



U.S. Department of Justice

United States Attorney

Eastern District of Pennsylvania

615 Chestnut Street
Suite 1250
Philadelphia, Pennsylvania 19106-4476
(215) 861-8200

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NEWS RELEASE

Joseph M. Braas, Michael J. Schlager, Mary C. Stankiewicz, Misty L. Kroesen, Curtis A. Kroesen, John Wiley Spann, Harold W. Young, and John S. Tomberlin were charged today by Indictment¹ with conspiracy to commit mail fraud and mail fraud, all arising out of a massive, sophisticated loan fraud scheme that caused losses of approximately \$53 million at Equipment Finance, LLC ("EFI"), announced United States Attorney Zane David Memeger.

EFI was a logging industry lender that was based in Lititz, Pennsylvania. The company provided funding for the purchase of forestry and land clearing equipment. In March 2002, EFI was acquired by Sterling Financial Corporation ("Sterling"), a former financial services company that was headquartered in Lancaster, Pennsylvania. At that time, EFI became a wholly owned subsidiary of the Bank of Lancaster County, N.A., which in turn was a wholly owned subsidiary of Sterling.

It is alleged in the indictment that as far back as 2001, before EFI was acquired by Sterling, the defendants, which include five former EFI employees, were engaging in a systematic fraud at EFI. From 2001 through 2007, they are charged with colluding in a pervasive scheme to steal money by looting the accounts of EFI and falsifying EFI's books. Joseph M. Braas, EFI's Chief Operating Officer, and Michael J. Schlager, a Senior Vice President, are alleged to have been the leaders of the conspiracy. They directed other employees of the company, including Mary C. Stankiewicz, Misty L. Kroesen, and Curtis A. Kroesen to make false entries in EFI's books, create false documents for EFI's files, and undermine the audit process conducted by Sterling's inside and outside auditors. During the years of the conspiracy, the EFI employee defendants made EFI appear more profitable than it actually was, and made it appear that EFI was exposed to less risk than it was, and thereby succeeded in keeping their jobs, making increasingly higher salaries and bonuses, and continuing to obtain funding for EFI from BLC and its other creditors.

The non-employee defendants include John Wiley Spann, a logging equipment dealer based in Alabama, and two owners of an insurance company in Andalusia, Alabama, Harold W. Young and John S. Tomberlin. Spann is charged with participating in the EFI loan fraud scheme in a

¹An Indictment or Information is an accusation. A defendant is presumed innocent unless and until proven guilty.

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number of ways, including assisting the employees of EFI to create numerous bogus loans, forging EFI loan documents and auditor confirmation letters, and paying nominal borrowers to sign false EFI loan documents. For helping to manage the EFI loan fraud, Spann is alleged to have stolen from EFI “compensation” of between \$80,000 to \$100,000 per year. Tomberlin is charged with having signed a bogus EFI loan contract in exchange for a payment from Spann of \$10,000.

Young and Tomberlin are also alleged to have assisted Spann in looting EFI’s insurance escrow account. Although no EFI borrower had purchased insurance from their company, South Central Agency, Young and Tomberlin permitted Spann to create bogus SCA insurance invoices and send them to EFI. EFI then mailed checks to SCA, which were deposited into SCA’s accounts. In total, over \$1 million was sent from EFI to SCA for these nonexistent policies. For allowing Spann to use their invoices and accounts, Young and Tomberlin charged Spann 20% of the EFI money that flowed through their accounts. Young disbursed the rest of the stolen money at Spann’s direction.

Spann, Young, and Tomberlin are also charged with conspiring to commit money laundering and money laundering. They are alleged to have agreed to engage in, and engaged in, numerous transactions in over \$10,000 in money stolen from EFI.

INFORMATION REGARDING THE DEFENDANTS

NAME	ADDRESS	YEAR OF BIRTH
Joseph M. Braas	Lititz, PA	1965
Michael J. Schlager	Lancaster, PA	1961
Mary C. Stankiewicz, formerly known as “Mary C. Musser”	Manheim, PA	1951
Misty L. Kroesen, formerly known as “Misty L. May”	Manheim, PA	1972
Curtis A. Kroesen	Manheim, PA	1975
John Wiley Spann, also known as “Wiley Spann”	Andalusia, AL	1960
Harold W. Young	Andalusia, AL	1945
John S. Tomberlin	Andalusia, AL	1971

If convicted, the defendants face a maximum statutory penalty on Count One (conspiracy), of five years imprisonment, three years supervised release, a \$250,000 fine, and a \$100 special

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assessment. On each of Counts Two through Nine (mail fraud affecting a financial institution), the maximum statutory penalty is 30 years imprisonment, five years supervised release, a \$1 million fine, and a \$100 special assessment. On each of the money laundering conspiracy and money laundering counts, the maximum statutory penalty is ten years imprisonment, a \$10,000 fine or a fine of up to twice the amount of the criminally derived property involved in the transactions, three years supervised release, and a \$100 special assessment.

The case was investigated by the Federal Bureau of Investigation and the United States Postal Inspection Service and is being prosecuted by Assistant United States Attorney Nancy E. Potts.

**UNITED STATES ATTORNEY'S OFFICE
EASTERN DISTRICT, PENNSYLVANIA
Suite 1250, 615 Chestnut Street
Philadelphia, PA 19106**

**Contact: PATTY HARTMAN
Media Contact
215-861-8525**

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