

ANNUAL REPORT 2009



DISTRICT OF MINNESOTA
UNITED STATES ATTORNEY'S OFFICE

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United States Department of Justice

United States Attorney District of Minnesota

Message from the United States Attorney

I am honored to serve once again as the United States Attorney for the District of Minnesota. Each day I will strive to lead the Office in fulfilling its mission of representing the legal interests of the United States. I have provided our attorneys and support staff with clear expectations: that all of us are accountable to the citizens we represent for excellence in our work, fairness in our decisions, and zeal in our representation in court.

In the months ahead, the Office's primary focus will continue to be prosecuting cases that involve terrorism or other threats to our national security. In these tough economic times, however, we also owe it to our neighbors, many of whom are struggling financially, to prosecute those who commit investment fraud, mortgage fraud, or other federal economic crimes, regardless of their positions in the community. As you will see in this report, we have and will continue to litigate these cases vigorously.

In addition, the Office remains determined to pursue the Justice Department goal of keeping children safe by prosecuting those who employ computer technology to produce or distribute child pornography. Moreover, the Office will continue to pursue those who jeopardize the safety of children and adults alike through drug trafficking, gun trafficking, or other illegal gang activity. Prosecuting those who commit these crimes is especially important to the residents of the Red Lake and Nett Lake Indian reservations, the two federal-jurisdiction reservations in the State. Reservation residents experience crime violence at a much higher rate than the general population, but this office will do its utmost to provide communities in Indian Country with equal justice under the law.

In civil litigation, the Office will focus on affirmative civil enforcement, particularly health care fraud. The Office also will concentrate on issues of civil rights, such as housing discrimination and adherence to the Americans with Disability Act. Moreover, the Office will aggressively defend suits brought against the United States while pursuing collection of money owed to the government, whether from criminal fines, delinquent student loans, or proceeds of illegal acts.

Of course, none of this work could be accomplished without the cooperation and support of federal, State, local, and tribal law enforcement. Minnesota has long enjoyed multi-jurisdictional law enforcement collaborations, and I thank you all for your past efforts and look forward to working with you in the future.

B. Todd Jones
United States Attorney

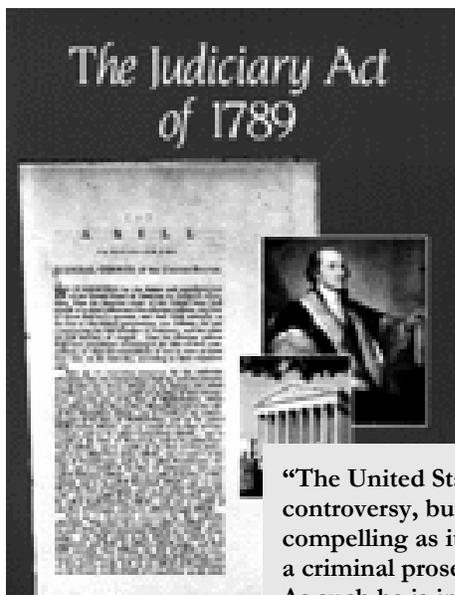
INTRODUCTION

The office of the United States Attorney dates back to 1789, when the United States Congress passed the Judiciary Act, which directed the President to appoint an attorney in each federal judicial district to represent the interests of the United States. The nominee for United States Attorney must be confirmed by the U.S. Senate. Following confirmation, a United States Attorney serves at the will of the President for a term of four years, which may be renewed.

U.S. Attorneys must live in the districts they represent. They serve under the direction of the Attorney General of the United States. Early on, they maintained private law practices while working on behalf of the federal government. If staff was needed, they personally paid the wages. Now, however, U.S. Attorneys and the lawyers hired to help them, called Assistant U.S. Attorneys, are prohibited from engaging in private law practices while serving the government. In addition, they are provided salaries established by law and paid from the U.S. Treasury. Because they represent the federal government, they may not offer legal advice to individuals.

There are 94 federal judicial districts in the country, and each one has a U.S. Attorney. Those officials and their staffs work within the U.S. Department of Justice, often called the largest law firm in the world. The Justice Department, part of the federal government's Executive Branch, is devoted to enforcing or otherwise carrying out the laws of the land. The Department of Justice accomplishes that, primarily, by representing the United States in court.

Under the auspices of the Justice Department, U.S. Attorneys ensure the investigative efforts of federal law enforcement agencies are pursued and violations of federal criminal law are prosecuted. They also serve as the federal government's advocates and defenders in civil suits. While lawyers in the Office of General Counsel in other federal departments and agencies perform day-to-day legal duties for those particular entities, U.S. Attorneys generally receive matters when court litigation is involved or contemplated.



“The United States Attorney is the representative not of an ordinary party to a controversy, but of a sovereignty whose obligation to govern impartially is as compelling as its obligation to govern at all; and whose interest, therefore, in a criminal prosecution is not that it shall win a case, but that justice be done. As such he is in a peculiar and very definite sense the servant of the law, the twofold aim of which is that guilt shall not escape or innocence suffer. He may prosecute with earnestness and vigor—indeed he should do so. But, while he may strike hard blows, he is not at liberty to strike fowl ones. It is as much his duty to refrain from improper methods calculated to produce a wrongful conviction as it is to use every legitimate means to bring about a just one.”

Mr. Justice Sutherland in Berger v. United States, 295 U.S. 88 (1935)

DISTRICT OF MINNESOTA

Minnesota was established as a judicial district by the Congress of the United States on March 17, 1849. Two days later Henry L. Moss was appointed its first United States Attorney. Since that time, the District's United States Attorneys have worked hard to uphold the laws of this nation. Their efforts and accomplishments in the Office as well as subsequent to the Office are sources of great pride.

One of the earliest U.S. Attorneys in Minnesota also was one of its most well known. Cushman K. Davis was a member of the Minnesota legislature before being commissioned as U.S. Attorney in 1868. Then, in 1873, he became Governor. After that, he was elected to the U.S. Senate, where he served until his death in 1900. Other U.S. Attorneys and Assistant U.S. Attorneys have become State District Court judges, State Appellate Court and State Supreme Court judges, U.S. District Court judges, and magistrates.

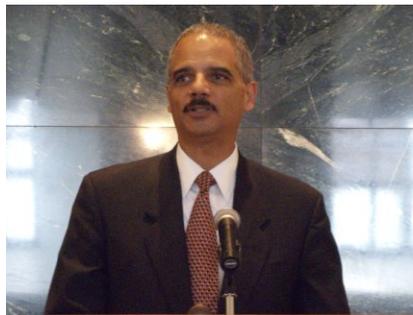
Presently, approximately 120 people, including nearly 50 Assistant U.S. Attorneys, work in the U.S. Attorney's Office in the District of Minnesota. The Office's headquarters is in the federal courthouse in Minneapolis, while a branch office is maintained in St. Paul.



B. Todd Jones
United States Attorney

Functionally, the United States Attorney's Office in the District of Minnesota is divided into five divisions: a criminal division, a civil division, an appellate division, a community relations division, and an administrative division.

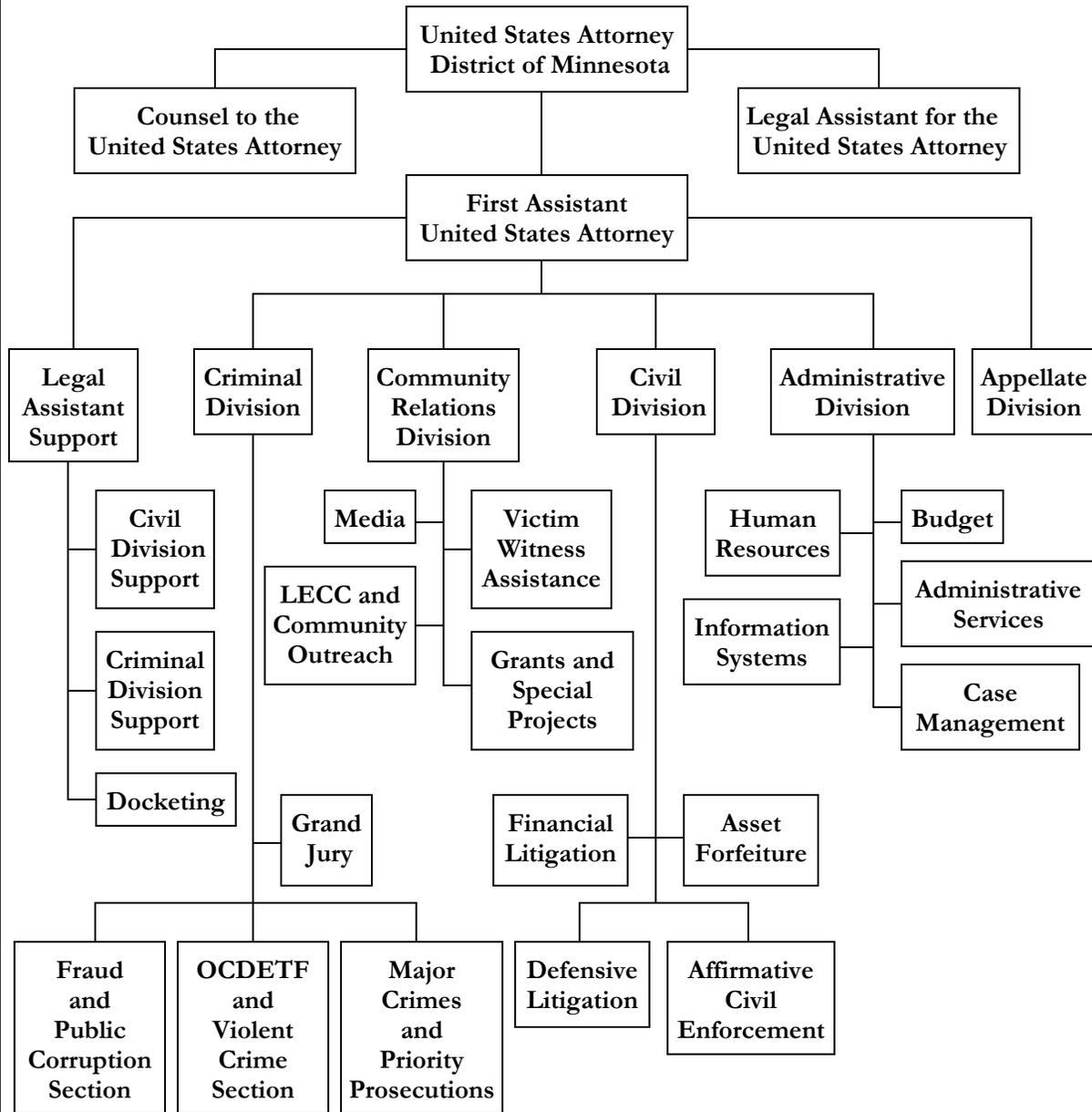
The Office's operating budget for this past year was \$10,042,000 in directs costs. During that same time, we collected \$22,416,791 for deposit into the U.S. Treasury.



U.S. Attorney General Eric Holder Attends Investiture Ceremony of B. Todd Jones

For the second time, B. Todd Jones serves as the United States Attorney for the District of Minnesota. He held the post during the Clinton administration, and now, after repeating the oath on September 18, 2009, he again holds the position. At his investiture ceremony, which featured family, friends, and colleagues in addition to Attorney General Holder and U.S. Senator Amy Klobuchar, Jones said he was honored to serve his country again and would be guided by the four words found in every courthouse: Equal Justice Under Law.

ORGANIZATIONAL CHART



FEDERAL CRIMINAL PROCEDURE



Federal Laws vs. State Laws

Federal laws, or *statutes*, are created by the United States Congress to safeguard the citizens of this country. Some criminal acts are federal offenses only and must be prosecuted in U.S. District Court. Other criminal acts are offenses under both federal and state law; so, in those cases, federal and county attorneys must decide if the offender should be tried in U.S. District Court or state court.

Felony or Misdemeanor

Criminal acts fall into two categories: *felonies* and *misdemeanors*. Felonies are offenses that may result in prison sentences of more than one year, while misdemeanors carry sentences of one year or less. The United States Congress decides which criminal acts are felonies and which ones are misdemeanors. State legislatures make those determinations for criminal acts that violate state law.

When Someone is Suspected of a Federal Crime...

1. Complaint and Arrest Warrant— Law enforcement obtains a *Warrant for Arrest* of the alleged offender. The warrant is based on an *Indictment* (see below) or a *Complaint* filed with the U.S. District Court. An *Affidavit*, signed by a law enforcement officer, usually accompanies the Complaint. The Affidavit explains the crime committed as well as the role of the accused in that crime. In other words, the Affidavit is used to establish *probable cause* that the accused committed the crime.



2. Initial Appearance— As soon as practicable after arrest, the alleged offender must be granted an *Initial Appearance* before a Magistrate Judge. The Magistrate Judge advises the accused of his or her rights and determines if he or she has the financial ability to hire an attorney or if a public defender must be appointed. The Magistrate Judge also sets release conditions, including any *bond*. At the same time, a federal prosecutor, known as an *Assistant United States Attorney*, may ask that the defendant be detained.

3. Detention Hearing— If the alleged offender is detained, a *Detention Hearing* must be held within three working days. At that hearing, the Magistrate Judge listens to evidence about the accused's *risk of flight* or *danger to the community*. The Magistrate Judge then decides if the accused should be detained or released pending trial.



4. Preliminary Hearing— Within ten days of arrest on a Complaint, the accused also has the right to a *Preliminary Hearing*, during which an Assistant U.S. Attorney may offer testimony to establish probable cause, and the defense attorney may provide evidence on behalf of the accused. If the Magistrate Judge overseeing the hearing finds sufficient probable cause as to the commission of the crime as well as the accused's role in it, the accused is bound over for further proceedings by a grand jury. Note, if the grand jury returns an Indictment against an alleged offender before arrest is made, a Preliminary Hearing is not necessary.

5. Grand Jury— The final decision to prosecute a federal criminal case rests with a *grand jury*. A federal grand jury is comprised of 23 randomly selected citizens from across the judicial district. (This judicial district encompasses the entire State of Minnesota.) Those selected to serve on the grand jury do so for a few days each month for approximately one year, after which a new grand jury is selected by the U.S. District Court.

6. Indictment Sought—Instead of filing a Complaint, or after filing a Complaint, Assistant U.S. Attorneys appear before the grand jury to establish probable cause that a particular person committed a federal *felony*. They do this by calling witnesses and presenting evidence obtained with *Grand Jury Subpoenas*. Defense attorneys are not allowed to appear before the grand jury; the accused does not need to testify before the grand jury; and the work of the grand jury is to be kept secret.

7. Indictment Returned—If the grand jury decides the evidence presented establishes probable cause, it issues an *Indictment* against the accused. At least 16 of the 23 members of the grand jury must be present to conduct business, and at least 12 jurors must vote to indict. The Indictment is called a *True Bill*. If the grand jury does not find sufficient probable cause, it returns a *No Bill*. In a misdemeanor case, or in a felony case where the accused has *waived* indictment and has agreed, instead, to plead guilty, no case is presented to the grand jury. In those instances, an *Information*, which is a document outlining probable cause, is filed with the U.S. District Court.



8. Arraignment—Within ten days from the time an Indictment or Information has been filed and arrest has been made, an *Arraignment* must take place before a Magistrate Judge. During an Arraignment, the accused, now called the *defendant*, is read the charges against him or her and advised of his or her rights. The defendant also enters a *plea of guilty or not guilty*. If necessary, a trial date is selected and a schedule set for *motion hearings*, which may include in-court arguments as to suppression of evidence, etc. Note, the Federal Speedy Trial Act dictates the defendant has the right to trial within 70 days from his or her initial appearance in U.S. District Court.

9. Plea Agreement—Defendants are presumed innocent until they admit guilt or are proven guilty. If a defendant pleads not guilty, a trial takes place unless a *Plea Agreement* can be reached between the Assistant U.S. Attorney and the defense attorney. In those instances, the defendant must offer a *change of plea* before a U.S. District Court Judge, who needs to approve of the terms of the Plea Agreement.



10. Trial—A trial is heard before a jury of citizens selected at random from across the judicial district and overseen by a U.S. District Court Judge. At trial, the Assistant U.S. Attorney must—and the defense attorneys may—call witnesses and present evidence. (The government has the burden of proving the elements of the offense beyond a reasonable doubt.) Afterwards, the jury must unanimously decide the *verdict*. If the defendant is found not guilty, he or she is released. If he or she is *convicted*, however, the pre-sentencing process begins.

11. Pre-Sentencing—After the entry of a guilty plea or the unanimous finding of guilt by a jury following trial, the U.S. Probation Office collects information about the defendant and crime victims and supplies it, along with a recommendation for sentence, to the U.S. District Court Judge as part of a Pre-Sentence Investigation Report.

12. Sentencing—Approximately eight weeks after the entry of a guilty plea or a jury finding of guilt, the U.S. District Court Judge imposes sentence. The sentence may include incarceration in a federal prison; a term of *supervised release*, formerly called *probation*; the imposition of a monetary fine; and/or an *Order of Restitution* directing the defendant to pay the crime victims money lost or expenses incurred due to the offense.

13. Appeal—The defendant may *appeal* either the finding of guilt or the sentence or both. To do so, he or she must file with the sentencing court a *Notice of Appeal* within ten days from the sentencing, or *Judgment*, date. Note, if the defendant pled guilty, generally only the sentence may be appealed. Also, sometimes, the defendant gives up, or *waives*, the right to appeal in the Plea Agreement.



CRIMINAL DIVISION

The Criminal Division, under the leadership of Assistant U.S. Attorney Andrew S. Dunne, serves as the prosecutorial arm of the U.S. Department of Justice in the District of Minnesota. The 33 Assistant U.S. Attorneys in the Criminal Division prosecute violations of federal criminal law. To accomplish that task, the lawyers, along with paralegals, legal assistants, and others, work closely with grand juries as well as local, State, and federal investigative agencies.



The Criminal Division is divided into three sections: The Fraud and Public Corruption Section, led by Assistant U.S. Attorney Joseph T. Dixon, focuses on major mail, wire, and bank fraud cases as well as tax evasion, health care and mortgage fraud, investment scams, environmental crime, and public and private corruption cases.

The Major Crimes and Priority Prosecutions Section, led by Assistant U.S. Attorney Michelle E. Jones, handles terrorism cases, cybercrime, child exploitation, human trafficking, immigration violations, identity theft, bank robberies, federal program fraud, and federal crime in Indian Country.

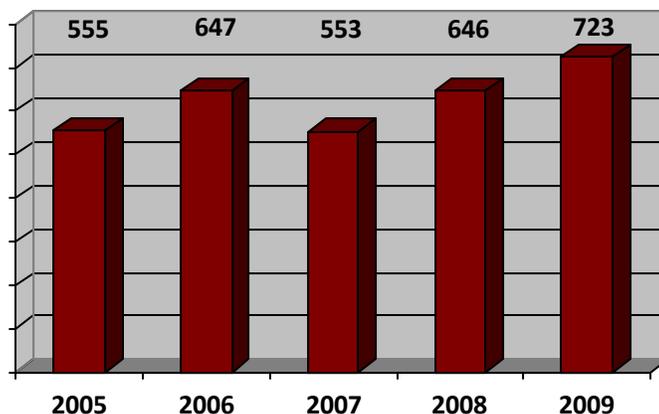
The OCDEF and Violent Crime Section, led by Assistant U.S. Attorney Carol M. Kayser, concentrates on Organized Crime Drug Enforcement Task Force cases as well as other drug, gang, and gun cases, particularly those involving major criminal organizations or repeat federal offenders.

In addition to the prosecutors already named, the Criminal Division includes Assistant U.S. Attorneys Ann M. Anaya, LeeAnn K. Bell, Nancy E. Brasel, Jeffrey M. Bryan, Michael L. Cheever, Michael A. Dees, John F. Docherty, Nicole A. Engisch, Anders W. Folk, David M. Genrich, Thomas M. Hollenhorst, Leshia M. Lee-Dixon, Robert M. Lewis, David J. MacLaughlin, Erika R. Mozangue, Richard A. Newberry, William J. Otteson, Jeffrey S. Paulsen, Tracy L. Perzel, Nathan P. Petterson, Timothy C. Rank, Steven L. Schleicher, David P. Steinkamp, Kimberly A. Svendsen, Tricia A. Tingle, Clifford B. Wardlaw, Christian S. Wilton, Andrew R. Winter, and Christopher R. Wolfe.

Fiscal Year 2009 Criminal Division Statistical Data

The Criminal Division filed charges against fewer people in Fiscal Year 2009 than in Fiscal Year 2008. During Fiscal Year 2009, however, prosecutors worked tirelessly to resolve numerous pending cases. As a result, by the end of the year, they had prosecuted or otherwise processed 723 defendants, 77 more than in Fiscal Year 2008 and the most ever by the Office in a single year.

	<u>FY 2008</u>	<u>FY 2009</u>
Individuals Charged During Fiscal Year	653 (in 344 cases)	514 (in 301 cases)
Defendants Prosecuted/Processed During Fiscal Year	646 (in 376 cases)	723 (in 380 cases)

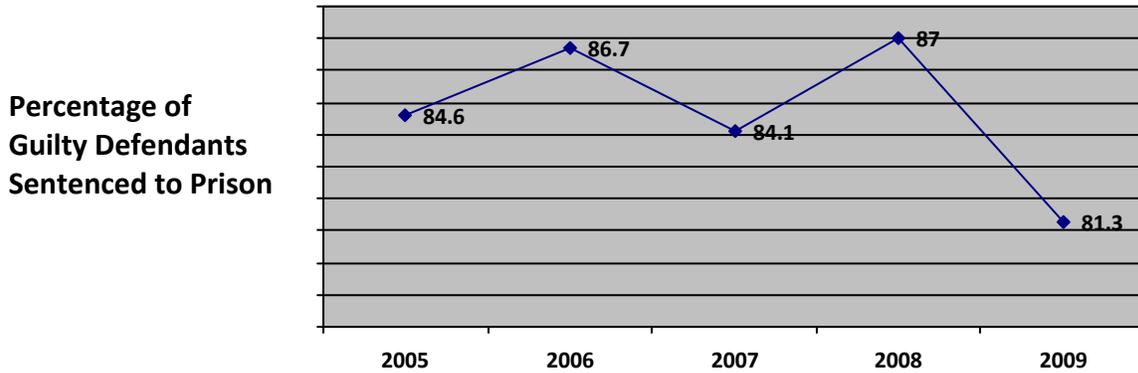


Number of Defendants Prosecuted or Otherwise Processed

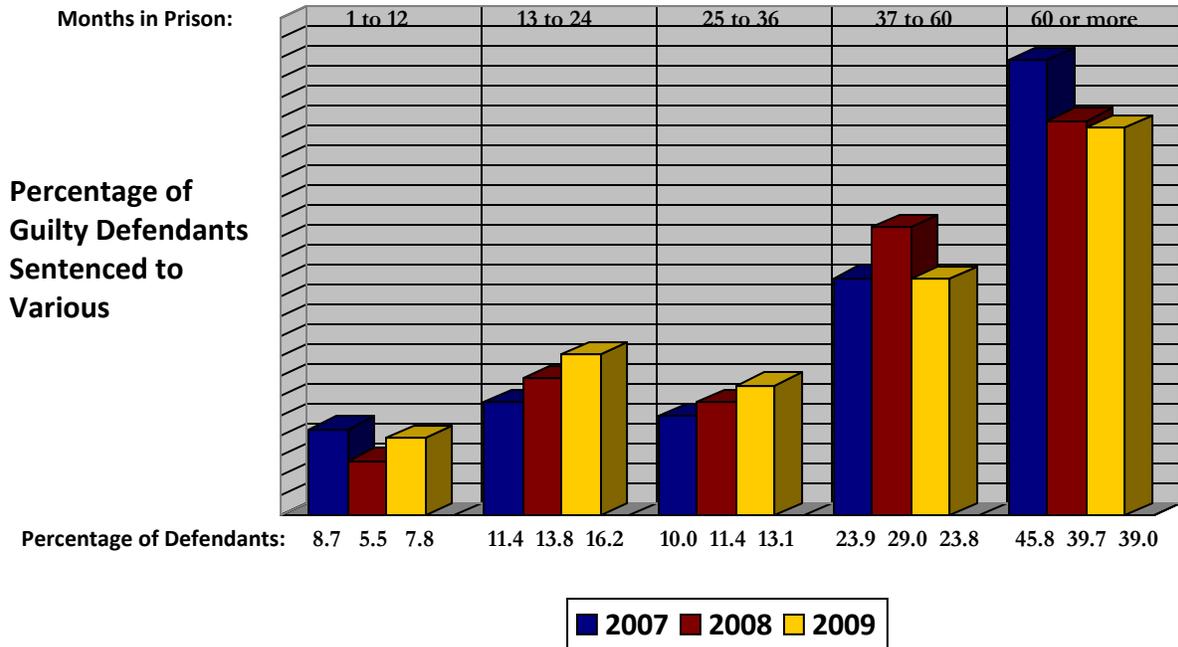
Disposition of Prosecuted or Otherwise Processed Defendants Fiscal Year 2009

<p>648 defendants pled guilty 43 defendants were found guilty after trial 3 defendants were acquitted 29 defendants were otherwise processed</p>	<p>28 criminal trials 95.6 percent conviction rate</p>
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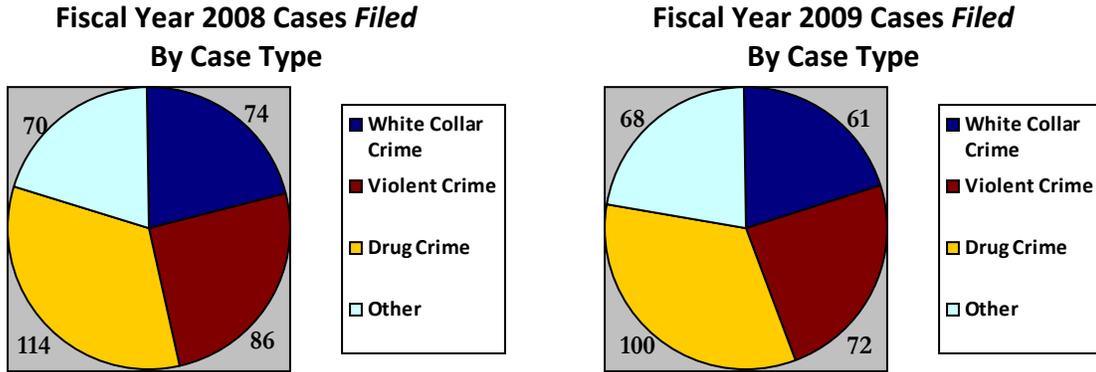
While the number of guilty defendants sentenced to prison time decreased between Fiscal Year 2008 and Fiscal Year 2009, 81.3 percent of guilty defendants were still sentenced to some term of Incarceration.



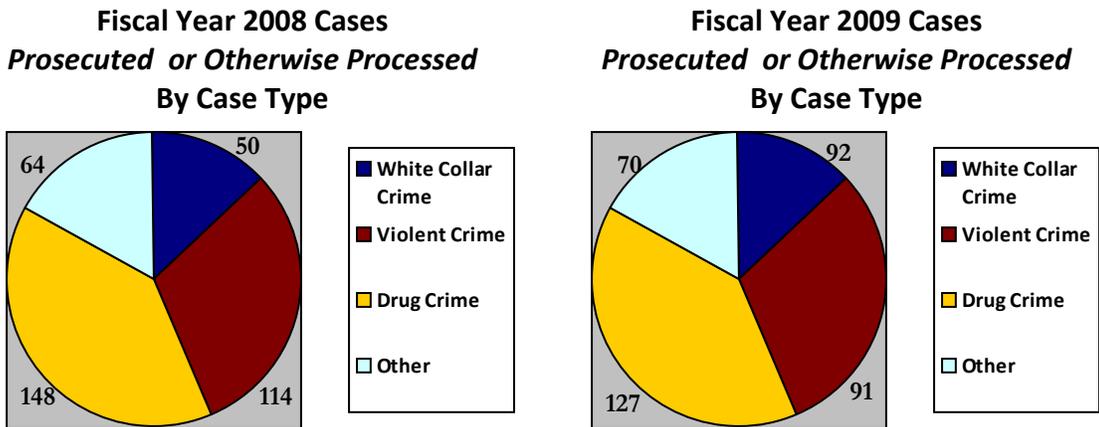
The average length of incarceration dipped during Fiscal Year 2009. However, the percentage of guilty defendants sentenced to serve 25 to 36 month rose to 13.1 percent, the highest rate ever recorded for that prison term.



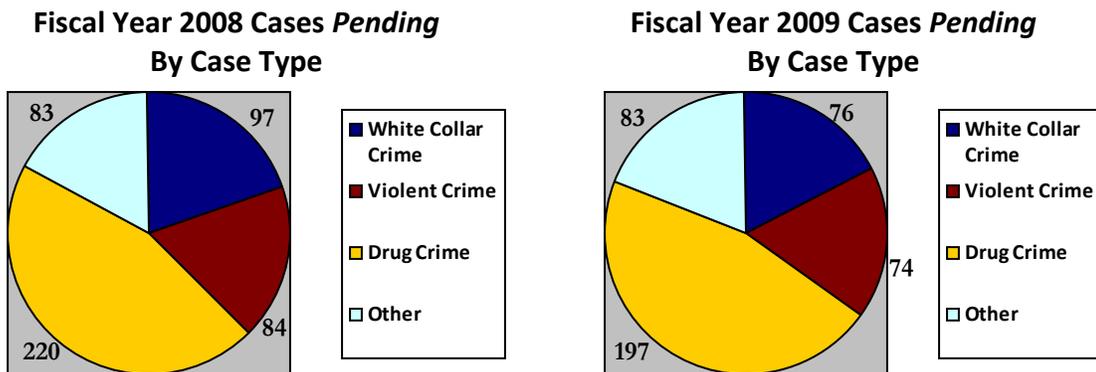
Case Data by Case Type



Although the number of criminal cases filed dipped in Fiscal Year 2009, the rate of filing remained relatively constant among major case types.



While 13 percent of all criminal cases prosecuted or otherwise processed during Fiscal Year 2008 involved white collar crime, that figure jumped to 24 percent in Fiscal Year 2009, reflecting the Office's determination to address investment fraud, health care and mortgage fraud, as well as tax crimes and other economic crimes.



Approximately 54 fewer criminal cases were pending at the end of Fiscal Year 2009 compared to the end of Fiscal Year 2008. That drop was due in large part to the focus on quickly and effectively pursuing white collar criminals. As a result, white collar cases made up a smaller portion of the total number of cases pending at the end of Fiscal Year 2009 compared to Fiscal Year 2008.

CRIMINAL DIVISION FRAUD AND PUBLIC CORRUPTION SECTION

The Fraud and Public Corruption Section of the Criminal Division, led by Assistant U.S. Attorney Joseph T. Dixon, has worked hard over the past year to address all types of white collar crime, but particular attention has been paid to crimes of fraud, especially fraud involving investments, home mortgages, health care spending, and taxes. Significant fraud cases involved everything from Ponzi schemes to Medicare scams, and defendants ranged from local business tycoons to those who simply felt pressed for cash. The cases highlighted below tell some of the stories.



FRAUD AND PUBLIC CORRUPTION CASE HIGHLIGHTS

INVESTMENT AND CORPORATE FRAUD

Tom Petters is Found Guilty of Orchestrating \$3.65 Billion Ponzi Scheme

On December 2, 2009, after a month-long trial and five days of deliberation, a federal jury convicted Thomas Petters, 53, of Wayzata, of orchestrating a \$3.65 billion Ponzi scheme. Specifically, Petters, who was indicted in December 2008, was found guilty of ten counts of wire fraud, three counts of mail fraud, one count of conspiracy to commit mail and wire fraud, one count of conspiracy to commit money laundering, and five counts of money laundering.

According to the indictment and trial evidence, Petters, aided and abetted by others, defrauded and obtained billions of dollars by inducing investors to provide Petters Company, Inc., (“PCI”) funds to buy merchandise to be resold to retailers at a profit. Instead, though, Petters and his co-conspirators diverted the funds for other purposes, such as making lulling payments to investors, paying off those who assisted in the fraud scheme, funding businesses owned or controlled by Petters, and financing his extravagant lifestyle.

This investigation began on September 8, 2008, when co-conspirator Deanna Coleman and her attorney reported to law enforcement that she had been aiding Petters in a multi-billion-dollar Ponzi scheme for over

ten years. Coleman reported that she, Petters, and co-conspirator Robert White fabricated documents to entice investors into lending Petters money purportedly to purchase electronics to be sold to big-box retailers, such as Costco and Sam’s Club. The money, however, was not used for that purpose.

Coleman agreed to work with law enforcement. She wore a recording device to tape conversations with Petters and others regarding White and Petters’s involvement in the scheme. Within the first few hours of those taped conversations, Petters is heard admitting

that purchase orders were “fake” and claiming “divine intervention” was the only way he and his co-conspirators had “gotten away with this for so long.” The tapes chronicled the history of the scheme as well as the conspirators’ efforts to maintain it by obtaining new funds and lulling long-term investors. The recordings also detailed how the conspirators planned to avoid responsibility if the fraud was discovered.

Petters’s scam was, in essence, a Ponzi scheme. Often potential investors were provided fabricated

documents that listed goods purportedly purchased by PCI from various vendors and then sold to retailers. In some instances, investors also were given false records that indicated PCI had wired its own funds to vendors, thus giving the appearance that PCI had money invested in the deals too. In addition, investors received false PCI financial statements that showed the company was owed

Continued on Page 12



Petters, continued from Page 11

billions of dollars from retailers. To induce investors further, Petters even signed promissory notes and provided his personal guarantee for funds received. Those who invested, however, were not paid through profits from actual transactions. Rather, they were paid with money obtained from new investors and, at times, from their own money.

PCI, owned solely by Petters, was used for fraud from the beginning. Petters inflated and falsified purchase orders to obtain more money from investors, which he then used to pay other investors as well as himself. When he could not pay investors on time, he employed delay and evasion tactics, such as promising payments in the future, making excuses about slow payments from retailers, or paying with bad checks. As the scheme progressed, Coleman, Petters's office manager, became responsible for fabricating purchase orders and transferring funds among investors. Robert White also began assisting in the fraud.

To further his scheme, Petters recruited two business associates to launder billions of dollars in investor funds. From 2003 to the fall of 2008, about \$24 billion flowed through their accounts and back to Petters. Although these associates were supposedly selling hundreds of millions of dollars in products to PCI, records revealed money flowed only from the associates to PCI.

Petters also bought and operated additional companies in an effort to maintain the facade of a successful businessman and create an air of legitimacy to lure more investors. The companies were bought with proceeds of the PCI fraud. They included Fingerhut, Polaroid, and Sun Country Airlines. Each year PCI wrote off millions based on losses incurred by funding these companies, but they were necessary to give Petters the appearance he needed to keep the scam going.

On September 24, 2008, search warrants were executed at Petters's headquarters, his residence, and several other locations. On October 3, Petters was arrested on a federal complaint and detained pending trial. On December 1, he, PCI, and Petters Group Worldwide LLC were indicted by a federal grand jury. In the end, Coleman, White, and three other co-conspirators pled guilty for their roles in the scheme and now await sentencing. Petters, who will be sentenced in early 2010, faces 335 months to life in prison.

The case was investigated by the FBI, the U.S. Postal Inspection Service, and the IRS-Criminal Investigation Division. (See Civil Division for information on related civil action related to the Petters's case.)



Petters's Associate Pleads Guilty to Wire Fraud

An Illinois hedge fund manager has pleaded guilty to one count of wire fraud in connection to a scheme to defraud investors of Petters Company, Inc. ("PCI"), out of more than \$200 million. Gregory Malcolm Bell, age 44, of Highland Park, Illinois, entered his plea before U.S. District Court Judge Paul Magnuson in St. Paul on October 7, 2009. Bell was arrested at his residence, near Chicago, in July and formally charged in September.

Bell's plea agreement indicated that Bell's hedge fund, Lancelot Investment Management, had almost all of its money invested in PCI promissory notes. So, when PCI fell behind in making payments on those notes in early 2008, Bell devised a plan to make it appear to his investors that PCI payments were still being received on time. That plan called for Lancelot to give money to PCI, which PCI then used to make promissory note payments back to Lancelot. Between February and September of 2008, 86 of these sham "round trip" transactions were made.

Round-trip transactions were preceded by phone calls or e-mails between Lancelot personnel and PCI personnel, relative to the amounts of money involved. Then, for each transaction, the money was wired from Lancelot to PCI and back to Lancelot again. When the money returned to Lancelot, it was recorded as a payment from PCI on the promissory notes held by Lancelot.

As a result of the scheme and Bell's false representations that the PCI investments were sound and paying good returns, Lancelot Investment Management raised more than \$200 million from 43 new investors during 2008.

For his crime, Bell faces a potential maximum penalty of 20 years in federal prison. Judge Magnuson will determine the sentence at a future date.

This case was the result of an investigation by the FBI, with prosecutorial assistance from the U.S. Attorney's Office in the Northern District of Illinois (Chicago).



Employee Pleads Guilty to Conspiring to Defraud Best Buy

Robert Paul Bossany, age 37, of Prior Lake, worked for Best Buy between 2003 and 2008. During that time, he managed the purchase of computer parts from outside vendors. He also involved himself in a scheme that defrauded the Minnesota-based company out of at least \$31 million.

In pleading guilty to one count of conspiracy to commit mail fraud and one count of money laundering, Bossany recently admitted he shared a corrupt relationship with one of Best Buy's vendors, a company that sold computer parts to Best Buy via an online reverse auction. Through that reverse auction, the vendor routinely submitted bids for parts it allegedly wanted to sell to Best Buy. Those bids, however, were fraudulent in that the vendor had no intention of selling the parts to Best Buy for the low prices stated in the bids. In fact, in some instances, the vendor had no intention of supplying the parts at all.

Routinely, after winning a bid, the vendor invoiced Best Buy for an amount significantly higher than the one quoted in the bid, and Bossany ensured the invoice was paid. He also provided the vendor with confidential company information, which was used to further the scheme. Moreover, he concealed from his Best Buy supervisors all questions and concerns raised by others about the high prices being charged by that particular vendor. As a result, the vendor invoiced Best Buy for over \$60 million in parts between 2003 and 2007.

In return for his services, Bossany received cash, checks, and gift cards from the vendor. Those items were often slipped into magazines, compact discs, or DVDs and sent by commercial carrier to Bossany's home address.

Bossany faces five years in prison for mail fraud and 20 years for money laundering. His sentencing hearing has not yet been scheduled.

The two owners of the vendor involved in the scheme have been indicted. They now await trial.

This case was the result of an investigation conducted by the U.S. Postal Inspection Service, the FBI, and IRS-Criminal Investigation Division.

Bank Officials Plead Guilty to Charges in Connection to Ramsey Town Center

In August 2009, two former officers at Community National Bank in North Branch pleaded guilty to federal fraud charges in connection to the financing of Ramsey Town Center, a 320-acre, mixed-use development in Ramsey, Minnesota. William Garfield Sandison, age 65, of Forest Lake, and his son, Ross William Sandison, age 42, of Grant, pled guilty to one count of conspiracy. In entering their pleas, the men admitted that between 2003 and 2007, while serving as the top officers at Community National Bank, they conspired to bilk other federally insured financial institutions out of money.

In 2003, the two men asked other banks to join their bank in financing the Ramsey Town Center. Twenty banks agreed to do so. Community National Bank then took responsibility for administering the \$35 million loaned to the development project. Shortly thereafter, William Sandison arranged for a \$990,000 line of credit for the project without informing the other banks. Later, he loaned the project another \$6 million, again without notifying the other banks involved.

When Ramsey Town Center began providing funds for repayment of the loans, Sandison fraudulently applied the money to the line of credit and the \$6-million loan rather than the initial \$35-million loan. In doing so, he violated the agreement with the other participating banks. Ultimately, the Ramsey Town Center development failed without repaying the \$35-million loan.

Through his plea agreement, William Sandison admitted he and others sent a misleading letter to the participating banks regarding repayment of "a \$6,000,000 loan." He also caused false and misleading information to be given to federal bank examiners about expenses Community National Bank paid on his behalf. He claimed those expenses were "ordinary and necessary business expenses that relate to bank business..." Some of them, however, such as \$8,500 in home landscaping services, were clearly personal.

Ross Sandison admitted he too obstructed the work of the bank examiners by providing them false and misleading information about his personal expenses, some of which were also paid by Community National Bank. Moreover, he caused the bank to classify several of those expenses as business expenses and failed to include those amounts as income on his tax returns.

Curtis Martinson, the third defendant in this case, pled guilty to conspiracy to commit bank fraud. He and the Sandisons await sentencing.

This case resulted from an investigation by the U.S. Postal Inspection Service and the Criminal Investigation Division of the IRS.



Rosemount Man Pleads Guilty to Multi-Million-Dollar Ponzi Scheme

Rosemount's Charles E. Hays, known by most people as Chuck, represented himself to potential investors as a successful day trader. He provided them with investment agreements that described his company, Crossfire Trading, as primarily involved in the short-term trading of futures. He told them Crossfire traded through an account at a registered brokerage firm in Chicago, where investors' funds were maintained. To support his representations, he even showed them a brokerage-firm statement reflecting a purported \$37 million balance in a Crossfire account.

As a result of those false statements, people invested more than \$20 million with him between 2001 and 2009. In return for mailing checks or wiring funds to him, Hays sent them monthly summaries that purportedly outlined their investments as well as their supposed gains. In truth, however, there was no brokerage-firm account. In fact, Hays was not investing the money at all. Instead, he was diverting it for his personal use, including the purchase of a \$3 million yacht. He also used some of the funds provided from recent investors to pay off earlier ones.

In February of 2009, Hays was arrested for operating his Ponzi scheme; and shortly after his arrest, federal agents seized his yacht as well as two bank accounts that contained a total of around \$1 million. Hays was charged with mail fraud and wire fraud; and in April 2009, he pleaded guilty to one count of each as well as one count of structuring transactions to avoid financial reporting requirements. In entering his plea, Hays not only admitted carrying out the scam but agreed to forfeit all assets that constituted proceeds from the scam.

Hays, age 56, faces a maximum penalty of 20 years in federal prison for mail fraud, 20 years for wire fraud, and 20 years on the structuring charge. His sentencing date has not been scheduled.

This case was investigated by the U.S. Postal Inspection Service and was prosecuted in concert with attorneys from the Fraud Section in the Criminal Division at Main Justice.

The Federal Investment Fraud Working Group

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INTELLECTUAL PROPERTY CRIMES

Three Sentenced for Violating U.S. Export Regulations

In the fall of 2009, three men were sentenced to federal prison for exporting high-modulus, carbon-fiber material to the China Academy of Space Technology. Jiam Wei Ding, age 51, of Singapore, was sentenced to 46 months; Kok Tong Kim, age 37, of Singapore, was ordered to serve just over a year; and Ping Cheng, age 46, of Manhasset, New York, was given one year of probation. The three earlier pled guilty to one count of conspiracy to violate Export Administration Regulations. Ding and Cheng's sentences reflected their cooperation in the investigation.

The men admitted that between March 2007 and April 2008, they conspired to violate U.S. export regulations by exporting and attempting to export high-modulus carbon-fiber material without the appropriate license. For national security and anti-terrorism reasons as well as nuclear proliferation concerns, the U.S. requires a license to export that material because it has applications for rocket, satellite, spacecraft, and uranium enrichment.

To further the conspiracy, Ding exercised control over several Singaporean import and export companies. One of those companies was in the business of acquiring high-technology items for its customers, including the China Academy of Space Technology, which oversees research on satellite systems for the People's Republic of China. Cheng was to act as the U.S. agent for Ding's companies, and Lim was to reach out to U.S. suppliers.

During the course of the conspiracy, the defendants unknowingly worked with an undercover Minnesota company that purported to be a supplier of aerospace commodities. On two occasions, Ding sent Cheng to Minnesota to inspect material at that company. Then, in the spring of 2008, Ding purchased carbon-fiber material from the company and instructed Cheng to export it to Singapore and Hong Kong without the required export license.

The case was investigated by the U.S. Department of Homeland Security; ICE; and the U.S. Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement.

The Minnesota Financial Crimes Task Force

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FRAUD AND PUBLIC CORRUPTION CASE HIGHLIGHTS

HEALTH CARE FRAUD



Former State Employee Sentenced to Federal Prison for Health Care Fraud in Excess of \$900,000

A former employee of the Minnesota Department of Human Services appeared in federal court in October of 2009 to be sentenced for health care fraud in excess of \$900,000. Kim Joann Austen, age 47, of Hudson, Wisconsin, was ordered to serve 42 months in federal prison after earlier pleading guilty to one count of health care fraud. Austen admitted that from 2003 through 2008, she executed a scheme to defraud Medicaid, the federal health care program that provides medical care and services to low-income people. Following sentencing, U.S. Attorney B. Todd Jones said, "Health care fraud in all its varied forms will continue to be a focus of our partnerships with law enforcement as well as the subject of criminal prosecutions and civil recovery efforts."

In Minnesota, Medicaid is administered by the State Department of Human Services. That agency contracts with health care providers to supply goods and services to those eligible for Medicaid. Claims for payment of those goods and services are processed through the Medicaid Management Information System. If the claims are approved, the providers are paid through the Minnesota Accounting and Procurement System ("MAPS"). Providers are identified in the MAPS system by vendor numbers.

During the time period relevant to this case, Austen supervised the Medicaid Management Information System. In that capacity, she knowingly caused a MAPS vendor number to be assigned to a man who was not an actual provider of Medicaid goods and services. In addition, she knowingly caused false information to be entered into the MAPS system. The information was drawn from dummy invoices that cited the vendor number assigned to the man who was not a true Medicaid provider. As a result, that man was issued 23 checks, totaling \$903,896.54, which Austen admitted in court was used for her personal benefit.

This case resulted from an investigation conducted by the FBI, the U.S. Department of Health and Human Services-Office of Inspector General, the Social Security Administration-Office of Inspector General, and the Minnesota Department of Human Services.



Owner of Allied Home Health Care Services Sentenced to Federal Prison for Health Care Fraud

Michelle Barbara Pundt, age 37, of Zimmerman, owned her own business, Allied Home Health Care Services. Through that business, some Medicaid recipients received private in-home nursing services. Between 2002 and 2007, however, Pundt caused claims to be submitted to Medicaid that greatly overstated the amount of nursing care actually rendered by her company. As a result, Pundt was charged with and pled guilty to one count of federal health care fraud, and in February 2009, she was sentenced to 18 months in prison and ordered to pay \$350,000 in restitution. The case was investigated by the U.S. Department of Health and Human Services-Office of Inspector General, the Minnesota Department of Human Services, and the Minnesota Medicaid Fraud Control Unit.

On May 20, 2009, the Justice Department announced the formation of a senior-level task force to tackle health care fraud nationally. The Health Care Fraud Prevention and Enforcement Action Team ("HEAT"), represented by the Justice Department along with the Department of Health and Human Services, will look at how to do a better job or sharing real-time intelligence data on health care fraud patterns and practices as well as information about health care services, pharmaceuticals, and medical devices. In 2008, the Justice Department filed criminal charges in 502 health care fraud cases involving 797 defendants.

FRAUD AND PUBLIC CORRUPTION CASE HIGHLIGHTS

MORTGAGE FRAUD

Owners of TJ Waconia Sent to Prison for \$35 Million Mortgage Fraud Scam

The owners of TJ Waconia, the well-known Roseville real estate company, were sentenced to federal prison in April of 2009, after pleading guilty to executing a \$35 million mortgage fraud scheme. Jonathan Edward Helgason, age 46, of Chisago City, was ordered to serve 96 months in prison, while Thomas Joseph Balko, age 38, of Rogers, was sentenced to serve 84 months. Earlier they admitted that between 2005 and 2007, they perpetrated a scam that involved at least 162 properties, primarily in north Minneapolis, and resulted in mortgage proceeds of around \$35 million.

To further their scheme, the men acquired properties through TJ Group, a collective of companies owned by them. Within a few weeks of buying a property, they sold it to an “investor,” who purchased it, without inspection or negotiation, for a price set by the men. That price often was \$20,000 to \$60,000 more than the TJ Group had paid and well over market value.

To ensure mortgages were secured, the defendants sometimes caused fraudulent loan applications to

be submitted to lenders on behalf of “investors.” In addition, they often represented that the “investors” owned the properties, when, in fact, their ownership was in name only. The TJ Group promised to make all mortgage and maintenance payments. For their part, “investors” received a kickback of about \$2,500 each along with a promise of another payment in two years, when the TJ Group was to repurchase the homes.

Although the defendants obtained approximately \$35 million in mortgage proceeds, they did not buy back the homes, nor did they continue making payments on them. Instead, their scheme collapsed, and “investors” were left owning homes with mortgages that far exceeded market values.

At sentencing, the Minneapolis City Council President as well as the Director of the City’s Community Planning and Economic Development Department testified as to the suffering caused to individual victims and

the extensive economic harm suffered by the City at large as a result of this fraud. The Court ordered the defendants to pay over \$11 million in restitution.

The case was investigated by Federal Mortgage Fraud Task Force here in Minnesota.



Presently, 65 federal mortgage fraud task forces are at work in the U.S., investigating possible fraud in the home mortgage business. In 2008, mortgage fraud caused estimated losses nationally of between \$4 and \$6 billion.

The Federal Mortgage Fraud Task Force in Minnesota is comprised of representatives from the FBI, IRS-Criminal Investigation Division, U.S. Postal Inspection Service, U.S. Secret Service, and the U.S. Attorney’s Office. For assistance from the Federal Mortgage Fraud Task Force in Minnesota, contact U.S. Postal Inspector Christie Kroells, at (651) 293-3208; FBI Agent Mike Dudley, at (507) 317-4112; IRS Agent Andy Gibert, at (651) 767-3213; or U.S. Secret Service Agent Rob McQueen, at (612) 348-1800.

Webster Man Pleads Guilty to Bilking Mortgage Lender of More Than \$7 Million

A Webster man has pled guilty in federal court to bilking more than \$7 million from at least 15 real estate mortgage lenders between 2005 and 2008. Appearing before U.S. District Court Judge Richard Kyle, Dustin LaFavre, age 27, recently pled guilty to conspiracy to commit mail and wire fraud in connection to this crime. He was charged on November 5, 2009.

In his plea agreement, LaFavre admitted he conspired with a real estate broker to defraud mortgage lenders. Specifically, he solicited real estate buyers by telling them they would receive significant cash from the proceeds of mortgage loans. LaFavre then negotiated the values of various properties in an effort to inflate sale prices. Those inflated prices were reported to and ultimately approved by lenders. After the real estate closings, LaFavre diverted the differences between the inflated prices and the true sale prices to himself and others.

LaFavre also helped buyers qualify for their mortgage loans by creating false employment verifications, depositing money into their bank accounts to make their balances appear higher, providing them with down payments, and working with brokers and loan officers who were willing to prepare false documentation for submission to lenders.

LaFavre, working with others, negotiated the sale of no fewer than 172 properties during the course of this scheme. LaFavre sent false documents through the U.S. mail. He also caused wire transfers of mortgage loan proceeds from which he and others obtained kickbacks. For this crime, which was investigated by the FBI and the U.S. Postal Inspection Service, LaFavre faces a potential maximum penalty of 20 years in prison. He awaits sentencing.

Jury Convicts Mortgage Broker of Scamming Vulnerable Homeowners

In 2009, a federal trial jury convicted a Prior Lake man in connection to an equity-skimming scam that targeted homeowners near or in foreclosure. After six hours of deliberation, the jury found Michael Fiorito, age 41, guilty of all charges, including conspiracy to commit mail fraud and six counts of mail fraud.

Fiorito was a mortgage broker at three companies between 2003 and 2007. During that time, he and his assistant caused vulnerable homeowners to refinance their homes and then stole some or all of the equity checks produced through the process. They also induced

people to sell their homes to Fiorito and then, during the closings, stole the checks that were to go to the sellers. In many instances, people did not even realize they were selling their homes because Fiorito had misled them into believing they were merely refinancing.

To steal the money, Fiorito convinced homeowners to execute power of attorney forms, allowing him control of funds. As a result, between 2005 and 2007, Fiorito fraudulently converted to his own use more than \$400,000 in equity from at least 17 victims in Janesville, Mound, Duluth, Mankato, Prior Lake, Spring Lake Park, Austin, Golden Valley, Vadnais Heights, and Shoreview.

For this crime, which was investigated by the U.S. Postal Inspection Service, Fiorito faces a potential maximum sentence of 20 years in prison for each count of mail fraud and five years for conspiracy. He awaits sentencing.



Rosemount Man Pleads Guilty to Charges Related to Mortgage Fraud

In the fall of 2009, Eric Jason Sunsdahl, age 34, pled guilty to bank fraud in connection to a scheme to obtain mortgages and funds fraudulently from Bremer Bank. In entering his plea, Sunsdahl, a former personal banker at Bremer's Inver Grove Heights location, admitted he used his position there to cause a \$100,000 home equity line of credit to be established under false pretenses.

In addition, he admitted that between 2004 and 2007, while employed at the bank, he caused fraudulent loan applications to be provided to bank underwriters. Those applications, which misrepresented the true financial conditions of the applicants by overstating income and concealing marital status, among other things, prompted the loans to be approved. Then, Sunsdahl worked with an independent mortgage broker, John M. Rubischko, to disburse the proceeds of those loans in a manner contrary to what was understood by the bank.

In a separate but related court action in January 2009, Rubischko, age 37, of Eagan, was sentenced to 87 months in prison for wire fraud and aggravated identity theft.

Sunsdahl faces a potential maximum sentence of 30 years for his crime. He awaits sentencing.

The case was investigated by the U.S. Postal Inspection Service and the Minneapolis Police Department's Fraud and Forgery Unit.

FRAUD AND PUBLIC CORRUPTION CASE HIGHLIGHTS

TAX CRIMES



Six Convicted of Schemes to Bilk IRS Out of \$3 Million

“Those who defy U.S. tax laws will be held accountable for their actions,” said B. Todd Jones, U.S. Attorney, after the August 2009 sentencing of the primary defendant in a six-

person conspiracy case involving a scheme to defraud the IRS out of more than \$3 million. Douglas Leiter, 41, of Minneapolis, was sentenced to 121 months in prison after a jury convicted him of conspiring to defraud the IRS, filing a false tax return, and aiding a false return.

Trial evidence proved the defendants utilized three schemes to perpetrate their fraud. First, they taught their “clients” how to use a false federal tax Form 1041, on which the clients claimed to be trusts rather than individuals. Thus, the clients deducted all or nearly all income as “fiduciary fees,” reported little or no taxable income or taxes owed, but still often claimed refunds for nearly all federal income taxes withheld. Second, the defendants prepared tax returns for themselves and their clients on which they claimed refunds by declaring all or nearly all of their earnings as tax deductible when that was not true. Third, the defendants structured their business as well as the businesses of their clients as limited liability companies, purportedly owned by non-profit organizations. The clients’ companies then distributed their profits among bank accounts held by the non-profits, which did not file tax returns or pay taxes. In reality, however, the clients controlled the companies and the money that passed through them.

Three of Leiter’s co-defendants also have been sentenced, while two await sentencing. This case was investigated by the IRS-Criminal Investigation Division and the Minnesota Department of Revenue.

Owner of Gentlemen’s Club Sent to Prison for Filing a False Federal Tax Return

In August of 2009, the owner of the King of Diamonds Gentlemen’s Club in Inver Grove Heights was ordered to serve the next 20 months in prison for filing a false 2000 federal income tax return. Earlier, 65-year-old Lawrence Frank Kladek pled guilty, admitting he had used the ATM at his club to conceal \$170,139 in taxable business earnings.

The ATM was purchased in 1999 for use by customers. Kladek was to stock the machine with cash reimbursed from prior ATM withdrawals. Instead, however, he stocked the ATM with business receipts. Then, he filed a Federal Individual Income Tax Return in which he failed to report those receipts, totaling \$170,139. In entering his plea, Kladek admitted that between 2000 and 2003, he evaded paying \$912,976 in income tax to the IRS. In addition to his prison term, Kladek was ordered to pay the IRS all taxes owed by him.

This case was investigated by the Criminal Investigation Division of the IRS.



Popular Roofing Company Owner Sentenced for Tax Evasion, Mail Fraud

Amit Sela, part owner of Sela Roofing, was sentenced in federal court in Minneapolis on October 1, 2009, on conspiracy and tax-evasion charges. Federal Judge James Rosenbaum ordered Sela to serve 42 months in prison for one count of conspiracy to commit mail fraud and defraud the U.S., one count of tax evasion, and two counts of filing false tax returns. Judge Rosenbaum also imposed a \$200,000 fine. Sela was indicted in August 2008 and convicted in June 2009, after an eight-day trial.

Trial evidence proved that between 2001 and 2004, Sela conspired to steal money from the company and conceal knowledge of it from the IRS and the State Department of Revenue. To further his scheme, Sela induced vendors to falsify invoice addresses so work appeared to be for the company, when really it was for him personally. Such work included repairs on his home, his ex-wife’s house, and his Hummer. When Sela could not obtain false invoices, he often altered them. He then arranged for the invoices to be paid by the company.

Judge Rosenbaum found that Sela stole more than \$650,000 from Sela Roofing and attempted to evade in excess of \$220,000 in federal taxes. The judge also found that Sela had committed perjury during the trial.

Sela’s co-defendant, Abdulla Noaman, was acquitted of the only charge filed against him. The investigation of this case was conducted by the Criminal Investigation Division of the IRS.

FRAUD AND PUBLIC CORRUPTION CASE HIGHLIGHTS

PUBLIC CORRUPTION

Former Police Officer Sentenced to Prison After Giving Law Enforcement Information to Purported Gang Member

In September of 2009, a former Minneapolis police officer was sentenced to 12 months in federal prison after admitting he provided law enforcement information to a purported gang member. Earlier Roberts pled guilty to one count of unauthorized access to a protected computer and three counts of filing false tax returns in connection to this crime.

In entering his plea, Roberts admitted that in August 2007, while working off duty as a security guard, he met with a man who identified himself as a member of the Gangster Disciples street gang. The man asked Roberts to secure information about a rival gang and determine if anyone had given police information

about him. The meeting took place in Roberts' squad car, and Roberts used the car's computer to obtain the information sought. When the meeting was over, the man gave Roberts \$100 in cash, and Roberts filed a false report about the incident.

In his plea agreement, Roberts stated he had worked off-duty security jobs for many businesses between 2004 and 2008 and had been paid in excess of \$100,000. He further stated he had failed to report or pay taxes on that money.

This case was investigated by the Minneapolis Police Department, the FBI, and the Criminal Investigation Division of the IRS.

Ramsey County Sheriff's Office Employees Sentenced for Stealing on the Job

In 2009, Timothy Conrad Rehak was sentenced to 35 months in federal prison, and Mark Paul Naylon was ordered to serve 30 months. Each man also was ordered to pay a \$7,500 fine. The men, employees of the Ramsey County Sheriff's Office, had been found guilty of stealing money while executing a search warrant. Specifically, the jury convicted them of one count of theft of government funds and one count of conspiracy to violate civil rights.

Evidence presented at trial showed that Rehak, a police officer, and Naylon, a public information officer also assigned to the Office's Special Investigations Unit, became the focus of an FBI corruption investigation in 2004. During that investigation, the FBI conducted integrity tests on the two men.

The initial test, which occurred in November 2004, began with authorities renting a St. Paul motel room under a fictitious name. They then informed Rehak that a drug trafficker, now under arrest, had rented the room and had left drugs and cash in it. Subsequently, Rehak and Naylon attempted to gain access to the room without a search warrant. They were denied,



but later, when they returned with a supervisor from the Special Investigations Unit and a warrant, they obtained entry.

Once inside the room, the supervisor searched the bathroom, while Rehak and Naylon searched the bedroom. There, inside a dresser, Rehak found a bag contain-

ing \$13,500. Naylon motioned for Rehak to give him some of the money, so Rehak handed him \$6,000, which Naylon stuffed in his jacket pocket. The men then alerted their supervisor, showing him the \$7,500 in the bag but not the \$6,000 they had taken. Unknown to the men, the entire incident was being recorded by the FBI.

Later that day the men became suspicious about the search because no narcotics had been found. Concerned the search may have been an integrity test, they called the supervisor and told him they had recovered another \$6,000 under the mattress in the hotel room.

At trial, the men claimed they were simply playing a joke. The jury, however, did not believe them.

This case resulted from an investigation conducted by the FBI.

CRIMINAL DIVISION

MAJOR CRIMES AND PRIORITY PROSECUTIONS SECTION

The Major Crimes and Priority Prosecutions Section, led by Assistant U.S. Attorney Michelle E. Jones, handles a variety of criminal cases, from those involving national security to those pertaining to Justice Department initiatives. Over the past year, the Section has litigated cases against several individuals from Minneapolis for allegedly providing support to al-Shabaab, a U.S.-designated terrorist group.

At the same time, Section prosecutors have brought charges against several men from across Minnesota for sexually exploiting children via the Internet. That work, done in concert with federal prosecutors nationwide, is part of a Justice Department program called Project Safe Childhood.

In addition, the Section is responsible for prosecuting bank robbers as well as felony prosecutions from the Red Lake and Nett Lake Indian reservations, which are federal-jurisdiction reservations. As a result, the Major Crimes and Priority Prosecutions Section has been very busy over the past year, as shown by the case summaries that follow.



MAJOR CRIMES AND PRIORITY PROSECUTIONS CASE HIGHLIGHTS

INTERNATIONAL TERRORISM



14 Charged with Terrorist-Related Crimes

During 2009, the U.S. Attorney's Office charged 14 Minneapolis men with terrorist-related crimes, including providing support to al-Shabaab, a designated foreign terrorist organization; attending al-Shabaab terrorist training camps; and fighting on behalf of the group. The charges stem from an investigation into the recruitment of young men from the U.S. to train with or fight on behalf of extremist groups in Somalia.

According to court documents, between September 2007 and October 2009, 20 young men, all but one of Somali descent, left the Minneapolis area for Somalia, where they trained with al-Shabaab. Many of them ultimately fought with the terrorist group against Ethiopian forces, African Union troops, and the internationally supported Transitional Federal Government.

The first group of six men left Minnesota in December 2007. Prior to their departure, they, along with others, allegedly raised money for the trip and held meetings during which they made phone calls to co-conspirators in Somalia. Once in Somalia themselves, the six men

allegedly stayed at safe houses and attended al-Shabaab training camps, where they learned to use small arms, machine guns, and rocket-propelled grenades. They also purportedly were indoctrinated with anti-Ethiopian, anti-American, anti-Israeli, and anti-Western beliefs.

Court documents indicate that on October 29, 2008, one of the men, Shirwa Ahmed, took part in one of five simultaneous suicide attacks in northern Somalia. He drove an explosive-laden truck into an office of the Puntland Intelligence Service in Bossasso, Puntland. The attacks left 20 people dead, including the suicide bombers.

Mahamud Said Omar was among the people charged in Minnesota. According to the indictment filed against him in August of 2009, Omar, a Somali citizen with permanent U.S. resident status, conspired with others to provide financial aid and personnel to al-Shabaab. He also allegedly visited the safe house where the first group of Minneapolis men were staying and provided money to buy AK-47s for those men. In November 2009, Omar was arrested by law enforcement in the Netherlands pursuant to a provisional arrest warrant. The U.S. presently is seeking his extradition.

These cases were investigated by the Federal Bureau of Investigation's Joint Terrorism Task Force.

MAJOR CRIMES AND PRIORITY PROSECUTIONS CASE HIGHLIGHTS

DOMESTIC TERRORISM

Texas Man Sentenced for Crimes at Republican National Convention

A 23-year-old man from Austin, Texas, who was part of a group that planned to disrupt the Republican National Convention (“RNC”) in St. Paul in September of 2008, was sentenced to prison in May of 2009 for violating federal gun laws. David Guy McKay was ordered incarcerated for 48 months after earlier pleading guilty to possessing an unregistered firearm, possessing a firearm with no serial number, and illegally manufacturing a firearm while in Minnesota to protest at the RNC.

Court documents indicate that McKay and co-defendant Bradley Neal Crowder, along with other members of the Austin Affinity Group, traveled to Minnesota on August 28, 2008. The group brought with it a rental trailer containing 35 riot shields made from stolen traffic barrels.

The shields were to be used to bar convention goers from entering the St. Paul Xcel Energy Center, the convention site. However, police seized the shields before they were employed.

Upset by that action, McKay and Crowder visited a local Wal-Mart, where they purchased the supplies needed to make Molotov cocktails. Those supplies included a gas can, motor oil, and tampons. They also bought gasoline. Then, in the St. Paul apartment where they were staying, they manufactured eight Molotov cocktails.

Law enforcement learned of the activity from an informant, who also reported that McKay planned to throw the Molotov cocktails at vehicles parked at a RNC law enforcement checkpoint near the apartment.

During the subsequent execution of a search warrant at the apartment, authorities found gas masks, slingshots, helmets, and knee pads. Under the kitchen sink, they even found a two-gallon gasoline container identical to the one purchased at Wal-Mart. In the basement, they also discovered eight assembled Molotov cocktails.

In entering his guilty plea, McKay admitted he possessed firearms, namely, destructive devices commonly known as Molotov cocktails, not registered to anyone in the National Firearms Registration and Transfer record. In addition, he admitted making the devices, which were not identified by serial number, as required by law.

When McKay was first tried for his crimes, the jury failed to reach a unanimous verdict. Co-defendant Crowder was sentenced to 24 months after pleading guilty to possession of an unregistered firearm.

This case was investigated by the Federal Bureau of Investigation’s Joint Terrorism Task Force.

In a related case, a 24-year-old Michigan man was sentenced to 42 months in federal prison after he, too, admitted possessing Molotov Cocktails intended for use in disrupting the RNC. Matthew Bradley Depalma, of Flint, Michigan, pled guilty to possession of destructive devices, namely, five Molotov Cocktails, which were not registered in the National Firearms Registration and Transfer Record.

Depalma became known to the FBI in July of 2008, when he attended the CrimeThinc Convergence. There,

he spoke of his plans to travel to Minnesota to “blow up” things during the RNC. He also told an FBI source of his desire to make Molotov cocktails and even described the ingredients he would use to make them burn

hotter and longer than ordinary Molotov cocktails.

Once in Minneapolis, Depalma visited the public library, ultimately producing a handwritten list of items needed to make a “special” Molotov cocktail that would stick to people. In recorded conversations, he also detailed his plan to use Molotov cocktails or a chemical bomb to destroy electrical cables near the RNC site. Moreover, he talked of using napalm-filled Molotov cocktails on police officers, saying, “I will light one of those pigs on fire.”

Depalma was observed traveling to remote locations around Minneapolis to test his Molotov cocktails and experiment with chemicals for chemical bombs. On August 28, 2008, he was arrested.

Again, this case was investigated by the Federal Bureau of Investigation’s Joint Terrorism Task Force.



Member of Montana Freeman Militia Convicted Under New Federal Law

Daniel E. Petersen was one of the original founders of the Montana Freeman, a militia group that formed its own “state,” Justus Township, on a Montana ranch in the mid-90s. Back then, the group funded itself by issuing phony checks, supposedly backed by a \$77 million lien against a local judge. Creditors who would not honor the checks were subjected to intimidation.

In 1996, Petersen and 13 other group members were indicted for bank fraud, conspiracy, false claims, threats against federal officials, and Hobbs Act robbery. Petersen and another men were arrested first, as a result of a FBI ruse. The remaining Freeman engaged in a 81-day standoff with the FBI before giving up peacefully. Petersen ultimately was convicted on 19 of 20 counts and sentenced to 15 years in prison.

While serving his sentence in a federal correctional facility in Minnesota, Petersen devised a plan to retaliate against Judge Coughenour, the judge from Washington who ordered him incarcerated, as well as two other federal judges. In the process, Petersen also planned to make some money.

His plan called for “inventing” a company he claimed held assets that included a \$100 trillion default judgment against the United States. He raised money by selling fellow inmates and others “shares” in the non-existing company. Those shares were supposedly backed by “redemption certificates,” which, according to Petersen, could be redeemed as soon as he collected the judgment owed him by the government.

His so-called judgment had been obtained after then-Secretary of State Madeline Albright declined to respond to his ten-page, handwritten demand for \$100 trillion, plus \$1 billion a day in interest, for unlawfully confining him. He obtained the judgment by default through the Common Law Court of Justus Township, a “court” of his own creation.

With his judgment in hand, Petersen began filing liens against real property owned by the three federal judges. Apparently, he rationalized that, as government officers, they were financially liable for his judgment against the United States. He also filed with the Minnesota Secretary of State’s office “bounties” for the arrest of the judges, offering rewards to anyone who brought the three to Minnesota to answer his liens.



Montana Freeman sentry post at Justus Township in May, 1995.

Petersen was warned repeatedly that his actions were unlawful, but he persisted. As a result, in 2009, the U.S. Attorney’s Office prosecuted Petersen under a 2008 federal anti-retaliation law that makes it a crime to retaliate against any government officer by filing liens against him or her. The case, brought under 18 U.S.C. 1521, was the first prosecution of its kind nationwide.

The trial lasted three days, during which time, Petersen insisted on representing himself. He also insisted to the jury that his actions were just and serious. He even admitted he wanted to see his liens cause the judges to “lose their homes.” In the end, however, the jury convicted him, and he now awaits sentencing.

This case was investigated by the FBI and the U.S. Marshals Service.

The Joint Terrorism Task Force is comprised of representatives from the U.S. Attorney’s Office; FBI; IRS; U.S. Postal Inspection Service; ICE; U.S. Department of Homeland Security—Border Patrol; U.S. Department of State; TSA—Federal Air Marshal Service; U.S. Secret Service; the U.S. Department of Defense; the Defense Criminal Investigative Service; the Minnesota Bureau of Criminal Apprehension; the Sheriff’s offices in Ramsey, Hennepin, and Olmstead counties; and the police departments in Minneapolis, St. Paul, Rochester, and Winona as well as the police departments at the Minneapolis-St. Paul International Airport and the University of Minnesota. The point of contact for the JTTF is FBI Special Agent Robert Canada, at (612) 376-3397.

MAJOR CRIMES AND PRIORITY PROSECUTIONS CASE HIGHLIGHTS



PROJECT SAFE CHILDHOOD

Hibbing Man Sentenced for Failure to Register as a Sex Offender

In August of 2009, Dennis Pietrantonio, 62, of Hibbing, was sentenced to 24 months in federal prison for violating the Adam Walsh Act, which, among other things, requires sex offenders to register with local authorities. He was convicted following a four-day trial.

Evidence at trial showed that in 2007, Pietrantonio moved from Hibbing to Las Vegas but failed to update his sex offender registration in a timely manner. Then, in January 2008, he moved to Massachusetts and again failed to update his registration. In April 2008, the U.S. Marshals Service arrested him in Massachusetts.

Pietrantonio's status as a sex offender resulted from a 2004 conviction in St. Louis County. He was found guilty of indecent exposure and soliciting children to engage in sexual conduct.

The federal case against Pietrantonio was investigated by the U.S. Marshals Service, the Minnesota Bureau of Criminal Apprehension, and the Hibbing police.

Man Investigated for Mail Fraud is Sentenced for Transmitting Child Pornography Too

In 2009, Matthew Beise, 37, of Buffalo, Minnesota, was ordered to serve 168 months in federal prison for committing mail fraud in connection to the embezzlement of funds from a Rockford church. That sentence may seem harsh for a single charge of fraud, but U.S. District Court Judge Ann Montgomery found it appropriate since Beise simultaneously pled guilty to transmitting child pornography. In imposing the sentence, Judge Montgomery said she had seen many cases of people stealing money or trafficking child pornography or living double lives. However, she concluded, this was the first time she had seen "all three rolled into one."

Beise served as council treasurer at Cross Evangelical Lutheran Church in Rockville between 1998 and 2006. During that time, he admittedly deposited Church funds into his own bank account. Moreover, he wrote checks against Church accounts to pay personal expenses, such as jewelry, Minnesota Vikings' season tickets, credit card payments, and many costs related to construction of his

\$600,000 home. In all, he embezzled at least \$240,000 but was able to hide the crime for considerable time because of his position on the Church council.

Beise falsified financial reports and sent them to the other council members via the U.S. mail. Thus, when an investigation was initiated, federal officials were asked to assist. During the course of that embezzlement investigation, Beise's home computer was seized pursuant to a search warrant. On that computer, law enforcement found approximately 190 images of child pornography. Later, Beise admitted that between 2004 and 2006, he used an Internet-based e-mail account to trade images of minors engaged in sexually explicit conduct. He also admitted using that Internet e-mail account to transmit three different images of child pornography in one day.

The case was investigated by the Wright County Sheriff's Office, with assistance from the Internal Revenue Service-Criminal Investigation Division, the FBI, and the U.S. Postal Inspection Service.

Production of Child Pornography Leads to Long Federal Prison Sentences

During 2009, Dennis Lemke, 43, of Sartell, Minnesota, was sentenced to 360 months in federal prison, followed by supervised release for life, after pleading guilty to one count of production of child pornography. In entering his plea, Lemke admitted that on April 12, 2006, he used a minor under the age of 12 to engage in sexually explicit conduct for the purpose of producing visual depictions of the acts. A search warrant executed at Lemke's home yielded a computer that contained many sexually explicit images of children. Authorities determined that some of those images were taken by the type of digital camera also seized at Lemke's residence. Several images actually featured Lemke. The case was investigated by the FBI and the St. Cloud Police Department.

Also during 2009, Aaron Lemon, 23, of Little Canada, Minnesota, was sentenced to 240 months in federal prison, followed by supervised release for life, after pleading guilty to one count of production of child pornography. Lemon admitted he answered an ad on Craig's List for a babysitter. Then, while babysitting, he used a cell-phone camera to produce pornography involving the child he was hired to watch. This case was investigated by the St. Paul Police Department.

The Minnesota Internet Crimes Against Children Task Force was established in 2000 with a Justice Department grant to the St. Paul Police Department. The Task Force is comprised of every County Attorney's office as well as many Sheriff's offices and police departments across Minnesota. If you need Task Force assistance, contact Commander Neil Nelson, St. Paul Police Department, at (651) 793-1045.

MAJOR CRIMES AND PRIORITY PROSECUTIONS CASE HIGHLIGHTS

INDIAN COUNTRY

Woman Convicted of Murdering 14-Year-Old

In late 2009, a federal jury in Minneapolis convicted a young adult woman from the Red Lake Indian Reservation of murdering a 14-year-old boy and assaulting a 17-year old boy with a knife. Patricia Brown was specifically found guilty of one count of murder and one count of assault with a dangerous weapon. Brown was found not guilty on a separate count of assault with a dangerous weapon alleged to have been committed on a third juvenile male. Brown was indicted on May 20, 2009.

Following the verdict, U.S. Attorney B. Todd Jones said, "This case exemplifies the Justice Department's renewed efforts and that of our federal and tribal law enforcement partners to enhance public safety in Indian Country. We are appreciative of the jury verdict in this case and hope it in some way helps the friends and family of the victim recover from their tragic loss."

According to the evidence presented at trial, the boy who was murdered attended a social gathering on the Red Lake Indian Reservation in April 2009. As he was leaving, he approached Brown, who had just arrived with a juvenile female. The boy made a number of



boisterous comments to Brown, who ordered him to get away. When he failed to do so, Brown pulled out a "butterfly" knife and fatally stabbed him in the heart.

Brown then left the party and drove a short distance, where she got into an altercation with two other juvenile males, ages 16 and 17. Using her knife, Brown lacerated the hand of the 17-year-old boy, causing severe, permanent damage.

Later, Red Lake tribal police notified the FBI that they had impounded a Chevrolet Blazer in connection to a separate incident involving Patricia Ann Brown. In that vehicle, authorities reportedly discovered the butterfly knife as well as some brass knuckles. The knife was determined to have the blood DNA of the 17-year-old assault victim and the murdered child as well as the defendant's fingerprints.

Under the Adam Walsh Act, Brown faces a sentence of 30 years to life for murder and a mandatory minimum of 10 years for assault. U.S. District Court Judge Joan N. Ericksen will determine the sentence at a future date. This case was the result of an investigation by the FBI and the Red Lake Tribal Police Department.

Nett Lake Man Pleads Guilty to Setting Fire to Bois Forte Reservation Tribal Center

William Isham, age 20, of Nett Lake, has pleaded guilty to one count of arson in connection to a fire set at the Bois Forte Reservation Tribal Center on July 20, 2009. The Nett Lake and Orr, Minnesota, fire departments responded to the fire call shortly after 3:00 a.m. that day. Upon their arrival, they saw that a vehicle in front of the Center was completely engulfed in flames. They also saw that intense smoke and fire was spreading throughout the building.

Later, the Minnesota Fire Marshal ruled the fire had been started intentionally, first in the vehicle and then near a janitor's door at the rear of the building. Two witnesses said that earlier in the evening, William Isham had talked

about burning down the Tribal Center. He disappeared but returned after the fire, bragging about having set it. On July 28, he was recorded making more statements that implicated himself in the crime.



Isham now awaits sentencing. He faces a potential maximum penalty of 25 years in federal prison. This case resulted from the joint investigative efforts of the FBI, the Bureau of Indian Affairs, the Bois Forte Tribal Police Department, and the Minnesota Fire Marshal.

Felon Sentenced for Possessing Firearms

A 26-year-old Red Lake man has been sentenced to federal prison for being a felon in possession of multiple firearms. Arlen Wayne Jourdain, who was indicted on May 19, 2009, and convicted by a jury on October 14, 2009, has been ordered by U.S. District Court Chief Judge Michael J. Davis to serve the next 72 months in prison for his crime.

Evidence presented at Jourdain's trial indicated that on May 19, 2009, Red Lake tribal police responded to a call about a man with a gun. When they approached the man, identified as Jourdain, he threw two guns into a wooded area. Officers recovered the two semi-automatic pistols and took Jourdain into custody. Later, authorities learned that in 2005, Jourdain had appeared in federal court in Minnesota, where he was charged and convicted of aggravated assault. Because of that felony conviction, Jourdain is prohibited under federal law from possessing any firearms.

This case was investigated by the FBI and the Red Lake Tribal Police Department



Red Lake Man Sentenced for Violent Assault

A 35-year-old Red Lake man was sentenced to federal prison in August of 2009 for committing an assault that resulted in serious bodily injury. Paul Robert Jones was ordered to serve 82 months of incarceration after earlier pleading guilty to slashing and stabbing a woman with a serrated kitchen knife.

According to an FBI affidavit filed in the case, the Red Lake police responded to a call just after 1:00 a.m. on November 26, 2008. When they arrived at the scene, they were met by a young woman who told them she had been lying down, resting with her young child while another child played nearby, when she spotted Jones's face in the window. He quickly entered the house and room and began to stab her repeatedly. The victim sustained severe lacerations to her mouth, chest, left arm, and right hand.

The case was investigated by the FBI and the Red Lake Tribal Police Department.

Two Minnesota Indian reservations, Red Lake and Bois Forte, are federal-jurisdiction reservations, meaning FBI agents serve as their primary felony investigators, and the U.S. Attorney Office serves as their felony prosecutor. Because reservation residents are victimized by serious crime at a rate two and one-half times that of the general population, the U.S. Department of Justice and the U.S. Attorney's Office have made addressing federal crime in Indian Country a major priority. To that end, the U.S. Attorney has directed prosecutors from other sections within the Criminal Division to augment the efforts of the Indian Country prosecutors in the Major Crimes and Priority Prosecution Section. Some of the results of that collaboration are summarized here.

Law enforcement and crime prevention efforts on the Red Lake Indian Reservation continue to make a positive difference in the community. A new criminal justice center, funded through the Justice Department, has just opened on the Reservation. The Center houses courtrooms, a detention center, and the police station.

Project Safe Neighborhoods, a program funded through the Justice Department, continues to support law enforcement and crime prevention efforts aimed at reducing gun violence and related crime on or near the Red Lake Indian Reservation. Because of the hard work of the FBI-led and PSN-supported Headwaters Safe Trails Task Force, as well as other federal, State, local, and tribal law enforcement entities, residents on the Red Lake reservation are safer. (See the OCDETF and Violent Crime Section for other PSN information.)

Purported Native Gang Leader Pleads Guilty

In 2009, Douglas Peake, age 32, pled guilty to being a felon in possession of a firearm. In entering his plea, Peake admitted that on January 1, 2008, he possessed two semi-automatic pistols. Because Peake is a felon, he is prohibited from possessing firearms at any time. His prior felony convictions, all from Hennepin County, were for terroristic threats, attempted possession with intent to sell a controlled substance, second-degree assault, and being a felon in possession of a firearm.

Relative to the current federal case, an ATF affidavit stated that between November 13 and 16, 2007, a cooperating defendant bought seven Hi-Point pistols for Peake, who could not buy guns himself because of his felon status. According to the ATF, Hi-Point pistols are comparatively inexpensive and often used by criminals within a short time of purchase. Two of the pistols bought and resold to Peake were found in his possession, loaded, when officers arrested him in connection to a "shots fired" call in Minneapolis on January 1, 2008. Witnesses at the scene said Peake forced his way into a house, pointing a gun at its occupants.

The ATF affidavit also indicated the investigation leading to Peake's arrest began as a gun trafficking investigation. Peake is a purported leader of the Native Gangster Disciples, known to traffick firearms between the Twin Cities and Minnesota's reservations. Peake faces a potential penalty of ten years in prison. The case was investigated by ATF and Minneapolis police.

MAJOR CRIMES AND PRIORITY PROSECUTIONS CASE HIGHLIGHTS

IDENTITY THEFT



Jury Convicts Maplewood Man of Identity Theft; Bank Fraud

In February 2009, after five hours of deliberation, a federal jury convicted Marcus Benson, age 36, of Maplewood, of defrauding financial institutions out of more than \$483,000, specifically from the accounts of individuals. Benson was found guilty of one count of bank fraud conspiracy, nine counts of bank fraud, three counts of access device fraud, ten counts of aggravated identity theft, one count of possession of document-making

implements, one count of possession of unauthorized access devices, and one count of possession of device-making equipment. He was indicted by a federal grand jury in September of 2008.

Trial evidence showed that Benson used the names and personal identification information of various account holders to apply for credit cards from financial institutions. He also acquired blank home-equity checks by ordering them under the names of others and having them diverted to addresses he controlled. He then used both the credit cards and equity-account checks on numerous occasions to obtain cash from the bank accounts of others or purchase merchandise fraudulently. In addition, Benson possessed document-making implements, such as computers, scanners, and printers, for the intended purpose of producing false identification documents. Moreover, he possessed equipment to make credit card encoders, again with the intent to defraud others. Trial evidence proved that between April 25, 2007, and June 9, 2008, Benson withdrew a total of more than \$483,000 from nine people's accounts.

Benson, who awaits sentencing, faces a potential maximum penalty of 30 years in federal prison on the conspiracy charge, 30 years on each count of bank fraud, 10 years on each count of access-device fraud, 15 years on the charge of possessing document-making devices, 10 years for possessing unauthorized access devices, 10 years for possessing access-device implements, and a two-year mandatory minimum for each count of aggravated identity theft.

This case was investigated by the U.S. Postal Inspection Service, ICE, the State Patrol, and the Minnesota Bureau of Criminal Apprehension, with the cooperation and assistance of U.S. Bank, Capital One, Chase Bank, and Citibank.



Eagan Couple Lured Identity-Theft Victims with Sex

In the spring of 2009, an Eagan couple was sentenced to federal prison for stealing and using the identities of others to obtain money. Eric Thorsen, age 26, of Eagan, was ordered to serve 61 months in prison for possession with intent to use five or more identification documents belonging to others and aggravated identity theft. Amy Bergquist, age 31, also of Eagan, received a 42-month prison sentence for conspiracy and aggravated identity theft.

Earlier, when the pair pleaded guilty, Thorsen admitted stealing identification documents from others so he could purchase products and obtain money fraudulently from the victims' bank accounts. Bergquist admitted aiding and abetting in that criminal behavior.

To carry out their crime, the pair placed ads on the Internet, seeking other adults with whom to engage in sex. Then, while with those people in motel rooms or private homes, Thorsen and Bergquist stole their identification documents. Authorities found stolen identification documents in two hotel rooms rented by Thorsen. In all, the pair caused losses of between \$30,000 and \$120,000.

This case was investigated by the U.S. Postal Inspection Service, the U.S. Secret Service, the FBI, the Minnesota Financial Crimes Task Force, and the Roseville Police Department.

MAJOR CRIMES AND PRIORITY PROSECUTIONS CASE HIGHLIGHTS

COUNTERFEITING

Four Sentenced for Counterfeiting Currency

Four men were sentenced to prison this past fiscal year for their roles in a four-year counterfeiting operation that netted between \$10,000 and \$30,000 in illegal U.S. currency. Charles Ogdahl, age 32, of Minneapolis; Brandon Olynick, age 36, address unknown; and Michael Tucker, age 56, of South St. Paul, pleaded guilty to using computers and peripheral equipment to manufacture counterfeit currency with the intent to deceive others into believing it was real, thus causing them financial loss. Olynick also admitted altering genuine currency. The fourth defendant, Nathan Ruesch, age 32, of Dayton, pleaded guilty to possessing materials used to assist in the manufacturing of counterfeit currency. The sentences ranged from probation to 18 months in federal prison.

According to a U.S. Secret Service affidavit, authorities initially uncovered the counterfeiting operation while executing a search warrant at a South St. Paul home during a drug investigation. Throughout the house, police found counterfeit \$20 bills, baggies containing ink, computers, printers, digital cameras, as well as media storage devices, a shredder, and paper with the watermark image of President Andrew Jackson. Olynick was found in the basement of the house, near a bank of computers. The watermark image of President Jackson was visible on one of the computer screens.

A year later, while executing a drug search warrant at a home in Minneapolis, police discovered partially printed bills, computers, printers, and false identification. And, again, they found Olynick in the house, this time accompanied by Ogdahl and Ruesch. Subsequently, authorities executed a search warrant for counterfeit currency at the Residence Inn in Eden Prairie. There, they found Ogdahl and Ruesch in a room converted into a counterfeiting production area. Several computers and a large quantity of counterfeit bills also were uncovered. The arrests were made.



This matter was investigated by the U.S. Secret Service, the Dakota County Sheriff's Office, the Minnesota Financial Crimes Task Force, and Eden Prairie, St. Paul, Minneapolis, South St. Paul, and West St. Paul police.

20-Year-Old Sentenced to Federal Prison for Counterfeiting Currency

In 2009, 20-year-old Nijm Mukhtar El-Amin Scott, of Minneapolis, was ordered to serve the next 12 months in prison for manufacturing U.S. currency. Scott admitted that over a two-day period, he used a computer and other equipment to manufacture between \$10,000 and \$30,000 in counterfeit \$100 bills, using real \$5 bills to do it. He also admitted passing some of the counterfeit money to area retailers in an attempt to purchase expensive electronic items, which he then returned to the stores for cash refunds. For example, he bought a DVD player and GPS navigation system at Wal-Mart in Fridley, paying for the merchandise with six \$100 counterfeit bills.

Scott's crime was uncovered after a Wal-Mart employee provided authorities with the license number of the vehicle he had driven to the store. Subsequently, police executed a search warrant at a Fridley residence, where they found Scott, who appeared to be in the process of manufacturing more money. Bleached \$5 bills as well as counterfeit \$100 bills were scattered about the living room. Police also discovered the DVD player and GPS navigation system purchased with counterfeit bills the previous day.

This case was investigated by the U.S. Secret Service and the Fridley Police Department.

MAJOR CRIMES AND PRIORITY PROSECUTIONS CASE HIGHLIGHTS

BANK ROBBERY

Man Sentenced for Bank Robbery and Leading Police on High-Speed Chase

On April 23, 2008, Dante Benson-Henry, age 23, robbed the TCF Bank at 6775 York Avenue, Edina. He entered the bank, located inside a Cub Foods store, at 2:30 p.m., and approached a teller. He set a note on the counter. It read, "This is a holdup. I have a gun. 100s, 50s and 20s only, put the money on the counter and act normal." The teller complied, and the robber took the cash and calmly left the building.

Shortly thereafter, officers observed a man matching the robber's description. The man, later identified as Benson-Henry, was driving southbound on France Avenue, near 84th Street. The officers attempted to conduct a traffic stop, but Benson-Henry accelerated his vehicle. Police pursued him at speeds in excess of 80 miles per hour and, at the intersection of Pioneer Trail and South Highway 169, were successful in forcing him to pull his car over. Then, however, he fled on foot. Police chased him and ultimately apprehended him as he tried to gain entry into a residence.

The police found Benson-Henry in possession of a 357-caliber revolver. They also seized from his car approximately \$5,150 in cash and other clothing that matched what the robber had been wearing.

For his crime, Benson-Henry was sentenced to 108 months in federal prison. This case was investigated by the FBI and the Edina Police Department.

Man Sentenced for 5 Bank Robberies

On July 14, 2009, 28-year-old Suresh Harlan Small, of St. Louis Park, was sentenced to 240 months in federal prison after pleading guilty to committing five bank robberies in the Twin Cities during a five-month period. He stole an estimated \$296,304 as a result of his crimes.

Small was apprehended by police following the fifth robbery and a high-speed chase. He was shot by law enforcement at the scene of his arrest after he allegedly brandished what appeared to be a handgun.

The case was investigated by the FBI, the Hennepin County's Sheriff's Office, and police departments in Brooklyn Park, Brooklyn Center, St. Anthony, St. Louis Park, and Plymouth.



Man Sentenced to 151 Months for Bank Robbery

After admitting he robbed the same St. Paul TCF Bank twice in one month, Shane Townsend, age 37, St. Paul, was sentenced to 151 months in federal prison. He agreed he stole \$3,065 from the bank on December 5 and \$450 from the bank on December 11, 2007.

An FBI affidavit regarding the second robbery reported that a teller at the bank was approached by a man, later identified as Townsend, at approximately 2:30 p.m. on December 11. The man gave the teller a note that read, "Give me big bills" and "don't get hurt." The teller complied, and the man left with the money provided.

Immediately following the robbery, the teller spotted Townsend walking north toward University Avenue. He tried to hail an eastbound bus, but the bus passed him by. So, he chased it until the driver stopped and allowed him to board. Shortly thereafter, police also stopped the bus. And, as they entered its front door, Townsend exited the back door and attempted to flee. He was quickly apprehended, although he resisted arrest, causing officers to tase him. Authorities then found \$450 in cash and the demand note in his possession.

The case was investigated by the FBI and the St. Paul Police Department.

MAJOR CRIMES AND PRIORITY PROSECUTIONS CASE HIGHLIGHTS

HUMAN TRAFFICKING

23 Sentenced for Roles in Prostitution Ring

Oscar Rogelio Hisep-Roman, age 33, of Dover, Florida, was sentenced to 28 months in federal prison after pleading guilty to one count of conspiracy to commit an offense against the United States. Marisol Ramirez, age 39, of Richfield, was sentenced to 30 months after pleading guilty to one count of conspiracy, one count of money laundering, and one count of illegal entry after deportation. Both were ordered to prison during 2009, after admitting they operated a prostitution ring in Minnesota between 2006 and 2007.

They brought in women from other states and countries to work as prostitutes in various brothels around the State. They also recruited and employed people to help run the business, including managing the brothels, transporting the prostitutes, collecting money, passing out business cards, and otherwise promoting the operation. Twenty-one employees and co-defendants also have been sentenced.

According to the U.S. Department of Justice, 600,000 to 800,000 people are trafficked internationally each year for involuntary servitude or use in the sex trade. An estimated 14,500 to 17,500 are trafficked in the U.S. annually. The Twin Cities metropolitan area is one of the 15 largest human trafficking centers in the country.

This particular case was investigated by ICE, St. Paul police, and the State Bureau of Criminal Apprehension, with assistance from the police departments in West St. Paul, Minneapolis, Richfield, and Austin. In addition, the investigation was aided by the Gerald D. Vick Human Trafficking Task Force.

The Gerald D. Vick Human Trafficking Task Force, named for a slain St. Paul police officer who dedicated his career to ending human trafficking, investigates and apprehends those involved in this crime. The Task Force, led by the St. Paul Police Department, is made up of local, State, and federal investigators, including officers from the Minneapolis Police Department, the Ramsey County Sheriff's Office, the Hennepin County Sheriff's Office, the FBI, and ICE. For assistance from the Task Force, contact Sgt. John Bandemer, at the St. Paul Police Department, by calling (651) 266-5988.

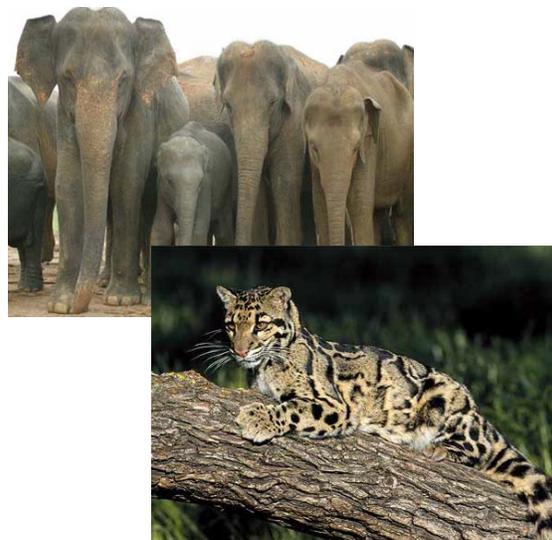
FISH AND WILDLIFE VIOLATIONS

Two East Metro Women Sentenced for Smuggling Wildlife into the Country

In January of 2009, Pa Lor, of Oakdale, and Tia Yang, of Lake Elmo, were sentenced to two years of probation and fined \$9,000 each after pleading guilty to one count of conspiracy to smuggle wildlife into the country. The women admitted that Yang leased and Lor managed a booth at St. Paul's International Market Place from which they sold smuggled wildlife and wildlife parts between October 2005 and August 2006.

In October of 2005, Lor was intercepted at the Minneapolis-St. Paul International Airport upon her return from Laos. She had more than 1,300 wild animal parts in her suitcase but failed to have an importation permit for any of them. Moreover, a permit would not have been granted for some of the parts because they were from endangered species, including the Asian elephant and the clouded leopard.

The case was investigated by the U.S. Department of Interior, Fish and Wildlife Service; U.S. Customs and Border Protection; and the U.S. Food and Drug Administration.

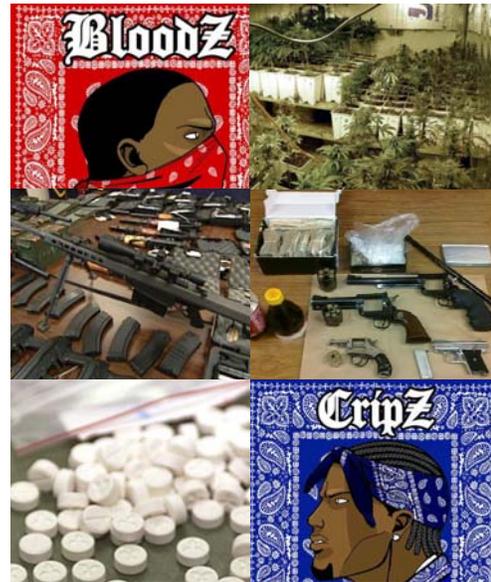


CRIMINAL DIVISION OCDETF AND VIOLENT CRIME SECTION

The OCDETF and Violent Crime Section, led by Assistant U.S. Attorney Carol M. Kayser, focuses on prosecuting gang, gun, and drug cases. In addition to handling cases generated through the Organized Crime Drug Enforcement Task Force, Section prosecutors work on large-scale drug cases developed by State and local law enforcement as well as various regional drug task forces funded by the State.

Moreover, prosecutors in this section handle major firearms cases, with special attention paid to those developed as a result of Project Safe Neighborhoods (“PSN”), a federal initiative aimed at ending gun violence and related crime in targeted areas. PSN sites in the State of Minnesota include the Red Lake Reservation, where the FBI’s Safe Trails Task Force leads PSN investigative efforts.

Finally, the Section takes a special interest in prosecuting members of violent street gangs, who spread fear throughout communities while trafficking drugs or firearms, as illustrated in some of the case that follow.



OCDETF AND VIOLENT CRIME CASE HIGHLIGHTS

DRUG CARTELS

Operation Xcellerator

During a 21-month nationwide investigation that ended in early 2009, law enforcement arrested 750 people on narcotics-related charges. The collaborative investigative effort, known as Operation Xcellerator, targeted the Sinaloa Cartel, a major Mexican drug-trafficking organization. Ultimately, 37 of those arrested were indicted here in Minnesota. Of those, all but a few have pled guilty and have been sentenced, their sentences ranging from probation to 158 months in federal prison.

As to the sentences imposed by the U.S. District Court judges in Minnesota, U.S. Attorney B. Todd Jones said, “The results in these cases are a critical part of the national effort to combat these Mexico-based criminal cartels. Our partnership with State law enforcement and the Mexican government is key to the overall success of this effort.”

The Sinaloa Cartel is reportedly responsible for bringing tons of illegal drugs into the U.S. from Mexico and Canada as well as laundering millions of dollars in criminal proceeds. The drugs trafficked by the Cartel, primarily methamphetamine and crack cocaine, are transported by private cars, commercial buses and airplanes, in addition to private and commercial trucks.

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The Cartel’s Minnesota drug distribution cells took in an estimated \$3.5 million during each month of operation.

In addition to the arrests, Operation Xcellerator resulted in nationwide seizures of approximately \$59.1 million in U.S. currency as well as more than 1,200 pounds of methamphetamine and 12,000 kilograms of cocaine, along with 16,000 pounds of marijuana, eight kilograms of heroin, 1.3 million ecstasy pills, numerous vehicles, aircraft, weapons, and even a submarine.

As for the Justice Department’s attempts to disrupt and dismantle these cartels, U.S. Attorney General Eric Holder said, “As the world grows smaller and international criminals step up their efforts to operate inside our borders, the Department of Justice will confront them head on to keep our communities safe.”

In Minnesota, these investigations, collectively known as Operation Xcellerator, were conducted by the DEA, the St. Paul Police Department, the Minneapolis Police Department, the Ramsey County Sheriff’s Office, the Hennepin County Sheriff’s Office, the Sherburne County Sheriff’s Office, the Minnesota Bureau of Criminal Apprehension, and the Northwest Metro Drug Task Force.



Operation Malverde

In 2009, 26 people from Minnesota and Texas were indicted in connection to a Mexican-based drug cartel responsible over the past several years for distributing methamphetamine and cocaine throughout Minnesota. Charges included conspiracy to distribute methamphetamine and cocaine, actual distribution of those narcotics, aiding and abetting distribution, and money laundering.

The indictment alleges that from December of 2005 through April 2009, the defendants conspired to distribute 500 or more grams of methamphetamine and five or more kilograms of cocaine. The indictment also alleges that those charged with money laundering conspired to conduct more than \$2.4 million in financial transactions designed to avoid federal reporting requirements. To accomplish that, they allegedly structured deposits in various accounts in Minnesota on a regular basis, only to have the money withdrawn in Texas, often on the same day.

According to a joint DEA-ATF affidavit filed in the case, authorities began investigating this drug trafficking operation in April of 2008. From that date to April 29, 2009, when 23 of the defendants were arrested in a two-state take-down, law enforcement seized 41 kilograms of cocaine and more than \$500,000 in cash. During the April 29 take-down, authorities also

seized twelve vehicles and four firearms. In Minnesota, search warrants were executed at homes in Brooklyn Park, Bloomington, Cold Spring, St. Wendel Township, and St. Cloud.

This drug trafficking operation was allegedly supplied directly by the Gulf Cartel, a Mexican-based drug-trafficking organization that traffics in cocaine, heroin, methamphetamine, and marijuana. The Gulf Cartel is a chief rival of the Sinaloa Cartel, another major drug-trafficking organization based in Mexico.



If convicted, the 26 defendants in this case face potential maximum sentences of life in prison on the conspiracy charge alone. This case, which exemplified multi-jurisdictional law enforcement efforts at their best, was investigated by the DEA, the ATF, the Central Minnesota Drug-Gang Task Force, and the Minneapolis-St. Paul International Airport Police Department, with assistance from the police departments in St. Paul, St. Cloud, and Duluth, along with the Northwest Metro Task Force, the Minnesota State Patrol, the Minnesota Bureau of Criminal Apprehension, the South Central Drug

Investigation Unit, the U.S. Marshals Service, the Sherburne County Sheriff's Office, and the Metro Gang Strike Force.

Project Coronado

During 2009, 303 individuals were arrested nationally, 31 of them here in Minnesota, as a result of "Project Coronado," an investigation by local, state, and federal law enforcement into the drug trafficking operation of La Familia, a drug cartel based in southwestern Mexico. More than 3,000 law enforcement officers across the country participated in the two-day takedown, resulting in arrests in 19 states.

The 44-month nationwide investigation into La Familia operations yielded approximately 1,186 arrests and the seizure of \$32.8 million in U.S. currency as well as the recovery of 2,710 pounds of methamphetamine; 1,999 kilograms of cocaine; 29 pounds of heroin; 16,390 pounds of marijuana; 389 weapons; and 269 vehicles. Locally, authorities seized approximately seven pounds of methamphetamine, one kilogram of cocaine, one pound of marijuana, eight weapons, 11 vehicles, and more than \$100,000.

Five multi-defendant indictments were filed in U.S. District Court in Minnesota relative to those arrested locally. Charges ranged from conspiracy to distribute

cocaine and methamphetamine to distribution, aiding and abetting distribution, and possession of a firearm during a drug-trafficking offense. The cases are presently moving through the judicial process. The illegal organization is said to have operated for about 18 months, ending in the fall of 2009.

The local investigation into this matter was conducted by the DEA and FBI, the St. Paul Police Department, the Minnesota Bureau of Criminal Apprehension, the Minneapolis Police Department, the Ramsey County Sheriff's Office, the East Metro Narcotics Task Force, the Anoka-Hennepin Narcotics and Violent Crimes Task Force, and the Lakes Area Drug Investigation Team, with assistance from the U.S. Marshals Service, the Isanti Police Department, the Proctor Police Department, the Hennepin County Sheriff's Office, the Dakota County Drug Task Force, the Washington County Drug Task Force, the Crow Wing County Sheriff's Office, the Isanti County Sheriff's Office, the Pine County Sheriff's Office, the Sherburne County Sheriff's Office, and the Buffalo Ridge Gang and Drug Task Force.

OCDETF AND VIOLENT CRIME CASE HIGHLIGHTS

OPERATION FALCON

Operation FALCON Once Again Successful in Minnesota

Since its inception in 2005, Operation FALCON, the annual nationwide fugitive roundup led by the U.S. Marshals Service, has resulted in more than 92,086 arrests. During the 2009 initiative, which took place in June, law enforcement in Minnesota arrested 258 people and cleared 299 warrants.

Operation FALCON, considered the largest and most successful fugitive apprehension initiative in U.S. Marshal history, focuses on capturing those wanted

on felony charges, particularly sexual predators and individuals charged with crimes of violence. During the 2009 effort in Minnesota, approximately 175 federal, State, and local law officers worked with the U.S. Marshals Service to find and apprehend fugitives from Rochester to Bemidji, including 18 sex offenders.

Law enforcement who took part in the 2009 Minnesota project were divided into 16 arrest teams. All local officers were sworn in as Special Deputy U.S. Marshals, thus empowering them to cross jurisdictional lines to make arrests.

James Epps, of Hopkins, was among those fugitives located and arrested this year. Epps is purportedly a member of the Black P-Stone street gang and was wanted by Hennepin County for armed robbery and aggravated assault. He

and another person are accused of robbing two people at gunpoint. During the robbery, Epps and his accomplice allegedly stuck a gun in the mouth of one of the victims, pistol-whipped him, and bit off part of his ear. The U.S. Marshal's Service developed information that Epps was staying in an apartment in Hopkins, where he was ultimately apprehended without incident.

Agencies involved in this year's Operation FALCON in Minnesota included police departments from Bemidji,

Duluth, Mahnommen, St. Paul, Minneapolis, and Rochester. Sheriff offices in Beltrami, Clearwater, Olmstead, Dakota, St. Louis, Hennepin, Ramsey, and Mahnommen counties also were represented, as was the Leach Lake tribal police; the Bureau of Indian Affairs; the Hennepin County Probation Office; the Minnesota Bureau of Criminal Apprehension; the Minnesota Department of

Corrections; the Minnesota Highway Patrol; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the DEA; the Federal Air Marshal Service; the FBI; ICE; the IRS; the U.S. Coast Guard; the Social Security Administration; the U.S. Secret Service; the U.S. Department of Agriculture; the U.S. Department of Housing and Urban Development; the U.S. Postal Inspection Service; as well as the U.S. Marshals Service.



OCDETF AND VIOLENT CRIME CASE HIGHLIGHTS

GANGS AND DRUG TRAFFICKING

Last of 12 Gang Members Sentenced for Distributing Crack Cocaine

In 2007, 12 members of the Minneapolis street gang known as the Rolling 30s Bloods were indicted for distributing crack cocaine throughout the area over a 15-year period. In 2009, the last of those defendants was sentenced for his role in the operation. Sentences for the 12, 11 of whom pled guilty, ranged from 68 months to 206 months in federal prison.

The twelfth defendant, Joe Edwards, Jr., age 37, of Minneapolis, was convicted following a bench trial. Edwards received the stiffest sentence of all, 206 months, on one count of conspiracy to distribute crack cocaine and one count of conspiracy to possess firearms during and in relation to a drug-trafficking crime.

Court documents indicate that the Rolling 30s Bloods operate in a residential neighborhood of Minneapolis that encompasses the blocks numbered in the 30s and bordered by Lake and 42nd Street and Nicollet and Bloomington Avenue. After the Edwards's trial, the sentencing judge wrote in his ruling, "The primary purpose for establishing the territory of the Rolling 30s Bloods was to control the sale of drugs within their territory to the exclusion of others, including rival gangs. Selling crack cocaine was a routine event and became a primary purpose and activity of the gang."

According to the testimony provided at Edwards's trial by four members of the Rolling 30s Blood gang, anyone outside the gang caught selling drugs in their territory was robbed or shot. Witnesses also testified that Rolling 30s Blood gang members who dealt drugs at the intersections within the territory usually sold just one or two rocks of crack at a time. Moreover, dealers normally carried only small amounts of the drug. That way, if they were caught, they could claim "personal use" and avoid being charged with distribution of the drug.

Trial testimony also addressed firearms, with witnesses explaining that gang members usually stole guns or traded drugs for them. They also described the various agreements the gang members had among themselves, including making guns available to fellow gang members who were involved in drug trafficking.

This case was investigated by the Minneapolis Police Department, the Minnesota Department of Corrections, the Minnesota Gang Strike Force, and the Bureau of Alcohol, Tobacco, Firearms and Explosives.



St. Paul Gang Member Sentenced for Distributing Crack Cocaine

When authorities attempted to arrest Wendell Raymone Jones, age 21, of St. Paul, following a controlled buy from him of approximately 81 grams of crack cocaine, he fled the scene in his vehicle. While exceeding speeds of more than 100 miles per hour, he threw crack cocaine from the window. He also hit another moving vehicle before losing control of his own car, which plowed into a parked car. Two innocent bystanders were severely injured. One had his femur severed; the other, his leg amputated.

Jones, a known member of the Selby Siders, a St. Paul street gang, was immediately arrested. He was indicted federally on one count of possession with intent to distribute in excess of 50 grams of crack cocaine. In January 2009, he pleaded guilty to the charge, and in July, he was sentenced to 132 months in prison for his crime.

This case was investigated by the FBI and the St. Paul Police Department.



OCDETF AND VIOLENT CRIME CASE HIGHLIGHTS

OTHER DRUG TRAFFICKING (COCAINE)

Crack Cocaine Ring in Duluth Further Dismantled

Operation Big Deal II yielded the arrest and indictment of nine people in February of 2009. They were accused of operating a crack cocaine distribution ring in Duluth from early 2008 to early 2009. Their arrests followed the 2007 arrest of 24 people for the same crime in the same city following an investigation dubbed Operation Big Deal. The two investigations are part of an ongoing effort by local, State, and federal law enforcement to combat drug trafficking in the Duluth area.

Those arrested in the original Operation Big Deal ultimately pleaded guilty to various narcotics charges. In the fall of 2008, the ring's leader, Bernard Vann, was sentenced to 126 months in federal prison.



As for those arrested as a result of Operation Big Deal II, eight of the nine pleaded guilty to drug charges and were recently sentenced. Their sentences ranged from 46 to 120 months. The ninth defendant continues to be held in Illinois in connection to another crime. Many of those charged in these cases are from the Chicago area.

Both of these investigations were conducted by the Duluth Police Department; the Bureau of Alcohol, Tobacco, Firearms and Explosives; and the Lake Superior Drug and Gang Task Force, with assistance from the Minnesota Bureau of Criminal Apprehension.

Minneapolis-Based Cocaine Ring Disrupted

As of October 2009, 21 of 22 defendants had been sentenced in a case involving a long-time Minneapolis drug ring. The ring, which operated from 1999 to May of 2008, primarily distributed crack cocaine but also sold ecstasy and marijuana.

The defendants were indicted in May of 2008, and all pleaded guilty to drug, firearm, and/or money laundering charges. While the final defendant awaits sentencing, the others have been ordered to serve federal prison terms ranging from "time served" to 131 months.

The investigation revealed that the ring distributed its drugs from a residence in the 2600 block of Cedar Avenue in Minneapolis. Proceeds from the drug sales also were kept at that address.

This case was investigated by the Bureau of Alcohol, Tobacco, Firearms and Explosives; the DEA; the IRS-Criminal Investigation Division; and the Minneapolis Police Department's Violent Offender Task Force.

West St. Paul Armed Career Criminal and Crack Dealer Sentenced to 220 Months

In February of 2009, Yobari Takie Eason, age 25, of West St. Paul, was ordered to serve the next 220 months in federal prison after pleading guilty to being an armed career criminal responsible for distributing crack cocaine.

According to a DEA affidavit, St. Paul police began investigating Eason, a career criminal, after learning he was selling large amounts of crack around the Twin Cities. During the investigation, authorities arranged for a controlled purchase from him of approximately 123.75 grams of crack for \$3,000. The transaction subsequently took place in a St. Paul parking lot.

A second controlled buy was then scheduled for the same location. Following that transaction, however, Eason was arrested. At the time, police seized about three ounces of crack from Eason's vehicle. A search warrant at his residence resulted in the seizure of approximately two more ounces of cocaine and three firearms, including a 45-caliber, semi-automatic handgun, a 9-millimeter pistol, and a 22-caliber revolver. As a felon, Eason is prohibited from possessing any firearms.

This case was investigated by the St. Paul Police Department and the DEA.

OCDETF AND VIOLENT CRIME CASE HIGHLIGHTS

OTHER DRUG TRAFFICKING (METH)



Man Who Threatens Wife of Prosecutor is Sentenced to 384 Months for Dealing Meth

At the end of 2008, a 39-year-old St. Paul man was sentenced to 384

months in federal prison after pleading guilty to drug trafficking conspiracy and possession of methamphetamine and firearms. Michael Wahlstrom, a convicted felon also known as the “G-Man,” admitted to one count of conspiracy to distribute methamphetamine, two counts of possession with intent to distribute methamphetamine, one count of possession of a firearm in furtherance of a drug-trafficking crime, two counts of possession of a firearm by a felon, and one count of possession of ammunition by a felon.

Moreover, while in jail, Wahlstrom was overheard threatening to kill the wife of the Assistant U.S. Attorney prosecuting his case. During the investigation that followed, authorities arranged a phone call between Wahlstrom and an undercover officer who posed as a paid killer. Wahlstrom offered the officer a vehicle in exchange for killing the attorney’s wife. After the call, Wahlstrom was placed in solitary to insure he could not take additional steps to carry out his plan. As a result of Wahlstrom’s actions, the sentencing judge found that Wahlstrom had obstructed justice. Therefore, he increased his sentence by about five years.

The indictment in the underlying case alleged that between May of 2006 and March of 2007, Wahlstrom, a convicted felon, and others conspired to possess with intent to distribute 500 or more grams of methamphetamine. Specifically, in June of 2006, Wahlstrom was found in Lino Lakes in possession of 30 or more grams of methamphetamine, along with a 22-caliber revolver. Because he is a convicted felon, Wahlstrom is prohibited under federal law from possessing any firearms. Then, in early 2007, a search of Wahlstrom’s St. Paul home by authorities yielded 50 or more grams of methamphetamine, and a search of his West St. Paul house resulted in the recovery of an assault rifle, a semi-automatic handgun, and multiple rounds of ammunition.

The investigation in this case was conducted by the FBI; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the Lino Lakes Police Department; the Anoka-Hennepin Drug Task Force; the St. Paul Police Department; and the West St. Paul Police Department.



28 People Prosecuted for Operating a Meth Ring in Duluth

During the past fiscal year, 28 people were prosecuted in federal court in the

District of Minnesota in connection to a methamphetamine distribution ring that operated in the Duluth area for three years. “This is one of the largest methamphetamine cases in the history of our region,” according to Duluth Police Chief Gordon Ramsey. “Moreover, the criminal activity perpetrated in this case went well beyond selling meth.”

The defendants have pleaded guilty, and over half of them already have been sentenced. To date, sentences have ranged from probation to over 12 years in federal prison. Edgar Manuel Sierra-Serrano, age 29, of St. Paul, was ordered to serve 151 months on one count of conspiracy to distribute methamphetamine. John Edward Schostag, age 38, of Duluth, was ordered to serve 120 months on one count of attempted possession with intent to distribute 232 grams of meth and one count of being a felon in possession of a SKS 7.62-millimeter rifle. Because Schostag is a felon, he is prohibited from possessing firearms.

In discussing this case, Chief Ramsey said, “We know by removing these criminals from the streets, we will see less crime and drugs in the region. For that, we want to thank our partner agencies for their hard work in this case.” Those partners included the ATF, the U.S. Marshals Service, the Lake Superior Drug and Gang Task Force, the Superior Police Department, the St. Louis County Sheriff’s Office, the Carlton County Sheriff’s Office, the Minnesota State Patrol, and the Minnesota Bureau of Criminal Apprehension.



Ringleader in Another Northern Minnesota Meth Operation Sentenced

During Fiscal Year 2009, Erik Rekonen, age 28, of Virginia,

Minnesota, was sentenced to 292 months in prison after pleading guilty to one count of conspiracy to distribute and possession with intent to distribute methamphetamine. Rekonen admitted that between 2004 and 2007, he conspired with others to sell multiple kilograms of the drug throughout the Iron Range. While Rekonen was the leader of the operation, the nine others prosecuted in connection to this case also received stiff prison terms, ranging from 60 to 200 months. The case was investigated by the DEA, the Minnesota Bureau of Criminal Apprehension, the Boundary Waters Drug Task Force, the St. Louis County Sheriff’s Office, and the police departments in Duluth, Hibbing, Minneapolis, and Virginia.

OCDETF AND VIOLENT CRIME CASE HIGHLIGHTS

OTHER DRUG TRAFFICKING (MARIJUANA)

Sentences Handed Down in State's Largest Indoor Marijuana Grow Operation

In the spring of 2009, ten people were sentenced in connection with the largest indoor marijuana grow operation in Minnesota history. Six of the defendants were sentenced on one count of conspiracy to manufacture 1,000 or more marijuana plants, after earlier pleading guilty to that charge. Their sentences ranged from probation to 120 months in prison.

Lai Pham, age 37, of Shakopee, also was sentenced on one count of conspiracy to manufacture 1,000 or more marijuana plants, following his conviction by a trial jury. He was ordered to serve 40 months in prison. The eighth defendant in the case received a sentence of probation after admitting to conspiracy to manufacture 100 or more marijuana plants. The ninth defendant was ordered to serve a term of probation after admitting he maintained a drug-involved premises. The final defendant received a one-year prison sentence following his admission that on October 29, 2007, he transported more than 18 pounds of harvested marijuana and was responsible for another 1,129 live plants in a Brooklyn Park home.

The indictment in this case alleged that the defendants operated a grow business between August of 2007 and



April of 2008. In October of 2007, law enforcement executed a search warrant at a Brooklyn Park residence, which led to the seizure of more than 7,000 marijuana plants. Then, on April 10, 2008, 18 search warrants were executed around the Twin Cities, leading to the discovery of eight grow houses in area communities, including Maplewood, Burnsville, Coon Rapids, Egan, Inver Grove Heights, Lakeville, and Brooklyn Park. At that time, authorities seized more than 5,963 plants.

Evidence presented at the trial of Lai Pham showed that each of the eight indoor grow sites was utilizing a rotating crop schedule in order to produce multiple harvests every year. Evidence also indicated a grow operation that harvested 1,000 plants a year could yield more than \$1,000,000 in profits.

This case was investigated by the DEA, the Hennepin County Sheriff's Office, and the West Hennepin County Drug Task Force, with assistance from the Northwest and Southwest Hennepin drug task forces, the Dakota Country Drug Task Force, the Ramsey County Sheriff's Office, the Metro Gang Strike Force, the IRS-Criminal Investigation Division, the Minnesota National Guard, and police departments in Coon Rapids, Burnsville, Bloomington, Brooklyn Park, Egan, Inver Grove Heights, Lakeville, St. Paul, and Maplewood.

18 More People Prosecuted for a Related Indoor Marijuana Grow Operation

In July of 2009, 18 people were charged in federal court in connection to an indoor marijuana operation related to the one detailed in the story above. This latest operation involved more than 3,300 plants.

A DEA affidavit filed in the case stated that search warrants executed at numerous locations throughout the Twin Cities in June of 2009 resulted in the discovery of active indoor grow operations in six residences. In a Coon Rapids residence, 923 plants were seized; in an Elk River residence, 576 plants; in a Lake St. Croix Beach residence, 630 plants; in a Ramsey residence, 637 plants; in a Savage residence, 383 plants; and in a Shakopee residence, 160 plants were seized. In each of those residences, the power needed to maintain the grow operation was stolen by tapping into the electrical panel just ahead of the meter.

During execution of the search warrants, police also confiscated approximately \$13,000 in cash from the Coon Rapids home and \$68,000 from the Shakopee house as well as 112,000 from a home in Blaine and \$32,000 from a house in Maple Grove. At a Brooklyn Park residence, authorities found approximately three pounds of harvested marijuana; and in Cottage Grove, St. Michael, and St. Paul Park, they uncovered evidence of dismantled grow operations.

Thus far, 14 of the defendants in this case have pleaded guilty. They all face potential maximum penalties of life in prison for their crimes. The case was investigated by the West Metro Drug Task Force, the Hennepin County Sheriff's Office, and the DEA, with assistance from the U.S. Marshals Service, the St. Paul police, and the Wright County, Sherburne County, Ramsey County, Dakota County, Washington County, Anoka-Hennepin, Southwest Hennepin, Southwest Metro, and Northwest drug task forces.

OCDETF AND VIOLENT CRIME CASE HIGHLIGHTS



OTHER DRUGS

Man Sentenced to Life for Distributing Drugs, Including Fentanyl

In Fiscal Year 2009, Kevin Fenner, age 41, of St. Paul, was sentenced to life in federal prison after a jury convicted him of distributing crack cocaine and fentanyl, a heroin substitute described by experts as 40 times more powerful than heroin. Specifically, Fenner was sentenced to life on one count of conspiracy and one count of aiding and abetting the distribution of crack cocaine. He also was sentenced to 360 months on one count of aiding and abetting the distribution of fentanyl and one count of possession with intent to distribute cocaine.

Fenner was sentenced under a federal recidivist law that mandates a life sentence for large-scale drug traffickers who commit their crimes after two or more prior felony drug convictions. Fenner has five prior felony drug convictions. The two prison sentences imposed against him in this case will run concurrently, although a federal life sentence does not provide for release.

According to a DEA affidavit filed in this case, authorities began investigating Fenner in 2006, after informants reported he and others were distributing so-called “killer heroin” and crack cocaine. Law enforcement arranged a controlled buy from him of 63 grams of crack followed by a controlled buy of 5 grams of fentanyl. After that, he was stopped by police in St. Paul. He had his five-year-old child and 14-year-old nephew with him in the car. A police search yielded 80 grams of cocaine on his person. A subsequent search of his home resulted in recovery of a loaded revolver, almost \$10,000 in cash, and more than one ounce of crack and 1.5 ounces of fentanyl.

The co-defendants in this case also have been sentenced. Eric Davis, age 41, of St. Paul, was ordered to serve 151 months in federal prison following his conviction on charges similar to those filed against Fenner. Eric Hargrove, age 40, of St. Paul, was sentenced to 51 months after pleading guilty to one count of conspiracy. The case was investigated by the DEA and the St. Paul Police Department.

Prior Lake Man Sentenced for Distributing Xanax and Oxycontin

In late 2009, the owner of a pharmaceutical company that collects and disposes outdated, recalled, or excess prescription drugs was sentenced to 48 months in federal prison for distributing Xanax and Oxycontin. Mark Goetz, age 41, of Prior Lake, earlier pled guilty to one count of distribution of controlled substances.

Goetz owns Pharmaceutical Returns, a Northfield company approved by the DEA as a reverse distributor of controlled substances. As such, the company is authorized to collect controlled substances and return them to drug companies for credit or destroy them at approved incinerators. However, in pleading guilty, Goetz admitted that on January 10, 2009, he sold 99 Xanax tablets; and on May 6, he sold 245 Xanax and 1,274 Oxycontin tablets.

The investigation into this matter began in January 2009, after law enforcement learned Goetz was selling drugs acquired through his business. As a result, investigators arranged a controlled buy of 99 Xanax tablets from him. The transaction occurred at his residence. Then, law enforcement arranged a second controlled buy, which took place in the parking lot of a south Minneapolis apartment complex. That deal was for 245 Xanax tablets and 1,274 Oxycontin tablets. After the transaction was complete, Goetz attempted to leave, but authorities arrested him. They also seized a small amount of a controlled substance and a laptop computer. The DEA and the Metro Gang Strike Force conducted the investigation.

Six People Sentenced for Roles in Ecstasy Distribution Ring

During Fiscal Year 2009, six individuals were prosecuted and sentenced for their roles in a ecstasy distribution ring. The sentences, imposed after the defendants pleaded guilty to related charges, ranged from probation to 102 months in federal prison.

Vong Voraveth, age 29, of Minneapolis, received the 102-month sentence on one count of conspiracy to distribute and possession with intent to distribute the semi-synthetic, psychedelic drug MDMA, commonly known as ecstasy. The plea agreements filed in the case indicate that between January and November of 2007, Voraveth conspired with others to distribute approximately 50,000 tablets (12,500 grams) of ecstasy.

This case was investigated by the FBI and the St. Paul Police Department.

OCDETF AND VIOLENT CRIME CASE HIGHLIGHTS

PROJECT SAFE NEIGHBORHOODS

Man Sentenced for Being an Armed Career Criminal

In September of 2009, a 32-year-old man was ordered to spend the next 180 months in federal prison after he pleaded guilty to being an armed career criminal. Kory Loveland admitted he knowingly possessed a loaded semi-automatic pistol on July 18, 2007. Because he had previous convictions for violent felonies, he was prohibited from possessing firearms at any time.

This case arose from a traffic stop that occurred on July 18, 2007. A Washington County Sheriff's deputy attempted to stop Loveland for speeding on Interstate 94. After stopping briefly, Loveland fled the scene, leading police on a lengthy and dangerous pursuit, which ended only after Loveland got his car stuck. Once officers apprehended him, they found the loaded gun on the floorboard of the car.

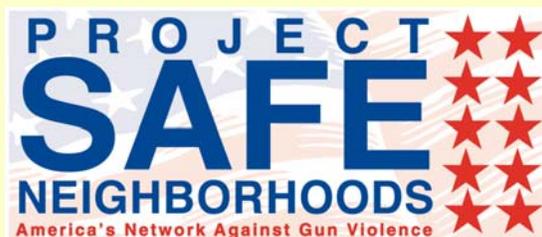
Following Loveland's arrest, he also was identified as the perpetrator of an unsolved armed robbery that took place in downtown Minneapolis in June of 2007. Court documents in that case indicated that Loveland put a gun to a man's head and robbed him. During the robbery, Loveland also ordered his victim to his knees and then pistol-whipped him in the back of the head. In all, Loveland stole \$600 in cash, some credit cards, a watch, and a wedding ring from the victim.

The federal case was investigated by the Washington County Sheriff's Office, the Minneapolis police, and the Bureau of Alcohol, Tobacco, Firearms and Explosives.



Man Sentenced for Illegally Possessing Gun

A 25-year-old St. Paul man was sentenced in federal court in August of 2009 for illegally possessing a firearm. Donald Ray Tate was ordered to serve 180 months in federal prison after being convicted of knowingly possessing a 357-magnum revolver on October 4, 2007. Because Tate previously had been convicted of felony-level crimes, including first-degree aggravated robbery (2000), sale of controlled substance in a school zone (2002), and racketeering (2002), all of which occurred in Ramsey County, he was prohibited from possessing a firearm at any time. This case was investigated by the St. Paul Police Department, the Minnesota Bureau of Criminal Apprehension, and the Bureau of Alcohol, Tobacco, Firearms and Explosives.



Project Safe Neighborhoods, launched by the Justice Department in 2001, is a multi-jurisdictional initiative focused on reducing firearms trafficking, the illegal use of guns, and related violent crime. PSN directs federal prosecutors to partner with federal, state, and local law enforcement to address this issue. PSN provides those involved with financial and technological resources as well as the advantages of federal prosecution when appropriate. Since its inception, PSN has committed more than \$1.5 billion to the fight against gun violence.

In Minnesota, PSN has financially supported the monitoring of incarcerated gun traffickers and gang leaders as well as the coordination of the Headwaters Safe Trails Task Force, which works out of Bemidji to target gun crime and related violence on or near the Red Lake Indian Reservation. Moreover, PSN has provided funding for everything from after-school programs at the Little Earth Housing Community in Minneapolis to community problem-solving and skill-building seminars on the Red Lake Indian Reservations.

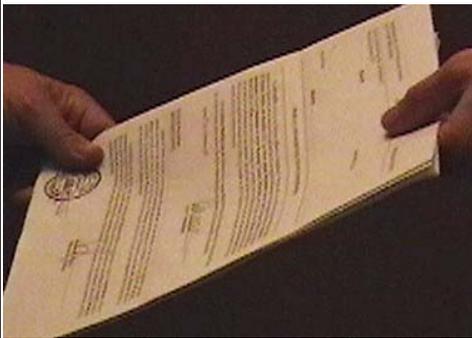
FEDERAL CIVIL PROCEDURE

Federal Laws

Federal laws, or *statutes*, are created by Congress to safeguard the citizens of this country. For example, federal statutes outlaw civil rights violations, such as refusing someone housing or education based on race. Moreover, federal laws ban environmental hazards, including the polluting of rivers and streams.

In addition, federal statutes provide the government authority to sue individuals and corporations for violating government contracts or committing fraud in federal procurement, agriculture, or health care. These violations of federal law are litigated in U.S. District Court.

Federal laws also establish the right of the *United States Attorney* to represent the U.S. in lawsuits and other legal proceedings, such as land condemnations, bankruptcies, and foreclosures. These actions may be litigated in state court or U.S. District Court.



When Someone is Sued for Violating Federal Law...

1. Summons and Complaint—When the United States Attorney decides a federal civil law has been violated, a civil litigator, known as an *Assistant U.S. Attorney*, files a *Summons and Complaint* in U.S. District Court and has a copy of the documents served on the alleged offender, who is called the *defendant*. The Summons identifies the court where the case was filed and the names of the parties involved. It also sets forth the time period during which the defendant must respond to the Complaint. The Complaint outlines the facts and allegations relative to the lawsuit as well as the relief sought by the *plaintiff*, who is the party that filed the suit.

2. Default Judgment—If the defendant fails to file a response, or *Answer*, with the U.S. District Court within the time allowed, a *Default Judgment* may be awarded, providing the plaintiff with the relief requested in the Complaint. Usually, the relief sought is money or action of some kind.

3. Answer/Discovery—If the defendant files an Answer to the Complaint, litigation continues, with each party having the opportunity to discover facts about the other party's case. Appropriately, this process is called *discovery*, and through it, each side may serve the other with *Request for Documents* relative to the events that led to the lawsuit. In addition, each party may serve the other with written questions to be answered. Those questions are called *Interrogatories*. The parties may also question the opposition in person in what is known as a *deposition*. Finally, during the discovery stage, written *motions* may be filed with the U.S. District Court. Motions may address a variety of issues, including failure to answer Interrogatories or failure to comply with a Request for Documents.

4. Pre-Trial—While a civil case is pending, a U.S. Magistrate Judge occasionally meets with the parties to see if the dispute can be resolved without going to trial. These meetings are called *pre-trial conferences*.

During litigation, a case may be *dismissed* by the U.S. District Court if the defendant files a *Motion to Dismiss* and successfully argues that the lawsuit lacks *legal merit*. A U.S. District Court Judge rather than a Magistrate Judge must hear this motion as well as all other motions that could result in the disposition of the case.

A case may also be decided by way of *Summary Judgment*. If the parties do not dispute the facts of the case but, rather, simply disagree over how the law should be applied, one or both of them may file a *Motion for Summary Judgment* and argue their legal points before a U.S. District Court Judge. Then, the Judge may enter a Judgment in favor of the most persuasive party, awarding that party all or part of the relief sought.

5. Trial—If the parties cannot reach some kind of settlement, if the case is not dismissed, and if Summary Judgment is not awarded, a U.S. Magistrate Judge meets with the parties for a final pre-trial conference. At that time, the Magistrate Judge directs an exchange of information, including lists of witnesses and evidence the parties plan to introduce at trial. The Magistrate Judge also works with the parties to resolve issues that do not involve the merits of the case.

Based on the wishes of the parties, federal civil cases may be tried before a U.S. District Court Judge alone or in front of a jury of randomly selected citizens from across the judicial district. (This federal judicial district encompasses all of Minnesota.) A federal civil trial jury is typically made up of six to twelve people. All trials are overseen by a U.S. District Court Judge.



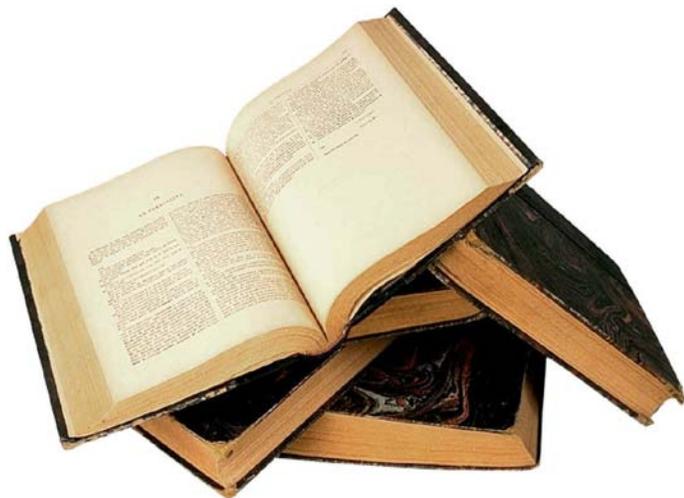
6. Verdict—At the conclusion of a trial before a jury, the U.S. District Court Judge explains the relevant law and the decisions the jury must make. Usually, the jury is asked to decide if, in fact, the plaintiff was harmed by the defendant. If so, the jury must then determine the type and amount of compensation the defendant needs to convey to the plaintiff.

The decisions made by the trial jury are known as its *verdict*. A jury verdict in a federal civil case must be unanimous unless, before trial, the parties agree to a non-unanimous verdict. If a federal civil case is tried before a U.S. District Court Judge alone, in what is called a *bench* trial, the Judge determines the verdict.

In a civil case, the plaintiff must prove by a *preponderance of the evidence* that the defendant is responsible for the harm caused. In other words, the plaintiff must prove it is more likely than not that the defendant caused the plaintiff's suffering.

7. Appeal—Once a trial is over and the verdict, or *Judgment*, is entered in favor of one party, the other party may file a motion, asking the U.S. District Court to *vacate*, or correct, the decision. If unsuccessful, that party may *appeal* the decision to the Appellate Court.

8. The United States as Defendant—The United States may sometimes be the defendant in a federal civil case. For example, if a postal vehicle crashes into someone's automobile, that car's occupants may sue the U.S. for their injuries. Again, the United States Attorney would represent the government's interests.



CIVIL DIVISION

The Civil Division, under the leadership of Assistant U.S. Attorney Gregory G. Brooker, represents the United States in both affirmative and defensive civil actions in federal and state court. Affirmative litigation includes enforcing federal environmental, fair housing, and civil rights laws as well as suing corporations and individuals for civil fraud, including health care fraud, agricultural program fraud, and federal procurement fraud.



Defensive litigation includes Federal Tort Claims Act cases, employment discrimination lawsuits, immigration litigation, constitutional torts filed against federal officials, and defending challenges regarding the constitutionality of federal statutes.

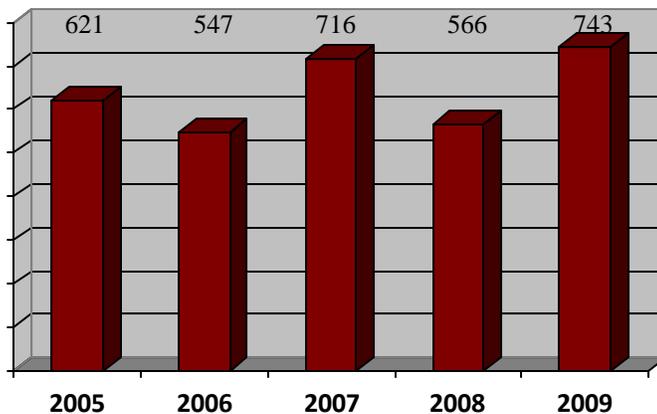
The Civil Division also represents the interests of the United States in bankruptcy proceedings, mortgage foreclosures, land condemnations, and commitment actions against mentally ill and dangerous federal inmates. In addition, the Division includes the Asset Forfeiture Unit, which works to forfeit property used in the commission of a crime or held by defendants as proceeds of criminal activity. The Civil Division is also home to the Financial Litigation Unit, which seeks collection of criminal fines and restitution, civil penalties, and defaulted government loans, including federally insured student loans.

Other Assistant U.S. Attorneys in the Civil Division include James S. Alexander, Chad A. Blumenfield, Lonnie F. Bryan, Roylene A. Champeaux, David W. Fuller, Mary Jo Madigan, Robyn A. Millenacker, Friedrich A. P. Siekert, Mary L. Trippler, Ana H. Voss, and D. Gerald Wilhelm.

Fiscal Year 2009 Civil Division Statistical Data

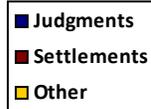
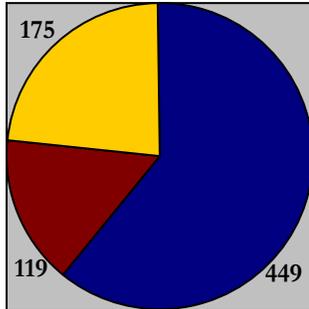
The Civil Division filed fewer cases in Fiscal Year 2009 than in Fiscal Year 2008, but, like the lawyers in the Criminal Division, those in the Civil Division worked tirelessly to litigate or otherwise process numerous pending cases. As a result of those efforts, more civil cases were litigated or otherwise processed during Fiscal Year 2009 than in any other year on record.

	<u>FY 2008</u>	<u>FY 2009</u>
Cases Filed During Fiscal Year	865	597
Cases Litigated or Otherwise Processed During Fiscal Year	566	743



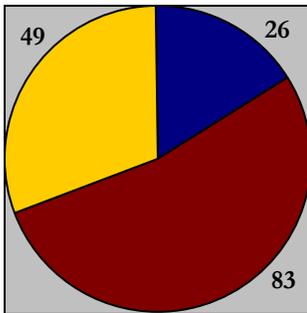
Number of Cases Litigated or Otherwise Processed

**Fiscal Year 2009
Outcome of Civil Cases Litigated or
Otherwise Processed**



19 judgments were entered following trial
73.9 percent of judgments favored the U.S.
16 percent of all processed cases were settled

**Fiscal Year 2009
Number of Assets Recovered
Through Forfeiture**



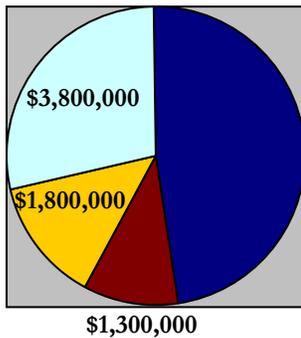
Forfeitures

\$3,012,079 through 15 civil forfeiture cases
\$3,226,207 through 46 criminal forfeiture cases
\$1,712,965 through 19 administrative actions
\$7,951,251

Equitable Sharing

53 assets, totaling \$1,519,714.00, shared with
22 agencies; 2 assets, valued at a total of
\$35,890.00, were placed into official use

**Fiscal Year 2009
Money Collected Through
Financial Litigation**



\$13,265,540 in
collection recoveries

CIVIL DIVISION CASE HIGHLIGHTS

ASSET FORFEITURE UNIT

U.S. v. 1664 Virginia Avenue

This case arose out of a fraud scheme perpetrated by Michael Roman Afremov, Frederick James Fischer, and Foremost Machining Company, Inc. Afremov was a shareholder, officer, and director of AGA Medical Corp., and between July 1998 and December 2004, he and others allegedly executed a scheme to defraud AGA Medical. This civil case sought forfeiture of Afremov's residence because the property was alleged to have been involved in money laundering transactions. A settlement was ultimately reached through which Afremov agreed to pay the sum of **\$1,914,139.36** in lieu of forfeiture of the real property. The money was paid in full and subsequently returned to AGA Medical as partial compensation for its losses.

U.S. v. Nathan Mueller

Nathan Mueller was convicted of mail fraud. From June 2003 through September 2007, he embezzled about \$8,500,000 from his employer, ING Reinsurance, by causing the company to issue 99 checks payable to entities with whom ING Reinsurance did business. Mueller obtained and deposited the checks into bank accounts he controlled and then spent the embezzled funds on cars, gambling, and other expenses. The United States obtained and executed seizure warrants at the time Mueller was indicted. It also obtained a restraining order as to assets. To date, forfeitures totaling **\$578,101** have been obtained, including Mueller's residence and funds from several financial accounts. Additional forfeitures are expected. Recoveries are anticipated for use as victim restitution.

U.S. v. Christopher Smith

Christopher Smith was found guilty at trial of charges including violations of the Controlled Substances Act and money laundering. To date, the United States has forfeited assets totaling **\$1,260,282** in connection with this criminal case. These forfeitures are in addition to **\$1,938,861** forfeited through a separate civil case. Presently, additional assets are pending forfeiture.

U.S. v. James T. Anderson

James T. Anderson was convicted at trial on charges of securities fraud (insider trading) and money laundering. The United States obtained a personal money judgment forfeiture against Anderson in the amount of **\$1,990,000**, based on Anderson's conviction of several different money laundering violations. This money judgment was in addition to the criminal restitution that Anderson was ordered to pay. In early 2009, Anderson paid the forfeiture money judgment in full.



Financial Litigation Unit

The Financial Litigation Unit ("FLU") works out of the Civil Division to collect funds owed to federal agencies as well as fines and restitution ordered in criminal cases.

FLU's primary civil clients include the U.S. Department of Education (student loans), the U.S. Department of Health and Human Services (health education loans), and the U.S. Department of Agriculture (defaulted farm loans).

In the criminal arena, FLU agents focused particular attention during Fiscal Year 2009 on identifying assets of defendants early in the prosecutorial process. By doing so, they helped to ensure those assets were

available after trial or upon entry of a guilty plea for use in paying fines or victim restitution.

If a debtor is unable to pay either a civil or criminal debt in one lump sum, FLU agents may establish a repayment plan. If a voluntary payment plan is unsuccessful, federal law authorizes collection by wage and bank garnishment, attachment of real and personal property, and seizure of federal tax refunds and other payments.

FLU is currently staffed by four collection agents, a supervisory paralegal, and an Assistant United States Attorney. In Fiscal Year 2009, FLU collected a total of **\$13,265,540**, which was more than the entire annual operating budget of the U.S. Attorney's Office.

CIVIL DIVISION CASE HIGHLIGHTS

AFFIRMATIVE CIVIL ENFORCEMENT

Each year Civil Division lawyers commence suits to enforce federal laws and regulations. Many of those affirmative civil enforcement or “ACE” cases involve environmental issues or health care fraud. In 2009, ACE attorneys recovered \$5 million in monetary settlements of ACE cases. The monetary recoveries were often in addition to non-monetary relief, such as corporate integrity agreements, the restoration of wetlands, and written changes to policies and procedures to ensure future compliance.

INVESTMENT FRAUD

The Civil Case Against Thomas Petters

During 2009, Civil Division litigators, like their Criminal Division counterparts, were active in litigation against Thomas Petters, who was charged with defrauding investors out of more than \$3.65 billion in one of the largest Ponzi schemes in our country’s history. In federal district court, in bankruptcy court, and at the Eighth Circuit Court of Appeals, civil litigators worked to preserve and earmark assets for use as restitution for the numerous victims of Petters’s crimes.

Moving to Enjoin the Ongoing Fraud and Freeze Assets

Shortly after the execution of the criminal search warrant at the corporate headquarters of Petters Group Worldwide and Petters Company, Inc, the civil lawyers in the U.S. Attorney’s Office commenced suit in federal court to enjoin Thomas Petters and his associates from committing further fraud. The suit also sought to freeze and preserve corporate and personal assets.

Along with obtaining a temporary restraining order and preliminary injunction, Civil Division lawyers litigated issues involving the liquidation of specific assets, and they tracked other assets throughout the U.S. and abroad to prevent their dissipation. Moreover, these lawyers moved the court to appoint a receiver to take over and wind up the business affairs of some 200 corporate entities Petters had created.

Forfeiture Litigation

As part of the criminal case against Thomas Petters, civil litigators worked with agents from the FBI and IRS to seize assets through seizure warrants. They also began building a forfeiture case against Petters, arguing his assets were proceeds of or used in the commission of his crimes.

After Petters’s criminal conviction, Civil Division forfeiture lawyers moved to obtain a preliminary order of forfeiture against him. They also worked to forfeit the assets of several of his associates, who already had pleaded guilty to various fraud charges.

Bankruptcy Proceedings

Additionally, during 2009, Civil Division lawyers represented the interests of the criminal-case victims in several bankruptcy proceedings. For example, they appeared in proceedings involving both Polaroid and Sun Country, businesses Petters purchased with funds from his fraud.

Clawback Litigation

Finally, in 2009, civil litigators began the process of “clawing back” the proceeds of Petters’s fraud that had been received by third parties. Monies recovered in this “clawback litigation” will also be preserved for victim restitution.



HEALTH CARE FRAUD

The prevention of health care fraud through the civil enforcement of the False Claims Act remains a major priority of the U.S. Department of Justice. Under the False Claims Act, the United States is able to obtain treble damages and civil monetary penalties, which are potent tools for use in conjunction with criminal consequences in parallel civil-criminal health care fraud cases.

Sybaritic Agrees to Stop Producing and Distributing Unapproved Medical Devices

Sybaritic, Inc., a maker of medical devices, agreed in 2009 to stop producing and distributing products used in laser surgery, dermatology, and spa treatments until the company is in compliance with FDA quality standards. The products at the heart of this case are considered unapproved medical devices because they lack FDA clearance approval for effectiveness and safety.

Sybaritic, Inc., based in Bloomington, Minnesota, designs, manufactures, and distributes medical devices, including laser-peel systems, subdermal therapy systems, microdermabrasion systems, and steam compartments. Some of those devices, however, have never been approved or cleared by the FDA. Others have been cleared for marketing, but Sybaritic has subsequently offered claims regarding them that are not included in the clearances and constitute major changes in their intended uses. Moreover, Sybaritic has made design changes in some of the devices that may significantly impact safety and effectiveness.

The agreement entered in this case requires Sybaritic to comply with the FDA's Quality System regulation for all of its devices. Sybaritic must retain independent experts to inspect operations and report findings to the FDA. In the event of violations, Sybaritic may be forced to stop manufacturing. It also may be subject to \$15,000-per-day penalties for not complying with the decree.



Wheaton Hospital Settles False Claims Case

Wheaton Community Hospital, the City of Wheaton, Minnesota, and Dr. Stanley Gallagher (altogether, "WCH")

agreed in 2009 to pay the federal government \$846,461 to settle allegations that the hospital unnecessarily admitted some patients and kept others admitted in an effort to obtain funds from Medicare, a medical-assistance program administered by the federal government. The allegations arose from a federal lawsuit filed by Dr. Steven Radjenovich, who formerly practiced at the Wheaton hospital. In his complaint, Dr. Radjenovich alleged the actions occurred between 1998 and 2004.

The suit was brought under the False Claims Act, which allows private individuals to bring claims for fraud on behalf of the United States. By doing so, plaintiffs may share in any monetary recoveries. In this case, Dr. Radjenovich will receive \$203,150 from the settlement amount obtained by the federal government.

The civil investigation and settlement of this case was handled by the lawyers in the Civil Division of the U.S. Attorney's Office, the Civil Division at the U.S. Justice Department, and the Health and Human Services Office of the Inspector General.

ENVIRONMENTAL ENFORCEMENT

\$4.6 Million Environmental Settlement Reached

During its management of the Naval Industrial Reserve Ordnance Plant in Fridley, FMC Corporation and its predecessors disposed of lubricants, waste oils, paint sludge, chlorinated solvents, and other chemical waste in the water, on the land, and into the air. Civil Division lawyers brought suit, and FMC agreed to settle the case by paying \$4,140,000 for the Navy's response costs and \$460,000 for EPA response costs.

Clean Water Act Case Settled

This case involved violations of Section 404 of the Clean Water Act by JLG Enterprise, a Duluth-area housing developer. JLG obtained an Army Corps of Engineers permit, which allowed the company to modify protected wetlands within prescribed limits while grading land and building homes. The Corps later determined, however, the developers had greatly exceeded the wetland impacts authorized by the permit and had failed to perform certain compensatory mitigation required by the permit. Moreover, the U.S. Environmental Protection Agency discovered the same developers had committed additional environmental violations on nearby non-permitted land. The two agencies worked together to negotiate a settlement with the violator that included substantial environmental restoration and mitigation as well as monetary penalties. The resulting consent decree was approved by the court in August, and compliance will be monitored over the next several years.

CIVIL DIVISION CASE HIGHLIGHTS

CIVIL RIGHTS ENFORCEMENT

The U.S. Attorney's Office has an active program for the civil enforcement of federal civil rights. The Civil Division is currently handling over 50 civil rights enforcement cases under the Americans with Disabilities Act, the Fair Housing Act, and other federal civil rights statutes. For its work in this area, the Civil Division has received national recognition.

AMERICANS WITH DISABILITY ACT COMPLIANCE

Minneapolis Hotels Inspected for ADA Compliance

The U.S. Attorney's Office routinely undertakes ADA compliance reviews of public facilities in Minnesota, including hospital emergency rooms, stadiums, and city and county facilities. In 2009, the Office turned its attention to the hotels in downtown Minneapolis, to determine if they were in compliance with the ADA. Twenty-four hotels were asked to perform self-evaluations on issues ranging from procedures implemented by the hotel for accommodating guests with physical limitations to actual building accessibility.

Following the self-evaluations, the hotels will be visited by a team from the U.S. Attorney's Office to establish compliance. Hotel managers will then be notified of areas of non-compliance and provided with a deadline for corrections.

Thus far, all 24 hotels have completed the evaluations, and thirteen of them have had their site visits. The remaining sites will be visited during 2010. Settlement agreements or consent decrees will then be worked out with each hotel, if necessary, to bring it into compliance with the Americans With Disabilities Act.



Dakota County Agrees to Comply with ADA

In 2009, one Minnesota county entered into a settlement agreement with the United States through which the county agreed to comply with provisions of the ADA. Dakota County agreed to ensure that deaf people who are arrested in the future as well as deaf inmates and detainees at the Dakota County Jail have access to interpreters and other auxiliary aids for the booking process, medical evaluations, court-mandated treatment, and other programs and services. Title II of the ADA prohibits discrimination against qualified individuals with disabilities in the "services, programs, or activities" of a public entity. The Dakota County Jail is a service, program, or activity of Dakota County.

This case was filed after the U.S. Attorney's Office received and investigated a complaint filed by a deaf person who alleged that Dakota County did not provide a qualified sign language interpreter while he was in Dakota County Jail following a 2004 misdemeanor arrest. The complainant also alleged that the County failed to provide him with a Telecommunications Device for the Deaf ("TDD") or other accommodations to enable him to place outgoing calls in the same

manner as others. As a result, the complainant alleged he remained in jail for several additional hours and was not booked until after his court appearance the day following his arrest.

According to the settlement, Dakota County will enact policies governing interpreters and auxiliary aids to deaf people who have been arrested or are inmates or detainees. Those policies will ensure TDDs or sign-language interpreters are available. In determining what type of auxiliary aid is necessary, the County will give primary consideration to the request of the deaf person, as required by ADA regulations.

The County also will develop ADA training for employees who provide programs and services to inmates and detainees and will offer a telephone equipped with volume control mechanisms as well as one that is hearing-aid compatible, both for use by detainees who require such assistance. Finally, the County will develop an emergency notification system for deaf inmates and detainees so emergency situations are conducted in a safe and efficient manner.

FAIR HOUSING ACT VIOLATIONS

Detroit Lakes Landlords Charged with Discrimination Because of Race

Civil litigators in the U.S. Attorney's Office filed a housing-discrimination suit against two Detroit Lakes landlords who own several rental properties in the Detroit Lakes area. The lawsuit alleges that Pearl and Gregory Beck violated the Fair Housing Act when they refused to rent one of their dwellings to a person because of her race.

The U.S. alleges that in 2007, a prospective tenant answered a residential rental ad placed by the Becks but was denied occupancy because she was African-American. During an initial phone conversation, Pearl Beck allegedly told the prospective tenant the dwelling was available, but when the prospective tenant arrived to view the space, Pearl Beck purportedly said, "No way. No way. It's not for rent. I can't do this. I'm not renting to these kinds of people."



On behalf of the prospective tenant, an attorney subsequently contacted Pearl Beck, explaining to her that it was illegal to refuse to rent to someone based on race. Beck allegedly replied first that other tenants had threatened to move out if she rented to "black people," and she did not want to lose them. Then, she purportedly claimed she could not rent to the prospective tenant because she had a dog. After that, she allegedly said the unit was too small, and that she might move into it herself. Later, however, the Becks rented the property to a white male.

As a result, the prospective tenant filed a discrimination complaint with the U.S. Department of Housing and Urban Development, which, in turn, investigated the complaint and ultimately issued charges against the Becks. Those charges led to the enforcement action by the U.S. Attorney's Office.

Discrimination in Denying Housing to Potential Renter with Service Animal

United States v. Van Raden Properties, Inc., is a Fair Housing case involving assistance animals. The complainant in the case, Fair Housing of the Dakotas ("FHD"), is a non-profit group that works to eliminate housing discrimination in the Dakotas and surrounding area. The defendant is a North Dakota corporation that owns apartments in Moorhead.

FHD received a complaint that Van Raden Properties had refused to rent a Moorhead apartment because the prospective renter wanted a service animal to live with him. As a result, FHD conducted a rental test in early 2007.

Specifically, a Fair Housing Act tester posed as a single mother with an autistic son who had a therapy dog. Although verification was offered as to the dog's certification as a "service animal," Van Raden Properties refused to rent the advertised apartment to the woman, claiming her dog's breed was unacceptable. The woman was then referred to the Humane Society for a list of landlords who allowed pets.



Ultimately, the FHD filed a complaint with the U.S. Department of Housing and Urban Development. This case is the result of that complaint.

United States v. Robert and Judith Lund, is another Fair Housing case that involves service animals. In this case, a woman responded by phone to a rental-unit ad in Roseau, Minnesota. The landlord, Bob Lund, told the woman the unit was available immediately.

When the woman informed Lund she had a service dog for her disabled daughter, however, Lund told her he did not accept any dogs. He then instructed her to terminate her call so other prospective renters could get through to him. The unit remained vacant for several weeks.

Subsequently, the would-be renter filed a complaint with the Department of Housing and Urban Development. This action is the result of that complaint.

CIVIL DIVISION CASE HIGHLIGHTS

DEFENSIVE

Forest Management Project Allowed to Proceed

The Civil Division successfully defended the U.S. Forest Service in [Sierra Club, et al. v. Kimbell](#), a case challenging that agency's decision to undertake timber harvesting and other forest management activities in the Superior National Forest. In keeping with the 2004 Forest Plan, wildlife biologists and other agency experts had proposed the Echo Trail Project, which included timber harvesting to improve the health of the Superior Forest's plants and animals while, at the same time, enhancing recreational opportunities and providing timber to help the local economy.

The plaintiff organizations argued that in planning the project, the U.S. Forest Service failed to consider numerous environmental impacts. Their complaint included multiple counts, which accused the Forest Service of, among other things, ignoring potential effects on the Boundary Waters Wilderness Area and sensitive species, such as the lynx.

The court rejected nearly all of plaintiffs' arguments, noting that the Forest Service proposed no activities inside the Wilderness area. Moreover, the court found that U.S. Forest Service officials had performed a "comprehensive and thoughtful" study before deciding to proceed with the initiative. Although the court concluded the Forest Service's explanation of one issue—possible water quality impacts—required further elaboration, the Echo Trail Project was halted only temporarily while the Forest Service obtained the needed information.

In rejecting the plaintiffs' request for attorney fees, the court noted that the Forest Service's legal position on the water quality issue had been "substantially justified." The plaintiffs then dropped the remainder of their case in March 2009, and Forest Service officials have since been working to implement the project.



Suit Involving Removal of Muslim Clerics From Airplane Settled

Six Muslim clerics filed suit against U.S. Airways, several airport police officers, and Agent Michael Cannizzaro of the FBI in connection with their removal from a U.S. Airways flight. Lawyers from the Civil Division of the United States Attorney's Office represented Agent Cannizzaro in the lawsuit.

The flight at the heart of this case was scheduled to depart from Minneapolis-St. Paul International Airport at 5:45 p.m. on November 20, 2007. According to the documents filed with the court in this action, the clerics boarded the plane around five o'clock.

Removal of the clerics was requested by the captain of the plane approximately 30 minutes after the men had boarded but well before take-off.

Their removal was carried out by several airport police officers. While Agent Cannizzaro did not participate in the initial seizure and arrest, he allegedly "requested or directed" via the telephone that the seizure continue once the men had deplaned.

The clerics were subsequently held on the jetway for about 45 minutes, after which, they were escorted to the airport police station. There, FBI and Secret Service agents questioned the men and ultimately cleared them of any wrongdoing. The men were released around 11:30 p.m. and allowed to take a 11:45 a.m. flight the next day.

The plaintiffs in this case alleged they were removed from the flight and arrested without probable cause. The Civil Division filed motions in federal court, arguing the claims against Agent Cannizzaro should be dismissed based on qualified immunity. Ultimately, the plaintiffs agreed to dismiss the claims against Agent Cannizzaro without receiving any compensation from him.

IMMIGRATION

The Civil Division also enforces the immigration laws of the United States in cases that involve the removal of illegal aliens, the naturalization process for citizenship, and the U.S. asylum process. In Fiscal Year 2009, Civil Division lawyers handled over 90 immigration cases in federal court as well as in the court of appeals. In several cases, aliens about to be removed from the U.S. filed emergency habeas petitions that civil litigators defended.

APPELLATE DIVISION

The Appellate Division, overseen by Assistant U.S. Attorney James E. Lackner, was created this year to monitor the work done by the U.S. Attorney's Office in the Eighth Circuit Court of Appeals. Almost all guilty verdicts and many sentences from both trials and plea agreements are appealed to the circuit court. Because comparatively few cases are heard by the U.S. Supreme Court, the Office's work in the Eighth Circuit is very important, as the Eighth Circuit decides the law for this district and districts in six other states as well.

In addition to Appellate Chief Lackner, the Appellate Division is staffed by Assistant U.S. Attorney Lisa K. Kirkpatrick and is assisted by other Assistant U.S. Attorneys in both the criminal and civil divisions. They are responsible for reviewing all appellate court briefs, writing some briefs, and overseeing moot court, which prepares Assistant U.S. Attorneys for oral arguments before the Eighth Circuit Court of Appeals. The Appellate Division is also responsible for informing the lawyers in the Office of new developments in the law.



Federal Appellate Process

Within ten days of sentencing, a criminal defendant who wishes to appeal a case must file a Notice of Appeal with the U.S. District Court. (The U.S. seldom files appeals in criminal cases.)

The court reporter who worked the subject criminal case must transcribe the District Court proceeding and file the transcript with the U.S. District Court.

Upon receiving the necessary materials from the U.S. District Court, the Eighth Circuit Court of Appeals establishes a briefing schedule in the appellate case.

The defendant, now called the "appellant," files his or her written brief with the appellate court, arguing with case-law support why the conviction should be overturned or the sentence vacated or modified.

Within three weeks, the United States, now called the "appellee," must file its response brief, refuting the arguments made by the appellant, again citing supporting case law.

Within seven days, the appellant must file its reply brief, through which he or she is afforded a final opportunity to argue why the appeal should be granted.

While a few appeals are decided on the written briefs alone, most warrant oral arguments.

Oral arguments are heard by a three-judge panel from the Eighth Circuit Court of Appeals.

The appellant is provided a pre-determined amount of time to argue its case and answer any questions posed by the members of the panel.

The Assistant U.S. Attorney representing the United States follows.

The Eighth Circuit Court of Appeals ultimately issues its written decision.

If the appellant does not like the appellate court's decision, he or she may seek a rehearing with the panel or a hearing with the appellate court "en banc." If the U.S. Attorney's Office wishes for reconsideration, it must obtain permission from Main Justice to request it.

Rehearings are seldom granted, and even fewer cases are considered by the U.S. Supreme Court.

While the civil appeals' process is similar, the time lines involved may be different.

APPELLATE DIVISION CASE HIGHLIGHTS

EIGHTH CIRCUIT APPEALS

Michael Scott Wahlstrom

The U.S. Attorney's Office in the District of Minnesota prosecuted Michael Scott Wahlstrom, a convicted felon, for conspiracy, possession with intent to distribute methamphetamine, and possession of a firearm as well as ammunition. Wahlstrom pleaded guilty to seven related counts and was sentenced by the district court to 384 months in prison. Wahlstrom appealed the sentence to the Eight Circuit Court of Appeals; and in December of 2009, that court affirmed the lower court's decision.

Wahlstrom was arrested after he sold methamphetamine to a police informant. Authorities then executed a search warrant at his residence, where they found large amounts of methamphetamine, ready for distribution, along with an assault rifle, an automatic pistol, and ammunition.

While in jail, Wahlstrom told at least three inmates he intended to harm the wife of the Assistant U.S. Attorney prosecuting him. One of those inmates later testified Wahlstrom had actually asked if he knew anyone who would carry out a hit on her in exchange for a vehicle. Consequently, authorities arranged for a recorded phone conversation between Wahlstrom and a deputy sheriff who was posing as a potential hit-man. And, Wahlstrom's remarks were verified.

The presentence investigation report in this case stated that Wahlstrom's guideline-based prison range was

324 to 405 months, with a mandatory 60 additional consecutive months for possessing a firearm relative to a drug-trafficking offense. The calculation also included a two-level upward adjustment because of Wahlstrom's attempt to obstruct justice by hiring someone to kill the prosecutor's wife. Wahlstrom denied doing so and, on appeal, objected to the obstruction enhancement.



The significant issue on appeal was whether the obstruction of justice enhancement applied to a defendant's threats against a prosecutor's family. The applicable Guideline section does not specifically address the issue, nor had it been previously decided by the Eighth Circuit.

Wahlstrom also argued that the district court erred in concluding he had tried to hire a hit-man, and that the evidence failed to prove he had taken or intended to take

a substantial step toward hiring such a person. Moreover, he claimed the obstruction guideline did not apply in this case since his motivation was revenge and not a desire to affect the prosecution of the case.

The appellate court found that the obstruction of justice enhancement did indeed apply in this case, stating, "More important than the particular targets..." is "the likelihood that it [defendant's actions] will disrupt the administration of justice." The court also disagreed with the defendant's other objections to the enhancement

Robert B. Beale

Robert B. Beale was convicted in federal court in Minnesota on five counts of tax evasion, one count of conspiracy to defraud the U.S., and one count of failure to appear at trial. He appealed his conviction and his sentence, arguing (1) his anti-tax beliefs and fundamental disapproval of the policies and practices of the Internal Revenue Service constituted a good-faith belief that he was not violating any tax laws; (2) he was entitled to recusal of the district court judge; (3) he had a due-process right to private telephone conversations and unmonitored meetings while in jail; (4) he was entitled to a sentencing reduction for aberrant behavior in an otherwise law-abiding life; and (5) a 134-month prison sentence was unreasonable. The Eighth Circuit Court of Appeals disagreed on all points and affirmed the conviction and sentence imposed by the U.S. District Court.

Timothy Rehak and Mark Naylor

The U.S. Attorney's Office prosecuted Timothy Conrad Rehak, a law enforcement officer employed by the Ramsey County Sheriff's Office, and Mark Paul Naylor, a public information officer at the Sheriff's Office, for conspiracy to violate civil rights and theft of government property. Following a jury trial, the two men were convicted but appealed those convictions, claiming insufficient evidence to support the charge of violation of civil rights and errors by the district court in instructing the jury. The Eighth Circuit Court of Appeal disagreed and affirmed the convictions.

In 2004, the FBI initiated a corruption investigation against the men. During that investigation, agents conducted an "integrity test," which entailed renting a motel room under a fictitious name, placing \$13,500 in cash in the room, and informing Rehak that a drug trafficker, now under arrest, was trying to recover money he had left in the room. Rehak contacted Naylor, and they tried to gain access to the motel room but failed because they lacked a search warrant. Upon returning to the Inn with a sergeant from the Special Investigations Unit and a search warrant, however, they were permitted entry.

The FBI surveillance video indicated that once in the room, the sergeant began searching the bathroom, while Rehak and Naylor searched the main room. There, in the dresser, Rehak found the planted cash inside a duffel bag. Naylor motioned for some of the money, so Rehak handed him \$6,000. Later, when the remaining \$7,500 was inventoried at the Sheriff's Office, neither man told the sergeant about the \$6,000 they had taken. That night, though, after the men became suspicious about the event, they called the sergeant to report they had found an additional \$6,000 under the mattress in the motel room. They provided him with the cash the next day.

On appeal, the defendants argued the money belonged to a fictitious person, and since fictitious people do not have rights, they could not have conspired to violate them. The court disagreed, finding the "defendants were charged and convicted of conspiring to violate civil rights. The crime was committed upon their agreement to steal his money." In addition, the defendants argued to no avail that (1) they could not conspire to violate civil rights because the money was drug money subject to forfeiture; (2) the fictitious person had abandoned the money and, thus, had no right to it; and (3) they had a warrant to search and seize, so their motives were irrelevant.

Moreover, they argued the district court erred when instructing the jury, particularly as to theft of government property. The defendants claimed they intended to keep the money only temporarily, and the jury should have been so instructed. The appellate court found,

however, that conversion "may be consummated without any intent to keep" the property. Defendants also claimed they did not know the funds belonged to the government when they took them, so they could not have "knowingly" committed theft, which should have been explained to the jury. But, again, the appellate court disagreed, finding it is enough for the thief to know the property does not belong to him.

Refugio Gadea Pliego

In 2008, the U.S. Attorney's Office prosecuted Refugio Gadea Pliego, age 28, on one count of producing child pornography. Following a jury trial, Pliego was convicted of secretly videotaping a sexual encounter he had in his bedroom with a 14-year-old boy. Pliego was sentenced to 180 months in federal prison for his crime.

Pliego appealed, raising an issue not decided before in the Eighth Circuit: whether the government must prove the defendant knew the victim was a minor. Pliego claimed the U.S. District Court had abused its discretion when it refused to instruct the jury that knowledge of the victim's age is an element of the offense. He also argued the court erred in ruling he could not raise lack of knowledge of the victim's age as an affirmative defense. In an important decision for the prosecution of these cases, the Eighth Circuit Court of Appeals disagreed and affirmed the conviction.

Pliego relied on 18 U.S.C. 2252(a) in arguing that the court erred by not instructing the jury that knowledge of the victim's age is an element of the law. However, Pliego was charged under Section 2251(a) (production of child pornography), not 52(a) (reproduction). No such requirement exists under 51(a), since, according to applicable legislative history, age can be easily ascertained in production situations. Thus, no error was made by the U.S. District Court.

Pliego also relied on a Ninth Circuit case to claim the First Amendment requires a reasonable mistake of age defense in Section 2251(a) cases. Earlier, however, the Eighth Circuit declined to adopt the Ninth Circuit's rationale on this issue. Instead, the Eighth Circuit found the opportunity a producer has to determine someone's age eliminates a First Amendment violation claim. Thus, the U.S. District Court did not err.

APPELLATE DIVISION CASE HIGHLIGHTS

U.S. SUPREME COURT APPEALS



In 1997, Roger Dean Tom pled guilty in U.S. District Court in Utah to aggravated sexual abuse of a minor, in violation of a federal law that makes it illegal to cross state lines with intent to engage in sexual activity with minors. Tom was sentenced to 120 months in prison, 60 months of supervised release, and assigned to the Federal Medical Center (“FMC”) in Rochester, Minnesota. His scheduled release date was October 4, 2006, but his release was halted after the U.S. Attorney’s Office in Minnesota filed a petition under a provision of the Adam Walsh Child Protection and Safety Act of 2006. That provision requires a district court to stay release, pending hearing, of any federal inmate certified by medical staff of the Bureau of Prisons as a “sexually dangerous person.” The U.S. Attorney’s petition alleged the mental health staff at FMC had determined that Tom was such a person.

At the district court hearing, Tom moved for immediate dismissal, arguing the law cited as grounds for the hearing was unconstitutional because neither the Commerce Clause nor the Necessary and Proper Clause of the U.S. Constitution authorized its enactment. He further argued that the law violated the Due Process and Equal Protection clauses of the Constitution, and that it was a criminal sanction requiring the government to establish sexual dangerousness beyond a reasonable doubt, which the government had not done. Ultimately, the court found the statute unconstitutional and ordered Tom released. In response, the U.S. Attorney’s Office appealed the case to the Eighth Circuit Court of Appeals and moved to stay Tom’s release, which the appellate court ordered, pending its decision.

On appeal, the U.S. Attorney’s Office argued that Congress had enacted the Adam Walsh Act “[t]o protect children from sexual exploitation and violent crime, to prevent child abuse and child pornography, [and] to promote Internet safety....” It also argued that the Acts legislative history made clear the law was designed to be a “comprehensive bill to address the growing epidemic of sexual violence against children” and the “loopholes and deficiencies in existing laws.”

The Act defines a sexually dangerous person as “a person who has engaged or attempted to engage in sexually violent conduct or child molestation and who is sexually dangerous to others.” A person is sexually dangerous to others if he “suffers from a serious mental illness, abnormality, or disorder, as a result of which, he would have serious difficulty in refraining from sexually violent conduct or child molestation if released. The Act also provides that if the district court finds by clear and convincing evidence that the subject was accurately certified as a sexually dangerous person, it must commit him. That person will then remain in a “suitable facility” until he is no longer sexually dangerous. Once someone has been committed, the facility director must submit an annual report to the district court with a recommendation about continued confinement.

The Eighth Circuit reversed the district court by finding the civil commitment statute constitutional. The appellate court concluded that Congress, having been empowered by the Commerce Clause of the U.S. Constitution to criminalize and punish the conduct for which Tom pled guilty, has the ancillary authority under the Necessary and Proper Clause to provide for Tom’s civil commitment in an effort to prevent him from acting out that conduct. Thus, the Eighth Circuit remanded the case back to the district court, directing it to hold a hearing on whether or not Tom is a sexually dangerous person.

The Eighth Circuit’s decision in this case was stayed, however, while the U.S. Supreme Court considered a similar appellate case out of North Carolina. In January of 2010, the Supreme Court held oral arguments in that case and is likely to issue its decision by June. If the Supreme Court finds the subject statute constitutional, the U.S. Attorney’s Office will be allowed to try and prove that Tom is a sexually dangerous person who should not be released but, rather, civilly committed indefinitely.

COMMUNITY RELATIONS DIVISION

The Community Relations Division, under the leadership of Jeanne F. Cooney, is responsible for community outreach, law enforcement support, victim and witness assistance, media relations, grant and program oversight, and special projects. These responsibilities are met through Weed and Seed and other community programs. Project Safe Neighborhoods is one of several initiatives that provide financial support to law enforcement efforts and training to local, State, and federal law enforcement partners. Crime victims are aided individually as well as through our joint efforts with State advocates and advocacy groups and agencies. Media representatives are sent regular case-based press releases. Moreover, they, along with our law enforcement partners, receive periodic newsletters examining law enforcement and crime prevention issues from a federal perspective. Each year our partners and others are also sent an annual report, which summarizes the work done by the Office during the previous year and offers contact information and other forms of assistance.



Fiscal Year 2009 Community Relations Division Overview

73,179 separate notifications were sent to crime victims in cases handled by the Office
6,751 of those notifications were sent via e-mail
66,428 of those notifications were sent through the mail

388 trial witnesses were processed
162 of them were from out of town and needed transportation and lodging

6 witnesses were provided with emergency assistance under the Emergency Witness Assistance Program for such things as relocation for safety reasons pending testimony at trial

Approximately a dozen indigent crime victims and their families were provided financial assistance with travel and lodging through the Federal Crime Victim Assistance Fund so they could attend sentencings or plea hearings

336 press releases were prepared and distributed to the news media

Monthly LECC federal agency head meetings were hosted by U.S. Attorney Jones

Special editions of The Eagle, focusing on gangs and mortgage fraud, were published and distributed to local, State, and federal law enforcement

The Office's Federal Criminal Procedure and Federal Civil Procedure brochures were translated for those in our Spanish-speaking communities as well as those in our Somali and Hmong communities

Approximately \$157,000 was provided in Project Safe Neighborhoods funding, which was used to support the coordinator of the Headwaters Safe Trails Task Force, a Department of Corrections investigator, and crime prevention efforts on the Red Lake Indian Reservation

LECC funding was used to sponsor several anti-terrorism trainings as well as law enforcement training on the Red Lake Indian Reservation

Minneapolis Central and Minneapolis Phillips Weed and Seed projects concluded

COMMUNITY RELATIONS DIVISION HIGHLIGHTS

The Minnesota Victim Assistance Academy

During 2009, the U.S. Attorney's Office worked with several other agencies and organizations to plan and present the Minnesota Victim Assistance Academy ("MNVA"). The MNVA is a foundation-level education opportunity through which service providers and criminal justice professionals are offered a week-long course of study to improve the quality and consistency of the victim assistance they provide. Through education, the MNVA builds the capacity of those who serve crime victims, encourages fresh perspectives regarding victim assistance, and focuses on victim-centered, multi-disciplinary approaches to victim services.



Conference on Crime and Victimization

During 2009, the U.S. Attorney's Office was pleased to assist the Minnesota Department of Public Safety, Office of Justice Programs ("OJP"), in planning and presenting the OJP Conference on Crime and Victimization. OJP provides leadership and resources to reduce crime in Minnesota, improve the functioning of the criminal justice system, and assist crime victims.

Crime and victimization greatly undermine the quality of life in Minnesota. The annual OJP Conference on Crime and Victimization brings professionals together to review current research, improve skills, share information, and network with peers. The conference allows participants an opportunity to discuss and strategize ways to address long-standing barriers to high-quality victim services.

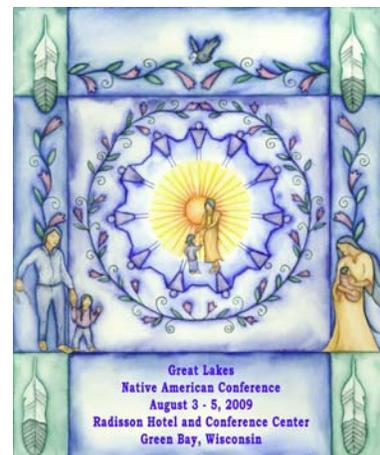
By focusing on multi-disciplinary solutions to victim-service problems, the planners of the OJP Conference on Crime and Victimization hoped to establish an effective approach to combating violence, crime, and victimization.

Great Lakes Native American Conference

The U.S. Attorney's Office co-sponsored the 2009 Great Lakes Native American Conference. This annual event provides valuable resources, tools, and information to law enforcement, court personnel, and victim advocates who work in Indian Country.

The 2009 conference focused on issues related to domestic violence and sexual abuse of children. Presenters, including Mike Johnson of the Dallas Police Department, Stephanie Knapp of the FBI, and Cliff Wardlaw of Minnesota's U.S. Attorney's Office, spoke about effectively investigating and prosecuting abuse cases while, at the same time, minimizing victimization by utilizing high-functioning, multi-disciplinary response teams.

The conference was held in Green Bay, Wisconsin. Next year's conference will take place in or around Detroit, Michigan.



ADMINISTRATIVE DIVISION

The Administrative Division, under the leadership of Melanie Heuerman, supports the litigative mission of the Office by providing information technology, procurement, property, budget, human resource, facilities management, and general infrastructure services.

The objective of the Administrative Division is to deliver a full range of support services to the staff of the Office and its internal and external customers in an efficient, cost effective, timely, and customer-service-oriented manner that furthers the Office's strategic goals and objectives, meets audit and regulatory requirements, and supports a work environment that enables all employees to perform at the highest levels possible.

The Administrative Division is continually examining ways to improve the quality of services provided and expand and enhance programs to better serve the Office.



*A Note From the Desk of
B. Todd Jones
United States Attorney
District of Minnesota*

The work of the United States Attorney's Office is often complex and taxing. However, because of the dedication and professionalism of the staff, that work is efficiently and effectively accomplished each day; and, in so doing, the people in the District of Minnesota are well served.

I became United States Attorney once again in September of 2009. Prior to my return, the Office was led by Frank J. Magill, an experienced and highly regarded Assistant U.S. Attorney, who served as the U.S. Attorney for approximately 18 months. I thank Frank for his fine work during that time. I also thank him for agreeing to continue to serve the Office in a leadership role by now becoming its first legal counsel. Many of you will hear from and meet with Frank as he, on behalf of the Office, grapples with emerging issues of law and procedure.

I also want to thank John R. Marti for joining my leadership team as the First Assistant U.S. Attorney. In that role, John is in charge of the day-to-day management of the Office. His background as a respected and principled Assistant U.S. Attorney assures me the Office will operate both smoothly and properly.

Once again, thank you all for your crime prevention and law enforcement efforts during 2009. We at the U.S. Attorney's Office look forward to working with you throughout 2010.



**Frank J. Magill
Office Counsel**



**John R. Marti
First Assistant
U.S. Attorney**

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