

NEWS

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Sureties Broker Admits Attempting to Defraud New Jersey Business of \$800,000

(More)

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TRENTON – A California sureties broker pleaded guilty today to a charge of wire fraud in connection with his scheme to defraud a New Jersey company of approximately \$800,000, U.S. Attorney Christopher J. Christie announced.

Robert S. Michaels, 62, currently residing in Park City, Utah, entered his plea before U.S. District Court Judge Mary L. Cooper, who scheduled sentencing for March 27. Michaels was release on a \$250,000 bond pending sentencing.

At his plea hearing, Michaels admitted that in June 2002, he was a principal of a company called North American Sureties (“NAS”) that was located in Los Angeles. NAS was in the business of obtaining surety bonds for customers to use, among other purposes, to guarantee commercial loans. At that time, Michaels was put in touch with an individual identified only as “J.V.,” who owned a business called Phoenix World Wide Limited (“Phoenix”) located in Monmouth County, Michaels admitted.

According to Michaels, Phoenix was looking to obtain financing to complete an acquisition of a company located in Italy. Michaels admitted that he offered to obtain a surety bond, which was to be reinsured, on behalf of J.V. and Phoenix, to guarantee a \$40 million loan for the acquisition. Michaels told J.V. and his representatives that a \$800,000 deposit toward the bond premium would be required.

In soliciting the down payment, Michaels admitted that he made misrepresentations to J.V. about the identity of the reinsurance companies that he would deal with because the rating of the reinsurance companies was important to J.V. Michaels also admitted to telling J.V. that the deposit would be fully refundable even though Michaels knew he was not going to be in a position to fully refund the deposit.

Michaels admitted that he made the false statements regarding the identity of the reinsurance companies and his ability to refund the deposit in order to induce J.V. to make the \$800,000 deposit. J.V., and others on his behalf, paid NAS the \$800,000 deposit, which included a wire transfer in the amount of \$200,000, in August 2002.

After NAS received the \$800,000, a substantial portion of it was quickly spent by Michaels on personal and business expenses unrelated to business dealings with J.V., Michaels admitted.

Beginning in October 2002, Michaels made false statements to J.V. and his representatives that NAS was in the process of returning the \$800,000 deposit, as requested, but was delayed for various reasons, including glitches in the international banking system. Michaels admitted that he knew these statements were false when he made them and did so to justify his failure to promptly return the \$800,000.

The charge of wire fraud carries a statutory maximum prison sentence of 20 years, and a fine of \$250,000 or twice the gross amount of any pecuniary gain that any persons or twice the gross amount of any pecuniary loss sustained by any victims of the offense.

In determining an actual sentence, Judge Cooper will consult the advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines in determining a sentence.

Parole has been abolished in the federal system. Defendants who are given custodial terms must serve nearly all that time.

Christie credited Special Agents of the FBI's Red Bank Resident Agency, under the direction of Special Agent in Charge Weysan Dun in Newark, with the investigation.

The Government is represented by Assistant U.S. Attorney Eric M. Schweiker, of the U.S. Attorney's Criminal Division in Trenton.

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Defense Attorney: Peter B. Bennett, Esq. Middletown