

# ANNUAL REPORT 2010



**DISTRICT OF MINNESOTA**  
**UNITED STATES ATTORNEY'S OFFICE**

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## INTRODUCTION

The position of United States Attorney was created by the federal Judiciary Act of 1789, which provided for the appointment in each judicial district of a

“[p]erson learned in law to act as attorney for the United States...whose duty it shall be to prosecute in each district all delinquents for crimes and offenses cognizable under the authority of the United States, and all civil actions in which the United States shall be concerned....”

That same act also established the position of Attorney General of the United States, specified the structure of the Supreme Court of the United States, and created lower courts, including the district court system, which make up the United States federal judiciary.

The President appoints the U.S. Attorney for each of the country’s 94 federal judicial districts, although those appointments must be confirmed by the United States Senate. A U.S. Attorney’s term in office is four years but may be renewed.

Early on, U.S. Attorneys maintained private law practices while working on behalf of the federal government. If they needed staff assistance, 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.

U.S. Attorneys serve under the direction of the Attorney General of the United States. They and their staff 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.

The current U.S. Attorney for the District of Minnesota is B. Todd Jones, who was appointed by President Barack Obama and confirmed by the U.S. Senate on August 7, 2009. Attorney General Eric Holder also has appointed Jones to chair the Attorney General Advisory Committee. That body consists of 18 U.S. Attorneys from around the country and is responsible for advising the Attorney General on a broad array of Department of Justice policy issues. This is the second time Jones has served as the U.S. Attorney for the District of Minnesota. In 1998, President Clinton appointed him to the position, and he served in that capacity until January of 2001. In addition to working in private practice, Jones previously served as an Assistant U.S. Attorney in the District.



*U.S. Attorney B. Todd Jones*



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



*Andrew S. Dunne, Senior Litigation Counsel*

“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 foul 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  
Berger v. United States, 295 U.S. 88 (1935)

## DISTRICT OF MINNESOTA

Minnesota was established as a territory and federal 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 by President Zachary Taylor and served for the first time in the position until 1853. Like several of his successors, Moss was re-appointed as U.S. Attorney in 1863 and served until 1868. Since that time, the District's 31 U.S. Attorneys have worked hard to uphold the laws of this nation and protect the rights and safety of the citizens of Minnesota.

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 federal magistrates.

Presently, approximately 125 people, including more than 50 Assistant U.S. Attorneys, work in the U.S. Attorney's Office in the District of Minnesota. The Office headquarters is in the federal courthouse in Minneapolis, and a branch office is maintained in St. Paul.

Functionally, the U.S. 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 mission of the U.S. Attorney's Office for the District of Minnesota is to ensure that we provide the United States of America with high quality and professional legal representation, maintaining the highest ethical standards and, at all times, pursuing justice. The Office is wholly committed to the promotion of the public good and the safety of our community. Within this broader mission, we recognize that our primary responsibilities include—

- The prosecution of criminal offenses against the United States;
- The prosecution or defense for the government of civil actions, suits, or proceedings in which the United States is concerned; and
- Assisting communities within the District of Minnesota in appropriate community-building efforts designed to enhance public safety.

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### St. Paul Branch Office Opens

For years, the U.S. Attorney's Office for the District of Minnesota operated solely out of its Minneapolis office. That all changed in 2010, however, when U.S. Attorney B. Todd Jones announced the opening of a fully staffed branch office in the federal courthouse in St. Paul.

The St. Paul Office is led by Assistant U.S. Attorney Paul A. Murphy, a veteran federal prosecutor who recently served as the U.S. Attorney for the Virgin Islands before returning home to Minnesota, where he worked as an Assistant U.S. Attorney for more than two decades.

The St. Paul Office houses the Appellate Division of the U.S. Attorney's Office as well as several members of the Criminal Division. It also provides office space for Minneapolis-based criminal prosecutors and civil litigators who are preparing for oral arguments before the Eighth Circuit Court of Appeals, which routinely is seated in St. Paul. Moreover, the Office regularly serves as a temporary workplace for the Minneapolis-based lawyers who find themselves in trial before federal judges who office in the St. Paul federal courthouse.



*The St. Paul Office Staff*



## TERRORISM AND NATIONAL SECURITY TEAM

The lead priority of the U.S. Attorney's Office remains the vigorous prosecution of persons and entities engaged in or supporting terrorism. To that end, the Office's Terrorism and National Security Team, led by First Assistant U.S. Attorney John R. Marti and comprised of anti-terrorism specialists and experienced Assistant U.S. Attorneys from all sections of the Office's Criminal Division, works to investigate and prosecute matters of national security.



During the past year, the Terrorism and National Security Team focused on al-Shabaab, a designated foreign terrorist organization, and its efforts to recruit young Minnesotans of Somali descent to return to the Horn of Africa to engage in terrorist activity against the United States and its allies. The Team also worked to stop those interested in obtaining advanced technologies that, if proliferated, would threaten national security interests.

Some of the work of the Terrorism and National Security Team during Fiscal Year 2010 is highlighted below.

### TERRORISM AND NATIONAL SECURITY

#### Attorney General Eric Holder Announces Charges for Providing Material Support to Foreign Terrorist Group Al-Shabaab

On August 5, 2010, the Attorney General for the United States announced four separate indictments, charging 14 individuals with terrorism offenses for providing money, personnel, and services to the foreign terrorist group al-Shabaab. The indictments were returned in the District of Minnesota, the Southern District of Alabama, and the Southern District of California.

In the Southern District of Alabama, a superseding indictment charged Omar Shafik Hammami, a U.S. citizen and former Alabama resident, with providing material support to al-Shabaab. In the Southern District of California an indictment charged Jihad Serwan Mostafa, a U.S. citizen and former resident of California, with the same crime.

Meanwhile, in the District of Minnesota, prosecutors unsealed two indictments. The first charged Amina Farah Ali and Hawo Mohamed Hassan with providing funds to al-Shabaab. The two women are naturalized U.S. citizens and residents of Minnesota. The second indictment charged ten men with terrorism offenses for leaving the United States to join al-Shabaab. Seven of those men had been previously charged by either indictment or criminal complaint.

The arrests and charges were announced by Attorney General Eric Holder and FBI Director Robert S. Mueller, III, in Washington, D.C. They were joined by David Kris, Assistant Attorney General for National Security; B. Todd Jones, U.S. Attorney for the District of Minnesota; Kenyen R. Brown, U.S. Attorney for the



*Attorney General Holder Announces Terrorism Indictments*

Southern District of Alabama; and Laura E. Duffy, U.S. Attorney for the Southern District of California.

"The indictments unsealed today shed further light on a deadly pipeline that has routed funding and fighters to the al-Shabaab terror organization from cities across the United States," said Attorney General Holder in making the announcement. "While our investigations are ongoing around the country, these arrests and charges should serve as an unmistakable warning to others considering joining terrorist groups like al-Shabaab—if you choose this route, you can expect to find yourself in a U.S. jail cell or a casualty on the battlefield in Somalia."

Earlier in the day, FBI agents arrested Amina Farah Ali, 33, and Hawo Mohamed Hassan, 63, of Rochester, Minnesota. Each is charged with one count of conspiracy to provide material support to al-Shabaab from September 17, 2008, through July 19, 2010. Ali is also charged with 12 counts of actually providing material support to al-Shabaab, while Hassan is also charged with three counts of making false statements.

As part of the conspiracy, Ali allegedly communicated by phone with people in Somalia who requested financial assistance for al-Shabaab. Ali, Hassan, and others then purportedly raised money by door-to-door soliciting in

*Continued on the following page*

## **Providing Material Support to Al-Shabaab**

*Continued from the previous page*

Somali communities in Minneapolis, Rochester, and other locations in the U.S. and Canada. The women also allegedly sought funds by appealing directly to people who participated in teleconferences featuring speakers who encouraged donations to the terrorist group. In addition, Ali allegedly raised funds under the pretense that the money was for the poor.

According to the indictment, Ali and others transferred the money they raised to al-Shabaab through the *hawala* remittance system. Ali and others supposedly used false names to identify the recipients of the funds in order to conceal what they were really doing.

The women have pleaded not guilty to the charges filed against them, and prosecution continues. If convicted, they face a potential maximum sentence of 15 years in prison on the conspiracy charge. Ali also faces up to 15 years on each material support count, while Hassan faces up to eight years on each false statement count.

In the second Minnesota indictment, Abdikadir Ali Abdi, 19; Abdisalan Hussein Ali, 21; Cabdulaahi Ahmed Faarax, 33; Farah Mohamed Beledi, 26; and Abdiweli Yassin Isse, 26, are charged with, among other things, conspiring and providing material support to al-Shabaab and conspiring to kill, maim, and injure persons abroad. Five others who were previously charged are also named in the charging document. They are Ahmed Ali Omar, 27; Khalid Mohamud Abshir, 27; Zakaria Maruf, 31; Mohamed Abdullahi Hassan, 22; and Mustafa Ali Salat, 20. The five are now being charged with conspiracy to provide material support to terrorists and foreign terrorist groups; conspiracy to kill, kidnap, maim, and injure persons abroad; possessing and discharging a firearm during a crime of violence; and solicitation to commit a crime of violence. These ten defendants purportedly provided al-Shabaab with financial support and personnel, including themselves as fighters. Allegedly, the five now added actually traveled to Somalia. Moreover, Faarax allegedly solicited Salah Osman Ahmed, Shirwa Ahmed (now deceased), and Kamal Said Hassan.

The charges against these ten defendants stem from an ongoing investigation. To date, 19 people have been charged. Nine of them have been arrested, five of whom have pleaded guilty. All remaining defendants, including these ten, are at large and believed to be abroad.

These cases are being investigated by the FBI-led Minneapolis Joint Terrorism Task Force, assisted by the Dutch KLPD; the Dutch Ministry of Justice; the Justice Department's Office of International Affairs; the State Department, including U.S. Embassies in the United Arab Emirates and Yemen; the Hague; and the Defense Department.

## **DOMESTIC TERRORISM**

### **Faribault Woman Sentenced for Bomb Threats**

In 2010, Christina Anne Reineke, age 39, of Faribault, was sentenced to 54 months in prison for making bomb threats against eight U.S. post offices. She earlier pleaded guilty to sending a threatening communication.

Reineke mailed threatening letters to post offices in Mankato, North Mankato, Lake Crystal, Madelia, New Ulm, Sleepy Eye, St. James, and LeCenter. The letters warned that the post offices would be bombed and employees and customers would die. The letters did not disclose when or how the bombings would occur nor did they display return addresses, although officials concluded they were most likely mailed from New Ulm.

Reineke moved to New Ulm from Faribault after being released from a Minnesota state prison in November of 2008. She was serving a 27-month sentence for making terroristic threats against State Representative Jeanne Poppe, State Senator Dan Sparks, and Austin Mayor Tom Stiehm. A search of her home yielded notebook paper that matched the paper used to write the threats, a planner listing the addresses of the targeted post offices, and an envelope containing related newspaper articles.

This case was investigated by the U.S. Postal Inspection Service, with assistance from the State Department of Corrections and the Faribault Police Department.

### **Man Sentenced for Mailing Explosives**

In mid-2010, Mark Steven Anderson, age 57, of Marmet, West Virginia, was sentenced to 30 months in prison after pleading guilty to one count of mailing an injurious article to a resident of Houston, Minnesota.

Anderson mailed the person a package containing a device that could ignite or explode, his intention being to injure that person. The recipient notified the Houston County Sheriff's Office after opening it and discovering what he thought were two sticks of dynamite connected to fuses and cords. The device was designed to detonate when the package was opened but failed to work.

Investigators traced the package to Charleston, West Virginia, and Mark Anderson. They learned Anderson had lived in Houston, Minnesota.

This case was investigated by the U.S. Postal Inspection Service and the Houston County Sheriff's Office, with assistance provided by the U.S. Attorney's Office in the Southern District of West Virginia.

The local FBI-led Joint Terrorism Task Force is made up of highly trained investigators and anti-terrorism specialists. For more information or assistance, contact the FBI in Minneapolis, at (612) 376-3200.

## CRIMINAL DIVISION

The Criminal Division, led by Assistant U.S. Attorney Nicole A. Engisch, 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 cases involving domestic terrorism, cybercrime, child exploitation, human trafficking, immigration violations, identity theft, bank robberies, federal program fraud, and federal crime in Indian Country.

The OCDETF 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 paralegals, legal assistants, and other specialists, as well as Assistant U.S. Attorneys Deidre Y. Aanstad, Julie E. Allyn, Ann M. Anaya, LeeAnn K. Bell, Nancy E. Brasel, Jeffrey M. Bryan, Michael L. Cheever, Michael A. Dees, John F. Docherty, Andrew S. Dunne, David M. Genrich, Kimberly M. Hare, Thomas M. Hollenhorst, Colin M. Johnson, Leshia M. Lee-Dixon, Robert M. Lewis, David J. MacLaughlin, Richard A. Newberry, William J. Otteson, Jeffrey S. Paulsen, Tracy L. Perzel, Nathan P. Petterson, Laura M. Provinzino, Timothy C. Rank, Steven L. Schleicher, Karen B. Schommer, Allen Slaughter, David P. Steinkamp, Kimberly A. Svendsen, Kevin S. Ueland, Lola A. Velazquez-Aguilu, Clifford B. Wardlaw, Christian S. Wilton, and Andrew R. Winter.

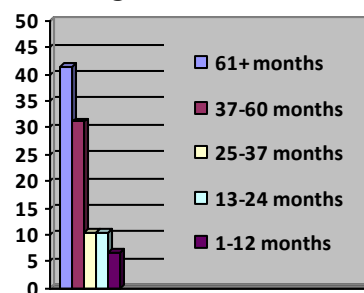


## FISCAL YEAR 2010 STATISTICAL DATA

### Overall Criminal Division Statistics

Individuals Charged During Fiscal Year	482	
Individuals Prosecuted/Processed	540	
Prosecuted Individuals Who Pledged Guilty	498	
Prosecuted Individuals Found Guilty After Trial	20	18 trials; 95.9% conviction rate
Guilty Individuals Sent to Prison	441	85.1% incarceration rate

### Percentage Breakdown of Prison Terms Imposed



### Breakdown of Prison Sentences for Incarcerated Individuals

1-12 months:	30	6.8% of all those sentenced to prison
13-24 months:	46	10.4% of all those sentenced to prison
25-36 months:	46	10.4% of all those sentenced to prison
37-60 months:	137	31.1% of all those sentenced to prison
61+ months:	182	41.3% of all those sentenced to prison

## Criminal Division Statistics by Case Type

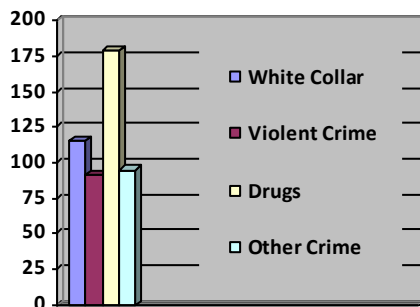
### While Collar Cases

Individuals Charged During Fiscal Year	116
Individuals Prosecuted/Processed	74
Prosecuted Individuals Who Pleaded Guilty	63
Prosecuted Individuals Found Guilty After Trial	9
Guilty Individuals Sent to Prison	54

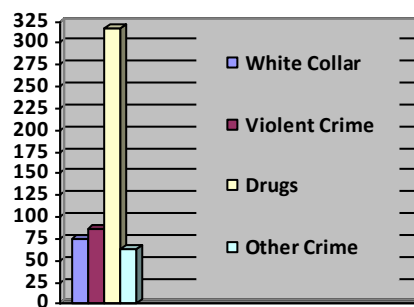
#### Breakdown of Prison Sentences for Incarcerated Individuals

1-12 months:	8	14.8% of all those sentenced to prison
13-24 months:	13	24.1% of all those sentenced to prison
25-36 months:	7	13.0% of all those sentenced to prison
37-60 months:	12	22.2% of all those sentenced to prison
60+ months:	14	25.9% of all those sentenced to prison

**Individuals Charged by Case Type**



**Individuals Prosecuted/Processed by Case Type**



### Violent Crime Cases

Individuals Charged During Fiscal Year	92
Individuals Prosecuted/Processed	86
Prosecuted Individuals Who Pleaded Guilty	77
Prosecuted Individuals Found Guilty After Trial	4
Guilty Individuals Sent to Prison	75

#### Breakdown of Prison Sentences for Incarcerated Individuals

1-12 months:	2	2.7% of all those sentenced to prison
13-24 months:	3	4.0% of all those sentenced to prison
25-36 months:	5	6.7% of all those sentenced to prison
37-60 months:	27	36.0% of all those sentenced to prison
60+ months:	38	50.7% of all those sentenced to prison

### Drug Cases

Individuals Charged During Fiscal Year	179
Individuals Prosecuted/Processed	317
Prosecuted Individuals Who Pleaded Guilty	300
Prosecuted Individuals Found Guilty After Trial	5
Guilty Individuals Sent to Prison	272

#### Breakdown of Prison Sentences for Incarcerated Individuals

1-12 months:	13	4.8% of all those sentenced to prison
13-24 months:	23	8.5% of all those sentenced to prison
25-36 months:	27	9.9% of all those sentenced to prison
37-60 months:	84	30.9% of all those sentenced to prison
60+ months:	125	46.0% of all those sentenced to prison

*\* Two individuals in the "other crime" category were found guilty after trial.*



## 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, particularly those 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 the stories.



### CORPORATE FRAUD

#### Hecker Pleads Guilty to Bankruptcy Fraud and Conspiracy to Commit Wire Fraud

On September 7, 2010, Dennis Earl Hecker pled guilty to orchestrating a scheme to defraud lenders and others out of millions of dollars. Specifically, Hecker, age 58, of Medina, pleaded guilty to one count of conspiracy to commit wire fraud and one count of bankruptcy fraud.

For years, Hecker owned and operated numerous local auto dealerships and businesses, collectively known as the "Hecker organization," that provided, in part, fleet vehicles to car rental companies. In his plea agreement, Hecker admitted that between 2006 and June 2009, he conspired with others to present Chrysler Financial with false documents to obtain more than \$80 million to buy 5,000 vehicles from Hyundai Motor America.

To carry out the fraud, Hecker instructed Steven Joseph Leach, former president of Rosedale Dodge, a leasing company owned by Hecker, to have an employee incorporate Hecker's handwritten changes into a Hyundai Motor America letter to make it appear as if Hyundai was offering Rosedale Dodge 4,855 "repurchase" vehicles. Leach then faxed the altered letter to Hecker, who was meeting with Chrysler Financial in Michigan. As a result of that letter, Chrysler Financial loaned Hecker and the Hecker organization more than \$80 million, ultimately losing more than \$14 million.

In connection with the same scheme, Leach admitted that, at Hecker's direction, he instructed employees to order Hyundai cars as "risk" but treat them in internal records as "repurchase" vehicles. That action started processes that contributed to Chrysler Financial's funding of the vehicles under false pretenses.

Hecker and Leach also misled Chrysler Financial into financing Suzuki vehicles by removing a material portion

of the Suzuki purchase contract before providing it to Chrysler Financial. When Chrysler Financial learned of the missing contract addendum, it insisted Hecker turn over the incentive money the Hecker organization had received from American Suzuki Motor Corporation. He agreed to do so but, instead, continued the fraud by providing the altered Suzuki contract to other lenders, including U.S. Bank, in an effort to get financing from them. As a result, other lenders made loans to Hecker and collectively lost more than \$5 million.

#### HECKER'S NEXT STOP: PRISON CELL

The onetime auto kingpin admitted to sticking lenders for \$20 million. He pleaded guilty to 2 charges and avoided trial on more than 20 others.



To maintain the fraud, Hecker carried out a cover-up and engaged in communications meant to lull creditors. He also tried to avoid paying debts, including the \$14 million owed to Chrysler Financial, by filing personal bankruptcy. However, he concealed assets from the bankruptcy trustee.

Hecker faces a potential maximum penalty of ten years in prison for his crimes. Leach, age 55, of Burnsville, pleaded guilty to one count of conspiracy to commit wire fraud and faces a maximum penalty of five years.

In addition, Christi Michele Rowan, age 36, of Wayzata, pleaded guilty to making a false statement in the Hecker bankruptcy case and defrauding a federal credit union while seeking an auto loan. She pleaded guilty to one count of bankruptcy fraud and one count of bank fraud.

James Carl Gustafson, a 49-year-old former Hecker employee, also pleaded guilty to one count of making a false statement and one count of mail fraud. He lied to government investigators and assisted Hecker in hiding a Cadillac Escalade from creditors.

This case was the result of an investigation conducted by the Minnesota State Patrol, the FBI, and the IRS-Criminal Investigation Division.



## Couple Sentenced for Defrauding Best Buy

An Illinois couple convicted by a federal trial jury of defrauding Richfield-based Best Buy Co., Inc., was sentenced on December 20, 2010. Following a 17-day trial in Minneapolis, Russell Adam Cole, age 50, and his wife, Abby Rae Cole, age 53, both of Deerfield, Illinois, were found guilty of conspiring with Robert Paul Bossany to defraud Best Buy through a scheme that involved over billing for computer parts. Russell Cole was sentenced to 15 years in prison; Abby Cole was sentenced to three years of probation; and Bossany was ordered to serve 90 months in prison.

Russell Cole was specifically convicted of one count of conspiracy to commit mail fraud and wire fraud, 12 counts of mail fraud, five counts of wire fraud, four counts of tax evasion, one count of conspiracy to commit money laundering, and one count of conspiracy to defraud the U.S. Abby Cole was convicted of one count of conspiracy to commit mail fraud and wire fraud, one count of conspiracy to defraud the U.S., and four counts of tax evasion. Bossany, age 39, of Prior Lake, pleaded guilty to one count of conspiracy to commit honest services mail fraud and one count of money laundering.

The fraud was primarily carried out through Best Buy's automated, online, reverse auction system, through which vendors submit bids for computer parts they want to supply to Best Buy, quoting both availability and price. Trial evidence proved that the Coles caused Chip Factory, their computer parts distribution company, to place fraudulently low bids through the auction in order to win orders. Then, after winning, the Coles regularly invoiced Best Buy at excessive prices. Chip Factory also shipped Best Buy used or defective parts and failed to provide proper credit when Best Buy returned those parts. In the end, the Coles, through Chip Factory, invoiced Best Buy for over \$41 million than was actually bid.

As a Best Buy employee, Bossany managed purchases from vendors participating in the reverse auction and was Best Buy's primary contact with Chip Factory. He admittedly accepted bribes in return for helping to defraud Best Buy. To that end, he hid Chip Factory's pricing practices and deflected issues and suppressed concerns raised about Chip Factory at Best Buy. His bribes included cash, gift cards, a Harley-Davidson motorcycle, and an all-terrain vehicle.

The Coles also evaded taxes for the years 2004 through 2007 by understating the company's gross receipts in a number of ways. For example, they represented to their outside accountant that the value of parts returned by

Best Buy had not been noted in the company's books when, in fact, it had. Then, the Coles filed amended federal individual and corporate returns, citing the false information and causing an understatement of the company's gross receipts of more than \$3 million for 2006. In addition, the Coles paid for personal expenses, including luxury items, with company funds and then classified those expenditures as business expenses on company tax returns.

This case was investigated by the FBI, IRS-Criminal Investigation Division, and the U.S. Postal Inspection Service.

## Man Pleads Guilty to \$79 Million Ponzi Scam

On September 2, 2010, Corey N. Johnston, age 40, of Lakeville, pleaded guilty to operating a Ponzi scheme that resulted in losses for at least 17 lenders that totaled more than \$79 million. Specifically, Johnston pleaded guilty to one count of bank fraud and one count of filing a false income tax return.

In his plea agreement, Johnston admitted he oversold participation in large commercial and personal loans arranged by him through his company, First United Funding ("FUF"). For example, Johnston, through FUF, arranged a \$7 million loan for White Out Way Investments and

then sold 100 percent participation in that loan to the Western National Bank. Meanwhile he also convinced several other banks to participate in the loan. In all, he solicited and received \$23.65 million from six banks for the \$7 million loan. However, he failed to disclose that the total participation exceeded 100 percent of the original loan, making it impossible for the participating bank to receive the money expected. Similarly, Johnston oversold loan participation for a project known as JM Land Development II. In that instance, Johnston solicited a total of \$38.65 million for an \$8 million loan.

Johnston used some of the proceeds of the fraud to repay other loans and perpetuate the scheme. He also diverted fraud proceeds for his personal use and for use by family members. Furthermore, Johnston failed to report the fraudulent income on his 2005 federal income tax return, resulting in an underpayment of taxes of approximately \$508,905.

For his crimes, Johnston faces a potential maximum penalty of 30 years in prison on the bank fraud charge and three years on the tax charge. This case resulted from an investigation conducted by the FBI, the IRS-Criminal Investigation Division, and the Federal Deposit Insurance Corporation.



## INVESTMENT FRAUD

### Cook Sentenced to 25 Years in Prison for Swindling 923 Investors out of \$158 Million

In August of 2010, Trevor Cook was sentenced to 25 years in federal prison for orchestrating a Ponzi scheme that collectively cost more than 900 investors \$158 million. Cook, age 38, of Apple Valley, was charged with and pleaded guilty to one count of mail fraud and one count of tax evasion in connection with his crime. In imposing the sentence, U.S. District Court Judge James M. Rosenbaum described Cook's offense as "wretched, tawdry, and cheap."

In his plea agreement, Cook admitted that from January 2007 through July 2009, he schemed to defraud people by purportedly selling investments in a foreign currency trading program. In reality, however, he diverted a substantial portion of the money provided him for other purposes, including making payments to previous investors; providing funds to Crown Forex, SA, in an effort to deceive Swiss banking regulators; purchasing ownership interest in two trading firms; buying a real estate development in Panama; paying personal expenses, including gambling debts; and acquiring the Van Dusen Mansion in Minneapolis.

To carry out his massive Ponzi scheme, Cook caused false statements to be made to potential investors. He promised that the investment program would generate annual returns of ten to twelve percent, and that trading would present little risk to investors' principal, which he knew was not true.

He also caused material information to be withheld from investors, such as the precarious financial position of Crown Forex, SA, in Switzerland, an entity through which he traded. In addition, he withheld the fact that trading at PFG in Chicago generated losses in excess of \$35 million between July 1, 2006, and August 31, 2009.

To further his scheme, Cook caused an account to be opened in the name of Crown Forex, LLC, at Associated Bank, which he used to deposit investor funds subsequently diverted for his own use as well as the use of others. He also caused statements to be sent to investors

that misrepresented the status of their investments. Moreover, he prompted due-diligence letters to be prepared that falsely indicated that Oxford Global Advisors had more than \$4 billion in assets under management, and that all accounts were liquid. Again, those statements were false or misleading.

Cook also admitted that on April 15, 2009, he filed a false U.S. Individual Income Tax Return for calendar year 2008. That return failed to report taxable income of at least \$5,285,719, upon which \$1,844,571 in taxes was due to the Internal Revenue Service.

This case was the result of an investigation conducted by the FBI and the IRS-Criminal Investigation Division, with assistance provided by the U.S. Securities and Exchange Commission along with the U.S. Commodity Futures Trading Commission.



For more information about investment fraud investigation or for assistance with investigations, contact

The Federal Investment Fraud Working Group  
Rob Strande, Postal Inspection Service (651) 293-3230  
Jared Kary, FBI (612) 376-4202  
Tim Nichols, IRS (651) 767-3216

The Minnesota Financial Crimes Task Force  
Commander Pat Henry  
(763) 502-7756 Ext. 321  
Patrick.M.Henry@state.mn.us

## Petters Sentenced to 50 Years in Federal Prison for Orchestrating \$3.7 Billion Ponzi Scheme

In 2010, Thomas Joseph Petters, age 52, of Wayzata, Minnesota, was sentenced to 50 years in federal prison for orchestrating a \$3.7 billion Ponzi scheme. The sentence represents the longest term of imprisonment ordered in a financial fraud case in Minnesota history. Petters was convicted by a jury in December of 2009 on 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.

Petters, assisted by others, obtained billions of dollars in money and property by inducing investors to provide Petters Company, Inc., funds to buy merchandise that was to be resold to retailers at a profit. Investors, however, were not paid with profits from actual transactions because no such purchases were ever made. Rather, they were paid with money obtained from subsequent investors or, sometimes, their own money. The conspirators also diverted funds for other purposes, such as paying off those who assisted in the scheme and financing Petters's extravagant lifestyle.



### Petters' Co-Conspirators Sentenced

On September 15, 2010, Robert Dean White, age 69, of Excelsior, was sentenced to five years in prison. He pleaded guilty in October of 2008 to one count of mail fraud and one count of money laundering. In 1999, Petters asked White to prepare false bank statements for investors that "verified" PCI's purported transactions with retailers. Later, Petters hired White to be chief financial officer of PCI and paid him millions of dollars.

Also in September of 2010, Larry Reynolds and Michael Catain were sentenced for their roles in the fraud. In October of 2008, both pleaded guilty to one count of conspiracy to commit money laundering. Reynolds, age 68, of Las Vegas, was sentenced to more than ten years in prison. Catain, age 52, of Shorewood, was sentenced to more than seven years. At Petters' request, Reynolds and Catain each laundered about \$12 billion in investor funds through their business accounts and then back to PCI and Petters in exchange for a commission. Although each company supposedly sold hundreds of millions of dollars in merchandise, bank records revealed no vendor income. Instead, money flowed only from the companies' accounts to PCI's accounts.

On September 2, 2010, Deanna Lynn Coleman, the woman who alerted federal officials to Petters' crimes, was sentenced to a year and a day in prison. Coleman, age 44, of Wayzata, was charged in October 2008 with one count of conspiracy to commit mail fraud and pleaded guilty two days later. She admitted creating false documents to induce investors to loan billions of dollars to PCI.

Gregory Malcolm Bell, age 45, of Highland Park, Illinois, was sentenced on September 30, 2010, to six years in prison on one count of wire fraud. Bell's hedge fund, Lancelot Investment Management, had almost all its money invested in PCI promissory notes. When PCI fell behind in its payments on those notes, Bell devised a plan to make it appear to his investors that PCI was still paying on time. The result was 86 sham "round trip" transactions, where Lancelot gave money to PCI, which PCI then used to make payments back to Lancelot. As a result of the scheme, Bell was able to raise more than \$200 million from 43 new investors during 2008.

Harold Alan Katz, age 43, of Buffalo Grove, Illinois, was sentenced on October 1, 2010, to a year and a day for assisting Bell with his fraud scheme. Katz pleaded guilty in September of 2009 to one count of conspiracy to commit wire fraud. Katz, a CPA, was vice president of finance and accounting at Lancelot, where he conspired to make fraudulent banking transactions to support Bell's sham transactions.

On October 18, 2010, a tax accountant for Petters Group Worldwide was sentenced to three years of probation, including one year of home detention, on one count of conspiracy to commit tax evasion and one count of aiding tax fraud. James Carl Wehmhoff oversaw PGW's tax department and prepared tax filings for PGW and other businesses owned by Petters, as well as for Petters himself. From July of 2004 through September of 2008, he conspired with Petters and others to under report income to the IRS. The tax loss because of that fraud was approximately \$20 million.



### **Hedgefund Manager Sentenced for Making a False Statement to the SEC**

The former manager of Paramount Partners hedge-fund was sentenced on October 6, 2010, to 70 months in prison for using fraud to convince approximately 48 investors to invest more than \$8 million collectively in the fund. John Walden Lawton, age 35, of Minneapolis, pleaded guilty in late 2009 to one count of mail fraud and one count of making a false statement to the U.S. Securities and Exchange Commission ("SEC").

Lawton admitted that from January of 2006 through February of 2009, he misrepresented to potential investors the annual investment returns of Paramount. He mailed investors monthly statements that falsely showed substantial increases in investment accounts. Those misrepresentations caused others to invest and prompted existing investors to invest more money. In 2008, the fund received more than \$6.3 million from investors. Then, in February of 2009, Lawton made and provided the SEC a summary that falsely showed a \$12 million balance in Paramount's account at Goldman Sachs.

Lawton attempted to withdraw his guilty plea, but his motion was denied by the court. This case was investigated by the U.S. Postal Inspection Service, the FBI, and the SEC.

### **Minneapolis Woman Sentenced to 12 Years in Prison for Orchestrating \$7 Million Scheme**

In March 2010, Minneapolis resident Kalin Thanh Dao, age 33, was sentenced to 12 years in prison for conducting an investment fraud scheme during a two-year period that cost investors more than \$7 million. Dao pleaded guilty in May of 2009 to conspiracy to commit mail and wire fraud and engaging in illegal monetary transactions. Dao also was ordered to pay more than \$7 million in restitution.

In her plea agreement, Dao admitted that from April 2006 through September 2008, she, aided by others, devised and executed a scheme to defraud investors out of money by selling sham investment programs through four related companies that she created. Rather than investing funds as promised, she diverted substantial amounts of the money provided her for other purposes, including making lulling payments, paying personal expenses, and gambling.

Dao solicited investors by various means, including a website, where she posted purported testimonials from past investors that detailed the investment programs available as well as their alleged performances. The site

also described Dao's "partner," who supposedly held a seat on the New York Stock Exchange and had "contacts" in emerging Asian markets as well as in various Las Vegas casinos. Moreover, Dao represented that she had developed an investment software program that could determine the best time to buy and sell investments. Finally, she claimed she and those who worked for her held the financial planning licenses necessary to sell securities. All of those statements were untrue.

On December 18, 2006, a consent order was filed that prohibited Dao from selling securities without proper licensing. However, just a month later, she created a new company and again began marketing fraudulent investments.

This case was investigated by the U.S. Postal Inspection Service and the IRS-Criminal Investigation Division.



### **Minnesota Man Sentenced to 117 Months for Operating a Ponzi Scheme**

In April of 2010, Charles "Chuck" E. Hays, age 56, of Rosemount, was ordered to serve 117 months in federal prison for operating a Ponzi scheme that involved commodity pools. Hays was also directed to pay more than \$21 million in restitution. Earlier, he

specifically pleaded guilty to one count of mail fraud, one count of wire fraud, and one count of structuring transactions in an effort to avoid financial reporting requirements.

As part of his scheme, Hays told potential investors he was a day trader in stock index futures, and that his trading was consistently profitable. Many people chose to invest with him based on those misrepresentations. Hays then diverted and converted the funds provided to him for his personal use and other unauthorized purposes, such as making payments to earlier investors in order to give legitimacy to his scheme. To that end, he also provided fraudulent summaries showing investment gains that were supposedly realized. Furthermore, he gave several investors a statement that reflected a \$37 million balance in his business account at a brokerage firm in Chicago, when, in reality, no such account existed.

The U.S. Commodity Futures Trading Commission ("CFTC") filed a related civil enforcement action against Hays and his business, which was known as Crossfire.

This case was the result of an investigation conducted by the U.S. Postal Inspection Service, with assistance provided by the CFTC.

## HEALTH CARE FRAUD



### **Guidant Agrees to Pay Largest Penalty Ever for FDA Violation by a Device Manufacturer**

On April 5, 2010, Guidant LLC pleaded guilty to withholding information from the U.S. Food and Drug Administration ("FDA") regarding catastrophic failures in some of its lifesaving devices. It admitted making a materially false statement in a required submission to the FDA and failing to notify the FDA of a "correction" to one of its devices. As a result, Guidant, a wholly-owned subsidiary of Boston Scientific Corporation, agreed to pay a combined criminal penalty in excess of \$296 million, which represents the largest criminal penalty ever imposed on a device manufacturer for violating the Food Drug and Cosmetic Act.

The medical device maker's admission of criminal wrongdoing was the result of a four-year investigation into Guidant's handling of short-circuiting failures of three models of its implantable cardioverter defibrillators. Guidant's Cardiac Rhythm Management Division, which produced the defibrillators, is headquartered in Arden Hills, Minnesota.

The case was investigated by the FDA's Office of Criminal Investigations. Additional assistance was provided by FDA's Office of Chief Counsel.

### **Owner of Personal Care Assistance Company Paid Kickbacks for Medicaid Referrals**

The owner of Advance Home Health, Patrick Daniel Osei, and two personal care assistants who worked for the company pleaded guilty in April of 2010 to charges related to health care fraud. Osei, age 50, of Brooklyn Park, pled to paying kickbacks to induce referrals to his company, all in an effort to obtain Medicaid reimbursements. Specifically, he pleaded guilty to one count of illegal remuneration. Sabrina Marie Peterson, age 38, of Minneapolis, pleaded guilty to one count of conspiracy to commit health care fraud; and Crecida Marie Cade, age 47, of Fridley, pleaded guilty to one count of defrauding Medicaid.

Osei admitted paying a kickback in the form of cash to someone for referring people to his company for personal care assistance, which is reimbursed by Medicaid, the federal health care program that provides medical care and services to low-income people. Osei also submitted claims to the Minnesota Department of Human Services, which oversees Medicaid in this state, for personal care assistance not actually provided. As part of his plea agreement, Osei agreed to identify assets and make restitution for the losses he caused the Medicaid

For information about the Minnesota Health Care Fraud Task Force, contact the U.S. Department of Health and Human Services, at the St. Paul office, at (651) 290-3137, 290-3177, or 290-3124.

program. But, when he met with federal investigators, he provided false information about his assets. As a result, he was charged with two counts of making a false statement to federal agents in an attempt to hide assets from them.

For her part, Peterson admitted paying a Medicaid recipient who never received personal care services in exchange for that person's assistance in the scheme. In addition, Peterson received paychecks from Advance Home Health for hours she never worked. Cade, like Peterson, admitted receiving paychecks from Advance for hours not worked as well as paying a Medicaid recipient for participating in the scheme.

The estimated loss due to this scam is between \$200,000 and \$400,000. Osei faces a potential maximum penalty of five years in prison in connection with the Medicaid fraud case and a potential maximum penalty of five years for each false statement charge. Peterson faces a potential maximum penalty of five years in prison, while Cade faces a potential maximum penalty of ten years in prison.

This case is the result of an investigation by the FBI and the U.S. Department of Health and Human Services-Office of Inspector General.



### **Plymouth Man Defrauds Medicaid of \$74,000**

On December 15, 2009, the owner of a home health care company pleaded guilty to obtaining \$74,000 from Medicaid by causing submission of reimbursement claims for personal care assistance that was not rendered. In connection to that crime, B. Bennie Perkins, age 58, of Plymouth, pleaded guilty to one count of conspiracy to commit health care fraud for defrauding the federal medical program. He faces up to five years in prison.

Perkins admitted operating the scheme from January 6, 2007, to February 28, 2008. The scheme involved submitting false claims to the Minnesota Department of Human Services, which administers the Medicaid program in Minnesota.

This case resulted from an investigation by the U.S. Department of Health and Human Services-Office of Inspector General, the Social Security Administration, and the Medicaid Fraud Control Unit at the Minnesota Attorney General's Office.



## MORTGAGE FRAUD

### *“Operation Stolen Dreams”*

#### Three Dozen People Appear in Federal Court in Minnesota On Mortgage Fraud Charges

“Operation Stolen Dreams” was a 2010 nationwide initiative created by the President’s interagency Financial Fraud Enforcement Task Force to target mortgage fraudsters across the country. Between March and June of 2010, approximately 36 people were subjected to federal court action in Minnesota relative to mortgage fraud. Nationally, the number was 1,215.

The Financial Fraud Enforcement Task Force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement, who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The Task Force is working to improve efforts around the country to investigate and prosecute financial crimes, particularly mortgage fraud.

Federal mortgage fraud cases in Minnesota are investigated by local law enforcement along with the FBI, the IRS, the U.S. Secret Service, and the U.S. Postal Inspection Service. Their hard work led to the results noted below.

◆◆◆ In April 2010, Michael Fiorito was sentenced to 270 months in prison after being convicted of one count of conspiracy to commit mail fraud and six counts of mail fraud relative to mortgage fraud. The sentence was one of the longest ever imposed in the State for mortgage fraud.



under the guise of using the money to help the homeowners make future payments on contracts they signed to buy back their homes. Most homeowners, however, lost their sale proceeds and were unable to repurchase their properties. In all, homeowners lost more than \$2.4 million.

The jury found Fiorito guilty of operating a fraud scam that prompted homeowners who were in foreclosure or close to foreclosure to refinance or sell their homes. Then, Fiorito stole the money, either by taking the equity checks produced during the refinancing process or the closing checks intended for the sellers of the homes. During the scheme, Fiorito, who posed as someone who could help troubled homeowners, converted \$500,000 of their money for his own use.

His assistant and accomplice, Kristin Louise Jerde, pled guilty to one count of conspiracy to commit mail fraud. She was sentenced to three years of probation and ordered to pay \$364,092.24 in restitution.

This case was investigated by the U.S. Postal Inspection Service and the Minnesota Financial Crimes Task Force.

◆◆◆ In July, Timothy Lynn Beliveau was sentenced to 87 months in prison on one count of engaging in a monetary transaction involving criminally derived property from a real estate scam. He also pled guilty to failing to pay more than \$900,000 in federal employment taxes.

Beliveau preyed upon homeowners who were facing foreclosure, convincing them to sell their homes to investors he recruited. Then, he took the sale proceeds

Beliveau’s ex-wife, Shelley Lee Milless, was sentenced to two years in prison for conspiring with her then-husband to impede the IRS’s collection of \$900,000 in employment taxes from Beliveau’s mortgage company.

This case was investigated by the U.S. Postal Inspection Service and the IRS-Criminal Investigation Division.

◆◆◆ In 2010, Troy David Chaika, age 43, was charged with conspiring with others to bilk mortgage lenders out of more than \$43 million through a scheme involving 183 homes. Specifically, he was charged with three counts of mail fraud, one count of conspiracy to commit wire and mail fraud, and seven counts of wire fraud.

Between 2005 and 2008, Chaika allegedly negotiated with builders and home owners to buy single properties or property groupings at greatly reduced prices. Then, he and his co-conspirators solicited property purchasers by promising large cash payouts at transaction closings. He failed to mention, however, he obtained mortgage loans for grossly inflated amounts, from which he paid kickbacks to the buyers, himself, and his co-conspirators.

Chaika is facing up to 20 years in prison for his crimes. The case was investigated by the FBI and the U.S. Postal Inspection Service.

Presently, 65 federal mortgage fraud task forces are at work in the U.S., investigating possible fraud in the home mortgage business. 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 (651) 228-4250; IRS Agent Andy Gibert, at (651) 767-3213; or FBI Agent Patti Weber, at (651) 228-4245.

## TAX FRAUD

### Woman and Her Son Sentenced to Prison for Defrauding State out of \$2.3 Million

On September 29, 2010, a 64-year-old Minneapolis woman was sentenced to 12 years in prison for defrauding the Minnesota Department of Revenue out of \$2.3 million by causing false tax returns to be filed. Following a three-week trial, Carolyn Louper-Morris was convicted by a jury on one count of conspiracy to commit mail and wire fraud, five counts of wire fraud, and six counts of mail fraud. The court also ordered Louper-Morris to pay the Department of Revenue more than \$2.3 million and K-Mart more than \$1.2 million in restitution. Her son, William J. Morris, Jr., age 43, was convicted too and sentenced to 11 years on the fraud-related charges as well as on making a false income tax return.

According to evidence presented at trial, Louper-Morris and her son owned CyberStudy 101, which they conspired to market as an Internet-based tutorial for kids in Grades K-12. Their efforts were designed to take advantage of the State education tax credit, as evidenced by the fact that only families qualifying for the credit were allowed to sign up. The tax credit provides low-income residents an opportunity to obtain reimbursement from the State Department of Revenue for costs associated with certain supplemental educational instruction for their children.

CyberStudy charged \$999 for one child and \$1499 (later \$1799) for two or more children, but assured those signing up that they would incur no actual out-of-pocket costs. Instead, the defendants asked them to assign their education tax credits to CyberStudy and give the company the authority to file tax returns on their behalf.

To entice customers further, the defendants also gave them “free computers.” They obtained most of those computers from the K-Mart Corporation, agreeing to pay the company \$529 per unit. CyberStudy distributed more than 2,000 units but never paid Kmart.

The defendants told customers and the Department of Revenue that the tutorial had age-appropriate courses for children in Grades K-12, as well as study tools in Hmong, Somali, and Spanish, though none of that was true. They also led the State Department of Revenue to believe CyberStudy customers paid for the online tutorial prior to applying for the tax credit, as required by law. However, the defendants received payment for the tutorial only by diverting the tax refunds of their customers.

Finally, contrary to what the defendants told the State Department of Revenue about CyberStudy being privately funded, the company’s sole source of revenue came from the Minnesota education tax credits.

From 2001 through 2002, the defendants caused the filing of at least 1,800 Minnesota individual income tax returns on behalf of CyberStudy customers, claiming fraudulent refunds based on the education tax credit. In all, the defendants obtained more than \$2.1 million from the Minnesota Department of Revenue. In addition, Morris, Jr., willfully filed a federal income tax return that failed to report more than \$400,000 in funds he received from CyberStudy in 2001.

With the proceeds of their conspiracy, the defendants made a \$300,000 payment on a home, purchased a \$74,000 Mercedes SUV, and bought a \$7,500 mink coat along with a chinchilla-trimmed hat.



This case was investigated by the U.S. Postal Inspection Service and the IRS-Criminal Investigation Division, with assistance from the State Department of Revenue.

### Inmate Files False Tax Returns While Serving Prison Time

A Minnesota man pleaded guilty on September 29, 2010, to filing false income tax returns while serving in state prison in Minnesota. Specifically, Christopher Robert Politano pleaded guilty to one count of filing false claims against the U.S. and was sentenced to six months in prison.

Politano admitted that in 2004, while incarcerated at the Minnesota correctional facility in Rush City, he filed false federal individual income tax returns and claimed refunds for tax years 1999 through 2003. On his 1999, 2000, and 2001 returns, Politano reported that taxes had been withheld from his earnings, when that was not the case. Then, on his 2002 and 2003 returns, he falsely claimed he was entitled to the earned income credit, which is a tax credit for those who work but earn under a certain amount. Politano never filed returns for 1999 through 2003 prior to 2004.

Investigators learned about Politano while reviewing possible fraudulent income tax returns from several inmates at Minnesota correctional facilities. This case was the result of an investigation conducted by the IRS-Criminal Investigation Division as well as the Minnesota Department of Corrections.

## CYBER CRIME

### Major International Hacker Sentenced

The U.S. Attorney's Office for the District of Minnesota recently assisted in investigating and prosecuting one of the largest data breaches in U.S. history, which resulted in losses of approximately \$400 million. The investigation led to the identification of an international hacking and credit card theft ring; their apprehension in the U.S., Middle East, and Asia; and their conviction before both American and foreign courts.

At the head of the hacking ring was Albert Gonzalez, age 28, of Miami, who pleaded guilty to charges of conspiracy, computer fraud, wire fraud, access device fraud, and aggravated identity theft relating to hacks into numerous U.S. retailers, including TJX Companies, BJ's Wholesale Club, OfficeMax, Boston Market, Barnes & Noble, and Sports Authority. After hacking into the computer systems, the ring stole more than 40 million credit or debit card numbers, which they sold to other criminals or used to create counterfeit cards with which they "cashed out" tens of millions of dollars from ATM machines.

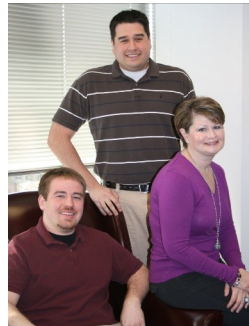
Gonzales was sentenced to 20 years in prison. This case was investigated by the Secret Service.

### Man Hacks into Neighbor's Internet

In June 2010, Barry Vincent Ardolf, age 45, of Blaine, was indicted federally for allegedly hacking into his neighbor's wireless Internet system and then posing as that neighbor to make threats to kill the Vice President of the United States. The indictment charges him with two counts of aggravated identity theft, one count of making threats to successors to the presidency, and one count of unauthorized access to a protected computer. He also was charged with one count each of possession and distribution of child pornography.

On December 18, 2010, after two days of trial, Ardolf pleaded guilty to all counts charged in the indictment. According to his plea agreement, Ardolf hacked into his neighbor's Internet connection and created multiple Yahoo.com e-mail accounts in the neighbor's name. Then, he used one of those accounts to e-mail the office of the Vice President. The e-mail read,

"This is a terrorist threat! Take this seriously. I hate the way you people are spending money you don't have.... I'm assigning myself to be judge, jury and executioner. Since you folks have spent what you don't have it's time to pay the ultimate price. Time for new officials after you all are put to death by us...."



*Members of the I.T. Team*

The e-mail, which also was sent to the governor and the U.S. senators from Minnesota, went on to threaten to kill the officials one at a time, with the first being dead by June 1. It was signed with the name of the neighbor and his wife. Ardolf sent the e-mail via his neighbor's wireless router, intending for it to be traced back to him.

In addition, Ardolf used the e-mail accounts he created in his neighbor's name to send sexual e-mails to three of the neighbor's co-workers. He again sent them through the neighbor's Internet connection, intending for them to be traced back to him. One e-mail included an image of child pornography, which he then posted on a MySpace page he also created in the neighbor's name.

For his crimes, Ardolf faces a potential maximum penalty of 44 years in prison. This case was investigated by the State Cyber Crimes Task Force, sponsored by the FBI and the U.S. Secret Service, with assistance from the Blaine police and the Anoka County Sheriff's Office.

### Man Indicted for Hacking Company Computer

A federal indictment unsealed in late 2010 alleges that Jeremy Parker, age 35, of Houston, Texas, hacked into the computer network of an Eden Prairie business and stole approximately \$274,000. He was charged with one count of unauthorized access to a protected computer in furtherance of fraud and one count of wire fraud.

Allegedly, from late 2008 through October 15, 2009, Parker repeatedly hacked into a computer network to obtain money from Digital River, Inc., a cyber-based business, through a subsidiary, SWReg, Inc., which pays independent software developers to write codes that can run on Digital River's system. Royalties owed to the developers are accumulated at SWReg, and developers have the ability to go online, view their royalty balances, and cash out their accounts. When that occurs, SWReg electronically transfers the money to the developer, mails a check, or credits the developer's PayPal account. Parker, however, purportedly hacked into the system, causing those funds to be wired to his bank account.

If convicted, Parker faces a potential maximum penalty of 20 years in prison for wire fraud and ten years for computer hacking. The FBI investigated the case.

Contact the Minnesota Cyber Crime Task Force by calling Craig Sorum, at the FBI, (612) 336-8552, or Mark Johnson, at Secret Service, (612) 348-1800.



## PUBLIC CORRUPTION

### IRS Agent Pleads Guilty to Soliciting a Bribe

On December 20, 2010, a tax revenue agent with the IRS was sentenced to 33 months in prison for soliciting and receiving a \$9,700 bribe. Roger Anthony Coombs, age 40, of Circle Pines, pleaded guilty to one count of soliciting and agreeing to accept a bribe.

Coombs, who began working for the IRS in June 2009, routinely audited individuals and entities to determine if they had submitted accurate reports of tax liabilities to the federal government. In his plea agreement, Coombs admitted soliciting and receiving payments toward a bribe from the owners of a small Minnesota business. In exchange for the money, Coombs agreed to report a lower federal tax obligation than was actually owed by the business.

Because of concerns regarding Coombs, one of the business owners secretly recorded a meeting during which Coombs reported that the business owed the IRS approximately \$60,000. Coombs added, however, that he could make the situation more “manageable.” He explained he could alter aspects of the audit so the IRS would accept \$11,000 if the business owners paid Coombs \$9,700 personally in return. The taxpayer reported the shakedown to the FBI.

A subsequent meeting was then scheduled at which Coombs was to receive partial payment toward the bribe. Investigators monitored the meeting and saw Coombs accept \$3,000 in payment toward the bribe. Following receipt of the money, Coombs informed the business owner he had taken care of things with the IRS. The two men then arranged yet another meeting for payment of the balance of the bribe. After he received the final payment of \$6,700, Coombs was arrested.

This case was the result of an investigation conducted by the FBI and the U.S. Treasury Inspector General-Tax Administration.



*Members of the Criminal Division*



*Members of the Criminal Division*

### Two Men Plead Guilty to Embezzling Funds from Mille Lacs Band of Ojibwe

On December 7, 2009, the second of two defendants pleaded guilty to embezzling more than \$660 thousand from an Indian tribal organization. Specifically, Eric J. Makowski, age 31, of Brainerd, pleaded guilty to one count of embezzling and willfully misapplying funds belonging to the Mille Lacs Band of Ojibwe (“MLBO”). Jason A. Heinlen, age 33, of Belle Plaine, pleaded guilty to the same charges on April 17, 2009.

In his plea agreement, Makowski admitted that between 2005 and June 13, 2007, he, in his capacity as a construction project manager for the MLBO, coordinated fraudulent and excessive payments to contractors. Then, he arranged kickbacks from a vendor to enrich himself.

In order to further the scheme, Makowski rigged bids and created false documents. Moreover, he misused a commercial account funded by the MLBO at Home Depot stores in order to obtain things he was not authorized or entitled to receive. He used the items to improve the property of others.

In his plea agreement, Heinlen admitted receiving cash and other property belonging to the MLBO, knowing it had been embezzled. Furthermore, he admitted that he intended to use the money and property for his own personal benefit as well as the benefit of another.

For their crimes, the defendants each face a potential maximum penalty of five years in prison. Because of his position with the Mille Lacs Band, Makowski’s offense level was increased for abuse of trust.

This case was the result of an investigation conducted by the Interior Department-OIG and 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 domestic terrorism to human trafficking. Throughout the past year, the Section also has focused on Indian Country, making public safety on the State's federal-jurisdiction reservations, Red Lake and Bois Forte, a priority.

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.

As a result, the Major Crimes and Priority Prosecutions Section was very busy this past year, as illustrated by the case summaries that follow.



## INDIAN COUNTRY



### Improving Law Enforcement in Indian Country

In 2010, several initiatives were launched to improve federal support to Indian Country. All U.S. Attorneys in Indian Country districts, including Minnesota, must—

- Meet and consult with tribes annually;
- Develop an operational plan that addresses public safety in Indian Country;
- Work with tribal law enforcement on improving public safety in tribal communities; and
- Pay particular attention to violence against women in Indian Country, making the prosecution of those crimes a priority.

### Tribal Law and Order Act of 2010

On July 29, 2010, President Obama signed into law the Tribal Law and Order Act. The purpose of the landmark legislation is to strengthen tribal law enforcement, enhance the ability of the Justice Department to prosecute crimes in Indian Country, and support substance-abuse prevention and treatment efforts across Indian Country.

Additionally, the Act consummates a 15-year effort to establish a permanent Office of Tribal Justice ("OTJ") within the U.S. Department of Justice. The OTJ is dedicated to collaborating with tribal government and advancing DOJ work in Indian country.

The Act also directs all U.S. Attorneys in jurisdictions that include Indian Country to appoint at least one Assistant U.S. Attorney to serve as a tribal liaison for each district, with duties to include coordinating the prosecution of federal crimes that occur in Indian Country; developing multidisciplinary teams to combat child abuse and domestic and sexual violence; and maintaining working relationships and communication with tribal leaders, tribal justice officials, and victims' advocates in an effort to gather information from and share information with tribal justice officials in order to address and prevent violent crime in Indian Country.

### Coordinated Tribal Assistance Solicitation

Also in 2010, the U.S. Department of Justice aimed to streamline the federal grant application process for tribal governments by launching the Coordinated Tribal Assistance Solicitation ("CTAS") program. As a result of the CTAS, each tribe now submits a single detailed application for all available DOJ tribal grants, and the DOJ, in turn, then coordinates grant distribution on a comprehensive basis, depending on each tribe's public safety needs. CTAS objectives include—

- Improving public safety and enhancing community policing capacity;
- Preventing and reducing alcohol and substance abuse crimes;
- Improving responses to violence committed against Indian women and girls; and
- Enhancing accountability for delinquent behavior.





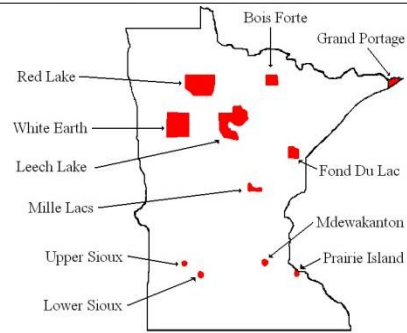
## INDIAN COUNTRY CASE HIGHLIGHTS

### Two Red Lake Men Indicted for Attempted Murder

Two Red Lake men have been indicted federally for alleged involvement in a May 23, 2010, stabbing of another man at a graduation party on the Red Lake Indian Reservation. The indictment charges Justin James Lussier, age 21, and Solomon Francis Desjarlait, age 22, with one count of assault with intent to commit murder, one count of assault with a dangerous weapon, and one count of aggravated assault.

According to a law enforcement affidavit filed in the case, police were called to a residence, where they found the victim on the ground with a serious laceration to his torso. The victim reported to authorities that at the time of the stabbing, he was trying to calm a group of rowdy, young men. He asserted that while he was talking to the men, Desjarlait lunged at him and stabbed him several times. After he fell to the ground, others began punching and kicking him, while Desjarlait continued to stab him.

If convicted, the defendants face a potential maximum penalty of 20 years in prison on the charge of assault with intent to commit murder and ten years on each of the other two charges.



Two Minnesota Indian reservations, Red Lake and Bois Forte, are federal jurisdiction reservations, meaning FBI agents are the primary felony investigators, and the U.S. Attorney's Office is the felony prosecutor. The cases cited here were investigated by tribal police and the FBI, with other assistance as noted.

### Man Sentenced for Sexual Abuse and Failing to Register as a Sex Offender

On May 10, 2010, Jeremy Charles Wind, age 27, of Red Lake, was sentenced to 87 months in federal prison for sexually abusing a woman physically unable to defend herself and for failing to register as a sex offender.

Wind admitted entering the victim's bedroom and having sex with her, knowing she was incapable of declining participation or communicating unwillingness to participate. He also admitted that for seven months, he was not properly registered as a sex offender under the Sex Offender Registration and Notification Act. (He has two previous convictions for criminal sexual conduct.) Wind had been registering as a sex offender since his first conviction in 2000 but failed to inform the State BCA of his change of address in 2008, when he moved to the Red Lake Indian Reservation.

The U.S. Marshals Service and the Minnesota BCA assisted in the investigation of this case.

### Man Guilty of Involuntary Manslaughter

A 62-year-old man from Ponemah, one of the four communities that make up the Red Lake Indian Reservation, pleaded guilty on July 22, 2010, to causing the death of another Red Lake man while driving a vehicle under the influence of alcohol.

Bruce Wilson Dow, Sr., specifically pleaded guilty to one count of involuntary manslaughter. The victim, a passenger in Dow's vehicle when it went out of control and rolled over, was ejected and later died.

Dow faces a potential maximum penalty of eight years in prison. The Minnesota BCA aided the investigation.

### Crosby Man Sentenced for Sexually Abusing Two Red Lake Children

A 51-year-old Crosby man was sentenced on May 26, 2010, for sexually abusing two minors. Fabian Francisco Spears was sentenced to 17 years in prison on two counts of abusive sexual contact. He pleaded guilty to the charges on March 9, 2010.

In his plea agreement, Spears admitted that from April 2006 through October 2006, while visiting family on the Red Lake Indian Reservation, he engaged in sexual conduct with two females, both of whom were younger than 12 at the time. Spears further admitted that during that visit, he had abusive sexual contact with the girls on more than one occasion.

### Man Sentenced for Assaulting a Woman Over a Three-Day Period

Corey Randall Roberts, age 30, of Red Lake, was sentenced on August 24, 2010 to 63 months in prison for assaulting a woman on the Red Lake Reservation. In addition, he was ordered to pay \$2,340 in restitution to the Minnesota Crime Victims Reparations Board. Roberts pleaded guilty in April of 2010 to one count of assault with a dangerous weapon.

Roberts admitted that during the course of an argument with the female victim, he punched her in the head, causing severe bruises to the her face. Then, over the following three days, he continued to assault her by repeatedly kicking her in the chest and ribs while wearing boots. He also admitted choking the woman to the point of unconsciousness.

## PROJECT SAFE CHILDHOOD

### U.S. Department of Justice Announces Strategy to Address Child Sexual Victimization, Particularly Via the Internet

Over 20,000 images of child pornography will be posted on the Internet this week. More than 50,000 sexual predators are surfing the Web at any one time. And approximately one in every thirty-three children will receive an aggressive sexual solicitation via the Internet sometime this year. These alarming statistics underscore why, on July 27, 2010, U.S. Attorney General Eric Holder announced the first National Strategy for Child Exploitation Prevention and Interdiction.

Years ago, the U.S. Supreme Court ruled that child pornography, unlike adult pornography, is not protected by the First Amendment. And, throughout the past decade, Congress has passed an array of laws to ensure that tough federal sentences are imposed against those who use the Internet to manufacture, distribute, receive, or possess child pornography. In fact, anyone convicted of producing child pornography faces a mandatory minimum of 15 years in federal prison. For receiving or distributing, the mandatory minimum is five years. Yet, sexual exploitation of children continues. During the past several years, there has been an increase in the frequency of sexual exploitation as well as the violent nature of the abuse. Moreover, the trend is toward younger victims, many just toddlers.

As a result, in 2008, Congress passed the PROTECT our Children Act, which required the Justice Department to develop a National Strategy for Child Exploitation Prevention and Interdiction in an effort to provide investigators and prosecutors with new, comprehensive measures to address this crime. Among other things, the Strategy offers a first-of-its-kind threat assessment. As part of the Strategy, the U.S. Marshals Service is also launching a national operation targeting the 500 most dangerous, non-compliant sex offenders, while the Department of Justice is creating a national database to be used by federal, state, and local law enforcement to deconflict cases, share intelligence, and conduct analysis.

Since Fiscal Year 2006, federal prosecutors nationwide have filed child exploitation charges against 8,637 people. In Minnesota, the U.S. Attorney's Office has brought about two dozen cases in the last year alone. All of these cases are part of Project Safe Childhood, a national initiative to encourage multi-jurisdictional cooperation in investigating and prosecuting cases. For more information, visit [www.projectsafefchildhood.gov](http://www.projectsafefchildhood.gov).

### Former St. Paul School Teacher Sentenced for Producing and Possessing Child Pornography

On November 23, 2010, Gregg Alan Larsen, age 49, of Minneapolis, a former foster parent and special education teacher in the St. Paul Public School District, was sentenced to 25 years in prison after pleading guilty to one count of production of child pornography and one count of possession of child pornography.

In imposing the lengthy sentence, Judge Ericksen said, "A legal system that would not send you to prison for a long time is a legal system our society could not respect." The sentence was handed down following remarks made to the court by the father of one of the victims and one of Larsen's adopted sons, both of whom described the emotional damage caused by Larsen's actions.

Larsen admitted abusing a position of trust by creating pornography of children in his care. In April of 2006, he took digital photographs of one minor engaged in sexually explicit conduct. The child was younger than 12 years of age at the time. Larsen also admitted intending to distribute those images over the Internet. Then, from June through July of 2006, he produced digital pornographic photographs of a second child, who was also younger than 12 years of age. Again, he intended to distribute the photos over the Internet. Moreover, on July 1, 2009, he admittedly possessed eight video files of child pornography as well as more than 600 images, all stored on his computer.

This case was the result of an investigation conducted by the Cyber Crime Task Force, which is sponsored by the FBI and the U.S. Secret Service.

The Internet Crimes Against Children ("ICAC") task forces, funded through Project Safe Childhood, support law enforcement efforts to investigate the computer-facilitated sexual exploitation of children. The Minnesota ICAC was established with a grant to the St. Paul Police Department. The Task Force is comprised of investigators from an array of federal, State, and local law enforcement agencies from all across Minnesota. To learn more about the ICAC Task Force in Minnesota or to seek assistance from the ICAC Task Force, contact the Minnesota BCA, at (651) 793-1060.



### **Eagan Man Sentenced to 25 Years for Distributing Child Pornography**

On August 25, 2010, Keith James Hubbard, age 53, of Eagan, was sentenced to 25 years in prison on one count of distribution of child pornography. Hubbard pleaded guilty to the crime in March of 2010.

In his plea agreement, Hubbard admitted using the Internet to distribute more than 600 images of minors engaged in sexually explicit conduct, with some of those images portraying violent acts. An undercover FBI agent was able to download the images from Hubbard's computer using Limewire, a computer file-sharing program.

Hubbard's sentence was enhanced because, among other things, he has a 1985 Minnesota state court conviction for fourth-degree criminal sexual conduct involving a minor.

This case was investigated by the FBI and the Eagan Police Department.

### **Man Flees After Being Sentenced on Child Pornography Charges**

On September 7, 2010, Matthew Eric Linnngren, age 37, of Fridley, was sentenced to 15 years in prison for distributing more than 600 images of child pornography. Specifically, Linnngren pleaded guilty to one count of distribution of child pornography. In his plea agreement, he admitted sending pictures of minors in sexual poses to an Internet Yahoo group.

Linnngren was ordered to surrender himself to the U.S. Marshals Service on September 22, 2010, but failed to do so. He was located and apprehended, however, by the Los Angeles County, California, Sheriff's Office on October 6 relative to auto theft charges. He then was turned over to the U.S. Marshals Service for extradition to Minnesota. On November 9, he was charged with failure to appear.

This case was investigated by the USMS and the FBI.

### **Duluth Man Pleads Guilty to Kidnapping 13-Year-Old, Taking Her Across State Lines**

On November 5, 2010, Todd Richard Franik, age 41, of Duluth, pleaded guilty to one count of interstate transportation of a minor with intent to engage in criminal sexual activity. Franik was indicted October 5, 2010.

Franik abducted the girl in Duluth as she walked past his parked car. He first asked for directions but then grabbed her and her dog and forced them into the trunk. Next, he drove around for 15 to 20 minutes, crossing into Wisconsin and back again, before stopping in a wooded area. While in the woods, Franik engaged in sexual contact with the child, after which he used duct

tape to wrap her hands and feet and secure her to a fallen tree. He also tore his shirt, stuffing the cloth into her mouth. He even taped the dog's mouth. Once Franik drove away from the scene, however, the child was able to twist and chew her way through the duct tape and walk to a nearby business. From there, the authorities were called.

Later, while law enforcement worked to gather evidence from the woods, they observed a car matching the description of the vehicle used in the crime. After tracing the vehicle's license plate number, police found the car in a Duluth parking lot and placed it under surveillance. The next day, they saw Franik approach the vehicle and open the trunk. As officers moved in, they spotted duct tape and other evidence of the crime in the trunk. A

subsequent search of Franik's residence also yielded shoes with a tread pattern that matched the shoe prints in the woods.

Franik faces a potential maximum penalty of life in prison. This case was investigated by the Duluth Police Department, the Douglas County, Wisconsin, Sheriff's Office, and the FBI.



### **Trucker Pleads Guilty to Child Pornography**

On October 14, 2010, Kenneth Leon Wilcox, age 44, of Truman, pleaded guilty to taking a child on interstate trucking trips for the purpose of having sexual relations with her and producing pornography involving her. He specifically pleaded guilty to one count of transportation of a minor with intent to engage in criminal sexual activity and one count of production of child pornography. He was indicted on June 15, 2010.

Wilcox admitted that on October 20, 2007, he took a 14-year-old girl from Minnesota to Wisconsin and had sex with her in the cab of his semi-truck. On that same date, he also used an eight-millimeter video camera to film the girl engaging in sexually explicit conduct. In addition, Wilcox transported the girl and engaged in similar acts in West Virginia on December 2, 2007; Virginia on February 4, 2008; Maryland on March 11, 2008; and Ohio on March 30, 2008.

Wilcox faces a potential maximum penalty of life in prison on the transportation charge, with a mandatory minimum of 10 years. For producing child pornography, he faces a potential maximum of 30 years, with a mandatory minimum of 15 years. The case was investigated by the FBI, the police departments of Truman, Fairmont, and Jackson, as well as the Martin County Sheriff's Office, along with the Cedar Rapids, Iowa, police and the Buchanan County, Iowa, Sheriff's Office.



## HUMAN TRAFFICKING

### Man Convicted of Sex Trafficking a Minor

On September 15, 2010, a federal jury in Minnesota convicted Arthur James Chappell, age 38, of running a multi-girl prostitution operation in the Twin Cities. Following a two-day trial, Chappell was convicted on one count of sex trafficking a minor.

According to evidence presented at trial, Chappell knowingly recruited a girl under the age of 18 to engage in commercial sex acts. Police later learned that Chappell was prostituting both adult and juvenile females. He promoted his business through computer ads on the websites Craigslist and backpage.com.

Chappell faces a maximum potential penalty of life in federal prison. The case resulted from an investigation by the Bloomington Police Department.

### Man Pleads Guilty to Sex Trafficking a Minor

On December 9, 2010, Byronte Juwann Reed, also known as Santana, age 28, of St. Paul, was sentenced to 15 years in prison on one count of sex trafficking a minor. He pleaded guilty to the crime on October 13, 2010.

In his plea agreement, Reed admitted meeting the victim, who was younger than 18, and recruiting her to commit sexual acts in exchange for money. The girl lived with Reed and others for a month so she could participate in the commercial sex trade. Reed transported the girl from Minneapolis to Chicago in order for her to engage in commercial sex. Reed agreed that physical force was used to ensure her participation in the sexual activity.

This case is the result of an investigation by the Gerald D. Vick Human Trafficking Task Force, the St. Paul Police Department, and the FBI, with assistance from the Minneapolis Police Department and the Chicago Police Department.

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, with particular attention paid to those who are sex trafficked. 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.



### Woodbury Man Indicted Under the Mann Act for Transporting a Woman Across State Lines for Prostitution

A federal indictment unsealed on October 13, 2010, alleges that a 51-year-old Woodbury man transported a woman from Minnesota to Wisconsin for the purpose of having her engage in prostitution. Stevon Warren was specifically charged under the federal Mann Act with one count of interstate transportation to engage in prostitution.

Police learned of the activities through advertisements on Craigslist. Warren faces up to ten years in prison if convicted of the crime.

This case resulted from an investigation conducted by the Minneapolis Police Department and the FBI.



*Members of the Criminal Division*

## IDENTITY THEFT

### Seven Indicted in Credit Card Scheme that Targeted Restaurant Customers

An indictment unsealed on August 31, 2010, charges seven Minnesotans with crimes connected to a credit card skimming operation that resulted in an estimated loss of more than \$150,000. The indictment charges Demetrius Darnell Thomas, age 35, and Kanetra Danielle Range, age 31, both of Rogers; Nancia Raquel Range, age 34, and Makiesha Edwina Mayo, age 28, both of St. Paul; Anthony Duane Curry, age 23, of Plymouth; Brandon Conique Scott, age 27, of Eagan; and Brian Craig Davis, age 46, of Chaska, with one count of conspiracy to commit bank fraud.

The defendants are charged with obtaining money by skimming the account numbers of credit cards used at restaurants, transferring those numbers to fraudulent credit cards, and then using those cards to buy goods and services. Skimming occurs when an account number is transferred from one credit card to another without the authorization of the cardholder. Curry, Mayo, and Scott were employed at local restaurants and allegedly obtained the credit card account numbers used in the scheme during the course of their work.

Some of the purchases made by the defendants included \$200 worth of products from a St. Louis Park Target store; \$800 worth of merchandise at Elsa's House of Sleep in St. Paul; and \$400 in products in an attempted charge at Footlocker in Edina.

If convicted, the defendants face a potential maximum penalty of 30 years in prison. This case is the result of an investigation by the U.S. Postal Inspection Service, St. Paul Police Department, Edina Police Department, St. Louis Park Police Department, and the Minnesota Financial Crimes Task Force.

### Albert Lea Man Sentenced for Identity Theft, False Claim of Citizenship

On October 13, 2010, Jose Luis Tapia Montiel, age 32, of Albert Lea, was sentenced to 42 months in prison for using the name and identity of a Texas man to support a false claim of U.S. citizenship. Montiel pleaded guilty to one count of making a false claim of citizenship and one count of aggravated identity theft. In his plea agreement, Montiel, a citizen of Mexico, specifically admitted obtaining and using the personal identification of someone else without that person's consent.

Under the Texas man's name, Montiel was convicted of possession with intent to distribute a controlled substance in the District of South Dakota. After serving a federal prison sentence for that crime, however, he still continued to use the man's identity. In fact, with that

identification, he completed I-9 Employment Eligibility Verification forms, on which he claimed to be a U.S. citizen or a national of the United States and, thus, eligible for employment in this country. Montiel had secured the birth date and social security number of the Texas man in order to obtain a Minnesota driver's license, which, in part, was used to complete the employment eligibility documents.

This case resulted from an investigation by Homeland Security-Investigations, with assistance from the U.S. Bureau of Prisons, the Social Security Administration, and the U.S. Probation Office.



### Men Sentenced for Credit Card Skimming

Two men were recently sentenced for orchestrating a scheme to alter lost and stolen credit cards for their own use. Ion Datcu, age 52, of Seattle, was sentenced to 75 months in prison on one count of conspiracy and one count of aggravated identity theft, while Stelian Cipu, age 31, of Bucharest, Romania, was sentenced to time served on one count of conspiracy.

On at least two separate occasions after travelling from Seattle to Minnesota, the men attached a skimming device to an ATM located at the entrance of a TCF Bank in Maplewood. After an investigation, which was prompted by a citizen call, police recovered from Datcu's pocket a credit card that had been reported lost or stolen by a Seattle woman. Datcu also admitted possessing credit cards issued to 17 other people. Then, during the execution of a search warrant at the men's Maplewood hotel room, police recovered 47 Visa gift cards, a portable credit card scanner, a magnetic card strip reader, a thumb-drive electronic storage device, and a laptop computer. During a search of that computer, authorities found access device numbers from 230 separate accounts.

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



## BANK ROBBERIES

### Former Minneapolis Police Officer Sentenced for Bank Robbery

On August 2, 2010, a former Minneapolis police officer was sentenced to eight years in prison for robbing an Apple Valley branch of Wells Fargo bank. Timothy Edward Carson, age 29, of Rosemount, pleaded guilty to one count of armed bank robbery and one count of possessing a firearm in furtherance of a crime of violence. In his plea agreement, he admitted stealing \$4,580 from the bank and putting the lives of others in jeopardy by brandishing a Beretta .40 caliber, semi-automatic handgun during the robbery.

While robbing the bank, Carson jumped onto the counter and pointed the gun at three tellers. He then ordered everyone to put their hands up and heads down, after which he directed the tellers to give him money. Once he obtained the cash, he fled the premises. Security cameras at a nearby Target store recorded him getting into a vehicle near a vacant strip mall.

Just before the robbery, Carson was stopped by a Apple Valley police officer about three miles from the bank because his car had no front license plate. Carson identified himself as a Minneapolis police officer and, ultimately, was allowed to go on his way. Later, that same Apple Valley officer responded to the bank robbery and spotted Carson's vehicle heading away from the bank.

Carson reported to work at the Minneapolis Police Department an hour late that day and later was arrested. The case was the result of an investigation conducted by the Apple Valley Police Department, the Minneapolis Police Department, and the FBI.



### St. Paul Man Sentenced for Armed Robbery of Inver Grove Heights Credit Union

On February 11, 2010, Samuel Johnson Ewing, age 29, of St. Paul, was sentenced to more than 18 years in prison for the armed robbery of the Heartland Credit Union in Inver Grove Heights. He was convicted by a federal jury in October of 2009. According to evidence presented at trial, Ewing brandished a nine-millimeter, semiautomatic handgun while stealing \$18,605 from the financial institution.

Ewing walked into the credit union, approached a female employee at the front desk, put a gun to her head, and ordered her to move to the counter area. He then directed credit union staff to put money in a bag. After taking the bag of cash, he left the building and drove toward Upper 55th Street. A West St. Paul police officer patrolling nearby spotted him and gave chase. A short time later Ewing crashed the truck and proceeded to flee on foot, but the officer soon caught him. The officer then recovered the bag of cash and the gun, which was loaded with a round in the chamber.

The case was investigated by the FBI and the police departments of West St. Paul and Inver Grove Heights.



### Park Rapids Man Robs Akeley Bank

On November 29, 2010, a 54-year-old man from Park Rapids was sentenced to 71 months in federal prison for robbing the Akeley branch of the First National Bank of Walker. Following a two-day jury trial, Edward Joseph Lowen was found guilty of one count of bank robbery.

According to the evidence presented at the trial, Lowen walked into the bank on February 26, 2010, and pointed an air pistol at a teller. He then demanded money, ordering the teller to put cash into the bag he provided. After receiving approximately \$2,525, he fled the premises in a Chevy Tahoe.

Authorities received several tips from the public after releasing photos of the robber through the media. Those tips resulted in both consent and warrant searches of Lowen's vehicle and residence. During those searches, authorities found items of clothing that matched what the robber had worn as well as a manual for an air pistol. Authorities also uncovered a bag similar to the one used in the robbery.

This case is the result of an investigation conducted by the Hubbard County Sheriff's Office, the FBI, and the Minnesota BCA.

## CUSTOMS AND IMMIGRATION

### Seven Minnesotans Plead Guilty to Trafficking Counterfeit Sportswear

Seven Minnesotans have pleaded guilty to trafficking counterfeit goods, including NFL and NHL jerseys as well as Nike apparel. Charles Freddie Thompson, age 40; his wife, Patricia Ann Thompson, age 38; and Darrell Leroy Thompson, age 68, all of Long Prairie; William Clifford Bakken, age 67, of Plymouth; Robert Anthony Ingebretson, age 49, of Alexandria; James William Braun, Jr., age 41, of Milaca; and Frederick Allen Degerstrom, age 34, of Duluth, pled guilty to one count of trafficking in counterfeit goods.

In his plea agreement, Charles Thompson admitted ordering counterfeit apparel from suppliers in China and having the items shipped to his and other residences. He also admitted having an agreement with Bakken, Ingebretson, and others for purchase of the counterfeit apparel, knowing it would be resold for a profit. Charles Thompson recruited others to help wire money to China for payment of the counterfeit goods.

Patricia Thompson admitted wiring money to China for payment of counterfeit sportswear on 21 occasions, totaling \$51,975. In addition, she accepted delivery at her residence of 11 parcels from China, containing a total of 133 counterfeit NFL jerseys.

Bakken admitted he was in the process of purchasing about \$2,500 worth of counterfeit apparel when officers interrupted the transaction to execute a search warrant at Charles Thompson's residence. Police found 146 counterfeit items in Bakken's vehicle.

Ingebretson admitted that 123 counterfeit NFL jerseys, 13 counterfeit NHL jerseys, and four counterfeit NFL t-shirts were seized at his Alexandria-based store, Sportsminded.

Prosecution of the remaining co-defendant, Christopher Walter Ashmore, age 39, of Bemidji, continues. He is charged with one count of conspiracy to traffic in counterfeit goods.

The defendants face a potential maximum sentence of five years in prison. The case was investigated by Homeland Security-Investigations.

In Fiscal Year 2010, at least 24 individuals were indicted in federal court in the District of Minnesota for illegally entering the U.S. following deportation. The Office focuses on prosecuting those illegal aliens who perpetrate serious violent crime while in the country. Cases are investigated by Homeland Security-Enforcement and Removal Operations. After serving their prison sentences, these offenders will be deported.

### St. Paul Woman Sentenced for Smuggling Wildlife Parts

On June 23, 2010, Seng Her, age 57, of St. Paul, was sentenced to three years of probation and 300 hours of community service for bringing endangered-species parts into the country. She pleaded guilty to one count of smuggling goods into the U.S.

Her was stopped by U.S. Customs & Border Protection officials at the Minneapolis-St. Paul International Airport following a flight from Laos. She had animal parts concealed on her person. She admitted smuggling into the U.S. parts of an Asian elephant, which is on the endangered species list, as well as several dead exotic birds.

The undeclared importation of these animal parts is prohibited in the absence of proper permits, which Her did not possess. Moreover, birds may not be brought into the U.S. from Laos because Laos is an avian flu source country.

This case is the result of an investigation by the U.S. Department of the Interior-Fish and Wildlife Service and U.S. Customs and Border Protection.



*Members of the Criminal Division*

### Eagan Man Harbors Illegal Aliens

On August 18, 2010, a 62-year-old Eagan man pleaded guilty to harboring five illegal aliens for the purpose of financial gain. Specifically, Joo Ok Kim pleaded guilty to one count of harboring and concealing aliens.

Kim admitted he kept five Mexican nationals in his basement for the purpose of having them work for his siding business. Authorities discovered the men when they responded to a disturbance call at Kim's house.

Kim faces a potential maximum sentence of ten years in federal prison. This case is the result of an investigation by Homeland Security-Investigations and the Eagan Police Department.

## OTHER MAJOR CRIMES



### Corrections Officer Sentenced for Bribery

On March 4, 2010, a corrections officer at the Rochester Federal Medical Center was sentenced to one year in prison for taking \$6,500 from an inmate in exchange for smuggling contraband into the correctional facility for that inmate. Richard Torres, age 27, earlier pleaded guilty to one count of bribery of a public official after admitting he had solicited a bribe from a prisoner in exchange for providing that prisoner with cell phones, tobacco, and dietary supplements. The prisoner told authorities Torres, a guard at the prison since 2005, said he just needed money. This case was investigated by the DOJ-OIG.

### Plymouth Man Sold Counterfeit Currency

On May 20, 2010, Jeffery Cardell Rogers, age 28, of Plymouth, was sentenced to 23 months in prison for selling 153 counterfeit \$20 bills. Earlier he pleaded guilty to one count of selling counterfeit obligations of the U.S., with intent to defraud.

Rogers admitted he sold the bills from his car while parked at a gas station in Columbia Heights. He also admitted he knew the bills were counterfeit and would end up in circulation, thereby defrauding third parties.

This case was the result of an investigation by the U.S. Secret Service, Minneapolis police, and the FBI.

### Two Convicted of Blackened Money Scam

In October 2010, a federal jury convicted two men of attempting to defraud people out of at least \$50,000 by operating a “blackened money” scam. After a three-day trial, Timothy Sewro Boe, age 38, of Lawrenceville, Georgia, and Sylvester Richards Gayekpar, age 27, of Maple Grove, were found guilty on one count of conspiracy to possess altered currency with intent to defraud. Boe also was found guilty on two counts of possessing altered currency with intent to defraud. A third defendant, Benjamin Garduwar Karbedeh, age 34, of Brooklyn Center, pleaded guilty earlier to one count of conspiracy to possess altered currency and two counts of possessing altered currency with intent to defraud.

Evidence presented at trial proved that the three men operated a “blackened money” scheme, in which they showed a potential victim blackened paper cut to the size of U.S. currency. Next, they said they could convert the paper into actual money by using \$100 bills supplied by the victim and applying chemicals and pressure to copy the markings of the real money onto the blackened paper. After that, the paper could be cleaned and used.

The defendants demonstrated this process to a potential victim and promised to double whatever money that person provided them. Then, the defendants instructed the potential victim to give them \$50,000 and a safe. They said the real money as well as the blackened paper would be stored in the safe until the following day, when the copying process would occur. Karbedeh and Boe met the victim again and began the copying process, assuring the victim the return of his original \$50,000 along with \$100,000 in created currency. At that point, authorities converged on the hotel room and arrested Karbedeh and Boe. Gayekpar was convicted in 2005 for his involvement in a similar scam.

The defendants face a potential maximum sentence of five years in federal prison on the conspiracy charge. Karbedeh and Boe also face a potential maximum of 20 years on the possession charge. The case was investigated by the U.S. Secret Service, with assistance from the DEA and the Hennepin County Sheriff's Office-Violent Offenders Task Force.



### Two Indicted for Hurricane Katrina Fraud

A federal indictment unsealed in October 2010 alleges that two people who lived in St. Paul at the time of Hurricane Katrina in 2005 fraudulently obtained hurricane relief from FEMA. Johnny R. Watson, age 34, now of Houston, Texas, was charged with five counts of mail fraud and one count of filing a false FEMA claim; and Jovanta L. Schafer, age 25, now of New Orleans, was charged with four counts of mail fraud and one count of filing a false FEMA claim.

Allegedly, Watson and Schaffer filed online applications with FEMA for Hurricane Katrina relief benefits, listing a New Orleans address as their primary residence and the property that was damaged by the hurricane. As a result of their actions, Watson and Schaffer received a total of \$64,739 from FEMA. The property noted in their application, however, was not their one-time home. In fact, the actual New Orleans property owner did not even know the defendants.

If convicted of the crime now levied against them, the defendants face a potential maximum penalty of 20 years in federal prison on each mail fraud count and five years for submitting a false claim. The case was the result of an investigation by the U.S. Department of Housing and Urban Development and the U.S. Department of Homeland Security-OIG.





### **Man Sentenced for Making and Using Counterfeit Checks with Identification Stolen from Mail**

A 43-year-old man was sentenced to ten years in prison on January 26, 2010, after earlier pleading guilty to scheming to defraud financial institutions out of between \$70,000 and \$120,000. Donald Alexander Steele, Jr., age 43, conspired to steal mail, from which he then obtained financial information belonging to others that he used to make counterfeit checks.

Steele subsequently presented those counterfeit checks to banks and merchants to obtain cash and merchandise. Steele also used the name and birth date of another person to apply for a credit card in that person's name. He presented the card to merchants to acquire items of value exceeding \$1,000.

This case was investigated by the U.S. Postal Inspection Service and the Minnesota Financial Crimes Task Force.



### **Pine Island Farmer Sentenced for Converting Mortgaged Property**

A 50-year-old Pine Island man was sentenced on April 16, 2010, to 12 months and one day in prison for committing fraud against the Farm Service Agency ("FSA"). Allen Eugene Starkson pleaded guilty to one count of bank fraud and one count of conversion of mortgaged property.

Starkson admitted executing a scheme to defraud the U.S. and obtain money fraudulently from Pine Island Bank and Stearns Bank. Specifically, he forged the endorsement of a FSA representative on a check made payable jointly to him and the FSA. He then cashed the check, in the amount of \$1,166.15, at Pine Island Bank.

The check was from the Central Livestock Association ("CLA") and represented payment for farm products sold by Starkson through CLA. Those farm products were being held by the FSA as security for loans made by the agency to Starkson. The money was drawn from an account held by the CLA at Stearns Bank.

Starkson also admitted he sold cattle mortgaged to the FSA without notifying the agency. The total loss amount from all criminal activity was more than \$75,000.

This case was the result of an investigation by the U.S. Department of Agriculture-OIG.



*Student Interns*

### **Fugitive Captured; Extradition Sought**

A Mexican national fugitive was captured on January 22, 2010, in Minnesota. Abizahi Dominguez Rios is charged in connection with the murder of his cousin in Mexico. The U.S. Marshals Service apprehended him without incident at his Burnsville home. He was ordered to be arrested for murder under the penal code of Morelos.

Abizahi Dominguez Rios and Omar Dominguez Rios, his brother, allegedly challenged the victim to a fight. Omar Rios then purportedly beat the man with an object he pulled from his horse's saddle; and while the man was on the ground, he allegedly stabbed him. A bystander attempted to give the victim aid, but Abizahi Rios purportedly pulled a firearm and threatened to kill the bystander if he intervened. The victim later died.

The Marshals Service in the District of Minnesota learned Rios might be in the State. So, after confirming his identity, the Marshals Service obtained a provisional arrest warrant, pursuant to a request made by the Mexican government, and apprehended him.

This case was investigated by the U.S. Marshals Service, DOJ-Office of International Affairs, the U.S. State Department, Homeland Security-Investigations, and Burnsville police.

### **Postal Worker Sentenced for Stealing Mail**

On April 6, 2010, a U.S. Postal Service employee was sentenced for stealing Best Buy Reward Zone certificates from the mail. Douglas A. Parkes, Jr., age 50, of St. Michael, was sentenced to 37 months in prison on one count of theft of mail and was ordered to make full restitution to Best Buy.

In his plea agreement, Parkes admitted that he stole from the U.S. Postal Processing and Distribution Center in Minneapolis, where he worked, at least 15,799 Best Buy Reward Zone certificates addressed to no fewer than 12,009 different people. Parkes, who was employed as a processing clerk and supervisor at the time, then used the certificates to buy \$194,210 in merchandise.

This case was investigated by the U.S. Postal Inspection Service.



## 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 cases that follow.



## DRUG CARTELS

### PROJECT CORONADO

Project Coronado was a multi-agency law enforcement investigation targeting a major Mexican drug trafficking organization known as La Familia. The La Familia cartel controls drug manufacturing and distribution in and around Michoacán, Mexico, including the importation of vast quantities of cocaine and methamphetamine from Mexico into the United States. La Familia is philosophically opposed to the sale of methamphetamine to Mexicans and, instead, supports its export to the U.S. for consumption by Americans. La Familia is a heavily armed cartel that has used violence to support its drug trafficking business.

Nationwide, Project Coronado has led to the arrest of 1,186 individuals and the seizure of approximately \$32.8 million in U.S. currency and an estimated 2,710 pounds of methamphetamine, 1,999 kilograms of cocaine, 29 pounds of heroin, 16,390 pounds of marijuana, 389 weapons, and 269 vehicles.

In the District of Minnesota, Project Coronado resulted in the arrest and indictment of 31 individuals. In 2010, 27 of those defendants were sentenced, including—

- Enrique Bernard Garcia, age 31, of Inver Grove Heights, was sentenced to 210 months in prison for one count of conspiracy to distribute and possession with intent to distribute cocaine and methamphetamine. Garcia admitted he managed and supervised the shipment, transportation, storage, and distribution of cocaine and methamphetamine. Furthermore, he

oversaw others who delivered and collected funds derived from the sale of those drugs.

- Jose Antonio Salazar Avila, age 25, of Woodbury, and Hernan Salas, age 24, of Brooklyn Park, were each sentenced to 135 months in prison on one count of conspiracy to distribute and possession with intent to distribute five kilograms or more of cocaine and 50 grams or more of methamphetamine.
- Erik Alvarez Valdovinos, age 26, of Brooklyn Center, was sentenced to 180 months in prison on one count of conspiracy to distribute methamphetamine and one count of possession of a firearm in furtherance of a drug trafficking crime. Valdovinos was responsible for five to 15 kilograms of methamphetamine and acquired and used a handgun to protect the proceeds generated from his drug trafficking activities.

This nationwide investigation was led by the DEA, FBI, Homeland Security-Investigations, IRS, U.S. Customs and Border Protection, USMS, and ATF. They were assisted by more than 300 state, local, and foreign law enforcement agencies that operated as part of the Organized Crime Drug Enforcement Task Forces ("OCDETF").

OCDETF was established in 1982 to conduct multi-level attacks on major drug trafficking organizations, its goal being to dismantle them. It remains the centerpiece of the U.S. Justice Department's drug-supply reduction strategy.

## GANGS AND DRUG TRAFFICKING

### Twelve “Detroit Boys” Sentenced

In 2010, twelve defendants were sentenced for their roles in a crack cocaine conspiracy case tied to the Detroit Boys, a street gang responsible for distributing large amounts of crack cocaine and cocaine between 2007 and 2008, from Minneapolis to Stevens Point, Wisconsin, and from Minneapolis to St. Cloud.

“The sentencing of the Detroit Boys’ investigation brings closure to a 30-month investigation that ultimately eliminated the top tier members of a violent drug and weapons trafficking organization operating in Minnesota, Wisconsin, and Michigan,” said Daniel Moren, Assistant Special Agent in Charge of the DEA’s Minneapolis-St. Paul District Office, which oversaw the investigation of the case. “The senseless acts of violence and distribution of the highly addictive drug crack cocaine by the Detroit Boys gang in this region were halted due to the outstanding collaboration between federal, State, and local law enforcement agencies.”

Antoine Raymone Killing, age 32, of St. Cloud, was sentenced to 140 months in prison on one count of conspiracy, one count of possession with intent to distribute cocaine, and one count of distribution of cocaine. Demone Royelio Smith, age 37, and Fredrick Deshawn Holmes, age 33, both of Minneapolis; along with Michael Donjuarel Scott, age 24, and Lonnie Rutherford, age 34, both of Detroit, were sentenced to ten years in prison on one count of conspiracy to distribute cocaine. Five other defendants pleaded guilty to one count of conspiracy, and their sentences ranged from 46 to 70 months in prison. The remaining two defendants pleaded guilty to one count of using a cell phone to facilitate a drug crime. One was sentenced to five years of probation, the other to 30 months in prison.

Two others connected to the operation but charged separately also have been sentenced for federal crimes: Scott A. Doescher, age 27, of Junction City, Wisconsin, was sentenced to 48 months on one count of conspiracy to distribute crack cocaine. In his plea agreement, Doescher admitted distributing at least 50 grams of the drug and trading one or more firearms, including a .45 caliber semiautomatic handgun, for crack cocaine. And, Jermaine A. Jenkins, age 31, of Detroit Michigan, was

sentenced to 84 months in prison on one count of being a felon in possession of a firearm.

This case was the result of an investigation by the DEA; the ATF; the police departments in Stevens Point, Wisconsin, and Bloomington and St. Cloud, Minnesota; in addition to the Wood County Sheriff’s Office in Wisconsin and the Central Minnesota Drug and Gang Task Force, which is comprised of officers from the Sheriff’s Offices in Benton, Morrison, Stearns, and Todd Counties.

### Leader of Red Lake Drug Trafficking Ring Sentenced to 20 Years in Federal Prison

On May 3, 2010, the leader of a drug trafficking ring responsible for selling cocaine and crack cocaine on the Red Lake Indian Reservation was sentenced to 20 years in federal prison. Marcus James Neadeau, age 28, of Red Lake, was convicted by a federal jury on one count of conspiracy to distribute and possess with intent to distribute cocaine and crack cocaine. The verdict followed a five-day trial.

According to evidence presented at trial, Neadeau was the leader of an organization that served as a primary source of drugs on the Red Lake Indian Reservation from January of 2007 through March of 2009. During that time, he conspired with others to distribute 500 or more grams of cocaine and at least 50 grams of crack cocaine. Trial evidence also proved that Neadeau used his family and friends to deal those drugs.

In addition to Neadeau, his five co-defendants were sentenced in 2010 for their roles in the illegal operation. Four of the co-defendants pleaded guilty to one count of conspiracy. Their sentences ranged from time served to 64 months in prison. The fifth defendant pleaded guilty to one count of using a phone while participating in a conspiracy to distribute controlled substances. She was sentenced to 30 months in prison.

This case resulted from an investigation conducted by the ATF, the DEA, and the Headwaters Safe Trails Task Force, with assistance from the Red Lake Tribal Police Department and the Minnesota State Patrol.

The Headwaters Safe Trails Task Force, led by the FBI, is comprised of investigators from a number of local and tribal law enforcement agencies. The primary focus of the Task Force, which operates out of Bemidji, is to combat gun, drug, and gang crime in and around the Indian reservations of northern Minnesota. Throughout the past several years, the Task Force, viewed as one of the most successful law enforcement task forces in the State, has been credited with hundreds of arrests in its effort to establish and maintain safe communities in and around northern Minnesota’s Indian Country.

## OTHER DRUG TRAFFICKING (COCAINE)



### Man Sentenced to Ten Years in Prison after Making Cocaine Deal with Undercover Agents

A 25-year-old was sentenced on July 7, 2010, to ten years in prison for conspiring to distribute at least 15 kilograms of cocaine in Minnesota. Phi Tran, address unknown, pleaded guilty to one count of conspiracy to distribute and possess cocaine on February 26, 2010. In his plea agreement, he admitted conspiring with others to distribute at least 15 kilograms but less than 50 kilograms of the drug.

Court records indicate that in the spring and summer of 2009, Tran traveled from Minneapolis to Florida, where he repeatedly met with ICE agents who were posing as drug traffickers. During those meetings, he asked the agents to deliver cocaine on behalf of his associates.

In the fall of 2009, Tran then met with the undercover agents back in Minnesota, telling them his associates were ready to receive a shipment of 40 kilograms of cocaine in Canada. Subsequently, \$118,815 was wired to the agents in Florida to cover that shipment. Later, the agents falsely advised Tran that the shipment had been intercepted by U.S. Customs authorities at the border. Still, Tran continued to negotiate with the undercover agents on behalf of his partners. In fact, another deal was struck for delivery of 30 kilograms of cocaine in exchange for the equivalent of \$550,000 in U.S. money.

The exchange was to occur on November 17, 2009, in the parking lot of the Kohl's department store in Rogers, Minnesota. Prior to the meeting, the undercover agents filled a suitcase with 30 plastic-wrapped bricks of a substance that looked like cocaine but was actually crushed sheet rock. The suitcase was then placed in a black Ford Explorer, which was left unlocked in the parking lot. When Tran arrived on the scene, he took the suitcase and replaced it with a duffle bag of money. Authorities immediately closed in and arrested him.

This case was the result of an investigation conducted by Homeland Security-Investigations.



*Members of the Criminal Division*

### Two Sentenced for Crack Cocaine Distribution

Two people involved in a conspiracy to distribute crack cocaine in the Twin Cities were sentenced in early 2010 to ten years in federal prison. Fred Dee Taylor, age 31, of Chicago, was sentenced on one count of conspiracy to distribute 50 or more grams of crack cocaine; and Jessie Ulysses Brown, age 30, of Minneapolis, was sentenced on one count of conspiracy. Both pled guilty to their crimes earlier.

During their respective sentencing hearings, Brown and Taylor admitted they planned to distribute 640.6 grams of crack cocaine. The Hennepin County Sheriff's Office executed a search warrant at Brown's residence and found the crack cocaine in the kitchen. It was packed in small bags, ready for distribution. The defendants, who were present at the time, attempted to flee but were apprehended by authorities.

This case was the result of an investigation conducted by the Hennepin County Sheriff's Office and the DEA.

### Austin, Minnesota, Cocaine Ring Broken Up

The sixth and final defendant in a case connected to a marijuana and cocaine distribution ring in Austin, Minnesota, was sentenced on February 11, 2010, to 64 months in prison. Ramon Olivares, age 28, of Mission, Texas, pleaded guilty in May 2009 to one count of conspiracy to distribute and possess with intent to distribute cocaine and marijuana. In his plea agreement, he admitted conspiring with others to distribute at least five kilograms of cocaine.

Olivares aided co-defendant Vedran Pejic, age 24, of Austin, in acquiring cocaine in Texas and transporting it to Minnesota for distribution. Olivares also arranged for the installation of a concealed compartment in one of Pejic's vehicles. Pejic used the vehicle to transport the drug. In all, Olivares was responsible for distributing more than 15 kilograms of cocaine. Pejic admitted distributing at least 40 kilograms of cocaine and 90 kilograms of marijuana. He was earlier sentenced to 198 months in federal prison. The other co-defendants were sentenced to between 72 and 108 months in prison, after earlier pleading guilty to related crimes.

This case was the result of an investigation conducted by the DEA, the U.S. Border Patrol, the Minnesota BCA, the Southeast Minnesota Narcotics and Gang Task Force, and the police departments in Rochester and Austin, with assistance from the Minneapolis-St. Paul International Airport police. The Southeast Minnesota Task Force includes law enforcement agents from Dodge, Goodhue, Mower, Olmstead, and Wabasha Counties.



## OTHER DRUG TRAFFICKING (METH)



### Two Convicted of Conspiracy to Distribute Methamphetamine

In late 2010, two Minneapolis men were sentenced for conspiracy to distribute methamphetamine, among other drug charges. Arturo Barrilla Garcia, age 34, was sentenced to 121 months in federal prison, while Edwin Emanuel Gomez Maldonado, age 28, was ordered to serve 80 months. On May 19, 2010, after a two-day trial, a jury found both men guilty of one count of conspiracy to distribute 50 grams or more of methamphetamine and two counts of actual distribution of five grams or more of methamphetamine. Garcia also was convicted of an additional distribution count.

Evidence presented at trial proved that on December 10, 2009, the defendants distributed a total of 85.4 grams of methamphetamine in two separate transactions arranged, unknown to them, by authorities. In each instance, a known drug dealer ordered the drugs by phone. Then, at an agreed-upon transaction site in West St. Paul, the defendants provided the drugs to the dealer, who, in turn, sold them to a police informant.

Garcia also distributed 26.1 grams of methamphetamine to an informant on December 2, 2009, in exchange for \$1,600. That transaction occurred in South Minneapolis.

The defendants face a potential maximum penalty of life in prison on the conspiracy charge and 40 years on each distribution count.

This case resulted from an investigation conducted by the DEA, the Minneapolis Police Department, and the St. Paul Police Department.

### Austin Man Sentenced to 20 years for Conspiring to Distribute Methamphetamine

On August 19, 2010, Jason Lee Reinartz, age 36, of Austin, Minnesota, was sentenced to 240 months in prison for conspiring to distribute more than 500 grams of methamphetamine. Reinartz and his co-defendant, Emily Elaine Young, age 23, also of Austin, pleaded guilty to one count of conspiracy. Young was sentenced to 15 months in prison in July of 2009.

In his plea agreement, Reinartz admitted obtaining two pounds of methamphetamine and then, with Young, distributing it. Young admitted to collecting money in exchange for the drugs and allowing the drugs to be stored in her mother's home.

This case was the result of an investigation conducted by the DEA, the Minnesota BCA, the Austin Police Department, and the Mower County Sheriff's Office.

### Former Minneapolis Lawyer Sentenced for Possessing With Intent to Distribute Meth

On February 25, 2010, Albert Arnold Garcia, age 49, of Minneapolis, was sentenced to five years in prison for possession with intent to distribute 48 grams of methamphetamine. Garcia earlier pleaded guilty to one count of possession with intent to distribute the drug.

During the sentencing hearing, U.S. District Court Chief Judge Michael J. Davis said it was a "sad day" to see how Garcia's drug problem had changed his life. He had even lost his license to practice law.

Garcia was assisted in this criminal activity by Misty Iverson, age 32, of Sartell. In 2009, she pleaded guilty to one count of aiding and abetting the distribution of methamphetamine.

The case was investigated by the ATF, Duluth police, and the Lake Superior Drug and Gang Task Force.

### California Man Sentenced to Ten Years for Sending Meth to Minnesota by Fed-Ex

On October 21, 2010, Bryan Ryu Inouye, age 33, of Monterey Park, California, was sentenced to 120 months in federal prison for sending 90 grams of methamphetamine from the West Coast to Minnesota by Federal Express. He pleaded guilty to one count of distributing more than 50 grams of methamphetamine.

According to his plea agreement, Inouye also was responsible for distributing 50,000 tablets (12,500 grams) of the semi-synthetic psychedelic drug MDMA, commonly known as ecstasy. In addition, he admittedly conspired to distribute five kilograms of cocaine in California.

A law enforcement affidavit filed in the case states that agents intercepted and recorded telephone calls between Inouye in California and a man in St. Paul about a shipment of illegal drugs. During one of those calls, Inouye indicated he had sent a package of crystal methamphetamine to the Twin Cities on February 20, 2008, by way of Federal Express.

That package was intercepted by law enforcement at the Minneapolis-St. Paul International Airport's Federal Express facility and was opened pursuant to a federal search warrant. Inside, a plastic baggie containing eight ounces of crystal methamphetamine was found. From shipping records, authorities learned the package was shipped from a Fedex Kinko's store in the Baldwin, California, area.

This case was the result of an investigation conducted by the FBI and the St. Paul Police Department.



## **OTHER DRUG TRAFFICKING (MARIJUANA)**

### **Four Minneapolis Men Sentenced for Running a Marijuana Grow Operation**

In September 2010, four Minneapolis men were sentenced for running a marijuana grow operation in the basement of two Minneapolis homes during an eight-year period, resulting in multiple harvests of 1,000 to 4,000 plants. While executing a search warrant at the two locations, law enforcement found 35 marijuana plants at one location, and they learned that 50 plants from the other location had been harvested and moved to another home.

For this crime, James Howard Shaffer, age 42, was sentenced to 40 months in prison; Zowie Jon Hanssen, age 35, was sentenced to 24 months in prison; Corey Jeffrey Hanssen, age 36, was sentenced to 18 months in prison; and Gregg Anthony Boullosa, age 38, was sentenced to eight months in prison. Each of the defendants pleaded guilty to one count of conspiracy to manufacture 100 or more marijuana plants.

This case was the result of an investigation conducted by Homeland Security-Investigations and the Minneapolis Police Department's Violent Offender Task Force.

### **Eighteen of Twenty-Eight Connected to Marijuana Distribution Operation Plead Guilty**

Eighteen defendants have pleaded guilty to various drug charges after a federal indictment and criminal complaint were unsealed September 24, 2010, charging 28 individuals with conspiring to distribute 1,000 or more kilograms of marijuana throughout Minnesota and Colorado during the past four years.

William Robert Laurie, age 27, of Richfield, and Patrick Thomas Maykoski, age 41, of St. Paul, along with Rogelio E. Obeso-Melchor and Alonso Rascon-Olivas, ages and addresses unknown, are among those to plead guilty. The indictment alleges that Laurie possessed with intent to distribute 100 or more kilograms of marijuana;



Rascon-Olivas distributed 50 pounds of marijuana on one occasion and 84 pounds on another; Maykoski possessed with intent to distribute 90 pounds of marijuana; and Obeso-Melchor possessed with intent to distribute 84 pounds of marijuana. The defendants face a potential maximum penalty of life in prison on the conspiracy charge.

This case was investigated by the DEA-Minneapolis, the McLeod County Sheriff's Office, the Sibley County Sheriff's Office, and the Carver County Sheriff's Office, along with police from Glencoe, Bloomington, and Hutchinson, with assistance provided by the Southwest Metro Drug Task Force and the Dakota County Drug Task Force, DEA-Denver, the Denver police, the Minnesota BCA, the Minnesota State Patrol, the ATF, and the U.S. Marshals Service.

### **Wahkon Man Pleads Guilty to Growing 428 Marijuana Plants on Public Land**

On April 12, 2010, Tytus Ahtushmit Bassett, age 31, of Wahokon, Minnesota, pleaded guilty to growing 428 marijuana plants on land located in southeastern Aitkin County. The land is administered by the County's land department.

Bassett specifically pleaded guilty to a single count of possession with intent to distribute marijuana. He faces a potential maximum penalty of 40 years in federal prison if convicted.

This case was the result of an investigation conducted by the Aitkin County Sheriff's Office, the Minnesota BCA, the Mille Lacs County Sheriff's Office, and the North Central Drug Task Force.

### **Side Lake Man's Marijuana Grow Operation Spotted from the Air**

On May 6, 2010, Thorsten Gorham Otterness, age 50, of Side Lake, was sentenced to ten years in federal prison for growing 1,339 plants in a field adjacent to his Side Lake, Minnesota, residence. Otterness pleaded guilty to one count of manufacturing 1,000 or more marijuana plants. In his plea agreement, Otterness also admitted that he intended to harvest and sell the marijuana.

Law enforcement spotted the marijuana field from the air. Officers with the Boundary Waters Drug Task Force ("BWDTF") obtained a search warrant for the Otterness residence. During the execution of that warrant, the officers confirmed the presence of the marijuana.

This case was investigated by the BWDTF and the Minnesota BCA.

## OTHER DRUGS



### Distributing Misbranded Drugs

On April 8, 2010, two Twin Cities' men were sentenced to nine months in prison and ordered to pay a fine of more than \$21,750 each for releasing more than 15,000 misbranded drugs to customers. Nicholas David Lundsten, age 26, of Spring Lake Park, and Patrick James Barron, age 29, of Fridley, pleaded guilty to one count of introducing into interstate commerce misbranded drugs.

The defendants caused the introduction and delivery of 3,600 pills falsely labeled as Cialis; 1,582 pills falsely labeled as Propetia; 10,419 pills falsely labeled as Viagra; and 340 pills falsely labeled as Levitra. All of the drugs contained the active ingredients of the drugs they imitated but were not the authentic product and were not made by the respective manufacturer.

This case was investigated by Homeland Security-Investigations, the Food and Drug Administration's Office of Criminal Investigation, and the U.S. Postal Inspection Service, with assistance from U.S. Customs and Border Protection.



### Fridley Man Pleads Guilty to Conspiring to Distribute Heroin and Oxycodone

On September 14, 2010, Scott Homer McKinley, age 48, of Fridley, pleaded guilty to one count of conspiracy to distribute heroin and oxycodone, the narcotic found in the prescription drug Oxycontin. In his plea agreement,

McKinley admitted obtaining 150 grams of heroin and 25 grams of oxycodone from sources in Minneapolis, Chicago, and elsewhere. He then conspired with others to distribute the drugs in the Twin Cities.

Two others connected to this crime have also pleaded guilty. Ako Kalonji Dennis, age 37, of Des Moines, and Roy Joseph Keyes, age 38, of Minneapolis, each pleaded guilty to one count of conspiracy to distribute heroin. On December 20, 2010, Dennis was sentenced to 28 months in prison.

For his crime, McKinley faces a potential maximum penalty of life in prison. Keyes faces up to 40 years in prison, with a mandatory minimum penalty of five years.

This case was the result of an investigation conducted by the DEA, the Anoka County Sheriff's Office, the Fridley Police Department, and the Anoka-Hennepin Drug Task Force.

### Man Sentenced for Distributing Drugs while Awaiting Sentencing for Drug Distribution

Clayton Sung Wilcox, age 29, of Bloomington, was sentenced on April 16, 2010, to 130 months in prison for his role in a 2008 drug distribution operation in the Twin Cities. Wilcox and three others were responsible for selling the stimulant drug N-Benzylpiperazine, commonly known as BZP, as well as the semi-synthetic psychedelic drug MDMA, commonly known as ecstasy. At the time of his arrest, Wilcox was awaiting sentencing on a 2007 federal charge of conspiracy to distribute methamphetamine.

In the latest case, Wilcox pleaded guilty to one count of possession with intent to distribute BZP. He admitted possessing 5,780 tablets (1,445 grams) of BZP on September 29, 2008.

His co-defendants in the case have also been sentenced for their roles in the 2008 operation. Sherman Reginold Hawkins, age 25, of Minneapolis, was ordered to serve 84 months in prison on one count of being a felon in possession of a firearm. Hawkins admitted possessing a nine-millimeter, semi-automatic handgun. Because he is a felon, Hawkins is prohibited under federal law from possessing any firearms.

Co-defendants Michael Antwaine Modisett, age 27, of St. Paul, and Frederick A. Hamilton, age 24, of Bloomington, were each sentenced on one count of possession with intent to distribute ecstasy. Modisett admitted he possessed with the intent to distribute 1,700 tablets of the drug and was sentenced to 48 months in prison. Hamilton admitted conspiring with the other defendants to possess and distribute 100 ecstasy tablets and was sentenced to 28 months.

Wilcox was ultimately sentenced to an additional 30 months in prison on the 2007 charge of conspiracy to distribute methamphetamine.

The recent case was the result of an investigation by the FBI and the Minneapolis Violent Offender Task Force.



*Members of the Criminal Division*

## ***PROJECT EXILE MINNEAPOLIS***

Project Exile Minnesota is a law enforcement initiative, launched on June 22, 2010, as part of a City-wide effort to reduce gun violence. Through Project Exile, the Minneapolis Police Department and the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives work together to apprehend serial criminals for violations of gun laws. Then, the Hennepin County Attorney's Office teams up with the U.S. Attorney's Office to determine where those offenders will most effectively be prosecuted—State or federal court. Those determinations are based on the offenders' criminal histories and current charges, among other factors. County and federal prosecutors review all Minneapolis gun cases on a regular basis.

In the five months since Project Exile Minneapolis began, the U.S. Attorney's Office has charged about one dozen individuals with gun charges. Many of those offenders, deemed the "worst of the worst" criminals in the City, face a mandatory minimum sentence of 15 years in federal prison. At the State level, where most gun crimes are litigated, the Hennepin County Attorney's Office has charged around 75 cases during the past five months.

◆◆◆◆ On September 13, the first federal indictment arising out of Project Exile Minneapolis was unsealed. The indictment charged Calvin Lorenzo Harris, age 24, of Richfield, Minnesota, with one count of being a felon in possession of a firearm and one count of possessing an unregistered gun.

Harris is a convicted felon. His past convictions include first-degree aggravated robbery in Hennepin County in 2004 and third-degree criminal sexual conduct in Hennepin County in 2006.

Because he is a felon, Harris is prohibited under federal law from possessing firearms at any time. Nonetheless, on June 1, 2010, he allegedly possessed a .22 caliber, Ruger semiautomatic rifle, the barrel of which had been shortened to under 16 inches. Moreover, the gun had not been registered to Harris in the National Firearms Registration and Transfer Record, as required by law. Consequently, he was arrested by Minneapolis police.

If convicted, Harris faces a potential maximum penalty of 20 years in federal prison, ten years on each charge.

This case is the result of an investigation by the ATF and the Minneapolis Police Department.

◆◆◆◆ Another federal indictment credited to Project Exile Minneapolis was unsealed on September 14, 2010. It charged Earl Louis Ollie, age 38, of Minneapolis, with being a career criminal in possession of a firearm.

Earl Louis Ollie is a convicted felon. His past offenses include strong-arm robbery in Greenville, Mississippi, in 1992; possession of a short-barreled shotgun in Ramsey County in 1995; and third-degree sale of a controlled substance in Hennepin County in 2000.

Because he is a felon, Ollie is prohibited under federal law from possessing firearms at any time. However, on August 9, 2010, when Minneapolis police initiated a traffic stop involving the car Ollie was driving, they allegedly found a .22 caliber, six-shot revolver in his possession. Since his three prior convictions were for

crimes of violence or serious drug offenses, Ollie is being prosecuted as a federal armed career criminal. Accordingly, if convicted of the current gun charge, he will face a mandatory minimum of 15 years in prison.

This case is the result of an investigation conducted by the ATF and the Minneapolis Police Department.



◆◆◆◆ On November 18, Adonis Adolph Dorman, age 30, was indicted for possessing a 12-gauge shotgun and a .44 caliber handgun. He was also charged with having 12-gauge ammunition on two occasions. Allegedly, ammunition was first seized during a traffic stop. Guns and additional ammunition were also found during the subsequent execution of a search warrant at his home.

Dorman is a convicted felon. His prior convictions include burglary in 1999, fourth-degree criminal sexual conduct in 2002, fleeing police in a vehicle in 2002, second-degree sale of a controlled substance in 2009, and unauthorized use of a vehicle in 2009. Since at least three of those convictions were for crimes of violence or serious drug offenses, he is now being prosecuted under the federal career criminal statute, which mandates a minimum prison sentence of 15 years if convicted of the federal charge now filed against him.

This case is the result of an investigation conducted by the Hennepin County Violent Offender Task Force, the Minneapolis Police Department, and the ATF.



## PROJECT SAFE NEIGHBORHOODS

### Purported Gang Leader Sentenced for Illegally Possessing a Firearm

On April 5, 2010, a purported leader of the Native Gangster Disciples street gang was sentenced to 115 months in prison after pleading guilty to one count of being a felon in possession of a firearm. Douglas David Peake, age 32, address unknown, was sentenced by U.S. District Court Judge Patrick Schiltz, who declared the Peake case "one of the worst" he had seen as a judge.

The case against Peake was the result of an ongoing ATF investigation into illegal firearms trafficking in the State of Minnesota by the Native Gangster Disciples. That street gang is known to possess and traffic firearms. In his plea agreement, Peake admitted possessing two nine-millimeter, semi-automatic pistols. He also admitted receiving a total of seven guns from a third person.

Peake is prohibited under federal law from possessing any firearms at any time because he is a convicted felon. His prior felony convictions occurred in State court in Hennepin County and include terroristic threats (1994), attempted possession with intent to sell a controlled substance (1994), second-degree assault (1996), and felon in possession of a firearm (2002).

This case was investigated by Minneapolis and St. Paul police, the ATF, and the drug task force of Brown, Lyon, Lincoln, and Redwood Counties.

### Gang Member Sentenced to 110 months in Federal Prison for Possessing a Firearm

On September 14, 2010, a member of the Rolling 60s Crips was sentenced to 110 months in federal prison for being a felon in possession of a firearm. Anton Lamont Burnes, age 30, earlier pleaded guilty to one count of felon in possession.

Court records indicate that when Burnes was arrested in a local bar by St. Paul police, he had a loaded nine-millimeter Smith & Wesson pistol tucked in his sock. Authorities were looking for Burnes pursuant to a probable cause warrant.

Burnes is a convicted felon. His prior felony convictions include second-degree assault in 1998, second-degree assault for the benefit of a gang in 2002, and fleeing police in a vehicle in 2005. According to court documents, in 1996, at the age of 16, he also was convicted as an adult on drug conspiracy charges.

During his 1998 crime of assault, Burnes reportedly fired several shots from a handgun and threatened to kill his victim. The 2002 assault involved several people, many of whom fired shots at another group of individuals. At the present time, Burnes is awaiting trial in Ramsey County for second-degree murder.

This case was the result of a investigation conducted by the ATF and St. Paul police.



### Savage Man Charged for Possessing a Machine Gun, Pipe Bombs, and Explosives Seized

On June 14, 2010, Wesley Noah Banks, age 49, of Savage, was charged with possessing a model AR-15 machine gun. Federal law prohibits possession of machine guns unless certain requirements are met, which were not met in this case. Allegedly, Banks is also responsible for the sale of pipe bombs and was found in possession of numerous other illegal items, including components for manufacturing machine guns and pipe bombs, explosives, and drugs.

The complaint filed against Bank alleges that he is the source for an unnamed co-conspirator, who sold the machine gun during a controlled buy at the co-conspirator's St. Paul home. Prior to the sale, officers purportedly witnessed Banks arrive at and then leave the co-conspirator's residence. After the sale, officers reportedly observed the co-conspirator meet with Banks at a nearby gas station.

The co-conspirator was arrested on June 7, 2010, following a controlled buy of two suspected pipe bombs. Banks was taken into custody the next day. Then, over the subsequent four days, authorities conducted a search of Banks' residence and property, which resulted in the St. Paul Police Department's bomb squad detonating several explosive devices. During the search, law enforcement allegedly seized 29 guns, ammunition, pipe bombs, blasting caps, a M-18 Claymore mine, and nearly 100 pounds of chemicals used to make explosives, along with numerous books on bomb making. They also allegedly found an indoor grow operation with 98 marijuana plants.

If convicted, Banks faces a potential maximum penalty of ten years in prison on the charge of possessing a machine gun. The matter remains under investigation for consideration of additional charges.

This case is the result of an investigation by the St. Paul Police Department, the Ramsey County Sheriff's Office, the DEA, and the ATF.



## OTHER VIOLENT CRIMES

### Two Indicted for 2007 Home Invasion Murders

On January 20, 2010, a federal grand jury returned an indictment against two men for the March 23, 2007, murders of Brittany Kecedakis, age 15; Maria McLay, age 32; and Othahl Saunders, age 31. The murders allegedly occurred while their St. Paul home was being invaded by Tyvarus Lee Lindsey, age 28, and Rashad Raleigh, age 31. The men were specifically charged with three counts of murder resulting from possession of a firearm in furtherance of a drug-trafficking offense and one count of possession of a firearm in furtherance of a drug-trafficking offense.

Police reports indicate that on March 23, 2007, officers responded to a call regarding a St. Paul residence. Upon arriving at the house, officers found Saunders's body as well as the bodies of McLay, Saunders's live-in girlfriend, and her daughter, Brittany Kecedakis. McLay's other two children, ages 7 and 10 at the time, were in the home when the murders occurred but were not harmed physically. The indictment alleges that during the course of the conspiracy to distribute controlled substances, Lindsey and Raleigh caused the deaths of Kecedakis, McLay, and Saunders through the malicious and premeditated use of a firearm.

The indictment also alleges that the men intentionally engaged in an act of violence with reckless disregard for human life, and that they took the lives of more than one person, including a 15-year-old. It also alleges that the defendants committed the crimes in a heinous manner, which involved the torture of Saunders, and that both Lindsey and Raleigh have been previously convicted of crimes involving the use or attempted use of a firearm against others.

Lindsey and Raleigh face a potential maximum penalty of life in prison if convicted on the firearm possession charge as well as life in prison on each of the three murder charges.

This case is the result of an investigation conducted by the St. Paul Police Department, the FBI, and the Ramsey County Sheriff's Office.



*Members of the Criminal Division*



### Medford Man Pleads Guilty to Gun Trafficking

On March 4, 2010, a 37-year-old Medford man pleaded guilty to one count of making a false statement with the intent to deceive a federally licensed firearms dealer in connection to two firearm applications. According to his plea agreement, Paul Giovanni De la Rosa represented on the applications that he was the actual buyer of the firearms when, in fact, he acquired them for others. De la Rosa admitted purchasing firearms from federally licensed firearms dealers in Minnesota and smuggling them into Mexico, where he sold them to people, including those purportedly involved with the Sinaloa Mexican drug cartel. Some of those firearms were ultimately recovered after being used for various crimes in Mexico.

Federal law prohibits the "straw purchase" of firearms, which means it is unlawful to purchase firearms for those who cannot legally do so themselves. De la Rosa admitted making more than 100 straw purchases. In addition, he admitted crossing the border into Mexico approximately 20 times in order to smuggle firearms and ammunition. For his efforts, about \$70,000 was electronically transferred into accounts held by him. In connection to this crime, authorities seized 129 guns, more than 700 magazines and 15,400 rounds of ammunition, as well as military uniforms from a weapons' cache found in a hidden subterranean storage space. For his crime, De la Rosa faces a potential maximum penalty of ten years in prison.

This case was investigated by Homeland Security Investigations and IRS, along with the ATF's Special Response Teams 1 and 3, ATF and IRS attaches in Mexico City, Custom and Border Patrol's ("CBP") Air Wing from North Dakota, Oklahoma City, and San Antonio, and the CBP Port of Entry in Laredo.

### Man Sentenced for Possessing Ammunition

In April 2010, following a two-day trial, a federal jury convicted Craig Leslie Anderson, age 66, of Jackson, Minnesota, of being a felon in possession of five rounds of Remington and Winchester shotgun shells. He was later sentenced to 45 months in prison.

While searching the motel room where Anderson resided while on supervised release, authorities found the ammunition in a hunting vest. Because he is a convicted felon, Anderson is prohibited under federal law from possessing firearms or ammunition at any time. He was convicted in 2008 of fifth-degree possession of methamphetamine in Jackson County, Minnesota.

This case was investigated by ATF, the Jackson police, and the Minnesota Department of Corrections.

## CIVIL DIVISION

The Civil Division is led by Assistant U.S. Attorney Gregory G. Brooker, with Assistant U.S. Attorney Erika R. Mozangue serving as Deputy Chief. The Division handles a wide variety of cases and investigations. Each year civil litigators commence federal suits against violators of federal laws. This affirmative litigation includes suits against those who violate environmental laws, like the Clean Water Act and the Clean Air Act, as well as civil rights laws, such as the Americans with Disabilities Act, the Fair Housing Act, and the Uniformed Services Employment and Reemployment Rights Act. In recent years, the Civil Division has won national recognition for its civil rights enforcement work. Affirmative litigators also commence civil commitment proceedings against mentally ill and dangerous federal inmates and sue people who owe debts to the United States.

A substantial component of affirmative litigation involves civil health care fraud work. Civil litigators conduct major health care fraud litigation under the False Claims Act, which allows the federal government to obtain triple damages against people and corporations that submit false claims to federally financed programs, such as Medicare and Medicaid. Each year the Civil Division obtains substantial recoveries in these false claims cases.

The Civil Division also defends all lawsuits filed in the District against federal agencies and federal officials. These cases can touch on many different federal programs and activities and include constitutional challenges to new federal laws and regulations, claims under the Federal Tort Claims Act, employment discrimination claims against federal agencies, and constitutional torts against federal officials. Defensive litigators also defend the many cases filed by federal inmates housed at the four federal prisons in Minnesota. Moreover, they handle all bankruptcy cases filed in the District that involve federal debts and all real estate matters that involve federal liens, as well as social security disability appeals and immigration cases.

The Civil Division includes the Asset Forfeiture Unit, which litigates civil and criminal forfeiture cases. In large white collar criminal fraud cases, forfeiture attorneys obtain orders from the court to seize property and enjoin bank accounts pending indictment. Following guilty pleas or convictions, forfeiture attorneys work to ensure that all proceeds of the crime and all assets used to commit the crime are forfeited and not retained by the defendants. In many cases, property forfeited to the government is remitted back to the crime victims.

In addition to the Asset Forfeiture Unit, the Civil Division includes the Financial Litigation Unit or "FLU." One of the important missions of the FLU is to collect assets and money from criminal offenders who have been ordered to make restitution to victims. The FLU actively garnishes wages and files liens against those who do not make restitution as ordered. In addition, the FLU pursues debts owed the federal government, including defaulted student loans.

In 2010, the Civil Division was comprised of paralegals, legal assistants, and 14 Assistant U.S. Attorneys, who, in addition to Brooker and Mozangue, included James S. Alexander, Ann M. Bildtsen, Chad A. Blumenfield, Lonnie F. Bryan, Roylene A. Champeaux, David W. Fuller, Mary Jo Madigan, Bahram Samie, Surya Saxena, Friedrich A. P. Siekert, Ana H. Voss, and D. Gerald Wilhelm.



## FISCAL YEAR 2010 STATISTICAL DATA

### Overall Civil Division Statistics

Civil Cases Filed or Answered During Fiscal Year	640	
Civil Cases Terminated	725	
Terminated by Settlement	129	
Terminated by Judgment	340	
Judgments Entered in Favor of United States	282	
Judgments Entered Against United States	58	13 Trials

### Civil Division Statistics in Significant Case Types

#### Bankruptcy Litigation

Cases Filed or Answered During Fiscal Year	115		
Cases Terminated	121		
Terminated by Settlement	84		
Terminated by Judgment	27		
Judgments Entered in Favor of United States	25		
Judgments Entered Against United States	2		2 Trials

#### Commercial Litigation (real estate, mortgage, tax issues; civil rights suits against commercial entities)

Cases Filed or Answered During Fiscal Year	217		
Cases Terminated	234		
Terminated by Settlement	33		
Terminated by Judgment	33		
Judgments Entered in Favor of United States	26		
Judgments Entered Against United States	7		6 Trials

#### Federal Prisoner Litigation (prisoner mental commitments; issues of prison policies and inmate rights)

Cases Filed or Answered During Fiscal Year	76		
Cases Terminated	163		
Terminated by Settlement	2		
Terminated by Judgment	139		
Judgments Entered in Favor of United States	113		
Judgments Entered Against United States	26		1 Trial

#### Federal Program Fraud Litigation

Cases Filed or Answered During Fiscal Year	35		
Cases Terminated	40		
Terminated by Settlement	4		
Terminated by Judgment	26		
Judgments Entered in Favor of United States	17		
Judgments Entered Against United States	9		1 Trial

#### Immigration Litigation (defending challenges to deportation and litigating visa issues)

Cases Filed or Answered During Fiscal Year	45		
Cases Terminated	64		
Terminated by Settlement	0		
Terminated by Judgment	26		
Judgments Entered in Favor of United States	26		
Judgments Entered Against United States	0		1 Trial

#### Social Security Disability Litigation

Cases Filed or Answered During Fiscal Year	94		
Cases Terminated:	49		
Terminated by Settlement	0		
Terminated by Judgment	49		
Judgments Entered in Favor of United States	35		
Judgments Entered Against United States	14		

#### Tort Litigation (personal injury and medical malpractice claims)

Cases Filed or Answered During Fiscal Year	30		
Cases Terminated	27		
Terminated by Settlement	2		
Terminated by Judgment	21		
Judgments Entered in Favor of United States	21		
Judgments Entered Against United States	0		2 Trials

## ASSET FORFEITURE UNIT

In 2010, the Asset Forfeiture Unit seized a record \$37 million in assets through seizure warrants and restraining orders issued in pending criminal cases. In addition, the Asset Forfeiture Unit actually forfeited a record \$53 million in assets following the criminal convictions of defendants in 2010. The seizures are highlighted in the left-hand column below, while the forfeitures are noted in the right-hand column.

**Steven Renner/Inter-Mark Seizures:** Approximately \$26,051,967 was seized from 13 bank accounts held by Steven Renner and Inter-Mark Corporation and its subsidiaries in connection with an alleged Ponzi scheme.

**Travis Scott Seizures:** Travis Scott is alleged to have perpetrated insurance fraud. The Asset Forfeiture Unit seized from him assets worth a value of \$8,691,946, including three airplanes, an airplane hanger, several vehicles, and numerous financial accounts.

**John Jeffries Seizures:** Seizure warrants were executed with respect to one bank account and three safe deposit boxes controlled by John Jeffries, who allegedly engaged in serial structuring. In total, \$853,950 was seized from the three safe deposit boxes, and \$68,907 was seized from the bank account.

**De la Rosa Seizures:** Civil litigators coordinated the seizure of \$444,685 from the Texas bank account of an alleged unlicensed money transmitting business, in a matter related to the De la Rosa “gun-runner” case. The Office is now actively litigating a civil forfeiture case against that business. At issue is whether the money was involved in a violation of the federal statute that pertains to money transmitting businesses.



*Members of the Civil Division*

### United States v. Russell and Abby Cole

This case arose from a scheme to defraud Best Buy through its online computer parts’ bidding process. The scheme was perpetrated by Russell and Abby Cole through their Chicago business, Chip Factory. Many seizure warrants were obtained and executed, and the Forfeiture Unit filed a civil forfeiture case against two Chicago houses owned by the Coles. After the Coles’ conviction, a preliminary forfeiture order was entered, which included a judgment in the amount of \$32,886,848 and called for the forfeiture of numerous assets, including \$15 million in luxury cars, investment accounts, and two personal residences in Deerfield, Illinois.

### United States v. Charles Hays

This case involved an investment Ponzi scam committed by Charles Hays. The Forfeiture Unit obtained several preliminary orders of forfeiture that called for forfeiture of a number of assets, including a \$3,000,000 luxury yacht, two investment accounts valued at nearly \$1,000,000, and Hays’s home, valued at \$1,000,000.

## FINANCIAL LITIGATION UNIT

The Civil Division includes the Financial Litigation Unit (“FLU”), which obtains and collects judgments against debtors who owe money to federal agencies. The FLU also collects criminal fines, restitution, and other monetary penalties imposed by the court in criminal cases. In Fiscal Year 2010, the FLU collected more than \$3,149,613 in civil debts and \$4,034,136 in criminal debts, resulting in total collections of \$7,183,750.

On the civil side, the FLU’s largest clients are the U.S. Department of Health and Human Services, and the U.S. Department of Education, which seek the collection of defaulted student loans, along with the U.S. Department of Agriculture, for which the FLU collects defaulted farms loans and overpayments on farm programs.

On the criminal side, in 2010, approximately \$2.5 million in restitution was collected for non-federal victims of crime, and more than \$760,000 in restitution for victimized federal agencies. Another \$725,000 was collected in criminal fines, forfeited appearance bonds, and special assessments, which are deposited into the federal Crime Victims Fund and ultimately awarded to states as grants to aid crime victims.

The FLU has a variety of tools to enforce payment of debts. If a debtor cannot pay a debt in full, the FLU staff establishes a voluntary payment plan. If that plan is unsuccessful, federal law authorizes collection through wage and bank garnishment, attachment of real and personal property (cars, boats, vacation homes, etc.), and offset of federal tax refunds, social security payments, and other federal benefits. The FLU also files liens against a debtor’s real and personal property. During Fiscal Year 2010, the FLU filed 72 liens and attached five parcels of real estate. It also performed 41 garnishments and received 456 payments through the offsets.



## AFFIRMATIVE CIVIL ENFORCEMENT

Every year, Civil Division lawyers commence suits to enforce federal laws and regulations. These affirmative civil enforcement, or “ACE” cases, involve a wide range of matters, including civil rights investigations and civil health care fraud litigation. Some of the ACE cases litigated during the past year are highlighted below.

### Adam Walsh Act Challenge

As part of the Adam Walsh Act, Congress allowed for the civil commitment of sexually dangerous persons who are in federal custody but due to be released. Soon after the law was enacted, the Bureau of Prisons (“BOP”) determined that an inmate in Minnesota met the statutory criteria and referred the case to the Civil Division of the U.S. Attorney’s Office pursuant to a certificate from the warden. As a result, this office filed the first petition in the nation under the new law.

The inmate had been serving a multi-year sentence for aggravated sexual abuse, and his sentence was about to expire when the petition was filed. The inmate’s lawyers raised various constitutional challenges to the new law, but it was ultimately upheld by both the Eighth Circuit Court of Appeals and the U.S. Supreme Court as being within Congress’s power under the Necessary and Proper Clause of the U.S. Constitution.

Once the constitutional issues were resolved, the BOP further determined that the inmate met mental commitment criteria under a different longstanding provision allowing for civil commitment of “mentally ill and dangerous persons otherwise due for release.” Therefore, the case was resolved without the need for a hearing. Because of this agreement, the inmate will continue to be incarcerated until such time as his release will not pose a danger to others.

### Lead Paint Enforcement Project

Since 1999, Civil Division litigators have been enforcing the Residential Lead-Based Paint Hazard Reduction Act of 1992 through compliance reviews and litigation. The first project involved Minneapolis landlords. Between 2004 and 2008, civil litigators successfully sued companies that failed to warn tenants of potentially dangerous lead-based paint hazards in rental units.

More than 40 owners and management companies in Minneapolis were initially reviewed by HUD and EPA for compliance. The most egregious violators were referred to the Civil Division of the U.S. Attorney’s Office for litigation. Ultimately, seven consent decrees were issued by the courts. Under those decrees, the building owners agreed to abate the lead-based hazards in 53 apartment buildings and 50 single-family homes in the City. The owners also were ordered to fund several child-health projects, including window replacement in low-income housing and the purchase of a blood testing van known as “Leadie Eddie,” to provide parents with easy access to lead-poisoning testing for their children.

In 2010, the Civil Division commenced a lead-based paint enforcement project in St. Paul. Working with HUD and EPA agents, litigators continued to review the compliance rates of St. Paul landlords. Data from the Centers for Disease Control (“CDC”) regarding the location of children who tested positively for elevated lead blood levels will also be reviewed. Again, the most egregious violations of the federal lead-based paint disclosure law will be referred for litigation, the goal being to abate lead hazards in rental units in St. Paul.

### Petters Investment Fraud Case

Throughout 2010, civil litigators worked with receivers and trustees to track down assets on behalf of the victims of the massive fraud that took place at Petters Corporation, Inc. (“PCI”), and Petters Group Worldwide (“PGW”). When federal law enforcement agents executed search warrants at PCI and PGW in 2008, litigators obtained temporary restraining orders against several individuals and corporations to enjoin any on-going fraud and freeze all bank accounts and assets. Civil litigators also asked the court to appoint receivers to manage the businesses and preserve the assets for ultimate restitution to the victims of the fraud.

Following the conviction of Tom Petters and the guilty pleas of several of his co-conspirators in 2009, civil litigators worked to trace and forfeit remaining assets. Then, in August 2010, the U.S. Attorney’s Office entered into a comprehensive coordination agreement with the Petters trustee and receiver to divide the work of liquidating the assets seized in the Petters-related cases. Throughout 2010, civil litigators and paralegals traced additional assets, litigated claims, and defended motions in the Petters civil cases, all with the goal of obtaining as much money as possible for the victims.



*Members of the Civil Division*

## CIVIL RIGHTS ENFORCEMENT

The Civil Division currently has more than 50 open cases in which litigators are enforcing federal civil rights laws, including the Americans with Disabilities Act and the Fair Housing Act. The two cases discussed below are representative of the work the Civil Division does to enforce the civil rights of Americans

### Red Wing Landlords Sued for Violating the Fair Housing Act

In 2010, the U.S. Attorney's Office filed suit against a Red Wing company for violating the Fair Housing Act. The civil complaint alleges that Loki Properties, which owns rental property in Red Wing, and Robert Ryan, one of the company's business partners, violated the Act when they refused to rent an apartment to an African-American male.

In the suit, the U.S. alleges that in August of 2008, a prospective tenant was referred to Loki Properties by the Red Wing Housing and Redevelopment Authority ("RWHRA") but was denied housing because he is an African-American male. Initially, Ryan told the man that the property was undergoing renovations and would not be ready until October of 2008. However, in September, one of the units was leased to a white female. Then, in October, when the prospective African-American male tenant again contacted Ryan, he was allegedly told renting to him "would not work" or words to that effect. He also was purportedly told he could not rent a unit because of his criminal background.

While Loki Properties stated that it routinely conducts background checks on rental applicants, it also reported that it does not do so for people referred by RWHRA, since that agency performs the service. Nonetheless, the company seemed aware of the African-American male's criminal background but failed to let him discuss it, which is contrary to the company's policy of allowing applicants to explain their backgrounds. Ryan and Loki Properties reportedly disqualified the African-American male because his criminal background showed three felony arrests, none of which resulted in prosecution, and a misdemeanor conviction for disorderly conduct. But, in November of 2008, Loki Properties leased an apartment to a white man who had been convicted of four felonies. Loki Properties rented to the white male applicant despite a policy of not renting to anyone with a felony conviction.

In early 2009, the African-American man filed a complaint with the U.S. Department of Housing and Urban Development ("HUD"), alleging housing discrimination. HUD investigated the complaint and issued a charge of discrimination against the defendants, claiming discriminatory housing practices, in violation of the Fair Housing Act. HUD then referred the case to the U.S. Attorney's Office to commence suit against the landlords.



### Housing Discrimination Case Settled

Two corporations in North Dakota that own and operate a Moorhead apartment complex were ordered to pay monetary damages to the federal government and Fair Housing of the

Dakotas ("FHD") for violating the Fair Housing Act when they denied an apartment to a person who had been prescribed a service animal to reside with him. The judge also ordered the companies to revise and post new written policies and train their employees as to the Fair Housing Act.

In January of 2007, a prospective tenant responded to an advertisement for an apartment in a Van Raden complex and was rejected because he owned a service animal. During a telephone conversation, a representative of Van Raden told the prospective tenant that company policy prohibited dogs of his dog's breed and dogs weighing more than 40 pounds. The prospective tenant explained that his dog was a service animal, but the Van Raden representative still refused to rent to him.

After receiving the tenant's complaint, FHD conducted two rental tests on January 17, 2007. When the first tester phoned to request an apartment, she was rejected because she had a disabled son who had a therapy dog, a black lab. The Van Raden representative said that breed of dog was unacceptable. The second tester, posing as a mother with a child, was not rejected and was given information about terms, utilities, amenities, background checks, and credit policies.

In April of 2002, the defendants implemented a written policy relative to service animals. It outlined several

*Continued on the following page*



*Members of the Civil Division*

## CIVIL HEALTH CARE FRAUD

In 2010, civil litigators investigated and litigated several large-scale health care fraud cases. The two cases detailed below are representative of the types of health care fraud matters the Civil Division handles each year.

### Complaint Filed Against the Mayo Clinic

In 2010, a civil complaint was filed in an existing federal suit against the Mayo Clinic and three related entities. The complaint alleges that Mayo billed the federal government, including Medicare and Medicaid, for surgical pathology services not rendered.

The suit was originally brought under the *qui tam*, or “whistleblower,” provisions of the False Claims Act. Dr. David Ketrosier, the lead whistleblower in the case, is a physician and an attorney.

The U.S. Attorney’s Office intervened on claims arising from Mayo’s billing practices at its pathology labs in Rochester. The complaint alleges that during a period of many years, Mayo billed federal health care programs for preparation and examination of human tissue slides that were never prepared or examined. Mayo acknowledged, in an internal 2007 document, that the improper billing had been going on for years, and that it could create serious issues for Mayo if the Centers for Medicare and Medicaid Services learned of the issue. Notwithstanding, Mayo did not refund any money to the government until 2008, shortly after it was served with a government subpoena relating to the issue. The government asserts that the refund was inadequate in many respects.



### Minnesota Autism Center Resolves Claims

The Minnesota Autism Center (“MAC”) agreed in May 2010 to pay the federal government \$600,000 to settle allegations that it improperly billed the federal Medicaid program for autism therapy services. The settlement amount will be divided approximately in half between the federal government and the State of Minnesota, through the Minnesota Department of Human Services (“DHS”), which administers the Medicaid program in Minnesota.

The MAC, based in Minnetonka, is a care provider that delivers therapy services to children and families affected by autism. The government investigated the MAC about two allegations: simultaneous and inappropriate billing. Both involved the MAC’s skills training to affected children and families. The training is designed to improve the basic functioning of the child and the family.

With respect to the simultaneous billing allegation, the U.S. asserted that the MAC was billing for skills training being provided to the child at the same time such training was being given to the families. Because the child is required to participate in both trainings, DHS rules required the MAC to obtain its approval before billing for simultaneous training, but the MAC did not do that.

As to inappropriate billing, the U.S. asserted that the MAC added excessive time to its bills to compensate for services, such as recordkeeping and charting. In reaching the settlement, the MAC denied the allegations but agreed to pay \$600,000.

### Housing Discrimination

*Continued from the previous page*

requirements and was to be provided to all rental applicants. According to that policy, dogs with an adult weight of less than 40 pounds are “preferred,” and several full and mixed breeds are banned. The policy also requires that renters with service animals provide proof of renter’s liability insurance in the amount of \$100,000.

On June 12, 2007, FHD filed a complaint with the U.S. Department of Housing and Urban Development (“HUD”), alleging that one of its testers was denied the opportunity to view or rent the apartment based on the defendants’ service animal policy; that the tester was denied a reasonable accommodation to the policy; and that the landlords’ actions expressed a discriminatory preference against renters with disabilities who use service animals. On September 9, 2008, HUD issued a charge of discrimination against the defendants, claiming they had engaged in discrimination in violation of the Fair Housing Act. The matter was referred to the U.S. Attorney’s Office, which subsequently filed suit against Van Raden.

Under the terms of a settlement, Van Raden must revise its written policy to eliminate any preference for certain breeds of assistance animals, and it must post a copy of the revised policy in a common area in each building it manages. In addition, at least one of the company’s managers must attend a training program every two years regarding the disability discrimination provisions of the Fair Housing Act. Van Raden Properties was also ordered by the court to pay monetary damages to the aggrieved party.

## DEFENSIVE LITIGATION

Every year, the Civil Division defends the United States in hundreds of cases. These five cases are representative of the variety of claims civil litigators defended in 2010.

### The Central Corridor Light Rail Case

In 2010, the St. Paul NAACP and others challenged the Federal Transit Administration's decision to approve federal funding for the Central Corridor light rail project to connect downtown Minneapolis and St. Paul. They sought to halt the project, alleging that project planners had violated the National Environmental Policy Act ("NEPA") by not analyzing enough data concerning potential impacts on minority residences and businesses in the Midway area, particularly given the impacts that resulted in the former Rondo neighborhood by the construction of Highway I-94 in the 1960s.

In defending the lawsuit, civil litigators argued that the environmental reviewers went to great lengths to assess the current demographic and socioeconomic makeup of the light rail route, taking into account the rich diversity of the neighborhoods and potential business disruptions. Litigators stated construction would be phased in to minimize disruptions; pedestrian crossings improved; and no residences or businesses taken.

Civil litigators in the U.S. Attorney's Office continue to defend the project as fully compliant with NEPA.

### Case of Letter Marked "Deceased"

The Civil Division successfully defended the U.S. Postal Service in a case filed by the mother of an active duty soldier. The case, which received national attention, was brought after the mother mailed a letter to her son. Two weeks later, the letter was returned with "Deceased" stamped on the envelope. The mother went to the post office, but the clerk knew nothing, although later that day, the Red Cross assured her that her son was alive.

The mother claimed emotional distress caused by the negligence of U.S. Postal Service staff for marking her letter incorrectly. She filed a suit under the Federal Tort Claims Act ("FTCA"), which provides a general waiver of sovereign immunity for the negligent acts of federal employees committed within the scope of employment.

The waiver, however, has exceptions; and, in this case, the court found the suit was barred by the misrepresentation exception, which does not provide liability for acts of misrepresentation by government employees. The court held that the FTCA covers only acts of negligence. Thus, the case was dismissed.

### Prison Mail Policy Case

A lawyer for an inmate at the Federal Medical Center in Rochester mailed the inmate a package of transcripts for his review in preparation for challenging his prison

sentence. The package was addressed improperly, so it was returned to the lawyer by prison staff, who failed to give the inmate notice. The inmate sued the prison for violating prison mail policy and claimed he was injured by the delay in receiving the package, which was due to the actions of prison staff.

The court found that notice of return of the package should have been provided to the inmate under the due-process clause of the U.S. Constitution. But the judge held that when the inmate ultimately received the package, after it had been addressed correctly and re-mailed, he still had time to file his petition for habeas corpus and challenge his sentence.

Thus, the court granted the prison summary judgment, citing the inmate's lack of proof of prejudice or injury.

### ICE Not Liable for Death of Detained Alien

An undocumented alien arrested by Immigration and Customs Enforcement ("ICE") and held in the Ramsey County Adult Detention Center died of a hydrocephalus caused by ruptured cysts in her brain. A wrongful death suit was brought against ICE and State officials by the woman's family, claiming the defendants were negligent for failing to provide the woman adequate medical attention. Following an investigation that proved ICE had contracted with Ramsey County for medical services for detainees, the court dismissed ICE from the suit, holding that ICE staff was not negligent.

### Superior National Forest Case

In 2009, the U.S. Forest Service approved a travel management project that concerned designation and use of roads and trails in the Superior National Forest. In 2010, environmental groups challenged the Project, raising arguments under the National Environmental Policy Act, the Endangered Species Act, as well as other laws.

The groups sought to halt the Project by suing the Forest Service and the U.S. Fish and Wildlife Service, claiming project planners had failed to consider impacts to the Canada Lynx, the gray wolf, and the Boundary Waters Canoe Area ("BWCA"). In defending the suit, civil litigators argued that planners had accounted for these concerns and had fully complied with the law. They argued that the Project would reduce the number of roads and trails, bringing order to a road system that was developed somewhat haphazardly over decades.

This case continues to be litigated.



## CIVIL DIVISION CLINICS

The Civil Division of the U.S. Attorney's Office has forged a new, collaborative relationship with three Minnesota law schools. The Office is one of the first in the country to have created academic law clinics through which law students gain valuable experience by working on real cases under the direction of an Assistant U.S. Attorney. The Civil Division will soon be operating three separate law clinics:

### Health Care Fraud Clinic

In cooperation with the Health Care Law Institute at the Hamline University School of Law in St. Paul, the Civil Division runs a health care fraud law clinic. Each academic year, several third-year law students receive academic credit for working on existing health care fraud cases and investigations. The students selected for the clinic undergo a security background check and spend approximately 15 hours each week in the U.S. Attorney's Office, working on health care fraud case assignments. An Assistant U.S. Attorney is assigned to work with each student.

### Habeas Clinic

Each year hundreds of habeas petitions are filed in federal court in Minnesota by federal prison inmates. Some of the petitions challenge inmate sentence computations; others concern conditions of confinement. Through a new academic clinic with St. Thomas University School of Law in Minneapolis, third-year law students obtain credit for writing briefs in response to the habeas petitions filed by inmates. In doing so, they perform legal research on a wide range of constitutional law issues. They also work closely with the U.S. Bureau of Prisons in litigating the cases. Attorneys and paralegals in the Office work with the law students in each case.

### Civil Rights Enforcement Clinic

In the fall of 2011, the Civil Division will initiate a new law student clinic with the University of Minnesota Law School in Minneapolis. Each semester, University of Minnesota law students will receive academic credit for working on civil rights enforcement cases, including cases involving the Fair Housing Act, Americans with Disabilities Act, and Uniformed Services Employment and Reemployment Rights Act. The students will perform investigative work, as well as legal research and writing, and participate in settlement conferences, depositions, and hearings. The Civil Division handles a wide variety of civil rights enforcement cases, and the law students will gain invaluable experience litigating these cases.



*Members of the Civil Division*

## APPELLATE DIVISION

The Appellate Division, led by Assistant U.S. Attorney James E. Lackner, oversees the work done by the U.S. Attorney's Office in the Eighth Circuit Court of Appeals. Almost all guilty verdicts and many sentences resulting from trials and plea agreements are appealed to the circuit court. Civil decisions are sometimes appealed too. 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. These lawyers 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. They also inform the lawyers in the Office of new developments in the law.

### EIGHTH CIRCUIT APPEALS

#### U.S. v. Edwards

The Bloods street gang tried to control street-level drug trade in a section of south Minneapolis for nearly two decades. The U.S. Attorney's Office used drug and gun conspiracy laws, alleging a 17-year conspiracy, to attack the gang, charging 12 gang members with offenses.

Joe Darrel Edwards and Marquise Bowie were Rolling Thirties Bloods gang members indicted for conspiracy to distribute in excess of 1.5 kilograms of crack cocaine and conspiracy to possess and use firearms during and in relation to drug trafficking crimes. Edwards was the only member of the gang to go to trial. He alleged he could not be guilty of the conspiracy because he was incarcerated in state prisons for most of the 17 years of the alleged conspiracy. However, four gang members testified that Edwards was an original gangster in the conspiracy, and that even though he was in prison, he was a "shots caller"; that is, he was someone respected by the gang and able to influence the gang. Edwards was found guilty of both conspiracy charges and sent to prison for 206 months.

The Eighth Circuit upheld Edwards conviction, finding the trial evidence sufficient to support his conviction.

#### U.S. v. Turpin

In 2007, Turpin was convicted by a jury of multiple charges, including aiding and abetting a robbery affecting interstate commerce, aiding and abetting discharge of a firearm during a crime of violence, and two counts of being felon in possession of a firearm and ammunition. The convictions resulted from a robbery and shooting by Turpin at the A&E gun shop in Shelvin.

On October 5, 2005, victims A.E. and E.E. were at work in their store. Mid-day, Turpin entered the store

and proceeded to load a shotgun with ammunition from his pocket. A.E. rushed toward Turpin, and Turpin fired the gun, striking E.E. in the leg. Because of the wound, E.E. could not move, but A.E. tried to secure the gun, still in Turpin's hands. After freeing A.E.'s hold, Turpin fired a second shot, striking A.E. in the shoulder. Turpin then fled around the corner, reloaded the gun and, according to his statement to police, prepared to shoot A.E. if necessary. A.E. pursued Turpin for a short distance but soon returned to the store to check on E.E., his wife, and call 911. Officers arrived shortly, and the victims were taken to the hospital. A.E. had a shotgun pellet removed from his shoulder, while E.E. required surgery and several skin grafts.

After approximately two hours of searching the woods behind the A&E gun shop, Turpin was apprehended. Officers recovered the shotgun nearby. Turpin later admitted he had planned to rob A&E using firearms.

At trial, E.E. testified. She described her injuries and showed the jury the scarring on her leg. A.E. testified too, telling of the fear he felt as he came back into the store and saw his wife on the ground, unable to move.

Turpin was sentenced to 380 months in prison. On appeal, he argued error for not granting his severance motion and not providing a jury instruction explaining that if found not guilty by reason of mental illness, he would be subject to civil commitment. The appellate court upheld the conviction and sentence. In regard to the severance motion, it held that while a criminal defendant faces a difficult choice regarding testifying, that difficulty does not necessarily compel the individual's choice so as to implicate the Fifth Amendment. As to the jury instruction, the court found it was not required.

### **U.S. v. Ritchie Special Credit, etc., et al.**

In the Fall of 2008, an informant revealed to the U.S. Attorney's Office that Tom Petters and others were engaged in the largest Ponzi scheme in Minnesota history. In tandem with the criminal investigation, Civil Division attorneys brought an action to freeze the assets of Petters, his co-conspirators, and Petters' companies. The court granted the relief, including the appointment of a receiver to manage and preserve assets to benefit the victims of the scheme. Petters was later found guilty and is serving a 50-year prison term.

Although Petters and his companies are located here, Ritchie Capital, a large Chicago-based hedge fund that had invested in Petters-owned entities, including PGW and Polaroid, filed an action in Illinois state court and then sought to have its own receiver appointed in the Minnesota case. The U.S. Attorney's Office opposed the motion as an illegitimate effort to place narrow private interests over those of the public, and the District Court denied the motion.



*Appellate Division Staff*

Nearly six months later, Ritchie came back to court, seeking to intervene in the receivership case in order to challenge the court's authority over PGW and Polaroid and claiming the proceedings were unfair. The U.S. Attorney's Office opposed this second motion, and the court, again, denied the motion, finding it was too late to challenge the validity of the receivership since Ritchie had the opportunity to do so earlier but had failed to take that action.

Ritchie appealed the decision, but the Eighth Circuit found in favor of the United States. The decision was a significant victory, preserving the government's ability to freeze assets to benefit victims in future fraud cases.

### **U.S. v. Yang**

This case involved a large-scale marriage fraud operation between Chinese Nationals and U.S. citizens living in Minnesota. A Minnesota woman married Yang, a Chinese National, in exchange for money and a free trip to China. The operation was uncovered; Yang went to trial; and a jury convicted him. He appealed the conviction, arguing that the evidence was insufficient to support it. The Eighth Circuit found, however, that the evidence was sufficient, specifically noting that Yang had sent a letter to his "wife," requesting she send him letters to document their relationship for officials.

### **U.S. v. Sweeney**

In July 2010, the Eighth Circuit affirmed the convictions and sentences of Jon and Michelle Sweeney, who were convicted of assisting in the unauthorized interception of cable signals, conspiracy, and currency structuring.

The Eighth Circuit rejected the Sweeneys' claim that there was insufficient evidence to support convictions for cable pirating and conspiracy. The court held that, among other factors, the non-addressable feature of the majority of cable descramblers sold by Micro-Star Technology, the Sweeneys' company, demonstrated that the descramblers were intended to be used for unauthorized interception of cable signals. The non-addressable Micro-Star descramblers would not respond to signals from cable service providers, restricting a viewer's access to encrypted programming. The court also noted the testimony of the co-owner of a company that purchased descramblers from Micro-Star. He said he knew the descramblers would eventually be used to intercept cable

programming. In addition, there was testimony from a former Micro-Star employee, who said Jon Sweeney personally sold her a descrambler so she could receive cable programming without paying for it. Finally, the court cited existence of news articles in the Sweeney home, detailing legal

action against others engaged in the manufacture and distribution of descramblers.

The Eighth Circuit similarly rejected the Sweeneys' claim that their currency structuring convictions were not supported by sufficient evidence. The court determined that a purchase or withdrawal below the \$10,000 reporting threshold may constitute an unlawful "transaction" if it is made for the purpose of evading the reporting requirement. The court also clarified that a cash transaction need not exceed \$10,000 initially to constitute currency structuring.

### **U.S. v. Midkiff**

Neulan Midkiff operated a Ponzi scheme through which he collected more than \$30 million from investors and generated substantial, unreported income. A jury convicted him of multiple counts of wire fraud, mail fraud, conspiracy to commit these offenses, and failure to file tax returns. He was sentenced to 180 months in prison and appealed both the conviction and sentence. He argued that the district court erred by declining to sever the tax counts from the fraud counts; the district court abused its discretion by allowing testimony regarding some of his "prior bad acts"; and the district court committed plain error in imposing his sentence. The Eighth Circuit affirmed the conviction and sentence, describing the government's evidence against Midkiff as "abundant" and "overwhelming."

In 2010, the Criminal Division filed 71 briefs in the Eighth Circuit, and the Civil Division filed 13 briefs.



## 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 were met through a variety of avenues during 2010. Outreach focused on engaging the local Somali-American community. Through Project Safe Neighborhoods, a national initiative that offers financial support and training to local, State, and federal law enforcement partners who collaborate to curb gun crime and related violence, the Office continued to focus on Indian Country. Federal crime victims were aided individually as well as through joint efforts with State partners. Media representatives were provided case-based press releases and otherwise assisted through interviews and data collection. The work of the Community Relations Division (“CRD”), which is comprised of three specialists and a student intern, along with the director and a contract employee on the Red Lake Indian Reservation, is described in more details below. Other Office outreach and training efforts are also highlighted.



### Fiscal Year 2010 Community Relations Division Overview

#### COMMUNITY OUTREACH

##### In the Somali American Community—

- The U.S. Attorney initiated a “round table” with Somali Americans in the business and education communities, as well as those in Somali media, to discuss a wide range of issues of concern for Somali Americans here in Minnesota. The meetings offered an opportunity to share information about culture and the U.S. criminal justice system as well as help those new to our community learn to navigate local bureaucracies.
- The U.S. Attorney met with Imams from around the Twin Cities.
- Civil rights lawyers in the Office met with lawyers at CAIR-Minnesota to discuss action this office can take when CAIR finds possible discrimination against Somalis or other Muslims in housing and other areas.
- Civil rights lawyers from the Office attended regular meetings of the FBI-led Civil Rights Advisory Group, which meets in a Minneapolis neighborhood inhabited in large part by Somalis immigrants. The Advisory Group has been focusing on how to deal with local law enforcement issues raised by Somali immigrants.
- For a third year, CRD staff attended a victims rights event at the Brian Coyle Community Center, where they offered informational brochures, in English and Somali, about the federal criminal justice system.

##### In Indian Country—

- In September of 2010, the Office again co-sponsored the Annual Great Lakes Native American Conference. This year’s three-day event was held in Mount Pleasant, Michigan. Topics included, among other things, domestic violence and aiding drug-endangered children in Indian Country.
- In September of 2010, the Office also provided training at the Native American Law Enforcement Summit in Carlton, Minnesota. Topics included the use of multi-disciplinary teams, crime prevention through environmental design, human trafficking, Internet predators, and native youth gangs.
- The Office held two meetings regarding law enforcement issues in Indian Country, and they were attended by law enforcement representatives from Minnesota’s 11 Indian reservations. The meetings, led by the U.S. Attorney, focused on, among other things, the recently enacted U.S. Tribal Law and Order Act.
- Once again in 2010, the Office sponsored the Red Lake School Supply Drive, through which Office employees donated new school supplies for the children on the Red Lake Indian Reservation, a federal jurisdiction reservation. Then, in December 2010, employees held their annual Red Lake Holiday Gift Drive, which provides Office staff the opportunity to buy gifts from a “wish list” created by elementary school children at Red Lake.



Office “Santa” and Red Lake Friends



## **COMMUNITY OUTREACH**

### **In the Latino American Community—**

- The CRD provided Spanish translation services to the Internal Revenue Service for their Income Tax Assistance Program.
- The CRD participated in the annual Cinco De Mayo Parade and Events in St. Paul, handing out information about the Office.
- The CRD provided informational brochures about the federal justice system, in English and Spanish, at the annual La Familia get-together in St. Paul. The event drew more than 5,000 people.
- The U.S. Attorney presented and the CRD provided informational brochures, in English and Spanish, at an event at the Mexican Consulate in St. Paul.
- The CRD assisted in the planning and facilitation of the Business Leadership Conference for the National Latino Peace Officers Association, which was held in St. Paul in 2010. Attendees from around the country and Puerto Rico attended the event.

## **LAW ENFORCEMENT TRAINING AND ASSISTANCE**

- The U.S. Attorney hosted monthly LECC federal agency head meetings or breakfasts.
- The Office collaborated with the Upper Midwest Community Policing Institute, one of the few regional law enforcement training institutes in the country to receive major funding from the U.S. Department of Justice. During 2010, the Institute's training focused in large part on the needs of law enforcement in Indian Country throughout Minnesota as well as nationwide.
- The U.S. Attorney and other Office staff provided training, presentations, or speeches on specific subjects of federal law on more than three dozen occasions during the year. Training topics ranged from how to perform forensic interviews for child pornography cases to the best techniques for investigating terrorism cases.

## **VICTIM-WITNESS ASSISTANCE**

- In Fiscal Year 2010, 73,179 separate notifications were sent to crime victims in cases handled by the Office, the largest number of notifications ever supplied by the Office. Of those notifications, 6,751 were sent via e-mail, while 66,428 were sent through the mail. An estimated ten cases had more than 100 victims, with two of them having more than 1,000 victims. In addition, around 20 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.
- In Fiscal Year 2010, 588 trial witnesses were processed, 200 more than last year and, again, the highest number ever recorded by the Office. Of that number, approximately 285 were non-government, out-of-town witnesses who needed transportation and lodging. Two witnesses were provided with emergency assistance under the Emergency Witness Assistance Program for relocation due to safety reasons pending testimony at trial.
- In Fiscal Year 2010, the CRD also collaborated on the Minnesota Office of Justice Program's Conference on Crime and Victimization, which was held in Brainerd. This annual event brings together professionals to review current research and share information regarding victimization.

## **MEDIA RELATIONS AND COMMUNICATIONS**

- In Fiscal Year 2010, 491 press releases were prepared and distributed to the news media, an increase of 150 over last year. Approximately a half dozen press conferences were held on the "courthouse steps" following criminal sentencings or other hearings. Additionally, close to two dozen one-on-one interviews were provided to television, radio, or the newspapers, with subsequent pieces featured, among other places, on CNN and the BBC's "Voices of America," as well as in the New York Times.
- In Fiscal Year 2010, 26 requests for information were made pursuant to the Freedom of Information Act.
- In Fiscal Year 2010, one edition of The Eagle newsletter was published and distributed to local, State, and federal law enforcement. It focused on law enforcement issues regarding prescription drugs, the ATF's ballistic imaging system, federal asset forfeiture, and other subjects of interest to the law enforcement community.
- In Fiscal Year 2010, another edition of the Annual Report was compiled and disseminated.
- In Fiscal Year 2010, the CRD also assumed the day-to-day operations and management of the Office's Internet site. With the aid of the Office's IT team, the CRD will ensure that the site is kept current and informative.

## COMMUNITY RELATIONS HIGHLIGHTS

### A Visit from the Assistant Attorney General

On July 7, 2010, United States Assistant Attorney General Tom Perez, who heads the Civil Rights Division of the U.S. Department of Justice, visited the area to discuss civil rights issues. Accompanied by U.S. Attorney B. Todd Jones, the Assistant Attorney General started the day at a FBI-hosted meeting of local Somali leaders in Minneapolis. After that, he toured the Minnesota Indian Women's Community Center, a non-profit organization that provides culture-based services for American Indian women and their families, including those victimized by domestic violence or human trafficking. Next, he met with representatives of the LGBT community before traveling to St. Paul to meet with leaders of the Latino community.

When the meetings were over, the Assistant Attorney General drove to Blaine to attend a Miracle League baseball game. The Miracle League is a non-profit group that provides children with mental and physical disabilities the opportunity to play baseball. The games take place on specially designed fields. In Minnesota, the fields are financed in large part by the Minnesota Twins. Miracle League groups are now springing up all across the country, bringing smiles to some very special baseball players.



*L to R: Kevin Smith, Director of Public Affairs for the Minnesota Twins, U.S. Attorney B. Todd Jones, and Assistant Attorney General Tom Perez seem to be questioning a call at the game.*

*Below: Game participants and fans watch the action.*



*L: At the game, Assistant Attorney General Perez visits with the mayor of Blaine (l) and Kevin Thoresen of Minnesota's Miracle League (r).*

### U.S. Attorney Announces Law Enforcement Awards

Each year the U.S. Attorney's Law Enforcement Recognition Award is presented to a local, State, or federal law enforcement agent or officer who performs outstandingly on federal case while, simultaneously, promoting cooperation. During Fiscal Year 2010, the award was presented on two occasions in recognition of two separate bodies of investigative work.



*L to R: U.S. Attorney B. Todd Jones, ATF Special Agent Darin J. Nemerow, and ATF Special Agent in Charge Bernard J. Zapor*

In early 2010, Special Agent Darin J. Nemerow, of the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives ("ATF"), was named the tenth recipient of the Award. During the award ceremony, Nemerow, who has been with the ATF since 2003, was lauded for his dedication and commitment to numerous multi-jurisdictional law enforcement investigations. His work with the Duluth Police Department and the Lake Superior Drug and Gang Task Force during the past five years has resulted in the dismantling of a large number of Duluth-based drug and gun trafficking operations. Because of his investigative efforts, along with those of his local, State, and federal partners, the U.S. Attorney's Office indicted more than 150 violent criminals from Northwestern Minnesota between 2005 and 2008.

In mid-2010, two FBI agents, a FBI forensic accountant, and an IRS agent received the U.S. Attorney's Law Enforcement Recognition Award for their work in the Thomas Petters case. Petters was convicted of orchestrating a \$3.7 billion Ponzi scheme, one of the largest in U.S. history, and sentenced to 50 years in prison. According to U.S. Attorney B. Todd Jones, the tireless investigative efforts of these four people during a two-year period, in large part, led to the successful prosecution of the case. Those honored included Special Agents Brian Kinney and Eileen Rice and forensic accountant Josiah Lamb of the FBI and Kathy Klug of the Internal Revenue Service-Criminal Investigation Division.



*L to R: FBI forensic accountant Josiah Lamb, FBI Special Agent Eileen Rice, IRS Special Agent Kathy Klug, and FBI Special Agent Brian Kinney*

## COMMUNITY RELATIONS HIGHLIGHTS

### U.S. Justice Department's Civil Rights Division Co-Hosts Hate Crimes Conference with U.S. Attorney's Office and FBI

Following the visit to Minnesota of Assistant Attorney General Tom Perez, who leads the Civil Rights Division of the U.S. Department of Justice, that Division, along with the local FBI and U.S. Attorney's Office, sponsored the "Investigating and Prosecuting Hate Crimes Conference" in Minneapolis. The day-long training event was designed to educate law enforcement, prosecutors, community advocacy groups, and victim service providers on how to identify, investigate, and prosecute federal hate crimes.

Keynote speakers at the conference included Dennis Shepard, the father of Matthew Shepard, the University of Wyoming student who was killed by two men in 1998 for being gay. Dave O'Malley, the former Laramie, Wyoming, police chief who oversaw the investigation into Shepard's murder also spoke to conference goers.

In discussing the need for training of this nature, U.S. Attorney Todd Jones said, "Hate crimes are particularly devastating because while a specific act may be committed against one person, the hatred stoked by that act is directed at a whole group of people, generating fear in entire communities."

In October of 2009, President Obama signed into law the Matthew Shepard and James Byrd, Jr., Hate Crimes Prevention Act, which, among other things, strengthens existing federal hate crime laws to cover for the first time offenses motivated by a victim's actual or perceived gender, sexual orientation, gender identity, or disability. In addition to Shepard, the Act was named in remembrance of James Byrd, Jr., a Texas man who was dragged to death behind a pickup truck because he was black. Like Shepard, Byrd was killed in 1998.

Assistant Attorney General Perez said of the Act, "Implementing the Matthew Shepard and James Byrd, Jr., Hate Crimes Prevention Act was a top priority of the Civil Rights Division. We now look forward to working with U.S. Attorney Jones, FBI Special Agent in Charge Ralph Boelter, and their colleagues across the country to enforce this new law."

This conference, which was only one of the many training events sponsored by the U.S. Attorney's Office in 2010, was successful in large part because of the efforts of Assistant U.S. Attorney Ann M. Anaya, the Office's civil rights point of contact.



*Members of the Community Relations Division*

The Community Relations Division has updated its brochures, subjects ranging from testifying in court to grant writing. For a copy of these and other publications produced by the U.S. Attorney's Office, visit the website, [www.usdoj.gov/usao/mn](http://www.usdoj.gov/usao/mn).

### Assistant U.S. Attorney Receives Distinguished Service Award

In 2010, Assistant United States Attorney Timothy C. Rank, of the U.S. Attorney's Office in the District of Minnesota, was part of a multi-district team awarded the Attorney General's Award for Distinguished Service, the Department's second highest award. The award was made for the investigation and prosecution of U.S. v. Albert Gonzalez, et al., a case involving international identity theft and a large computer hacking ring.

In presenting the award, Attorney General Eric Holder said, "Not only is their service to our nation inspiring, it is strengthening the work of the Justice Department at every level and making a powerful difference for people across the country and far beyond. This year's awardees exemplify the Department's finest traditions, and I am privileged and grateful to count them as colleagues."

In pursuing this ring, the awardees conducted the largest and most successful identity theft and hacking investigations and prosecutions in U.S. history. The criminal ring, led by Albert Gonzalez, of Miami, caused the theft of millions of identities from American citizens and the loss of more than \$400 million for American retailers, customers, and payment processors. Investigators were able to penetrate the ring, however, and apprehend ring members in the U.S., the Middle East, and Asia. Cases then were prosecuted in American and foreign courts.

In working this case, the multi-district investigative and prosecutorial team combined traditional law enforcement, such as undercover operations, with the latest technology, including computer forensics, to produce a model for 21st-century crime fighting.

## 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 an 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.



### Fiscal Year 2010 Administrative Division Overview

- The Office hired 23 new employees: 10 attorneys and 13 support staff.
- Nine employees left the Office: Five attorneys and four support staff.
- An all-staff, one-day, retirement benefits seminar was held in the Office.
- Significant facility improvements were made to better use space.
- Space was cleared of items no longer needed or that had become obsolete.
- Systems capabilities and furnishings were upgraded.
- Upgraded technology was added to the grand jury room and conference rooms for easier case preparation and conference use.
- New carpet was installed, and antiquated and broken furniture were replaced.
- Legal assistant work space was redesigned to make it more functional.
- The St. Paul branch office was opened, outfitted with furniture, equipment, and needed supplies.
- Image 12 software was updated, and Sharepoint sites were set up for many uses.
- Additional video conferencing equipment was installed to further facilitate remote meetings.
- Remote access capabilities were updated.
- Smart phones were updated.
- Scanners and label printers were installed for support staff to improve productivity.
- New automated purchasing system, using electronic signatures, was instituted.
- Several financial audits were done, as was an EARS evaluation.
- Internal policies and procedures for budget and procurement functions and processes were developed.
- New financial reports for local management were instituted.



*Administrative Division Staff*



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