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Southern District of New York*

FOR IMMEDIATE RELEASE
JUNE 18, 2007

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**TWO CHARGED WITH DEFRAUDING
INVESTORS IN \$1 MILLION BOILER ROOM SCHEME**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and MARK J. MERSHON, Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced today that ROBERT J. LAWS and STACEY DEFILIPPIS have been charged with securities fraud and conspiracy for participating in a scheme that defrauded investors and made secret, excessive commission payments to brokers. LAWS was arrested on Friday afternoon by the FBI, and was presented on Saturday before United States Magistrate Judge DEBRA C. FREEMAN. Judge FREEMAN ordered LAWS detained without bail. DEFILIPPIS surrendered to the FBI today, and is expected to be presented this afternoon before United States Magistrate Judge DOUGLAS F. EATON. According to the criminal Complaint unsealed Saturday in Manhattan federal court:

LAWS was the purported President and Chief Executive Officer of US Biofuel Holdings Inc. ("US Biofuel"), and led the investment scheme, which involved phoning potential investors to solicit investments, while paying undisclosed, secret commissions to the brokers and misappropriating investors' funds.

DEFILIPPIS, along with other boiler room employees, raised funds from investors by making baseless predictions concerning the purported success of the U.S. Biofuel investments, and without disclosing the true commission percentages paid to brokers.

LAWS represented to potential investors through investment memoranda that US Biofuel was attempting to raise \$1 million, and that the Company would pay brokers a commission of no greater than ten percent of the amount invested. However, LAWS agreed to pay commissions of 20 percent, and further agreed that brokers would receive an additional ten percent bonus for any investment over \$100,000. In order to recruit additional telemarketers to solicit investors, LAWS further offered to pay recruiters a five percent override, or commission, on any funds raised by individuals recruited to work at the US Biofuel boiler room.

In September 2006, a Confidential Informant posing as a broker (the "CI") met in person with LAWS, and gave LAWS two checks payable to US Biofuel in the amount of \$20,000 each. These checks were purportedly from two investors that the CI had solicited, although in reality they were drawn on undercover FBI

bank accounts. Several days later, LAWS told the CI that the two checks had cleared the bank, and subsequently \$12,000 was wired from a bank account in the name of "US Biofuel Holdings Inc." to the CI at a different undercover bank account. That \$12,000 wire transfer amounted to 30 percent of the \$40,000 provided by the CI to LAWS -- far above the ten percent commission disclosed to investors.

In October 2006, at the direction of the FBI, the CI recorded a meeting with LAWS. During this meeting, LAWS informed the CI that he was employing approximately nine people to solicit investments in US Biofuel, stating that the telemarketers had raised \$50,000 in the last week, and that one woman had brought in \$25,000 in a week. LAWS introduced the CI to co-defendant STACEY DEFILIPPIS, and described DEFILIPPIS as his "superstar."

In March 2007, the CI and an undercover FBI agent (the "UC"), posing as a corrupt broker, met with LAWS and DEFILIPPIS at the US Biofuel office at 40 Exchange Place in Manhattan. LAWS told the UC that he was paying out 20 percent commissions, and stated that he was not following "guidelines 100 percent," and that the private placement memorandum disclosed commissions of ten percent. In addition, during the meeting LAWS introduced DEFILIPPIS to the UC. LAWS described DEFILIPPIS as his top seller, and said she was averaging \$100,000 per month in sales. LAWS stated that DEFILIPPIS had brought in approximately 20 of the Company's approximately 35 first round investors.

During the meeting, DEFILIPPIS informed the UC that she had been with the company since the end of October, and that she was being paid 20 percent. When the UC noted that the private placement memorandum disclosed only a ten percent commission, DEFILIPPIS confirmed that she received payments of 20 percent, though that was inconsistent with the paperwork. DEFILIPPIS further stated that she had brought in approximately 20 investors. DEFILIPPIS made a telephone call to a potential investor and gave a sales pitch in the UC's presence. DEFILIPPIS informed the potential investor that she believed the potential investor could expect returns of 10-15 times the initial investment in the next twelve months.

In late March 2007, the UC met with LAWS and informed LAWS that the UC had obtained investments of \$20,000. LAWS informed the UC that he would pay commissions of 25 percent on the investments brought in by the UC. In early April 2007, the FBI forwarded two purported investments in the amount of \$10,000 each to US Biofuel, representing that these funds were the \$20,000 raised by the UC. In late April 2007, the UC had a meeting with LAWS. During this meeting, LAWS signed and delivered to the UC a check in the amount of \$5,000. Subsequently, \$1,000 was wire-transferred from a US Biofuel bank account to the undercover bank account through which the CI had previously received a commission payment. That \$1,000 wire transfer amounted to five percent of the \$20,000 provided by the

UC to LAWS in early April 2007, and constituted the five percent override commission promised by LAWS to the CI for any brokers the CI recruited to work at the US Biofuel telemarketing room.

In total, through the UC and the CI, the FBI made purported investments of \$60,000. In return, the UC and CI received commission payments of \$18,000 from US Biofuel and LAWS, amounting to 30 percent of the total funds invested.

An analysis of a US Biofuel bank account, covering the period from October 2006 through April 2007, showed that US Biofuel took in approximately \$915,100 in investor funds, and paid DEFILIPPIS numerous checks, totaling approximately \$100,526. During that same time period, US Biofuel paid numerous checks to approximately six other additional brokers, totaling approximately \$74,000. Further, according to the bank account analysis over that same time period, approximately \$45,000 was withdrawn from the US Biofuel account using an ATM card, and approximately \$39,000 in investor funds were withdrawn from the account as bank counter withdrawals.

The two count criminal Complaint charges LAWS and DEFILIPPIS with one count each of securities fraud, and one count of conspiracy to commit securities fraud. If convicted, LAWS and DEFILIPPIS each face a maximum sentence of twenty years' imprisonment on the securities fraud charge, and a maximum fine of the greater of \$5 million or twice the gross gain or loss

resulting from the crime. On the charge of conspiracy to commit securities fraud, each faces a maximum sentence of five years' imprisonment and a maximum fine of the greater of \$250,000 or twice the gross gain or loss resulting from the crime.

Mr. GARCIA praised the investigative efforts of the FBI and thanked the Manhattan District Attorney's Office, which is separately announcing charges against LAWS and DEFILIPPIS today.

Assistant United States Attorney STEVEN D. FELDMAN is in charge of the prosecution.

The charges and allegations contained in the criminal Complaint are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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