



# Department of Justice

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Eastern District of California

FOR IMMEDIATE RELEASE  
Thursday, October 30, 2008  
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## **FIVE DEFENDANTS CHARGED WITH CRIMES RELATED TO MAJOR INTERNET-BASED COUNTERFEIT MOVIE DISTRIBUTION BUSINESS**

FRESNO, Calif.—United States Attorney McGregor W. Scott announced today that a grand jury sitting in Fresno returned a multi-count indictment against STEVEN WALTER BUTTS, 61; KAREN JEAN FREYLING, 46; STEVEN ALAN LOBUE, 48; RAYMOND PAUL MOTT, 46; and EARL EDWARD (aka JOHN) RIEDEL, 46; all of Turlock, Calif. They are charged with using the Internet in a criminal conspiracy to commit wire fraud, mail fraud, and criminal infringement of a copyright. The indictment also charges some of the defendants with trademark violations, smuggling goods into the United States, theft of government money, and making false statements.

This case is the result of an extensive investigation by the Federal Bureau of Investigation, the United States Postal Inspection Service, the Social Security Administration's Office of the Inspector General, the U.S. Immigration and Customs Enforcement, and the Motion Picture Association of America (MPAA).

According to Assistant United States Attorney David Gappa, who is prosecuting the case, the indictment alleges that from 2005 through October 2008, the defendants conspired to distribute throughout the United States thousands of copyright-protected movies in DVD format. The DVDs were imported in violation of United States law from various sources, including the Philippines, and sold through the following Web sites: [www.familydvdwholesale.com](http://www.familydvdwholesale.com), [www.dvds2gowholesale.com](http://www.dvds2gowholesale.com), and [www.movieareus.com](http://www.movieareus.com). The defendants claimed that the movies were "new" and "not copied, burned, or used." Many of the movie titles were distributed before the copyright holders had released them for distribution to the public and while the movies were still being shown only in theaters. According to court documents, the business produced approximately \$30,000 per month in revenue. Numerous complaints about the business and its counterfeit DVDs were filed with the Better Business Bureau, MPAA, and Ripoff Report. On October 8, 2008, numerous search warrants were executed, several bank accounts and vehicles were seized, and all of the defendants were arrested.

The indictment also alleges that from approximately 1991 through October 2008 defendants FREYLING and BUTTS unlawfully obtained Supplemental Security Income benefits in excess of \$130,000 by failing to report true facts affecting FREYLING's eligibility for the benefits. FREYLING is also charged with making false statements to an FBI agent.

For the most serious offenses, the defendants face a potential prison sentence of 20 years and a fine of up to \$2,000,000. All of the defendants have been released from custody and are scheduled to appear in court again on Friday October 31, 2008, at 1:30 p.m.

The charges in an indictment are only allegations, and a defendant is presumed innocent until and unless proven guilty beyond a reasonable doubt.

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