



U.S. ATTORNEY'S QUARTERLY

\$2.2 BILLION SETTLEMENT WITH JOHNSON & JOHNSON



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Health care giant Johnson & Johnson (J&J) agreed to pay \$2.2 billion to resolve criminal and civil liability related to the illegal promotion of the prescription drugs Risperdal, Invega, and Natrecor. Of the \$2.2 billion, J&J paid \$1.673 billion to resolve allegations of misbranding and off-label marketing for the atypical anti-psychotic drugs Risperdal and Invega, as well as the alleged payment of kickbacks to physicians involving Risperdal. The resolution is the largest in U.S. history involving a single drug (Risperdal) and the third-largest health care fraud settlement involving one company. Janssen Pharmaceuticals, Inc., a J&J subsidiary, introduced the drug Risperdal and marketed the

drug Invega for uses not approved by the Food and Drug Administration (FDA) in the nation's most vulnerable patients. As alleged in the civil cases, J&J and Janssen knew that Risperdal posed certain health risks to children, including the risk of elevated levels of prolactin, and the FDA repeatedly warned the company against promoting it for use in children. Janssen knew patients taking Risperdal had an increased risk of developing diabetes, but nonetheless promoted Risperdal as uncompromised "by safety concerns (does not cause diabetes)." When Janssen received the initial results of studies indicating that Risperdal posed the

same diabetes risk as other antipsychotics, the company retained outside consultants to re-analyze the study results and ultimately published articles stating that Risperdal was actually associated with a lower risk of developing diabetes. In addition to imposing substantial monetary sanctions, the resolution will subject J&J to stringent requirements under a corporate integrity agreement with the Department of Health and Human Services Office of Inspector General. The agreement is designed to increase accountability and transparency and prevent future fraud and abuse.

A Message From the U.S. Attorney for the Eastern District of Pennsylvania

Human Trafficking is a significant international problem with devastating consequences. According to the International Justice Mission, each year nearly 2 million children worldwide are exploited in the global commercial sex trade; and 27 million men, women and children are held as slaves. Criminals know no borders, and the internet provides criminals with a tool that often allows them to run their sex trafficking and forced labor networks with impunity. Although human trafficking may take many forms, it generally has two common elements: it is hidden in plain sight – what may appear at first to be a prostitution offense, a domestic abuse incident, a physical or sexual assault, a labor dispute, or an immigration crime, upon closer examination may turn out to be a case of human slavery—and victims are often traumatized and may be reluctant to cooperate with authorities because they fear their captors and do not trust law enforcement. This is especially true when a trafficking victim is in the United States illegally or is forced to commit crimes to survive. Because of this, we have learned over time that increasing first responder and public awareness is key to increasing our ability to identify, save, and help human trafficking victims.

Shortly after I became the U.S. Attorney for the Eastern District, my office completed a human trafficking investigation focused on a family-run organization which smuggled young Ukrainian immigrants into the U.S. and forced them into slave labor. Omelyan and Stepan Botsvynyuk used threats, physical violence, sexual assault, and debt bondage to keep their victims in a state of involuntary servitude. The brothers also threatened violence to their victims' families who still resided in Ukraine. Working with federal, state, local, and international law enforcement partners, my office was able to bring two of the family members to justice. Omelyan Botsvynyuk was sentenced to life plus 20 years in prison, and his brother was sentenced to 20 years.

This case is not only noteworthy for the significant sentences achieved, but for the extensive cooperation that was required over several years to successfully bring criminal charges. In response to the investigative difficulties that human trafficking cases present, we recently launched our new Human Trafficking Working Group which brings together our federal, state, and local law enforcement partners in Southeastern Pennsylvania to attack a problem which often goes unnoticed. It is my hope that the working group will enhance our relationship with the public so that we can quickly identify cases of human trafficking and stop those who prey on the vulnerable victims of these offenses. We know from our investigations that human trafficking is a significant problem in Pennsylvania which can only be eradicated through the well-informed cooperation of our entire community. -Zane David Memeger

RECORD-SETTING SETTLEMENT WITH JP MORGAN

A \$13 billion settlement was reached with JPMorgan to resolve civil claims arising out of the packaging, marketing, sale and issuance (before 2009) of residential mortgage-backed securities (RMBS) by JPMorgan, Bear Stearns, and Washington Mutual. As part of the settlement, JPMorgan acknowledged that it made serious misrepresentations to the public about numerous RMBS transactions. The resolution also requires JPMorgan to provide much needed relief, to underwater homeowners and potential homebuyers, including those in distressed areas of the country. JPMorgan acknowledges that it regularly represented to RMBS investors that the mortgage loans in various securities complied with underwriting guidelines. However, on a number of occasions, JPMorgan employees knew that the loans in question did not comply with those guidelines, but they allowed the loans to be securitized and those securities to be sold without disclosing the information to investors. The settlement resolves only civil claims and does not release individuals from civil charges, nor does it release JPMorgan or any individuals from potential criminal prosecution. JPMorgan has pledged to fully cooperate in investigations related to the conduct covered by the agreement. The settlement is the largest with a single entity in American history.

Financial Fraud Schemes

Pastor Michael Wilkerson was sentenced to 170 months in prison and ordered to pay \$1,353,111.93 in restitution for a mortgage fraud scheme in which he recruited congregants to be unwitting straw purchasers on mortgage loans that Wilkerson ultimately allowed to fall into default. He defrauded JPMorgan Chase Bank by obtaining loans valued at more than \$6 million for properties located in Schwenksville and Glenmoore, Montgomery County, PA. Wilkerson was convicted at trial in February.

Gregory Fresta is charged with mail fraud in connection with a scheme to defraud a \$1 million family trust established by his father for the benefit of Fresta's brother who was a minor. Fresta allegedly sent multiple requests for funds from the trust under the guise that the funds were going to be used for the benefit of the trust beneficiary. Upon receiving the money, the defendant used the funds for his own personal use.

Brandon James and Lenardo Nicolas are charged with participating in an illegal check cashing scheme that involved cashing fraudulent checks using the drive-through teller lane at victim banks. The defendants and others allegedly stole identifications, checks, bank cards, and credit cards from women's wallets and purses usually left inside the victims' cars in unattended parking lots. Female co-conspirators then impersonated the victims at drive-through bank teller lanes, known to law enforcement as the "felony lane" to cash fraudulent checks.

Drug Diversion Case Nets 27 Arrests

Federal agents arrested 27 people involved in a prescription drug conspiracy that illegally distributed more than 380,000 Oxycodone pills into communities in the Eastern District of Pennsylvania. Leon Little, head of the "Little Drug Operation" (LDO), Heather Herzstein, who worked in a doctor's office, and Colise Harmon are charged with conspiracy to distribute controlled substances. Aminah Shabazz is charged with money laundering. The other 23 people are charged with also distributing the Oxycodone. Based on the average retail sale price of oxycodone tablets on the street, the LDO allegedly took in more than 3 million dollars between August 2010 and August 2012.

A 2011 report by the CDC indicated that nearly 15,000 people die every year of overdoses involving prescription painkillers. There are more overdose deaths caused by prescription drugs than by heroin and cocaine combined.

Tax Fraud Schemes

Five people are charged in a complex, multi-million dollar tax fraud scheme that caused more than \$200 million in losses to the United States. Samyak Veera, Aviel Faliks, Chandrakant Shah, Donald Stevenson, and Eric Merl are charged with tax evasion and wire fraud. The defendants allegedly implemented a scheme to evade more than \$200 million in corporate taxes by purchasing companies with taxable gains and using fraudulent losses to wipe out the gains. The defendants then allegedly pocketed the corporations' cash, filed fraudulent returns, and, in some instances, fraudulently sought and obtained refunds from the IRS for prior years. Trial is pending.

Five defendants convicted in a tax evasion scheme involving the Nifty Fiftys restaurant chain were sentenced to prison terms. Owners Leo McGlynn and Robert Mattei were sentenced to 36 months and 15 months, respectively; Joseph Donnelly was sentenced to 28 months; Brian Welsh was sentenced to 20 months; and Elena Ruiz was sentenced to 12 months. The defendants operated a long-running scheme to avoid paying millions of dollars in personal and employment taxes, and failing to properly account for more than \$15 million in gross receipts. They also filed income tax returns claiming they were due refunds based on the erroneous reporting of their incomes. Restitution to the IRS of \$4,336,871 was ordered.

Sex Trafficking

Adrian Palmer is charged with conspiring in the sex trafficking of girls under the age of 18. Palmer, who worked as a security guard at a hotel on Roosevelt Boulevard in Philadelphia, allegedly provided protection and assistance to sex traffickers operating at the motel in exchange for a daily fee. Craig Johnson, indicted elsewhere, was the operator of a sex trafficking venture and paid Palmer who provided clients for the sex trafficking business. Palmer also allegedly protected Johnson so that law enforcement would not discover the sex trafficking operation. Trial pending.

Johnson was sentenced in November to 24 years in prison.

Jerel Jackson is charged with three counts of sex trafficking for allegedly forcing two women and a girl to participate in a prostitution venture in Philadelphia. He allegedly advertised his victims on the Internet as available for purpose of prostitution, used force, threats of force, fraud, and coercion to cause the females who worked for him to engage in commercial sex acts. Trial is pending.

Fraud Scheme:

Sondra Wong Nelson is charged with one count of theft from a federally funded organization and two counts of falsely altering a postal money order. In 2012, while a Supervisory Asset Manager at the Philadelphia Housing Authority, Nelson allegedly embezzled close to \$8,000 in rent money from PHA tenants and deposited those funds into her personal bank account. Nelson also allegedly accessed PHA's internal computer database and manipulated the database to falsely reflect that the embezzled rent payments had been received by PHA, even though she knew that she had deposited those funds in her personal bank account. Trial is pending. The U.S. Postal Inspection Service investigated this case.

CRIMEBUSTERS:

An interview with Inspector-In-Charge David Bosch of the U.S. Postal Inspection Service :

I started as a clerk with the US Postal Service in August 1987. I worked at the 30th Street Post Office before transferring to the Philadelphia Air Mail Facility where mail was provided to the airlines for transportation around the country and the world. I became interested in the Postal Inspector position and learned as much as I could about Inspector responsibilities. I particularly liked the idea of working for the USPS as a Federal law enforcement officer. Coming from an extended "postal" family, becoming a Postal Inspector was an important accomplishment for me. I was hired as an Inspector in June 1994 and it is one of the high marks of my life.

-What do you like best about your job?

Whether conducting an investigation to attain justice for identity theft victims, sharing tips with seniors on how to avoid fraud scams, responding to an assault on a postal employee, working to resume mail delivery after a hurricane, or tracking down robbery suspects, as a Postal Inspector, I have the power to effect change for the better, to enforce the laws and to ensure that justice is done. With this level of public trust, comes great responsibility. In my current position as the Inspector in Charge, I enjoy teaching and guiding those who work for me and who represent the next generation of US Postal Inspectors.

-What is the mission of the U.S. Postal Inspection Service?

The Mission of the U.S. Postal Inspection Service is to support and protect the U.S. Postal Service and its employees, infrastructure, and customers; enforce the laws that defend the nation's mail system from illegal or dangerous use; and ensure public trust in the mail.

-What types of crimes or civil remedies does the agency pursue that the general public might not know?

USPIS investigates Bombs in the mail; Burglary of USPS facilities; Identity Fraud; Destruction, Obstruction and Delay of Mail; Counterfeit Stamps, Money Orders and Related Crimes; Child Exploitation via use of the US Mail; Obscenity and Sexually Oriented Advertising; Controlled Substances being sent via the US Mail; Money Laundering; and Extortion.

-What do you think is the most important function of the agency?

I believe that doing everything within our power to ensure the safety and security of USPS employees and customers is the most important function of the US Postal Inspection Service.

-How does the general public reach the agency if they have a question or they want to report an activity for investigation?

Through our website at: www.uspis.gov. The public can reach a local Postal Inspector by calling our toll free number at 1-877-876-2455 or via the "contact us" tab on our website located at: <https://postalinspectors.uspis.gov/>

OUTREACH THIS QUARTER

In October, United States Attorney General Eric Holder visited the Eastern District of Pennsylvania's Federal Reentry Court program. Reentry Court, in its seventh year, offers an opportunity to federal inmates who have finished serving their sentences, are under supervised release (formerly called "parole") and are at a high risk of re-offending. If they choose to participate and successfully complete the 52-week program, they can reduce their period of supervised release. Program requirements include: drug testing, job hunting, parenting classes, life skills classes, education, and job training. Participants report to court every other week where the Reentry Court judge can gauge their progress. By the time they graduate, many participants are able to get jobs instead of repeating the cycle of crime. The national revocation rate for offenders who do not participate in this type of program is 47%; the revocation rate of Reentry Court graduates is 20%. This district's Reentry Court program was the first established specifically for violent offenders and is being used as a model by other districts.



AG Eric Holder stands with program graduates.



CRIME & PUNISHMENT:



CHARGED:

October 2013:

Michael Mateja, Matthew Morgan and Samuel Puleo are charged in a fraud scheme involving energy contracts. Mateja and Puleo owned and operated Coastal Energy, LLC, a company that brokered energy contracts between commercial businesses and energy suppliers. Mateja and Puleo allegedly altered contracts without their clients' knowledge resulting in a higher total per kilowatt hour price.

December 2013:

Former Allentown-based real estate agents, Jose Antigua and Melquisidec Caraballo, are charged in a fraud conspiracy. The pair allegedly conspired with two former employees of Madison Funding to defraud lenders into loaning money to their real estate clients who were not creditworthy. They also allegedly helped numerous unemployed or under-employed clients buy real estate by referring them to Madison Funding knowing that fraudulent loan applications would be submitted to lenders. In total, Antigua and Caraballo allegedly helped their clients obtain more than \$1.7 million in fraudulent loans, many of which have since gone into default, costing the lenders, secondary investors, and insurers hundreds of thousands of dollars.

CONVICTED:

October 2013:

Matthew Kolodesh was found guilty of conspiracy to defraud Medicare of more than \$14 million through his home hospice business, Home Care Hospice, in Philadelphia. The business submitted claims for patients that were not eligible for or did not receive the hospice services billed to Medicare. Kolodesh also diverted \$9.36 million dol-

lars for his own personal use, such as extensive renovations to his house, travel expenses, college tuition for his son, and a luxury automobile. He was convicted of conspiracy, 21 counts of health care fraud, 11 counts of money laundering, and two counts of mail fraud. Kolodesh faces a statutory maximum sentence of 370 years in prison. The government will also seek restitution to Medicare of \$14.3 million and proceeds from the money laundering. Sentencing is scheduled for February 3, 2014.

November 2013:

Daniel Mumbower, a former banker, pleaded guilty to bank fraud and receiving bribes by a bank employee for his role in a scheme that defrauded lenders of nearly \$3 million. A sentencing hearing is scheduled for February 4, 2014. Mumbower worked as a financial specialist at Wachovia Bank in Sicklerville, New Jersey. Mumbower processed loan applications, brought to him by others, knowing that they contained false information and were supported by false documentation. Mumbower earned a commission for each loan that closed and received several thousand dollars in kickbacks from the individuals who brought the applications.

Istvan Zoltan Foris, of Hungary, pleaded guilty to conspiring to defraud persons who sought to purchase used vehicles on the internet. Foris used false passports supplied by other conspirators to open bank accounts in the U.S. These buyers would wire money to the bank accounts opened by Foris, and Foris would immediately withdraw the funds and then wire most of the money to conspirators outside the United States. The buyers were not able to recover the funds they sent after they discovered that the

offers to sell the vehicles were fraudulent.

December 2013:

A federal jury found 49-year old Rafael Cordero, a 23-year veteran of the Philadelphia Police force, guilty of interfering with the federal drug investigation of the Christian Serrano/Edwin Medina Drug Trafficking Organizations ("DTOs"). Cordero provided sensitive law enforcement information about drug investigations to his half-brother, David Garcia, a member of the Serrano/Medina DTOs. Cordero told his half-brother about a surveillance camera put up by the DEA to monitor activities and, without having any official reason, showed up at a search being conducted by FBI and DEA. Sentencing is scheduled for March 3, 2014.

SENTENCED:

October 2013:

Dr. Eugene Goldman was sentenced to 51 months in prison and a \$300,000 fine for conspiring to violate the anti-kickback statute and violating the anti-kickback statute for his role in a kickback scheme arising from his employment as the Medical Director at Home Care Hospice Inc. Goldman also faces mandatory exclusion from participation in any federal health care program. Goldman regularly referred Medicare or Medicaid patient beneficiaries to HCH, a for-profit business in Philadelphia that provided hospice services for patients at nursing homes, hospitals and private residences. HCH paid Goldman kickbacks for the referral of Medicare and/or Medicaid patients. Goldman received approximately \$309,000 in illegal payments for patient referrals.

November 2013:

David Rothman was sentenced to 48 months in prison for wire fraud and money laundering.

Rothman was the Vice-President of Rothman Securities, Inc. ("RSI"), an investment brokerage firm in Southampton, PA. Rothman embezzled from a 92 year-old RSI client and several beneficial trusts for which he was a named trustee. He used the money for personal expenses and to pay other clients whom he provided falsely inflated investment statements. To mask his fraud, Rothman created bogus documents and cover stories to deceive his victims and clients and to lull them into a false sense of security. Rothman pleaded guilty on March 26, 2013.

December 2013:

Siarhei Baltutski, aka Sergey Boltutskiy, 41, of Belarus, was sentenced to 180 months in prison for conspiracy to violate the Arms Export Control Act, conspiracy to violate the International Emergency Economic Powers Act and conspiracy to commit money laundering. Baltutski organized a network of buyers in the U.S. to obtain and illegally export to Belarus hundreds of high-tech military hardware such as Scorpion Thermal Weapon Sights, ThOR 2 Thermal Imaging Scopes, Thermal-Eye Renegade 320's, and other night vision targeting devices. Baltutski then arranged for hundreds of thousands of dollars to be secretly wired, via offshore shell companies, to purchase these items, to pay for shipping, and to pay his network of buyers. Baltutski pleaded guilty on Jan. 25, 2013.

You can find press releases about the cases we charge on our website:

www.justice.gov/usao/pae