Boca Raton, Florida. Such letters challenge the premiums assessed against individual clients and states that, “THE WAY YOU ARE WORKING ON THIS ACCOUNT, I HAVE THE FEELING YOU ARE TRYING TO PUT THEM OUT OF BUSINESS.”

37. On or about May 17, 2006, the defendants caused a wire communication in interstate commerce. **TARA MORGAN, LAURA ZOLLER**, and their broker participated by teleconference from Illinois in a hearing with the Illinois Workers Compensation Appeals Board. Barry Hughes of M&H Millworks participated by teleconference from Kentucky. Laurie Arnold of St. Paul Travelers Insurance participated by teleconference from Connecticut. During the hearing, Barry Hughes challenged a bill assessed to his company by St. Paul Travelers Insurance for a policy that had been issued in his company’s name. **LT CONSULTING, INC.**, had applied for the policy without Hughes’ knowledge, thereby preventing M&H Millworks from learning that **LT CONSULTING, INC.**, was falsely claiming to not be in an employee leasing agreement with M&H Millworks. Barry Hughes informed the board that a client services agreement provided by **LT CONSULTING, INC.**, that purported to show that M&H Millworks was responsible for obtaining its own workers compensation coverage was a forgery. **TARA MORGAN** falsely claimed to the board that she had made M&H Millworks aware that a policy that had been issued in its name and falsely claimed that the client services agreement was not a forgery.

All in violation of Title 18, United States Code, Sections 1341, 1343, and 1349.

COUNTS 2-19

Mail Fraud

Paragraphs 1 through 37 are incorporated and re-alleged as part of Counts 2-19.

On or about the dates listed below, in Perry County and Williamson County, within the Southern District of Illinois, and elsewhere,

**LAURA KRPAN,
TARA MORGAN, and
LT CONSULTING, INC.,**

defendants herein, for purposes of executing the scheme and artifice to defraud and to obtain money by false and fraudulent pretense, knowingly used and caused the use of the United States Postal Service and private and commercial interstate carriers. Each such mailing originated or terminated within the Southern District of Illinois, and is listed as a separate count of this Indictment,

COUNT	APPROXIMATE DATE OF MAILING
2	July 16, 2004 (Mailing of application for LT CONSULTING, INC. 's workers compensation coverage to Chicago, Illinois.)
3	July 16, 2004 (Mailing of workers compensation insurance policy application to Kentucky Employers Mutual Insurance "KEMI" to Lexington, Kentucky.)
4	August 4, 2004 (Mailing of purported contracts between LT CONSULTING, INC. , and client companies to Boca Raton, Florida.)
5	September 23, 2004 (Mailing of letter from TARA MORGAN to Virginia Surety Company, dated September 23, 2004, to Chicago, Illinois.)
6	October 8, 2004 (Mailing of purported Certificate of Liability Insurance for 7 th Street Café from Paducah, Kentucky.)
7	October 12, 2004 (Mailing of letter from TARA MORGAN to Cambridge Integrated Services Group (Virginia Surety), dated October 12, 2004, to St. Louis, Missouri.)
8	February 3, 2005 (Mailing of LAURA ZOLLER 's application for property insurance to Chicago, Illinois.)

9	April 26, 2005 (Mailing of purported contract between M&H Millworks and LT CONSULTING, INC. , to Hazelwood, Missouri.)
10	May 2, 2005 (Mailing of letter purporting to be authorized by Basil Adams Logging to St. Paul Travelers Insurance, dated April 25, 2005, to Hazelwood, Missouri.)
11	May 2, 2005 (Mailing of letter purporting to be from Keller Grain Company to St. Paul Travelers Insurance, dated April 25, 2005, to Hazelwood, Missouri.)
12	May 2, 2005 (Mailing of letter purporting to be authorized by Hunter & Son Logging to St. Paul Travelers Insurance, dated April 25, 2005, to Hazelwood, Missouri.)
13	May 2, 2005 (Mailing of letter purporting to be from M&H Millworks to St. Paul Travelers Insurance, dated April 25, 2005, to Hazelwood, Missouri.)
14	May 2, 2005 (Mailing of letter purporting to be from Bozarth Logging to St. Paul Travelers Insurance, dated April 25, 2005, to Hazelwood, Missouri.)
15	May 2, 2005 (Mailing of letter purporting to be from Shepard Logging to St. Paul Travelers Insurance, dated April 25, 2005, to Hazelwood, Missouri.)
16	July 22, 2005 (Mailing of workers compensation insurance policy application to Kentucky Employers Mutual Insurance, to Lexington, Kentucky.)
17	September 28, 2005, (Mailing of letter from LT CONSULTING, INC. 's broker to St. Paul Travelers Insurance, dated September 28, 2005, to Hazelwood, Missouri.)
18	November 10, 2005 (Mailing of letter from LAURA ZOLLER to St. Paul Travelers Insurance, dated November 10, 2005, to Hazelwood, Missouri.)
19	November 21, 2005 (Mailing of letter from LAURA ZOLLER to American International Group "AIG" regarding Adams Construction, dated November 10, 2005, to Parsippany, New Jersey.)

All in violation of Title 18, United States Code, Section 1341.

COUNTS 20-24

Wire Fraud

Paragraphs 1 through 37 are incorporated and re-alleged as part of Counts 20-24.

On or about the dates listed below, in Perry County, within the Southern District of Illinois, and elsewhere,

**LAURA KRPAN,
TARA MORGAN, and
LT CONSULTING, INC.,**

defendants herein, for purposes of executing the scheme and artifice to defraud and to obtain money by false and fraudulent pretense, knowingly caused to be transmitted by means of wire in interstate commerce, from the State of Illinois to the states listed below, writings, signs, and signals for the purpose of executing the above-described scheme, each such wire transmission originated or terminated within the Southern District of Illinois and constitutes a separate count of this Indictment.

COUNT	APPROXIMATE DATE OF WIRE TRANSMISSION
20	August 4, 2004 (Telephone facsimile of letter on LT CONSULTING, INC. , letterhead, sent to N.C.C.I. in Boca Raton, Florida.)
21	August 11, 2004 (Telephone facsimile of letters on "fax cover sheets" to N.C.C.I. in Boca Raton, Florida.)
22	October 15, 2004 (Telephone facsimile of Workers Compensation Application for Insurance for R.B. Erektion to AIG in Parsippany, New Jersey.)
23	April 7, 2005 (Telephone facsimile of letters on "fax cover sheets" purporting to belong to Hunter & Son Logging, M & H Millworks, Wayne Bozarth Logging, and Basil Adams Logging, all dated April 7, 2005, sent to St. Paul Travelers Insurance in Hazelwood, Missouri.)
24	May 17, 2006 (Telephone conference call with the Illinois Workers Compensation Appeals Board attended by TARA MORGAN, LAURA ZOLLER , and their insurance broker, including a telephone connection among participants in Illinois, Connecticut, and Kentucky.)

