

**Department of Justice**

U.S. Attorney's Office

Western District of Wisconsin

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FOR IMMEDIATE RELEASE

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## **Attorney, Consultant and Business Owner Indicted for Wire & Bankruptcy Fraud**

MADISON, WIS. — Chicago attorney Edward Lee Filer, consultant Robert Joseph Gereg and business owner Paul Michael Kelly have been indicted on wire and bankruptcy fraud charges alleging that they created a sham secured creditor with a senior lien on all of the assets of Kelly's Chicago company, Barsanti Woodwork Corporation, for the purpose of fraudulently shielding the assets from legitimate creditors.

According to the 10 count indictment, Filer, 54, and Kelly, 49, both of Clarendon Hills, Illinois, and Gereg, 71, of Osprey, Florida, created sham limited liability companies and engaged in fraudulent agreements, assignments, transfers, transactions and state and bankruptcy court actions designed to make it appear that the fraudulent transactions involving Barsanti Woodwork's assets were non-collusive and arms-length, in order to deceive and falsely represent to Barsanti Woodwork's creditors and later to a bankruptcy trustee that Barsanti Woodwork's assets had been taken by a secured creditor and that collection activities by legitimate creditors against Barsanti Woodwork would be futile.

Filer, then a partner in a Chicago law firm referred to in the indictment as Law Firm A, is alleged to have caused the fraudulent agreements, assignments, transfers, transactions and state and bankruptcy court actions necessary to accomplish the scheme.

The indictment further alleges that the defendants created BWC Capital to serve as a sham secured creditor of Barsanti Woodwork and falsely represented BWC Capital to be Gereg's company, when, in reality, Gereg's role was to conceal Kelly's control of BWC Capital, as Filer had caused Gereg to secretly assign his interest in BWC Capital to a trust controlled by Kelly. The defendants then caused BWC Capital to use Barsanti Woodwork's funds to purchase Barsanti Woodwork's secured debt from a Bank at a discount and caused that Bank to assign its lien on Barsanti Woodwork's assets to BWC Capital, giving Kelly control through Gereg of the senior lien on all of Barsanti Woodwork's assets.

The defendants then allegedly began the process of fraudulently transferring Barsanti Woodwork's assets to BWC Capital through a state court action using fraudulent back-dated confessions of judgment clauses and Gereg's false affidavit which inflated the amount Barsanti Woodwork purportedly owed to BWC Capital. It is specifically alleged that Filer caused the confessions of judgment clauses to be back-dated in order to conceal that they lacked consideration and to expedite the transfer of Barsanti Woodwork's assets in anticipation of bankruptcy.

The indictment further alleges that the defendants created Barsanti Millwork as a sham entity under whose name Barsanti Woodwork continued to operate at the same location, and falsely represented Barsanti Millwork to be Gereg's company, when, in reality, Gereg's role was to conceal Kelly's control of Barsanti Millwork, as Filer had also caused Gereg to secretly assign his interest in Barsanti Millwork to a trust controlled by Kelly.

According to the indictment, the defendants then put Barsanti Woodwork into a bankruptcy in which defendants attempted to conceal the fraudulent transfer of Barsanti Woodwork's assets, including

the use of Barsanti Woodwork's funds to purchase the bank debt for the benefit of BWC Capital, and made and caused false representations to be made, including that BWC Capital was a creditor with a claim against Barsanti Woodwork. Filer is then alleged to have concealed records from creditors and the bankruptcy trustee. Finally, both Filer and Gereg are alleged to have testified falsely under oath.

The indictment was returned Thursday. It charges Filer with two counts of wire fraud and eight counts of bankruptcy fraud; Gereg with two counts of wire fraud and seven counts of bankruptcy fraud; and Kelly with two counts of wire fraud and three counts of bankruptcy fraud. Arraignment in federal court in Chicago has not yet been scheduled.

The law firm of Freeborn & Peters has authorized the disclosure that it is the law firm referred to in the indictment as Law Firm A. According to Scott C. Blader, United States Attorney for the Western District of Wisconsin, "Freeborn & Peters' extensive cooperation with this investigation was exemplary and essential to successfully investigating this sophisticated offense."

"The American public needs to be aware that any fraud or falsehood in connection with bankruptcy seriously undermines the integrity of the system," said Craig Goldberg, Inspector in Charge of the Chicago Division of the United States Postal Inspection Service. "The U.S. Postal Inspection Service investigates crimes when the mail is used to commit a crime or in furtherance of a crime. The individuals charged in this case allegedly utilized the U.S. Mail as part of their scheme to shield assets from legitimate creditors."

The indictment was announced by U.S. Attorney Blader, whose office is overseeing the matter; Inspector in Charge Goldberg of the U.S. Postal Inspection Service in Chicago; Irene Lindow, Special Agent-in-Charge of the Chicago Regional Office of the United States Department of Labor, Office of Inspector General; Tara Sullivan, Acting Special Agent-in-Charge of the Chicago Field Office of the Internal Revenue Service, Criminal Investigation; and Jeffrey S. Sallet, Special Agent-in-Charge of the Chicago office of the FBI. The government is represented by Assistant U.S. Attorney Brian P. Netols and Special Assistant U.S. Attorney Jeffrey S. Snell.

The public is reminded that an indictment is not evidence of guilt. The defendants are presumed innocent and entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt. Each wire fraud count is punishable by a maximum sentence of 20 years in prison, while each count of bankruptcy fraud carries a maximum sentence of five years. If convicted, the Court must impose a reasonable sentence under federal statutes and the advisory U.S. Sentencing Guidelines.