

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA

v.

ANTHONY FREMAREK

No. 20 CR 932

Honorable Robert W. Gettleman

STIPULATIONS

The UNITED STATES OF AMERICA, by its attorney, JOHN R. LAUSCH, JR.,
United States Attorney for the Northern District of Illinois, defendant Anthony
Fremarek, and his attorney, Vincent Pinelli, hereby stipulate and agree as follows.

Stipulation #1

If called at sentencing, Michael Reiss would testify as follows:

(a) Reiss joined PSC Group in or around 2012, after defendant had already been employed for years as the company's Controller;

(b) From in or around late 2012, Reiss was one of five partners of PSC Group ("PSC"), along with defendant, John Quirk, Rick Parham, and Jeff Ney;

(c) Prior to approximately late 2018 and 2019, Reiss's role in the company was that of a consultant, working for clients on billable matters relating to strategic and advisory services in information technology, and the roles of the other partners (other than defendant) similarly related to delivery of services;

(d) Reiss was not a CPA, nor was any other partner a CPA, to Reiss's knowledge, though Reiss had some accounting training;

(e) Throughout the time that defendant was a partner at PSC, defendant was the person responsible for the company's finances, accounting, and communications with PSC's banks and outside accountants;

(f) Reiss and the other partners trusted and relied on defendant to maintain, monitor, and update the partners regarding the company's finances; and communicate with the company's banks and accountants, among other things;

(g) From approximately 2012 through 2018, PSC used NetSuite as its accounting system, and everyone at the company had some level of access to the system (for example, all employees could access the system to enter their time or expenses);

(h) The company's partners, other than defendant, had access allowing them to run reports—including financial statements, such as income statements;

(i) Only defendant had full administrative access to NetSuite such that he could access all aspects of the application;

(j) From approximately 2012 through 2018, Reiss largely relied on the company's income statements to understand the business's revenue, expenses, net profits, and how the company was doing overall, and the income statements were regularly provided to Reiss by defendant;

(k) Throughout the time that defendant was a partner at PSC, defendant had access and signatory authority on the company's bank accounts;

(l) Defendant's direct reports, Darren Dulson (Office Manager) and Nancy Haidle (Human Resources Director) may also have had some access to the company's bank accounts, but Reiss does not know if that access was limited to, for example, handling deposits;

(m) PSC banked with American Chartered Bank until approximately 2015, when the company decided to change banks, and defendant proposed moving to Wintrust;

(n) At some point between 2015 and 2018, Reiss was granted access to the company's account at Wintrust, so that he could review statements and reports as part of a broader effort to understand the company's finances;

(o) PSC banked with Wintrust until approximately 2018, when Wintrust called a meeting with all the partners, raised concerns about the company's finances, and requested additional capitalization;

(p) Prior to the partners' meeting with Wintrust, defendant had not mentioned Wintrust's concerns about the company's finances to Reiss or the other partners, nor had he raised any other issues relating to the company's finances;

(q) Separately, however, one of the bankers at Wintrust, J.P. Hills, had raised with Reiss that the company's finances were of concern, and Reiss was surprised to hear this, both because the company's income statements seemed to show that the company's finances were fair overall, and because Reiss would have expected defendant to have flagged any issues to the partners;

(r) After the 2018 meeting with Wintrust, Reiss and the other partners asked defendant about the concerns that Wintrust had raised, and defendant's response, in sum and substance, was that the bank was out of line, and that the company should switch banks;

(s) PSC subsequently changed banks from Wintrust to Bridgeview;

(t) Also in or around late 2018 and early 2019, PSC transitioned its accounting system from NetSuite to QuickBooks, and Reiss assisted with that transition process;

(u) During that process, Reiss found numerous balances and entries by defendant that did not appear to make sense, including, for example, significant adjustments to retained earnings, as well as entries made at month's or year's end

and reversed the next day, such that the net result was that financial statements appeared better than they actually were for specific time periods;

(v) GX Reiss Journal Entries is a selection of suspect journal entries that Reiss compiled and sent to the company's outside accountants in or around May 2019, with Reiss's comments at the top of each entry or entries;

(w) For example, on page 2 of GX Reiss Journal Entries, Reiss observed that (i) there was no activity in PSC's line of credit with Wintrust on these dates, and (ii) these journal entries made the company's debt appear reduced for the period ending January 2017, and that reduced amount was rolled into a debt position spreadsheet that defendant presented to the partners;

(x) When Reiss asked defendant about these and similar suspect journal entries, defendant gave vague responses that did not answer Reiss's concerns;


(y) Reiss paid in capital to the business in 2012, and he and the other partners, including defendant, later made other capital investments in the business at various times and in varying amounts;

(z) These capital contributions, however, were not memorialized as notes, to Reiss's knowledge, nor were they due or payable back to any of the partners by a specific date.

So Stipulated and Agreed:



ANTHONY FREMAREK
Defendant



VINCENT PINELLI
Counsel for Defendant



ASHLEY A. CHUNG
Assistant United States Attorney

2/23/23

DATE

Stipulation #2

If called at sentencing, John Quirk would testify as follows:

(a) From in or around late 2012, he was one of five partners of PSC Group (“PSC”), along with defendant, Mike Reiss, Rick Parham, and Jeff Ney;

(b) Quirk joined PSC as an employee in or around 2004, after defendant was already the company’s Controller;

(c) Quirk’s role was to be primarily responsible for the company’s Chicago area office (the company had another location in Kansas City, for which Ney was responsible);

(d) Throughout the time that defendant was a partner at PSC, defendant was the person responsible for the company’s finances, accounting, and communications with PSC’s banks and outside accountants;

(e) Quirk was not a CPA, nor was any other partner a CPA, to Quirk’s knowledge;

(f) Quirk and the other partners trusted and relied on defendant to maintain, monitor, and update the partners regarding the company’s finances; and communicate with the company’s banks and accountants, among other things;

(g) From approximately 2012 through 2018, PSC used NetSuite as its accounting system, and everyone at the company had some level of access to the system (for example, all employees could access the system to enter their time or expenses);

(h) The company's partners, other than defendant, had access allowing them to run reports—including the company's financial statements, such as income statements;

(i) Only defendant had full administrative access to NetSuite such that he could access all aspects of the application (though after defendant was terminated from the company, Quirk obtained full administrative access);

(j) Quirk generally relied on the company's income statements to understand the company's revenue, costs, and margins, and to manage the business;

(k) Quirk typically obtained the income statements by generating the reports in NetSuite at month's end, when defendant would let the partners know that the month-end accounting was complete and reports were ready to be pulled;

(l) The partners met on an approximately monthly basis to discuss the company, including its finances, and the partners normal practice was to rely on the company's income statements in those discussions;

(m) The company's outside accountants handled yearly tax returns and did not conduct full audits of PSC, though they did do some smaller-scale reviews and recommendations in which defendant provided the accountants with the information to be reviewed;

(n) Throughout the time that defendant was a partner at PSC, defendant had access and signatory authority on the company's bank accounts;

(o) Quirk did not have access to the company's bank accounts, and recalls that when the partners purchased the company, they collectively decided that it could be confusing to have multiple people with access to the accounts and that defendant would have access and be primarily responsible;

(p) In or around late 2018, Quirk and the other partners (other than defendant) understood that defendant had closed the company's account at Wintrust, but they later learned that defendant had kept it open and transferred some of the money deposited there to his own credit cards, and other amounts to the company's account at Bridgeview, and that defendant masked the latter transfers to make it appear as though they were being made directly by customers or sources and not from the old Wintrust account;

(q) Also in or around late 2018 and early 2019, PSC transitioned its accounting system from NetSuite to QuickBooks, and Quirk assisted Reiss with that process;

(r) During that process, Reiss and Quirk found numerous balances and entries by defendant that did not appear to make sense, including, for example, unusually large transactions created and then reversed the next day, which would cause reports run on year- or month-end to be altered, such that they appeared more favorable for that specific period;

(s) Quirk also observed that whereas prior to defendant becoming a partner there were approximately less than a hundred journal entries made per year, defendant was making over a thousand journal entries per year;

(t) Defendant was responsible for sending financial information relating to accounts receivable to the company's bank on a regular basis, which would in turn affect the amount available to borrow against the company's line of credit;

(u) GX Borrowing Base Worksheet is an example of the information defendant provided to Wintrust, in this instance, for the month ending on June 30, 2018;

(v) In subsequent review of the company's finances and the documents defendant provided to the banks, Quirk and Reiss found that defendant had not directly generated a PDF of PSC's accounts receivable aging summary from NetSuite, and instead, had generated an Excel file, which defendant could then alter before saving as a PDF to send to the bank;

(w) Quirk determined that defendant had done the above because the format of the resulting document was different depending on whether one created a PDF directly from NetSuite versus creating an Excel file;

(x) GX NetSuite AR Report is the PDF generated directly from NetSuite for the same time period as GX Borrowing Base Worksheet, for the month ending on June 30, 2018; and GX Comparison Worksheet is a comparison Quirk created showing discrepancies between what defendant created, altered, and sent to the bank, and the information in NetSuite at the time;

(y) Following the partners' purchase of the business, Quirk and all of the other partners, including defendant, paid in capital at various times and in varying amounts to the business;


(z) These capital contributions, however, were not memorialized as notes, nor were they due or payable back to any of the partners by a specific date—all the partners understood that their capital was at risk depending on the state of the business;

(aa) After defendant was terminated in 2019, Reiss began handling accounting and Parham took over as the company's Managing Member;

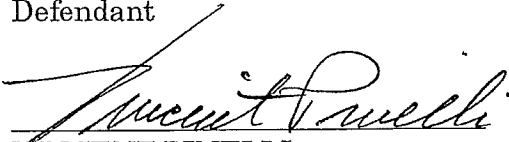
(bb) The company also made changes to who had access to bank accounts, full access to the accounting system, and so forth, such that all partners had access and oversight;

(cc) Quirk and the other partners had not previously discussed such procedures because they trusted and relied on defendant.

So Stipulated and Agreed:



ANTHONY FREMAREK
Defendant



VINCENT PINELLI
Counsel for Defendant



ASHLEY A. CHUNG
Assistant United States Attorney

2/23/23

DATE

Stipulation #3

If called at sentencing, Rick Parham would testify as follows:

(a) Parham joined PSC as an employee in or around 2009 as Vice President of the Microsoft practice, after defendant was already the company's Controller;

(b) From in or around late 2012, he was one of five partners of PSC Group ("PSC"), along with defendant, Mike Reiss, John Quirk, and Jeff Ney;

(c) As a partner, Parham was primarily responsible for technical sales, working on solutions and proposals for clients and prospective clients;

(d) Throughout the time that defendant was a partner at PSC, defendant was the person responsible for the company's finances, accounting, and communications with PSC's banks and outside accountants;

(e) Parham was not a CPA or accountant, nor was any other partner a CPA, to Parham's knowledge;

(f) Parham and the other partners trusted and relied on defendant to maintain, monitor, and update the partners regarding the company's finances; and communicate with the company's banks and accountants, among other things;

(g) Throughout the time that defendant was a partner at PSC, defendant had access and signatory authority on the company's bank accounts;

(h) Parham never had access to the company's bank accounts until after defendant was terminated and Parham replaced defendant as Managing Member in 2019;

(i) Parham recalled that Darren Dulson (Office Manager, and one of defendant's direct reports) also had some level of access to the company's accounts in order to make payments or deposits;

(j) Defendant also was responsible for sending financial information to the company's bank on a regular basis, which could in turn affect the amount available to borrow against the company's line of credit;

(k) From approximately 2012 through 2018, PSC used NetSuite as its accounting system, and everyone at the company had some level of access to the system (for example, all employees could access the system to enter their time or expenses);

(l) The company's partners, other than defendant, and including Parham, had some kind of other licensing access level, which included the ability to run reports, but they were all reports that defendant had handled inputs to and generated;

(m) Only defendant had full administrative access to NetSuite such that he could access and use all aspects of the application and assign others' access levels to NetSuite;

(n) Parham reviewed financial statements when discussed at regular (approximately monthly) partner meetings, and was primarily interested in the company's income statements and debt-related spreadsheets showing the company's loan with its bank—all of which were prepared and provided by defendant;

(o) In or around 2018 and early 2019, in response to seeing unexpected transactions with the company's bank line of credit, Parham raised several times with defendant that if defendant intended to draw on the company's line of credit with the bank, defendant should let the other partners know beforehand; however defendant continued to do so without advance notice or explanation to the partners, later claiming that he had needed to do so to pay for something or cover some other expense;

(p) Also around late 2018 and early 2019, following the meeting with Wintrust at which the bank raised concerns about the company's finances, Parham and Quirk reviewed the company's income statements and balance sheets, in which they found a number of odd transactions in the accounting system that were not reflected in the company's bank statements, and that despite the company apparently earning income their loan amount was not being paid down;

(q) Parham asked defendant about the above, and defendant told Parham, in sum and substance, that Parham did not understand various accounting nuances when comparing across balance sheets versus income statements;

(r) After defendant was terminated, Parham became the company's Managing Member, while Reiss handled accounting and finances—this meant that Parham was responsible for reviewing and signing off on financial statements and other aspects of the work that Reiss took over;

(s) the partners deliberately chose to split up defendant's former responsibilities between two people so that there would be more oversight moving forward;

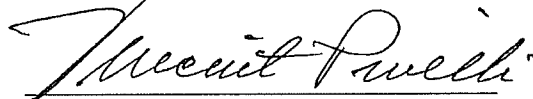
(t) Following the partners' purchase of the business, Parham and all of the other partners, including defendant, paid in capital at various times and in varying amounts to the business;

(u) These capital contributions, however, were not memorialized as notes, nor were they due or payable back to any of the partners by a specific date.

So Stipulated and Agreed:



ANTHONY FREMAREK
Defendant



VINCENT PINELLI
Counsel for Defendant



ASHLEY A. CHUNG
Assistant United States Attorney

2/23/23

DATE