

ANNUAL REPORT 2011



**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. 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



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 115 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: the Criminal Division, the Civil Division, the Appellate Division, the Community Relations Division, and the 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.

From the Desk of the U.S. Attorney

B. Todd Jones

While the primary mission of this office is to represent the United States in court, we know we cannot prosecute our way out of crime. Tough and consistent litigation is only part of the solution. We must couple it with community education and outreach as well as victim assistance. Only through this multi-faceted approach can we enhance the understanding and support necessary to achieve lasting public safety. To that end, this office has proudly maintained a community relations division for almost 20 years. Such a structure has allowed for the personnel training necessary to complete numerous projects in a timely and professional manner. This structure has also provided an opportunity for more productivity with fewer resources, which has become more important over the years. During 2011, the community relations model was replicated to varying degrees by other U.S. Attorney offices after the Department of Justice prioritized outreach in the Somali-American community and refocused its efforts in Indian Country. In recognition of the heightened awareness and importance of community relations nationally, we lead this report with a focus on our own efforts in that area.

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. The work of the Community Relations Division ("CRD"), which is comprised of four 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 also are highlighted.



*Community Relations Director
Jeanne F. Cooney*

SOMALI-AMERICAN OUTREACH

- The U.S. Attorney, along with members of the CRD, participated in an advisory capacity at the regular meetings of the Young Somali-American Advisory Council as well as related gatherings and events.
- The CRD was instrumental in discussions with bank officials, the U.S. Department of Treasury, NGOs, and community leaders relative to monetary remittances from the U.S. to Somalia in light of the decision by U.S. banks to cease those operations.
- The CRD coordinated a community get-together with the Somali Americans who live in the Rochester area, at which the U.S. Attorney and other government officials answered questions about American laws, policies, and practices.
- The CRD assisted in preparations for and participated in four community round-table discussions in the Twin Cities with members of the U.S. Department of Homeland Security's Civic Rights Section and residents of the American-Somali community.

U.S. Attorney General Visits Minnesota

The CRD coordinated U.S. Attorney General Eric Holder's May 2011 visit to Minnesota, which included an interview with the Mogadishu Times, a private meeting with the local Young Somali-American Advisory Council, and a town-hall meeting with the greater local Somali-American community.



INDIAN COUNTRY OUTREACH

- The CRD hosted the Great Lakes Native-American Conference, co-sponsored by the U.S. Attorney's offices in Wisconsin and Michigan. The three-day event, held in Carlton, Minnesota, focused on victim issues and public safety in tribal communities. Social service professionals, community leaders, law enforcement, and tribal and federal prosecutors from across the region attended the conference. (See Page 23 for more Indian Country outreach news.)

Jacob Flores addressed participants at the Great Lakes Native-American Conference



LATINO-AMERICAN OUTREACH

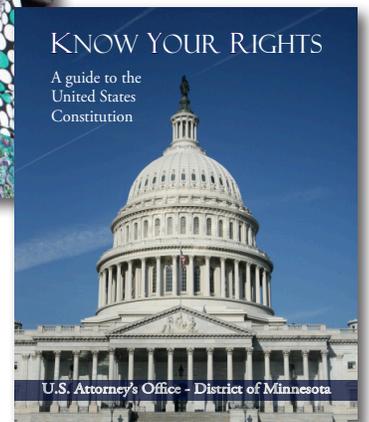
- The CRD provided Spanish translation services to the Internal Revenue Service for the Income Tax Assistance Program on about one dozen occasions between February and April 2011.
- The CRD participated in the annual Cinco De Mayo parade and events in St. Paul, where they handed out information about the office, in English and Spanish.
- The CRD participated in the La Familia Get-Together in St. Paul, which was attended by approximately 5,000 people. Again, information in English and Spanish was distributed about the office.



Members of the Community Relations Division

COMMUNITY EDUCATION

- The CRD researched, wrote, and published, in partnership with the U.S. Attorney's Office for the District of North Dakota, a booklet on civil rights, "Know Your Rights: A Guide to the U.S. Constitution," which is now being used by many U.S. Attorney offices nationwide in outreach efforts in Somali-American communities.
- The CRD coordinated and participated in several "Know Your Rights" presentations for community groups and schools.
- The U.S. Attorney's Office co-sponsored with the IRS and MNJAC a training session for the Bank Secrecy Act Officers in the District of Minnesota, at which they discussed Suspicious Activity Report requirements.
- The U.S. Attorney and other members of the U.S. Attorney's Office, including CRD staff, offered approximately two dozen community and school presentations on subjects ranging from various areas of the law and the role of the U.S. Attorney's Office in those areas to the need for civic engagement.
- The CRD director again served as judge for the state-level "We the People" competition, where high school groups vied for the chance to participate in a national civics tournament in Washington, D.C.
- The CRD and others in the office made numerous Project Safe Childhood presentations to schools and community groups.



GENERAL COMMUNITY OUTREACH

- U.S. Attorney B. Todd Jones participated in the Minnesotans Standing Together ceremony at the State Capitol to commemorate the tenth anniversary of the 9/11 attacks on this country.
- The CRD coordinated the U.S. Attorney Office's annual School Supply Drive, this year's efforts benefitting the students on the Red Lake Indian Reservation.
- The CRD coordinated the U.S. Attorney Office's annual Holiday Gift Drive, which offered staff an opportunity to buy gifts from a "student wish list" created by children in an elementary school in an economically disadvantaged area. Again, this year, the office bought gifts for children aged pre-school through sixth grade on the Red Lake Indian Reservation.



Members of the U.S. Attorney's Office, including CRD staff and "Santa," delivered gifts to children on the Red Lake Indian Reservation.

VICTIM-WITNESS ASSISTANCE

- Approximately 212,099 separate notifications were sent to crime victims in cases prosecuted by this office, the largest number of notifications ever supplied by the office. Of that number, 25,943 were sent via e-mail, while 89,606 were sent through the mail. Nine cases had more than 100 victims, with four of them having more than 1,000. 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 trials, plea hearing, and sentencings.



Members of the CRD volunteered at the 2011 Twin Cities Bridal March Against Domestic Violence

- Approximately 520 trial witnesses were processed by the CRD. Of that number, 265 were non-government, out-of-town witnesses who needed transportation and lodging. Five witnesses were provided with emergency assistance under the Emergency Witness Assistance Program for relocation due to safety concerns pending testimony at trial.

- The CRD assisted in planning for and participated in the Minnesota Office of Justice Programs' annual, four-day conference on Crime and Victimization, which, again, was held in Brainerd. This event brings together victim-assistance professionals to review current research and share information and best practices regarding victim assistance.
- The CRD led the Federal Victim Witness Task Force for the District of Minnesota. The group met four times during 2011 to discuss issues of concern. The group also volunteered at the 2011 Twin Cities Bridal March Against Domestic Violence.



Members of the CRD provided informational brochures at the U.S. Federal Courthouse in Minneapolis during Victim Rights Week

MEDIA RELATIONS AND COMMUNICATIONS

- The CRD drafted and disseminated approximately 568 case-related press releases to the news media, 77 more than last year and 200 more than two years ago. In addition, several press conferences were held on the “courthouse steps” following criminal sentencings and other hearings.
- The U.S. Attorney participated in approximately one dozen press interviews, while the CRD director, also the office spokesperson, logged about 1,000 reporter calls for information or comments. Case news was ultimately reported through local, national, and international media outlets, from the Star Tribune, the New York Times, and CNN, to the BBC’s “Voices of America.”
- The CRD handled 19 requests for information under the Freedom of Information Act.
- The CRD researched, wrote, and published two editions of *The EAGLE*, the office’s newsletter for local, state, tribal, and federal law enforcement, which addresses federal subjects of concern or interest. The newsletter is offered to about 800 law enforcement and public safety officials and groups.
- The CRD wrote and published the 2010 Annual Report.
- The CRD continued to monitor and maintain the office’s Internet site, which is used to provide a variety of information, including victim notifications in large-victim cases.

LAW ENFORCEMENT CONFERENCES, MEETINGS, TRAININGS, AND PROJECTS

- The CRD assisted in preparations for and participated in the Conference on Countering Violent Extremism: The Canadian & U.S. Programs and Cross-Border Cooperation.
- The CRD assisted in preparations for a law enforcement workshop on Civic Engagement and Community Organizing.
- The CRD assisted in preparations for and participated in three meetings regarding crime and public safety in Indian Country. The meetings, led by the U.S. Attorney, were attended by federal law enforcement officials as well as leaders from the eleven Indian reservations in Minnesota. One of the main focuses of this year’s meetings was the recently-enacted Tribal Law and Order Act.
- The CRD attended regular meetings of the local chapter of the National Association of Indian Law Enforcement.
- The CRD attended regular meetings of the St. Paul chapter of the National Latino Peace Officers Association.
- The CRD coordinated Project Safe Neighborhood training for Hennepin County prosecutors.
- The CRD met numerous times regarding the Minneapolis Police Department’s Latino outreach program.
- The U.S. Attorney’s Office hosted regular meetings and breakfasts for federal agency heads, at which priorities and concerns were discussed. The CRD participated as appropriate.
- The CRD director continued to serve on the Board of Directors of the Upper Midwest Community Policing Institute, a national DOJ-funded law enforcement training center.
- The U.S. Attorney’s Office co-sponsored with the Upper Midwest Community Policing Institute the Native American Law Enforcement Leadership Training, a two-day training session held in the U.S. Attorney’s Office.
- The U.S. Attorney’s Office participated in Mortgage and Foreclosure Fraud Prosecution: Practice Tips for Prosecutors, a training session for state and federal prosecutors.
- The CRD monitored DOJ grants awarded to Minnesota entities in an effort to leverage resources.

LAW ENFORCEMENT AWARD

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 well on a federal case while simultaneously promoting cooperation.

In October 2011, Special Agent Andy Gibart of the Internal Revenue Service’s Criminal Investigation Division was named the recipient of the award for Fiscal Year 2011. During the award ceremony, Gibart was lauded for his leadership in this district’s efforts to prosecute mortgage fraud. Gibart spearheaded the investigation of Parish marketing and Development Corporation, which resulted in the prosecution of ten individuals who participated in a scheme to defraud lenders of millions of dollars in mortgage loan proceeds, used to prop up Parish marketing, a failing business.

Also in October 2011, Special Agent Jennifer Khan of the Federal Bureau of Investigation and Inspector Christine Kroells of the United States Postal Inspection Service became the first recipients of the U.S. Attorney’s Justice Award. The Justice Award was created to recognize law enforcement officers and teams whose efforts in handling a specific civil or criminal case were outstanding and distinctive in character. Khan and Kroells received their awards for the contributions they, too, made in combating mortgage fraud.



U.S. Attorney B. Todd Jones, IRS Special Agent Andy Gibart, USPIS Inspector Christine Kroells, FBI Special Agent Jennifer Khan, and First Assistant U.S. Attorney John Marti

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.

The work of the Terrorism and National Security Team during Fiscal Year 2011 is highlighted below.

Two Rochester Woman Convicted of Providing Support to al-Shabaab

In October of 2011, following a ten-day trial, Amina Farah Ali, age 35, and Hawo Mohamed Hassan, age 64, both of Rochester, were convicted of providing material support to al-Shabaab, a designated foreign terrorist organization. The women are both naturalized U.S. citizens from Somalia.

The evidence presented at trial proved that the defendants provided support to al-Shabaab from at least September 17, 2008, through July 19, 2009. Specifically, Ali communicated by telephone with al-Shabaab members in Somalia, who requested financial assistance. Ali, Hassan, and others raised money for al-Shabaab by soliciting funds in Somali communities in Minneapolis, Rochester, and other cities in the U.S. and Canada. In addition, the defendants raised money by participating in teleconferences that featured speakers who encouraged donations to support al-Shabaab. Ali also raised funds under the false pretense that the funds were for the poor and needy in Somalia.

Ali and others then transferred funds to al-Shabaab through various money remittance companies. Ali used false names to

identify the recipients of the funds in order to conceal that the funds were being provided to al-Shabaab. The indictment lists twelve money transfers directed to al-Shabaab by Ali.



First Assistant U.S. Attorney John R. Marti

Guilty...and still defiant

A Minnesota woman lashes out at the judge after a federal jury convicts her and her co-defendant of raising money for the Somali terrorist group known as al-Shabaab



As they await the verdict Thursday in the trial of Amina Farah Ali and Hawo Mohamed Hassan, Somalis at the U.S. District Courthouse in downtown Minneapolis pray for the women, who were found guilty of raising money for the foreign terrorist organization al-Shabaab.

By David Hanners
dhanners@pioneerpress.com

Amina Farah Ali's defiance seemed in direct proportion to her status.

Moments after a federal jury in Minneapolis found the diminutive Rochester, Minn., woman and her co-defendant, Hawo Mohamed Hassan, guilty Thursday of raising money for the group al-Shabaab, Chief U.S. District Judge Michael Davis asked Ali to the podium and asked if she had anything to tell him.

Speaking through an interpreter, the woman who had spent the



Amina Farah Ali



Hawo Mohamed Hassan

first two days of her trial refusing to stand when court was gavelled to order gave the judge an earful, telling him she thought she'd been denied justice.

Her slight, girlish voice barely audible, she harangued the judge but said she wasn't mad.

She spoke of how she was going to heaven, how Westerners were against Muslims and then said in her southern Somali dialect, "Dhamaantina wabaadi aad-dayaan maarta."

"You are all going to hell," the stunned court translator interpreted for the record.

Davis heard her out, then ordered deputy U.S. marshal to take Ali, 35, and Hassan, 64, into custody. He told Hassan he'd allow her to await sentencing in a halfway house.

Under federal sentencing guidelines, each woman faces a maximum 30 years in prison. If Davis sends them to prison, they

will become the third and fourth Somali women serving time in a federal penitentiary.

JURY DELIBERATES FOUR DAYS

The jury of 10 women and two men deliberated 18½ hours over four days, then found the Rochester women guilty of conspiracy to provide material support to al-Shabaab. The Islamic group opposes Somalia's U.N.-backed Transitional Federal Government, and the U.S. State Department designated it a foreign

entity. **GUilty AND DEFiant, 10A**

Ohio Man Indicted for Providing Support to al-Shabaab

In June of 2011, Ahmed Hussein Mahamud, age 26, of Westerville, Ohio, was indicted for allegedly conspiring to provide material support to al-Shabaab. The indictment states that from a date unknown through the present time, Mahamud conspired with others to provide money and people to the designated terrorist group, knowing such support would be used in Somalia for al-Shabaab's fight against the Ethiopian military and African Union forces, which supports the Transitional Federal Government of Somalia. Court documents indicate that since September of 2007, approximately 20 young men have left the Minneapolis area for Somalia, where they have trained with and fought for al-Shabaab.

The charges filed in this case stem from an ongoing, three-year investigation. To date, a total of 18 persons have been charged in the District of Minnesota in related indictments or criminal complaints that have been unsealed. Eight of those Minnesota defendants have been arrested in the U.S. or overseas, six of whom have pleaded guilty. Of the remaining ten defendants, eight are at large and believed to be abroad, two others are believed to have died in Somalia.

This case was investigated by the FBI's Joint Terrorism Task Force.

The case was investigated by the FBI's Joint Terrorism Task Force.

The U.S. Department of Justice reports that hundreds of terrorism suspects have been successfully prosecuted in federal court since 9/11. Today, there are more than 300 international or domestic terrorists incarcerated in U.S. federal prisons. In 2009, the last year for available statistics, there were more defendants charged with terrorism violations in federal court in the United States than any year since 9/11.

Minneapolis Man Pleads Guilty to Providing Support to a Murder Conspiracy

In July of 2011, Omer Abdi Mohamed, also known as “Brother Omer” and “Galey,” pleaded guilty to conspiring to provide material support to a conspiracy to murder, kidnap, and maim abroad. Mohamed was a member of a conspiracy that recruited young men of Somali descent from the Twin Cities to travel to Somalia to fight against Ethiopian troops, who were in Somalia assisting the internationally-recognized Transitional Federal Government (“TFG”).

Between September and December of 2007, Mohamed attended meetings at a Minneapolis mosque, restaurant, and private residence, where he and his co-conspirators formed a secret plan that called for Somali men residing in Minneapolis to travel to Somalia to fight. He also facilitated the travel of several of those young men, assisting them in obtaining plane tickets and, in one instance, a false itinerary needed to mislead a man’s family about the purpose of his travel.

The indictment of Mohamed arose out of the “Operation Rhino” investigation, which has focused on young ethnic Somali men from the Minneapolis area who were recruited to fight with al-Shabaab against the TFG and African Union peacekeeping troops in Somalia. The earliest groups of identified travelers departed the United States in October and December 2007, while others left in February 2008, August 2008, November 2008, and October 2009. Upon arriving in Somalia, the men resided in al-Shabaab safe-houses in southern Somalia until constructing an al-Shabaab training camp, where they were trained. Senior members of al-Shabaab and a senior member of al-Qaeda in East Africa conducted the training.

For his crime, Omer Abdi Mohamed faces a potential maximum penalty of 15 years in prison and a lifetime of supervised release.

This case was investigated by the FBI’s Joint Terrorism Task Force.

Man Extradited from the Netherlands and Indicted for Supporting Terrorists Ordered to Remain in Custody

In October of 2011, Mahamud Said Omar was ordered to remain in custody pending the outcome of the federal case against him. On August 20, 2009, Omar was charged in a five-count indictment with conspiring to provide material support to terrorists and foreign terrorist organizations, providing material support to terrorists and foreign terrorist organizations, and conspiring to kill, kidnap, maim, and injure persons abroad. Omar, also known as Mohamud Said Omar and Sharif Omar, was recently extradited from the Netherlands, where he had been in custody since November of 2009.

The indictment and other court documents state that from September of 2007 through August of 2009, Omar, who is a Somali citizen with permanent U.S. resident status, conspired with others to provide financial assistance as well as personnel to terrorists and foreign terrorist organizations. According to court documents, Omar facilitated the travel of the young men from Minnesota to Somalia to train with and fight for al-Shabaab, which is designated by the U.S. State Department as a terrorist organization. Omar also allegedly visited an al-Shabaab safe-house and provided hundreds of dollars to fund the purchase of AK-47 rifles for the men who traveled there from Minneapolis to fight with al-Shabaab.

This case was investigated by the FBI’s Joint Terrorism Task Force.

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.



Members of the Criminal Division

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

In addition to the prosecutors already named, the Criminal Division includes 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, Jeffrey M. Bryan, Michael L. Cheever, John F. Docherty, Andrew S. Dunne, David M. Genrich, Kimberly M. Hare, Thomas M. Hollenhorst, Colin M. Johnson, Robert M. Lewis, David J. MacLaughlin, Richard A. Newberry, William J. Otteson, Jeffrey S. Paulsen, Tracy L. Perzel, Nathan P. Petterson, Laura M. Provinzino, 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.



*Assistant U.S. Attorney
Nicole A. Engisch*

FISCAL YEAR 2011 STATISTICAL DATA

Criminal Division Overview

546 Individuals Charged During Fiscal Year 2011 (482 last fiscal year)

511 Defendants Prosecuted/Processed (540 last fiscal year)

449 Defendants Pleaded Guilty

31 Defendants Found Guilty After Trial (3 defendants acquitted)

26 Trials (18 last fiscal year)

93.9% Conviction Rate (95.9% last fiscal year)

82.7% incarceration rate (85.1% last fiscal year)

397 Guilty Defendants Sent to Prison (441 last fiscal year)

9.8% of incarcerated defendants were sentenced to 12 months or less

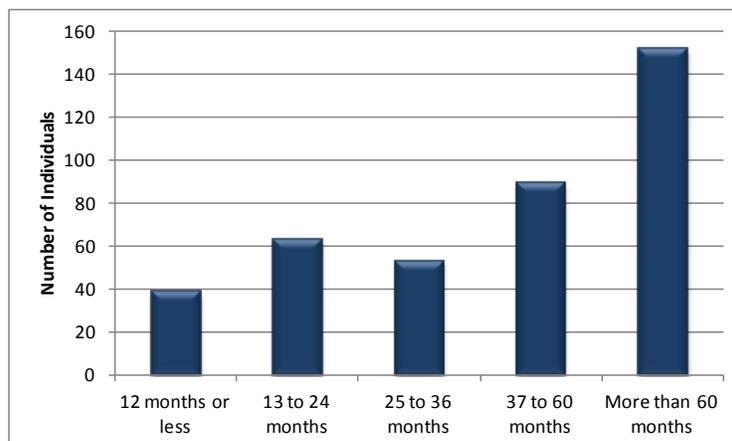
15.9% of incarcerated defendants were sentenced to between 13 and 24 months

13.4% of incarcerated defendants were sentenced to between 25 and 36 months

22.7% of incarcerated defendants were sentenced to between 37 and 60 months

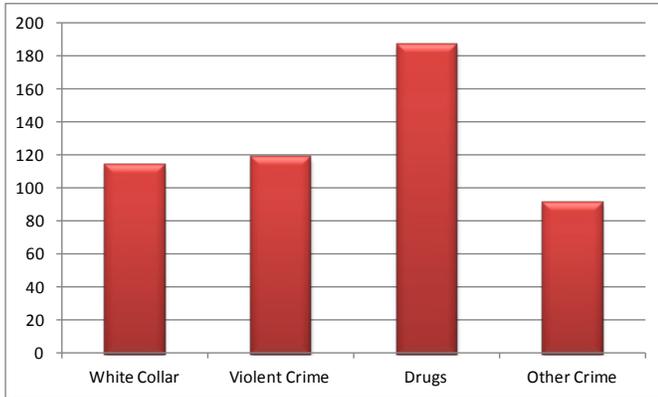
38.3% of incarcerated defendants were sentenced to more than 60 months

Breakdown of Prison Terms Imposed

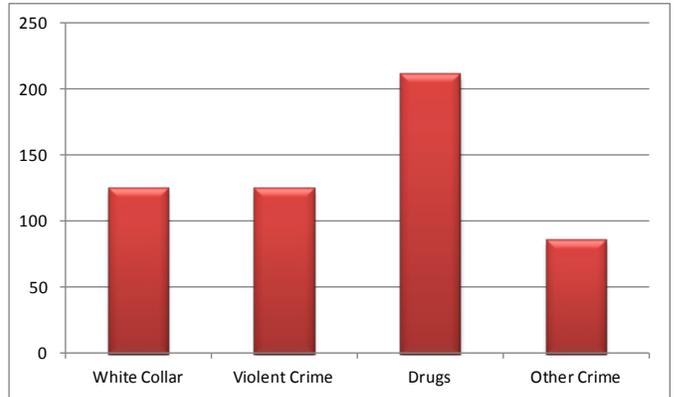


Criminal Division Statistics by Case Type

Individuals Charged by Case Type



Individuals Prosecuted/Processed by Case Type



Breakdown of White Collar Cases

125 Individuals Charged During Fiscal Year 2011 (116 last fiscal year)

114 Defendants Prosecuted/Processed (74 last fiscal year)

99 Defendants Pleaded Guilty

7 Defendants Found Guilty After Trial

5 Trials (7 last fiscal year)

76 Guilty Defendants Sent to Prison (54 last fiscal year)

22.4% of incarcerated defendants were sentenced to 12 months or less

25.0% of incarcerated defendants were sentenced to between 13 and 24 months

17.1% of incarcerated defendants were sentenced to between 25 and 36 months

21.1% of incarcerated defendants were sentenced to between 37 and 60 months

14.5% of incarcerated defendants were sentenced to more than 60 months

Breakdown of Violent Crime Cases

125 Individuals Charged During Fiscal Year 2011 (92 last fiscal year)

119 Defendants Prosecuted/Processed (86 last fiscal year)

94 Defendants Pleaded Guilty

16 Defendants Found Guilty After Trial*

17 Trials (4 last fiscal year)

*3 defendants acquitted

100 Guilty Defendants Sent to Prison (75 last fiscal year)

62% of incarcerated defendants were sentenced to more than 60 months

Breakdown of Drug Crime Cases

211 Individuals Charged During Fiscal Year 2011 (179 last fiscal year)

187 Defendants Prosecuted/Processed (317 last fiscal year)

173 Defendants Pleaded Guilty

3 Defendants Found Guilty After Trial

0 Trials (5 last fiscal year)

154 Guilty Defendants Sent to Prison (272 last fiscal year)

24.0% of incarcerated defendants were sentenced to between 37 and 60 months

48.1% of incarcerated defendants were sentenced to more than 60 months

CRIMINAL DIVISION

FRAUD AND PUBLIC CORRUPTION SECTION

The Fraud and Public Corruption Section of the Criminal Division, led by Deputy Criminal Chief Timothy C. Rank, has worked hard throughout the past year to address all types of white collar crime, but particular attention has been paid to crimes of fraud, especially 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. In 2011, the U.S. Department of Justice recovered more than \$5.6 billion in fraud proceeds, the largest amount in any single year in the history of the department. The achievement represents an increase of more than 167 percent since 2008. Highlighted here are some of the fraud cases prosecuted in the District of Minnesota during 2011.



Assistant U.S. Attorney
Timothy C. Rank

INVESTMENT FRAUD

Bixby Energy Systems Admits Responsibility for Securities Fraud Committed by its Officers and Agents; Former Officers Charged

A Ramsey-based alternative energy company has admitted defrauding investors of between \$2.5 and \$7 million. Bixby Energy Systems, Inc., was charged via an Information with one count of securities fraud and immediately accepted that charge as part of a Deferred Prosecution Agreement. In entering the agreement, Bixby Energy took responsibility for the acts of its former officers and agents.

The agreement recognized Bixby Energy's compliance with the rule of law as well as its cooperation with the government. The Information and agreement were filed with the court on December 14, 2011.

The Deferred Prosecution Agreement was made possible because, in May of 2011, two outside directors took control of Bixby's board of directors, replacing founder Robert Allen Walker, who previously controlled the board. Walker and his associates were then forced to leave the company. At that point, the company agreed to cooperate fully with the government's investigation. To that end, the company voluntarily conducted a preliminary internal investigation, reporting all of its findings to the government. Because of this fraud, Bixby Energy investors lost between \$2.5 and \$7 million.

U.S. Attorney B. Todd Jones said, "When a company does what is right—when it accepts responsibility for the wrongdoing of its employees, officers, and agents; cooperates with the government in its investigation; and takes steps to insure similar offenses will not occur in the future, the government will work with the company toward a just outcome for all. That is what Bixby Energy did in this case, and in doing so, it demonstrated true corporate responsibility and leadership and serves as a fine example for other companies."

The documents filed with the court in this case state that between 2006 and May of 2011, Walker, along with Dennis Luverne Desender, who was a consultant and the former acting chief financial officer for Bixby Energy, allegedly used manipulative and deceptive practices in an effort to sell company securities.

Specifically, they purportedly lied to investors, some of whom were not accredited, to induce them into committing large sums of money to the company for business projects, including a coal gasification energy system. In return, investors received securities.

While some investment funds were, in fact, spent on company projects, Walker and Desender allegedly used a significant

portion of them for substantial salaries and commissions paid to themselves and others. Then, they reportedly offered both existing and potential investors false information to entice them into providing additional funding. For instance, they told them the company was going to go public, when they knew that was untrue. They also assured them the company was in good financial

standing, fully aware that was not the case. Moreover, they allegedly concealed information from investors, including the fact that the coal gasification project was not ready for market, even though they told them otherwise.

The terms of the Deferred Prosecution Agreement dictate that the company will develop and implement a compliance and ethics program designed to prevent and detect future violations of securities laws. The agreement also requires that over the course of the next two years, Bixby Energy will truthfully disclose to the government, including the U.S. Securities and Exchange Commission, all information and material relative to this matter.

In separate but related court actions, Walker, who served as president, chief executive officer, and chairman of the board at Bixby Energy for a decade, has been indicted on one count of conspiracy to commit securities fraud. Dennis Desender, age 64, pleaded guilty in September of 2011 to one count of securities fraud for his role in this scheme. He is awaiting sentencing. He faces a potential maximum 20-year prison term.

The ongoing investigation into this case is being conducted by the IRS—CID, the U.S. Postal Inspection Service, and the FBI.

While some have lamented that business executives are immune from prosecution, that has not been true in Minnesota. Throughout the past several years, the U.S. Attorney's Office in the District of Minnesota and its investigative partners have worked diligently to ensure the citizens of Minnesota that those who financially defraud others are held criminally responsible.

Richfield Man Pleaded Guilty to Orchestrating Yet Another Investment Scheme

On June 28, 2011, Michael Joseph Krzyzaniak, age 62, pleaded guilty to orchestrating four different investment scams that lured individuals into investing millions of dollars in ventures that were never finished. In February 2012, he was sentenced to 151 months in prison on one count of wire fraud and one count of income tax evasion.

Krzyzaniak previously served time in federal prison for his role in another investment scam. In 1993, Krzyzaniak pleaded guilty to four counts of mail fraud in connection to that scam but fled the state before the case was resolved. He was ultimately apprehended in Florida by members of a federal fugitive task force and was sentenced to 72 months in prison.

In the present case, Krzyzaniak admitted conducting a fraud scheme from 2003 through January of 2011. The scheme defrauded individuals in Minnesota and elsewhere by convincing them to invest money in fraudulent prospective business projects, including Internet terminals at airports; golf courses in various states; a golf club resort in Desert Hot Springs,

Lakeville Man Sentenced for Operating \$80 Million Ponzi Scheme with Bank Money

On April 28, 2011, Corey N. Johnston, age 41, of Lakeville, was sentenced to six years in federal prison for operating a Ponzi scheme that defrauded 18 lenders in Minnesota and several other states. According to the government, the lenders suffered losses in excess of \$79.9 million. Johnston pleaded guilty to one count of bank fraud and one count of filing a false income tax return. Johnston also was ordered to pay restitution.

Johnston oversold participation in large commercial and personal loans arranged by him through his company, First United Funding. His scheme involved selling more than 100 percent participation in at least ten different loans. In other words, he sold loan participation to banks after already selling that same participation to other banks. In each instance, Johnston failed to disclose that the total participation exceeded 100 percent of the original loan, effectively causing banks to lend against non-existent collateral.

By employing this scheme, Johnston solicited and received \$23.65 million from six banks for a \$7 million loan and \$38.65 million from eight banks for an \$8 million loan. Six additional lenders were defrauded during the course of this scheme by overselling participation in other loans.

Furthermore, Johnston failed to report the fraudulent income on his 2005 federal income tax return. That failure resulted in the underpayment of federal taxes of approximately \$508,905.

This case was the result of an investigation by the FBI, the IRS—Criminal Investigation Division, and the Federal Deposit Insurance Corporation.

California; alternative energy projects in Hartsel Springs, Colorado; and a NASCAR-type race track in Elko, Minnesota.

Krzyzaniak promised investors their money would be invested, and that they could expect a substantial investment return. He then indicated that each project was proceeding toward a successful conclusion, having secured appropriate approval from

the government and others. That was untrue. In addition, he falsely told investors he had various financing sources available, if needed, along with a number of celebrity endorsements.

Moreover, he failed to disclose he had been previously convicted of a federal felony involving fraud. In all, people provided Krzyzaniak between \$20 and \$50 million for investment.

Krzyzaniak also failed to file federal income tax returns from 2004 until 2007, resulting in a total tax loss between \$400,000 and \$1 million.

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

Minnetonka and Colorado Springs Residents Sentenced for Orchestrating High-Yield Investment Scheme

Two men were sentenced on June 9, 2011, in connection with a high-yield investment scheme that defrauded dozens of investors in several states. Mark S. Sutton, age 63, of Minnetonka, was sentenced to 42 months in federal prison on one count of conspiracy to commit mail and wire fraud, one count of conspiracy to commit money laundering, and one count of conspiracy to defraud the United States. Sutton was convicted by a jury on October 20, 2010. Joseph L. Finney, age 65, of Colorado Springs, Colorado, was sentenced to 64 months in prison after pleading guilty to one count of conspiracy to commit mail and wire fraud and one count of conspiracy to commit money laundering.

From approximately May of 2000 to 2005, Sutton, Finney, and others sold shares in an investment called Envestclub, which they marketed as providing returns far greater than run-of-the-mill investments. However, the defendants failed to inform potential investors of their use of investor funds as sales “commissions” for themselves. They also failed to disclose Finney’s 2003 federal fraud conviction.

Furthermore, Sutton was convicted of conspiring with a Plymouth, Minnesota, man to evade payment of that man’s federal income taxes for 1991 and 1992. Trial evidence proved that Sutton helped create a trust into which property was placed for the purpose of evading taxes. In addition, he referred his co-conspirator to individuals who specialized in tax-avoidance schemes.

This case was the result of an investigation by the IRS—Criminal Investigation Division.

Richfield con man accused of \$20M scams



AMANDA LUCIDON - Press-Enterprise (Desert Hot Springs, Calif.) Michael Joseph Krzyzaniak, known as Michael Joseph Crosby, at the site of a golf course scheme.

● Golf pro Phil Mickelson among those drawn into golf, racetrack and other bogus projects.

By DAN BROWNING, PAUL MCENROE and JENNIFER BJORHUS
Star Tribune staff writers

A 62-year-old Twin Cities man convicted of fraud in 1993 has been accused of running several more wide-ranging schemes that bilked at least \$20 million from people, including golf pro Phil Mickelson.

A federal indictment unsealed Thursday in Minneapolis alleged Michael Joseph Krzyzaniak, also known as Michael Joseph Crosby, has been soliciting investors since 2003 for projects that include a golf resort in Desert Hot Springs, Calif., and a NASCAR-style racetrack in Elko, Minn.

Investors described Krzyzaniak, whom they knew as Crosby, as a larger-than-life personality who traveled in chartered jets, drove a \$130,000 Mercedes and relaxed at a California beach house he rented. He didn't tell

investors about his previous mail fraud conviction, or that his business projects were not viable because of environmental issues, the lack of regulatory approvals or other reasons, the government alleged.

To lure investors, the government says, Krzyzaniak promised substantial returns and falsely claimed to have celebrity endorsements that would ensure the projects' success. He allegedly spent some of the money he raised to

Fraud continues on A9 ▶

ONGOING INVESTMENT FRAUD CASES



Hecker Sentenced to Ten Years in Prison

In February 2011, Dennis Earl Hecker was sentenced to 120 months in federal prison for defrauding financial lenders and others out of millions of dollars. In imposing the sentence, U.S. District Court Judge Joan N. Ericksen said, “The actions you’ve taken are not consistent with someone who can be trusted, and you have not been as truthful as you could have been in the court system. Therefore, you do not get a break. You’re going to get the full ten years, which is appropriate and necessary. Behaving like a scoundrel is not tolerated in the court system.”

For years, Hecker owned and operated local auto dealerships and businesses, collectively known as the “Hecker organization,” which 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.

In February of 2011, Hecker associates Steven Joseph Leach and James Earl Gustafson were sentenced for their roles in Hecker’s scheme. Leach, the former president of Rosedale Dodge, was sentenced to 27 months in federal prison for conspiring to defraud lenders. Gustafson, a Hecker employee, was sentenced to two years of probation for lying to investigators and helping to hide a Cadillac for Hecker.

In March of 2011, Hecker’s wife, Christi Rowan, was sentenced to 14 months in federal prison for making false statements in Hecker’s bankruptcy case and defrauding a federal credit union while seeking an automobile loan.

Medical Device Manufacturer Sentenced for Failing to Report Safety Problems to FDA

In January 2011, Guidant LLC, a wholly-owned subsidiary of Boston Scientific Corporation, was formally convicted and sentenced for criminal violations relating to its interactions with the Food and Drug Administration (“FDA”). The company was ordered to pay more than \$296 million in criminal fines and forfeiture and was also ordered to submit to the supervision of the U.S. Probation Office for three years.

The Justice Department brought criminal charges against Guidant for its mishandling of short-circuiting failures of two of its implantable cardioverter defibrillators: the Ventak Prizm 2 DR and the Contak Renewal. Guidant’s Cardiac Rhythm Management division, which produced the defibrillators, is headquartered in Arden Hills, Minnesota.

Implantable cardioverter defibrillators are lifesaving devices used to detect and treat abnormal heart rhythms that can result in sudden cardiac death. The devices, once surgically implanted, continually monitor the electrical activity in a patient’s heart for deadly arrhythmias and deliver an electrical shock to the heart in an effort to return the heartbeat to normal rhythm. If they fail to operate properly when needed, a person can die within minutes.

The company admitted filing false documentation with the FDA regarding changes made to the device in response to the failures. The company pleaded guilty to the charges last April.

Charges Filed Against Petters Associates

In July of 2011, a superseding indictment was filed against Frank Elroy Vennes, Jr., a business associate of and primary fundraiser for Tom Petters, who was sentenced to 50 years in federal prison in 2010 for orchestrating a \$3.7 billion Ponzi scheme. The superseding indictment charges Vennes, age 53, of Stuart, Florida, with fraudulently raising money from individuals and through hedge funds to invest in Petters Company, Inc. (“PCI”).

The superseding indictment also charges James Nathan Fry, age 57, of Orono, Minnesota, with five counts of securities fraud, four counts of wire fraud, and three counts of making a false statement to the United States Securities and Exchange Commission during its investigation of investments in PCI by hedge funds under the management of Fry’s company, Arrowhead Capital Management.

Five hedge fund managers have pleaded guilty to lying to investors about PCI.

Three Indicted in Connection to Trevor Cook’s Ponzi Scheme

In December of 2011, Jason Bo-Alan Beckman, Gerald Joseph Durand, and Patrick Kiley were charged in a superseding indictment with defrauding investors by soliciting them to invest money in a foreign currency trading program based on false representations.

In August of 2010, Trevor Cook, age 38, of Apple Valley, was sentenced to 300 months in federal prison for orchestrating the scam, a Ponzi scheme that collectively cost more than 900 investors \$158 million.

In June of 2011, Christopher Pettengill pleaded guilty to lending credibility to and ultimately persuading others to invest in the scam. He awaits sentencing. In November of 2011, Jon Jason Greco was sentenced to ten months in federal prison for making false statements to federal agents, specifically lying about assets he had concealed in relation to this case.

HEALTH CARE FRAUD

Nearly every Minnesotan, whether covered by Medicare, Medicaid, or one of the many private insurers, is victimized by health care fraud. Fraudulent billing, stealing personal medical information, making bogus Medicaid claims, and other health care fraud cost American taxpayers billions of dollars each year. Working with our state partners and private citizens, the U.S. Attorney's Office for the District of Minnesota, along with the entire U.S. Department of Justice, is making every effort to find and prosecute thieves who steal from the health care system, and those efforts are paying dividends. The U.S. Department of Justice reports that for every dollar Congress has provided for the fight against health care fraud over the past three years, seven dollars have been recovered.

"Home" Health Care Fraud

Home health care is provided by personal care attendants ("PCA"), who often work for or are contracted by private companies. PCAs visit Medicaid patients in their homes to assist with daily tasks, the companies ultimately getting reimbursed by Medicaid for those services. Medicaid is a federal program that offers payment for certain medical services provided to low-income people who meet specific eligibility requirements. In Minnesota, the program is administered by the State Department of Human Services. Fraud in the home health care arena routinely involves filing reimbursement claims for services never rendered, requesting reimbursement based on falsified records, and paying kickbacks for illegal referrals to home health care companies. A couple examples of these types of cases, as prosecuted by the U.S. Attorney's Office during 2011, are summarized below.

United States v. Danso and Ossei

In April 2011, Samuel Akoto Danso, age 41, of Woodbury, and Harry Kwabena Ossei, age 51, of Oakdale, were indicted on one count of conspiracy to commit health care fraud, one count of conspiracy to commit money laundering, 15 counts of health care fraud, and eight counts of aggravated identity theft in relation to health care fraud. Through their home health care business, the defendants allegedly provided money to PCAs and Medicaid recipients in exchange for participation in phony PCA service arrangements. They also allegedly used the identification of others without their consent. This is not Ossei's first scrape with the law. In 2003, he was excluded from participating in federal health care programs for 15 years after pleading guilty to health care fraud. If convicted in the present case, Ossei and Danso face a mandatory minimum sentence of two years in prison for aggravated identity theft. This case was investigated by the U.S. Department of Health and Human Services, the IRS, and the FBI.

United States v. Lavien

In July 2011, Joseph Vah Lavien, age 57, of Brooklyn Park, pleaded guilty to one count of health care fraud, admitting that from 2008 through June of 2009, he defrauded Medicaid of approximately \$412,227.17. Lavien owned a Minneapolis-based home health care business, through which he submitted false information to Medicaid in support of claims for reimbursement for PCA services. Among other things, he reported that PCAs had provided certain services to Medicaid recipients when, in fact, they had not. Lavien also admittedly defrauded the MinnesotaCare insurance program out of \$83,929. That program pays for the insurance premiums of some low-income residents. This case was investigated by the Minnesota Attorney General's Office—Medicaid Fraud Control Unit, the FBI, and the U.S. Department of Health and Human Services—Office of Inspector General.

Other Health Care Fraud

The U.S. Attorney's Office also has been active in prosecuting other health care fraud. Several of these cases have resulted in convictions of medical personnel for stealing controlled substances meant for patients or embezzling health care funds.

First Indictment in Minnesota Charging a HIPAA Violation Unsealed

On April 14, 2011, a former employee of a health care provider in Rochester was charged with wrongfully obtaining the personal medical information of a patient and using that information to cause malicious harm to the patient. The indictment, which was filed on April 12, 2011, charges Autumn Lee Wright, age 33, of Rochester, with one count of wrongfully obtaining individually identifiable health information and one count of wrongfully disclosing individually identifiable health information. The indictment alleges that Wright obtained the patient's demographic information, medical history, and information relating to the patient's past and present physical and mental health, and then disclosed that information to an adult male. If convicted, Wright faces a potential maximum penalty of ten years in prison on each charge. This case was investigated by the FBI and Rochester police.

In Minnesota, much of the fight against health care fraud is waged by a task force comprised of members of the U.S. Attorney's Office and the Minnesota Attorney General Office's Medicaid Fraud Control Unit, which includes representatives from the U.S. Department of Health and Human Services—Office of Inspector General, the FBI, and IRS, and other federal, state, and local law enforcement. The task force focuses on home health care fraud, one of the most prevalent forms of health care fraud. 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.

MORTGAGE FRAUD

Mortgage fraud devastates consumers and impedes the recovery of the housing market and, in turn, the economy as a whole. The U.S. Attorney's Office in the District of Minnesota will continue to pursue these criminals, who are stealing both money and the dream of home ownership for many. In 2011 alone, the office charged 31 individuals with committing mortgage fraud.

Burnsville Man Sentenced for Bilked Mortgage Lenders Out of More Than \$43 Million

In October 2011, Troy David Chaika was sentenced to 102 months in federal prison for conspiring to bilk mortgage lenders out of more than \$43 million through a scheme involving 183 homes. In May 2011, he was convicted of seven counts of wire fraud, three counts of mail fraud, and one count of conspiracy to commit wire fraud and mail fraud. Chaika's co-defendant, Dustin Lee LaFavre, was sentenced to 48 months in prison on one count of conspiracy for his role in the scam.

Between 2005 and 2008, Chaika conspired with LaFavre and others to obtain money fraudulently through more than 100 residential property transactions. To further this scheme, Chaika and LaFavre negotiated with builders of new properties as well as owners of existing properties to buy both single pieces of property and property groupings at greatly reduced prices. They then solicited real estate purchasers by promising large cash pay-outs, or "kickbacks," from lenders' funds. Chaika and LaFavre failed to tell potential buyers about the reduced prices they had negotiated for the properties, choosing instead to quote them the grossly inflated prices. By charging the higher prices, they acquired enough cash from loan proceeds to pay the buyers their kickbacks and still have money remaining for themselves and their co-conspirators.

Once a potential buyer was recruited, Chaika and LaFavre, or someone working on their behalf, would draft a purchase agreement that reflected the inflated sale price. Occasionally, a so-called addendum to the purchase agreement was also drafted, which set forth the planned kickback, or buyer "pay-out," but that document was never provided to the lender. In several instances, Chaika and LaFavre worked with buyers and mortgage loan officers to prepare false documents for use in the application process. In addition, Chaika and LaFavre sometimes loaned money to buyers for down payments or to pad their bank balances while the application process was pending. Because of these material misrepresentations, numerous lenders agreed to fund mortgage loans for the purchase of residential properties. Furthermore, after the mortgage loans were secured, property title companies prepared documents and handled closings based on the fraudulent information provided by Chaika and LaFavre or others on their behalf.

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

Albertville man sentenced for Involvement in \$7.7 Million Mortgage Fraud Scheme

In October 2011, a 31-year-old Albertville man was sentenced to 125 months in prison for his role in a mortgage fraud scheme that caused losses to lenders exceeding \$7 million. After a three-week jury trial, John Anthony Spencer was convicted of one count of conspiracy to commit mortgage fraud through interstate wire fraud, ten counts of wire fraud, one count of bank fraud, and one count of money laundering. Joseph Lenton, age 32, of Oakdale, and Patrick Arthur Dols, age 38, of Minneapolis, both pleaded guilty, in March 2011, to one count of conspiracy for their roles in the scheme.

Spencer, a mortgage broker at Minnesota One Mortgage, agreed to assist in selling the units of a five-plex condominium building in St. Paul. To that end, Spencer recruited Lenton, a real estate appraiser, to appraise each of the units at substantially more than the owner of the units was willing to accept as full payment for them. Spencer then recruited straw buyers to purchase the units with loan proceeds obtained via fraudulent loan applications prepared by Spencer and Dols, another mortgage broker. Spencer also arranged \$227,800 in payments to be made to AC Standard Construction for purported work on two of the five units. In reality, no work was done, the company being nothing more than a sham through which the defendants received kickbacks.

Spencer engaged in similar conduct in two additional instances in April 2006. In the first instance, he used the proceeds of loans fraudulently brokered by himself and Dols to recruit two purchasers on behalf of an unnamed co-conspiring real estate developer, who was trying to sell six single-family homes in north Minneapolis. Then, after closing on the sale of four condominium units located in St. Paul, Spencer caused substantial sums of money to be paid into a sham homeowners' association account, from which kickbacks were paid to Spencer and others involved in the scheme, including some buyers.

Spencer also fraudulently borrowed more than \$700,000 from Anoka Hennepin Credit Union to purchase his home in Albertville. In that transaction, he received \$73,000 back at closing without the knowledge of the Credit Union.

For their crimes, Lenton and Dols face a potential maximum penalty of five years in prison.

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

Federal Mortgage Fraud Task Force

The Federal Mortgage Fraud Task Force in Minnesota is comprised of representatives from the FBI, the IRS—Criminal Investigation Division, U.S. Postal Inspection Service, U.S. Secret Service, and the U.S. Attorney's Office. For assistance from the task force, contact U.S. Postal Inspector Christine 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.

Golden Valley Man Sentenced for Mortgage Fraud Scheme

In September of 2011, Zack Zafer Dyab, age 47, of Golden Valley, was sentenced for his role in orchestrating a mortgage fraud scheme that resulted in the theft of more than \$2.5 million from lenders nationally. The scheme centered around obtaining fraudulent loans for the purchase of 24 homes in the Twin Cities. Dyab was sentenced to 120 months in federal prison on one count of conspiracy to commit wire fraud and one count of money laundering. His co-defendant, Julia Alexander Rozhansky, age 47, of Minnetonka, was sentenced to 60 months in prison on one count of conspiracy to commit wire fraud.

At the time of the crime, Dyab owned American Choice Lending, Inc., a mortgage brokerage company. Rozhansky was his assistant and had supervisory authority over the company's loan officers and loan processors. Dyab often arranged for straw buyers to purchase properties at inflated prices from him, his companies, or third-party sellers. After those sales, Dyab and Rozhansky purportedly caused the sellers to pay them a portion of the sale proceeds. Dyab and Rozhansky also induced numerous mortgage lenders across the country to give mortgages to relatives of Rozhansky. Dyab then stole large amounts of the loan proceeds for his own personal use. In addition, Dyab sometimes had a real estate broker receive so-called real estate commissions from the transactions, which the broker then would sign over to Dyab.

This case was the result of an investigation by the FBI and the IRS—Criminal Investigation Division.

Lawyer Sentenced for Stealing More Than \$3 Million in Mortgage Fraud Scheme

In January 2011, a 40-year-old lawyer from Hudson, Wisconsin, was sentenced for stealing more than \$3 million in a mortgage fraud scheme. Jason Eric Fischer was sentenced to 50 months in prison on one count of mail fraud and one count of money laundering. He must also pay more than \$3 million in restitution.

Fischer orchestrated a scheme to divert funds from the escrow account at Real Source Title, a company he jointly owned and managed. The company, which had offices in Mahtomedi and Burnsville as well as in Illinois and Hudson, Wisconsin, routinely accepted wire transfers and checks from buyers and lenders. Those funds were to be held in escrow for the sole purpose of closing residential real estate transactions, and Fischer represented to buyers, lenders, underwriters, and others that the money deposited into the escrow account was, in fact, used only to close real estate transactions. However, Fischer regularly withdrew that money to pay for personal and business expenses as well as to fund prior company real estate transactions. For example, Fischer invested approximately \$500,000 of escrow funds in the opening and operation of a restaurant.

In all, Fischer diverted approximately \$3 million from the escrow account at Real Source Title; and by May 2009, the account was depleted and unable to fund 15 loans. As a result, buyers, sellers, lenders, and others suffered significant financial loss.

This case was the result of an investigation by the FBI and the IRS—Criminal Investigation Division.



Five Plead Guilty in Defrauding Lenders in Minnetonka Development

In 2011, ten people were charged with defrauding mortgage lenders in a scheme that caused losses to lenders of approximately \$10 million, in connection with the marketing of the Cloud 9 Sky Flats development in Minnetonka. Five of the ten have pleaded guilty.

Lindsey Rae Loyear, of St. Paul, pleaded guilty to one count of conspiracy to commit mortgage fraud. She conspired with others to defraud

mortgage lenders in connection with financing real estate transactions in the Twin Cities. Loyear specifically concealed information from potential lenders, including that short-term loans were being given to buyers to use as down payments, and that cash kickbacks would be supplied to buyers for purchasing the properties. Altogether more than 90 units were sold through the scheme.

Sheri Delich, of Apple Valley, pleaded guilty to one count of money laundering as well as one count of conspiracy to commit wire fraud. She found buyers to apply for mortgage loans to purchase units in the development, knowing that each would receive a kickback of approximately 30 percent of the reported unit purchase price. The kickbacks were returned to the buyers through an account controlled by Delich and funded with loan proceeds totaling in excess of \$4.2 million. Once she received kickback money, Delich admittedly took a percentage for herself and others involved in the scheme. More than 40 Cloud 9 units were sold through this scheme, and more than 80 percent of the loans have since gone into default. Delich was assisted by My Dinh Lam, of Minneapolis, and Ashley Elizabeth Prasil, of Eden Prairie. Lam and Prasil pleaded guilty to one count of conspiracy.

Loyear, Delich, Lam, and Prasil face a potential maximum penalty of five years in federal prison. Delich also faces an additional 20 years for money laundering.

In addition, Joseph Steven Meyer, of Eagan; Garett Clark Wright, of Rosemount; John Halvor Ketcham, of Richfield; Chanprasith Phouthavongsay, of Richfield; Jared Mitchell Rothenberger, of Minneapolis; and Derek Krez McCormack, of Plymouth, were indicted for their roles in the scheme. Allegedly, they found buyers to apply for mortgage loans to purchase units in the condominium development in exchange for cash kickbacks. Wright pleaded guilty to one count of conspiracy. Criminal prosecution continues against the others.

These cases are being investigated by the FBI and the IRS—Criminal Investigation Division.

CYBER CRIME

The global reach of the Internet makes every computer user in the world a potential victim of cyber crime. Addressing this problem requires international cooperation, and the law enforcement collaboration seen to date in these cases demonstrates that no matter the country, Internet criminals will be pursued, caught, and prosecuted.

U.S. Department of Justice Disrupts International Cyber Crime Rings

In June 2011, the U.S. Department of Justice, the U.S. Attorney Offices in Minnesota and the Western District of Washington, along with international law enforcement partners, announced the indictment of two individuals from Latvia and the seizure of more than 40 computers, servers, and bank accounts as part of Operation Trident Tribunal, an ongoing, coordinated enforcement action targeting international cyber crime. The rings involved caused more than \$74 million in losses to more than one million computer users through the sale of fraudulent computer security software known as “scareware.”

Scareware is malicious software that poses as legitimate computer security software and purports to detect a variety of computer threats that do not actually exist. Users are then informed they must purchase what they are told is anti-virus software in order to repair their computers. The users are subsequently barraged with aggressive and disruptive notification until they supply their credit card numbers and pay for the anti-virus product, which, in fact, is fake.

One of the international crime rings disrupted by Operation Trident Tribunal relied on online advertising to spread its scareware products, a tactic known as “malvertising.” An indictment unsealed in federal court in Minnesota charged the two operators of the scam with two counts of wire fraud, one count of conspiracy to commit wire fraud, and one count of computer fraud. Peteris Sahurovs, age 22, and Marina Maslobojeva, age 23, were arrested in Rezekne, Latvia. According to the indictment, the two created a phony advertising agency, claiming they represented a hotel chain that wanted to purchase online advertising space on the “Minneapolis Star Tribune” website.

They provided an electronic version of the advertisement, which newspaper staff found operational. Once the ad began running on the website, however, Sahurovs and Maslobojeva changed the computer code in the ad so computers visiting the site would get infected with a software program that launched scareware on their systems. That scareware would cause the computers to



“freeze up” and generate a series of pop-up warnings designed to trick users into purchasing the fake anti-virus software. The computers would “unfreeze” only if users bought the software. Those who didn’t found all data and files stored on their computers inaccessible. This scam allegedly led to at least \$2 million in losses. If convicted, the two defendants face up to 20 years in prison for wire fraud and conspiracy and up to ten years for computer fraud.

Warrants obtained elsewhere in the country led to the seizure of 22 computers and servers that were involved in the operation

of another scareware scheme.

An additional 25 computers and servers abroad were also seized in the Netherlands, Latvia, Germany, France, Lithuania, Sweden, and the United Kingdom. The international criminals involved in this scam infected hundreds of thousands of computers with scareware and sold more than \$72 million worth of fake anti-virus products during a three-year period. This particular scareware scheme used a variety of ruses to trick consumers into

unknowingly infecting their own computers with malicious scareware products, including web pages featuring the fake computer scans. Once the scareware was downloaded, victims were notified that their computers were infected with a range of malicious software and badgered into purchasing the fake anti-virus software to resolve their non-existent problem, at a cost of up to \$129. An estimated 960,000 people were victimized by this scareware scheme, leading to \$72 million in actual losses to computer users. Latvian authorities also executed seizure warrants for at least five bank accounts that were allegedly used to funnel profits to the scam’s leadership.

Operation Trident Tribunal was conducted by the FBI’s Cyber Division, Minneapolis and Seattle Field Offices; the Computer Crime and Intellectual Property Section and the Asset Forfeiture and Money Laundering Section of the U.S. Justice Department’s Criminal Division; and a number of international law enforcement partners.

For more information about cyber crime investigation or for assistance with investigations, contact

The Minnesota Cyber Crime Task Force
Craig Sorum, FBI (612) 336-8552
Mark Johnson, FBI (612) 348-1800

The Minnesota Internet Crimes Against Children Task Force
Donald Cheung, Statewide Gang & Drug Coordinator
(651) 793-1072

PUBLIC CORRUPTION

Former Minnesota Department of Revenue Employee Sentenced for Stealing \$1.9 Million in State Funds

On September 7, 2011, a former auditor with the Minnesota Department of Revenue was sentenced for creating false tax refunds and using those refund proceeds for personal benefit. Pamela Marie Dellis, age 59, of Lindstrom, was sentenced to 60 months in prison on one count of conspiracy to commit mail fraud and one count of money laundering. Dellis' niece, Laurie R. Sondrall, age 29, of Minneapolis, and Dellis's sister, Nancy T. Sondrall, age 55, of Brooklyn Center, were each sentenced to 27 months in federal prison on one count of conspiracy. All three defendants are required to pay a collective total of more than \$1.9 million in restitution.

The defendants admitted that for more than five years, they conspired to defraud the State of Minnesota by embezzling funds through the creation of false tax refund checks. As an auditor with the Minnesota Department of Revenue, Dellis' job, in part, was to process tax overpayments. In numerous instances, however, she falsified records to create the impression that a taxpayer was owed a refund due to an overpayment when, in fact, that was not the case. Then, she drafted a refund check or a "transfer of funds," made payable to her sister or niece, for the false refund amount. To make it more difficult for anyone to detect that the refunds were not legitimate, Dellis used variations of her co-conspirators' names on the checks and transfers.

To cash the checks, Dellis and her co-conspirators sometimes sought the services of a check-cashing business and then divided the check proceeds. On other occasions, the checks were deposited into an account, in an effort to conceal the source of the funds, and then withdrawn and shared by the co-conspirators. In all, Dellis was responsible for more than 200 fraudulent tax refund payments, totaling approximately \$1.9 million.

This case was the result of an investigation by the Minnesota Department of Revenue, which discovered the fraud when an employee identified a suspicious pattern in refunds authorized by Dellis. The Department of Revenue collaborated on the investigation with the Minnesota BCA, the Minnesota Financial Crimes Task Force, and the IRS—CID.

"More than three decades ago, I began my career in the Public Integrity Section of the U.S. Department of Justice. I know that advancing public corruption investigations and prosecutions is extremely difficult work. In these cases, the stakes are always high. Public scrutiny is intense. And the utmost professionalism is essential. . . . The Justice Department has one message for anyone willing to abuse the public trust for personal gain: you will be caught; you will be stopped; and you will be punished."

— United States Attorney General Eric Holder

Former School Business Manager Steals \$275,000

On July 29, 2011, the former business manager for the Chokio-Alberta School District pleaded guilty to stealing approximately \$275,000 from the district. Liane Claassen, age 43, of Chokio, specifically pleaded guilty to one count of wire fraud.

Claassen was responsible for payroll for all district employees and was entrusted to authorize bank transfers. However, she used the district's computer to pay herself more than her salary and illegally transferred money into her retirement account. She hid the scheme by making misrepresentations to her employers regarding the district's financial condition.

Claassen faces a potential maximum penalty of 20 years in prison. This case was investigated by the FBI.

Former Court Clerk Sentenced for Fraud

In June 2011, a former senior court clerk for Minnesota's Fourth Judicial District was sentenced for failing to provide honest services. Abdulkadir Mohamoud Afrah, age 43, of Hastings, was sentenced to 21 months in prison on one count of honest services wire fraud and was ordered to pay \$6,110 in restitution.

In exchange for unlawfully dismissing at least 22 "no proof of car insurance" tickets, Afrah sought bribes from cited people. Those tickets had a value to Hennepin County District Court of at least \$6,110. To hide the scheme, he made false entries in the court's computer system.

This case was investigated by the FBI, with assistance from the Fourth Judicial District Court.

Former Freeborn County Commissioner Sentenced for Stealing from Escrow Accounts

A former Freeborn County Commissioner who operated a real estate closing company was sentenced on August 30, 2011, for converting at least \$920,000 in funds from escrow accounts for her personal use. Linda Kae Tuttle-Olson, age 60, of Albert Lea, was sentenced to 42 months in prison on one count of wire fraud in connection to the crime.

Tuttle-Olson was the president of Freeborn County Abstract Co., also known as Albert Lea Abstract Company ("ALAC"). ALAC conducted real estate closings, held funds in escrow to be disbursed pursuant to closing instructions, and distributed loan proceeds as directed by lenders. Tuttle-Olson received fiduciary and escrow funds from clients, which were deposited into ALAC bank accounts. Tuttle-Olson then transferred the funds from those accounts into other accounts, from which she wrote numerous checks to "cash" and herself. To cover the scheme, she sent checks from one bank to another to produce artificial balances.

This case was investigated by the Albert Lea Police Department, the Insurance Fraud Division of the Minnesota Department of Commerce, the FBI, and the Iowa Division of Criminal Investigation.

EMBEZZLEMENT



President of Drywall Company Sentenced for Misappropriating \$190,000 in Wages and Benefit Funds

In November 2011, the owner and president of Franklin Drywall, a union sheet-rocking company based in Little Canada, was sentenced to 24 months in prison for providing a false statement to two labor union pension and benefit funds in connection to a scheme to underpay employees for overtime and underpay pension and benefit contributions required by collective bargaining agreements. Philip Joseph Franklin, age 48, of Leesburg, Virginia, provided false reports to Minnesota Carpenters Pension and Benefit Funds and the Painters and Allied Trades District Council No. 82 Pension and Benefit Funds.

Under the terms of those collective bargaining agreements, Franklin Drywall was required to pay into applicable pension and benefit funds specified amounts of money for each hour worked by any employee in a job classification covered by the agreements. Employees of

Franklin Drywall were eligible to receive benefits from those funds if they retired, became disabled, or were terminated. Relatives could also receive benefits from the funds upon an employee's death.

Franklin admitted that to evade payments into the pension and benefit funds, he directed employees of Franklin Drywall to falsify time sheets and submit reports to the union pension and benefit funds that materially under-reported the hours worked by Franklin Drywall union employees. Franklin also directed Franklin Drywall administrative employees to report to the pension and benefit funds no more than 40 hours of work per week for Franklin Drywall union employees, regardless of the number of hours actually worked. To evade reporting and paying fringe benefits for the number of hours actually worked, Franklin directed that employees who worked more than 40 hours (a) be paid for excess hours on a separate paycheck at the straight hourly rate; or (b) be paid for excess hours at the straight hourly rate on paychecks marked as "other pay." In all, Franklin evaded payment of more than \$190,000 owed to the pension and benefit fund.

Furthermore, Franklin admitted knowing that the information provided to the union pension and benefit funds would be used by the funds to compile reports required by the Employee Retirement Security Act of 1974 ("ERISA"), and that by submitting reports to the funds that falsely reported the number of hours worked by employees and the contributions that Franklin Drywall owed to the fund, the reports required by ERISA would be false.

This case was investigated by the Office of Inspector General and the Employee Benefits Security Administration of the U.S. Department of Labor.

New Prague Man Sentenced for Embezzling Funds from an Employee Benefit Plan

On September 8, 2011, Delroy Joseph Sand, Jr., age 63, of New Prague, was sentenced to 41 months in prison on one count of theft from an employee benefit plan. Between 2008 and 2009, Sand was the trustee for the employees' retirement savings plan at Hecla, Inc., a business that provides adult foster care as well as group-home and mental health services in Minnesota. During that time, he embezzled approximately \$642,166.81. This case was investigated by the U.S. Department of Labor—Employee Benefits Security Administration, with assistance from the FBI and the U.S. Department of Housing and Urban Development—Office of Inspector General.

Two Men Sentenced for Embezzling from Mille Lacs Band of Ojibwe

In February 2011, Eric J. Makowski, age 31, of Brainerd, was sentenced to 30 months in prison on one count of embezzlement from a tribal organization in connection to stealing more than \$600,000 from the Mille Lacs Band of Ojibwe. For his role in the scheme, Jason Allen Heinlen, age 33, of Belle Plaine, was sentenced to five years of probation on one count of aiding and abetting embezzlement. As a construction project manager for the tribe, Makowski coordinated fraudulent and excessive payments to contractors. Then, he arranged kickbacks to enrich himself and Heinlen. This case was investigated by the U.S. Department of Interior—Office of Inspector General and the FBI.

Former President of Insurance Services Firm Sentenced for Stealing \$1.8 Million

On August 30, 2011, the owner and president of an insurance services firm called Parthenon Risk Partners was sentenced for stealing nearly \$2 million through that company. Dennis Lee Pap, age 44, of Lynden, Washington, was sentenced to 41 months in prison on one count of wire fraud.

Parthenon provided insurance services to agricultural cooperatives in Minnesota and helped manage the insurance needs of two unincorporated associations, Access Insurance Association ("Access") and Pillar Insurance Limited ("Pillar"). Pap admitted that he stole approximately \$1.8 million from Access and Pillar through Parthenon. He then deposited those funds into his personal bank account.

This case was the result of an investigation by the FBI and the Minnesota Department of Commerce.

TAX FRAUD

Tax violations have been erroneously referred to as victimless crimes, but it is the honest law-abiding citizen who is harmed when someone tries to manipulate our nation's tax system and unfairly takes advantage of the individuals and businesses that play by the rules. Many vital services in this country, from schools to the military, are funded with tax dollars, and we all must pay our fair share.

Brothers Sentenced for Conspiring to Defraud the Internal Revenue Service

Two Minnesota brothers were sentenced on February 17, 2011, for devising a tax-evasion scheme that involved concealing income they and many of their employees received from their Morris, Minnesota, road construction business. Joseph Edward Riley and John Thomas Riley were sentenced to 42 months in prison on one count of conspiracy to defraud the U.S. Each also was fined \$250,000, the maximum fine allowed, and ordered to pay the taxes and penalties owed to the Internal Revenue Service.

Between 1994 and August of 2003, the brothers conspired to defraud the U.S. by concealing income earned by Riley Bros. Companies, Inc., a holding company that owns 100 percent of Riley Bros. Construction as well as a number of other companies. The object of their conspiracy was to evade paying income taxes, social security taxes, Medicare taxes, and unemployment taxes to the federal government. The brothers also defrauded the state of Minnesota by evading the payment of state taxes and facilitating fraudulent claims for unemployment benefits.

To further their scheme, the Rileys converted to their own benefit income for work and materials provided by Riley Bros. Construction. This was done primarily by cashing checks made payable to Riley Bros. Construction and not reporting the income through the company. The cash then was spent primarily by the brothers. For example, Joseph Riley used the money to purchase a time-share condominium in Cancun, Mexico, and four motorcycles totaling more than \$70,000. In addition, the Rileys used converted funds to provide employees with more than

\$95,000 in cash. That money, as well as the funds converted for the benefit of the Riley brothers themselves, was never reported to the IRS or the Minnesota Department of Revenue.

Furthermore, the Rileys arranged for more than 70 employees of Riley Bros. to get paid in cash for work performed while those employees were collecting unemployment benefits. Many of those payments were disguised in order to facilitate tax fraud in addition to fraudulent unemployment claims.

In addition, between 1996 and 2003, the defendants caused Riley Bros. to pay more than \$79,000 of their own personal expenses by directing company bookkeepers to falsify records and disguise those payments as business expenses. For example, the costs related to their children's wedding receptions, including the rental of tables, china, and a champagne fountain, were listed as business expenses. Expenses for home remodeling, such as the bricks used for Joseph Riley's home and improvements on John Riley's lake house, were disguised as materials purchased for company buildings. And repairs and other maintenance for Joseph Riley's Cadillac Escalade and John Riley's Chevrolet Corvette, as well as many of the vehicles driven by their children and other relatives, were listed as solely business related.

As a result of this conspiracy, more than \$500,000 in improperly reported money was paid to Joseph Riley, John Riley, and Riley Bros. employees by Riley Bros. Companies, Inc.

This case was the result of an investigation by the IRS—CID.



Minnesota Attorney Sentenced for Tax Evasion

A Minnesota attorney was sentenced on May 26, 2011, for intentionally failing to report at least \$595,000 in income on his federal and state income tax returns for tax years 2004 through 2006. Samuel Alfred McCloud was sentenced to 18 months in federal prison on one count of tax evasion. McCloud also was ordered to cooperate with the IRS and the Minneapolis Department of Revenue in the assessment and collection of taxes, interest, and penalties owed by him.

While employed at two law firms, McCloud instructed clients to write checks to him directly rather than payable to the law firms. McCloud then deposited those checks in bank accounts held in the name of another person as well as several sham corporations. In addition to failing to report the income, McCloud failed to pay state or federal taxes on it, resulting in actual losses to the U.S. of at least \$186,000.

This case was the result of an investigation by the IRS—CID and the Minnesota Department of Revenue.

Man Sentenced for Filing False Claims for More Than \$2 Million in Tax Refunds

On June 8, 2011, Robert Mohan Tiwari was sentenced to 20 months in prison on one count of filing a false claim for a tax refund. Tiwari was also ordered to pay approximately \$602,000 in restitution.

Tiwari admitted he filed a U.S. Individual Income Tax Return for himself, claiming a tax refund in the amount of \$906,419, knowing he was not entitled to that money. Moreover, he filed six additional tax returns for tax years 2008 and 2009 under the names of other individuals. Those returns requested a combined refund of more than \$2 million.

This case was the result of an investigation by the IRS—Criminal Investigation Division.

BANK FRAUD

Dozens Charged for \$50 Million Bank Fraud Conspiracy

People trust banks with their most sensitive personal information, but that trust was broken by a network of bank employees and others, operating locally and nationally, in a \$50 million bank fraud conspiracy case, which began working its way through federal court in the District of Minnesota in 2011. Through an organized crime network, stolen identification information was bought, sold, and used by the conspirators to acquire counterfeit identification. That identification was then used by others in the network to open fraudulent bank and credit card accounts, apply for loans, drain home equity loans, and obtain cash. The conspiracy used inside bankers to facilitate the fraud. The financial institutions victimized through the scheme included American Express, Associated Bank, Bank of America, Capital One, Guaranty Bank, JP Morgan Chase Bank, TCF Bank, US Bank, Wachovia Bank, Washington Mutual, and Wells Fargo Bank. They have provided extensive cooperation and assistance throughout the investigation. To date, 19 people have pleaded guilty to related charges, and prosecution continues against several others. Moreover, the investigation continues.

On December 1, 2011, the first two defendants were sentenced for their roles in this scheme. Golden Osagiede, age 41, of Brooklyn Park, and Angelo Banks, age 48, of Minneapolis, were sentenced to 33 months in prison on one count of conspiracy to commit bank fraud and one count of conspiracy to commit money laundering. In addition, the defendants were ordered to pay \$186,939.70 in restitution. At the same time, Iwabi Nephew Oyenowo, age 35, of Bloomington, pleaded guilty to one count of conspiracy to commit bank fraud and one count of conspiracy to commit money laundering. He faces a potential maximum penalty of 30 years in prison for the conspiracy to commit bank fraud count and 20 years for the conspiracy to commit money laundering count.

These three defendants admitted that as part of the scam, they deposited counterfeit checks into bank accounts they controlled and then withdrew funds before the counterfeit nature of the checks was discovered. They also obtained access to victims' bank accounts and transferred money from those accounts to the defendants' accounts. Banks also admitted receiving from Osagiede a number of counterfeit checks drawn against the accounts of various Twin Cities-area health care facilities, which Banks negotiated for cash. Moreover, a law enforcement affidavit filed in the case indicates that on December 8, 2008, a bank customer in Florida reported an unauthorized advance on his home equity line of credit. Subsequently, authorities reportedly discovered that \$30,000 had been transferred from the line of credit to an account in Osagiede's name and then onto another Osagiede account before being withdrawn.

In addition, thirteen individuals were charged in March 2011. The indictment filed against them outlines several overt acts committed by those defendants. For example—

- Julian Nose Okeyainneh, age 43, of Colton, California, possessed, stored, and trafficked more than 9,000 identification documents, means of identifications, bank account numbers, and other information of victims for the benefit of the network. Okeyainneh was charged with one count of bank fraud conspiracy, 11 counts of bank fraud, six counts of mail fraud, two counts of wire fraud, five counts of aggravated identity theft, one count of money laundering conspiracy, and one count of trafficking in false authentication features.
- Jude Obira Okafor, age 45, of Fridley, allowed his business, A.J. Auto, to be the meeting place for the network. In December 2011, Okafor pleaded guilty to one count of aiding and abetting bank fraud.
- Olugeny Temidayo Adeniran, age 35, of Minneapolis, allegedly obtained cash and purchased merchandise totaling more than \$300,000 at the Mall of America and Southdale Mall in Minnesota, using fraudulent credit cards. Adeniran was charged with one count of bank fraud conspiracy, four counts of bank fraud, and four counts of aggravated identity theft.
- Charles Tubman Dwamina, age 46, of Lino Lakes, a bank employee who operated as a bank insider for the network, opened a bank account in the name of an unknowing third party. In January 2011, Dwamina pleaded guilty to one count of bank fraud.

Four other defendants have also pleaded guilty in this matter, while prosecution of the remaining defendants is ongoing. Convicted defendants face a potential maximum penalty of 30 years in prison on the bank fraud conspiracy charge, 30 years on each bank fraud count, 30 years on each mail fraud count, 30 years on each wire fraud count, 20 years on each money laundering count, 15 years for each count of trafficking in false authentication features, and a mandatory minimum penalty of two years in prison for each count of aggravated identity theft.

This investigation is being conducted by the Minnesota Financial Crimes Task Force, the U.S. Department of Treasury, and numerous other federal, state, and local law enforcement agencies.



Members of the Criminal Division

OTHER FINANCIAL CRIMES

Operator of Two Trucking Companies Pleads Guilty to Defrauding Drivers out of Money

On July 29, 2011, the operator of two South St. Paul trucking companies pleaded guilty to defrauding contracted truck drivers. Marlon Louis Danner, age 66, of Inver Grove Heights, specifically pled to one count of wire fraud. In entering his plea, Danner, the operator of Danner, Inc., and Bull Dog Leasing, Inc., admitted misleading drivers into returning to him settlement funds they received pursuant to an agreement between him and the Minnesota Department of Transportation (“MnDOT”).

Through his companies, Danner provided trucks and personnel for road construction projects. In 2008 and 2009, he supplied truck drivers for the Minnesota Highway 120-Century Avenue project, which was partially funded with federal money. As a result, Danner was required to pay a mandated wage rate to his drivers. The allocation of those funds was overseen by MnDOT and the Federal Highway Administration.

Authorities investigated Danner’s compliance with the wage rate and determined he had underpaid the drivers. In February 2010, he reached a settlement with the MnDOT relating to that dispute. Per the settlement, he was to issue company checks totaling more than \$185,000 to 27 drivers, each check representing wages underpaid to that particular driver.

While Danner provided the checks to MnDOT for distribution, he also telephoned many of the drivers, instructing them to return the settlement funds to him upon receipt. He said MnDOT made a mistake in concluding that the drivers had been underpaid. Thus, the funds they were about to receive were not theirs to keep.

Many of the drivers contacted Danner’s office manager for information on how to return the settlement funds. The office manager, acting on Danner’s instructions, directed the drivers to make payment in the settlement amount to various companies controlled by Danner. The drivers then were provided with false receipts for those payments. The receipts indicated the money was for fuel, rent, or shop repairs, so as to conceal that the settlement funds were being returned. Danner received more than \$120,000 of the approximately \$185,000 in settlement funds he originally provided MnDOT.

For his crime, Danner faces a potential maximum penalty of 20 years for wire fraud. This case is the result of an investigation by the FBI, the MnDOT Labor Compliance Unit and the U.S. Department of Transportation-Office of Inspector General.

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
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The Minnesota Financial Crimes Task Force

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Sprint Nextel Account Executive Sentenced for Selling Phones on the Side

On April 21, 2011, a former account executive with Sprint Nextel was sentenced for defrauding the company out of nearly \$145,000 by acquiring phones and selling them to unwitting third parties through e-Bay. Christopher Keith Destasio, age 43, of Minneapolis, was sentenced to 12 months and one day in prison on one count of wire fraud in connection to this crime.

Destasio admitted that from October of 2007 through October of 2009, he defrauded Sprint Nextel by ordering hundreds of Sprint phones purportedly for his customers, but he kept them for himself. To account for the phones, he billed his customers. However, because he billed only a negligible amount for each phone, usually just 99 cents, most customers failed to notice the charges on their Sprint Nextel bills.

The phones Destasio ordered were “cold phones,” meaning they did not yet have phone numbers assigned to them. As a result, once the phones were delivered to his home, he easily was able to sell them on e-Bay. During the two-year period of this fraud scheme, Destasio sold 575 phones for prices ranging from \$200 to \$409. In all, he fraudulently acquired approximately \$144,657.28.

This case was the result of an investigation by the Minnesota Financial Crimes Task Force and the Edina Police Department.

California Woman Pleads Guilty to Selling Non-Existent Merchandise to Medtronic

On July 7, 2011, a California woman pleaded guilty to creating sham companies that sold non-existent merchandise to Medtronic, Inc., defrauding the Fridley-based company out of millions of dollars. Jennifer Rutherford, age 40, of San Jose, California, pleaded guilty to one count of wire fraud in connection to the crime.

Rutherford admitted orchestrating the scheme between June of 2004 and June of 2009. During that time, she worked for Kyphon, Inc., which was acquired by Medtronic, Inc., in July of 2007. As a senior marketing manager, Rutherford was responsible for selecting vendors to supply marketing merchandise that company representatives could distribute at trade shows and industry conferences, such as key chains, baseball caps, and tee-shirts. To further the scheme, she created three shell companies and then pretended to buy merchandise from them. After that, she submitted invoices to Medtronic for payment of the goods. However, no merchandise ever existed. The total Rutherford caused Medtronic to pay to her for non-existent merchandise was at least \$2.1 million.

For her crime, Rutherford faces a potential maximum penalty of 20 years in prison. This case was investigated by the FBI.

CRIMINAL DIVISION

MAJOR CRIMES AND PRIORITY PROSECUTIONS SECTION

The Major Crimes and Priority Prosecutions Section, led by Deputy Criminal Chief Michelle E. Jones, handles a variety of criminal cases, from federal program fraud and identity theft to human trafficking. The section also focuses on Indian Country, making public safety on the state's federal-jurisdiction reservations, Red Lake and Bois Forte, a priority. In addition, section prosecutors bring charges against those who sexually exploit children via the Internet. That work, done in concert with federal prosecutors nationwide, is part of a Justice Department program called Project Safe Childhood. The following summaries highlight some of the cases worked by the Major Crimes and Priority Prosecutions Section this past year.



*Assistant U.S. Attorney
Michelle E. Jones*

INDIAN COUNTRY

In July 2010, the Executive Office for United States Attorneys launched the National Indian Country Training Initiative, which ensures that federal prosecutors, as well as state and tribal criminal justice personnel, receive the training and support needed to address the particular challenges relevant to Indian Country prosecutions. In the spirit of that initiative, the District of Minnesota's tribal liaison and others from the U.S. Attorney's Office participated in several problem-solving and training opportunities alongside law enforcement partners and community members. Below are examples that illustrate the efforts undertaken in 2011 to fulfill the office's multi-faceted mission in Indian Country.

Public Safety in Indian Country

The U.S. Attorney's Office hosted quarterly Public Safety in Indian Country Meetings. These meetings brought together representatives from tribal and federal law enforcement to discuss ways to improve public safety in Indian Country.

Multi-Disciplinary Team

In 2011, representatives from the U.S. Attorney's Office participated in regular Multi-Disciplinary Team ("MDT") meetings at the Red Lake and Bois Forte Indian reservations. These teams are comprised of members from health, social service, law enforcement, and prosecutive agencies. The MDT process encourages the timely and effective detection, investigation, and prosecution of child physical and sexual abuse cases.

Red Lake Family and Children Services Walk to Prevent Child Abuse

On April 26, 2011, members of the U.S. Attorney's Office joined members of the Red Lake community to participate in a walk to prevent child abuse, sponsored by Family and Children Services agency.

Criminal Jurisdiction in Indian Country

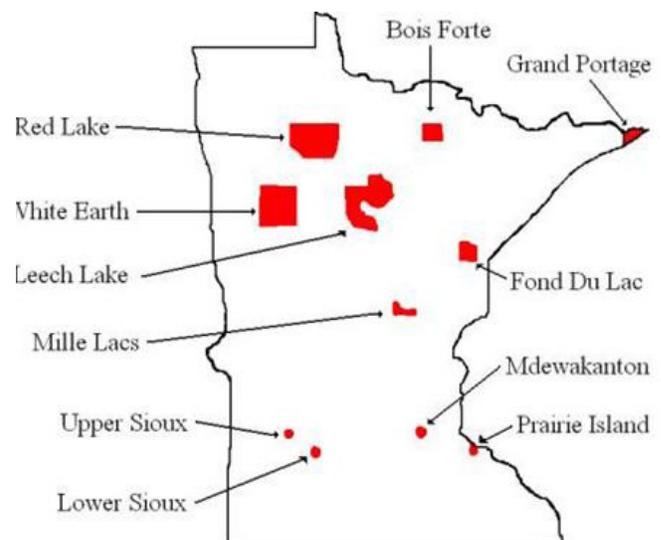
In 2011, Assistant U.S. Attorneys taught a class about criminal jurisdiction in Indian Country, which was hosted by Red Lake at the Seven Clans Casino in Red Lake, Minnesota. Completing this course and passing a related test is required before tribal officers can obtain Special Law Enforcement cards ("SLEC") from the U.S. Bureau of Indian Affairs. A SLEC card deputizes officers and grants them the same authority as federal law enforcement officers in certain situations.

Red Lake Domestic Violence Seminar

On October 19, 2011, the office's Tribal Liaison spoke at a domestic violence seminar hosted by Equay Wiigamig, Red Lake's Women's Shelter.

Tribal Visits

In addition to regular visits to Red Lake and Bois Forte, representatives of the U.S. Attorney's Office traveled and met with tribal members in White Earth, Leech Lake, and Fond du Lac. The representatives benefited from learning about the many programs implemented in those communities to increase public safety.



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.

INDIAN COUNTRY CASE HIGHLIGHTS

District's First Prosecution of a Domestic Assault Habitual Offender

In September 2011, Chris Neil Ferguson was indicted for assaulting a woman while on the Bois Forte Indian Reservation. He was convicted by a federal jury after a two-day trial in January 2012. It was the District of Minnesota's first prosecution of domestic assault by a habitual offender since such legislation was passed by Congress.

Ferguson, a non-Indian residing in a halfway house on the reservation, committed a domestic assault against the Indian victim. The victim sustained injuries to her face. Ferguson had been previously convicted in St. Louis County for felony domestic assault (2008) and gross misdemeanor domestic assault (2002).

For his crime, Ferguson faces a potential maximum penalty of five years in prison. This case was investigated by the FBI, the Nett Lake/Bois Forte Police Department, and the Bureau of Indian Affairs.



Red Lake Man Sentenced to 150 months for Assaulting and Shooting a Woman Near Redby Post Office

In November 2011, Joseph Joshua Jackson, of Red Lake, was sentenced to 150 months for assaulting a woman near the Redby Post Office. Jackson kicked the woman in the head and then shot her in the abdomen. This case was investigated by the FBI, the Red Lake Police Department, and the BCA.

Red Lake Felon Sentenced for Possessing Firearms

In September 2011, Fabian Wayne English, of Red Lake, was sentenced to 110 months in prison for possessing a .24-caliber rifle, a nine-millimeter pistol, and a .22-caliber rifle. Because he is a felon, English cannot possess firearms or ammunition at any time.

In July 2010, English sold the nine-millimeter pistol. The next day, police recovered the .24-caliber rifle from under English's mattress during a consent search of his residence. Then, in November 2010, English led officers on a high-speed chase on the Red Lake Indian Reservation. After several miles, police found English's abandoned vehicle with the .22-caliber rifle and several boxes of ammunition in the front seat. Police later learned that all three weapons were stolen.

This case was investigated by the ATF and Red Lake police.

Ponemah Man Sentenced for Involuntary Manslaughter

In February 2011, a 62-year-old man from Ponemah, one of the four communities that make up the Red Lake Indian Reservation, was sentenced to 24 months in prison for causing the death of a Red Lake man in 2009. Bruce Wilson Dow, Sr., was sentenced on one count of involuntary manslaughter.

On October 10, 2009, a man died when Dow drove a vehicle recklessly while under the influence of alcohol. Dow lost control of the vehicle and rolled it, ejecting his passenger. The man later died at a hospital.

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

Red Lake Man Sentenced for Sexually Abusing a Boy in 2009

In February 2011, Eagle Wind Lajeunesse, of Red Lake, was sentenced to 120 months for sexually abusing a boy on the Red Lake Indian Reservation. For a seven-month period in 2009, he engaged in sexual contact with the boy, who was younger than 12 at the time. This case was investigated by the FBI and the Red Lake Police Department.

Two Redby Men Pleaded Guilty in Connection to a 2010 Killing on the Red Lake Indian Reservation

In November of 2011, two men from Redby pleaded guilty to the November 3, 2010, killing of one man and the wounding of two others on the Red Lake Indian Reservation. Donald Leigh Clark, Jr., pleaded guilty to one count of discharging a firearm during the commission of a crime of violence, specifically the shooting of Julian Keith DeMarrias. Clark's co-defendant, Cruze Anthony White, pleaded guilty to one count of voluntary manslaughter for aiding and abetting Clark.

A law enforcement affidavit filed in the case states that on November 3, the Red Lake Police Department responded to a reported shooting and found three adult men in and around a vehicle, all with gunshot wounds. DeMarrias was pronounced dead at a nearby medical facility. Clark was arrested on January 15, 2011, when officers found him hiding in the backseat of a vehicle, under a blanket. White surrendered himself to authorities on January 24, 2011. Just prior to going to press, Clark was sentenced to 120 months in federal prison, and White was sentenced to 80 months.

In January 2012, Jerilee Jane Head was convicted for her role in connection to the incident. She was charged with one count of being an accessory after the fact. The jury found that she assisted Clark in trying to elude police. When Clark was arrested, he was hiding in the backseat of Head's vehicle. Head had tried but failed to lure federal agents away from the car. She faces a potential maximum penalty of 15 years in prison.

This case was investigated by the FBI and Red Lake police, with assistance from the Headwaters Safe Trails Task Force.

PROJECT SAFE CHILDHOOD

More than 20,000 images of child pornography are posted on the Internet every week. More than 50,000 sexual predators surf the Web at any one time. And approximately one in every thirty-three children receives an aggressive sexual solicitation via the Internet during any given year. These alarming statistics underscore the importance of Project Safe Childhood, the national initiative to stop the sexual exploitation of children, particularly via the Internet. For more information about these efforts, please visit the U.S. Justice Department's Project Safe Childhood website, at www.projectsafechildhood.gov.



Years ago, the U.S. Supreme Court ruled that child pornography, unlike adult pornography, is not protected by the First Amendment. 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 sentence 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 actually has been an increase in the frequency of sexual exploitation as well as the violent nature of the abuse. Tragically, the trend is toward even younger victims, many just toddlers.

Zimmerman Man Sentenced to 25 Years for Producing Images of Three Boys

In July of 2011, Scott James Whitcomb, of Zimmerman, was sentenced to 300 months in prison for producing video images of three boys engaged in sexually explicit conduct. Two of the boys were between the ages of 12 and 16, while the third was younger than 12 at the time. Whitcomb stored the images on digital cameras, memory sticks, and computers.

Whitcomb is a former employee of the U.S. Drug Enforcement Administration. He also served as a U.S. Air Marshal and prison guard. His criminal activity was discovered during an online undercover operation during which police were searching for people who shared child pornography through peer-to-peer Internet networks.

This case was investigated by the Minneapolis Police Department and the Sherburne County Sheriff's Office, affiliate agencies of the Minnesota Internet Crimes Against Children Task Force, as well as the Minnesota Cyber Crimes Task Force, which is sponsored by the FBI and the U.S. Secret Service.

Stillwater Man Sentenced to 360 months for Taking Illicit Photographs of a Girl with his Cell Phone

In February 2011, Shane Allen Werlein, of Stillwater, was sentenced to 360 months in prison for taking illicit photographs of underage girls with his cell phone. Werlein used multiple fictitious Facebook profiles to befriend at least two minor females. He then persuaded them to engage in sexually explicit acts and provide him with photos. Werlein also had sexual contact with the girls and used his cell phone to take illicit photos of them. This case was investigated by the FBI, the Stillwater Police Department, the Washington County Sheriff's Office, and the Minneapolis Police Department.

Woman Sentenced for Producing Child Pornography

In December 2011, Donna Mary Zauner, age 44, was sentenced to 216 months in prison for producing child pornography. Zauner and Alec James Tafolla, age 52, of Claymont, Delaware, used two girls, who were both younger than 12 at the time, to produce pornographic digital images. Earlier, Tafolla was sentenced to 192 months in prison for producing child pornography, relative to this case.

The investigation began when a Winona resident contacted police to inform them of a pornographic image of a young girl found on his computer. The man had been in a relationship with Zauner and had allowed her to live with him. However, Zauner

Truman Man Sentenced to 40 Years in Prison for Transporting a Child for Sexual Purposes

In April 2011, Kenneth Leon Wilcox, an over-the-road trucker from the southern Minnesota town of Truman was sentenced to 480 months in prison for taking a child on interstate trucking trips for the purpose of having sexual relations with her and producing pornography involving her.

Wilcox transported a then-14-year-old girl from Minnesota to Wisconsin, having sexual relations with her in the cab of his semi-truck along the way. Wilcox also used an eight-millimeter video camera to film the girl engaging in sexually explicit conduct. In addition, he engaged in similar activities with the girl while in West Virginia, Virginia, Maryland, and Ohio.

This case was investigated by the FBI, the Truman Police Department, the Martin County Sheriff's Office, the Fairmont Police Department, the Jackson Police Department, the Cedar Rapids Police Department (Iowa), and the Buchanan County Sheriff's Office (Iowa).

had left his residence without notice, leading him to check his computer history in an attempt to locate her. In doing so, he came across an email account he did not recognize, and on that account he discovered the sexually explicit image of a child attached to an email. Police determined the account belonged to Tafolla. Police also recovered from Zauner's cell phone 23 sexually explicit photos of the two children. Zauner admitted taking the photos and sending them to Tafolla.

The investigation in this case was conducted by the Winona Police Department and the Minnesota Cyber Crimes Task Force.

Missouri Man Sentenced for Traveling to Minnesota with Intent to Engage in Illicit Sexual Conduct With a Child

In April of 2011, a Missouri man was sentenced to 200 months in prison for sexually assaulting a child while traveling with her from Virginia to Minnesota. Robin Lynn Bourgeois, of Blue Springs, Missouri, was sentenced on one count of aggravated sexual abuse. After serving his prison term, Bourgeois will be required to register as a sex offender.

According to a law enforcement affidavit filed in the case, Bourgeois left Virginia Beach, Virginia, by car, on July 31, 2007, accompanied by a girl, who, at the time, was nine years of age. Bourgeois had told the girl's mother that her daughter would be traveling with him and his ten-year-old daughter. However, the affidavit states that his daughter actually left Virginia two weeks ahead of him and the nine-year-old.

This case was investigated by the FBI and the Maple Grove Police Department.

St. Cloud Man Sentenced for Failing to Register as a Sex Offender

A St. Cloud man was sentenced in April 2011 for failing to register as a sex offender, as required by the federal Sex Offender Registration and Notification Act. Lindon Roy Knutson, age 63, was sentenced to 37 months in prison on a single count.

The requirement that Knutson register as a sex offender was based on his 1974 rape conviction in Wisconsin. While he was in "failure to register" status, Knutson attacked and sexually assaulted a 73-year-old woman at the Crow River Church in Kandiyohi County. In May 2010, he was sentenced to 26 years in state prison for that crime. The federal sentence will run consecutive to the state sentence.

This case was investigated by the U.S. Marshals Service, the Beltrami County Sheriff's Office, the Wisconsin Office of Judicial Assistance, and the Kandiyohi County Sheriff's Office.



St. Paul Man Sentenced for Filming Children

In December 2011, Mark Allen Busse, of St. Paul, was sentenced to 360 months in prison for photographing and filming pornographic images of three girls and a boy who were under the age of ten at the time. On April 20, 2008, Busse photographed and filmed one girl while she was sleeping at his apartment. In addition, in 2006, Busse took photos of a second girl while she was sleeping. In 2008, Busse also took photos and video of a third girl and a boy. In each instance, the images produced showed the children engaged in sexually explicit conduct. This case was investigated by the St. Paul Police Department and the FBI.

Duluth Man Sentenced to 30 Years for Taking Girl Across State Lines to Commit Sexual Abuse

In July 2011, Todd Richard Franik, of Duluth, was sentenced to 30 years in prison for taking a 13-year-old girl across state lines with the intent to sexually abuse her.

Franik abducted the girl in Duluth while she was walking her dog. Standing near a parked car, he asked the girl for directions to the zoo. When she drew closer, he grabbed both her and the dog and forced them into the trunk. He then drove the car around, crossing into Wisconsin and back into Minnesota, before stopping in a wooded area. Franik removed the child and the dog from the trunk and engaged in sexual conduct with the child. Afterwards, he used duct tape to wrap the girl's hands and feet and secure her to a fallen tree. He also tore his shirt, stuffed the cloth into her mouth, and covered her mouth with more duct tape. As soon as Franik drove away, the child twisted and chewed through the duct tape and made her way to a business in Superior, Wisconsin, from where authorities were called.

This case was investigated by the Duluth Police Department, the Douglas County Sheriff's Office in Wisconsin, and the FBI.

Red Wing Man Sentenced to 39 Years in Prison for Producing Child Pornography with Four-Month-Old Child

In August 2011, Nicolas Ryan Heath, age 28, of Red Wing, was sentenced to 468 months in prison and a life time of supervised release for producing a video containing sexually explicit conduct involving a four-month-old baby. In imposing the lengthy sentence, U.S. District Court Judge Joan N. Ericksen called Heath "a certain danger to children."

Heath admitted involving a four-month-old baby in sexually explicit conduct for the purpose of producing child pornography. He videotaped the activity with a camcorder. In addition, he possessed more than 600 images of child pornography on various digital media, including his computer. Many of the children depicted in the images were under the age of 12. Heath admitted coercing some of the children into engaging in sexual conduct. Some of the images found depicted sadistic or masochistic acts or other depictions of violence.

This case was investigated by the FBI, the Minnesota Internet Crimes Against Children Task Force, and the Red Wing Police Department.

The Internet Crimes Against Children ("ICAC") Task Force, funded through Project Safe Childhood, supports 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.

HUMAN TRAFFICKING

An estimated 12.3 million adults and children around the world are victims of some form of human trafficking. Considered to be modern-day slavery, human trafficking involves the use of force or coercion to subject another person to involuntary servitude. In 2011, the U.S. Attorney's Office in the District of Minnesota prosecuted both sex trafficking and labor trafficking cases under the human trafficking statutes. The majority of human trafficking cases prosecuted in the United States involve sex trafficking, which, under federal law, includes the commercial sexual exploitation of anyone younger than 18 and the forced prostitution of an adult. While sex trafficking accounts for 82 percent of all human trafficking incidents, labor trafficking accounts for 11 percent, and other forms of human trafficking constitute the remaining seven percent.

Woodbury Man Sentenced for Sex Trafficking a Minor using Craigslist

In December 2011, Stevon Warren, of Woodbury, was sentenced to 132 months in federal prison for sex trafficking a 15-year-old girl. According to evidence presented at trial, Warren recruited and transported the girl, knowing she was under the age of 18, and then caused her to engage in commercial sex acts. In addition, between November 2008 and March 2009, Warren transported an adult



female from Minnesota to Wisconsin for the purpose of having her engage in prostitution. Police learned of Warren's activities through advertisements on Craigslist, the online auction site.

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

Eagan Man Sentenced for Harboring Illegal Aliens

In September of 2011, Joo Ok Kim, of Eagan, was sentenced to 24 months in federal prison for harboring five illegal aliens for the purpose of financial gain. From November of 2008 through March of 2009, Kim kept five Mexican nationals in his basement for the purpose of having them work at his siding business. Kim also transported the five men to job sites in his truck. Authorities discovered the men on March 28, 2009, when they responded to a disturbance call at Kim's residence. This case was investigated by U.S. ICE's Homeland Security Investigations and the Eagan Police Department.

Man Sentenced for Taking a Girl to Illinois to Work as a Prostitute

In May of 2011, Bill Durando Baynes was sentenced to 96 months in federal prison for taking a girl from Minnesota to Illinois in July of 2008 for the purpose of having her work as a prostitute. While in Illinois, Baynes also had sex with the girl, who was younger than 15 at the time. This case was investigated by the FBI.

New Jersey Man Pleaded Guilty to Taking Minor Girl to Chicago and Denver for Prostitution

In March 2011, Floyd Henry was indicted for enticing a 15-year-old Minnesota girl to engage in prostitution. In January 2012, he pleaded guilty to one count of inducing travel to engage in prostitution. Henry admitted that between August of 2009 and April of 2010, he persuaded a minor female to travel to Chicago and Denver for the purpose of prostitution. For his crimes, Henry faces a potential maximum penalty of 20 years in prison. This case was investigated by the FBI, the Minnesota BCA, and ICE's Homeland Security Investigations.



Members of the Criminal Division

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.

IDENTITY THEFT

Three Sentenced for Stealing Identities and More Than \$150,000 from Victims

In June 2011, Jason Richard Hansen, of Crystal, and Jason Elliott Clark, of Cottage Grove, were sentenced for their roles in a scheme that involved the use of names and personal identification information of others on checks. The scheme resulted in a total attempted loss of more than \$300,000. Clark was sentenced to 48 months, while Hansen was sentenced to 30 months in federal prison. In addition, each defendant was ordered to pay \$96,195.74 in restitution.

Nou Thao, of Maplewood, was also sentenced for her role in the scheme. She was sentenced to time already served along with 180 days at a community corrections center.

The defendants conspired to obtain bank funds from the accounts of third parties without their knowledge. They did so by creating counterfeit checks that included stolen bank routing numbers and account numbers. They also used the names and personal information of others, intending to commit bank fraud and access device fraud. Clark was found to be responsible for more than \$150,000.

In addition, Thao, Hansen, and Clark conspired with another man to commit bank and access device fraud. That man, Marcus Kwamena Benson, age 39, of Maplewood, was convicted and sentenced to 144 months in prison for taking more than \$483,000 from the accounts of others at various financial institutions.

Hansen worked for a mortgage loan subsidiary company and had access to the personal identification and financial information of people who applied for mortgage loans. He stole that information and provided it to Benson.

Thao acquired checks containing stolen information and deposited those checks into her bank account in order to obtain cash. In addition, she allowed her bank account to be used during the conspiracy to deposit wire transfers from the bank accounts of the conspiracy victims.

This case was investigated by the U.S. Postal Inspection Service, the Minnesota BCA, U.S. ICE's Homeland Security Investigations, and the Minnesota State Patrol.

Isanti Man Sentenced for Using Stolen Identification Information

In August 2011, Nathan Allen Miller, of Isanti, was sentenced to 57 months in federal prison for using stolen identification information to create counterfeit checks to obtain cash from financial institutions and merchandise from retail outlets. Miller's co-defendants, Kari Lynn Goodman, of Savage, was sentenced to 60 months, and Michelle Rae Schneider, of Minneapolis, was sentenced to 30 months.

Goodman and Miller forged stolen checks and produced counterfeit checks, which were then used to purchase items from retail stores. Schneider stole mail in order to obtain victim identification information and used that information to create false means of identification and counterfeit checks.

This case was investigated by the Minnesota Financial Crimes Task Force, the U.S. Postal Inspection Service, and other state and local law enforcement agencies.

Northfield Man Sentenced for using Another's Identity to Commit Passport Fraud and Social Security Fraud

In March 2011, Peter Bruce Mathews, of Northfield, was sentenced to 34 months in federal prison for using the identity of others, including that of a dead man, in an attempt to obtain passports, a Social Security card, bank accounts, and credit cards. Mathews was sentenced on two counts of making a false statement in an application for a passport, two counts of social security fraud, and four counts of aggravated identity theft.

According to evidence presented at trial, Mathews made a false statement on a passport application when he used the name, date of birth, and social security number of a deceased person. In support of the application, he presented a Minnesota driver's license and a Minnesota birth certificate with the same false name. Then, he falsified another passport application by using the social security number of yet another individual. Again, he presented a corresponding driver's license and birth certificate.

In October 2008, the U.S. Department of State was notified by the Social Security Administration—Office of Inspector General ("SSA—OIG") that an individual listed in the database as someone who had died in 1993, had just applied for a Social Security card. The applicant used a U.S. passport to validate his identity. Authorities later found that four passport applications had been made by Mathews, using two different names.

This case was investigated by the U.S. State Department—Diplomatic Security Service and the SSA—OIG.



BANK ROBBERIES

The U.S. Attorney's Office in the District of Minnesota prosecuted approximately 11 bank robberies in 2011. A couple of them are summarized below.



Missouri Man Sentenced for Robbing Four Banks

In October 2011, Joseph Paul Young, of Rogersville, Missouri, was sentenced to 220 months in federal prison for robbing four Minnesota banks between September 2007 and April 2008. Young was convicted of four

counts of bank robbery after a three-day trial in June 2011.

The evidence presented at trial proved that on September 18, 2007, Young stole approximately \$7,410 from the Washington County Bank in Maplewood. Next, on September 25, 2007, he stole approximately \$1,196 from a TCF Bank in Fridley. Then, on January 26, 2008, he stole approximately \$1,400 from a U.S. Bank in Bloomington. Finally, on April 16, 2008, he stole approximately \$4,350 from the Minnwest Bank in Luverne, Minnesota. Young was commonly referred to as the "plaid" or "flannel" shirt robber.

This case was investigated by the FBI, the Rock County Sheriff's Office, and the police departments in Bloomington, Fridley, and Maplewood.

St. Paul Man Sentenced for Robbing Park Midway Bank

In March 2011, Robert Lee Russell, Jr., of St. Paul, was sentenced to 151 months in federal prison for stealing \$1,457 from the Park Midway Bank, on Como Avenue, in St. Paul, on August 4, 2010. During the robbery, Russell put the life of another person in jeopardy by using a firearm. Russell was also ordered to spend an additional 36 months in prison for violating the terms of federal supervised release as to a previous crime, at the time of the robbery.

According to a law enforcement affidavit filed in the Park Midway Bank case, Russell walked into the bank while pulling a mask down over his face and waving a handgun. After demanding and receiving money, he ordered a teller to leave with him. The teller complied, but once outside, the robber fled alone. A bank security guard checked on the teller and then pursued the robber, who fired his gun at least one time at the guard. Russell was arrested the next day following a motor vehicle crash in Wisconsin. An initial search of the vehicle yielded \$1,361 in cash.

This case was investigated by the St. Paul Police Department, the Minnesota BCA, the Minnesota State Patrol, the Ramsey County Sheriff's Office, the Wisconsin State Patrol, and the FBI.

CUSTOMS AND IMMIGRATION

The U.S. Immigration and Customs Enforcement ("ICE") agency is dedicated to promoting public safety through the enforcement of federal laws governing immigration. To further that mission, ICE has prioritized cases involving illegal aliens with serious criminal records. Through the Criminal Alien Program ("CAP"), ICE officers identify, process, and remove criminal aliens incarcerated in federal, state, and local prisons and jails across the country. The purpose of the initiative is to prevent criminal aliens from being released into the general public. The program allows authorities to secure a final removal order prior to termination of a criminal alien's sentence. As a result, criminal aliens are deported after serving their sentences.

In Minnesota, the employment of CAP was expanded in 2011 to include detention facilities located in counties outside of Ramsey and Hennepin. In addition, a Special Assistant U.S. Attorney was placed in the U.S. Attorney's Office to support prosecutions resulting from ICE investigations. All cases of illegal re-entry after removal are investigated by ICE Enforcement and Removal Operations.

United States v. Cesar Ortiz-Castillo

In August 2011, Cesar Ortiz-Castillo was sentenced to 70 months in federal prison for illegal re-entry after deportation. He was found in the U.S. after having been deported following a 2009 Hennepin County conviction and jail term for terroristic threats. He was identified as a criminal illegal alien through CAP while being held in the Ramsey County jail after violating probation connected to a 2005 drug conviction in Ramsey County.

United States v. Oscar Omar Perez-Torres

In February 2011, Oscar Omar Perez-Torres was sentenced to 46 months in federal prison for illegal re-entry into the U.S. He was found in the U.S. after having been deported following a 2003 Nebraska conviction and jail term for conspiracy to possess a controlled substance with intent to deliver. The recent federal case was initiated after he was arrested for possession of narcotics and identified as an illegal alien through CAP.

United States v. Juan Pablo Arvizu-Cruz

In April of 2011, Juan Pablo Arvizu-Cruz was sentenced to 50 months in federal prison for illegal re-entry into the U.S. He was found in the U.S. after having been deported following a 2009 Scott County conviction and jail term for terroristic threats. The recent federal case was brought after he was arrested for DWI and identified as a criminal illegal alien through CAP while in the Scott County Jail.

United States v. Jose Mora-Espinoza

In January 2011, Jose Mora-Espinoza was sentenced to 21 months in federal prison for illegal re-entry after deportation. He was found in the U.S. after having been deported following a 1992 Oregon conviction and jail term for delivery of a controlled substance. The recent federal case resulted after he was identified as a criminal illegal alien through CAP while being held in the Ramsey County jail for DWI.

FEDERAL PROGRAM FRAUD

Man Sentenced for Making False Statements to Social Security Administration

In August 2011, David Randall Litsey, formerly of Duluth, was sentenced to six months in federal prison for making false statements to the Social Security Administration (“SSA”) and stealing approximately \$176,573 in disability benefit payments. Specifically, in 1986, Litsey completed an application for a Social Security number, using a false date of birth and the false name of Randall David Litsey. Based on that application, the SSA issued a Social Security card. Then, in 1992, Litsey used the fraudulent name and Social Security number to complete an application for disability insurance benefits. In the application and on subsequent reports regarding disability benefits, Litsey failed to report the false identification information or that he was employed. As a result, between 1992 and 2010, the SSA paid Litsey a total of \$176,573 in unentitled benefits. This case was investigated by the SSA—OIG.

Minnesota Farmer Sentenced for Lying to the USDA

In September 2011, a farmer from Gary, Minnesota, was sentenced to five years of probation for lying to the United States Department of Agriculture (“USDA”) about the condition of kidney beans he agreed to sell pursuant to a contract with USDA. Prior to sentencing, Thomas Matthew Chisholm pleaded guilty to one count of causing the issuance of false official certificates.

The case arose from a 2007 award to Chisholm to provide dark red kidney beans to the USDA for export to Honduras for a Food for Work program, which helps feed Honduran families. Chisholm delivered 300 metric tons of beans in four “lots” for USDA inspection for use in the program. After one lot passed inspection, Chisholm re-labeled and re-submitted that same lot for inspection a second time, after which a Federal Grain Inspection Service certificate was issued. That certificate is provided to producers who properly load, handle, and submit grain and other commodities for inspection. Chisholm then instructed employees to substitute uninspected moldy beans for those two lots. Subsequently, when those shipments were opened in Honduras, the beans were found to be moldy and spoiled.

This case was investigated by the USDA and the U.S. Agency for International Development.

Owner of Stryker Avenue Market Pleads Guilty to Food Stamp Fraud

In September 2011, the owner of Stryker Avenue Market in St. Paul pleaded guilty to trafficking food stamps. Khaffak Sahib Ansari, of Arden Hills, pleaded guilty to one count of food stamp fraud. Ansari exchanged Supplemental Nutrition and Assistance Program (“SNAP”) benefits, commonly known as food stamps, for cash and ineligible merchandise. Ansari trafficked more than \$3 million in food stamp benefits.

Each individual who receives SNAP benefits is issued an electronic benefit transfer (“EBT”) card, which contains a monthly allocated benefit amount that can be used at authorized retailers. The United States Department of Agriculture (“USDA”) then reimburses those retailers for the benefit amounts redeemed by SNAP recipients. Only eligible food items may be acquired with SNAP benefits, and they may not be redeemed for cash. In 1998, the USDA authorized Stryker Avenue Market to accept food stamps, and Ansari affirmed that he understood the rules regarding the federal food stamp program. On numerous occasions, however, Ansari admittedly exchanged SNAP benefits for cash or ineligible items. For example, Ansari swiped a person’s EBT card for \$401.12 and provided that person with \$200 in cash. In another instance, Ansari swiped a person’s card for \$131.86 and provided that person \$100 in cash. Between 2004 and 2009, the average annual food stamp redemption for a similarly sized store in Minnesota was approximately \$322,793. During that same period, Stryker’s annual redemptions totaled approximately \$3.1 million.

For his crime, Ansari faces a potential maximum penalty of 20 years in prison. This case is being investigated by the USDA—OIG, the St. Paul Police Department, the IRS—Criminal Investigation Division, and the Minnesota Financial Crimes Task Force.

Ceylon Woman Pleads Guilty to Stealing \$45,814 in Benefits

In October 2011, Tammi Marie Palmer, of Ceylon, Minnesota, pleaded guilty to stealing more than \$45,000 in Social Security benefits. In 2008, Palmer made a false statement to the Social Security Administration (“SSA”) in an effort to receive Supplemental Social Security income benefits on behalf of her two disabled sons. Specifically, she failed to disclose that her then-husband was living with her and was earning wages. Palmer was responsible for similar omissions to SSA employees on at least six occasions. As a result of her false statements, Palmer obtained approximately \$45,814.45 in unentitled supplemental social security benefits between 2003 and 2009. Palmer faces a potential maximum penalty of five years in federal prison. This case was investigated by the SSA—OIG.

ST. PAUL

Former market owner admits food stamp fraud in the millions

The former owner of a corner market in St. Paul has admitted to a multimillion-dollar food stamp scheme that lasted nearly four years.

Khaffak S. Ansari, 45, of Arden Hills, pleaded guilty Thursday in federal court in



Khaffak Ansari

deemed for cash. According to a law enforcement affidavit filed in the case, the average food stamp redemption for a simi-

OTHER MAJOR CRIMES

Three Sentenced for Purchasing Items With Counterfeit Currency

In August 2011, Corey Terrell Barnes, of St. Paul, was sentenced to 57 months in prison for purchasing merchandise from Target and other area retailers with counterfeit currency and then returning the items in order to obtain real cash. Rochelle Lynn Roen, of Red Wing, was sentenced to 15 months in prison, and Markeeta Wesley, formerly of Minneapolis, was sentenced to 37 months for their roles in the scheme. The total loss to retailers because of this conspiracy is estimated at more than \$70,000. This case was investigated by the U.S. Secret Service, the Minneapolis Police Department, the Minnesota Financial Crimes Task Force, the St. Paul Police Department, the Woodbury Police Department, the Brooklyn Park Police Department, the Richfield Police Department, and investigators from Target Corporation's Asset Protection Unit.

MINNEAPOLIS
Man pleads guilty to civil rights crime

By RANDY FURST
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A 64-year-old man pleaded guilty Wednesday to violating the civil rights of an 83-year-old Somali man he assaulted in Minneapolis last year while yelling that his victim was a Muslim and should go back to Africa.

George Thompson of Minneapolis appeared before U.S. District Judge Paul Magnuson in federal court in St. Paul.

Court papers said that Thompson, a former employee of the Transportation Security Administration, attacked his victim on May 4, 2010, because of the man's "actual and perceived religion and national origin."

The incident occurred near 5th Street and Cedar Avenue S.

Shepard was tortured and murdered in Wyoming by two men who believed he was gay. Byrd, a black man, was dragged to his death behind a truck by three men in Texas.

The U.S. attorney's office in Minneapolis said Thompson could receive up to 10 years in prison.

On July 26, 2010, Thompson was arrested a second time by Minneapolis police, also near 5th and Cedar, in a similar incident.

A Somali man told police he was getting into a car when he was approached by Thompson and asked if he was a Somali. When the man said he was, Thompson told him he was going to kill him and began to chase and threaten him.

Thompson then went into the Nomad World Pub, where he was taken into custody. The complaint said Thompson was intoxicated and had two loaded



Thompson

Former TSA Employee Sentenced in District's First Shepard/Byrd Act Hate Crime Prosecution

In November 2011, George Thompson was sentenced to six months in federal prison for assaulting an 83-year-old Somali man. Thompson, a former employee of the Transportation Security Administration in Minneapolis, targeted his victim while in the Cedar-Riverside neighborhood of Minneapolis solely because he believed the man was a Muslim Somali. During the assault, Thompson told the victim to go back to Africa and yelled ethnic and religious slurs at him.

Thompson was specifically charged with violating the Matthew Shepard and James Byrd, Jr., Hate Crimes Prevention Act. That act, which was signed into law in October of 2009, makes it a federal crime to assault an individual because of his or her actual or perceived race, color, religion, national origin, gender, sexual orientation, gender identity, or disability. The act was named after Matthew Shepard, a gay Wyoming teen who died after being kidnapped and beaten in 1998, and James Byrd, Jr., an African American who was dragged to death in Texas that same year.

This case was investigated by the U.S. Department of Homeland Security's Office of Inspector General.

Man Indicted for Kidnapping his Estranged Wife

In September 2011, a Virginia, Minnesota, man was indicted for kidnapping and assaulting his estranged wife. Timothy Glen Caskey was charged with one count of kidnapping and one count of interstate domestic violence. On July 14, 2011, Caskey allegedly kidnapped his wife and took her from Minnesota to Texas and then into Mexico. The indictment also alleges that Caskey assaulted his wife, causing her serious bodily injury.

At the time of the kidnapping, Caskey had just been released from a state correctional center after serving a sentence for violating a restraining order filed by his wife. An active restraining order remained in place. Several attempts by Caskey to contact his wife by phone after his release from jail were

Man Sentenced for Assaulting Woman on Flight to Minnesota

In January 2012, an 84-year-old man from Reno, Nevada, was sentenced for assaulting a paramedic-respiratory specialist while traveling to Rochester, Minnesota, via a private airplane. Robert M. Lee was sentenced to 180 days of probation, including 30 days of home confinement, along with 60 hours of community service at a Nevada humane society. He was also ordered to pay a \$5,000 fine and provide the victim \$431.25 in restitution along with a letter of apology. On September 21, 2010, Lee was traveling to a hospital in Rochester while under the care of a paramedic and a registered nurse. When the paramedic assisted Lee in returning to his seat, he grabbed and twisted her breast, causing her injury. When the woman told Lee he could not touch her that way, he replied, "I can do whatever I want. This is my airplane." In imposing the sentence, Chief Magistrate Judge Boylan called Lee's behavior "arrogant and offensive." This case was the result of an investigation by the FBI.

reported to authorities by his wife prior to her abduction. Two days after the alleged abduction, on July 16, 2011, a man and a woman matching the Caskeys' descriptions stopped at an auto dealership in New Braunfels, Texas. They got into a truck on the lot and then allegedly took it for a test drive, never to return. The truck they left behind was registered to Timothy Caskey.

If convicted, Timothy Caskey faces a potential maximum penalty of life in prison on both charges. This case is being investigated by the FBI, the Minnesota BCA, the Virginia Police Department, the U.S. Marshals Service, and the New Braunfels Police Department in Texas.

Former Postal Carrier Sentenced for Stealing from Mail

In September 2011, Michelle Lynn Bressette, of Jordan, was sentenced to three years of probation for stealing cash and gift cards from the mail she delivered while she was a U.S. postal carrier. From December of 2009 through October 21, 2010, she stole letters and mail entrusted to her, including cash and gift cards. This case was investigated by the Postal Service's Office of Inspector General.

Assisted Living Care Provider Sentenced for Taking Narcotics

In October 2011, Margaret Alice Mammen, a care provider at a senior assisted living facility in Burnsville, was sentenced to three years of probation for taking prescribed narcotics from patients. From September through October 2009, she stole Oxycontin from patient rooms for her personal use, replacing the drug with ibuprofen. This case was investigated by the FDA's Office of Criminal Investigations, the Minnesota Department of Health, and the Burnsville Police Department.

Horrific threats came for 20 years



● Kim Hutterer is charged with harassing an FBI agent and family with gory words.

New Prague Woman Sentenced for Threatening Federal Agents

In January 2012, Kim Rolene Hutterer, age 47, of New Prague, was sentenced to 180 months in prison for threatening to kill several law enforcement officers. She pleaded guilty in July 2011 to one count of threatening interstate communications and one count of mailing threatening communications.

Hutterer admitted calling the U.S. Bureau of Prisons' ("BOP") Federal Correctional Institution in Welch, West Virginia, threatening to kill a BOP

employee. She also wrote a letter containing a threat to injure a FBI agent. In addition, she threatened to injure others, including Vice President Joe Biden. Her threats spanned 20 years.

This case was investigated by the FBI, the BOP, Breitung police, the Carver County Sheriff's Office, the LeSueur County Sheriff's Office, the Sherburne County Sheriff's Office, the St. Louis County Sheriff's Office, and the U.S. Secret Service.

Convict Sentenced for Escaping from Prison

In August 2011, James Edward Thornberg was sentenced to 30 months in federal prison for escaping from the Federal Prison Camp in Duluth. Thornberg escaped on August 3, 2003, and evaded capture until March 2, 2010, when he was apprehended by United States Marshals ("USMS") in suburban Los Angeles, California. Investigators learned that Thornberg was using an alias and had been employed by a janitorial company. During a search at the time of his arrest, authorities found a California driver's license, a debit card, and a passport under Thornberg's alias, along with other documents.

Prior to his escape, Thornberg was serving a 96-month sentence for wire fraud and money laundering after having been convicted in federal court in the District of South Dakota. His projected release date was November 11, 2008.

This case was the result of an investigation by the U.S. Marshals Service.

Former Border Patrol Agent Pleads Guilty to Lying About False Threats

In March 2011, Andrew Rodriguez, a U.S. Border Patrol agent, pleaded guilty to making a false statement regarding two men who purportedly threatened his family. He admittedly did so in an effort to get relocated from Grand Forks to the southern border.

On November 7, 2010, Rodriguez called his supervisor to report that a suspicious SUV was following him while he was driving to International Falls. The supervisor ordered him back to his work station in Grand Forks. Rodriguez then again called his supervisor, reporting that he had been pulled over by two men, one of whom allegedly showing him a video of his wife and daughter and threatening to harm them.

During subsequent interviews with the FBI, Rodriguez repeated his story. He and his family were then placed in protective custody until November 9, 2010, when Rodriguez admitted he had made up the story.

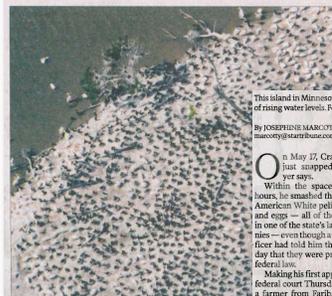
For his crime, Rodriguez faces a potential maximum penalty of five years in prison. This case was investigated by the FBI, Customs and Border Protection, the Minnesota State Patrol, and the Beltrami County Sheriff's Office.

Minnesota Lake Man Pleads Guilty to Destroying Pelican Nests

In November 2011, Craig Louis Staloch, of Minnesota Lake, pleaded guilty to one count of violating the Migratory Bird Treaty Act, a federal misdemeanor. Staloch killed and attempted to kill a large number of American white pelicans, which are protected under federal law. On May 17, 2011, a wildlife specialist with the Minnesota Department of Natural Resources ("DNR") visited farmland rented by Staloch to assess the status of an area that had been used as a nesting colony by a number of pelicans the previous year. Upon her arrival, she found numerous adult pelicans, many sitting on nests.

FARMER 'SNAPPED,' SMASHED BIRD COLONY

● Angry over crop losses, the Faribault County man destroyed thousands of protected pelican eggs and chicks. He had his first court date Thursday.



This island in Minnesota Lake, a nesting ground for a colony of American White pelicans, has shrunk because of rising water levels. Forced to look elsewhere, the birds moved to nearby farm acreage.

By JOSEPHINE MARCOTTE
marcotte@startribune.com

On May 17, Craig Staloch just snapped, his lawyer says. Within the space of a few hours, he smashed thousands of American White pelican chicks and eggs — all of the offspring in one of the state's largest colonies — even though a wildlife officer had told him the previous day that they were protected by federal law. Making his first appearance in federal court Thursday, Staloch, a farmer from Faribault County, entered no plea to a criminal misdemeanor charge filed for what conservation officials say is one of the most extreme acts of wildlife destruction they've ever encountered. "He flipped out," said



This is one of the chicks left alive when the colony was demolished in May when farmer Craig Staloch smashed thousands of chicks and eggs on the shores of Minnesota Lake, Staloch said after the hearing. Over the past three years said, "The damn birds fly."

The next day that same specialist returned with others to conduct a complete count of the pelicans at the site. However, at that time, no adult pelicans were found, and broken eggs were discovered in many of the nests. The researchers also found countless dead pelican chicks, some crushed, others dead from abandonment or exposure. There were 1,458 nests in the colony, and the majority contained at least two eggs. More than 70 percent of the nests had been destroyed. Staloch admitted he had used a stick to destroy the nests and smash eggs containing unhatched chicks.

Staloch was sentenced to two years probation, along with 100 hours of community service. He was also ordered to pay a fine of \$12,500. This case was investigated by the U.S. Fish and Wildlife Service and the Minnesota DNR.

CRIMINAL DIVISION

OCDETF AND VIOLENT CRIME SECTION

The OCDETF and Violent Crime Section, led by Deputy Criminal Chief Carol M. Kayser, focuses on prosecuting gang, gun, and drug cases. 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. Finally, the section takes a special interest in prosecuting violent career criminals, especially those who terrorize community members through the use of firearms.



*Assistant U.S. Attorney
Carol M. Kayser*

HOBBS ACT

The Hobbs Act, 18 U.S.C. § 1951(a), allows federal prosecution of criminals who use violence or threats of violence to rob businesses engaged in interstate commerce. Federal prosecution of these cases is sometimes beneficial since the penalties are often tougher than under state law. Furthermore, because the federal system has no parole, those federally sentenced serve virtually their entire prison terms behind bars. Below is a sampling of the Hobbs Act cases prosecuted in 2011.

Inver Grove Heights Man Sentenced for Armed Robbery

In November 2011, Ronald Harold Moore, of Inver Grove Heights, was sentenced to 360 months in prison for the October 2010 armed robbery of a Dunn Bros coffee shop in the Uptown area of Minneapolis. During the robbery, Moore pulled a nine-millimeter pistol and demanded money from employees. He also struck one employee in the head with his gun and kicked another. Moore’s co-defendant, Carlos Maurice Harris, has pleaded guilty and awaits sentencing.

Following the robbery, the two men ran in opposite directions. Law enforcement spotted Moore, who initially ignored orders to stop but ultimately surrendered. Police found a nine-millimeter pistol and a bag of cash along his escape route. Officers also captured Harris, finding a sweatshirt and gloves near a dumpster on his escape route. The clothing matched that worn by one of the robbers.

Harris and Moore have long criminal histories. Their felony convictions include first-degree assault and aggravated robbery in Washington County in 1994. Harris also was convicted of aggravated robbery in Anoka and Dakota counties in 1990 and third-degree burglary in Dakota County in 2010. Moore was convicted in Ramsey County of second-degree assault in 1983, third-degree criminal sexual conduct in 1986, and drugs-prohibited acts in 1989.

This case was investigated by Minneapolis police and ATF.

Rochester Man Pleads to Robbery of Three McDonalds

In September 2011, Christian Aaron Alexander, of Rochester, pleaded guilty to committing armed robberies of McDonald’s restaurants in Byron, Rochester, and Winona. During the robberies, he threatened employees with his weapon. For the Winona and Byron robberies, he worked with an accomplice, and during the Byron robbery, he discharged his firearm. In all three robberies, he stole employees’ valuables and locked the employees in the walk-in coolers.

During an unrelated investigation, police found receipts for the purchase of masks similar to those worn during the Winona robbery. Surveillance videos at the retail outlet where the masks were bought show a man, later identified as Alexander, making the purchase. After the Rochester incident, police traveled to Alexander’s residence, where they found him in his vehicle. Officers also found cash lying on the floor of the back seat. They seized a gun, a plastic bag containing ammunition, McDonald’s bags, and clothing that matched what the robber wore.

This case was investigated by the ATF, the Olmsted County Sheriff’s Office, and the Rochester and Winona police departments.

Two Sentenced for Armed Robbery of Area Bar

In November 2011, two men were sentenced for the armed robbery of the White Bear Bar in White Bear Lake. Percy Davis Peters was sentenced to 262 months in prison, and Maurice Anthony Lewis, of St. Paul, was sentenced to 124 months. Tyice Alexander Phillips has pleaded guilty and awaits sentencing.

The three men robbed the bar at gunpoint. Dressed in dark clothing, with caps pulled over their faces, the men entered the bar just before closing. Brandishing weapons, the men ordered the almost 50 patrons “on the floor.” A patron grabbed one of the guns, which discharged, striking another patron. When a patron pulled off Lewis’s mask, he fled to the get-away car.

After taking money from the safe and customers, Peters and Phillips fled to the get-away car, where Lewis was waiting. When a local police officer later saw the car and turned on his emergency lights, the car turned into a driveway, where it ended up in a snowbank. The men fled, but a .40-caliber pistol and a six-shot Ruger revolver were found along their path, and a stocking cap was found near the vehicle.

Phillips was discovered lying in snow about a mile from the car. His clothing matched what had been worn by one of the robbers. The soles of his shoes also matched a shoe print left in the snow by the bar. Officers found cash register receipts from the bar and \$1,495 in cash in his pocket.

This case was investigated by White Bear Lake police and ATF.

PROJECT EXILE MINNEAPOLIS

“Project Exile Minneapolis” is a law enforcement initiative, launched in 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 (“ATF”) 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. To date, the U.S. Attorney’s Office has brought charges against approximately 18 serious habitual criminals through Project Exile Minneapolis. Below is a sampling of the cases prosecuted in 2011.

Minneapolis Man Sentenced as Armed Career Criminal

In June 2011, Mandel McDonald Benson, of Minneapolis, was sentenced to 235 months in federal prison for being a felon in possession of a firearm. Because of his extensive criminal history, he was sentenced as an armed career criminal. As such, the minimum sentence the court could impose was 15 years. Benson was convicted following a trial.

Benson was apprehended after a brief chase that was preceded by a shoplifting incident at a local Wal-Mart. Police recovered a .357-caliber revolver from inside a bag he was carrying. The revolver had three live rounds in the cylinder. Because Benson

is a convicted felon, he is prohibited from possessing firearms or ammunition at any time. His past felony convictions include third-degree aggravated robbery in 1992, simple robbery in 1997, and attempted first-degree aggravated robbery in 2000, all in Hennepin County. As of June 2011, Benson also had two pending felony charges in Hennepin County.

This case was investigated by the ATF, the Bloomington Police Department, the Minnesota BCA, and the Hennepin County Sheriff’s Office—Crime Lab.



First Project Exile Defendant Sentenced

In January 2012, Calvin Lorenzo Harris, the first defendant charged through Project Exile Minneapolis, was sentenced to 54 months in federal prison for possessing a .22-caliber, semi-automatic rifle. On June 1, 2010, the Richfield man possessed the rifle, which had a barrel length of less than 16 inches and an overall length of less than 26 inches.

On that day, officers responded to a 911 call. The call concerned one or more individuals with firearms in front of a Minneapolis apartment building. Harris ran into the building when officers arrived on the scene. He was apprehended following a brief foot chase. During the chase, he dropped the gun.

Because he is a felon, Harris is prohibited from possessing firearms or ammunition at any time. His past convictions include first-degree aggravated robbery in Hennepin County in 2004 and third-degree criminal sexual conduct in Hennepin County in 2006.

This case was investigated by the Minneapolis Police Department and the ATF.

Minneapolis Career Criminal Sentenced to 224 Months

In July 2011, Eugene Maurice Clanton, of Minneapolis, was sentenced to 224 months in federal prison for possessing a .32-caliber revolver and ammunition. Clanton became belligerent while in the Hennepin County Medical Center’s pharmacy and ended up struggling with police. During that altercation, officers seized from him a .32-caliber revolver, which was loaded with four live rounds. Clanton assaulted one of the officers and fled the scene before being taken into custody a short time later.

Because he is a felon, Clanton is prohibited from possessing firearms or ammunition at any time. Clanton’s prior convictions include second-degree assault (1995 in Hennepin County), felon in possession of a firearm (1996 in Hennepin County), third-degree sale of a controlled substance (2002 in Hennepin County), and conspiracy to possess with intent to distribute crack cocaine (2004 in the District of Minnesota). Because Clanton’s criminal history qualifies him as an armed career criminal, he faced a minimum mandatory sentence of 180 months in prison.

This case was investigated by Minneapolis police and the ATF.

Felon Sentenced for Possessing Handgun

In October 2011, Adonis Adolph Dorman, of Minneapolis, was sentenced to 180 months in federal prison for possessing a .44-caliber handgun. The Hennepin County Violent Offender Task Force seized weapons and ammunition while executing a search warrant at his residence. Dorman threw the handgun from a window when police arrived on the scene.

Because he is a felon, Dorman is prohibited under federal law from possessing firearms or ammunition at any time. His prior convictions include burglary (1999 in Georgia), fourth-degree criminal sexual conduct (2002 in Waseca County), fleeing police in a vehicle (2002 in Freeborn County), second-degree sale of a controlled substance (2009 in Freeborn County), and unauthorized use of a vehicle (2009 in Nicollet County). Because of his extensive record, Dorman was subject to the federal Armed Career Criminal statute, which mandates a 15-year minimum prison sentence.

This case was investigated by the Hennepin County Violent Offender Task Force, the Minneapolis Police Department, and the ATF.

PROJECT SAFE NEIGHBORHOODS

Project Safe Neighborhoods (“PSN”) is an initiative launched by the U.S. Justice Department in 2001 to promote a multi-jurisdictional, comprehensive approach to reducing gun crime in America. PSN provides resources to strengthen law enforcement and crime prevention partnerships that work to make our streets and communities safer.

Armed Career Criminal Sentenced for Possessing a Pistol

In November 2011, Jesse Lamond Jones was sentenced to 300 months in federal prison for possessing a nine-millimeter pistol. Jones was arrested in connection to a series of four shootings in St. Cloud that occurred in April and May 2010.

The first shooting involved shots being fired into a group of people walking in southeast St. Cloud. Days later, two of those victims were again targets of a shooting, this time near a St. Cloud bar. A week later, St. Cloud police received a report of a shooting at a residence. Several minutes later, they were called about the fourth shooting, this one at an apartment complex. At that scene, they found a woman shot in the hand and an empty nine-millimeter magazine nearby.

Jones was later arrested in a St. Cloud trailer on an active warrant unrelated to the shootings. At the time, officers recovered a nine-millimeter pistol, without its magazine, along with additional ammunition. The ammunition was the same

brand and caliber found at the four shooting locations. The spent shell casings recovered from the scenes of the shootings were forensically matched as having been shot from the firearm retrieved from the trailer where Jones was arrested. The defendant’s DNA was also found on the firearm.

Because he is a felon, Jones is prohibited under federal law from possessing firearms or ammunition at any time. His prior convictions include second-degree burglary (1998), third-degree sale of a controlled substance (2001), third-degree assault (2005), terroristic threats (2008 and 2009), and simple robbery (2006). Since at least three of Jones’ past felony convictions were for crimes of violence or serious drug offenses, Jones was subject to a mandatory minimum 15-year sentence under the federal Armed Career Criminal Act.

This case was investigated by the St. Cloud Police Department and the ATF.

Minneapolis Felon Sentenced for Possessing a Pistol

In 2011, after being convicted of being a felon in possession of a firearm, Todd Richard Chazen, of Minneapolis, was sentenced to 252 months in prison.

In this case, the Goodhue County Sheriff’s Office responded to a report of two suspicious vehicles parked near Cannon Falls. Inside one, authorities found a holster and a document with Chazen’s name on it. Nearby, they found the pistol. Police determined that Chazen had driven one of the vehicles, and lab results showed Chazen’s DNA on the firearm. He was eventually arrested.

As a convicted felon, Chazen is prohibited under federal law from possessing firearms at any time. His prior convictions include second-degree assault (1995), second-degree burglary (2002), second-degree manufacture of a controlled substance (2002), and second-degree burglary (2003).

The case was investigated by the Goodhue County Sheriff’s Office, the Olmsted County Sheriff’s Office, and the ATF.

Armed Career Criminal Sentenced for Possessing a Revolver

In April 2011, Michael James Constantine, age 43, of St. Paul, was sentenced to 215 months in prison for possessing a .22-caliber Rohm revolver. Following a four day trial, Constantine was convicted of one count of being an armed career criminal in possession of a firearm.

Because he is a felon, Constantine is prohibited under federal law from possessing a firearm at any time. He was charged as an armed career criminal because he had previously been convicted of three violent felonies. His prior felonies include three convictions in Ramsey County for third-degree attempted burglary (1987, 1989, and 1991) and a third-degree burglary conviction in Dakota County in 1989.

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

Career Criminal from St. Paul Sentenced for Being a Felon in Possession of a Firearm

In 2011, Theodore Stevie Varner, age 42, of St. Paul, was sentenced to 235 months in prison after being convicted of one count of being a felon in possession of a firearm. Trial evidence proved he possessed a French-made, .22-caliber pistol at a St. Paul apartment complex on September 23, 2010. Police spotted him in a Ford Explorer and approached the vehicle, but the vehicle drove off, prompting a police chase. About a block away, Varner exited the vehicle and ran down an alley, where he tripped. Authorities apprehended him, finding the gun on the ground where he had fallen.

Because Varner had been previously convicted of a felony, he was prohibited under federal law from possessing firearms. Since at least three of his prior convictions were for violent or serious drug offenses, he was subject to being sentenced as an Armed Career Criminal. Varner’s prior felony convictions, all in Ramsey County, include aggravated robbery in 1989, third-degree sale of cocaine in 1994, and third degree sale of a controlled substance in 1999.

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

OTHER GUN CRIMES



Savage Man Sentenced for Possessing Explosives

In July 2011, Wesley Noah Banks, of Savage, was sentenced to 151 months in federal prison for possessing an AR-15 machine gun and distributing six M-80 explosive devices. When

a federal search warrant was executed at Banks' residence, authorities seized additional bombs; chemicals used to make explosives; 29 firearms, including seven suspected machine guns; components to manufacture machine guns; and an indoor grow operation containing nearly 100 marijuana plants. This case was investigated by the St. Paul Police Department, the Ramsey County Sheriff's Office, the DEA, and the ATF.

Minneapolis Man Pleads Guilty to Smuggling AK-47 Parts

In October 2011, Fabian Patricio Lojano-Lojano, of Minneapolis, pleaded guilty to smuggling AK-47 components to Paraguay. He sent packages via United Parcel Service ("UPS"), claiming they contained T-shirts, when they actually contained parts for AK-47 rifles. In all, Lojano-Lojano admitted sending packages to Paraguay on 46 occasions between September 2009 and June 2010, ultimately providing at least ten firearms through this process.

When a search warrant was executed at Lojano-Lojano's residence, authorities seized two boxes containing M4 and AK-47 parts and accessories. Lojano-Lojano faces a potential maximum penalty of ten years in federal prison.

The case was investigated by U.S. Immigration and Customs Enforcement's Homeland Security Investigations, U.S. Customs and Border Protection, and the ATF.

Brooklyn Center Man Sentenced in Safe Streets Case

In May 2011, Tavon Tarrell Timberlake, of Brooklyn Center, was sentenced to 80 months in federal prison for possessing a .40-caliber pistol. Timberlake had a loaded .40-caliber, semi-automatic pistol tucked in his waistband when police stopped the vehicle in which he was riding on June 3, 2010. Officers also found a loaded .40-caliber firearm in the glove box and a nine-millimeter gun with 24 bullets in an extended magazine underneath the front passenger seat. Moreover, a distribution amount of marijuana was discovered under a car seat occupied by a four-year-old. This was Timberlake's fifth conviction for being a felon in possession of a firearm.

After being convicted of fifth-degree possession of a controlled substance in Hennepin County in 2000, Timberlake was prohibited from possessing firearms at any time. Nonetheless, Timberlake was convicted of being a felon in possession of a firearm twice in Hennepin County in 2005, once in Ramsey County in 2006, and once in Anoka County in 2009. He was also convicted of third-degree possession of a controlled substance in Hennepin County in 2000.

This case was investigated by the Safe Streets Task Force, a FBI-sponsored task force that focuses on combating violent street crime as well as gang and drug trafficking offenses.

Medford Man Sentenced for Smuggling Firearms into Mexico

In January 2011, Paul Giovanni D. La Rosa, of Medford, was sentenced to 36 months in federal prison for smuggling more than 100 firearms into Mexico. Some of those weapons were later recovered during investigations into Mexican drug cartels.

On November 11, 2009, while buying two handguns from a licensed firearms dealer in Albert Lea, Minnesota, he made false statements on the required firearms application. Specifically, he claimed to be the actual buyer of the firearms, when, in fact, he was making the purchase for individuals in Mexico. He also conducted similar "straw purchases" of firearms since 2007. In fact, from 2007 through November 16, 2009, he purchased more than 100 firearms. After buying the weapons, he routinely smuggled them into Mexico. Between 2007 and November 2009, he crossed the U.S.-Mexican border 20 times for that purpose. He received approximately \$70,000, via wire transfers, to pay for the weapons.

De La Rosa was arrested on November 16, 2010, in Laredo, Texas, while attempting to re-enter the United States. During an inspection of his vehicle, border authorities found 14 firearms, ammunition, and \$10,000 in cash hidden in a sofa in the back of his mini van.

This case was investigated by U.S. Immigration and Customs Enforcement's Homeland Security Investigations, U.S. Customs and Border Protection, the IRS—Criminal Investigation Division, and the ATF.



Members of the Criminal Division, St. Paul Branch

DRUG TRAFFICKING (COCAINE)

Robbinsdale Man Sentenced to 22 Years for Distributing Cocaine

In August 2011, Marlon Terrell Collins, of Robbinsdale, was sentenced to 264 months in federal prison for conspiring to distribute 1.48 kilograms of cocaine and eight kilograms of marijuana. From June of 2010 through September 3, 2010, Collins conspired with others to distribute more than 500 grams of cocaine and eight kilograms of marijuana.

On September 2, 2010, after authorities had learned that Collins was involved in transporting narcotics from Phoenix to Minnesota, they observed Collins enter a Federal Express store in Phoenix and make arrangements to ship a large box to a Brooklyn Park address. On September 3, police executed a search warrant on the box and found drugs inside. Later that day, officers arrested Collins at the Minneapolis-St. Paul International Airport after he arrived from Arizona.

Collins admitted that by delivering the narcotics, he violated the conditions of his supervised release for a 1998 federal conviction out of the District of Minnesota. That conviction was for aiding and abetting possession with intent to distribute in excess of 50 grams of crack cocaine.

This case was investigated by the DEA, ATF, Minneapolis police, and the Miracopa County, Arizona, Sheriff's Office.

Six Plead Guilty to Distributing Crack Cocaine and Related Charged

In March 2011, Derek Wayne Brown and Lanesta Jean White, both of Minneapolis; Leverette Cushawn Cargill, no known address; Carl Maurice Woodard, of Richfield; and Robert Brandon Cook and Tiffany Tyeisha Dantzler, both of St. Paul, pleaded guilty for their roles in a crack-cocaine distribution operation. In the spring of 2010, the defendants possessed amounts of crack-cocaine, ranging from 28 to 840 grams.

Victor Cortez Shelton, Orlando Michael Jrvaha Walker, and Shila Marie Robinson, all of St. Cloud, pleaded guilty to aiding felons in the possession of a firearm.

For their crimes, Brown, Cargill, Cook, Dantzler, White, and Woodard face a potential maximum penalty of 40 years in prison. Robinson, Shelton, and Walker face a potential maximum penalty of ten years.

This case was investigated by the ATF, Minneapolis police, the Minnesota BCA, St. Cloud police, the Minnesota Department of Corrections, St. Paul police, the Minnesota State Patrol, the Stearns County Sheriff's Office, the Benton County Sheriff's Office, the Todd County Sheriff's Office, the Morrison County Sheriff's Office, the Kandiyohi County Sheriff's Office, Little Falls police, Sartell police, Sauk Rapids police, the Hennepin County Sheriff's Office, and Waite Park police.

Armed Career Criminal Sentenced for Distributing Crack Cocaine

In March 2011, Curtis Lavelle Harris, the leader of a crack-cocaine distribution ring in Duluth, was sentenced to 90 months in federal prison for conspiring to distribute between 50 and 150 grams of crack cocaine. His criminal history includes state court convictions for domestic battery in 1998, manufacturing controlled substances in 2001, possession of a controlled substance in 2001, and possession of fifth-degree controlled substances in 2003. In May 2010, co-defendant Natalie Lynn Bartell, of Duluth, was sentenced to 36 months in federal prison; and in March 2011, co-defendant Karen Marie Davey, of Superior, Wisconsin, was sentenced to time served. This case was investigated by the Duluth Police Department and the ATF.



Members of the Criminal Division

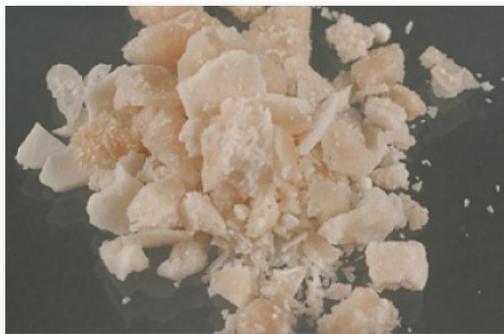
Man Sentenced to More Than 10 Years in Prison for Possessing 117 Grams of Crack Cocaine

In December 2011, Terrell Randle was sentenced to 125 months in federal prison for possessing with intent to distribute 117 grams of crack cocaine.

On December 10, 2010, while traveling through Martin County, Minnesota, Terrell possessed approximately 117.5 grams of crack cocaine and approximately 4.8 grams of cocaine powder, intending to distribute it in South Dakota. Randle was driving a

vehicle that was stopped by a Minnesota State Trooper for moving violations. A K-9 officer detected narcotics in the vehicle, and during a subsequent search, authorities seized approximately 109 grams of crack cocaine in a pair of men's sweatpants inside a duffle bag. A digital scale was also found in the bag, which was located in the trunk of the vehicle. In addition, officers seized approximately one gram of heroin and 31 grams of crack cocaine in the pocket of a pair of women's blue jeans. Randle and a female passenger were arrested.

This case was investigated by the Minnesota State Patrol, the Martin County Sheriff's Office, and the DEA.



DRUG TRAFFICKING (METH)

Aitkin Man Sentenced for Distributing Meth via Motorcycle Gang

In December 2011, Robert Garcia, of Aitkin, was sentenced to 240 months in federal prison for selling large amounts of methamphetamine with others in and around Brainerd. Garcia was also ordered to have no more contact with members of the El Forastero motorcycle gang. He was convicted in February of 2011 following a four-day trial.

Garcia sold methamphetamine out of his business, DJ's Auto Sales, located in Garrison. On June 24, 2010, Garcia ordered a pound of methamphetamine from the Twin Cities, and as it was being transported to Brainerd, officers conducted a traffic stop and seized it. During the execution of a search warrant at Garcia's residence and place of business, officers recovered ecstasy, marijuana, psilocybin mushrooms, five firearms, more than 900 rounds of ammunition, and evidence linking Garcia to the motorcycle gang. In total, authorities seized approximately 520 grams of pure methamphetamine linked to Garcia.

Co-defendant Noel Gutierrez Manzanares, no known address, was sentenced to 120 months in federal prison. Co-defendant Karl James Pentz, of Aitkin, was sentenced to 92 months, while co-defendant Randy Lee Motzko, of Hilltop, was sentenced to time served. All three pleaded guilty to related charges.

This case was investigated by the ATF, the Minnesota BCA, Crow Wing County Sheriff's Office, the Lakes Area Drug Investigation Division, the DEA, ICE's Homeland Security Investigations, the Aitkin County Sheriff's Office, the Mille Lacs County Sheriff's Office, Breezy Point police, the Kanabec County Sheriff's Office, the Isanti County Sheriff's Office, Mille Lacs Tribal police, and Brainerd police.

Four Sentenced for Involvement in National Drug Trafficking Operation

In October 2011, Benjamin Michael Saxton, of Isanti, was sentenced to 110 months in federal prison for his role in a methamphetamine trafficking network involving the La Familia Mexican drug cartel. Saxton and three co-defendants were indicted in October of 2009 as part of "Project Coronado," a nation-wide investigation into La Familia.

During the course of the investigation of Saxton, authorities seized approximately \$62,500 in cash and several vehicles used to traffic drugs, including a 2004 Jaguar, a 2010 Chevrolet Camaro, a 1984 Harley-Davidson motorcycle, and a 2001 Minnesota Custom Cycle Trails motorcycle.

Co-defendant Jordan Thomas Murray, of Coon Rapids, was sentenced to 70 months in prison; co-defendant Sara Jo Bloomquist, of Garrison, was sentenced to 60 months; and co-defendant Luke Robert Peterson, of Cedar, was sentenced to 120 months. From June of 2008 through October of 2009, they conspired to and distributed methamphetamine.

This case was investigated by the DEA, St. Paul police, the Minnesota BCA, Minneapolis police, the FBI, the Ramsey County Sheriff's Office, the East Metro Narcotics Task Force, the Anoka-Hennepin Narcotics and Violent Crimes Task Force, and the Lakes Area Drug Investigation Team, with assistance from the U.S. Marshals Service, Isanti police, Proctor police, the Hennepin County Sheriff's Office, the Dakota County Drug Task Force, the Washington County Drug Task Force, the Crow Wing County Sheriff's Office, the Isanti County Sheriff's Office, the Pine County Sheriff's Office, the Sherburne County Sheriff's Office, and the Buffalo Ridge Gang and Drug Task Force.



DRUG TRAFFICKING (MARIJUANA)

Four Northern Minnesota Men Plead Guilty for Grow Operation

In October of 2011, four men from northern Minnesota pleaded guilty for operating a marijuana grow operation, consisting of more than 925 plants, at various residences in Barnum, Duluth, and Proctor. David Donald Foote and Steven John Hansen, both of Duluth; Russell Gordon Fromberg, of Proctor; and Craig Alan Modean, of Barnum, were indicted on July 6, 2011. This case was investigated by the DEA, the Carlton County Sheriff's Office, and the St. Louis County Sheriff's Office.

Twenty-two Indicted for Conspiring to Distribute Marijuana

In September 2011, 22 people were indicted for conspiring to distribute more than 100 kilograms of marijuana and more than 500 grams of methamphetamine in the Twin Cities. Those charged include Adelaida Barragan-Sanchez, Robert Alan Delforin, Javier Hernandez-Coria, Harold James Hurley, Lawrence Joseph Martinez, Todd Allen Mudgett, Jose Rafael Oceguala, Jacob Dwight Olmstead, Judy Lynn Redhorn, and Miguel Angel Sanchez-Rodriguez, all of St. Paul; Scott Wayne Doree, of Landfall; Susana Barragan-Sanchez, and Uriel Magana-Farias, both of Bakersfield, California; Brian Robert Bibeau, Jose Juan Gallardo-Hernandez, and Juan Carols Ruiz-Meza, all with no known addresses; Duane Eugene Smith, of White Bear Lake;

Jose Ramirez Valdovinos, of Roseville; Jesus Lopez-Vasquez, of Spring Lake Park; James Peter Jeanetta, of Little Canada; Erika Romero Montenegro, of Richmond, California; and Jose Barragan-Sanchez, of rural California.

If convicted of the federal drug charges now filed against them, the defendants in this case face a potential maximum penalty of life in prison. Nine of the defendants have already pleaded guilty. This case was investigated by the DEA, the Minnesota State Patrol, the St. Paul Police Department, the Northwest Metro Drug Task Force, and U.S. ICE's Homeland Security Investigations.

DRUG TRAFFICKING (OTHER)

Savage Man Pleads Guilty for Possessing Ecstasy

In May of 2011, Michael Richard Vikander, of Savage, pleaded guilty to possessing with intent to distribute approximately 1,200 tablets of the semisynthetic psychedelic drug MDMA, commonly known as ecstasy. In March of 2009, authorities learned that Vikander was selling large amounts of ecstasy. Then, on March 23, 2009, law enforcement conducted an arranged controlled purchase of 100 ecstasy pills from him in Brooklyn Center. Subsequent arranged controlled purchases were made on April 15, 2009 (500 pills), on April 22, 2009 (360 pills), and on June 1, 2009 (242 pills). After the June 1 purchase, Vikander was arrested. Vikander faces a potential maximum penalty of 20 years in federal prison. This case was investigated by the Anoka-Hennepin Drug Task Force and the DEA.

Twenty-Four Plead Guilty for Distributing Controlled Substances in the Twin Ports' Area

In 2011, 24 defendants pleaded guilty in connection to a conspiracy to distribute controlled substances, including oxycodone, oxymorphone, and heroin in the Twin Ports' area of Duluth, Minnesota, and Superior, Wisconsin.

Twenty-three of the co-defendants have pleaded guilty to one count of conspiracy. They include Daniel Albert Amatuzio, age 23; Kyle Richard Bergman, age 22; Jeffrey James Boshey, age 34; Brad Rodney Christofferson, age 22; Rhonda Ann Davis, age 24; Ryan James Drickhamer, age 22; Brian Troy Eastlick, age 22; Zachary John Hamel, age 20; Justin Paul Johnson, age 20; Rindi Kay Koenen, age 19; Jacob Keith Nagle, age 23; Eric Phillip Romero, age 43; Gordon Eugene Sharp, age 23; Caine Ramus Starks, age 29; Daniel Allen Stenzel, age 23; and Nicholas Zane Worley, age 23, all of Duluth; Dillon Phillip Beyers, age 20; Jeffrey Lamont Liddell, age 27; Veronique Zsazsaantique Muckle, age 21; Brian Keith Portis, age 21; Cletis Bernarnd Portis, age 31; and Angelique Michelle Vos, age 22, all of Superior, Wisconsin; Ian Philip Stauber, age 23, of Hermantown, Minnesota; and Krystal Lynn Willis, age 25, of Esko, Minnesota. In addition, Starks pleaded guilty to possessing a firearm during a drug trafficking crime. Johnnie Lee Leddell, age 30, of Brooklyn Park, pleaded guilty to one count of possession with intent to distribute oxycodone, oxymorphone, hydrocodone, and heroin.

In their plea agreements, the co-defendants admitted conspiring with each other and others to distribute oxycodone, oxymorphone, hydromorphone, and heroin, all of which are powerful pain killers or narcotics. Liddell admitted distributing at least 25,000 pills. Bergman, Beyers, Boshey, Eastlick, Hamel, Cletis Portis, Romero, Stenzel, Vos, and Willis admitted distributing at least 1,000 pills. Amatuzio, Christofferson, Davis, Johnson, Koenen, Nagle, Brian Portis, Sharp, Stauber, and Worley admitted distributing less than 1,000 pills.

In his plea agreement, Leddell admitted that on March 28, 2011, he sold five 40-milligram Opana pills. During the execution of a search warrant at his hotel room on March 29, 2011, officers seized 54 hydrocodone pills, 74 oxycodone pills, two oxymorphone pills and \$2,940 in cash.

Fridley Man Sentenced for Distributing Heroin

In January 2011, Scott Homer McKinley, of Fridley, was sentenced to 188 months in federal prison for conspiring to distribute heroin and oxycodone in the Twin Cities from 2004 through June 23, 2010. During that time, McKinley obtained 150 grams of heroin and 25 grams of oxycodone from sources in Minneapolis, Chicago, and elsewhere. Co-defendant Ako Kalonji Dennis, of Des Moines, Iowa, was sentenced to 28 months on one count of conspiracy to distribute heroin. Co-defendant Roy Joseph Keyes, of Minneapolis, was sentenced to 60 months on one count of conspiracy. These cases were investigated by the DEA, the Anoka County Sheriff's Office, Fridley police, and the Anoka-Hennepin Drug Task Force.

In his plea agreement, Starks admitted that between 2010 and September of 2011, he distributed at least 250 Oxycontin pills, and 1,000 Opana pills. In addition, Starks admitted that along with narcotics, he sold firearms on several occasions, including a .22-caliber revolver; a 12-gauge, side-by-side, sawed off shotgun; and a .380-caliber pistol.

Authorities began investigating the group in 2010, after law enforcement noted an increase in Opana trafficking in Minnesota and Wisconsin. Opana contains the controlled substance oxymorphone. Officers conducted dozens of controlled purchases before making the arrests in this case. Search warrants were also executed at nine properties in Minnesota and Wisconsin, where authorities seized firearms, ammunition, approximately \$30,000, as well as narcotics.

For their crimes, the defendants face a potential maximum penalty of 20 years in prison. In addition, Starks faces a potential maximum penalty of life in prison. Prosecution remains ongoing against Lawrence Lalonde Colton, age 42, of Detroit, Michigan. He was charged with one count of conspiracy to distribute oxycodone, oxymorphone, and heroin and two counts of aiding and abetting distribution.

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



Members of the Criminal Division

OTHER VIOLENT CRIMES

Two Sentenced for 2007 Home Invasion Murders

In November of 2011, two St. Paul men received life sentences for the March 23, 2007, murders of Brittany Kekedakis, age 15, Maria McLay, age 32, and Otahl Saunders, age 31. Tyvarus Lee Lindsey, age 29, and Rashad Raleigh, age 33, were sent to federal prison on three counts of murder resulting from the possession of a firearm in furtherance of a drug-trafficking offense and ten years on one count of possession of a firearm in furtherance of a drug-trafficking offense.

Because the federal criminal justice system does not have parole, the defendants will remain behind bars for the rest of their lives. U.S. District Court Judge Joan N. Ericksen reiterated that fact when, while handing down the sentences, she said, "There is nothing that would justify anything other than life in prison. You only get one life, and you will be spending the rest of yours in jail."

"While all violent crime is despicable, this particular act was even more abhorrent because it involved the forced entry into a private home and the cold-blooded killing of three people in front of two children," said U.S. Attorney B. Todd Jones. "Those responsible for that heinous behavior deserve the toughest of sentences, and that's what they got. Of course, the court's action will not restore the lives of the victims or

their families, but, hopefully, it will provide them with a sense of justice served."

Both Lindsey and Raleigh were indicted on January 20, 2010, and convicted on June 21, 2011, after an eight-day jury trial. The evidence presented at trial proved that on March 23, 2007, Lindsey, also known as Little Stick, and Raleigh, also known as Shoddy, committed the murders. On that day, officers responded to a call from the 200 block of Burgess Avenue in St. Paul at about 6:40 a.m. Upon arriving at the house that was the subject of the call, officers found Saunders' body as well as the bodies of

Maria McLay, Saunders' live-in girlfriend, and her daughter, Brittany Kekedakis. McLay's other two children, ages 7 and 10 at the time, had run to a relative's house for help. They witnessed much of what had happened in the house, although they were not physically harmed.

Both defendants remain in custody. At present, they are serving prison terms on unrelated state charges. The federal sentences will run concurrent to the state sentences. In addition, both defendants were ordered to pay \$19,500 in restitution.

This case was investigated by St. Paul police, the FBI, and the Ramsey County Sheriff's Office.

FAMILY'S ANGUISHED WAIT ENDS



Lynnette and Greg Hartling, grandparents of murder victim Brittany Kekedakis, were at the courthouse in Minneapolis. The image on the shirt is Brittany. CARLOS GONZALEZ - cgonzalez@startribune.com

Two inmates convicted of grisly triple homicide in St. Paul

By JAMES WALSH
jwalsh@startribune.com

As each "guilty" verdict was read, it was as if four years of waiting, four years of anguish and four years of unanswered questions began to melt away.

"Yes!" a man said as U.S. District Judge Joan Ericksen informed Tyvarus Lee Lindsey and Rashad Raleigh that they each had been found guilty of murder and pos-

sessing a firearm.

It took nearly two days of deliberations, but the federal jury's verdict "gives us some peace of mind. It means we can move forward with our lives," said Willie Hill, stepfather to Otahl Saunders, who was killed along with his girlfriend, Maria McLay, and McLay's 15-year-old daughter, Brittany Kekedakis,



Lindsey



Raleigh

in their St. Paul home in the early hours of March 23, 2007.

Each was killed by a single gunshot to the head.

"We just know that the jury got it right," said Saunders' mother, Beth Hill.

That the case ever came to trial is a credit to the diligence of the victims' family, the St. Paul police, the FBI and the U.S. Attorney's Office,

Beth Hill said.

"They were as horrified [by the crimes] as we were," she said.

The triple killing rocked St. Paul's North End and stung investigators with its brazen nature.

It was just after 6:30 a.m. on that March morning when a group of masked men, all wearing black, kicked in the back door looking for drugs and money.

Verdicts continues on B5 ▶



Members of the Criminal Division

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.



Assistant U.S. Attorney
Gregory G. Brooker

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.



Assistant U.S. Attorney
Erika R. Mozangue

The Civil Division also defends all lawsuits filed in the District of Minnesota 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 of Minnesota 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 2011, the Civil Division was comprised of six paralegals, five legal assistants, four FLU agents, 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 2011 STATISTICAL DATA

Civil Division Overview

622 Civil Cases Filed or Answered
 586 Civil Cases Litigated
 130 Settlements
 232 Judgments
 199 Judgments Entered in Favor of U.S.
 33 Judgments Entered Against U.S.
 3 Trials
 538 Cases Pending

Breakdown of Social Security Cases

87 Cases Filed or Responded To
 82 Cases Litigated
 81 Judgments
 59 Judgments Entered in Favor of U.S.
 22 Judgments Entered Against U.S.
 1 Dismissed
 110 Cases Pending

Breakdown of Bankruptcy Cases

124 Cases Filed or Responded To
 111 Cases Litigated
 77 Settlements
 27 Judgments
 27 Judgments Entered in Favor of U.S.
 0 Judgments Entered Against U.S.
 72 Cases Pending

Breakdown of Tort Cases

24 Cases Filed or Responded to
 17 Cases Litigated
 2 Settlements
 11 Judgments
 11 Judgments Entered in Favor of U.S.
 0 Judgments Entered Against U.S.
 4 Cases Dismissed
 38 Cases Pending

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. In addition, a Civil Frauds Unit was formed in 2011 within the Civil Division to complement the fraud prosecutions handled by the Criminal Division. The Justice Department's total recoveries in False Claims Act cases since January 2009 have topped \$7.5 billion. The Civil Frauds Unit and some of the ACE cases litigated during the past year are highlighted below.



Civil Frauds Unit Formed

In January 2011, a Civil Frauds Unit was formed within the Civil Division of the U.S. Attorney's Office. The Civil Frauds Unit combats financial fraud, including health care fraud, mortgage fraud, pharmaceutical fraud, bank fraud, government procurement fraud, and federal grant fraud, by pursuing investigations and civil enforcement actions in federal court. In addition, the unit works closely with the Criminal Division to halt on-going criminal fraud and freeze assets before indictments are even filed, pursuant to the Anti-Fraud Injunction Act. Moreover, the unit collaborates with the Civil Division's Asset Forfeiture Unit to freeze and seize money in pending criminal fraud cases for use as restitution to victims.

The federal government has a broad range of civil enforcement remedies under federal anti-fraud laws, including civil monetary penalties, treble

damages, and equitable and injunctive relief. These remedies are not available in most criminal actions. In addition, civil litigation requires a lower burden of proof and can result in higher damages awarded than in criminal cases. As a result, coordinating civil and criminal fraud enforcement helps to ensure that justice is truly achieved for victims of fraud.

While the Civil Frauds Unit improves fraud litigation through better coordination of efforts and resources, the U.S. Attorney's Office has a long history of obtaining monetary recoveries in fraud cases by using civil enforcement actions. Since 1996, when the national Affirmative Civil Enforcement program was initiated under then-Attorney General Janet Reno, the U.S. Attorney's Office in Minnesota has recovered more than \$139 million. Recoveries have been obtained in a variety of fraud cases, from those concerning federal crop insurance to those involving the federal Medicare and Medicaid programs.

Minnesota Transit Constructors Agree to Pay U.S. \$4.6 Million to Resolve False Claims Act Liability

In August 2011, Minnesota Transit Constructors, Inc ("MnTC"), a joint venture comprised of Granite Construction, C.S. McCrossan, Inc., and Parsons Transportation Group, as well as a number of subcontractors, agreed to pay the United States \$4.6 million to resolve allegations that it knowingly submitted false claims related to a federally funded transit construction project in Minneapolis. The United States alleges that MnTC falsely claimed it had used Disadvantaged Business Enterprises ("DBEs") for part of its work on the project, when, in fact, that was not true. The U.S. Department of Transportation's DBE program provides assistance to businesses owned by minorities and women, as well as socially and economically disadvantaged

individuals, who would like to participate in federally funded construction and design projects. MnTC was the prime contractor on the project to design and build the Hiawatha Light Rail Transit System, a light-rail line linking Minneapolis, St. Paul, the Twin Cities' International Airport, and the Mall of America. To obtain and maintain its contract, MnTC and its subcontractors were required to comply with the DBE regulations and accurately report DBE contracting. MnTC claimed that materials and services for the project were provided by DBEs, when, in truth, they were actually provided by non-DBE subcontractors, with the DBEs merely serving as extra participants to make it appear as if they were truly involved.

U.S. Bank Agrees to Pay \$1.2 Million for Alleged Failure to Comply with FHA Requirements

In May 2011, the U.S. Attorney's Office settled a U.S. Department of Housing and Urban Development ("HUD") case with Minneapolis-based U.S. Bank National Association. U.S. Bank is the Federal Housing Administration's ("FHA") eighth largest mortgage lender. Under the terms of the settlement, U.S. Bank will pay \$1.2 million to resolve allegations that it failed to comply with FHA requirements in connection with 27 mortgage loans. HUD documented losses of more than \$465,000 in relation to those loans. The agreement follows a 2006 audit by HUD's Office of Inspector General that concluded U.S. Bank had failed to meet FHA underwriting standards in connection with mortgage loans originated in 2003 and 2004. FHA generally prohibits the inclusion of overdue principal, interest, and late charges in refinanced loans; however, the audit found that in some cases, U.S. Bank had refinanced loans that included such prohibited amounts. The audit also found other violations of FHA underwriting requirements. In agreeing to the settlement, U.S. Bank did not admit any liability.

CIVIL HEALTH CARE FRAUD

In 2011, 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.

U.S. Attorney Files Complaint Against RehabCare Group, Inc., Rehab Systems of Missouri, and Others

In December 2011, a complaint was filed in an existing federal civil suit against Rehabcare Group, Inc. (“RehabCare”), Rehabcare Group East, Inc., Rehab Systems Of Missouri (“RSM”), and Health Systems, Inc. The complaint alleged that RehabCare paid kickbacks to RSM in order to gain access to a lucrative stream of referrals from Medicare and Medicaid beneficiaries.

The suit was originally brought under the *qui tam*, or “whistleblower,” provisions of the False Claims Act. That statute allows private individuals to file civil actions on behalf of the United States and then share in any financial recoveries. Health Dimensions Rehabilitation, Inc., the whistleblower in the case, is a Minnesota corporation that provides physical, occupational, and speech therapy services in nursing homes and other settings.

The U.S. Department of Justice intervened on claims arising from a transaction in 2006. The government’s complaint alleged that RehabCare was interested in purchasing RSM but correctly determined that paying a purchase price that took into account the value of the referrals from nursing homes controlled by RSM’s majority owner would violate the Anti-Kickback Statute. The Anti-Kickback Statute makes it illegal to pay others for referrals of Medicare patients, as patients are supposed to receive services based on their medical needs, not as a result of financial inducements paid to their health care providers.

The government’s complaint alleged that in order to induce RSM to enter into the deal, RehabCare paid RSM approximately \$600,000 and agreed to give RSM a lucrative five-year contract, guaranteeing RSM a portion of RehabCare’s revenue from the Medicare and Medicaid nursing home referrals that RehabCare would service under the deal. In exchange for directing nursing-home business to RehabCare, RSM would receive an up-front payment and was guaranteed more than ten percent of the revenue generated from the ongoing contract therapy operations. Aside from continuing to deliver business to RehabCare, RSM would provide no services and no value. The transaction and ensuing contract constituted kickbacks paid from RehabCare to RSM in exchange for referrals of business reimbursed by Medicare and Medicaid.

Medtronic, Inc., Pays US \$23.5 Million to Settle Claims it Paid Kickbacks to Physicians

In December 2011, Fridley-based Medtronic, Inc., agreed to pay the U.S. \$23.5 million to resolve allegations that it violated the False Claims Act by using physician payments related to post-market studies and device registries as kickbacks to induce doctors to implant the company’s pacemakers and defibrillators. Post-market studies are intended to assess the clinical

performance of a medical device or drug after that device or drug has been approved by the Food and Drug Administration. Registries are collections of data maintained by a manufacturer concerning products it has sold for patient implant.

The U.S. contends that Medtronic caused false claims to be submitted to Medicare and Medicaid by using two post-market studies and two device registries as vehicles to pay participating physicians illegal kickbacks to induce them to implant Medtronic pacemakers

and defibrillators. Although Medtronic collected data and information from participating physicians, each of the studies and registries also required that a Medtronic device be implanted in every patient, with Medtronic paying participating physicians a fee ranging from approximately \$1,000 to \$2,000 per patient. Medtronic allegedly solicited physicians for the studies and registries in an effort to encourage the doctors to switch to or stay with Medtronic products.

“Medicare and Medicaid beneficiaries depend on their physicians to make decisions based on sound medical judgment, especially when they are choosing which pacemaker or defibrillator to implant,” said B. Todd Jones, U.S. Attorney for the District of Minnesota. “Medical device manufacturers must not be permitted to use improper payments to cloud that judgment.”

The settlement resolves allegations contained in two whistleblower lawsuits filed under the *qui tam* provisions of the False Claims Act in Minnesota and California. As part of the resolution, the whistleblowers will receive payments totaling more than \$3.96 million from the federal share of the recovery.



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 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.

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 cases discussed below represent the work the Civil Division does to enforce the civil rights of Americans.



U.S. Attorney Announces Formation of Civil Rights Unit

In April 2011, a Civil Rights Unit was formed within the Civil Division of the U.S. Attorney's Office. The work of this unit focuses on enforcing federal civil rights laws by initiating investigations and commencing civil actions against individuals and corporations found to be violating the federal civil rights of Minnesotans.

The new unit combats discrimination in many arenas, including lending practices, disability assistance, and military member aid. It focuses on enforcing the Fair Housing Act, the Americans with Disabilities Act, the Uniformed Services Employment and Re-employment Rights Act, and the Service Members Civil Relief Act, among other federal civil rights laws.

Enforcement tools include investigations and civil enforcement actions commenced in federal court as well as enhanced collaboration with the Civil Rights Division in Washington D.C.

The U.S. Attorney's Office in Minnesota has a long history of fighting to uphold federal civil rights laws. Past suits have been filed against hospitals for failing to provide effective tools for communication by deaf patients and state and local governments for failing to make reasonable accommodations to persons with disabilities in regard to police services and park and recreation programs. Other cases have involved claims against private sector entities for failing to remove physical barriers to facilities and landlords for denying rental housing to people of color and tenants with service animals. The U.S. Attorney's Office also has brought actions against developers who illegally prevented group homes from being established in residential neighborhoods and school districts that systematically failed to prevent bullying of students based on race, sex, and sex stereotypes.

Minnetonka Man Allowed to take Law School Entrance Exam Following Americans with Disabilities Act Settlement

In October 2011, the U.S. Attorney's Office announced a settlement under the Americans with Disabilities Act ("ADA") with the Law School Admission Council ("LSAC"), a national testing entity that administers the Law School Admission Test ("LSAT"). The LSAT is a national standardized examination that all applicants must take before applying to American Bar Association accredited law schools in the U.S. This settlement arose out of an investigation into whether the LSAC violated the ADA by failing to provide testing accommodations to a young man from Minnetonka who had previously been diagnosed with Attention Deficit Disorder ("ADD"), Hypotonia, and a learning disability. Under the ADA, private testing entities, like the LSAC, are required to provide testing accommodations to persons with disabilities to ensure their performance demonstrates their aptitude and achievement rather than their disabilities.



In this case, the U.S. Attorney's Office commenced an investigation in response to the young man's complaint, which alleged that the LSAC had twice denied him testing accommodations for the LSAT. He had received testing accommodations throughout elementary school, high school, and college. In addition, the

College Board, another private testing organization, had granted him specific accommodations of extended time to take several national standardized tests. He completed college in three years, graduating from the University of Minnesota in 2009. He desired to enroll in law school and, in 2008 and 2009, requested testing accommodations from the LSAC for several consecutive administrations of the LSAT.

Prior to filing a lawsuit, the U.S. Attorney's Office entered into settlement negotiations with the LSAC. The parties agreed to a settlement under which the LSAC agreed to allow the complainant to sit for the October 2011 LSAT with all of the testing accommodations he had originally requested.

The U.S. Attorney's Office, in partnership with the University of Minnesota Law School, has established a Civil Rights Enforcement Clinic. Beginning in the fall of 2011, several University of Minnesota law students received academic credit for working on civil rights enforcement cases at the U.S. Attorney's Office. They worked with members of the Civil Rights Unit to perform investigations, legal research, and writing projects as well as participate in settlement conferences, depositions, and hearings. The U.S. Attorney's Office for the District of Minnesota is the first U.S. Attorney Office in the country to establish a law school clinic that focuses exclusively on civil rights enforcement.

Detroit Lakes Landlords Agree to Pay Victim for Violating the Fair Housing Act

In February 2011, Detroit Lakes landlords who own and rent out several properties in the Detroit Lakes area entered into an agreement with the federal government to settle allegations that they violated the federal Fair Housing Act by refusing to rent a dwelling to a person because of race. The agreement, filed in the form of a consent decree, provides that Pearl Beck and her son, Gregory Beck, must pay \$25,500 to the discrimination victim and refrain from refusing to rent property based on race in the future. Moreover, they must attend an educational training program focusing on the race-related provisions of federal, state, and local fair housing laws.

In its complaint, the federal government alleged that a prospective tenant responded to an advertisement for a rental unit in Detroit Lakes but was rejected because she was African-American. During an initial telephone conversation, Pearl Beck said the unit was available, but when the prospective tenant arrived to view it, she instead said it was not for rent.

The prospective tenant contacted Legal Services of Northwest Minnesota, and one of its attorneys called Pearl Beck, who told the attorney that the next-door neighbors had informed her they would move if she rented to “black people.” In response, the attorney advised Mrs. Beck that it was illegal to refuse to rent to someone because of race. Ms. Beck then said that the prospective tenant was rejected because she had dogs. She went on to say the unit was too small for the prospective tenant, and that she planned to move into it herself. A few months later, the Becks rented the unit to a white male.

Red Wing Rental Company Settles Allegations of Fair Housing Act Violation

In June 2011, Loki Properties, a rental company in Red Wing, entered into an agreement with the federal government to settle allegations that it violated the federal Fair Housing Act by refusing to rent a dwelling to a person because of race. Under the terms of the agreement, filed in the form of a consent decree, Loki Properties must pay \$15,000 to the discrimination victim and must undergo fair housing training, change its policies, and advertise as a fair housing landlord.

The U.S. Attorney’s Office filed a complaint against Loki Properties for race discrimination in the rental of housing when the company refused to rent to an African-American man. Initially, Loki Properties told the man it could not rent to him because the unit was still being renovated. However, the unit was then rented to a white woman. When the African-American man expressed interest in another unit, he was refused that unit because he had arrests—but no convictions—on his record. Loki Properties had a policy of allowing prospective tenants to explain their records, but did not do so in his case. Loki Properties then rented a unit to a white man who had four felony convictions, allegedly stating to the white tenant, “everyone deserves a second chance.”



Members of the Civil Division

Lawsuit Filed Against Truman, Minnesota, to Protect the Employment Rights of U.S. Army Reservist

In October 2011, the U.S. Attorney’s Office filed a lawsuit against the city of Truman on behalf of Michael Schutz, a member of the U.S. Army Reserves. The lawsuit alleges that Truman violated the Uniformed Services Employment and Reemployment Rights Act (“USERRA”) by failing to properly reemploy Schutz and, instead, moving to terminate his employment as a full-time police officer after he returned from military service in Kuwait. Subject to certain conditions, USERRA requires employers to promptly reemploy returning service members in the positions they would have held had their employment not been interrupted by military service, or in positions of like seniority, status, and pay. Moreover, employers must not retaliate against servicemember employees who seek to exercise their rights under USERRA. The complaint stated that upon Schutz’s honorable discharge from military service, Truman did not reemploy him in his pre-service position as a full-time police officer. The complaint also alleges that Truman retaliated against Schutz for filing an USERRA claim. Specifically, the city placed him on administrative leave for approximately three weeks and then issued him a notice of intent to terminate his employment. The suit against Truman seeks lost wages and benefits and injunctive relief relating to retaliation against Schutz for exercising his USERRA rights. The complaint also seeks double damages because the city’s actions constituted a willful violation of USERRA.

ASSET FORFEITURE UNIT

During fiscal year 2011, the Asset Forfeiture Unit forfeited a record \$63 million in total forfeitures. Of that, more than \$60 million was forfeited criminally, and more than \$200,000 was forfeited through civil forfeiture procedures, which focus on the seizure of property used in the commission of crimes or property determined to be proceeds of criminal activity. U.S. Attorney offices nationally, working with partner agencies and divisions, collected \$1.68 billion in asset forfeiture actions in Fiscal Year 2011. Forfeited assets are deposited into the Department of Justice Assets Forfeiture Fund and the Department of Treasury Forfeiture Fund and are used to restore crime victims financially and aid law enforcement purposes.

2 to prison in big Best Buy fraud

- In addition to sentencing the crooks, the judge ripped the Best Buy VP whose department failed to detect the crime.

United States v. Russell and Abby Cole

\$15 Million in Recoveries for Victims

This case arose out of a scheme to defraud Best Buy in connection with an online bidding process for computer parts. The fraud scheme was perpetrated by Russell and Abby Cole through their Chicago business Chip Factory. In December 2008 and January 2009, numerous seizure warrants were executed. In addition, the U.S. Attorney's Office filed a civil forfeiture case against two Chicago residences owned by the Coles. Russell and Abby Cole were convicted at trial. On December 21, 2010, a preliminary order of forfeiture was entered at sentencing which included a money judgment forfeiture in the amount of \$32,868,849.12, and the forfeiture of numerous specific assets including approximately \$15 million in luxury cars, investment accounts, and two personal residences located in Deerfield, Illinois. During 2011 the office obtained a final order of forfeiture as to all of the assets in the case.

United States v. John Jeffries

On December 14, 2010, seizure warrants were executed with respect to one bank account and three safe deposit boxes controlled by John Jeffries. Jeffries operates a slaughter operation in South St. Paul, where customers can purchase live animals and slaughter them on site. Jeffries engaged in serial structuring with respect to bank accounts he controls and frequently placed cash in his safe deposit boxes on the same dates he made the currency deposits.

In total, \$853,950 was seized from the three safe deposit boxes controlled by Jeffries, and \$68,907.15 was seized from the account Jeffries controls at White Rock Bank. The day after the

seizures, Jeffries admitted to authorities the structuring violations, and that the cash in the safe deposit boxes was unreported income from his business.

In 2011, Jeffries agreed to forfeit \$150,000 and pay \$315,558.55 to satisfy an unpaid debt owed to the government. The remaining funds were released to him.

This case is an excellent example of how seizure warrants and forfeiture can be used as a law enforcement tool in a currency structuring case, which are generally not criminally prosecuted by this office.



Student Interns

United States v. Charles Hays

\$3.7 Million in Recoveries for Victims

This case involved an investment Ponzi scheme perpetrated by Charles Hays. Hays pleaded guilty in April 2009 and was sentenced in April 2010. The U.S. Attorney's Office obtained several preliminary orders of forfeiture in this case as to more than 45 separate assets. The assets forfeited included a luxury yacht, two investment accounts, and the personal residence of Hays, with a total value of nearly \$1,000,000.

Final orders of forfeiture were obtained during 2011 as to all of the assets, with the exception of one vehicle, which will be forfeited early in 2012. In December 2011, the U.S. Marshals Service turned over approximately \$3.7 million to be applied toward the \$21,601,065.87 in restitution ordered at sentencing. These funds will be distributed to victims during January 2012.

FINANCIAL LITIGATION UNIT

The Civil Division includes the Financial Litigation Unit (“FLU”), which obtains and collects civil 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. The largest civil collections come from affirmative enforcement cases, in which the United States recovers government money lost to fraud or other misconduct. Other collections are obtained as a result of civil penalties imposed on individuals or corporations for violating federal health, safety, civil rights, or environmental laws. The FLU’s largest client agencies are the U.S. Department of Education (defaulted student loans), the U.S. Department of Health and Human Services (health education loans), and the U.S. Department of Agriculture (defaulted farms loans and overpayments on farm programs).

If a debtor is unable to pay a debt in full, the FLU staff collects through a voluntary payment plan. If a voluntary payment plan is unsuccessful, federal statutes provide for collection through a variety of tools, such as—

- Wage and bank garnishments, which allow the U.S. to collect 25 percent of a debtor’s non-exempt earnings as long as the earnings are more than \$290 per week. A wage garnishment continues until the debt is paid in full or the debtor ends employment;
- Attachment of real and personal property, which includes, among other things, cars, boats, and vacation homes;
- Treasury Offset Program, which allows for the seizure of federal tax refunds and other federal payments; and
- Filing liens against a debtor’s real and personal property, which is a powerful incentive to pay the debt, especially when the debtor wishes to sell or refinance the property.

The FLU is currently staffed by an Assistant United States Attorney, a supervisory paralegal specialist, and four collection agents.



Members of the Civil Division

Nationwide, U.S. Attorneys offices collected \$6.5 billion in non-forfeiture criminal and civil actions during Fiscal Year 2011, surpassing \$6 billion for the second consecutive year. This figure represents more than three times the appropriated budget of the 94 U.S. Attorney offices for Fiscal Year 2011. Of that \$6.5 billion, a total of \$2.66 billion was collected in criminal actions and approximately \$3.83 billion was collected in civil actions.

U.S. Attorney’s Office Collects \$276 Million in Fiscal Year 2011; Ranks Seventh out of 94 Offices in Total Collections for the Year

In Fiscal Year 2011, the District of Minnesota collected \$276,523,300.55, with only six of 94 U.S. Attorney offices nationwide collecting more. Of the district’s total collections, \$264,296,640.17 was collected through criminal actions, from payment of fines and victim restitution, among other penalties, while \$12,226,660.38 was collected through civil actions, from overdue student-loan repayments to fraud recoveries. The FLU collected approximately \$8.9 million in restitution that will go directly to individuals who were victims of crime and more than \$700,000 that will be repaid to victimized federal agencies. In addition, the FLU collected more than \$254.6 million in criminal fines, forfeited appearance bonds, and special assessments on behalf of the national Crime Victims Fund, which gives money back to communities by way of grants designed to aid victims of crime.

These results were possible, in part, because the FLU filed 42 garnishments against debtors’ wages and bank accounts, collected 535 payments worth approximately \$280 thousand through the Treasury Offset Program, and filed 226 liens against debtors’ real and personal property.

One of the largest recoveries in the District of Minnesota in Fiscal Year 2011 was obtained from Trevor Cook, who paid more than \$3.6 million in restitution to the victims of his investment fraud scheme. Cook is serving a 25-year federal prison sentence. In addition, sizable recoveries came from Joseph

and John Riley, business owners from Morris, Minnesota, who each paid \$250,000 in criminal fines after pleading guilty to orchestrating a tax-evasion scheme. They are serving 42 months in federal prison. They also were ordered to pay the Internal Revenue Service all money owed by them. Through civil litigation, the District of Minnesota obtained a large recovery from Minnesota Transit Constructors, a joint-venture group involved in building the Hiawatha Light Rail line. Minnesota Transit Constructors paid \$4.6 million to resolve allegations that it had claimed to be using “disadvantaged business enterprises” for its work on the project, when, in fact, that was untrue.



Members of the Civil Division

DEFENSIVE LITIGATION

Every year, the Civil Division defends the United States in hundreds of cases. These four cases represent the variety of claims civil litigators defended in 2011.

Central Corridor Light Rail Project Allowed to Proceed

In January 2011, the Civil Division successfully defended the Federal Transit Administration (“FTA”) in a lawsuit brought by a group of individuals, organizations, and businesses along the proposed route for the Central Corridor Light Rail Transit line. The lawsuit challenged the light rail project under the National Environmental Policy Act and sought an order that construction cease until additional environmental assessments were performed. The complaint alleged that the FTA failed to adequately consider the project’s impact on minority and disadvantaged communities, such as potential displacement and gentrification, anticipated increases in rent and property taxes, and temporary disruption caused by construction. In response, it was noted that FTA’s project planners had worked hard to listen to all concerns raised by the plaintiffs and other community members. Not a single home or business will be displaced as a result of the construction along University Avenue, and the project is ultimately expected to benefit the plaintiffs in addition to others in the Twin Cities area. The court agreed and did not halt the project. The only point on which the court saw a need for further analysis related to temporary construction-related impacts on local businesses. During the next several months, the FTA undertook further analysis, offering additional opportunities for input from the plaintiffs and other community members.



Members of the Civil Division

Motion Denied to Block DEA Synthetic Drug Ban

In January 2011, the Civil Division, with assistance from the Department of Justice and the Drug Enforcement Administration (“DEA”), fended off an emergency motion that sought to delay a DEA order banning certain synthetic cannabinoids from taking effect. The DEA had earlier announced the temporary ban of the substances based on the Dangerous Drug Diversion Control Act of 1984, in which Congress recognized the need to protect the public by responding quickly to the rapid emergence of new or “designer” drugs.

Several stores throughout Minnesota claimed they would suffer economic harm as a result of the ban. The district court denied their motion, however. The government pointed out that the U.S. Supreme Court has upheld the constitutionality of the 1984 Act allowing the DEA to temporarily ban drugs on an emergency basis. And after the DEA’s temporary scheduling order was issued, the plaintiffs attempted to raise their challenges again, but their claims were rejected by both the district court and the Eighth Circuit Court of Appeals.

Settlement Reached in Wrongful Death Lawsuit

In 2011, the Civil Division successfully resolved a tragic double wrongful death suit involving a husband and wife killed as a result of a car accident involving a vehicle operated by a United States government employee. The case settled without any admission of wrongdoing or liability and provided much-needed closure to all parties involved.

U.S. Attorney’s Office Settles Lawsuits Arising from Republican National Convention

In 2011, the Civil Division successfully resolved the only two lawsuits directly involving allegations against federal law enforcement agents in connection to the 2008 Republican National Convention (“RNC”), which was held at Xcel Energy Center in St. Paul. In each case, the plaintiffs claimed that local, state, and federal officials committed various wrongful acts and violated constitutional rights under the First and Fourth amendments. In one case, several individuals occupying a duplex on Iglehart Avenue in St. Paul alleged, among other claims, that FBI agents conducted a search of the house under the authority of a warrant based on flawed information. In the other case, two reporters alleged, among other claims, that their First Amendment rights had been violated when a Secret Service agent removed their RNC press credentials for verification after they were arrested during a protest in downtown St. Paul. Without admitting any wrongdoing or liability, the United States settled the cases. Moreover, in both cases, the plaintiffs agreed to dismiss all claims against individual federal officers.

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 an 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 on each case.

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, with considerable work done this past year by Assistant U.S. Attorney Michael L. Cheever. These lawyers are responsible for reviewing all appellate court briefs, writing approximately half of all criminal briefs, and overseeing moot court, which prepares Assistant U.S. Attorneys for oral arguments before the Eighth Circuit Court of Appeals. They also inform office lawyers of new developments in the law.



Assistant U.S. Attorney
James E. Lackner

FISCAL YEAR 2011 STATISTICAL DATA

Appellate Division Overview

74 Criminal Appeals Filed	36 Civil Appeals Filed
93 Criminal Appeals Litigated	44 Civil Appeals Litigated
91 Decided in Favor of U.S.	42 Decided in Favor of U.S.
2 Decided Against U.S.	2 Decided Against U.S.

EIGHTH CIRCUIT APPEALS

United States v. Petters

Petters was convicted of wire fraud, mail fraud, conspiracy, and money laundering as a result of his multi-billion dollar Ponzi scheme. The trial lasted approximately one month. He was sentenced to 50 years in prison and is serving that sentence at the federal prison facility in Leavenworth, Kansas.

On appeal, Petters argued that the government should have been required to introduce the Witness Security Program ("WITSEC") file of one of its witnesses; that the District Court had violated his right to a public trial; that the District Court should have permitted a denied line of cross-examination; and that the District Court should have allowed a rejected jury instruction. He also argued that the trial should have been moved, and that his sentence was unreasonable. The Eighth Circuit denied all his arguments and upheld both the conviction and the sentence. In doing so, the court noted that limiting disclosure of the WITSEC file was justified because of the substantial interest in protecting the witness and his family. The court also found that the jury would not have received a different impression of the witness' credibility had the defendant's proposed line of cross-examination been permitted, and that the jury instructions presented adequately stated Petter's defense.

United States v. Fiorito

In April 2010, Michael Fiorito, of Prior Lake, was sentenced to 270 months in prison on charges connected to an equity-skimming scheme that targeted vulnerable homeowners. Fiorito was convicted of one count of conspiracy to commit mail fraud and six counts of mail fraud following a three-week trial. The prison sentence imposed was greater than called for under the U.S. Sentencing Guidelines.

Fiorito was a mortgage broker at three different Minnesota mortgage companies between 2004 and 2007. During that time, he worked with his assistant, Kristin Louise Jerde, to devise a scheme to defraud homeowners who were in foreclosure or behind on their mortgage payments. Specifically, Fiorito and Jerde caused those homeowners to refinance their home loans or sell their homes outright to Fiorito. Then, he stole their money, either taking the equity checks produced during the refinancing process or the closing checks intended for the sellers of the homes he supposedly purchased.

In some instances, Fiorito stole checks meant for others simply by intercepting them. In other instances, he acquired the money by intimidating victims into endorsing the checks over to him. In most cases, however, he caused his victims to execute documents granting him power of attorney. With those executed documents, he could easily deposit money belonging to others into accounts over which he had exclusive control. Fiorito fraudulently converted to his own use almost \$500,000 in equity as a result of his illegal activity.

On appeal, Fiorito raised numerous issues attacking his conviction, his sentence, and the denial of his motion to suppress evidence. The Eighth Circuit affirmed the conviction on all grounds, including the government's contention that a vulnerable-victim enhancement be applied to the defendant's guideline calculation where the vulnerability was based on the victims' stressed financial situations.

United States v. Brown

In late 2009, Patricia Brown, of Red Lake, was convicted of murdering a 14-year-old boy and assaulting a 17-year-old boy with a knife. As the 14-year-old boy was leaving a social gathering on the Red Lake Indian Reservation in April 2009, he approached Brown, who had just arrived with a juvenile female. The boy made a number of boisterous comments to Brown, who ordered him to get away. When he failed to do so, Brown pulled out a “butterfly” knife and fatally stabbed him once in the heart. Brown then left the gathering and drove a short distance, where she proceeded to get into an altercation with two other juvenile males, ages 16 and 17. Using her knife, Brown lacerated the hand of the 17-year-old boy, causing severe, permanent damage. Later, the Red Lake Tribal Police Department notified the FBI that they had impounded a Chevrolet Blazer automobile in connection to a separate incident involving Patricia Ann Brown. In that vehicle, authorities reportedly discovered the butterfly knife as well as some brass knuckles. The knife was determined to have the blood DNA of both the 17-year-old assault victim and the murdered child.

Brown was sentenced to 30 years in prison, which is the mandatory minimum sentence under the Adam Walsh Act for crimes involving victims who are children. She appealed, arguing that the age of the victim was an element of the offense. It was the first time a federal court of appeals had addressed the issue. The Eighth Circuit affirmed the imposition of the mandatory minimum sentence, adopting the government’s position that the victim’s age was a sentencing factor.

United States v. Maxwell

In December 2010, Kelly James Maxwell, of Redby, was sentenced to 222 months in prison on one count of aiding and abetting murder in the second degree. Maxwell admitted he aided Natalie Renee Delores Ann Smith in the murder of a 21-year-old resident of the Red Lake Indian Reservation. The victim’s unclothed body was found under some logs in the yard of a Redby residence. Officers discovered shoes, pants, and boxer-shorts two blocks away, in Smith’s yard.

According to the U.S. Sentencing Guidelines, Maxwell’s sentencing range was 168 to 210 months, but the District Court varied upward in imposing the 222 month sentence, citing the unusually heinous nature of the attack. Maxwell appealed his sentence, but the Eighth Circuit affirmed it, holding that it was reasonable given the brutality Maxwell demonstrated against his victim. The Eighth Circuit also held that since Maxwell knew right from wrong and how to control his actions, the District Court properly refrained from reducing his sentence due to any mental health issues he exhibited.

United States v. Wilcox

In April 2011, Kenneth Leon Wilcox, an over-the-road trucker from the small southern Minnesota town of Truman, was sentenced for taking a child on interstate trucking trips for the purpose of having sexual relations with her and producing pornography involving her. Wilcox admitted that he transported a then-14-year-old girl from Minnesota to Wisconsin and had sexual relations with her in the cab of his semi-truck. He used an eight-millimeter video camera to film the girl engaging in sexually explicit conduct.

Wilcox was sentenced to 480 months in prison on one count of transportation of a minor with intent to engage in criminal sexual activity and one count of production of child pornography. He challenged the sentence, but the Eighth Circuit rejected the appeal in light of the “monstrous nature” of the offense.

United States v. Strong

In December 2010, Christopher Michael Strong, of Red Lake, was sentenced to 54 months in prison on one count of assault resulting in serious bodily injury. The prison sentence imposed was greater than the 37 to 46 months called for under the U.S. Sentencing Guidelines.

The Red Lake tribal police were called to a residence on November 11, 2009, in response to a complaint that a woman had been beaten. Upon their arrival at the home, officers found a woman lying on a bed, next to Strong. The woman’s eyes were swollen shut. She had a laceration on her right jaw, a broken nose, and bruises on her arms, legs, shoulders, and face. In addition, she had a bite mark on the left side of her back. She told officers Strong had punched and kicked her repeatedly during a three-day period.

On appeal, Strong challenged the sentence, arguing that the District Court had erred by departing upward because it failed to properly support its finding that the “psychological injury sustained by the victim was ‘extreme.’” The Eighth Circuit held, however, that the District Court had not “departed” from the Sentencing Guidelines, as Strong argued, but, rather, had properly “varied” under Section 3553(a). The Eighth Circuit also rejected Strong’s argument that the sentence was unreasonable because he would have likely received a lesser prison term through state court. The appeals court held that such a disparity is not a proper sentencing consideration.

United States v. Borromeo

In September 2010, Michael Angelo Borromeo, of Faribault, was sentenced for producing a video containing child pornography. Borromeo was sentenced to 360 months in prison on one count of production of child pornography, which is the statutory maximum sentence allowed by law. Borromeo admitted that he produced a video featuring a minor engaged in sexually explicit conduct. He used his cell phone to film the 14-year-old. Borromeo appealed the imposition of the maximum sentence. The Eighth Circuit had “no difficulty concluding” it was not a substantially unreasonable sentence and affirmed the District Court’s decision.

ADMINISTRATIVE DIVISION

The Administrative Division, under the leadership of Melanie Heurman, supports the litigative mission of the office by providing information technology, procurement, property, budget, human resource, facilities management, and general infrastructure services. The administrative staff must respond to a continuous stream of new mandates and evolutionary influences, requiring a nimble, flexible workforce.

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.



*Administrative Officer
Melanie Heurman*

Fiscal Year 2011 Administrative Division Overview

- Even with a hiring freeze, the office hired ten new employees: four attorneys, four support staff, and two students.
- Five employees left the office.
- Eight new Special Assistant U.S. Attorneys joined the office.
- Thirty-two law students participated in internships with the office.
- Official personnel folders were transitioned to all-electronic forms.
- A \$1.7 million facilities upgrade was completed.
- Official parking spots and another vehicle for official government business were procured, which realized savings over use of personally-owned vehicles and pay-as-we-go parking.
- Additional attorneys and support staff transferred to the St. Paul branch office. This required coordination and support from all of the administrative sections.
- Preparations were made on the brink of a government shut-down and furlough.
- Budgets were reduced and moratoriums on certain budget items were implemented.
- A SharePoint intranet site was launched, which included a page for every section and many sub-sections within the office.
- A budget audit was done.
- Budget and procurement internal controls, and operating procedures and functions were revised and updated.
- A new property database was populated, and the district's inventory was updated and reconciled while removing many obsolete and unusable property items at the same time.
- Approximately \$100,000 in savings was realized by changing our business practices, such as how we order transcripts, use litigative consultants, order bulk copier paper, and use double-sided printing.
- For the second year in a row, we updated and upgraded nearly \$500 thousand worth of old furnishings, including equipment and furniture.
- iPads were deployed to management and others in the office.
- Cell phones were replaced with new models.
- New servers were installed in both Minneapolis and St. Paul.
- Information technology specialists worked on numerous large cases to provide automated litigation support.
- Information technology spaces underwent massive cleaning and reorganization during the renovation project.
- Each section in the Administrative Division began offering a series of district-wide training programs, topics ranging from software to Employee Personal Page, Blackberry use, and the new, on-line travel system.



Members of the Administrative Division

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