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FORMER INCHON EXECUTIVE SENTENCED TO 10 AND A HALF YEARS IN PRISON FOR \$4.2 MILLION EQUIPMENT LEASING, FINANCING SCHEME

FOR IMMEDIATE RELEASE
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Defendant Ordered to Pay More Than \$3.5 Million in Restitution to Victims

NEWARK, N.J. – David Moro, former Chief Executive Officer of Inchon LLC, was sentenced today to 126 months in prison for orchestrating a \$4.2 million broadcasting equipment lease and financing scheme that caused losses of more than \$3 million to major lenders, U.S. Attorney Paul J. Fishman announced.

Moro, 52, of Pomona, N.Y., was convicted last November, following a seven-week trial before U.S. District Judge William H. Walls, of 33 counts of a 34-count Indictment: one count of conspiracy to commit mail and wire fraud; six counts of mail fraud; five counts of wire fraud; three counts of bank fraud; 17 counts of money laundering; and one count of making false statements in a matter within the jurisdiction of the FBI and IRS. Moro was not convicted on a second count of making false statements.

Judge Walls also imposed the sentence today in Newark federal court. The defendant was remanded to custody following the proceeding.

According to documents filed in this case and the evidence at trial:

Inchon LLC was a business based in Englewood Cliffs, N.J., that ran the Russian Radio Network – a broadcasting company marketed to Russian speakers. From 2003 through 2005, Moro approached victim lenders, directly and through brokers, and induced the lenders to purchase a total of more than \$4.2 million in purported high-end broadcasting equipment as part of lease-financing agreements with Inchon.

Moro advised lenders that Inchon needed the broadcasting equipment in order to upgrade and expand its ethnic radio programming. As proof of his need for financing, Moro presented the lenders and brokers with fraudulent equipment invoices reflecting that Smart Function LLC, based in Parsippany, N.J., as well as other purported vendors, had provided Inchon with new high-end Digital Audio Servers, when in fact, Smart Function was acting as a front for Inchon, and was sending the vast majority of the money back to Inchon and Moro after receiving it from the lenders.

Although Moro convinced the lenders the servers contained state-of-the-art software valued at more than \$10,000 for each server, in reality the servers contained nothing other than software available for download free-of-charge from the Internet.

On at least one occasion, Moro caused fraudulent equipment invoices to be sent to lenders and brokers which represented that the Digital Audio Servers had been provided, when in fact, this equipment did not exist. When a lender arranged for an inspection before funding the lease, Moro instructed a co-conspirator to place new serial numbers on old Digital Audio Servers so the inspector would think it was newly-purchased broadcasting equipment.

Moro also submitted phony financial documents to the lenders to convince them that Inchon was a highly profitable company, when in reality it was relying largely on the proceeds of the fraud to continue its

operations. Moro had false tax returns prepared for Inchon and for an individual he portrayed as the 100 percent owner of Inchon. In reality, these tax returns were never filed with the IRS, and reflected income and profits for the business and the purported owner that neither ever received.

In Ponzi-scheme fashion, Moro used funds received from the financial institutions through the fraud to make payments on earlier leases. After all of the lease financing agreements were executed and funded by the lenders, Inchon was due to pay more than \$100,000 per month. Moro ceased making the required lease payments on behalf of Inchon, resulting in a loss to the lenders in excess of \$3 million.

The lenders included: CFC Investment, based in Cincinnati; Hewlett Packard Financial Services, based in Murray Hill, N.J.; Santa Barbara Bank and Trust, based in Santa Barbara, Calif.; Wells Fargo Equipment Finance, Inc., in Minneapolis, Minn.; Citi Capital, based in Moberly, Mo.; the CIT Group, based in Livingston, N.J.; American Express Business Finance Corporation, based in Houston; ACC Capital Corporation, based in Salt Lake City, Utah; Diamond Lease (USA), Inc., based in New York; Cathay Bank, based in Flushing, N.Y.; and Bank of the West, based in San Francisco.

The money laundering charges stem from the movement of funds from Smart Function and other entities to Inchon. Moro used the laundered funds to pay unrelated business expenses and personal expenses, including travel and gifts to family members.

In addition to the prison term, Judge Walls sentenced Moro to five years of supervised release and ordered him to pay restitution in the amount of \$3,589,350.20

U.S. Attorney Fishman credited special agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward, and Special Agents of IRS – Criminal Investigation, under the direction of Special Agent in Charge Victor W. Lessoff, for the investigation.

The government is represented by Assistant U.S. Attorneys Leslie Faye Schwartz and Jacob T. Elberg of the U.S. Attorney's Office Criminal Division in Newark.

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Defense counsel:
Kevin Carlucci Esq.; Lorraine Gauli-Rufo Esq., Assistant Federal Public Defenders, Newark

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