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CLERK OF DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

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**SEALED**  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

June 2014 Grand Jury

UNITED STATES OF AMERICA,

Plaintiff,

v.

GEORGE K. REESE (1),  
GEORGE K. REESE PROFESSIONAL  
CHIROPRACTIC CORPORATION (2),  
LEE MATHIS (3),  
FERNANDO VALDES (4),  
FOREMOST SHOCKWAVE SOLUTIONS (5),  
Defendants.

Case No. **15 CR 2822 CAB**

I N D I C T M E N T

Title 18, U.S.C., Sec. 371 -  
Conspiracy; Title 18, U.S.C.,  
Sec. 1341 and 1346 - Honest  
Services Mail Fraud; Title 18,  
U.S.C., Sec. 1952(a)(1)(A) and  
(a)(3)(A) - Travel Act; Title 18,  
U.S.C., Sec. 2 - Aiding and  
Abetting; Title 18, U.S.C.,  
Sec. 981(a)(1)(C), and  
Title 28, U.S.C., Sec. 2461(c) -  
Criminal Forfeiture

The Grand Jury charges, at all times material:

INTRODUCTORY ALLEGATIONS

**THE DEFENDANTS AND OTHER PARTICIPANTS**

1. Defendant GEORGE K. REESE was a chiropractor who has been  
licensed by the State of California since 1992. REESE practiced  
through the George K. Reese Professional Chiropractic Corporation.  
REESE operated his chiropractic practice at his office located at  
2859 El Cajon Boulevard, then at 2047 El Cajon Boulevard, San Diego,  
California, and acted as the primary treating physician for patients  
at his office.

//

VHC:CPH:FAS:nlv(3):San Diego  
11/5/15

1       2.     Defendant GEORGE K. REESE PROFESSIONAL CHIROPRACTIC  
2 CORPORATION was formed on August 28, 2001 and was licensed by the  
3 California Board of Chiropractic Examiners.

4       3.     Defendant LEE MATHIS was a licensed attorney who was  
5 admitted to practice in California in 1973. MATHIS was an owner of  
6 defendant FOREMOST SHOCKWAVE SOLUTIONS ("FOREMOST"), and shares  
7 signature authority with defendant FERNANDO VALDES on two of  
8 FOREMOST'S Wells Fargo business bank accounts. MATHIS was also the  
9 full or partial owner of several other companies, including MCLA,  
10 Inc., and L&T Services, Inc. His companies and law practice were  
11 located at 7291 Garden Grove Boulevard, Suite H, in Garden Grove,  
12 California, which was also the address of record for defendant  
13 FOREMOST, and two other companies, Medical Management Network, Inc.  
14 ("MMN") and iMedical, Inc.

15       4.     Defendant Fernando Valdes was an owner of FOREMOST and held  
16 the titles of President, CEO, and agent for service of process.  
17 VALDES was previously the President, CEO, and agent for service of  
18 process for MMN and was an employee of iMedical.

19       5.     Defendant FOREMOST was a California Corporation which was  
20 formed in April 2005, and had an address with the California  
21 Secretary of State of 7291 Garden Grove Boulevard, Suite H, in Garden  
22 Grove, California (the same location as MMN, iMedical, MLCA, and  
23 L&T). FOREMOST provided Extracorporeal Shockwave Therapy  
24 ("shockwave") treatments to patients, as described more fully below.

25       6.     "Dr. B" was a physician who conducted examinations and  
26 evaluations of patients in the Southern District of California, who  
27 owed a fiduciary duty to his patients. Dr. B referred patients to  
28 defendant FOREMOST for shockwave treatments, and received payments

1 from insurers for purportedly "supervising" FOREMOST technicians as  
2 they performed shockwave treatments on patients, as compensation for  
3 having referred the patient to FOREMOST for shockwave.

4 7. "Dr. C" was a therapist who operated as a medical marketer  
5 in Central and Southern California.

6 8. "Dr. D" was a chiropractor who operated numerous medical  
7 offices in the Central District of California, and caused patients to  
8 be referred for shockwave treatments with defendant FOREMOST.

9 9. "Doctors" refers to certain medical professionals  
10 (including defendant GEORGE K. REESE, Dr. B and Dr. D) and their  
11 affiliated entities (including GEORGE K. REESE PROFESSIONAL  
12 CHIROPRACTIC CORPORATION), who: practiced in the State of California,  
13 owed a fiduciary duty to their patients, referred or caused to be  
14 referred patients to FOREMOST for shockwave treatments, and were  
15 paid, either directly by FOREMOST or through Intermediaries, for  
16 supplying patients to FOREMOST for shockwave treatments.

17 10. "Person A" was a medical marketer in Los Angeles, Orange,  
18 and San Diego counties who brokered bribe and kickback arrangements  
19 between FOREMOST and Doctors.

20 11. "Intermediaries" refers to certain entities and  
21 individuals, including Person A and Dr. C, who brokered arrangements  
22 and acted as middlemen in bribe and kickback arrangements between  
23 FOREMOST and Doctors.

#### 24 CALIFORNIA WORKERS' COMPENSATION PROGRAM

25 12. The California Workers' Compensation System ("CWCS")  
26 provided benefits including healthcare coverage to workers who are  
27 injured on the job. CWCS required employers in California to provide  
28 benefits to workers for qualifying injuries sustained in the course

1 of their employment. The medical benefits available to an injured  
2 worker under the CWCS included those that are reasonably required to  
3 cure or relieve them from the effects of their injury. Providers of  
4 medical services to qualifying patients sought payment for these  
5 services by mailing claims to CWCS employers and insurers.

#### 6 SHOCKWAVE THERAPY

7 13. Shockwave, as used by FOREMOST, was a treatment modality  
8 that used low energy sound waves to initiate tissue repair of  
9 musculoskeletal conditions. The treatment was not a surgical  
10 procedure and patients were not placed under anesthesia. To  
11 administer shockwave treatments, FOREMOST'S technicians utilized a  
12 Sonocur Basic machine. The Sonocur Basic has been approved by the  
13 Federal Drug Administration only for the treatment of chronic lateral  
14 epicondylitis (tennis elbow) for which the symptoms are unresponsive  
15 to standard therapy for more than six months.

#### 16 CALIFORNIA'S CWCS ANTI-BRIBERY LAWS

17 14. Multiple California laws prohibited paying or receiving  
18 fees for patient referrals. Specifically, California Labor Code  
19 § 139.3 prohibited physicians (including chiropractors) whose  
20 services were paid under the CWCS from referring any person for  
21 certain services if the physician had a financial interest in the  
22 party receiving the referral. The same law prohibited physicians  
23 from accepting or receiving consideration as compensation or  
24 inducement for a referred evaluation or consultation. Also,  
25 insurance providers were prohibited from knowingly paying for any  
26 services resulting from referrals, and faced criminal and civil  
27 penalties for engaging in such conduct. Section 139.3 also required  
28 a physician to disclose to the patient any financial interest in any



1 entity to which the physician referred the patient for services to be  
2 paid for under the CWCS. In addition, California Labor Code § 3215  
3 applied the prohibition on referral fees to "any person," that is,  
4 the prohibition was not limited to physicians. That statute provided  
5 that "any person ... who offers, delivers, receives, or accepts any  
6 rebate, refund, commission, preference, patronage, dividend, discount  
7 or other consideration" for referring clients or patients to perform  
8 or obtain services or benefits pursuant to the CWCS "is guilty of a  
9 crime." California Business and Professions Code § 650(a) prohibited  
10 "the offer, delivery, receipt, or acceptance" by physicians and  
11 chiropractors of "any rebate, refund, commission, preference,  
12 patronage dividend, discount, or other consideration," as  
13 compensation or inducement for referring patients to any person. And  
14 California Insurance Code § 750 prohibits the offer, delivery,  
15 receipt, or acceptance of any rebate, refund, commission, or other  
16 consideration, for the referral of clients by any person who engages  
17 in the practice of processing, presenting, or negotiating insurance  
18 claims.

#### 19 DOCTORS' FIDUCIARY DUTY TO PATIENTS

20 15. Physicians owed a fiduciary duty to their patients. This  
21 duty required that physicians act in their patients' best interests,  
22 and not for their own professional, pecuniary, or personal gain.  
23 Under California law, a physician had a fiduciary duty to disclose  
24 all information material to the patient's decision when soliciting a  
25 patient's consent to a medical procedure; such information included  
26 personal interests unrelated to the patient's health, whether  
27 research-related or economic, that may have affected the physician's  
28 professional judgment. Accepting kickbacks, bribes, and referral

1 fees without the patient's consent was a breach of a physician's  
2 fiduciary duty to his patient.

3 Count 1

4 CONSPIRACY TO COMMIT HONEST SERVICES MAIL FRAUD, MAIL FRAUD, AND TO  
5 VIOLATE THE TRAVEL ACT

6 18 U.S.C. § 371

7 [ALL DEFENDANTS]

8 16. Paragraphs 1 through 15 of this Indictment are realleged  
9 and incorporated by reference.

10 17. Beginning on a date unknown and continuing up through the  
11 date of this Indictment, within the Southern District of California  
12 and elsewhere, defendants GEORGE K. REESE, GEORGE K. REESE  
13 PROFESSIONAL CHIROPRACTIC CORPORATION, LEE MATHIS, FERNANDO VALDES,  
14 and FOREMOST SHOCKWAVE SOLUTIONS did knowingly and intentionally  
15 conspire with each other, with Dr. B, Dr. C, Dr. D, MCLA, L&T  
16 Services, MMN, and iMEDICAL, and with others to:

17 a. commit Honest Services Mail Fraud, that is, knowingly  
18 and with the intent to defraud, devising a material scheme to defraud  
19 and to deprive patients of the intangible right to Doctors' honest  
20 services, and to cause mailings in furtherance of the scheme, in  
21 violation of Title 18, United States Code, Sections 1341 and 1346;

22 b. commit Mail Fraud, that is, knowingly and with the  
23 intent to defraud, devising a material scheme to defraud, and to  
24 obtain money and property, by means of materially false and  
25 fraudulent pretenses, representations, promises, and omissions and  
26 concealments of material facts, and causing mailings in furtherance  
27 of the scheme, in violation of Title 18, United States Code,  
28 Section 1341; and

c. violate the Travel Act, that is, to use and cause to  
be used facilities in interstate commerce with intent to promote,

1 manage, establish, carry on, distribute the proceeds of, and  
2 facilitate the promotion, management, establishment, carrying on, and  
3 distribution of the proceeds of, an unlawful activity, that is,  
4 bribery in violation of California Labor Code §§ 139.3 and 3215,  
5 California Business and Professions Code § 650, and California  
6 Insurance Code § 750, and, thereafter, to promote and attempt to  
7 perform acts to promote, manage, establish, carry on, distribute the  
8 proceeds of, and facilitate the promotion, management, establishment,  
9 carrying on, and distribution of the proceeds of such unlawful  
10 activity, in violation of Title 18, United States Code,  
11 Section 1952(a)(1)(A), and (a)(3)(A).

#### 12 **FRAUDULENT PURPOSE**

13 18. It was a purpose of the conspiracy to fraudulently obtain  
14 money from CWCS insurers by submitting claims for shockwave  
15 treatments that were secured through a pattern of bribes and  
16 kickbacks to Doctors, in violation of the Doctors' fiduciary duty to  
17 their patients, concealing from patients, insurers, and employers the  
18 material fact of the bribe and kickback agreement.

#### 19 **MANNER AND MEANS**

20 19. The conspirators used the following manners and means,  
21 among others, to carry out the conspiracy:

22 a. It was a part of the conspiracy that MATHIS, VALDES,  
23 and FOREMOST enlisted the help of Intermediaries, including Person A  
24 and Dr. C, to locate Doctors in the Central and Southern Districts of  
25 California and elsewhere in California who would be willing to refer  
26 or cause their patients to be referred to FOREMOST for shockwave  
27 treatments in exchange for bribes and kickbacks.

1           b.     It was a part of the conspiracy that, knowing that  
2 offering and paying bribes and kickbacks to Doctors to refer patients  
3 was unlawful, MATHIS, VALDES, FOREMOST, and Intermediaries, offered  
4 and paid kickbacks and bribes to Doctors, including REESE, Dr. B, and  
5 Dr. D, to refer patients or cause patients to be referred to FOREMOST  
6 for shockwave treatments.

7           c.     It was a part of the conspiracy that, knowing that  
8 accepting bribes and kickbacks to refer patients was unlawful,  
9 Doctors accepted bribes from MATHIS, VALDES, FOREMOST and the  
10 Intermediaries to refer their patients and cause patients to be  
11 referred to FOREMOST for shockwave treatments.

12           d.     It was a part of the conspiracy that, knowing that  
13 paying bribes and kickbacks to Doctors to refer patients was  
14 unlawful, MATHIS, VALDES, and FOREMOST agreed with the Intermediaries  
15 and Doctors to conceal the true nature of the financial and other  
16 relationships among them.

17           e.     It was a part of the conspiracy that the conspirators  
18 concealed from patients, and caused to be concealed from patients,  
19 the kickback and bribe payments Doctors agreed to accept in exchange  
20 for referring their patients to FOREMOST for shockwave treatments, in  
21 violation of the Doctors' fiduciary duty to their patients.

22           f.     It was a part of the conspiracy that the conspirators  
23 submitted claims to insurers and employers to collect payment for  
24 services provided to patients, and concealed the material fact that  
25 the treatments were the result of bribes and kickbacks paid to  
26 Doctors and procured in violation of the Doctors' fiduciary duty to  
27 their patients.

1           g.     It was a part of the conspiracy that, in addition to  
2 failing to disclose the material fact that bribes and kickbacks were  
3 paid to Doctors and that Doctors had breached their fiduciary duty to  
4 patients, the conspirators made and caused to be made additional  
5 material misrepresentations on the claims mailed to insurers,  
6 including using incorrect billing codes, billing two different fees  
7 for the same treatment, and falsely claiming that a certain doctor  
8 had performed a shockwave treatment.

9           h.     It was a part of the conspiracy that MATHIS concocted,  
10 and MATHIS, VALDES, MMN, and iMedical billed on behalf of Doctors, an  
11 impermissible "professional fee" for shockwave treatments, as a  
12 kickback to compensate the referring Doctors, including Dr. B and Dr.  
13 D, for referring their patients to FOREMOST for shockwave treatments.

14           i.     It was a part of the conspiracy that the  
15 coconspirators employed numerous deceptive and fraudulent tactics to  
16 conceal their illegal bribe and kickback scheme, including inserting  
17 Intermediaries to facilitate payments from FOREMOST to the Doctors  
18 and proposing sham rent, lease, marketing, and management services  
19 agreements among the parties to try to make the payments appear  
20 legitimate, when in fact the corrupt payments were made in exchange  
21 for the referral of patients to FOREMOST for shockwave services.

22           j.     It was a part of the conspiracy that the  
23 coconspirators used and caused to be used the mails in order to carry  
24 out their bribery and kickback scheme.

25           k.     It was a further part of the conspiracy that the  
26 coconspirators utilized interstate facilities, including telephones,  
27 in order to carry out their bribery and kickback scheme.

1           1.     Using the manners and means described above, MATHIS,  
2 VALDES, and FOREMOST generated and submitted claims totaling over \$22  
3 million dollars for FOREMOST shockwave treatments procured through  
4 bribes paid to Doctors, in violation of those Doctors' fiduciary duty  
5 to their patients and in violation of California state laws  
6 prohibiting bribes and kickbacks, all of which was material to  
7 insurers.

8                               OVERT ACTS

9           20.    In furtherance of the conspiracy and in order to effect the  
10 objects thereof, defendants and others committed and caused the  
11 commission of the following overt acts in the Southern District of  
12 California and elsewhere:

13               a.    In July 2012, GEORGE K. REESE said he was "open to  
14 change" his shockwave treatment provider for patients at his office,  
15 in an effort to solicit a bribe in exchange for his referral of  
16 patients.

17               b.    On or about August 18, 2012, LEE MATHIS offered to pay  
18 Person A \$100 for each of REESE's shockwave referrals, knowing and  
19 intending that of that amount, \$25 would be kept by Person A and \$75  
20 would go REESE.

21               c.    On or about August 18, 2012, as part of a negotiation  
22 with Person A regarding the amount MATHIS was willing to pay Person A  
23 and REESE for referrals, MATHIS mentioned that he was then paying  
24 Dr. D \$100 per referral.

25               d.    On or about August 18, 2012, MATHIS directed that the  
26 \$100 bribes would be disguised as a "marketing fee" to Person A, who  
27 would then disguise his/her payment to REESE as "rent" for office  
28 space at REESE's office.



1 e. On or about August 20, 2012, REESE agreed to accept a  
2 \$6,000 per month bribe to refer patients to FOREMOST for shockwave  
3 treatments.

4 f. On or about August 20, 2012, MATHIS confirmed that  
5 FOREMOST would pay \$100 to Person A for each of REESE's shockwave  
6 referrals, and offered Person A an additional 10% of the amounts  
7 FOREMOST or iMedical collected for the treatments, as a further  
8 inducement to secure REESE's referrals.

9 g. On or about September 5, 2012, FERNANDO VALDES, REESE,  
10 and Person A discussed in a phone call that FOREMOST would initially  
11 come to REESE's clinic every other week to administer the shockwave  
12 treatments, eventually increasing to weekly visits.

13 h. On or about September 17, 2012, REESE participated in  
14 a phone call to make arrangements to receive his first \$6,000 bribe  
15 payment from Person A, specifying that the payment should be in cash.

16 i. Around mid-September, REESE caused staff in his office  
17 to schedule patients for shockwave treatments due to the \$6,000 bribe  
18 he had received.

19 j. On or about September 27, 2012, MATHIS explained in a  
20 phone call that he was agreeing to have FOREMOST conduct shockwave  
21 treatments at REESE's clinic because he was "relying on the fact"  
22 that REESE had "promised at least a hundred" patient referrals.

23 k. In the same September 27, 2012 phone conversation,  
24 Person A told MATHIS that REESE was expecting his upfront money, and  
25 MATHIS urged Person A to give REESE the first half of the \$6,000  
26 bribe for the month of October right away if Person A had it.

27 l. On or about September 28, 2012, explaining why he  
28 needed Person A to front the bribe payment to REESE, MATHIS said that



1 he was "already paying thirty thousand dollars a month" to Dr. D for  
2 referrals, to do "300, 350 shockwaves a month," which was "a lot of  
3 money out of pocket every month" for MATHIS.

4 m. On or about September 28, 2012, explaining why he, and  
5 not VALDES, would be the one to front the bribe payment to REESE,  
6 MATHIS said that "Fernando has no money...This is a flash to you, I  
7 know, but any money Fernando gets is for me. It's my money.  
8 Everything is my money. Everything in this office runs on my money."

9 n. On or about September 28, 2012, VALDES told Person A  
10 that splitting REESE's \$6,000 bribe into two separate \$3,000 payments  
11 should be acceptable to REESE and encouraged Person A to pay the  
12 first \$3,000 quickly.

13 o. On or about September 29, 2012, REESE accepted a  
14 \$6,000 cash bribe in a gift bag from Person A, pursuant to the bribe  
15 agreement with Person A, MATHIS, VALDES, and FOREMOST, in the parking  
16 lot of a Jolly Roger restaurant in Oceanside, California.

17 p. On or about September 29, 2012, after receiving the  
18 \$6,000, REESE agreed that the payment could be adjusted if he did not  
19 make 100 referrals per month, but reassured Person A that they  
20 "wouldn't have any trouble with the numbers."

21 q. On or about September 29, 2012, Person A informed  
22 MATHIS that Person A had met with REESE and "took care of  
23 everything," referring to the \$6,000 payment, and MATHIS said that  
24 FOREMOST was ready and had hired someone just to do the treatments at  
25 REESE's office.

26 r. Prior to October 2, 2012, MATHIS, VALDES, and FOREMOST  
27 caused REESE to refer patients to FOREMOST for shockwave treatments  
28

1 on October 2, 2012, and to conceal from those patients the bribe  
2 REESE had received for making those referrals.

3 s. On or about October 2, 2012, MATHIS, VALDES, and  
4 FOREMOST sent a shockwave technician to conduct shockwave treatments  
5 on 5 patients supplied by REESE as a result of the bribery agreement  
6 and the \$6,000 bribe for the month of October.

7 t. On or about October 3, 2012, MATHIS told Person A that  
8 REESE "need[ed]" to schedule additional patients for shockwave  
9 treatments to "catch up" on the number of patients expected for the  
10 month of October in exchange for the \$6,000 bribe payment.

11 u. Prior to October 16, 2012, MATHIS, VALDES, and  
12 FOREMOST caused REESE to refer patients to FOREMOST for shockwave  
13 treatments on October 16, 2012, and to conceal from those patients  
14 the bribe REESE had received for making those referrals.

15 v. On or about October 16, 2012, VALDES confirmed in a  
16 phone call with an employee at REESE's office that 31 patients were  
17 scheduled for shockwave treatments that day.

18 w. On or about October 16, 2012 MATHIS, VALDES, and  
19 FOREMOST sent a shockwave technician to conduct shockwave treatments  
20 on 17 patients supplied by REESE as a result of the bribery and  
21 kickback agreement.

22 x. Around mid-October, REESE caused staff in his office  
23 to schedule patients for shockwave treatments on October 30 due to  
24 the \$6,000 bribe he received for that month.

25 y. On or about October 19, 2012, with VALDES present,  
26 MATHIS explained the structure he used to secretly pay bribes and  
27 kickbacks for referrals - that is, MATHIS arranged for an  
28 Intermediary to "lease" FOREMOST to perform shockwave treatments and

1 acquire the receivables, and then required the Intermediary to  
2 contract with iMedical to collect on the receivables. MATHIS said he  
3 also arranged for the Intermediary to pay the bribes and kickbacks to  
4 Doctors through an untraceable "management company," but warned that  
5 these "kickback things" violated the law.

6 z. On or about October 25, 2012, VALDES agreed to try to  
7 persuade MATHIS to give Person A some of the upfront bribe money to  
8 be paid to REESE.

9 aa. On or about October 25, 2012, VALDES provided to  
10 Person A a list showing that FOREMOST had submitted claims for 5 of  
11 REESE's patients from October 2, and 17 patients from October 16.

12 bb. On or about October 25, 2012, REESE, MATHIS, VALDES,  
13 and FOREMOST caused a claim for \$4,200 to be mailed to the employer  
14 of REESE's patient L.S., in the Southern District of California, for  
15 shockwave treatments for L.S. on October 2 and 16, 2012, which was  
16 billed under the wrong code, falsely and fraudulently reported that  
17 REESE was the provider for the shockwave treatments, and which  
18 omitted the material information that the claim had been procured as  
19 a result of a bribe paid to REESE.

20 cc. On or about October 25, 2012, REESE, MATHIS, VALDES,  
21 and FOREMOST caused a claim for \$4,200 to be mailed to a CWCS insurer  
22 for shockwave treatment for REESE's patient M.F. on October 2 and 16,  
23 2012, which was billed under the wrong code, falsely and fraudulently  
24 reported that REESE was the provider for the shockwave treatments,  
25 and which omitted the material information that the claim had been  
26 procured as a result of a bribe paid to REESE.

27 dd. On or about October 26, 2012, when Person A told  
28 MATHIS and VALDES that REESE wanted his money for November, MATHIS

1 complained that REESE was not "keeping up with his numbers," but  
2 agreed to continue with the treatments scheduled for October 30, 2012  
3 because REESE had already been paid for October.

4 ee. On or about October 26, 2012, REESE accepted \$3,000 in  
5 cash from Person A at a restaurant in Del Mar, pursuant to the bribe  
6 agreement with Person A, MATHIS, VALDES, and FOREMOST, as partial  
7 payment of the November monthly bribe.

8 ff. Prior to October 30, 2012, MATHIS, VALDES, and  
9 FOREMOST caused REESE to refer patients to FOREMOST for shockwave  
10 treatments on October 30, 2012, and to conceal from those patients  
11 the bribe REESE had received for making those referrals.

12 gg. On or about October 30, 2012, MATHIS, VALDES, and  
13 FOREMOST sent a shockwave technician to conduct shockwave treatments  
14 on 19 patients referred by REESE as a result of the bribery agreement  
15 and the \$6,000 bribe for the month of October.

16 hh. On or about October 30, 2012, MATHIS gave Person A  
17 \$500 to be given to REESE in partial payment of the bribe for  
18 November.

19 ii. On or about November 1, 2012, REESE accepted a \$500  
20 bribe from Person A and FOREMOST, pursuant to the bribe agreement  
21 with Person A, MATHIS, VALDES, and FOREMOST, and committed to finding  
22 more of his patients to refer to FOREMOST for shockwave treatments in  
23 exchange for bribes and kickbacks.

24 jj. On or about November 1, 2012, REESE asked Person A to  
25 supply an employee to help review REESE's patient files to identify  
26 candidates whom REESE could refer to FOREMOST for shockwave  
27 treatments in exchange for bribes.

1           kk. On or about November 2, 2012, when Person A told  
2 MATHIS that Person A did not have the funds to pay REESE the rest of  
3 the \$6,000 for November, MATHIS responded that since REESE had  
4 already been paid for half of November, they should continue for the  
5 time being, and suggested that MATHIS might find someone else who  
6 could help "invest" in the deal with REESE.

7           ll. On or about November 2, 2012, when Person A told  
8 MATHIS that REESE wanted the entire payment for November before  
9 scheduling more patients for shockwave, MATHIS said he would cancel  
10 the FOREMOST technician's planned trip to REESE's clinic.

11           mm. On or about November 5, 2012, REESE accepted a \$2,500  
12 check, wrapped inside a newspaper, representing the rest of the bribe  
13 payment for the month of November.

14           nn. Around early November, REESE caused staff in his  
15 office to schedule patients for shockwave treatments on November 17  
16 due to the \$6,000 in bribes he received for that month.

17           oo. On or about November 9, 2012, REESE, MATHIS, VALDES,  
18 and FOREMOST caused a claim for \$2,100 to be mailed to the patient's  
19 employer in the Southern District of California, for shockwave  
20 treatment for REESE's patient L.S. on October 30, 2012, which was  
21 billed under the wrong code, falsely and fraudulently reported that  
22 REESE was the provider for the shockwave treatments, and which  
23 omitted the material information that the claim had been procured as  
24 a result of a bribe paid to REESE.

25           pp. After REESE had provided only about 41 patient  
26 referrals for the month of October, on about November 9, 2012, MATHIS  
27 said that he would continue the deal only if REESE "could get close  
28 to doing one hundred" patient referrals per month.

1           qq. On or about November 11, 2012, REESE, MATHIS, VALDES,  
2 and FOREMOST caused a claim for \$2,100 to be mailed to a CWCS insurer  
3 for shockwave treatment for REESE's patient A.P. on October 30, 2012,  
4 which was billed under the wrong code, falsely and fraudulently  
5 reported that REESE was the provider for the shockwave treatments,  
6 and which omitted the material information that the claim had been  
7 procured as a result of a bribe paid to REESE.

8           rr. On or about November 13, 2012, MATHIS, VALDES, and  
9 FOREMOST sent a shockwave technician to conduct shockwave treatments  
10 on patients supplied by REESE as a result of the bribery agreement.

11           ss. On or about November 13, 2012, REESE, MATHIS, VALDES,  
12 and FOREMOST concealed from REESE's patients that REESE had referred  
13 them to FOREMOST for shockwave treatments as a result of a bribery  
14 agreement.

15           tt. Around mid-November, REESE caused staff in his office  
16 to schedule patients for shockwave treatments on November 27 due to  
17 the \$6,000 bribe he received for that month.

18           uu. On or about November 27, 2012, MATHIS, VALDES, and  
19 FOREMOST sent a shockwave technician to conduct shockwave treatments  
20 on patients supplied by REESE as a result of the bribery agreement.

21           vv. On or about November 27, 2012, REESE, MATHIS, VALDES,  
22 and FOREMOST concealed from REESE's patients that REESE had referred  
23 them to FOREMOST for shockwave treatments as a result of a bribery  
24 agreement.

25           ww. On or about November 28, 2012, REESE, MATHIS, VALDES,  
26 and FOREMOST caused a claim for \$2,100 to be mailed to a CWCS insurer  
27 for shockwave treatment for REESE's patient G.A. on November 13,  
28 2012, which was billed under the wrong code, falsely and fraudulently



1 reported that REESE was the provider for the shockwave treatments,  
2 and which omitted the material information that the claim had been  
3 procured as a result of a bribe paid to REESE.

4 xx. On or about November 28, 2012, REESE, MATHIS, VALDES,  
5 and FOREMOST caused a claim for \$2,100 to be mailed to a CWCS insurer  
6 for shockwave treatment for REESE's patient S.M. on November 13,  
7 2012, which was billed under the wrong code, falsely and fraudulently  
8 reported that REESE was the provider for the shockwave treatments,  
9 and which omitted the material information that the claim had been  
10 procured as a result of a bribe paid to REESE.

11 yy. On or about December 4, 2012, REESE, MATHIS, VALDES,  
12 and FOREMOST caused a claim for \$2,100 to be mailed to a CWCS insurer  
13 for shockwave treatment for REESE's patient A.V. on November 13,  
14 2012, which was billed under the wrong code, falsely and fraudulently  
15 reported that REESE was the provider for the shockwave treatments,  
16 and which omitted the material information that the claim had been  
17 procured as a result of a bribe paid to REESE.

18 zz. On or about December 11, 2012, in a text message,  
19 REESE told Person A that REESE had canceled shockwave treatments for  
20 his patients because REESE had not received any bribe payment for  
21 December.

22 aaa. On or about December 18, 2012, REESE, MATHIS, VALDES,  
23 and FOREMOST caused a claim for \$2,100 to be mailed to a CWCS insurer  
24 for shockwave treatment for REESE's patient M.M. on November 27,  
25 2012, which was billed under the wrong code, falsely and fraudulently  
26 reported that REESE was the provider for the shockwave treatments,  
27 and which omitted the material information that the claim had been  
28 procured as a result of a bribe paid to REESE.



1           bbb. On or about December 18, 2012, REESE, MATHIS, VALDES,  
2 and FOREMOST caused a claim for \$2,100 to be mailed to the patient's  
3 employer in the Southern District of California, for shockwave  
4 treatment for REESE's patient A.M. on November 27, 2012, which was  
5 billed under the wrong code, falsely and fraudulently reported that  
6 REESE was the provider for the shockwave treatments, and which  
7 omitted the material information that the claim had been procured as  
8 a result of a bribe paid to REESE.

9           ccc. On or about April 2, 2015, REESE, MATHIS, VALDES, and  
10 FOREMOST mailed and caused to be mailed a California Workers'  
11 Compensation Appeals Board form to an attorney in the Southern  
12 District of California in an effort to collect payment for the  
13 shockwave treatment for REESE's patient M.M. on November 27, 2012.  
14 All in violation of Title 18, United States Code, Section 371.

15                           Counts 2-5  
16                           HONEST SERVICES MAIL FRAUD  
17                           [18 U.S.C. §§ 1341, 1346, & 2]  
                              [ALL DEFENDANTS]

18           21. Paragraphs 1 through 15 of this Indictment are realleged  
19 and incorporated by reference.

20           22. Beginning on an unknown date and continuing through the  
21 date of this Indictment, within the Southern District of California  
22 and elsewhere, defendants GEORGE K. REESE, GEORGE K. REESE  
23 PROFESSIONAL CHIROPRACTIC CORPORATION, LEE MATHIS, FERNANDO VALDES,  
24 FOREMOST SHOCKWAVE SOLUTIONS and others, knowingly and with the  
25 intent to defraud, devised and intended to devise a material scheme  
26 to defraud, that is, to deprive patients of their intangible right to  
27 Doctors' honest services.  
28

23. Paragraphs 18 through 20 of this Indictment are realleged and incorporated by reference as further describing the scheme to defraud.

**MAILINGS IN FURTHERANCE OF THE SCHEME**

24. On or about the dates listed below, within the Southern District of California and elsewhere, for the purpose of executing the above-described scheme to defraud, and attempting to do so, defendants GEORGE K. REESE, GEORGE K. REESE PROFESSIONAL CHIROPRACTIC CORPORATION, LEE MATHIS, FERNANDO VALDES, and FOREMOST SHOCKWAVE SOLUTIONS knowingly caused to be delivered by mail, according to the direction thereon, the following matters:

<u>Count</u>	<u>Date Mailed</u>	<u>Patient</u>	<u>Item</u>
2	October 25, 2012	L.S.	Claim for payment
3	November 9, 2012	L.S.	Claim for payment
4	December 18, 2012	A.M.	Claim for payment
5	April 2, 2015	M.M.	Workers' Comp. Appeals Board form

All in violation of Title 18, United States Code, Sections 1341, 1346 and 2.

**Count 6**

**TRAVEL ACT**

**18 U.S.C. §§ 1952(a)(1)(A), (a)(3)(A), AND 2**

**[ALL DEFENDANTS]**

25. Paragraphs 1 through 15 are realleged and incorporated by reference.

26. On or about September 5, 2012, within the Southern District of California and elsewhere, defendants GEORGE K. REESE, GEORGE K.

1 REESE PROFESSIONAL CHIROPRACTIC CORPORATION, LEE MATHIS, FERNANDO  
2 VALDES, and FOREMOST SHOCKWAVE SOLUTIONS, used and caused to be used  
3 a facility in interstate commerce, namely, a telephone, with the  
4 intent to promote, manage, establish, carry on, distribute the  
5 proceeds of, and facilitate the promotion, management, establishment,  
6 carrying on, and distribution of the proceeds of, an unlawful  
7 activity, that is, bribery in violation of California Labor Code  
8 Sections 139.3 and 3215, California Business and Professions Code  
9 Section 650, and California Insurance Code Section 750, and,  
10 thereafter, to promote and attempt to perform acts to promote,  
11 manage, establish, carry on, distribute the proceeds of, and  
12 facilitate the promotion, management, establishment, carrying on, and  
13 distribution of the proceeds of, such unlawful activity; in violation  
14 of Title 18, United States Code, Sections 1952(a)(1)(A), (a)(3)(A),  
15 and 2.

16 Count 7

17 TRAVEL ACT

18 18 U.S.C. §§ 1952(a)(1)(A), (a)(3)(A) AND 2

19 [ALL DEFENDANTS]

20 27. Paragraphs 1 through 15 are realleged and incorporated by  
21 reference.

22 28. On or about September 17, 2012, within the Southern  
23 District of California and elsewhere, defendants GEORGE K. REESE,  
24 GEORGE K. REESE PROFESSIONAL CHIROPRACTIC CORPORATION, LEE MATHIS,  
25 FERNANDO VALDES, and FOREMOST SHOCKWAVE SOLUTIONS, used and caused to  
26 be used a facility in interstate commerce, namely, a telephone, with  
27 the intent to promote, manage, establish, carry on, distribute the  
28 proceeds of, and facilitate the promotion, management, establishment,  
carrying on, and distribution of the proceeds of, an unlawful

1 activity, that is, bribery in violation of California Labor Code  
2 Sections 139.3 and 3215, California Business and Professions Code  
3 Section 650, and California Insurance Code Section 750, and,  
4 thereafter, to promote and attempt to perform acts to promote,  
5 manage, establish, carry on, distribute the proceeds of, and  
6 facilitate the promotion, management, establishment, carrying on, and  
7 distribution of the proceeds of, such unlawful activity; in violation  
8 of Title 18, United States Code, Sections 1952(a)(1)(A), (a)(3)(A),  
9 and 2.

10 Count 8

11 TRAVEL ACT

12 18 U.S.C. §§ 1952(a)(1)(A), (a)(3)(A), AND 2

13 [ALL DEFENDANTS]

14 29. Paragraphs 1 through 15 are realleged and incorporated by  
15 reference.

16 30. On or about September 27, 2012, within the Southern  
17 District of California and elsewhere, defendants GEORGE K. REESE,  
18 GEORGE K. REESE PROFESSIONAL CHIROPRACTIC CORPORATION, LEE MATHIS,  
19 FERNANDO VALDES, and FOREMOST SHOCKWAVE SOLUTIONS, used and caused to  
20 be used a facility in interstate commerce, namely, a telephone, with  
21 the intent to promote, manage, establish, carry on, distribute the  
22 proceeds of, and facilitate the promotion, management, establishment,  
23 carrying on, and distribution of the proceeds of, an unlawful  
24 activity, that is, bribery in violation of California Labor Code  
25 Sections 139.3 and 3215, California Business and Professions Code  
26 Section 650, and California Insurance Code Section 750, and,  
27 thereafter, to promote and attempt to perform acts to promote,  
28 manage, establish, carry on, distribute the proceeds of, and  
facilitate the promotion, management, establishment, carrying on, and

1 distribution of the proceeds of, such unlawful activity; in violation  
2 of Title 18, United States Code, Sections 1952(a)(1)(A), (a)(3)(A),  
3 and 2.

4 Count 9

5 TRAVEL ACT

6 18 U.S.C. §§ 1952(a)(1)(A), (a)(3)(A), AND 2

7 [ALL DEFENDANTS]

8 31. Paragraphs 1 through 15 are realleged and incorporated by  
9 reference.

10 32. On or about October 16, 2012, within the Southern District  
11 of California and elsewhere, defendants GEORGE K. REESE, GEORGE K.  
12 REESE PROFESSIONAL CHIROPRACTIC CORPORATION, LEE MATHIS, FERNANDO  
13 VALDES, and FOREMOST SHOCKWAVE SOLUTIONS, used and caused to be used  
14 a facility in interstate commerce, namely, a telephone, with the  
15 intent to promote, manage, establish, carry on, distribute the  
16 proceeds of, and facilitate the promotion, management, establishment,  
17 carrying on, and distribution of the proceeds of, an unlawful  
18 activity, that is, bribery in violation of California Labor Code  
19 Sections 139.3 and 3215, California Business and Professions Code  
20 Section 650, and California Insurance Code Section 750, and,  
21 thereafter, to promote and attempt to perform acts to promote,  
22 manage, establish, carry on, distribute the proceeds of, and  
23 facilitate the promotion, management, establishment, carrying on, and  
24 distribution of the proceeds of, such unlawful activity; in violation  
25 of Title 18, United States Code, Sections 1952(a)(1)(A), (a)(3)(A),  
26 and 2.

27 //

28 //

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FORFEITURE ALLEGATION

33. Paragraphs 1 through 32 of this Indictment are realleged and incorporated as if fully set forth herein for the purpose of alleging forfeiture.

34. Pursuant to Federal Rule of Criminal Procedure 32.2, notice is hereby given that upon conviction of any of the offenses of Honest Services Mail Fraud as alleged in Counts 2 through 5, or violations of the Travel Act, as alleged in Counts 6 through 9, defendants GEORGE K. REESE, GEORGE K. REESE PROFESSIONAL CHIROPRACTIC CORPORATION, LEE MATHIS, FERNANDO VALDES, and FOREMOST SHOCKWAVE SOLUTIONS, pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), shall forfeit to the United States: (a) all right, title, and interest in any property, real or personal, that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the commission of such offenses and (b) a sum of money equal to the total amount of gross proceeds derived, directly or indirectly, from such offenses.


35. If any of the above described forfeitable property, as a result of any act or omission of defendants: (a) cannot be located upon the exercise of due diligence; (b) has been transferred or sold to, or deposited with, a third party; (c) has been placed beyond the jurisdiction of the Court; (d) has been substantially diminished in value; or (e) has been commingled with other property which cannot be divided without difficulty; it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p) and Title 18, United States Code, Section 982(b), to seek forfeiture of

1 any other property of defendants up to the value of the forfeitable  
2 property described above.

3 All pursuant to Title 18, United States Code, Section 981(a)(1)(C),  
4 and Title 28, United States Code, Section 2461(c).

5 DATED: November 5, 2015.

6 A TRUE BILL:

7   
8 Foreperson

9 LAURA E. DUFFY  
United States Attorney

10 By:   
11 VALERIE H. CHU  
12 Assistant U.S. Attorney

13 By:   
14 CAROLINE HAN  
Assistant U.S. Attorney

15 By:   
16 FRED A. SHEPPARD  
17 Assistant U.S. Attorney