

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

vs.

JAMES TAYLOR,
CAROL ANN TAYLOR,
PHILIP EUGENE KENDRICK,
TROY ALLEN HOWARD, and
DERRICK JOHN GRAVES,

Defendants.

No.

1:11-cr-160

Hon.

Robert Holmes Bell
U.S. District Judge

INDICTMENT

The Grand Jury charges:

COUNT 1
(Conspiracy)

THE CONSPIRACY AND ITS OBJECTS

1. Beginning in or about January of 2009, and continuing to on or about May 25, 2011, in the Western District of Michigan, Southern Division,

JAMES TAYLOR,
CAROL ANN TAYLOR,
PHILIP EUGENE KENDRICK,
TROY ALLEN HOWARD, and
DERRICK JOHN GRAVES

did knowingly combine, conspire, confederate, and agree with each other and with other persons known and unknown to the grand jury, to commit Supplemental Nutrition Assistance Program fraud, in violation of Title 7, United States Code, Section 2024(b)(1); to distribute cocaine base, a Schedule II controlled substance, in violation of Title 21, United States Code, Section

841(a)(1); to distribute heroin, a Schedule I controlled substance, in violation of Title 21, United States Code, Section 841(a)(1); to and distribute marijuana, a Schedule I controlled substance, in violation of Title 21, United States Code, Section 841(a)(1).

2. The principal goal of the conspiracy was to obtain money by defrauding the federal Supplemental Nutrition Assistance Program ("SNAP"), also known as the Food Stamp Program ("FSP"), by charging SNAP benefit recipients 50% commission for converting SNAP benefits to cash in violation of federal law.

MANNER AND MEANS OF THE CONSPIRACY

3. At all times relevant to the conspiracy, JAMES TAYLOR and CAROL ANN TAYLOR owned and operated J & K General Store, a small store in Lansing, Ingham County, Michigan.

4. On August 28, 2008, JAMES TAYLOR and CAROL ANN TAYLOR completed, signed, and submitted Food and Nutrition Service Form 252, Food Stamp Application for Stores. By signing and submitting the Form 252, JAMES TAYLOR and CAROL ANN TAYLOR certified the following, in part:

I am aware that violations of program rules can result in administrative acts such as fines, sanctions, withdrawal or disqualification from the Food Stamp Program; I am aware that violations of the Food Stamp Program rules can also result in Federal, State, and/or local criminal prosecution and sanctions;

I accept responsibility on behalf of the firm for violations of the Food Stamp Program regulations, including those committed by any of the firm's employees, paid or unpaid, new, full-time or part-time. These include violations such as, but not limited to:

- Trading cash for food stamp benefits (i.e., trafficking);
- Accepting food stamp benefits as payment for ineligible items;
- Accepting food stamp benefits as payments on credit accounts or loans;
- Knowingly accepting food stamp benefits from people not authorized to use them;

5. J & K General Store obtained permission to redeem benefits through the Supplemental Nutrition Assistance Program (the Food Stamp Program), a program which uses federal funds to provide nutritional assistance to needy individuals.

6. Whereas the Food Stamp Program formerly provided paper coupons or stamps that could be redeemed for eligible items, the Supplemental Nutrition Assistance Program now uses electronic benefit transfer ("EBT") cards, which operate like debit cards. It was therefore part of the conspiracy that JAMES TAYLOR and CAROL ANN TAYLOR obtained a point-of-sale terminal that allowed them to swipe EBT cards. Money obtained through these transactions was then deposited directly to a bank account controlled by JAMES TAYLOR and CAROL ANN TAYLOR.

7. In order to illegally obtain money, JAMES TAYLOR and CAROL ANN TAYLOR allowed customers to redeem SNAP benefits for cash and other ineligible items at an inflated rate, usually taking for themselves an illegal profit of approximately 50% for the SNAP benefits.

8. On August 18, 2010, a federal search warrant was executed at J & K General Store, in Lansing, Michigan. The SNAP fraud continued even after the search warrant was executed.

9. In order to generate further illegal profit, JAMES TAYLOR, CAROL ANN TAYLOR, PHILIP EUGENE KENDRICK, TROY ALLEN HOWARD, and DERRICK JOHN GRAVES also sold controlled substances, cocaine base (crack), heroin, and marijuana, in exchange for SNAP benefits.

10. In order to generate further illegal profit, JAMES TAYLOR also sold firearms in exchange for SNAP benefits.

OVERT ACTS

11. In furtherance of the conspiracy, and to effect the objects of the conspiracy, the following overt acts, among others, were committed in the Western District of Michigan:

a. On February 3, 2010, at J & K General Store, JAMES TAYLOR purchased \$20.00 in SNAP benefits from an undercover police office in exchange for \$10.00 cash.

b. On February 9, 2010, at J & K General Store, JAMES TAYLOR purchased \$82.24 in SNAP benefits from an undercover police office in exchange for \$40.00 cash.

c. On February 18, 2010, at J & K General Store, JAMES TAYLOR purchased \$61.84 in SNAP benefits from an undercover police office in exchange for \$30.00 cash.

d. On April 22, 2010, at J & K General Store, PHILIP EUGENE KENDRICK purchased \$180.00 in SNAP benefits from two cooperating individuals in exchange for \$90.00 cash.

e. On April 22, 2010, at J & K General Store, CAROL ANN TAYLOR purchased \$960.00 in SNAP benefits off three separate EBT cards from two cooperating individuals in exchange for \$480.00 cash.

f. On May 7, 2010, at J & K General Store, CAROL ANN TAYLOR purchased \$437.13 in SNAP benefits off two separate EBT cards from two cooperating individuals in exchange for \$200.00 cash and several non-food items. CAROL ANN TAYLOR stated, "*when it's four like that, four hundred dollars for the two of you, I'll do your two, then I'll do your two...come back in half an hour, then I'll do another two for you, and another two for you...so it isn't, you know, too much on the card at one time.*"

g. On May 18, 2010, at J & K General Store, PHILIP EUGENE KENDRICK purchased \$110.86 in SNAP benefits from an undercover police office in exchange for \$50.00 cash.

h. On May 19, 2010, at J & K General Store, JAMES TAYLOR and a J & K employee purchased \$399.98 in SNAP benefits from two cooperating individuals in exchange for \$200.00 cash. JAMES TAYLOR stated, "*how much you trying to do...you saying you got five*

hundred you want to do off the card...I can do all of it but I can't do it all right now, you want to do two hundred of it?"

i. On October 1, 2010, at J & K General Store, TROY ALLEN HOWARD searched a cooperating individual and then purchased \$200.00 in SNAP benefits in four separate EBT transactions for \$45.00, \$55.00, \$47.00, and \$53.00, from the cooperating individual in exchange for \$100.00 in cash.

j. On October 7, 2010, at J & K General Store, TROY ALLEN HOWARD searched a cooperating individual and then TROY ALLEN HOWARD and JAMES TAYLOR purchased \$241.72 in SNAP benefits from the cooperating individual in exchange for cocaine base (crack) valued at \$100.00.

k. On October 11, 2010, at J & K General Store, TROY ALLEN HOWARD sold cocaine base (crack) to a cooperating individual in exchange for \$100.00 in cash.

l. On October 12, 2010, at J & K General Store, JAMES TAYLOR offered to sell a cooperating individual cocaine base (crack) for \$100 in cash. When the cooperating individual agreed, DERRICK JOHN GRAVES arrived with a key to unlock a container from which JAMES TAYLOR retrieved the cocaine base (crack) which he sold to the cooperating individual for \$100.00 in cash.

m. On October 18, 2010, at J & K General Store, CAROL ANN TAYLOR purchased \$214.43 in SNAP benefits from a cooperating individual in exchange for \$103.00 in cash. CAROL ANN TAYLOR created fictitious receipts for two "meat bundles" and four packages of "chicken tenders" for the SNAP transaction.

n. On November 8, 2010, at J & K General Store, CAROL ANN TAYLOR purchased \$213.63 in SNAP benefits from a cooperating individual in exchange for \$100.00 in cash. The cooperating individual then handed the \$100.00 plus an additional \$80.00 in cash to DERRICK JOHN GRAVES in exchange for cocaine base (crack).

o. On November 9, 2010, at J & K General Store, TROY ALLEN HOWARD purchased \$45.03 in SNAP benefits, in two separate EBT transactions of \$20.00 and \$25.03, from a cooperating individual in exchange for \$20.00 in cash.

p. On November 10, 2010, at J & K General Store, JAMES TAYLOR purchased \$183.00 in SNAP benefits from a cooperating individual in exchange for \$90.00 in cash. The cooperating individual then handed the \$90.00 plus an additional \$80.00 in cash to DERRICK JOHN GRAVES in exchange for cocaine base (crack).

q. On November 23, 2010, at J & K General Store, JAMES TAYLOR and CAROL ANN TAYLOR purchased \$789.98 in SNAP benefits from a cooperating individual in exchange for heroin, marijuana, and a substance purported to be crack. JAMES TAYLOR conducted the EBT transaction. CAROL ANN TAYLOR created a series of fictitious receipts for "Beef Bundle", "Ch Bundle", "Turkey", "Ch Tenders", and "Shrimp". JAMES TAYLOR handed the cooperating individual the marijuana and the substance purported to be crack. DERRICK JOHN GRAVES arrived at J & K General Store and provided the cooperating individual with the heroin.

r. On December 21, 2010, at J & K General Store, JAMES TAYLOR purchased \$150.89 in SNAP benefits from a cooperating individual in exchange for marijuana. PHILIP EUGENE KENDRICK retrieved the marijuana from the back of the store and handed it

to JAMES TAYLOR who then handed the marijuana to the cooperating individual. When asked about the price per gram of heroin, JAMES TAYLOR stated, "*you getting all three of em' off the card?....that's coming off the card? ...you already know what it's gonna be, they one twenty five, so you gonna get it off the card, it's gonna be two fifty...it's gonna be double off the card...*"

s. On December 29, 2010, at J & K General Store, JAMES TAYLOR purchased \$952.98 in SNAP benefits from a cooperating individual, using two different EBT cards, to which the cooperating individual added \$200.00 in cash in exchange for a .32 semi-automatic handgun and some marijuana.

18 U.S.C. § 371

7 U.S.C. § 2024(b)(1)

21 U.S.C. § 841(a)(1)

21 U.S.C. § 841(b)(1)(C)

21 U.S.C. § 841(b)(1)(D)

COUNT 2

(Supplemental Nutrition Assistance Program Fraud)

The Grand Jury re-alleges all the allegations contained in Count 1 as if set forth fully herein.

Between in or about January of 2009, and on or about May 25, 2011, in Ingham County, in the Western District of Michigan, Southern Division,

JAMES TAYLOR,
CAROL ANN TAYLOR,
PHILIP EUGENE KENDRICK,
TROY ALLEN HOWARD, and
DERRICK JOHN GRAVES

knowingly used, acquired, and possessed, and aided and abetted each other in using, acquiring, and possessing, \$5,000 or more of Supplemental Nutrition Assistance Program benefits, more specifically approximately \$462,852.00 in benefits, in a manner contrary to the statutes and regulations governing the Supplemental Nutrition Assistance Program.

7 U.S.C. § 2024(b)(1)

18 U.S.C. § 2

COUNT 3
(Distribution of Cocaine Base)

On or about October 7, 2010, in Ingham County, in the Western District of Michigan,
Southern Division,

JAMES TAYLOR and
TROY ALLEN HOWARD

did knowingly and intentionally distribute a mixture or substance containing a detectable amount of cocaine base (crack), a Schedule II controlled substance, in violation of Title 21, United States Code, Sections 841(a)(1) and 841(b)(1)(C).

21 U.S.C. § 841(a)(1)
21 U.S.C. § 841(b)(1)(C)
18 U.S.C. § 2

COUNT 4
(Distribution of Cocaine Base)

On or about October 11, 2010, in Ingham County, in the Western District of Michigan,
Southern Division,

TROY ALLEN HOWARD

did knowingly and intentionally distribute a mixture or substance containing a detectable amount of cocaine base (crack), a Schedule II controlled substance, in violation of Title 21, United States Code, Sections 841(a)(1) and 841(b)(1)(C).

21 U.S.C. § 841(a)(1)
21 U.S.C. § 841(b)(1)(C)

COUNT 5
(Distribution of Cocaine Base)

On or about October 12, 2010, in Ingham County, in the Western District of Michigan,
Southern Division,

JAMES TAYLOR and
DERRICK JOHN GRAVES

did knowingly and intentionally distribute a mixture or substance containing a detectable amount of cocaine base (crack), a Schedule II controlled substance, in violation of Title 21, United States Code, Sections 841(a)(1) and 841(b)(1)(C).

21 U.S.C. § 841(a)(1)
21 U.S.C. § 841(b)(1)(C)
18 U.S.C. § 2

COUNT 6
(Distribution of Cocaine Base)

On or about November 8, 2010, in Ingham County, in the Western District of Michigan,
Southern Division,

DERRICK JOHN GRAVES

did knowingly and intentionally distribute a mixture or substance containing a detectable amount of cocaine base (crack), a Schedule II controlled substance, in violation of Title 21, United States Code, Sections 841(a)(1) and 841(b)(1)(C).

21 U.S.C. § 841(a)(1)
21 U.S.C. § 841(b)(1)(C)

COUNT 7
(Distribution of Cocaine Base)

On or about November 10, 2010, in Ingham County, in the Western District of Michigan,
Southern Division,

JAMES TAYLOR and
DERRICK JOHN GRAVES

did knowingly and intentionally distribute a mixture or substance containing a detectable amount of cocaine base (crack), a Schedule II controlled substance, in violation of Title 21, United States Code, Sections 841(a)(1) and 841(b)(1)(C).

21 U.S.C. § 841(a)(1)
21 U.S.C. § 841(b)(1)(C)
18 U.S.C. § 2

COUNT 8
(Distribution of Marijuana)

On or about November 23, 2010, in Ingham County, in the Western District of Michigan,
Southern Division,

JAMES TAYLOR and
CAROL ANN TAYLOR

did knowingly and intentionally distribute a mixture or substance containing a detectable amount
of marijuana, a Schedule I controlled substance, in violation of Title 21, United States Code,
Sections 841(a)(1) and 841(b)(1)(D).

21 U.S.C. § 841(a)(1)
21 U.S.C. § 841(b)(1)(D)
18 U.S.C. § 2

COUNT 9
(Distribution of Heroin)

On or about November 23, 2010, in Ingham County, in the Western District of Michigan,
Southern Division,

JAMES TAYLOR
CAROL ANN TAYLOR, and
DERRICK JOHN GRAVES

did knowingly and intentionally distribute a mixture or substance containing a detectable amount
of heroin, a Schedule I controlled substance, in violation of Title 21, United States Code,
Sections 841(a)(1) and 841(b)(1)(C).

21 U.S.C. § 841(a)(1)
21 U.S.C. § 841(b)(1)(C)
18 U.S.C. § 2

COUNT 10
(Distribution of Marijuana)

On or about December 21, 2010, in Ingham County, in the Western District of Michigan,
Southern Division,

JAMES TAYLOR and
PHILIP EUGENE KENDRICK

did knowingly and intentionally distribute a mixture or substance containing a detectable amount
of marijuana, a Schedule I controlled substance, in violation of Title 21, United States Code,
Sections 841(a)(1) and 841(b)(1)(D).

21 U.S.C. § 841(a)(1)
21 U.S.C. § 841(b)(1)(D)
18 U.S.C. § 2

COUNT 11
(Distribution of Heroin)

On or about January 13, 2011, in Ingham County, in the Western District of Michigan,
Southern Division,

CAROL ANN TAYLOR and
DERRICK JOHN GRAVES

did knowingly and intentionally distribute a mixture or substance containing a detectable amount
of heroin, a Schedule I controlled substance, in violation of Title 21, United States Code,
Sections 841(a)(1) and 841(b)(1)(C).

21 U.S.C. § 841(a)(1)
21 U.S.C. § 841(b)(1)(C)
18 U.S.C. § 2

COUNT 12
(Distribution of Heroin)

On or about January 31, 2011, in Ingham County, in the Western District of Michigan,
Southern Division,

DERRICK JOHN GRAVES

did knowingly and intentionally distribute a mixture or substance containing a detectable amount
of heroin, a Schedule I controlled substance, in violation of Title 21, United States Code,
Sections 841(a)(1) and 841(b)(1)(C).

21 U.S.C. § 841(a)(1)
21 U.S.C. § 841(b)(1)(C)

COUNT 13

(Possession of a Firearm by a Convicted Felon)

On or about December 29, 2010, in Ingham County, in the Western District of Michigan,
Southern Division,

JAMES TAYLOR,

being a person who had been convicted of at least one felony offense punishable by imprisonment for a term exceeding one year, did knowingly possess a firearm in and affecting commerce, specifically a Fabrique National Herstal .32 caliber semi-automatic pistol, serial number 454983, in violation of Title 18, United States Code, Sections 922(g)(1), 921(a), 924(a)(2), and 924(e)(1).

18 U.S.C. § 922(g)(1)
18 U.S.C. § 921(a)
18 U.S.C. § 924(a)(2)
18 U.S.C. § 924(e)(1)

COUNT 14

(Possession of a Firearm by a Convicted Felon)

On or about January 31, 2011, in Ingham County, in the Western District of Michigan,
Southern Division,

DERRICK JOHN GRAVES,

being a person who had been convicted of at least one felony offense punishable by imprisonment for a term exceeding one year, did knowingly possess a firearm in and affecting commerce, specifically a Rohm .22 caliber revolver, serial number 64566, in violation of Title 18, United States Code, Sections 922(g)(1), 921(a), 924(a)(2), and 924(e)(1)..

18 U.S.C. § 922(g)(1)

18 U.S.C. § 921(a)

18 U.S.C. § 924(a)(2)

18 U.S.C. § 924(e)(1)

CRIMINAL FORFEITURE ALLEGATIONS

The allegations contained in Counts 1 and 2 of this Indictment are hereby realleged and incorporated by reference for the purpose of alleging forfeitures pursuant to Title 7, United States Code, Section 2024(f), Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c).

Pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), upon conviction of a conspiracy to commit food stamp fraud in violation of Title 18, United States Code, Section 371, or upon conviction of food stamp fraud in violation of Title 7, United States Code, Section 2024,

JAMES TAYLOR,
CAROL ANN TAYLOR,
PHILIP EUGENE KENDRICK,
TROY ALLEN HOWARD, and
DERRICK JOHN GRAVES

shall forfeit to the United States of America all property, real or personal, which constitutes or is derived from proceeds traceable to said violations. The property to be forfeited includes, but is not limited to, the following:

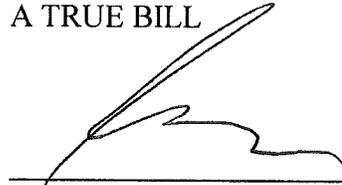
1. MONEY JUDGMENT: \$462,852.00, which represents the proceeds from the violations in Counts 1 and 2.
2. SUBSTITUTE ASSETS: If any of the property described above, as a result of any act or omission of the Defendants:
 - (a) cannot be located upon the exercise of due diligence;
 - (b) has been transferred 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;

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title
21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section
2461(c).

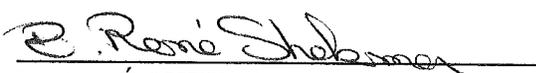
7 U.S.C. § 2024(f)
18 U.S.C. § 981(a)(1)(C)
28 U.S.C. § 2461
21 U.S.C. § 853(p)

A TRUE BILL



GRAND JURY FOREPERSON

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