

United States Attorney's Office
Central District of California



ANNUAL REPORT

January 2015 – December 2015

Eileen M. Decker
United States Attorney

TABLE OF CONTENTS

FROM THE DESK OF THE UNITED STATES ATTORNEY.....	3
CASES.....	4
APPEALS.....	4
CIVIL RIGHTS.....	6
COMMUNITY SAFETY.....	8
CRIMES AGAINST CHILDREN.....	10
CRIMES AGAINST THE GOVERNMENT.....	12
Immigration Fraud.....	14
Export Controls.....	15
CYBER.....	16
ENVIRONMENTAL.....	18
FRAUD.....	20
Bank Fraud.....	20
Embezzlement	21
Healthcare Fraud.....	22
Identity Theft.....	25
Securities Fraud.....	26
Investment Fraud.....	27
Real Estate Fraud.....	30
Mortgage Adjustment Fraud.....	31
GENERAL CIVIL.....	33
HUMAN TRAFFICKING.....	38
PRESCRIPTION DRUG ABUSE.....	39
PUBLIC CORRUPTION.....	41
Embezzlement.....	42
TAX FRAUD.....	43

TERRORISM.....	45
VIOLENT CRIME.....	47
Drug Trafficking.....	47
Money Laundering.....	48
Racketeering.....	48
Gang Violence.....	49
Weapons Offenses.....	50
Sexual Assault.....	50
Extortion.....	50
SUBSTANCE ABUSE TREATMENT AND REENTRY PROGRAM (STAR).....	51
CONFINEMENT AND SENTENCING ALTERNATIVES (CASA).....	51
COMMUNITY ENGAGEMENT 2015.....	52
ACKNOWLEDGEMENTS.....	53

THIS YEAR END REPORT IS INTENDED SOLELY AS A PARTIAL LISTING OF THE 2015 CASEWORK OF THE UNITED STATES ATTORNEY’S OFFICE FOR THE CENTRAL DISTRICT OF CALIFORNIA. NOTHING IN THIS REPORT IS INTENDED TO REPRERESENT THE OFFICIAL POSITION OF THE DEPARTMENT OF JUSTICE OR THE U.S. ATTORNEY’S OFFICE. IT HAS NO REGULATORY EFFECT, AND CONFERS NO RIGHTS OR REMEDIES.

**From the desk of
Eileen M. Decker
United States Attorney**

I was honored to return to the United States Attorney's Office for the Central District of California in 2015. My nearly 15 years as an Assistant United States Attorney were incredibly rewarding, and it is a privilege to be leading such a distinguished group of AUSAs, paralegals, and staff who are dedicated to the highest standards of ethics, professionalism, and excellence.

Our Office has always been at the forefront of the Department of Justice, leading the way in civil, criminal, national security, and tax cases. This past year was no different. Whether the subject matter was terrorism, violent crime, the financial crisis, tax fraud, or civil rights, the Office brought major cases with nationwide ramifications. Because I believe the cases speak for themselves, we have summarized some of our 2015 cases into this Annual Report. For AUSAs, former AUSAs, law enforcement, and members of the community too busy to keep up our daily work, we hope this Annual Report will provide a glimpse of the breadth, scope, and depth of our efforts in 2015.

Last year, we re-structured parts of our Office. We created the National Security Division ("NSD"), the first of its kind in the nation, consisting of the Terrorism and Export Crimes and Cyber and Intellectual Property Crimes Sections. In addition to prosecuting criminal cases, the NSD also works with our law enforcement partners to disrupt and prevent attacks aimed at undermining our national security. Protecting our District from terrorist and cyber threats remains our highest priority.

In 2015, our Criminal, Civil and Tax Divisions were also incredibly productive. For example, 2015 saw the \$1.375 billion dollar settlement with Standard and Poor's for inflating the ratings of mortgage-backed securities during the housing boom, which then fueled the financial crisis of 2008. When combined with the Office's role in obtaining the \$16.65 billion dollar settlement with Bank of America in late 2014, there can be no doubt that the Office leads the nation in holding financial institutions accountable for the actions that contributed to the national financial crisis. These cases, combined with the corporate fraud, ponzi schemes, tax fraud, health care fraud, and other fraud cases described in this report, demonstrate our steadfast commitment to addressing the many variations of fraud that unfortunately take place in our District.

Our violent crime sections worked hard to address the growing violent crime problem that some areas of our District are experiencing. As outlined in this report, these sections focused on drug cartels, international drug trafficking, human trafficking, prescription drug abuse, gang violence, crimes against children, and organized crime. Working with the violent crime prosecutors, our asset forfeiture team seized instrumentalities of the crime in order to prevent future criminal conduct. We recognize the positive impact effective prosecutions can have on the communities we serve, and strive to make all of our neighborhoods safe from violence. We are committed to doing more in this area during 2016, which includes being an active part of DOJ's Violence Reduction Network.

During 2015, the Office also made landmark gains in addressing civil rights issues, including the indictment of a number of current and former Sheriff's Deputies, both for civil rights violations in the jails, and for attempting to obstruct the investigation into those abuses. The Office also reached an agreement with the Los Angeles Sheriff's Department to achieve reform in the jails and to prevent history from repeating itself.

Protecting the residents of the District necessarily entails protecting them from those who do harm to our environment. Those who violated environmental safeguards continued to be prosecuted to the fullest extent of the law. Throughout all of our efforts, our appeals team provides advice and counsel on all significant issues and seamlessly guides us through all of our appellate work.

I have only scratched the surface of the Office's accomplishments in 2015. We remain committed to justice, fairness and service at the U.S. Attorney's Office. While 2016 will bring new challenges, the dedicated women and men in this Office will continue to work to improve the lives of citizens in our community through effective and fair prosecutions of criminal conduct and civil enforcement.

ANNUAL REPORT 2015

Appeals

The work of the U.S. Attorney's Office on appeals to the U.S. Court of Appeals for the Ninth Circuit is as diverse as its work in trial courts. With a staff of dedicated professional appellate lawyers supervising the appellate work of the Office's trial-level attorneys or handling many of the Office's appeals themselves, the Office not only works hard to see that its trial-level victories are affirmed and that erroneous adverse decisions are corrected but that precedent helpful to future prosecutions and civil matters is developed.

In *United States v. Christensen*, 801 F.3d 970 (9th Cir. 2015), juries in two separate trials that spanned six months convicted six defendants (including a named partner of an over-250-lawyer Los Angeles law firm and a Los Angeles Police Department sergeant) of various crimes for their involvement in the Pellicano Investigative Agency's (a Los Angeles private investigation firm that catered to wealthy and celebrity clients) acquisition of confidential law enforcement and telephone company information and wiretapping of investigative targets so that, in many instances, the agency's clients could obtain unfair advantages in high-profile legal disputes. Over defense briefing that totaled 928 pages, all six defendants challenged their

convictions and sentences on almost every conceivable ground by raising, in the Ninth Circuit's words, "a staggering number of issues" (40 unique substantive issues and several dozen additional sub-issues). The Ninth Circuit affirmed the most-important convictions against the most-important defendants in a 123-page published opinion accompanied by a 33-page unpublished decision, rejecting all of the defendants' claims except two based on controlling Ninth Circuit decisions issued while the appeals were pending and reaching dozens of broadly applicable precedential holdings of tremendous utility to federal prosecutors in the Ninth Circuit.

For a client who ended up cheating 86 victims out of over \$20 million in a mail-fraud and Ponzi scheme, a big-firm lawyer defendant, among other things, prepared false and misleading private placement memoranda in support of the Ponzi scheme, later altered and backdated them to make them appear to contain adequate disclosures, and then provided the altered versions to the Securities and Exchange Commission after it conducted a surprise audit of the offending financial firm. For this and the attorney-defendant's other related conduct, the district court convicted him at a bench trial of serving as an accessory after the fact and various obstruction related offenses. In *United States v. Tamman*, 782 F.3d 543 (9th Cir. 2015), the Ninth Circuit affirmed across the board in a published opinion clarifying how waivers of the right to a jury trial must be taken and various fraud-related sentencing issues.

In *Patterson v. Wagner*, 785 F.3d 1277 (9th Cir. 2015), the son of an American serviceman in South Korea murdered a South Korean university student at a Seoul Burger King in 1997. In the immediate aftermath, he was convicted in South Korea of destruction of evidence, while his friend was convicted of the murder. Years later, South Korea determined that the serviceman's son was the murderer, obtained an arrest warrant, and sought his extradition from the United States to which he had returned in the interim. The district court certified the extradition, and the Ninth Circuit affirmed in a published opinion, rejecting his claims (a) that the extradition treaty between the United States and South Korea bars extradition where the United States statute of limitations for the extraditable offense would have expired and (b) the Status of Forces Agreement applicable to American servicemen and their families bars extradition where prosecution in the requesting country would violate double jeopardy. He has since been returned to South Korea and sentenced to 20 years' imprisonment for the murder.

In *United States v. Winkles*, 795 F.3d 1134 (9th Cir. 2015), the defendant—while serving a 40-year sentence for multiple armed bank robberies—sought federal habeas corpus relief, which the district court denied in 2005. Over the next eight years, the defendant filed various letters and motions with the court seeking reconsideration of the 2005 habeas denial, each of which the court rejected. In a published opinion, the Ninth Circuit dismissed the defendant's appeal of the last of these rejections for lack of jurisdiction, holding—in a ruling equally applicable to state defendants seeking federal habeas corpus relief—that a certificate of appealability is required for a defendant to appeal the denial of a request to reopen his previously resolved habeas proceedings, just as such a certificate is required if he had wished to appeal the original habeas denial. Then, evaluating whether the defendant was entitled to such a certificate, the Ninth Circuit held that he was not.

After a gambling venture between two drug dealers failed, the defendant started harassing and threatening his former associate, graduated to hacking into his former associate's emails and extortion, and finally sought someone to carry out a murder-for-hire. In *United States v. Temkin*, 797 F.3d 682 (9th Cir. 2015), the Ninth Circuit in a published decision upheld the defendant's conviction for solicitation to commit a "crime of violence" (murder-for-hire), rejecting his claims that he lacked the intent to see the murder actually happen, that he abandoned any plan for the murder, and that he was entrapped by the would-be assassin (an undercover FBI agent). On the government's cross-appeal of the defendant's 72-month sentence, the Ninth Circuit agreed with us that the district court erroneously calculated the defendant's United States Sentencing Guidelines range and remanded to consider imposing a 240-month sentence.

In *Frank v. Schultz*, 808 F.3d 762 (9th Cir. 2015), a federal correctional disciplinary officer found that a prisoner had interfered with the orderly operation of his institution and sanctioned the prisoner with a loss of 14 days good-time credits. Despite the prisoner's success in an administrative appeal of that finding and having his credits restored, he sued the correctional staff involved, claiming violations of his Due Process rights. The district court granted summary judgment to the correctional staff and the Ninth Circuit affirmed, holding that any procedural error in the prison disciplinary proceedings was corrected by the prison's administrative review process and the restoration of the prisoner's good-time credits.

Civil Rights

This year the U.S. Attorney's Office brought multiple, paradigm-shifting cases in the area of civil rights. The Criminal Division obtained jury convictions and indictments against several members, including high-ranking members of the Los Angeles County Sheriff's Department for beating inmates and visitors to the County jails and for attempts to cover up this conduct. These cases brought a spotlight to abuses in the jail system and were instrumental in our pursuit of justice.

The Civil Division reached multiple agreements aimed at better accommodating the civil rights of the people in the Central District of California. For example, a medical center altered policies surrounding patients with disabilities and a long-time investigation resulted in an agreement regarding the County of Los Angeles prison system. These reforms fulfill a promise by the United States to uphold the constitutional rights of all that reside in this country.

Arrowhead Regional Medical Center (ARMC) reached an agreement with the United States to resolve allegations that it was violating the Americans with Disabilities Act (ADA). The investigation came after the Office received a complaint that a hearing impaired patient was not being provided adequate sign language services at ARMC. This came after a 2012 complaint to the Department of Justice by a woman stating that ARMC had failed to provide a sign language interpreter when her husband was a patient. As part of the new agreement, the ARMC agreed to provide auxiliary aids for communication, designate an employee as ADA Coordinator, revise its policy for effective

communication, modify patient intake forms, train staff on ADA matters, monitor effectiveness of contract interpreters, and provide reports to the U.S. Attorney's Office.

In 2015, the Office forged a landmark agreement with the County of Los Angeles to reform the jail system, emphasizing suicide prevention for inmates and halting excessive force used in the county jails. The investigation was originally opened in 1996 under the Civil Rights of Institutionalized Persons Act. Later, in 2013, we opened a second investigation to address allegations of unnecessary use of force. This specific investigation was initiated after a complaint about a pattern of inadequate mental health care and violence in the jail system that was violating inmates' constitutional rights. Interviews were conducted of inmates and staff as well as an in-depth review of documents and records. The agreement implemented sweeping reforms such as taking additional steps to recognize and treat mental health, new and additional training on crisis intervention and interacting with inmates with mental illness, improved documentation of inmates, improved communication between custody and mental health staff, steps to mitigate suicide in jails, increased access to out-of-cell time for mentally ill patients, and improved investigation to self-analyze suicide attempts. With regard to use of force, there will be enhanced leadership of executive staff, revisions to the use-of-force policies, enhanced training for mental health staff, data collection and analysis, enhanced accountability measures, and enhanced grievance procedures. The agreement seeks to achieve true reform and improve the conditions inside the Los Angeles County jail system.

In *United States v. Tanaka et al.*, the former second in command of Los Angeles Sheriff's Department and the former head of the Sheriff's Department's Criminal Investigation Unit were indicted on charges of obstruction of justice. The criminal indictment alleged that Paul Tanaka and William Carey participated in a broad conspiracy to obstruct a federal investigation into

civil rights violations by sheriff's deputies at two downtown jail complexes. It began when Tanaka and Carey discovered that one of their inmates was an FBI informant and cooperating with a federal corruption investigation. Alarmed by the investigation, a conspiracy to hide the informant from the FBI was launched, instructing deputies to alter records to make it appear that the informant had been released. In addition, the defendants instructed two sergeants to confront the lead FBI case agent at her home, in an attempt to intimidate her. As a result of the investigation, 21 defendants of various ranks within the LA Sheriff's Department have been charged. Carey has pled guilty to perjury. The trial of Tanaka is set to begin in 2016.

In *United States v. Gonzalez et al.*, as a result of the FBI investigation into the Los Angeles Sheriff's Department, five deputy sheriffs, including three after a trial, were found guilty of crimes related to civil rights violations for the beating of a visitor to the Men's Central Jail in 2011. A jury found former Sergeant Eric Gonzalez, as well as deputies Fernando Luviano and Sussie Ayala, to have violated the victim's civil rights by beating him and causing bodily injury while he was restrained with handcuffs. According to evidence presented at trial, the victim and his girlfriend went to the jail to visit the woman's brother. Both were in the possession of cell phones, and when the victim's phone was discovered, he was brought into an employee break room, handcuffed, beaten, and sprayed with a burning agent. Following the incident, Gonzalez instructed deputies to file false reports claiming the victim attacked and tried to escape. One of those deputies, Byron Dredd, was indicted in October on counts of conspiracy to violate the victim's civil rights and making false reports. Gonzalez was sentenced to eight years in federal prison, while Luviano and Ayala were both sentenced to serve at least six years in federal prison. Deputy Pantamitr Zunggemoge pled guilty to a civil rights violation and Deputy Noel Womack pled guilty to making false statements to the FBI related to the incident. They are currently awaiting sentencing.

In *United States v. Itkowitz*, a former U.S. Marshall was sentenced to 15 months in prison after being convicted with obstruction of justice in a fatal shooting. Matthew Itkowitz, 47, was found guilty of lying to investigators after he shot and killed a man in West Hollywood. The investigators used video evidence of the altercation to convict Itkowitz on grounds that he had falsely characterized the interaction between himself and the victim.

"[O]ur march must continue. Our hope must endure. And our work must go on. Our path forward will not be easy. It never has been. But let me tell you what I know. We cannot guarantee the absence of discrimination or the end of ill will. But we can guarantee the presence of justice. We can guarantee the spread of opportunity. We can guarantee that . . . Americans of strong principle and deep convictions across the country will stay united, keep the faith and continue the march, until the greatness of this country is made real for every American."

Attorney General Loretta E. Lynch

Community Safety

Protecting the health and welfare of the residents of the Central District is a high priority of the Office, and the regulation of consumer goods is an important part in upholding the promise to protect community safety. Individuals who evade these regulations put both people and the economy at great risk. The Office will continue to hold accountable those who seek to profit by putting consumers at risk.

In *United States v. Arianna Beauty, Inc. et al.*, 13 defendants were charged with illegally selling cosmetic contact lenses that had not been approved by the United States Food and Drug Administration. These products were a part of Operation “Fright Night,” in which owners and operators of businesses were selling colored contact lenses during Halloween. The 13 defendants are Arianna Beauty, Inc., Alex Mario Collantes Marxelly, Kathy Hwang, Hollywood Toys & Costumes, Inc., Sin Young Yi, Susie Shin, J2 Trading, Inc., Fashion 4-U Inc., La Moda XVII, Inc., NXT.G Corporation, Farshid Cohen, Rezvan Moazzez, and Kyung Sook Jung. The contacts supposedly contained pathogens that can cause blindness, injury to the cornea, and loss of the eye. Contact lenses, even those that are for cosmetic or decorative purposes, are a prescription medical device that must abide by the FDA rules and regulations. The trial is scheduled to take place in 2016.

In *United States v. Johnson*, a 67-year-old man, Jim Johnson, from Downey, pled guilty to falsely certifying that meat from Huntington Meat (a meat processing and distributing company) was free of the E. Coli bacteria. Johnson admitted that in 2010 he had released false Certificates of Analysis certifying that the beef had tested negatively for Escherichia Coli. While there were no illnesses linked to these cases, 864,000 pounds of

meat had to be recalled. Johnson faces a statutory maximum sentence of five years in federal prison, and is scheduled to be sentenced in 2016.

In *United States v. Jarrell et al.*, Jonathan Jarrell, Steven Aguirre, and Clifford Eugene Henry, Jr. were indicted and convicted for illegally starting the devastating “Colby Fire” that burned the hills and neighborhoods of Glendale and Azusa in January 2014. The fire caused a wide range of damage, including the following: it (1) burned 1,700 acres of private, local, state, and federal lands, (2) destroyed six residences, (3) damaged eight other residences, (4) damaged 17 additional structures, (5) caused injuries to one civilian and two firefighters, and (6) will result in devastating erosion and mudslides in the Cities of Azusa and Glendale for years to come. Following their jury trial convictions, Henry, Jr., Aguirre, and Jarrell were sentenced to five months, six months, and one month jail, respectively, and were ordered to pay more than \$9,000,000 in restitution to their victims.

In *United States v. LA Rush, Inc. et al.*, one corporation and four individuals were convicted of illegally misbranding a drug (nitrous oxide) while held for sale after shipment in interstate commerce (all drugs sold without a doctor’s prescription are deemed to be misbranded). Three of the individuals received sentences that included ten months of home confinement. Operation No Laughing Matter was targeted at the request of FDA-OCI and the Los Angeles Sheriff’s Department to address state and federal regulatory gaps that permit the purchase and sale of nitrous oxide as a recreational drug. On the federal side, nitrous oxide has never been regulated as a controlled substance, despite hundreds of years of documented use as a recreational drug (and continued use in medical offices as an anesthetic). On the state-side, sales of nitrous oxide to minors for the intended use as a recreational drug are criminally prohibited. However, equivalent sales to “adults” were legal. As a result of the media attention brought to this regulatory

gap by Operation No Laughing Matter, the State of California has changed its nitrous oxide laws.

In *United States v. Kim et al.*, South Korean nationals Seonghyo Kim and Byoungchol Lee were charged with felony smuggling violations related to their importation of eviscerated anchovies. Such anchovies are prohibited from entry into the United States food supply because of the danger that they may be contaminated with the deadly botulinum bacteria. Kim and Lee concealed their illegal importations through the activities of Lee's company Pacific Coffee Mix, Inc. Kim, Lee, and his company all entered guilty pleas.

Operation Buzzkill arose from port security gaps and failures identified following passage of the federal Safe Port Act in 2006. As a result of the Act, each port facility within the United States must test and evaluate its port security safeguards at least twice per year. Audits determined that the fraudulent use of Transportation Worker Identification Credential ("TWIC") cards issued by the Transportation Security Administration posed a significant threat to port security. Operation Buzzkill was investigated by the United States Coast Guard, Investigative Service, and designed to identify (1) the unauthorized use of legally issued TWIC cards, and (2) the manufacture and sale of fraudulent TWIC cards. As a result of the operation, the following cases were charged and are pending trial in 2016: *United States v. Jonathan Almicar Martinez Amitia*, *United States v. Carlos Humberto Rosales*, *United States v. Brian Allen Dunmore*, and *United States v. Ricardo Gama-Diaz*.

“I will wake up every
morning with the
protection of the
American people my
first thought.”

Attorney General Loretta E. Lynch

Crimes Against Children

The United States Attorney's Office is committed to protecting the safety of children. This year, the Office charged multiple defendants with committing crimes against children that ranged from the distribution of child pornography to the recording of sexually explicit acts and rape of teenage girls.

This year also saw the prosecution of cases involving child sex tourism. These cases involved defendants who traveled from the Central District to foreign countries to have sex with children. The U.S. Attorney's Office remains committed to ensuring that these defendants face the consequences for this abhorrent criminal conduct.

In *United States v. McArthur*, a 57-year-old firefighter residing in Orange County was charged and sentenced to 11 years in federal prison for attempting to produce child pornography. McArthur pled guilty after agreeing to send money to a 13-year old girl in the Philippines so she could buy a camera to take pictures of herself and a friend. A U.S. resident in the Philippines, Robert Clark, was the person posing as the 13-year-old, ultimately leading to MacArthur's' arrest. During his plea, McArthur admitted to possessing 5,433 images and 53 videos of child pornography. He was sentenced to one count of attempting to produce child pornography. The investigation was headed by the U.S. Postal Inspection Service which said in a statement, "We will not lose sight of this, and remain steadfast in our efforts to investigate, apprehend, and assist in the prosecution of those who seek to exploit children via U.S. Mail."

In *United States v. Reczko*, the defendant, a Los Angeles man, was sentenced to life imprisonment after being

convicted on charges of producing child pornography in the Philippines. Reczko was also forced to register as a sex offender after his prior conviction of raping a 14-year-old girl. Reczko produced eight series of child pornography over a three-year period, at times being filmed in sexual intercourse with the victim. Mark Selby, deputy special agent for Homeland Security Investigation, stated "There can be no place for the abuse of foreign children by our citizens, and HSI will seek to vindicate the rights of those victims no matter how far they live from our shore."

In *United States v. Fowler*, a Murrieta man was charged with distributing child pornography over the internet while being on parole for charges of unlawful sexual intercourse with a minor. The charges came after a complaint from Fowler's employer in Corona led officials to seize emails of child pornography obtained in his account. Due to his prior conviction, Fowler could face a minimum 15 years and maximum 40 years in federal prison. His trial is currently scheduled for 2016.

In *United States v. Shirley*, a 64-year-old man was sentenced to 20 years in federal prison after pleading guilty to child pornography charges. Defendant Shirley was arrested for having online sexual exchanges with at least three victims from the Philippines and Vietnam. In addition, Shirley wired a 16-year-old girl money in exchange for a sexually explicit photograph of herself. He was arrested at Los Angeles International Airport while boarding a flight to Vietnam in an attempt to visit and supposedly engage in sexual intercourse with minors. After serving his prison term, Shirley will be on supervised release for the rest of his life.

In *United States v. Sutton et al.*, four men were arrested in August after being indicted on multiple charges of sexual exploitation of a 15-year-old girl. The defendants are Darrius Sutton, Darius Burks, Edwin Franklin, and Leprineton Burks. All four men were indicted for

conspiring to produce child pornography and conspiring to film sexually explicit content with the young girl. Two men, Sutton and Franklin, were indicted additionally for directing and engaging in sexual acts that were recorded. Sutton and Burks were indicted on a third conspiracy count in which they allegedly filmed “themselves and each other performing sexual acts on [the] intoxicated and unconscious [victim].” In total, there are 12 substantive counts of producing child pornography and each defendant is charged with at least two of these. The trial is set to take place in 2016.

In *United States v. Sears*, a 24-year-old man was sentenced to 15 years in federal prison after pleading guilty in a “sextortion” case which involved exploiting more than a dozen girls and boys by forcing them to send sexually explicit photos of themselves. Jeremy Sears was guilty of setting up a fake Facebook account which he used to target teenagers online. Sears sometimes began romantic relationships with the teens and then persuaded them into sending the photos. Other times, he threatened to harm the real-life teens and their families. Sears often threatened to harm, torture, rape or kill the teens unless they sent him the sexually explicit photos of themselves. After serving his 15 year prison term, Sears will be on supervised release for the remainder of his life.

In *United States v. Montoy*, a Riverside County man was convicted and sentenced to 20 years in federal prison and a lifetime of supervised release for producing, receiving, and possessing child pornography. Jorge Montoy also was ordered to pay \$13,200 in restitution to the victims of his crimes. The evidence at trial established that Montoy encouraged his girlfriend to sexually molest a two-and-a-half year old child, photograph the abuse, and send him the resulting photos. Montoy's girlfriend, Christine Diane Foster, also convicted in the case, testified against him at trial. In addition to his role in the production of child pornography, Montoy possessed over 2,000 images and 74 videos of child pornography.

In *United States v. Romo*, the defendant maintained at least a dozen private Facebook groups in which he distributed child pornography to other users. HSI Agents received tips about the online content and began to investigate the fake accounts that Romo set up to post the child pornography. After Romo was identified, agents conducted a search of his house, which yielded additional images of child pornography stored on his computers. Romo had previously been convicted of lewd and lascivious acts with a child under 14 years old by force, and as a result, received a 20-year federal sentence for his conduct.

“I want you to know that,
for this Department of
Justice – and for me
personally – the
protection of America’s
children is a top priority.”
Attorney General Loretta E. Lynch

Crimes Against the Government

The United States Attorney's Office is committed to protecting government workers, officials, and agencies from fraudulent schemes and illegal conduct. This past year, the Office oversaw the conviction of citizens involved in fraudulent schemes aimed at Post Offices, the IRS, and the California Employment Development Department.

In May, a Santa Maria company, Veterans of the Land, Inc.'s (VOTL), paid \$1 million to resolve allegations that it had falsely claimed it was a Service-Disabled Veteran-Owned Small Business (SDVOSB) in order to obtain landscaping and cemetery restoration contracts with the U.S. Department of Veterans Affairs. VOTL's payment resolved an investigation into allegations that the company violated the federal civil False Claims Act by falsely representing that it was an SDVOSB, when it was actually controlled by a non-veteran. The \$1 million payment represented virtually all of VOTL's assets. VOTL had no further contracts with the VA and has agreed to dissolve as a corporation. This settlement helped ensure the integrity of the VA's contracting program that supports SDVOSBs.

In November, a Los Angeles company paid \$4 million to resolve civil allegations that it fraudulently overcharged the U.S. military for fresh fruits and vegetables that it supplied to military dining facilities and Navy ships. The settlement came after allegations that the company violated the federal False Claims Act and obstructed an investigation related to two contracts Coast Produce Company had with the Department of Defense (DoD). The allegations against Coast Produce first surfaced in a "whistleblower" lawsuit filed in 2008 by an industry consultant. The lawsuit alleged that the company fraudulently overcharged the military on the

delivered prices. In relation to the criminal investigation, the USAO filed a criminal information against Coast Produce, alleging that the company altered or falsified records. The criminal information was filed pursuant to a Deferred Prosecution Agreement under which the government agreed to defer any criminal case against Coast Produce for a two-year period in return for the company's agreement to implement various compliance and remedial measures during that period.

In *United States v. Vanderveldt*, the defendant was ordered to be held without bond after filing a \$10 million lien against an Internal Revenue Service employee "D.H." Vanderveldt claimed that D.H. and his spouse owed Vanderveldt \$10 million and the false lien was filed "on account of D.H.'s performance of his official duties." Vanderveldt was charged with retaliation against a federal law enforcement officer and obstructing the IRS administrative laws. Vanderveldt is scheduled to begin trial in 2016.

In *United States v. Artis*, the defendant was sentenced to 80 months in federal prison on fraud charges related to a scheme that defrauded California's unemployment insurance program and a related scheme that obtained fraudulent federal tax refunds. Artis ran a scheme to defraud the California Employment Development Department (EDD) of unemployment insurance benefits by registering fictitious companies with the EDD from August 2010 through August 2014. Artis submitted false wage information for individuals whom he falsely claimed worked for these companies, and then fraudulently applied for and obtained unemployment insurance benefits in the names of those individuals. Additionally, the defendant schemed to defraud the Internal Revenue Service by submitting fraudulent tax returns that sought tax refunds. For this tax fraud scheme, Artis used the identities of many of the same individuals and businesses used in the EDD scheme. The sentencing came after Artis pleaded guilty in February 2015 to one count of mail fraud and one count of making false claims against the United States

government. Artis was also ordered to pay \$598,000 in restitution.

In *United States v. Latka*, the defendant was sentenced to 18 months in federal prison for threatening to kill a United States Forest Service Officer after the officer confronted him about trash that had been dumped in the nearby forest. Latka was charged after he ran at the officer with clenched fists, looking as though he was planning to hit the officer. When the officer pulled his Taser gun Latka slowed his run but continued shouting, and, as the officer drove away, Latka yelled, "Next time you're dead." He was found guilty by a jury of threatening to assault and murder a federal officer.

In *United States v. Guerra*, the leader of a burglary ring that targeted Post Offices and stole boxes of mail was sentenced to five years in federal prison. Guerra, also known as "Tricky," pleaded guilty in September 2014 to postal burglary and admitted that he used a crowbar to forcibly break into the North Torrance Post Office in October 2013 with the intent to steal mail. He also admitted that he broke into at least two other Post Offices in the fall of 2013. When arrested in New Mexico in December 2013, a search of Guerra's residence resulted in the recovery of checks, credit cards, credit card statements, bank statements, and various forms of identification. The individual victims suffered losses of about \$1,800 when their checks were altered and cashed by Guerra.

In *United States v. Hessiani et al.*, four men were indicted on mail fraud and other federal charges for participating in a scheme that allegedly used dozens of bogus companies to collect millions of dollars in unemployment benefits from the EDD for "employees" who never did any work at the sham entities. The defendants are Jack Benjamin Hessiani, Eduardo Josue Garcia, James Manuel Herrera, and Daniel Ayala-Mora. Their trial is scheduled for 2016.

In *United States v. Liang*, a 38-year-old attorney in Irvine, California, Ken Zhiyi Liang, was charged with witness tampering after allegedly accepting \$6,000 from a Chinese material witness in return for helping her flee the country. The witness, who was actually cooperating with the government, had been under a court order not to leave the U.S. without authorization from the government or the court. According to authorities, Liang provided assistance to two other material witnesses who fled the U.S. Liang was sentenced to 21 months in federal prison.

In *United States v. Rahman*, the general manager and former owner of the El Toro Market in Hemet was found guilty of 18 felony counts related to a scheme to obstruct a United States Department of Labor investigation that determined the market had failed to pay overtime to more than a dozen employees. In June, Jafar "Jeff" Rahman was sentenced to 14 months in prison and ordered to pay restitution of \$47,155.62 to his former employees. Jeff Rahman was convicted at trial for his role in a plot undertaken with his brother to make false statements to the Labor Department and to obstruct the agency's investigation into the market. In addition to his role in the plot to defraud the Department of Labor, Jeff Rahman was also convicted of obstructing justice by attempting to coerce El Toro employees to lie about receiving their back pay. Jeff Rahman paid two witnesses \$2,000 each to sign a false declaration and not cooperate with the federal criminal investigation, and he threatened to fire a third if he did not do the same. The investigation in this case was conducted by the United States Department of Labor's Office of Inspector General and Wage and Hour Division. Assistance was provided by U.S. Immigration and Customs Enforcement's Homeland Security Investigations.

In *United States v. Lett et al.*, the two defendants were charged with conspiracy to commit wire fraud, based on their involvement in a scheme to defraud the California EDD. In guilty pleas entered by Robert & Latanya Lett

in early 2016, the two admitted that for four years they applied for disability benefits in the names of over 100 victims of identity theft using forged doctors' certifications of disability, which caused EDD to mail debit cards in those victims' names to addresses at which the defendants received them. The defendants then used the debit cards, defrauding EDD out of at least \$900,000. Sentencings are scheduled in 2016.

In *United States v. Peterman*, a woman pleaded guilty to a mail fraud scheme in which she used personal data stolen from elderly victims in an effort to defraud California's unemployment program. Peterman pleaded guilty to one count of conspiracy to commit mail fraud. Over the course of two years, Peterman and her co-conspirators obtained social security numbers and other personal information from senior citizens in California and Oregon who were led to believe that they had an opportunity to be cast in remakes of popular movies. Peterman created false companies supposedly related to the film industry, filed fictitious wage reports with the EDD, and then fraudulently sought unemployment insurance benefits for the people who supposedly worked for the movie companies. Peterman and her co-conspirators sought more than \$290,000 in unemployment insurance benefits, causing a loss of approximately \$221,612 to the EDD.

Immigration Fraud

In *United States v. Xiao et al.*, two defendants were arrested after supposedly operating a marriage fraud scheme that involved Chinese nationals paying up to \$50,000 for arranged marriages to U.S. citizens. Jason Shiao, a 65-year-old posing as an immigration attorney, and his 43-year-old daughter, Lynn Leung, were charged with marriage fraud after they created a scheme to get Chinese nationals 'Green Cards' in the United States. The scheme involved considerable time and effort that went into making these marriages look legitimate, with the defendants submitting false marriage photographs, bank statements, tax returns, and apartment leases. A third member, Shannon Mendoza, was charged for

recruiting U.S. citizens that would be willing to enter into false marriages. Trial is scheduled to begin in 2016.

In *United States v. Qiao et al.*, a Chinese official and his wife were charged with conspiracy to commit immigration fraud, international transportation of stolen funds, and conspiracy to commit money laundering. Shilan Zhao, 51, and her ex-husband Jianjun Qiao pretended to remain married and lied about the source of Zhao's foreign investment in order to obtain U.S. immigrant visas. The indictment alleged that the divorced couple purchased property in Seattle and Newcastle in the State of Washington with money Qiao laundered from a fraudulent transaction while serving as director of a grain company. Zhao faces a maximum sentence of five years in federal prison for conspiracy to commit international transportation of stolen funds, 10 years for immigration fraud, and 20 years for money laundering conspiracy. Qiao is still at large. Trial is scheduled to begin for Zhao in 2016.

In *United States v. He et al.*, ten Chinese nationals were charged with violating court orders after they fled the country during an investigation into Chinese "maternity houses." These houses allegedly help Chinese women come to the United States with fraudulent visas so they can give birth to their children who would then obtain U.S. citizenship. The defendants are Dong Jiang He, Zhichan Yu, Jun Xiao, Longjing Yi, Jia Luo, Renlong Chen, Wei Wang, Jie He, Eryun Zhang, and Liang Ni. They are being charged with contempt of court, obstruction of justice, and making false statements on visa applications. All 10 of the defendants departed the U.S. from LAX and traveled to China in April without authorization from the court.

In *United States v. Shim et al.*, three defendants were charged with conspiracy to commit immigration fraud, various immigration offenses, and money laundering in a "pay-to-stay" scheme run through three schools. Hee Sun Shim, Hyung Chan Moon, and Eun Young Choi were indicted on allegations they helped foreign nationals remain in the U.S. by posing as foreign

students. The defendants accepted an estimated \$6 million from the foreign nationals who were not actually attending class at these schools. Trial is set to begin in 2016.

In March, a Chino-based company agreed to pay \$2.2 million to the United States to settle a lawsuit filed by the government to collect civil penalties assessed by the United States International Trade Commission (ITC) for violating cease and desist orders that prohibited the company from importing and selling patent-infringing printer toner cartridges. Ninestar Technology Company, Ltd., a distributor of printer toner charges, was prohibited by the ITC from selling, marketing, distributing or importing into the United States certain printer toner cartridges that infringed U.S. patents. Ninestar has until the end of 2017 to complete a payment plan to pay the \$2.2 million settlement.

Export Controls

In *United States v. Amin*, Ali Amin pleaded guilty to operating an unlicensed money transmittal business after being arrested on charges of transferring \$17 million between the U.S. and Iran. Amin used his own business, Primex International Trading Company, Inc. (PITCO), as well as the bank accounts of Amin Padirar, a company based in Tehran of which Amin owns 50%, to transfer money from Iran to designated people in the United States. In addition, Amin used an account in Switzerland to transfer the money to his family members. Amin also pleaded guilty to tax fraud and failing to disclose to the International Revenue Service.

In *United States v. Indradjaja*, Steven Indradjaja was charged with Smuggling Goods from the United States in violation of Title 18, United States Code, Section 554. Indradjaja, a citizen and resident of Indonesia, was arrested as he attempted to leave the United States to return to Indonesia through the Los Angeles International Airport. The smuggling charge relates to defendants' conspiracy to export United States

Munitions list items without a license in violation of the Arms Export Control Act and the International Traffic in Arms Regulations. Indradjaja has pleaded guilty and is awaiting sentencing.

In *United States v. Mendoza*, Marlou Mendoza of Long Beach, 60, and her son Mark Louie Mendoza, 30, have been named in federal grand jury indictments that charge them with illegally shipping hundreds of thousands of dollars' worth of firearms parts and ammunition to their native Philippines – munitions that were concealed in shipments they falsely claimed to be household goods. Mark Louie Mendoza, a citizen of the Philippines, is charged with conspiracy, unlawful export of munitions, export smuggling, and money laundering in connection with his alleged ordering of more than \$100,000 worth of ammunition and firearms accessories, much of which was delivered to his parents' Long Beach residence over a six-month period in 2011. The money laundering charges stem from his alleged transfer of more than \$650,000 in proceeds generated by the illegal exports from an account in the Philippines to a money remitter in Los Angeles. Mark Louie Mendoza remains at large and is believed to be in the Philippines. Marlou Mendoza is charged with failing to provide the required written notice to freight forwarders that she was shipping ammunition. She has been arrested and released on bail pending trial.

Cyber and Intellectual Property Crimes

The Central District is home to some of the most significant and sensitive computer systems in the country; complex government networks, the film and music industries, and an important high-tech industry all reside within its borders. Therefore, protecting these networks from cyber-attacks, such as hacking and intellectual property theft, remains a high priority. The Office is also committed to protecting individuals from cyber threats.

Relatedly, in 2015 intellectual property drove much of the economy in the Central District. Whether in the form of movies, music, video games, “apps,” or trade secrets, jobs and industries rely on intellectual property for their value. The Office therefore prioritizes prosecuting intellectual property offenses, particularly where health and safety are at issue.

On July 31, 2015, the Office formed the National Security Division, combining the Cyber and IP Crimes Section and Terrorism and Export Crimes Section, to ensure that the Central District is protected from those who wish to harm the United States. By assigning experienced prosecutors trained in cyber investigations, the U.S. Attorney’s Office seeks to identify and disrupt all cyber-attacks against and intellectual property theft from the U.S.

In *United States v. Vogelaar*, the Office demonstrated its commitment to protecting the entertainment industry. In February, a federal grand jury indicted a Dutch national on federal computer hacking and identity theft

charges. Joey Vogelaar, a resident of Delft, the Netherlands, stole pre-release, digital copies of the Sony Pictures Entertainment film “How Do You Know,” the Paramount film “Rango,” and the DreamWorks movie “Megamind.” Vogelaar used the username and password of another individual to access a protected computer system where the films were located.

In *United States v. Moore et al.*, the Office prosecuted a Northern California man who operated the Internet’s best known “revenge porn” website. Hunter Moore pleaded guilty to federal computer hacking and aggravated identity theft charges after admitting in a plea agreement that he operated the now-defunct isanyoneup.com, and paid another hacker to illegally obtain nude photos to post on his site. On the website, Moore posted nude or sexually explicit photos of victims along with personal identifying information purportedly submitted by other individuals against the victims’ consent. Moore also paid Charles Evens, of Studio City, California, to obtain nude photos through unauthorized access to Google email accounts. Once Evens obtained these photos, they were sent to Moore who released the nude photos on his website. In December, Moore was sentenced to 30 months in federal prison. Evens pleaded guilty to the same charges and was sentenced to 25 months in federal prison in November 2015.

In *United States v. Chuisano*, a member of a controversial hacking group was sentenced to 3 years in federal prison for participating in a series of computer attacks that compromised computer systems at DirecTV, Farmers Insurance, and the Los Angeles Department of Public Works. Mario Patrick Chuisano, a member of the SwaggSec hacking group, admitted that he installed a Remote Access Trojan onto the computer of an insurance agent, which allowed him to gain illegal access to the computer and steal reports, documents, and passwords. The FBI also discovered a sawed-off shotgun, brass knuckles, and equipment that could be used to manufacture counterfeit credit cards after law

enforcement officers conducted a search of Chuisano's residence.

In *United States v. Sing*, an electrical engineer was convicted of violating the Economic Espionage Act through theft of trade secrets. Derek Wai Hung Sing reportedly stole dozens of confidential and proprietary schematics from a company that manufactures avionics displays before being fired by that company. He then packaged those schematics with instructions on how to use them, and sent the package to a number of competitors around the world. Last fall, the defendant elected to pursue a bench trial, after which the district court found the defendant guilty of 32 of 33 counts in the indictment. Sing's sentencing is currently set for 2016.

In *United States v. Chaney*, the Ninth Circuit affirmed the convictions and 10-year sentence sustained by defendant Christopher Chaney for computer hacking, wiretapping, and aggravated identity theft. Chaney hacked into more than 50 victims' email accounts across numerous email platforms and stole private content. He also wiretapped those accounts by placing forwarding addresses within the accounts without the victims' knowledge, so that he received every email that each victim received. Chaney also used the victim email accounts to "phish" additional victims. Chaney was so obsessed with his crime that he continued to commit it after the FBI had searched his residence and seized his computer.

In *United States v. Elam*, the Office charged David Elam with stalking, computer hacking, aggravated identity theft, and obstruction of justice. Elam, who was living in Virginia, terrorized a Southern California law student by hacking into her accounts, posting false requests containing her true contact information on dating sites and asking men to have sex with her, posting compromising photos of her on pornographic websites, and attempting to get her arrested and expelled from school. After the FBI searched his residence and seized computer equipment, Elam attempted to obstruct the

investigation by remote wiping a cellular phone. Elam is pending trial in the spring of 2016.

The defendant in *United States v. Ledgard* has challenged his convictions for hacking into the accounts of his former mistress for the purpose of, in the judge's view, completely destroying her. Ledgard hacked into her bank account in an attempt to zero the balance, her Amazon account in an attempt to charge the maximum amount on her credit cards, her email accounts to obtain information about her life, and her social media accounts in an attempt to destroy her relationships. The defendant served a 25-month sentence.

In *United States v. Zapirain*, the defendant was sentenced to 46 months in federal prison for stalking his victim. Zapirain traveled from Australia to the United States and then walked from LAX to his victim's home in an attempt to meet with her. Zapirain posted photographs of a hunting knife which he threatened to use to "gut" his victim "like a fish." Zapirain used the Internet to demand that his victim meet him at a particular place, where Zapirain was arrested with the knife in his possession.

"Safeguarding our essential information networks and the personal and private data that they hold is one of my top priorities as Attorney General and the Department of Justice is using every tool at its disposal to work proactively, respond swiftly and adapt constantly to this threat."

Attorney General Loretta E. Lynch

Environmental

Protecting the residents of the Central District necessarily entails protecting them from those who would do harm to our environment. The Office prosecutes criminals who seek to damage or pollute our ecosystems. Those who violate environmental safeguards and customs agreements in the Central District will continue to be prosecuted to the fullest extent of the law.

In March, the United States and Exide Technologies reached a landmark agreement that called for the battery manufacturing company to close its battery recycling facility in Vernon and pay \$50 million to clean the site and surrounding neighborhoods, which have been affected by lead contamination for nearly 90 years. Exide was also required to make payments that will complete funding of a \$9 million trust fund that will be used to clean up 216 residences near and in Vernon. The deal to close the facility in Vernon allows the U.S. to bring charges against Exide anytime over the next decade if it fails to comply with the terms of the agreement.

In *United States v. River Wonders LLC et al.*, Mexico extradited an American citizen to face federal charges related to the illegal trafficking of the world's largest freshwater fish, a South American species known as Arapaima gigas. Isaac Zimmerman was charged in a 13-count indictment for using his company to import piranhas and river stingrays into the U.S. and pleaded guilty to smuggling two of them into Canada and the Bahamas. The indictment also charged Zimmerman with engaging in falsification of documents, obstruction of proceedings, false statements, and smuggling of Arapaima gigas from the U.S. while on pre-trial release

after pleading guilty to smuggling allegations in December 2015.

In *United States v. Cucho*, a Peruvian national pled guilty to a federal offense of illegal trade of a protected species after possessing orchids in violation of an international wildlife treaty. Victor Manuel Arias Cucho was flying from Australia to Peru in September after attending an orchid trade show in Sydney. During his layover at the Los Angeles International Airport, Customs discovered 200 protected orchids in Cucho's luggage after he submitted a Customs declaration in which he denied that he was carrying any plants.

In *United States v. Dr. Leung et al.*, UBF Group, Inc. ("UBF") was a cosmetics and dietary supplement manufacturer and distributor located in the District. UBF and its owners, Dr. Lynn Leung and her husband Daniel Fu, are alleged to have smuggled 4,000,000 capsules of seal oil into the United States falsely labeled as fish oil. The subsequent investigation discovered that UBF and its owners were also smuggling other mislabeled dietary supplements into the country, falsifying import documents to avoid 50% of all customs duties owed, and engaged in money laundering. As a result of the ensuing criminal investigation, five defendants have been convicted of misdemeanor and felony violations of law, and three corporations (including a Chinese pharmaceutical company which has already paid a \$500,000 fine) have been convicted of misdemeanor and felony violations of law. The owners of UBF and the ASN Group, Inc., Dr. Leung and her husband Daniel Fu, are scheduled to be sentenced alongside their corporations in April 2016. These four defendants signed binding plea agreements, which call for them to pay fines and forfeiture amounts totaling nearly \$1,500,000, and to serve one year and six months, respectively, in home confinement.

In *United States v. Nguyen*, Can Thanh Nguyen was arrested at the Los Angeles International Airport after

customs officials discovered 28 Asian Songbirds concealed within his suitcase. None of the songbirds were declared to customs officials and several were protected under the international Convention on the International Trade in Endangered Species (“CITES”). Nguyen was subsequently charged with conspiring to smuggle protected wildlife species into the United States from South Asia. Nguyen’s case is scheduled to begin in 2016.

In *United States v. Necromance, Inc. et al.*, Necromance and its owner, Nancy Smith, were both charged with illegally trafficking CITES-protected wildlife species, including seahorses and bats. The West Hollywood-based company and its owner are scheduled for trial in 2016.

In *United States v. Flury*, David Lee Flury was the owner and operator of a bulk liquid disposal company. He contracted with nearly 80 different companies to pick-up and transport liquid wastes for proper disposal. Flury disposed of the wastes by illegally discharging the bulk liquids into storm drains or into a wastewater lagoon at a Riverside truck washing facility. The cleanup of two dump sites in the City of Santa Fe Springs alone cost over \$740,000. He has been charged with extensive mail fraud, wire fraud, water pollution, obstruction of justice, and witness tampering charges. Trial is scheduled in this matter in 2016.

In *United States v. Safronov*, a Russian national pled guilty to attempting to export plants that were protected under an international treaty without the required permit, in violation of the Endangered Species Act. Yevgeny Safronov illegally harvested various protected cactus species from National Parks in the south and southwest United States. After illegally taking the plants, Safronov concealed the plants in his luggage and attempted to export them from the United States, even after he had been warned that it was a crime to do so. The Safronov “caper” is prominently featured in *The Atlantic* magazine.

In *United States v. Yunlong Zhang and Bo Li*, two Chinese nationals were charged with failing to maintain an accurate oil record book (“ORB”) on board an international cargo container ship, the Motor Vessel Spruce Arrow. The defendants, the captain and chief engineer of the M/V Spruce Arrow, entered into deferred prosecution agreements (“DPAs”) with the United States Attorney’s Office. In the DPAs, Zhang and Li admitted their role in the offenses, namely, that they had authority over all matters on board the ship and those pertaining to the ORB, respectively, and that they knew the overboard discharge of oily water into the Pacific Ocean was not recorded in the ORB as required. Pursuant to the DPAs, Zhang and Li each also paid \$300,000 (\$100,000 to the Clerk of the Court and \$200,000 to the National Marine Sanctuary Foundation), for a total monetary payment of \$600,000.

In *United States v. Conn*, Robert Conn was employed as the vice president and in-house chemist for a local wastewater reclamation and treatment business. He was indicted for alleged violations of the federal Clean Water Act after local sanitation workers placed an automated, robotic sampling device in the sewer beneath the street running in front of his place of employment. Laboratory analyses of the wastewater retrieved from the sampling device indicated the presence of illegal pollutants in the wastewater stream leading from the business premises. Robert Conn’s trial is scheduled to begin in 2016.

Fraud

The United States Attorney's Office investigates and prosecutes some of the most significant fraud cases in the country. The size, complexity, and breadth of the cases prosecuted by the Office mirrors the vast variety of fraud occurring in the Central District.

In 2015, the Office prosecuted cases involving corporate fraud, corporate embezzlement, securities and accounting fraud, insider trading, stock manipulation, international mass marketing frauds, Ponzi schemes, boiler rooms, loan modification schemes, and identity theft rings.

In *United States v. Yang*, Su Qin Yang, a 45-year old woman, who was a major distributor of counterfeit cigarettes in the Los Angeles area, was sentenced to 57 months in federal prison for trafficking counterfeit goods. She admitted in her plea agreement that she trafficked almost four million counterfeit Marlboro cigarettes and almost 4,000 counterfeit Viagra pills. Yang was ordered to pay \$308,894 in restitution to Phillip Morris USA, which holds the trademark for Marlboro cigarettes.

In *United States v. Galstian*, a Los Angeles man pleaded guilty to operating a \$17 million scheme against Verizon Wireless when he allegedly resold 30,000 iPhones that he obtained at a discounted price. Karen "Kevin" Galstian used his company, Toro Rides (a company similar to Uber and Lyft), to convince Verizon to sell him the iPhones to be used for his Toro Rides drivers. Galstian falsely told Verizon that the company had gotten \$20 million from investors and that he was going to be expanding the company. He then resold the phones through international re-sale companies to people in countries such as Vietnam, Iraq, China, and

Saudi Arabia. Using the fraudulent profits, Galstian bought multiple properties and a penthouse in the Palms Casino in Las Vegas. Galstian also pleaded guilty to one count of wire fraud while on pre-trial release for another case.

Bank Fraud

In *United States v. Jones*, the defendant was sentenced to seven years in federal prison after she pleaded guilty to one count of concealing assets in a bankruptcy proceeding and one count of bank fraud. Jones, who ran a high-end denim jean company, was charged with running two fraud schemes that defrauded the Union Bank of California out of nearly \$15 million dollars. Jones "submitted false and fabricated tax returns, income statements, account receivable reports, and other financial documents to Union Bank." When Union Bank filed a lawsuit and was authorized to seize company assets, Jones filed a Chapter 11 bankruptcy petition. Jones agreed to pay \$15 million dollars in restitution to Union Bank and \$124,100 in restitution to victims she defrauded in the second scheme.

In *United States v. Reodica et al.*, an Australian man pleaded guilty to a \$50 million dollar scheme that defrauded multiple banks in the 1980s. Eminiano "Jun" Reodica, Jr., 71, was charged with bank fraud and lying to banks when he was president of the Grand Wilshire Group, a company that included Grand Chevrolet, the third largest car dealership in the country at that time. Reodica directed employees to forge customer signatures and then promised those customers to a second bank. He also lied to the banks about customers that were behind on their loans and participated in fraudulent conduct that involved repossessing and reselling cars without telling the banks. In an effort to escape prosecution, Reodica fled the United States and began a new life in Australia. The Office, however, successfully located him and extradited him to the United States. His sentencing is scheduled for 2016.

In *United States v. Reed et al.*, eight people were charged with conspiracy to commit bank fraud and various substantive counts of bank fraud for participating in a scheme in which Wells Fargo employees stole customer information with the intention of taking money from their accounts. The charges were filed against Ronald Reed, four former Wells Fargo employees, and three unknown individuals for whom law enforcement had photographs. In the \$1.4 million scheme, Reed recruited Wells Fargo employees Michael Hester, Jamal Hurley, Garrick James Davis-Looney, and Jonathan Lawrence Cobbs, Jr. to steal personal information of customers that was then given to three unknown “runners” who made substantial cash withdrawals from these accounts.

Embezzlement

In *United States v. Caukin*, a 66-year-old man was sentenced to 11 years in federal prison for conspiracy to commit mail fraud. Marvin Jay Caukin embezzled over \$10 million from the Gulfstream Aerospace Corporation in a 13-year scheme that defrauded the company through false business invoices set up by his relatives and associates. Caukin used checks issued in response to these invoices for personal expenses such as his mortgage, car payments, credit card bills, and personal escorts.

In *United States v. Santos*, the former administrator from the Law Offices of Robert Smylie and Associates (RSA) was sentenced to five years in federal prison for embezzling more than \$3.3 million from the company. Esterlina Santos, 53, falsely generated checks from RSA’s account which she then used for personal expenses. In June, Santos pleaded guilty to one count of mail fraud and one count of subscribing to a false tax return.

In *United States v. Romero et al.*, four defendants were charged with conspiring to embezzle assets from the United Industrial and Service Workers of America Local

101 (UISWA) Health Plan. The indictment charges the members of the UISWA with filing false annual reports, willfully misusing assets, and knowingly permitting another Romero family member who had previously been convicted of a felony relating to abusing his position as a union official to serve as an officer. The four defendants, John S. Romero, Evelyn Romero, John R. Romero, and Danae Romero, allegedly embezzled approximately \$900,000. They used this money to pay personal expenses and union-related legal fees. The defendants could face decades in prison if convicted. Trial is set for 2016.

In *United States v. Litonjua-Moore*, an Orange County woman pleaded not guilty to charges that she had allegedly sold Apple products that had belonged to her employer. The three count indictment stated that Cecilia L. Litonjua-Moore made adjustments to the inventory lists on her employer’s computer and stole Apple inventory, which she intended to sell. When Litonjua-Moore did not have the desired product in stock, she created false invoices to ship to her customers and deleted the outstanding orders from the company computer. If convicted, Litonjua-Moore could face up to 60 years in federal prison. The trial is currently set to begin in 2016.

In *United States v. Wall*, a 50-year-old woman from Lakewood pleaded guilty and was sentenced to 21 months in federal prison for an embezzlement scheme that resulted in the failure of a credit union. Wendy Wall was the manager and sole employee at the Pepsi Cola Federal Credit Union, a small financial institution in Orange County that served local Pepsi employees. For more than a decade, Wall created fictitious accounts and withdrew funds against those accounts. Analysis indicated that the embezzlement scheme led to the eventual failure of the Pepsi Cola Federal Credit Union; however, members were indemnified against losses under an agreement with the National Credit Union Administration. Wall was also ordered to pay \$480,273 in restitution.

In *United States v. Hosea*, a Corona woman who was charged with embezzling more than half-a-million dollars from her employer pleaded guilty to one count of wire fraud. According to the information, Kristina Marie Hosea was the assistant to the president of Advance Real Estate Services (ARES) in Irvine, California. As the assistant, Hosea was responsible for reviewing and approving invoices and preparing checks to be signed by the company president. Hosea conducted transfers and cashed at least 100 checks drawn on ARES' bank account payable to her or other non-business related expenses which totaled approximately \$318,835. She also used company credit cards to make purchases unrelated to ARES' business, totaling approximately \$197,781. Trial is set for 2016.

In *United States v. Francisco*, a 62-year-old woman from Huntington Beach was sentenced to 63 months in federal prison for embezzling nearly \$3.5 million dollars from her former employer, a warehouse and trucking-services company. Patricia Francisco was an employee at California Multimodal, LLC (CM). For more than 15 years, Francisco stole money from CM, where she worked as a bookkeeper. She used the money to finance personal expenses, such as \$300,000 for a down payment on a condo, a \$40,000 Cadillac Escalade, and approximately \$100,000 worth of jewelry. She was ordered to pay \$3,474,199 in restitution to her former employer.

In *United States v. Layton*, Allison Layton, the owner of a Glendale egg donation and surrogacy company, Miracles Egg Donation, pleaded guilty to a federal wire fraud charge. Intended parents paid thousands of dollars for egg donation and surrogacy services, which Layton then used to cover her own personal expenses or to cover unpaid costs related to other clients. As a result of Layton's misappropriation of client funds, egg donors, surrogates, attorneys, and others often were not paid for all the services they provided and intended parents often did not receive all the services for which they paid. As a result of the scheme, more than 40 victims lost more

than \$270,000. Layton was sentenced to 18 months imprisonment, three years supervised release, and ordered to pay \$235,914.80 in restitution.

In *United States v. Rodriguez et al.*, in late December 2015, a criminal complaint was filed charging four men with embezzling more than \$8 million from an industrial launderer based in Gardena that provided finishing services for Citizens of Humanity, a manufacturer of high-end designer jeans. The four men, Luis Rodriguez, Antonio Anguiano, Terry Mink, and Rene Bautista, were charged with using fraudulent invoices that contained fictitious and inflated charges to cause the industrial laundry, where Rodriguez served as president, to make payments to companies controlled by Anguiano, Mink, and Bautista. They in turn are alleged to have kicked back 70 to 80 percent of the money they received to Rodriguez. The complaint charged Rodriguez with three counts of mail fraud, and each of the other defendants with one count of mail fraud. Trial is scheduled for 2016.

Healthcare Fraud

In *United States v. Fisher et al.*, two defendants were found guilty and sentenced to federal prison for a \$50 million dollar scheme that defrauded private health insurance companies. The scheme, operated by Theresa Fisher and Lindsay Hardgraves, lured insured "patients" into a surgery center in Orange with promises the patients would be able to use their insurance for cosmetic surgery. Since cosmetic surgeries are not usually covered through insurance plans, the two billed the visits as medically necessary procedures (such as hernias). The fraudulent claims were submitted to the International Longshore and Warehouse Union and Operating Engineers Union health insurance as well as Aetna and Anthem. Fisher was sentenced to 41 months in prison and Hardgraves was sentenced to five months in prison.

In *United States v. Ekewebelem et al.*, a woman was sentenced to six and a half years in federal prison after

defrauding Medicare of approximately \$3.5 million dollars. Adeline Ekwebelem ran a wheelchair scheme that fraudulently billed Medicare more than \$7 million dollars for power wheelchairs that patients did not need. Ekwebelem forced beneficiaries to sign forms that, in many cases, prevented them from later receiving necessary medical treatment.

In *United States v. Gambaryan*, the former owner of a medical supply company was sentenced to seven years in federal prison for four counts of health care fraud that resulted in \$3.3 million in fraudulent claims to Medicare. Hakop Gambaryan paid cash kickbacks to medical clinics for fraudulent prescriptions for durable medical equipment, such as expensive power wheelchairs, that were not medically necessary. He then fraudulently billed Medicare for the unnecessary equipment and generated false documentation to support the fraudulent claims. Gambaryan was ordered to pay \$1,740,009 in restitution.

In *United States v. Stein*, a chiropractor from Encino was indicted on charges of health care fraud and identity theft after operating a scheme that allegedly defrauded multiple corporate insurance plans, including National Railroad Passenger Corporation's (Amtrak) health care plan. Yoav Stein, 39, is charged with obtaining insurance information from corporate health fairs and submitted more than \$300,000 in fraudulent claims to these health plans. The trial is scheduled for 2016.

In *United States v. Ovsepian*, a 33-year-old man was sentenced to 15 years in federal prison for running a scheme to defraud Medicare and Medi-Cal by prescribing anti-psychotic drugs that he then re-billed to the government. This scheme generated more than \$20 million dollars in fraudulent billings. Artak Ovsepian was found guilty of conspiracy to commit health care fraud, identity theft, conspiracy to misbrand pharmaceutical drugs, making false statements to the federal government, and conspiracy to use other

people's identification documents in furtherance of fraud. He was one of three people found guilty at trial and one of 16 people indicted on these charges.

In *United States v. Miller et al.*, eight people were charged with healthcare fraud and aggravated identity theft for a \$50 million dollar scheme that made false claims to Drug Medi-Cal for student substance abuse counseling. The defendants, Lori Renee Miller, Nguyet Galaz, Angela Frances Micklo, Maribel Navarro, Carrera Jeffery, LaLonnice Egans, Tina Lynn St. Julian, and Shyrie Womack, were accused of submitting false claims for substance abuse counseling services on behalf of Atlantic Health Services (formerly Atlantic Recovery Services, ARS). The claims submitted by these ARS employees allegedly billed for services for students who did not have substance abuse problems, billed for counseling sessions that were not conducted or were not conducted in accordance with the Drug Medi-Cal program, falsified personal documents, and forged student signatures. Trial is set for 2016.

In *United States v. Anieze-Smith et al.*, two defendants were indicted and found guilty after trial on charges of health care fraud after fraudulently billing Medicare \$2 million for unnecessary power wheelchairs. Queen Anieze-Smith and Abdul King Garba, who operated ITC Medical Supply, conducted a scheme to bill Medicare for durable medical equipment for beneficiaries they had recruited off the streets. These patients were often not in need of wheelchairs or were patients who could not operate power wheelchairs in their homes. The two billed over \$1.8 million dollars and received nearly \$900,000 in returns.

In *United States v. Canedo et al.*, in part of a larger investigation known as "Operation Spinal Cap," five people were indicted for participating in kickback schemes that led to nearly \$600 million dollars in fraudulent claims. The schemes involved thousands of spinal surgery patients being referred to Pacific Hospital

in Long Beach, where they underwent their surgeries in return for large financial kickbacks to dozens of doctors, orthopedic surgeons, chiropractors, and others. These surgeries led to fraudulent claims being filed that were then paid by the California workers compensation system and the federal government. The defendants in this case are James L. Canedo, the chief financial officer of Pacific Hospital in Long Beach; Philip Sobol, an orthopedic surgeon; Alan Ivar, a chiropractor; Paul Richard Randall, a healthcare marketer; and Mitchell Cohen, an orthopedic surgeon. The scheme deprived patients of their right to honest services and defrauded California workers compensation insurance. The defendants have pled guilty.

In *United States v. Amador et al.*, two members of the International Longshore and Warehouse Union (ILWU) were charged with 20 counts of mail fraud after fraudulently billing the union's health care plan for services two clinics they owned did not provide. Sergio Amador and David Gomez allegedly opened two clinics under the name "Port Medical" that provided general medical care and chiropractic services. These funds were used as cash incentives to Welfare Plan members and for personal payments. Amador and Gomez allegedly used false chart entries to bill the union's health care plan for chiropractic services the members had not received. They are scheduled to stand trial in 2016.

In *United States v. Hakobyan et al.*, Khachatour Hakobyan and Aram Aramyan were sentenced to 57 and 51 months, respectively, for their roles in a Medicare fraud scheme that deposited nearly \$1.1 million into bank accounts of bogus corporations. Both were charged with conspiracy to commit money laundering and filing a false tax return. They agreed to pay \$606,681 and \$353,669, respectively, in back taxes. Trial for the other defendants is set for 2016.

In *United States v. Proshak et al.*, managers of ProMed, an ambulance transportation company, were convicted by a jury for one count of conspiring to commit healthcare fraud and five counts of healthcare fraud. Yaroslav "Steven" Proshak (owner of ProMed), Emilia Zverev, Sergey Mumjian, and Sharetta Wallace operated a scheme that defrauded Medicare of \$1.2 million dollars after filing fraudulent claims worth \$2.4 million dollars. The four conspired to bill Medicare for services patients did not need while also concealing the true medical conditions of patients. They altered paperwork and created fraudulent documents in an attempt to justify the transportation services. The defendants were found guilty of providing non-emergency transportation services to Medicare beneficiaries. Proshak was sentenced to 108 months in prison and ordered to pay \$804,755.27 in restitution to the victims. Wallace and Zverev will each serve 3 years in federal prison. Mumjian is scheduled to be sentenced in 2016.

In *United States v. Kapri et al.*, Wesley Harlan Kingsbury, the general manager of a Southern California ambulance company, was sentenced to 78 months in federal prison for his role in a \$5.5 million dollar scheme to defraud the Medicare program. The court also ordered Kingsbury to pay \$1,338,413.00 in restitution. Kingsbury was the general manager of Alpha Ambulance Inc., a company that billed Medicare for transportation services for individuals that did not need to be transported by an ambulance. Alpha instructed medical technicians to conceal the true medical conditions of patients they were transporting by altering paperwork. Kingsbury pled guilty to one count of conspiracy to commit healthcare fraud, one count of conspiracy to obstruct a Medicare audit, and one count of making materially false statements to federal law enforcement officers.

In *United States v. Fadojutimi et al.*, a registered nurse who owned a medical supply company was sentenced to four years in federal prison for her role in an \$8.3 million Medicare fraud scheme. Olufunke Ibiyemi Fadojutimi

was convicted by a jury of conspiracy to commit healthcare fraud, seven counts of healthcare fraud, and one count of money laundering. As the owner of Lutemi Medical Supply, the defendant fraudulently billed Medicare for more than \$8 million of durable medical equipment that was not medically necessary. Fadojutimi perpetrated the scheme by paying kickbacks to patient recruiters as well as to physicians. The physicians provided fraudulent prescriptions to medically unnecessary durable medical equipment that were then used to support fraudulent billing. Almost \$4.3 million was received on those claims. Fadojutimi was also ordered to pay restitution in the total amount of \$4,372,466.

In *United States v. Javaherian*, Rouzbeh Javaherian, of Beverly Grove, California pleaded guilty for his involvement in a scheme to defraud the Medicare Part D program through a pharmacy called Emoonah, Inc., dba Westaid Pharmacy and Medical Supply (Westaid). Javaherian was a licensed pharmacist and owner of Westaid. He devised and executed a scheme by paying illegal kickbacks to Medicare beneficiaries to induce them to submit their prescription to Westaid. Javaherian then filled some of those prescriptions, but also submitted false and fraudulent claims to Medicare Part D plan sponsors for prescriptions that he did not actually fill. Janaherian was sentenced to 18 months in prison and order to pay \$644,060 in restitution to Medicare.

Identity Theft

In *United States v. Ejdownski*, a woman with a history of fraudulent conduct dating back to the 1970s was sentenced to 58 months in federal prison after using checks from a woman in a West Hills nursing home to purchase hundreds of dollars in merchandise. Ejdownski defrauded the elderly victim while she was serving a three-year period of supervised release after pleading guilty to passport fraud related to a credit card scam. She had been released from a 63-month federal prison term in late 2012. The Court sentenced Ejdownski to a

37-month term for the current bank fraud case and a consecutive 21-month sentence because the fraudulent actions were committed while she was on supervised release.

In *United States v. Candelaria*, a former Pico Rivera businessman pleaded guilty in relation to a stolen identity fraud scheme in which he conspired to use stolen identities to file fraudulent tax returns with the IRS that generated about \$550,000 in fraudulent tax refunds. Beginning in December 2008 and continuing through September 2009, Frank Candelaria and co-conspirator Edgar Nunez caused at least 143 fraudulent income tax returns to be filed with the IRS, seeking well over \$1 million dollars in refunds. As a result, the IRS issued approximately \$548,447 in fraudulent tax refund checks. Nunez and other conspirators stole the name and Social Security numbers of individuals without their knowledge or consent, created bogus W-2 Forms, and filed fraudulent individual income tax returns. Both defendants are scheduled be sentenced in 2016.

In *United States v. Myers, Jr*, Gilbert Myers Jr. was sentenced to six months in federal prison and six months of home detention after fraudulently booking airline reservations by pretending to be a flight crew member. Myers, a 38-year-old man from Georgia, was found guilty of conspiring to commit wire fraud when he was charged with operating a scheme that defrauded aircraft carriers through arranging flights for non-airline employers. The scheme involved people paying \$2,000 for unlimited travel for one year. In exchange, Myers would call the airline with false identification numbers and dates of hire in order to get the travelers employee boarding passes and stand-by tickets for little or no cost (called “non-rev” employee travelers). He would also help the travelers dress and act in ways that would avoid detection. In addition to his prison sentence, Myers was required to pay \$91,660 in restitution to the victimized airline.

In *United States v. Danijelyan et al.*, eight defendants were charged with conspiring to install skimmers in gas station pumps as a part of a scheme to steal consumers' personal information. The defendants were charged with federal fraud and identity theft for an attempt to take via Bluetooth devices the victims' credit card information that was stored in gas pumps. The defendants have been charged with conspiracy to possess 15 or more unauthorized devices. If convicted, each one could face a statutory maximum sentence of five years in federal prison. The trial is set to begin in 2016.

In *United States v. Jackson et al.*, a brother and a sister from the Inland Empire pleaded guilty to stealing hundreds of identities from an escrow company and fraudulently obtaining credit. Charlie Rickie Jackson III and Bridgett Lenet Jackson were convicted for their roles in a conspiracy to steal identities of would-be homeowners from North American Title Company and use those stolen identities to obtain credit cards from major national retailers. Bridget Jackson was a temporary employee at the company, and used her position to allow her brother Charlie Jackson to come and take sensitive documents from the office when other employees weren't around. Charlie Jackson stole personal identifying information of over 250 potential homebuyers from the documents, and used that information to open credit card accounts and purchase goods online. He then pawned the items in exchange for cash, netting him tens of thousands of dollars. He was sentenced to 46 months of prison.

Securities Fraud

In *United States v. Aggarwal et al.*, three men were indicted on charges they participated in an insider trading scheme that netted more than \$600,000 in illicit profits. Ashish Aggarwal, Shahriyar Bolandian and Kevan Sadigh were each charged with one count of conspiracy to commit securities and tender offer fraud, 12 substantive counts of securities fraud, 13 substantive counts of tender offer fraud and three substantive

counts of wire fraud. Aggarwal was employed by J.P. Morgan Securities as an investment analyst in its San Francisco office. Through this position, Aggarwal obtained non-public information about upcoming mergers and acquisitions involving publicly-traded companies. Aggarwal allegedly disclosed this insider information to his friends Bolandian and Sadigh, who in turn used the information to make financially advantageous trades prior to public announcements. When questioned by FBI agents about their trading, Bolandian and Sadigh allegedly provided false explanations of the basis of their decisions. Trial is set for 2016.

In *United States v. Osemwengie et al.*, four defendants pleaded guilty to charges of participating in a scheme to obtain and cash stolen checks. The organizer of the scheme, Kingsley Osemwengie, was incarcerated in the federal prison at Victorville while he orchestrated the scheme to negotiate millions of dollars in Los Angeles County warrants that had been stolen by a corrupt postal employee. Osemwengie, his brother Nelson, and the two other defendants recruited dozens of bank customers who were willing to provide their ATM cards and access to their accounts in exchange for a share of the proceeds. The warrants were altered to change the name of payees to the names of the recruited account holders. The warrants were deposited into the bank accounts, and members of the conspiracy withdrew as much money as they could before the banks learned the warrants had been fraudulently deposited. The scheme caused losses in excess of \$1.5 million. Kingsley Osemwengie was sentenced in early 2016 to more than 9 additional years in prison. Sentencings for the other three defendants are scheduled for early 2016.

In *United States v. Homm et al.*, a superseding indictment was returned adding a former Beverly Hills stock broker to charges against fugitive hedge fund manager Florian Homm and two others. Todd Ficeto, who formerly was the president of a Beverly Hills-based broker dealer, Hunter World Markets (that he co-owned with Homm)

was charged along with Homm and one other defendant with conspiracy to commit securities fraud and eight counts of securities fraud. The indictment charges that, between September 2004 and September 2007, Homm directed eight hedge funds (the Absolute Funds) to buy billions of shares of thinly traded, United States-based “penny stocks” through Hunter World Markets. Ficeto allegedly arranged the stock purchases and caused millions of shares of the same penny stocks to be given to Homm, Hunter World Markets, and CIC Global Capital, which was co-owned by two other defendants, Colin and Craig Heatherington. After the hedge funds invested hundreds of millions of dollars in the illiquid penny stocks, Homm and Colin Heatherington caused the hedge funds to trade the stocks among themselves in “cross-trades” made with the assistance of Ficeto at Hunter World Markets, according to the indictment. The cross-trades served to increase the trading prices of the previously illiquid stocks and, in turn, to boost the net asset values and apparent performance of the Absolute Funds, in a practice called “portfolio pumping.” This apparent performance improvement at the hedge funds generated additional fees for Homm and Absolute Capital. It also boosted Absolute Capital’s stock price on the London Stock Exchange, Alternative Investment Market, from which Homm profited by selling shares. According to the indictment, while manipulating the trading of the penny stocks to falsely and artificially increase the profitability of the Absolute Funds, Homm, Colin Heatherington (through CIC Global Capital), and Ficeto also sold their own personal holdings of the same U.S. penny stocks to the Absolute Funds at the inflated prices, effectively embezzling from the funds. The indictment also charges two money laundering schemes, in which Ficeto is alleged to have assisted Homm and the Heatheringtons in laundering the proceeds from the fraud scheme. Trial is scheduled for 2016.

Investment Fraud

In *United States v. Boone*, the Central District began the year with a large sentence for a Bay Area man who ran a \$1.2 million website investment scam. John Winston Boone was sentenced to ten years in federal prison for defrauding 18 victims over a period of five years. Boone sold website domains to vulnerable victims that he falsely promised would generate substantial advertising revenue. As part of the scheme, Boone lied about his employment background and agreed to provide training and other assistance with the website. After victims paid money, Boone failed to provide any of the support he promised, and the websites never generated any income. When victims discovered the scam, Boone ceased all contact with them and never returned their money. Boone knowingly defrauded a victim that was disabled, a victim with large medical bills, and a victim that suffered from panic attacks, and threatened them with legal action if they ever asked for their money back.

In *United States v. Driver*, a Nevada man was sentenced to over 12 years in federal prison for a Ponzi scheme that caused victims to suffer a combined \$10 million loss. Driver, 58, ran a three-year scheme in which he falsely told victims that he was making a net profit of 1 to 5 percent per week, when in actuality Driver was losing funds. He obtained nearly \$17.4 million from 150 victims. Driver pleaded guilty to wire fraud and making a false statement to the Securities Exchange Commission.

In *United States v. Nguyen*, a Bay Area woman who was convicted of running a Ponzi scheme that defrauded over 200 victims out of more than \$24 million was sentenced to over 12 years in federal prison. Bich Quyen Nguyen was found guilty of conspiring to commit wire fraud for a crime that caused physical, emotional and psychological harm to victims who, in some cases, lost their entire life savings. Nguyen told victims that she was the chief executive officer of Sun Investment Savings and Loan, which guaranteed annual

returns of more than 30 percent on one-year certificates of deposit of at least \$1 million. To get these rates that Nguyen fraudulently promised, victims from Southern California and Nevada organized private investment clubs to pool the required \$1 million. The promised investments were never made, and Nguyen used some of the victim's money to make Ponzi payments to other investors. In addition to her sentence, Nguyen was also ordered to pay over \$24 million in restitution.

In *United States v. Pritchard et al.*, two men who orchestrated a \$21 million movie investment scheme were sentenced to federal prison. Christopher Blauvelt and David Pritchard were sentenced to eight years and five years respectively for their roles as leaders of a scheme involving a company called Gigapix that defrauded hundreds of victims by promising large returns on movie investments. Blauvelt and Pritchard were founders and partners of Gigapix, which used a complex scheme of telemarketers and "closers" to solicit potential investors and collect their money over a period of seven years. The defendants also solicited money for a film titled "OZ3D" that saw no returns of profit. Approximately 730 victims lost virtually all of the money, over \$21 million dollars, they invested in Gigapix and OZ3D.

In *United States v. Gillis et al.*, two men were sentenced to 9 and 10 years in federal prison for operating one of the largest Ponzi schemes to ever hit Southern California. Joel Barry Gillis, 75, and Edward Wishner, 77, were sentenced after being found guilty of operating a 13-year long ATM Ponzi scheme that cost investors over \$135 million dollars. Gillis and Wishner ran the scheme through their Calabasas company, Nationwide Automated Systems, Inc. (NASI). They falsely told investors their money would be used for automated teller machines (ATM's) that would generate at least a 20 percent profit annually. The two represented investors would buy specific ATMs that would then be installed in specific locations, and claimed they operated more than 31,000 ATM's worldwide. Gillis and

Wishner paid off the first few rounds of investors and created false monthly reports while only operating approximately 250 ATM's. Gillis was sentenced to 10 years in federal prison and Wishner to 9 years as the "victim-investors suffered irreparable financial harm." In early 2016, the court also ordered Gillis and Wishner to pay approximately \$124 million in restitution.

In *United States v. Chang et al.*, five defendants were indicted on charges that they operated a multi-million dollar Pyramid scheme by soliciting investments in a company that offered children's educational courses. The five defendants are Cheong Wha Chang, Toni Chen, Wen Chen "Wendy" Lee, Daliang "David" Guo, and Chih Hsuan "Kiki" Lin. The five conspirators allegedly made false statements about generating revenue from sale of educated courses and taking the company public through an IPO. The indictment alleges that contrary to these statements, CKB (a series of Hong-Kong based companies), earned little money from sale of children's courses, there was little or no way for investors to profit without recruiting new investors, and the entities never had enough revenue to support an IPO. The indictment charges each defendant with one count of conspiracy and 13 counts of wire fraud. Trial is set for 2016.

In *United States v. Yotty*, a 69-year old man was sentenced to almost five years in federal prison for operating a Ponzi scheme that caused more than 240 victims, many of them teachers, nurses, and law enforcement officers, to lose nearly \$15 million. William Donnelly Yotty pleaded guilty when he admitted to running a Lodi-based company that offered false investment in corporate debt obligations, promising interest rates as high as 25 percent. He also admitted to exploiting the distressed real estate market where he encouraged investors to purchase foreclosed homes that they could then flip for a profit. Yotty was ordered to pay \$15,018,822 in restitution to the victims in addition to his five-year prison sentence.

In *United States v. Powell*, a San Diego man who ran an investment scam that promised “reverse” life insurance policies was sentenced to over 10 years in federal prison. Daniel Christian Stanley Powell, founder and chief executive officer of Christian Stanley Inc., defrauded approximately 60 victims out of \$5.2 million dollars. Powell told investors that he would use their money to purchase life insurance policies from insured individuals, at which point the company would pay the monthly premiums and become the beneficiaries of the policies. Instead, Powell used victims’ money to make Ponzi-scheme payments to some investors, to pay commissions to representatives who recruited investors, and to create promotional materials, which gave the appearance that Christian Stanley was a legitimate and successful business. Powell also knowingly drafted false affidavits to use in his defense and promised to return victims’ money if they signed the false documents. This conduct led to additional convictions on obstruction of justice charges.

In *United States v. Whittington*, three individuals were charged in an investment scheme that defrauded over 20 victims and caused losses totaling more than \$2 million. Jerome Whittington, Patricia Torres Zavala and Kathleen Moore were charged in an indictment that says that Whittington and his two codefendants made false statements and misrepresentations to induce victims to invest money in various business ventures and real estate purchases. Among these misrepresentations, Whittington falsely claimed to be a wealthy real estate investor, a Purple Heart recipient and an attorney to gain the trust of victims and add legitimacy to the scheme. Zavala used her former position as an employee at Bank of America to persuade victims into sending money.

In *United States v. Stevens*, an Orange County man was sentenced to two years in federal prison for running a multi-million dollar fraud scheme that bilked investors with false promises of In-N-Out Burger franchises in the Middle East. Craig Stevens pleaded guilty to one

count of wire fraud, admitting that he fraudulently solicited more than \$4.27 million from investors who were told that each franchise cost \$150,000, plus another \$250,000 per year for royalties. In fact, the Irvine-based In-N-Out is a privately held corporation that does not have any business partnerships or franchise agreements with third parties.

In *United States v. Turner*, Jonathan Glen Turner was sentenced to 10 years in federal prison for a scheme that defrauded the inventors of a back brace called “Gorillaback.” Turner befriended and formed a company with the inventor of Gorillaback on false promises that he could sell the brace. Turner, however, made no effort to sell the brace and instead created false purchase orders for more than 10,000 braces. While concealing the fact there were no actual buyers, Turner persuaded the inventor and his wife to obtain investments from family members that came out to approximately \$229,500. Turner will serve this sentence following a 7 year sentence in which he was found guilty of running a different investment scheme. Turner represented himself in the case but was found guilty of three counts of wire fraud and one count of committing a felony while on pre-trial release.

In *United States v. Davis*, Charles M. “Chuck” Davis, a 57-year-old man was sentenced to over 12 years in federal prison for an investment scheme that took over \$3 million from investors who believed they were investing in products to treat childhood obesity and Type II diabetes. Davis offered to run infomercials for products that help childhood obesity from LifeRight Inc., promising a 15 percent return on investment. In a second scheme, he raised nearly \$900,000 for DT2, a company that creates a product to treat Type II diabetes. Davis went on to use the investments for personal use while the victims lost all of their money.

In *United States v. Kang*, an Orange County attorney pleaded guilty to wire and tax fraud charges.

Prosecutors believe Stephen Young Kang took at least \$8 million in investment capital from clients and used the funds for personal expenses and luxury items. Kang admitted that he defrauded a food distribution company, Ottogi America Inc., while working as their attorney to help the company purchase property. Ottogi attempted to wire transfer funds to a trust account to be used for investment in properties, but instead Kang transferred to funds to his personal accounts. He also defrauded a Texas victim out of half a million dollars by falsely stating he would allocate the funds to an investment company. Kang attempted to hide his crimes and evade the assessment of income tax by failing to file a federal income tax return for 2013 and using corporate accounts to conceal his income.

In *United States v. Rose*, David Rose was sentenced to 57 months in federal prison for running two investment schemes that falsely promised large returns to investors. One scheme used Technology Innovation Partners (TIP) and Millenium Marketing Partners to solicit dentists and orthodontists to invest in the company. The other scheme used Rose's own company, M.D. Venture Partners (MDVP) that promised investors returns on investments that would be used for emerging medical technology. The investigation soon showed that no money had been invested by either TIP or MDVP. Rose was ordered to pay \$2,315,394 in restitution to the victims on top of his prison sentence.

In *United States v. Reinert*, Peter Reinert, the president and CEO of Fazer Technologies and Global Encryption Imaging Corporation, was charged with 14 counts of wire fraud. Fazer Technologies was purportedly developing a product that could increase gas mileage to 150 miles per gallon for any car. Global Encryption Imaging Corporation was purportedly developing anti-counterfeiting technology to be used on state-issued identification documents. Reinert and others working for him solicited investments in these companies and pitched these technological innovations to victims using false representations related to his background or to

companies interested in the technology. Reinert told investors that he was manufacturing products but instead spent the investors' money on luxury automobiles, European travel, and other personal expenses. In the schemes alleged in the indictment, investigators have identified at least 50 victims for amounts totaling at least \$3.6 million. The case is set for trial in 2016.

In *United States v. Greenfield*, Jonathan Greenfield, a former registered representative of Morgan Peabody, a brokerage and investment firm, was sentenced to 18 months in federal prison on wire fraud charges associated with a real estate investment scam that resulted in about 5 dozen investors losing nearly \$4 million. Greenfield pleaded guilty to two counts of wire fraud, admitting he provided his clients with materially false information related to a real estate investment fund. In addition to the prison term, Greenfield was ordered to pay \$359,497 in restitution to the victims.

In *United States v. Williams*, the former head of a San Fernando Valley brokerage firm pleaded guilty to wire fraud charges. David Williams, former President and CEO of Morgan Peabody Inc., admitted that he directed his employees to sell securities in a fund that Williams had personally created, purportedly to invest in real estate. However, Williams used the majority of investor money to pay for personal expenses, including a lease on a \$6 million dollar residence in Toluca Lake. Williams also admitted to committing tax evasion by failing to file tax returns for the years 2007 and 2008, and failing to report more than \$2.3 million dollars in income. Williams' sentencing is set for 2016.

Real Estate Fraud

In February, the United States Attorney's Office for the Central District of California reached a settlement with Standard & Poor's Ratings Services, which agreed to pay \$1.375 billion to settle a federal complaint filed pursuant to the Financial Institutions Reform, Recovery and

Enforcement Act, and related civil penalty actions filed by multiple states under various consumer protection statutes. The settlement was the largest penalty of its type ever paid by a credit rating agency. The FIRREA charges alleged that S&P issued fraudulently inflated ratings of Residential Mortgage Backed Securities (RMBS) and Collateralized Debt Obligations in the run-up to the 2007 through 2008 financial crisis. As part of the settlement, S&P admitted it ignored senior analysts within the company who complained it had given top ratings to financial products that were failing to perform as expected and it had declined to downgrade underperforming assets because it was worried that doing so would hurt the company's business.

In *United States v. Miller Jr.*, the former President of a Central Coast investment firm was sentenced to 7 years in federal prison for defrauding real estate investors. James Hurst Miller was found guilty of misappropriating millions of dollars that victims invested in Central Coast real estate projects and for helping a real estate developer defraud a bank. Miller operated Hurst Financial, which essentially acted as a "middle man" between investors and real estate developers. One of those developers, Kelly Gearhart, was also convicted of fraud and sentenced to 14 years in jail. After obtaining funds from investors, Miller used approximately \$3.7 million of the money for other purposes outside of development projects, contrary to his promises about how the money would be used. Miller and Gearhart were also ordered to pay restitution.

In *United States v. Hanover*, a Seal Beach woman was sentenced to nearly three years in federal prison for operating a real estate fraud scheme in Orange County. Karen Hanover pleaded guilty to one count of mail fraud related to her scheme that bilked clients out of \$1.4 million in response to false promises of ownership in commercial real estate. Hanover admitted that she pitched her "Fast Track" investment program to investors who attended seminars in Southern California, Dallas and Las Vegas. Victims were induced to invest

between \$19,000 and \$29,000 under the false belief that Hanover would partner them with real estate deals. When victims demanded the return of their money, Hanover went to great lengths to bully and intimidate the victims, including pretending to be an FBI agent and threatening them with jail time.

In *United States v. Stewart et al.*, the owner and CEO of an Orange County real estate investment firm was found guilty in a fraud scheme that ended with investors losing as much as \$169 million dollars. Michael J. Stewart was convicted on 11 counts of mail fraud after a nine day trial. Stewart was owner and chief executive of Pacific Property Assets, which he created in 1999 to purchase, renovate, operate and resell or refinance apartment complexes in Southern California and Arizona. While the company was successful and profitable, the 2008 financial crisis made PPA's business unsustainable. To keep the firm afloat, Stewart engaged in a Ponzi scheme, recruiting new investors to make monthly debt payments and pay back old investors and mortgage lenders. Stewart also misrepresented PPA's financial condition, claiming its business model was still working, by creating fraudulent financial statements to provide to investors. PPA was forced to file for bankruptcy in June 2009, stating it owed 647 private investors more than \$91 million.

Mortgage Adjustment Fraud

In *United States v. Ramirez et al.*, four individuals who worked at a Rancho Cucamonga business that offered bogus loan modification programs to thousands of financially distressed homeowners were all sentenced to federal prison. Christopher Paul George, Crystal Taiwana Buck, Albert DiRoberto and Yadira Garcia Padilla were sentenced to 20, five, five and four years in prison respectively. The Southland residents were convicted of federal fraud charges for their roles in a telemarketing operation known under a series of names, such as 21st Century Legal Services Inc., that bilked

more than 4,000 homeowners across the nation, many of whom lost their homes to foreclosure. 21st Century employees contacted distressed homeowners through cold calls, newspaper ads, mailings, and company controlled websites. They falsely told clients that they would be able to obtain new mortgages with specific interest rates and reduced payments. A total of 11 employees have now been convicted of federal fraud charges. In December, the founder of and organizer of the scheme, Andrea Ramirez, was sentenced to 18 years in federal prison.

In *United States v. Gonzalez*, a Whittier woman was sentenced to nearly six years in federal prison for her lead role in a scheme that duped 400 homeowners of nearly \$4 million dollars with false promises of eliminating their mortgages. Maria Marcela Gonzalez pleaded guilty in July, and admitted that she and others promised distressed homeowners, many primarily Spanish speakers, that, in exchange for fees that were generally \$15,000 per property, her company would eliminate the homeowners' mortgage within six to eight months through a secret process that involved sending packets of documents to lenders. Gonzalez failed to tell victims that the process had never been successful, and that earlier clients had lost their houses to foreclosure and been evicted from their homes.

In *United States v. Meisinger*, a Seal Beach man who defrauded dozens of distressed homeowners in a foreclosure rescue scheme was sentenced to eight years in federal prison. Terry Meisinger pled guilty to two counts of wire fraud and admitted that he operated a bogus mortgage rescue scheme in which he made false promises to homeowners, filed fraudulent bankruptcies to delay foreclosure and rented the properties to third parties as the foreclosure proceedings were delayed. Meisinger was also ordered to pay \$1.5 million in restitution to his victims.

In *United States v. Marquette*, a 56 year old man, Antonio Marquette was charged with 10 counts of mail fraud, one count of wire fraud, and one count of money laundering stemming from a bogus loan modification scheme. According to the indictment, Marquette falsely promised homeowners that he could help them avoid foreclosure by obtaining modifications to their mortgages- or even completely eliminating their loans. Marquette took in more than \$1.2 million from victim homeowners in Southern California, the Bay Area, and Houston. Marquette's trial is scheduled for 2016.

General Civil

The General Civil Section defends civil actions brought against the United States, its agencies, and its employees, bearing the dual responsibilities of protecting public funds and supporting justice. These actions include a wide variety of tort cases, such as medical malpractice and Constitutional tort cases; cases alleging discrimination in hiring and employment practices by agencies of the United States; immigration; bankruptcy; breach of contract; property disputes, judicial review of administrative decisions; and injunctive proceedings. In addition, the General Civil Section brings certain affirmative civil penalty and injunctive relief actions to protect federal property and enforce federal laws, including environmental laws.

In *Garcia, et al., v. Escobar, et al.*, six years of civil litigation culminated in verdicts in favor of the United States and an individual Immigration and Customs Enforcement Agent. The case arose out of a narcotics prosecution in which the indictment of one defendant, Garcia, was dismissed without prejudice, after which Garcia brought civil rights claims against the agent and, along with his family and tenants, brought tort claims against the United States, seeking \$5,000,000. At the combined bench and jury trial, the government established that probable cause existed for the arrest and prosecution and that the government and the agent had not engaged in any tortious conduct. The jury entered a verdict in favor of the agent after less than two hours of deliberation, and the district court subsequently entered judgment in favor of the United States on the claims of false arrest, false imprisonment, and assault and battery.

In re the Jesusita Fire, arose out of a fire in the Santa Barbara Ranger District that consumed approximately 2,000 acres in 2009. The fire was caused by two individuals who were using brush cutters to enlarge a mountain bike trail without a permit and without taking proper fire prevention precautions. The government recovered \$2,000,000 – the total amount of the available insurance proceeds – to reimburse the federal government for the cost of fighting the fire and repairing the resulting damage to the environment.

In *Figueroa, et al. v. United States*, pursuant to California Proposition 213, the district court granted partial summary judgment barring emotional distress and loss of consortium claims brought against the United States in a motor vehicle accident case where the plaintiff driver was uninsured. The court rejected the plaintiffs' belated efforts to comply with California's financial responsibility laws by making cash deposits with the Department of Motor Vehicles two years after the accident. Following briefing by the United States, the court's ruling upheld the intent of California voters when they enacted Proposition 213 to deter non-compliance with motor vehicle financial responsibility laws.

In *Collins v. Quinn, et al.*, a federal correctional inmate sought \$250,000 in damages for alleged FTCA and *Bivens* claims against the Bureau of Prisons and individual medical employees for the treatment of injuries he sustained during a prison fight. The government highlighted evidence that the inmate received appropriate medical care and held firm that the inmate's monetary demand was unwarranted. The government then brought a successful motion for summary judgment on the merits. As a result, the inmate recovered nothing from either the individual federal employees or public funds.

In *Hua v. Donahoe*, a mail carrier, whose employment had been terminated, sued the Postmaster General for alleged discrimination, retaliation and harassment. Despite his claims, Hua admitted to drawing a lewd picture and waiving it in front of management in a counterintuitive attempt to allege that the postmaster had sexually harassed him. The mail carrier also alleged national origin discrimination based on his employer's refusal to provide an interpreter for him during disciplinary meetings. The government twice brought successful motions to dismiss but plaintiff was granted opportunities to cure defects in his complaint. After the plaintiff's third attempt, the court granted the government's motion to dismiss with prejudice, concluding any further attempt at amendment would be futile.

In *Shuler, et al., v. United States*, the plaintiffs sought over \$15,000,000 in damages, alleging that private defendants and the United States were responsible for causing a landslide that damaged the plaintiffs' horse farm. The claims against the government were based on the theory that an employee of the U.S. Department of Agriculture caused the slide by designing significantly flawed engineering plans for hillside erosion. The government retained four pre-eminent geology and hydrology experts who drilled the test site and determined the landslide was likely caused by another defendant's defective leaking irrigation pipes. Despite a combined number of 16 experts retained by the other parties in this case, the United States' experts were the only ones to conduct actual testing that the court could rely upon when considering the veracity of conflicting expert opinions. The plaintiffs agreed to a modest settlement.

In *Bowers v. Shinseki*, the plaintiff, employed as a physician at the Department of Veteran's Affairs, alleged race and other forms of employment discrimination. After first narrowing down the plaintiff's claims through a motion for summary

judgment, leaving only one claim, the government then successfully moved the court for, and obtained, an unprecedented hearing to resolve an administrative exhaustion defense. During the hearing, the government demonstrated that plaintiff had in fact failed to exhaust her administrative remedies, and the court thereafter allowed the government to file a second motion for summary judgment, which resulted in judgment in favor of the government on the remaining claim.

In *Tabatabaian v. Holder*, an FBI agent sued for alleged national origin discrimination, challenging the denial of a security clearance and related actions. The government prevailed on four successive motions to dismiss, ultimately obtaining dismissal with prejudice and upholding the principle that security clearance decisions are committed to the exclusive discretion of the Executive Branch.

The *Swander v. Department of the Army, et al.*, litigation involved a girls' softball team that filed suit claiming a Title IX violation for gender discrimination in education. The sports fields in question were owned by the United States Army but leased to a nonprofit entity that allegedly managed them disproportionately by allocating more time and the preferred fields to boys' events as compared to girls' teams. As a result of this action, the co-defendants equitably relinquished control of some of their fields to the girls' softball team and initiated a system to protect these implementations in the future.

In *Capozzi v. Norwood, et al.*, a federal inmate filed suit alleging negligence claims against the United States stemming from a prison yard fight in which he and another prisoner were both armed and he was stabbed by the other inmate. The plaintiff, a high security inmate who had previously escaped from custody, demanded voluminous prison records, including blueprints and schematics of the prison.

The government successfully defended the Bureau of Prisons' position that the inmate's discovery demands would jeopardize the security of the institution, including prison staff and other inmates.

In *Brewington v. United States*, a medical malpractice case involving liability for negligent care, the government successfully argued at trial that any damages awarded for future medical care for the plaintiffs should be reduced in light of the Affordable Care Act. In the past, plaintiffs needing future care have routinely and successfully requested and received future care damages based on what it would cost to privately pay for medical care (i.e., high private-pay rates) since there was no guarantee they could get health insurance given their pre-existing conditions. Based on the Affordable Care Act, which bars health insurers from denying coverage for pre-existing conditions, and in light of the duty to mitigate under California law, the government successfully argued that future care damages should be calculated using the lower Affordable Care Act rates and that the government was entitled to offset those damages by amounts paid by insurance. The court agreed and awarded damages at trial consistent with the position advocated by the United States.

In *Johnson v. McDonald*, a government nurse's assistant, who was suspended, brought suit for alleged employment discrimination. The government prevailed on summary judgment, establishing that there was no evidence that she was suspended because of her race or was subjected to a racially hostile work environment, and that the suspension was based on legitimate business reasons, namely that Johnson had been caught literally sleeping on the job.

Cantu v. United States involved a motor vehicle accident between the plaintiff and a U.S. Customs and Border Protection Officer. The plaintiff sued the United States for over \$400,000 in money damages,

claiming that the CBP Officer caused the collision. After a bench trial, the district court found the plaintiff 70% at fault, discounted his claimed damages, and setoff the damage to the government vehicle, resulting in only a minimal payment from public funds.

Lorsch v. United States was a tort action seeking \$5,000,000 brought by a contributor to and asserted "next friend" of the Wildlife Waystation, a 160 acre private animal sanctuary in Angeles National Forest. The litigation was brought in response to administrative actions by the United States Department of Agriculture against Lorsch, the Waystation, and others pursuant to the Animal Welfare Act, 7 U.S.C. § 2131. After the Department of Agriculture dismissed the charges against Lorsch, he brought the action against the government, alleging claims for negligence, abuse of process, malicious prosecution and intentional and negligent infliction of emotional distress. The government filed a motion for summary judgment based on exceptions to the Federal Tort Claims Act, and the district court entered judgment in favor of the United States.

Garcia v. United States arose out of a border crossing in which federal agents discovered a loaded handgun and approximately \$9,000 cash in Garcia's vehicle when he crossed into the United States. The agents then determined that Garcia was under investigation by the Bureau of Alcohol, Tobacco, Firearms and Explosives and was the registered owner of firearms used in crimes on both sides of the border. Garcia, who utilizes a wheelchair, later brought suit seeking damages in the amount of \$15,000,000, alleging that agents subjected him to battery, assault, intentional infliction of emotional distress, and negligence during detention and transport. The government moved for summary judgment with evidence which included Garcia's own prior, initial testimony that he had not been subjected to assault, battery or any other

mistreatment. Finding that Garcia's new declaration in opposition to summary judgment was a sham, the district court held that Garcia had not been subjected to any wrongful conduct and granted the government's motion for summary judgment.

In *Pesci v. Shenseki*, the plaintiff, a former dispatcher for a federal agency's police services office, asserted that the termination of her employment violated the Rehabilitation Act and the Fair Labor Standards Act. The government filed a motion for summary judgment on the ground that Pesci was terminated for excessive absences, including being absent without leave. The district court granted judgment in favor of the government on the disability discrimination and retaliation claims, holding that regular attendance was an essential function of the job position and that Pesci had failed to establish that the agency had denied her reasonable accommodations, had terminated her employment because of her disability or protected activity, or had created a hostile work environment. The remaining claims were then resolved for a nominal amount.

In *Stoian v. Colvin*, a former employee of a government agency brought suit for alleged age, disability, and national origin discrimination. The evidence submitted to the court demonstrated that the plaintiff had falsified evidence to support her claims and destroyed evidence that undermined her claims. The government moved for terminating sanctions, citing the court's inherent powers to dismiss an action in the extraordinary circumstance where a party has willfully deceived the court. After considering the evidence, the district court held that the plaintiff's misconduct had "infected all of the pretrial procedures and interfered egregiously with the court's administration of justice" and dismissed the action.

In *Gad v. United States*, the plaintiff brought a tort action after being struck by a car driven by a

government agent while she was crossing the street. The plaintiff's own testimony during discovery, however, established that she stepped off the curb into the street without looking, while attempting to catch a bus on the other side of the street. Coupled with evidence that the government driver had almost completed his turn when the pedestrian stepped into the path of the moving car, the government argued the accident was not the fault of the government driver. The district court agreed, granting summary judgment in favor of the government.

In *Lam v. Hagel*, a senior software engineer, who had been suspended from work for violating a government agency's internet usage policy, sued for alleged race discrimination. Lam claimed his personal use of the internet was permissible because he used it for innocuous purposes, including looking for a car and closing his eHarmony account. The government prevailed on summary judgment, establishing that Lam had been suspended because he made 1,631 website visits during an eight-day period in violation of the agency's limited internet personal use policy and that there was no evidence he was suspended because of his race.

Dawkins v. Castro was a *Bivens* and FTCA action brought by a former inmate seeking over \$1,000,000 in damages, alleging that a Bureau of Prisons physician had been deliberately indifferent to his medical needs in violation of the Eighth Amendment of the Constitution. The government demonstrated that, on the same day that the BOP physician examined plaintiff, the physician arranged for him to be seen by an outside specialist on an urgent basis and that the physician thereafter followed the specialist's recommendation that the inmate required non-urgent elective rather than emergency surgery. The court found the doctor did not disregard the inmate's medical needs and granted the government's motion for summary judgment.

The *In re California 200 Litigation* arose from a motor vehicle accident that occurred during an off-road desert race, on federal property, pursuant to a Bureau of Land Management special-use permit. A race participant lost control of his vehicle and crashed into a crowd of spectators, resulting in multiple deaths, severe injuries, seventeen lawsuits, and thirty-four plaintiffs seeking \$500,000,000 in damages. After three years of extensive discovery and litigation, the United States settled the administrative claims for \$5,200,000.

In *United States v. Westminster, et al.*, the United States brought suit in response to a federal agency's finding of "reasonable cause" to conclude there was a violation of the Fair Housing Act where the owner and managers of an apartment complex in Westminster had refused to rent a unit to a woman because she used an electric mobility scooter. In response to the litigation, the owner and operator of the apartment complex implemented policies and procedures to comply with the Fair Housing Act, including implementation of a Fair Housing Act training program.

In re Broukheim concerned a civil rights investigation pursuant to the Department of Justice's Barrier-Free Health Care Initiative in which a medical office had failed to provide accommodations, such as sign language interpretation, for deaf and hard-of-hearing patients and their families. Government attorneys worked with the medical office to develop appropriate policies in compliance with the Americans with Disabilities Act (ADA) and to obtain ADA training for the medical office. The medical office then entered into a settlement agreement with the United States to ensure future ADA compliance.

Human Trafficking

The Office has raised domestic and international human trafficking to one of its top priorities. American citizens and foreign nationals have been forced to participate in prostitution, child pornography, and illegal commercial sex. Often, the perpetrators use coercive measures such as violence, mental abuse, bribery and threats to ensure their victims will continue to be trafficked.

To support this new focus on human trafficking, the Justice Department announced in September a \$1.5 million grant to fund the establishment of a multi-agency Los Angeles Human Trafficking Task Force that will jointly be led by the Office and the Los Angeles County Sheriff's Department (LASD). The Task Force will investigate high-priority trafficking crimes – particularly the sex trafficking of minors – while also bringing together federal, state and local leaders to address the needs of trafficking victims.

In *United States v. Lee*, a former agent with U.S. Immigration and Customs Enforcement's Homeland Security Investigations pled guilty to one count of bribery. Joohoon David Lee accepted thousands of dollars and gifts in bribes from a man accused of trafficking a woman into the United States to be a sex slave. The man under investigation, referred to in court documents as "H.S.," paid Lee large sums of money to write a favorable report following an investigation that revealed a woman reported that she had entered the United States as a sex slave for H.S. Lee accepted a trip to Korea, luxury hotel accommodations and entertainment, and between \$6,000 and \$7,000 to file a report stating the case against H.S. should be closed. He is scheduled to be sentenced in 2016.

In *United States v. Davis et al.*, a mother and son duo from Long Beach pleaded guilty to federal sex trafficking charges. The mother, Sharilyn Kae Anderson admitted she and her son Joshua Jerome Davis prostituted a local runaway beginning when the victim was 15, and another young woman beginning when she was 18. Anderson also admitted that she and her son used force, threats and coercion against the adult victim. The minor victim was prostituted at several hotels in Southern California, and transported by Davis across state lines to Las Vegas, Nevada to engage in commercial sex. In August, Anderson was sentenced to 46 months in federal prison, while her son received a 70 month sentence.

In *United States v. Porter*, a Long Beach man was sentenced to 20 years in federal prison for his role as mastermind of an Orange County sex trafficking operation. Between 2010 and 2012, Roshaun Nakia Porter exploited young women, both foreign nationals and U.S. citizens, by luring his victims into personal relationships with him via false promises of legitimate employment, and subsequently compelling them to engage in commercial sex and turn the proceeds over to him. To keep victims under his control, Porter used violence, psychological abuse, and threats to harm the victims' family members, along with other coercive means. Two other defendants pleaded guilty in connection with the case.

In *United States v. Goswitz*, an LA-area man was sentenced to 57 months in federal prison for lying to special agents about his conduct with a 16-year old girl he met online and hired for commercial sex. Charles Goswitz met with agents from the U.S. Immigration and Customs Enforcement's Homeland Security Investigations in April 2013, who advised Goswitz that the teen in question was missing and a possible sex trafficking victim. Goswitz denied ever meeting the girl, but two months later he admitted to engaging in commercial sex acts with victim, including taking explicit photos.

Prescription Drug Abuse

Doctors who prescribe dangerous medication with no legitimate medical need pose a significant threat to public health, and this year the Central District brought a number of prosecutions against defendants engaged in this dangerous practice. Doctors who abuse their position of trust and violate their oath encourage potentially fatal drug addiction and undermine trust in medical professionals. The U.S. Attorney's Office will continue to prosecute doctors who violate their oath and those that would aid and abet them, endangering people's lives for profit.

In *United States v. Sun*, the Central District started the year off with the sentencing of a Southern California doctor who was convicted of narcotics trafficking the previous summer. Dr. Andrew Sun was found guilty of illegally issuing prescriptions for powerful medications hydrocodone and alprazolam, known by their brand names Vicodin and Xanax, in exchange for cash. Evidence at trial showed that Sun issued more than 24,000 prescriptions over a three-year period to patients with no legitimate need for the drugs, and generated more than \$1.1 million in cash. Sun was sentenced to over five years in federal prison.

In *United States v. Gillespie et al.*, five individuals were indicted for their roles in a narcotics trafficking ring. Those arrested were the operators of Southfork Medical Clinic, a now-closed establishment that operated in the Harvard Heights district of Los Angeles. At Southfork, employees sold illegal prescriptions for cash and obtained drugs that were shipped to Texas for sale on the black market. The clinic doctor issued over 10,000 illegal prescriptions over a 15-month period. The defendants, Jagehauel

Gillespie, Dr. Madhu Garg, Diane Nunez, Daniel Clay, Jessica Poe, Joseph Tyree Boyance, and Ray Steven Benton, are all charged with conspiring to distribute narcotics. The indictment was the result of multiple undercover operations during the investigation. Benton has been sentenced to 100 months in prison; Gillespie was sentenced to 72 months in prison; and Clay was sentenced to 11 months in prison. Defendants Garg, Poe, and Nunez have all pled guilty and are pending sentencing later this year. Defendant Boyance's trial is scheduled in 2016.

In *United States v. Kabov et al.*, two Brentwood brothers were indicted on federal drug trafficking and money laundering charges. Berry and Dalibor Kabov operated a bogus pharmacy in west Los Angeles, Global Compounding Pharmacy, to obtain and distribute large quantities of prescription narcotics to black-market customers. The brothers used Los Angeles as a base to sell bulk shipments of prescription drugs across the country. Investigators seized parcels containing thousands of hidden oxycodone pills that the brothers attempted to ship to Ohio in exchange for cash deposits into Kabov-controlled bank accounts. The DEA suspected that Global Compounding was not a legitimate pharmacy when records showed that it was the top purchaser of oxycodone among all Los Angeles pharmacies, and ordered three times more oxycodone than the second-largest purchaser. Investigators also noted that many of the prescriptions purportedly being filled by the pharmacy were for patients outside of the Los Angeles area. The Kabov brothers hid their profits by structuring cash transactions to avoid federal report requirements. The brothers' jury trial is currently scheduled for 2016.

In *United States v. Diaz*, the Central District ended the year with its largest sentence for distribution of a controlled substance. Santa Barbara doctor Julio Gabriel Diaz was sentenced to over 27 years in federal prison in December. Diaz operated the Family

Medical Clinic in Santa Barbara and wrote prescriptions for more than 1.7 million doses of painkillers to patients with no legitimate medical purpose in exchange for cash. Many of Diaz's "patients" were drug addicts, and some died from drug overdoses. Several doctors and nurses testified at trial that they had never seen any doctor prescribe the combination and quantity of drugs prescribed by Diaz. The local hospital, Santa Barbara Cottage Hospital, believed that Diaz posed such a threat that they prepared a spreadsheet documenting emergency room visits by patients who had been prescribed narcotics by Diaz. Diaz was found guilty of 79 counts of distribution of a controlled substance.

“We are committed to vigorous prosecution of doctors who abdicate their Hippocratic Oath, participate in the illegal distribution of prescription drugs and contribute to the rise of drug abuse and addiction in our communities.”

Attorney General Loretta E. Lynch

while United States Attorney

for the Eastern District of New York

Public Corruption

The U.S. Attorney's Office remains committed to weeding out public corruption and prosecuting elected and appointed officials who break the law, as well as individuals who seek to bribe government officials. Bribery or abuse of power harms the public's faith and trust in government, creating a dangerous gap between the public and those who serve and represent them. The Office's commitment to prosecuting cases involving corruption was evident in 2015.

In *United States v. Henderson et al.*, seven defendants were charged in an elaborate kickback scheme involving a procurement official at a subsidiary of Boeing Company that supplied satellites and parts to federal agencies. The leader of the scheme, Alfred Henderson, paid hundreds of thousands of dollars in kickbacks to Mark Allen, a procurement officer, through a "front company" after Henderson lost government contracts due to performance and product quality issues. Henderson and his company, A&A Fabrication and Polishing, Inc., have pled guilty and sentencing is set for 2016.

United States v. Trinh involved an individual who was indicted on charges of offering to bribe a federal official. Howard Quoc Trinh, manager of a clothing company in Arcadia, offered to pay an investigator from the Department of Labor \$10,000 to make a government investigation into minimum wage violations at his factory disappear. Following the initial offer, the investigator returned to Trinh's place of business wearing recording equipment and recorded the bribery on tape. Trinh also handed the investigator an envelope of cash, leading to his arrest and indictment. His trial is scheduled for 2016.

In *United States v. Co*, a Moreno Valley City Council member was sentenced to five years federal prison for accepting one of the largest bribes ever taken by a public official in an undercover operation. Marcelo Co pleaded guilty to accepting a \$2.3 million cash bribe in exchange for voting to change zoning laws to increase a specific property value, benefitting a businessman cooperating in the investigation.

In *United States v. Wu*, a former official with U.S. Customs and Border Protection, who went on to operate an independent immigration consulting service, was found guilty of paying bribes to current government employees in an effort to obtain citizenship and legal permanent resident status for several immigrants. Wu paid thousands of dollars in bribes in a scheme involving at least seven immigrants. The case also resulted in the investigation and conviction of seven government officials and immigration consultants, with more cases pending. The sentencing date has been set in 2016.

In *United States v. Smith*, a Transportation Security Administration officer was indicted on narcotics and bribery charges after accepting payment in exchange for allowing checked bags filled with marijuana to pass through screening checkpoints at Los Angeles International Airport. Deondre Smith accepted payments of at least \$500 to ensure the luggage filled with marijuana successfully made it onto commercial aircrafts. The bags were then transported to North Carolina, where the drugs were distributed. The indictment lists nine specific instances between 2009 and 2010 where Smith allowed the illegal bags to pass through security. Other members of the conspiracy have been indicted in North Carolina. Smith's trial is scheduled to begin in the summer of 2016.

In *United States v. Greenhut*, a San Fernando Valley businessman was convicted of giving illegal gifts to federal employees. Ivan Greenhut operated two companies that sold office supplies to government and

U.S. Army officials who were in charge of purchasing supplies on behalf of the federal government. Greenhut was part of a scheme to pay these officials with gifts; including laptops, iPods, digital cameras, and gift certificates. Despite being asked to stop and being aware that it was illegal to provide gifts to federal employees, Greenhut sent out over \$36,000 of product to officials that purchased supplies from his company. He is set to be sentenced in 2016.

In *United States v. Boyd*, the chief of police for the Port of Los Angeles was indicted on federal corruption and tax charges. Ronald Boyd was involved in a scheme in which he stood to financially benefit from the development of Portwatch, a social networking program that would become the official application of the Port and would eventually be marketed to other law enforcement agencies. Contingent on Boyd's assistance in securing the Portwatch contract, Boyd entered into a revenue-sharing agreement with a company he created and the company developing the app. When questioned by the FBI, he lied to investigators and denied having any financial interest in the product. Boyd recently pled guilty and will be sentenced in 2016.

In *United States v. Jones*, a clerk at the California Department of Motor Vehicles and five other were indicted on federal identity theft charges. Jones allegedly used legitimate birth certificates and Social Security numbers obtained from Puerto Rico to create new identities that were sold to people willing to pay up to \$5,000 for the illegal documents and new identities. Jones also helped clients use the documents to apply for California driver's licenses by altering DMV systems to make it appear the clients had passed required exams. Jones pleaded not guilty to the charges and he is scheduled for trial in 2016.

In *United States v. Garcia Herrera*, defendant Herrera, a former DEA agent, was arrested on federal fraud charges after he helped a man, Jerome Whittington,

pose as a former federal prosecutor in order to defraud a man who needed their help recovering money he had lost in an investment scheme. Herrera and Whittington promised the victim they would seize assets lost once the man provided money used to "post bonds." Once this money was received, Herrera and Whittington told the man other victims were angry and that he was to leave the country. They also defrauded a man who was trying to obtain immigration benefits for his wife. As part of a nine-count indictment, both men were charged with two counts of conspiracy to commit wire fraud, six counts of wire fraud, and one count of making false statements on a passport. Trial is set in 2016.

Embezzlement

In November, the Department of Justice returned over \$1 million in forfeited assets to the government of the Republic of Korea. The assets were the profits of a public corruption scheme orchestrated by former Korean President Chun Doo Hwan in the 1990s, and were laundered to the United States by Chun's family members in the form of U.S. real estate and U.S. bank accounts. The FBI seized the majority of the assets in February 2014 from a California escrow account filled with the proceeds from the sale of a Newport Beach house, owned by President Chun's son, that had been purchased with the corrupt funds.

In *United States v. Hagstrom*, the defendant, the former controller of a company that provides supervision services to courts and probation departments, was sentenced to over three years in federal prison for embezzling over \$3 million from the company over two years. His company, Sentinel, provided services to state and federal court systems, as well as held fines, court fees, and restitution payments from criminal defendants in trust. As controller, Hagstrom had access to these accounts and abused this power by transferring money to his own accounts for personal use.

Tax Fraud

The Tax Division at the United States Attorney's Office handles significant civil and criminal tax cases on behalf of the United States. Prosecutors in the Criminal Division of the Office also work closely with their counterparts in the Tax Division in cases where tax charges may be brought in addition to other federal criminal charges. As a result of the work of the Criminal and Tax Divisions' work, the Office leads the nation in bringing significant tax cases successfully to court.

2015 continued that trend. While most cases listing tax charges among others are described elsewhere in this report, a few cases are worth mentioning here.

In *United States v. Mobley*, a woman was sentenced to two years in federal prison, to be followed by three years of supervised release, for filing 73 false federal income tax returns and claiming approximately \$89,808 in fraudulent refunds. Angelique Mobley knowingly entered into a conspiracy to defraud the U.S. from January 2011 through at least November 2012. Mobley stole the names and Social Security numbers of both living and deceased individuals to file false tax returns claiming refunds from the IRS using TurboTax. In her plea agreement, Mobley admitted she used the fraudulently obtained tax refunds for her own personal use, including the purchase of narcotics. Mobley was ordered to pay approximately \$77,000 in restitution to the IRS.

In *United States v. Cotton*, a Los Angeles man pleaded guilty to one count of conspiracy to defraud the United States by obtaining the payment of false claims, namely tax refunds. Heber Cotton admitted to using

stolen identities to file fraudulent tax returns with the IRS that sought more than \$2.6 million dollars in tax refunds. Cotton and a co-defendant obtained names and Social Security numbers of individuals without their consent and then prepared false W-2 forms with the victims' information. Using the false financial forms, Cotton prepared illegal income tax returns under the victims' names and directed the IRS to mail the refunds to addresses controlled by him and his co-defendant. If convicted, he faces up to 10 year in federal prison.

In *United States v. Markell*, a Los Angeles art dealer was sentenced to 18 months in federal prison for his role in a conspiracy to smuggle stolen antiquities into the United States, and using those antiquities for a tax fraud scheme involving local museums. Jonathan M. Markell, owner of the Silk Road Design Gallery, admitted to smuggling stolen antiquities from Burma, Thailand, Cambodia and China into the United States, knowing that many of the pieces had been looted from an ancient and protected historical site. Markell then engaged in a tax fraud scheme by bundling the antiquities into "charitable donation packages" that were given to non-profit institutions such as museums and universities. Finally, Markell prepared fraudulent appraisals of the items, which he used to claim inflated charitable donation tax deductions. His wife was also sentenced for her role in the conspiracy, and both individuals were ordered to repatriate 337 antiquities seized from their residence and gallery to Thailand, Burma, Cambodia and China.

In *United States v. Rizzi*, the owner of a private air charter business, Air Royale, located in Palm Springs, California, pled guilty to excise tax fraud charges. Wayne John Rizzi used the proceeds of his fraud to purchase a Bentley and upgrade his million dollar Palm Springs home. Air Royale, which catered to affluent international clients, evaded the federal excise tax charged on all airline tickets. Rizzi was sentenced to prison for his tax fraud.

In *United States v. Choi*, the office manager of a La Habra, California, dental lab pled guilty to tax fraud for failing to report over \$1 million of income from her husband's dental business, D&S Dental Laboratory. Kwang Choi, faces a statutory maximum sentence of three years for her scheme, which included providing false information to her tax return preparer. Sentencing is set for 2016.

In *United States v. Ridgill*, a San Gabriel Valley tax return preparer was sentenced to three years in federal prison for his scheme to prepare false tax returns (Forms 1040) claiming bogus business losses. Calvin Ridgill, of Whittier, California, also used false mortgage interest deductions and false mortgage points to reduce his clients' tax liabilities, and generate large tax refunds for them. As part of his sentence, Ridgill was also barred for life from preparing tax returns as a paid tax return preparer.

In *United States v. Bussell*, the government obtained a \$1.1 million judgment against Letantia Bussell for her willful failure to report to the IRS her interest in offshore bank accounts. Bussell, a doctor in Beverly Hills, California, and her deceased husband, controlled substantial offshore bank accounts and other offshore assets which she did not disclose to the IRS. The court rejected Bussell's "excessive fines" argument and levied a \$1.1 million penalty against her.

In *United States v. Hilton*, Nancy Hilton, of Southern California, was barred for life by a civil injunction from preparing tax returns as a paid preparer. Hilton, who also faced criminal prosecution in the Central District, used names and social security numbers she falsely obtained to prepare bogus tax returns and obtain false tax refunds. When confronted by IRS investigators she also attempted to delete information from her computer. Hilton was ultimately convicted of criminal conspiracy and identity theft.

In *United States v. Karimi*, the former chief information officer for the Screen Actors Guild's Producers Pension and Health Plan (PPHP) pleaded guilty to filing a false tax return in which he failed to report income he received from contractors hired to upgrade the PPHP computer system. Nader Karimi, 51, of Los Angeles, admitted lying on his 2008 federal tax return that failed to report \$454,666 in income. Over the course of the years 2005 through 2008, Karimi failed to report a total of approximately \$711,000 in taxable income, according to his plea agreement. Karimi was responsible for modernizing PPHP's computer systems, and in that capacity he had the authority to enter into contracts on behalf of PPHP. Over a four-year period, Karimi entered into agreements with vendors that agreed to pay a portion of the money they received from PPHP to a company affiliated with Karimi, Enterprise Technology and Management Services. The payments to ETMS totaled \$711,000, and Karimi used the sums for personal expenses while not declaring them as income on his tax returns. Sentencing is set for March 2016. Karimi has agreed to file amended tax returns, pay back taxes, and make an additional restitution payment of at least \$100,000 to PPHP.

In *Starbuzz Tobacco v. United States*, Starbuzz Tobacco, one of the largest manufacturers of flavored hooka pipe tobacco in Southern California, was levied with a \$3.5 million jeopardy excise tax assessment by the Alcohol and Tobacco Tax and Trade Bureau of the Department of Treasury (TTB). The litigation, which unfolded on an expedited basis in the Southern Division, showed that Starbuzz failed to account for a discrepancy between Starbuzz's imports of foreign grown pipe tobacco and its manufactured flavored hooka pipe tobacco. The litigation and the court's favorable memorandum opinion were of first impression in the Ninth Circuit.

Terrorism

The San Bernardino terrorist attack in December 2, 2015, highlighted the growing domestic threat of terrorism inspired by foreign terrorist groups. The rise of the Islamic State and Levant (ISIL), the continued influence of Al-Qa'ida, and presence of other groups intent on attacking the United States pose a constant threat to the United States and the Central District.

To better combat this threat, we created the National Security Division to disrupt and prosecute crimes influenced by terrorist groups and nation states. The two sections in the Division, the Terrorism and Export Crimes Section and the Cyber and Intellectual Property Crimes Section, each have a group of experienced and highly trained prosecutors who specialize in this area and who can rapidly respond to incidents, gather evidence from a variety of different sources, handle classified information, and prosecute national security offenses.

In *United States v. Kabir et al.*, two men were sentenced to 25 years in federal prison on charges of plots to provide material support to terrorists and to kill American personnel. Sohiel Omar Kabir, a citizen of the United States who was born in Afghanistan, was convicted of conspiracy to provide material support, conspiracy to receive military-type training from Al-Qa'ida, and conspiracy to murder officers and employees of the United States. Ralph Deleon, a lawful resident of the Philippines, was convicted of conspiracy to provide material support; conspiracy to murder, main, or kidnap overseas; and conspiracy to murder officers and employees of the United States. Kabir had left the United States in December 2011

and arrived in Afghanistan in 2012 where he kept in touch with Deleon and others, inviting them to join the Taliban and then Al-Qa'ida. The men had made plans to meet up in Afghanistan, but Kabir was captured by Coalition forces in Afghanistan and Deleon was arrested by the FBI. Both men were convicted of conspiring to support terrorist organizations as well as conspiring to kill U.S. military personnel. The investigation was conducted by the Joint Terrorism Task Force in Riverside, California.

In *United States v. Marquez Jr.*, a 24-year-old resident of Riverside, California is charged with conspiring to provide material support to terrorists. Enrique Marquez Jr. was a long-time friend of Rizwan Farook, the male shooter in the San Bernardino shooting. Marquez converted to Islam in 2007 when he met Farook, and conspired with Farook to carry out terrorist attacks in 2011 and 2012. Marquez has been indicted for conspiracy to provide material support to terrorists, false statements in connection with the acquisition of firearms, marriage fraud, and false statements on an immigration petition relating to Farook's brother's sister-in-law, with whom Marquez entered the fraudulent marriage. If convicted, Marquez faces a total maximum statutory sentence of 40 years.

In *United States v. Elhuzayel et al.*, Nader Elhuzayel was arrested on May 21, 2015 when he attempted to board a plane from LAX to Turkey in furtherance of his and Muhanad Badawi's plan to join ISIL. Badawi had purchased the airline ticket for Elhuzayel. They are charged with conspiring to provide material support to terrorists by traveling to join the fight after continuously pledging their support to the Islamic State via Twitter. In addition, they are charged with bank and financial fraud when Elhuzayel deposited stolen checks after a scheme to defraud three banks, and Badawi used his federal financial aid to purchase his airline ticket to Turkey. If convicted, both men face a maximum of 15 years in federal prison for

conspiring to provide support to terrorists. Elhuzayel can face 30 additional years for financial fraud and Badawi five additional years for his financial aid fraud.

In *United States v. Dandach*, Adam Dandach, a 21-year-old man, pleaded guilty after attempting to travel to Syria with the intent of pledging his allegiance to ISIL, admitting he thought the killing of American soldiers was justified. He was arrested initially on charges of falsifying statements made on his passport and then indicted on charges of attempting to provide material support for ISIL (namely himself) by working under their direct control and participating in weapons training. Dandach had tried to obtain a new passport so he could travel to Syria without being stopped by a family member who had the original. The Orange County man was also charged with obstruction of justice after his arrest which included trying to delete his post history on a website.

“As Attorney General of the United States, my highest priorities are the security of our country and the safety of the American people. At the Department of Justice, we are working tirelessly to uncover and disrupt plots that take aim not only at the United States, but at nations around the world. We are acting aggressively to defuse threats as they emerge. And we are vigorously investigating and prosecuting individuals who seek to harm innocent people. To stop plots before they can be brought to fruition, we are going after individuals engaged in preparatory activities like fundraising, recruitment, planning and training.”

Attorney General Loretta E. Lynch

Violent Crime

With nearly 1.4 million gang members active in the United States today, organized crime, narcotics trafficking, and gang violence has long been a priority for the Office. Our partners in the Drug Enforcement Administration (DEA), the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), and the Federal Bureau of Investigation (FBI) lead these investigations into drug cartel and gang activity throughout the district. As a result of their efforts, 2015 saw a year of notable indictments and the sentencing of dangerous criminals.

The cases prosecuted included drug trafficking, racketeering, gang activity, and weapon purchases. Demonstrating their dedication to this effort, in 2015 our prosecutors secured the highest number of Organized Crime Drug Enforcement Task Force (OCDETF) wiretaps in the nation. 2015 also showed an expansion of the Office's pursuit of money laundering charges against those who would assist these groups by handling their illicit proceeds.

Gangs and organized crime can have dire effects on not only family members, but also citizens residing in these neighborhoods, the greater community and even our nation as a whole. For these reasons it has been important for the U.S. Attorney's Office, Central District of California to prioritize the prosecution of crimes involving gangs and organized crime.

scheme to traffic large quantities of cocaine he obtained in Los Angeles and intended to distribute on the East Coast. Zaid Abdul Wakil represented himself at trial and was ultimately found guilty of operating a drug trafficking conspiracy in addition to three counts of intent to distribute cocaine. Wakil participated in "sophisticated means to conceal his activities" but was found to have 170 pounds of cocaine and \$1.5 million in cash obtained from the sale of narcotics.

In *United States v. Matsri et al*, a 48-year-old man from Tarzana was sentenced to 32 years in federal prison on charges of drug trafficking, money laundering, and extortion. Matsri was well-known as the leader of a notorious organized crime ring in Israel that operated internationally. He was co-conducting transactions to wire money worldwide and using a hawala scheme to wire transactions from New York to Los Angeles and Vancouver to Los Angeles. Matsri was found guilty of helping two undercover agents transport narcotics from Los Angeles to Utah.

In *United States v. Iqbal et al*, a total of 16 people were arrested and charged with manufacturing and distributing synthetic drugs as part of a larger investigation by the DEA and U.S. Immigration and Customs Enforcement's Homeland Security Investigations. The investigation was part of "Project Synergy III" in which the DEA began cracking down on the sale of substances that had been marked 'safe' for users. The synthetic drugs are usually manufactured in China or the United States and sold in smoke shops and gas stations. The sale of these substances has led to an increase in deaths, overdoses and hospital visits. The federal indictment charges seven defendants; Faisal Iqbal, Sana Faisal, Mohammad Iqbal, Fidencio Garcia Jr, Ahmad Abu Farie, Mohammad Abu Farie, and Ehab Abu Farie.

Drug Trafficking

In *United States v. Wakil*, a North Carolina man was sentenced to 20 years in prison for participating in a

In *United States v. Rocha, Sr. et al*, 13 defendants were charged and arrested for their roles in a Central Coast narcotic trafficking organization whose members

conspired to distribute high purity methamphetamine and other narcotics. Agents with the FBI, officers with California Highway patrol, and deputies with the San Luis Obispo County Sheriff's Department conducted the pre-dawn operation targeting the Rocha family, who operated in and around Santa Maria. The conspiracy count in the indictment details 74 "overt acts" that describe numerous narcotics transactions; drug negotiations using coded language and "controlled buys" between defendants and confidential informants. Trial is set for 2016.

Money Laundering

In the *United States v. Fragoso*, the owner of a bar in Hacienda Heights was named in an eight-count indictment that charged him with seven counts of money laundering and one count of conspiracy to launder money. Edgar De Dios Fragoso pleaded guilty on September 14 for funneling money from an unnamed methamphetamine drug trafficker to the Mexican Drug Organization. He allegedly used his nightclub to disguise the payments as business and financial services for the El Rodeo nightclub. Fragoso allegedly issued more than \$200,000 dollars to the drug organization in an undercover operation set up by the DEA. The trial is scheduled for 2016.

In *United States v. Isshpunani et al.*, the U.S. Attorney's Office indicted a Canadian man, Gurkaran Isshpunani, the leader of a "hawala" ring that supposedly transferred more than \$4.5 million in narcotics proceeds, 29 kilograms of cocaine, and 90 pounds of methamphetamine for the Sinaloa drug cartel and other drug organizations. The indictment explained that a hawala operation involves at least two brokers usually located in separate countries who transfer money based on a trust system. The system is an alternative form of money transferring whereby only the monetary value of the money is transferred but not the money itself. According to the indictment, drug traffickers in Canada would generate profits from the Mexican drug ring and coordinate delivery of the money to U.S.-based hawaladers. Then U.S.-based

couriers would pick up the currency in exchange for narcotics to be transported back to Canada for distribution and sale. Isshpunani is being indicted along with 21 others on three counts of "conspiracy to launder money, conspiracy to operate an unlicensed money transmitting business (hawala), and a substantive count of operating an unlicensed operating business." This was the nation's first major case involving a hawala scheme.

Racketeering

In *United States v. Roman et al.*, the daughter of a Mexican Mafia member was sentenced to 15 years in federal prison on racketeering charges. Vianna Roman was found guilty of acting as a conduit in carrying out orders from her father to the Harpys and other gangs that reside in South Los Angeles. This sentencing concluded a federal case that was brought under the federal Racketeering Influences and Corrupt Organizations Act (RICO) that had charged 29 defendants with ties to the Harpys gang.

In *United States v. Grey et al.*, in an investigation known as Operation Gig 'em, twenty-two members of the three Latino street gangs were indicted on charges of racketeering after Arnold Gonzales had been imprisoned for unifying the three gangs in Northeastern Los Angeles. Gonzales supposedly brought together the Frogtown, Toonerville, and Rascals gangs in a so-called "peace treaty." However, after he was incarcerated, Gonzales appointed Jorge Grey to lead the coalition. The investigation focused on Gonzales and his relationship with Grey, a Frogtown member, who organized meetings of the gangs with the intent to lead all three gangs to a truce. Gonzales was exercising his authority through Grey in generating taxes from gang members and other distributors of narcotics, ultimately generating revenue through extortion. The indictment charged members with conspiracy to traffic narcotics, narcotics trafficking, extortion, and crimes of violence, including conspiracy to commit murder, murder, attempted

murder and robbery. Conviction in this case could lead to decades in federal prison for each of the defendants. Operation Gig 'em related trials are set in 2016.

In *United States v. Lu et al.*, six defendants were indicted for violating the Federal Racketeer Influenced and Corrupt Organizations Act (RICO) after playing key roles in a series of schemes to launder drug proceeds. The indictment alleges that the defendants are members of a criminal organization involved in narcotics trafficking and international money laundering in countries that include the United States, China, Cambodia, Liechtenstein, Mexico, and Switzerland. Tu Chau Lu allegedly used his insider knowledge, position as an official at Saigon National Bank, and network of connections to promote and facilitate money laundering transactions involving members and associates of the enterprise. In one aspect of the conspiracy, Lu allegedly played a critical role in introducing an informant and other defendants to operatives from the Sinaloa drug cartel who wanted to launder millions of dollars every month. The RICO count is one of 28 counts in the indictment. The various money laundering schemes detailed in the RICO count are the subject of other charges, specifically conspiracy, money laundering and structuring transactions to avoid federal reporting requirements. The indictment alleges that members of the racketeering conspiracy discussed laundering hundreds of millions of dollars. The indictment also details actual money transactions involving a total of \$3.75 million. The Lu case is set for trial in 2017.

Gang Violence

In the *United States v. Young*, a Pueblo Bishop Bloods gang member was tried and sentenced to life in federal prison for conspiring to murder and murdering a 23-year old man named Francisco Cornelio in front of his 2-year-old son. The shooting was apparently in retaliation to an earlier shooting against the Pueblo Bishops. Mr. Cornelio had no gang affiliation but was

supposedly targeted because of his Hispanic decent while being in gang territory. Rondale Young was convicted of a firearms offence and witness intimidation as well as the murder of Mr. Cornelio. Prior to this trial, Anthony "Bandit" Gabrourel was convicted of being one of two killers in the murder of Cornelio and sentenced to 40 years in federal prison. The case was brought forth after a federal racketeering indictment that had charged Young, among others, with drug dealing, firearms trafficking, witness intimidation, murder and armed robbery in August 2010.

In *United States v. Garcia*, Eddie "Criminal" Garcia pled guilty to the murder of David Dragna, a fellow Mexican Mafia gang member who had failed to make extortion payments back in 2006. Garcia shot the victim in the head with a pistol. Garcia also admitted to conspiring to distribute methamphetamine and other drug trafficking activities for the Puente-13 gang. Pursuant to the plea agreement, the parties will seek a sentence between 18 and 24 years in federal prison. The sentencing date has been set for 2016.

In *United States v. Tapia et al.*, a Mexican Mafia associate and Oxnard gang member was sentenced to life without parole in federal prison. Luis Manuel Tapia, leader of the Colonia Chiques, was sentenced after an undercover investigation by the FBI in which tape recordings found Tapia admitting to being the "CEO" of the operation and distributing heroin that was strong enough to have killed 6 people. Tapia was ultimately found guilty of leading a criminal enterprise, conspiracy to distribute controlled substances, conspiracy to engage in the business of dealing in firearms without a license, 10 substantive charges of drug distribution, three counts of firearm possession, seven counts of being a felon in possession of a firearm, and the illegal transfer of a fully automatic machine-gun. Four co-defendants pled guilty to conspiring to traffic narcotics and firearms.

Weapon Offenses

In *United States v. Hays*, a former United Parcel Service driver was sentenced to 41 months in prison after being found guilty of federal gun trafficking charges for stealing dozens of guns going through the shipping company's Ontario location and providing them to another man who proceeded to sell the weapons on the street. Curtis Ivory Hays II of Rancho Cucamonga stole six shipments containing a total of 72 firearms from May through October of 2012. Hays gave the stolen firearms to Dennis Dell White Jr., who illegally sold the weapons to others, which were then often sold to others. Hays also stole jewelry and mobile phones from shipments and gave those to White. Following a six-day trial, Hays was found guilty of conspiracy, six counts of receipt and possession of stolen firearms, and two counts of illegal interstate shipment.

United States v. Sanchez involved the illegal possession of firearms by the two men who were previously convicted of the vicious beating of Bryan Stow on the Los Angeles Dodgers' Opening Day in 2011. Following the identification of the perpetrators in the beating, the government searched the residence of Marvin Norwood and found five firearms and ammunition that Norwood was holding for co-defendant Louie Sanchez. Both previously convicted felons, defendant Sanchez was sentenced to 72 months and defendant Norwood received a sentence of 30 months.

In *United States v. Walton*, the defendant was found in possession of a loaded .44 caliber revolver. Walton was not allowed to possess firearms, after previously being convicted of attempted murder, assault with a deadly weapon, first and second degree robbery, felon in possession of a firearm, and possession of a controlled substance. Walton was found to be an

Armed Career Criminal and was sentenced to 15 years imprisonment.

Sexual Assault

In *United States v. De Jesumaria*, a Catholic priest was sentenced to one year—a term that includes six months in prison and six months of home confinement—after being found guilty by a jury of abusive sexual contact. Marcelo De Jesumaria was on a US Airways flight from Philadelphia to Los Angeles in August 2014 when he moved to the last row of the aircraft after asking a flight attendant if he could “sit next to his wife.” He took the middle seat between a male and female, and began to touch the female's breast, inner thigh, and groin as she was asleep. The victim went to the restroom and used a call button to report to a flight attendant that De Jesumaria had been touching her inappropriately. De Jesumaria was met by the FBI upon his arrival at the Los Angeles International Airport. De Jesumaria testified that he considered his touching of the victim to be “consensual because she did not reject his touches and he interpreted her silence, because she was asleep, as ‘coyness.’” Upon his sentencing, De Jesumaria was also ordered to register as a sex offender.

Extortion

In *United States v. Brank*, the defendant was sentenced to nearly six years in prison for extorting an Audi sports car and \$500,000 from a wealthy tech tycoon by threatening to expose his hiring of male escorts for sex. The evidence at trial showed Brank sent the victim several threatening text messages as part of the scheme. The victim testified being scared to the core, but Brank's demands kept increasing, with him demanding as much as \$1 million dollars.

Substance Abuse Treatment and Reentry Program (STAR)

STAR is a program in the U.S. District Court whose mission is to increase community safety by providing a Court team approach that provides accountability, treatment, recovery services and other resources to offenders on community supervision to assist them in changing their behaviors so that they can reenter the community and live sober, law-abiding, and productive lives.

STAR was established in January 2010, under the leadership of U.S. District Judge Otis D. Wright, II, and then-Chief Judge Audrey B. Collins. STAR was created to address substance abuse and recidivism issues with high-risk offenders on federal supervision. STAR integrates drug treatment and weekly court sessions with other rehabilitative services to promote long-term recovery.

STAR is a collaborative partnership among the United States District Court, United States Probation Office, Federal Public Defender's Office, and the United States Attorney's Office and various community-based treatment providers and organizations.

Participation in STAR is entirely voluntary and requires participation in the program for at least one year. Successful participants receive a one-year reduction in the term of supervision.

In 2015, 37 participants were admitted into this program. Although a few participants were unable to complete the program, 11 did successfully graduate, and 20 remained in the program at the end of the year.

Conviction and Sentence Alternatives Program (CASA)

CASA is a Post-Guilty Plea Diversion program that serves as an alternative to conviction or imprisonment, and provides selected individuals with a creative blend of treatment, alternative sanctions, and incentives to effectively address offender behavior, rehabilitation, and the safety of the community.

Established in April 2012, CASA is an outgrowth of the success of the District Court's Substance Abuse Treatment and Reentry Program (STAR). Individuals selected for CASA enter a guilty plea under a plea agreement which requires participation in the CASA Program and specifies the benefit to be received if the program is completed successfully: either a dismissal or a reduced sentence that does not include a term of imprisonment.

Participants in CASA are subject to intensive pretrial supervision under conditions which require regular court appearances before the CASA program team and participation in programs designed by the CASA team to address the causes of the defendant's criminal conduct, such as substance abuse and/or mental health treatment programs, employment or education programs, and restorative justice programs such as restitution and community service. The program requires between 12 and 24 months of active participation.

Defendants who fail to successfully complete the program proceed to sentencing before the CASA Judge on the charges to which they entered guilty pleas.

CASA is a collaborative partnership among the United States District Court, United States Pretrial Services Agency, Federal Public Defender's Office, and the United States Attorney's Office and various community-based treatment providers and organizations.

In 2015, 37 new participants were admitted, 37 graduated during the year, and 40 total participants were in the program at the end of the year.

Community Engagement 2015

In 2015, the USAO was active outside the confines of federal court, working on community development and violence reduction projects with partners such as the City of Long Beach and the City of Los Angeles.

In Long Beach, office volunteers worked with the non-profit Rebuild Long Beach Together (RLBT) organization to help restore neighborhoods scarred by gang violence. Volunteers lent their time, and their weekends, to help RLBT and the Long Beach Police Department paint over graffiti vandalism and beautify neglected locations that had become neighborhood crime centers.

In Los Angeles, the Office continued its partnership with the City's Gang Reduction and Youth Development (GRYD) Program on a series of community engagement and violence reduction projects known as Summer Night Lights or "SNL." The United States Attorney's Office has partnered with the Los Angeles Mayor's Office to provide volunteer assistance to the City's award-winning Summer Night Lights program, a nationally recognized anti-violence project sponsored by the City of Los Angeles' Office of GRYD. SNL programs operate during the summer months in more than 30 parks and recreation centers throughout Los Angeles; keeping the neighborhood parks open late into the night as safe havens of activities for young people and their families. At the behest of the City, the United States Attorney's Office adopted the SNL site at Jim Gilliam Park and Recreation Center in the Baldwin Village neighborhood of South Los Angeles. Jim Gilliam Park was selected because South Los Angeles had a long history of high crime rates and gang violence and Office volunteers wanted to make an impactful contribution to violence prevention in the neighborhood.

Dozens of lawyers and staff from all over the Office volunteer at Jim Gilliam Park and work side-by-side with GRYD staff, helping to run a variety of activities for local youth, including basketball games, a skateboard park, arts and crafts tables, and a popular face-painting station for little girls and boys. Other volunteers helped cook and serve hundreds of meals for neighborhood residents during the course of a typical SNL evening.

Office volunteers also conducted a youth tennis clinic on the Jim Gilliam Park tennis courts for hundreds of boys and girls. CDCA prosecutors also successfully petitioned the City of Los Angeles to resurface and refurbish the aging Jim Gilliam Park tennis courts. The beautification of the Baldwin Village tennis courts is a permanent testament to the impact that engagement efforts can have on a local neighborhood.

The results in the community have also been significant. In Long Beach, RLBT is still going strong, and in Los Angeles, statistics show that crime rates in Baldwin Village drop during the SNL program. Both projects are expected to continue to 2016.

Office volunteers also volunteered their time in other capacities, volunteering for programs ranging from Constitutional Rights Foundation programs to teach youth about constitutional law to partnering with the National Alliance for Children's Rights to help unite families, to volunteering with bar organizations that engage in direct community service. The impact of the United States Attorney's Office reaches across many aspects of the community for the benefit of the residents of the Central District of California.

USAO Leadership (as of December 31, 2015)

United States Attorney:	Eileen M. Decker
First Assistant United States Attorney:	Patrick R. Fitzgerald
Executive Assistant United States Attorney:	Wesley L. Hsu
Chief, Trials, Integrity & Professionalism:	Robert E. Dugdale
Chief, Criminal Division:	Lawrence S. Middleton
Deputy Chief, Criminal Division	Scott Garringer
Chief, Civil Division:	Leon W. Weidman/Dorothy Schouten
Chief, National Security Division:	Patricia Donahue
Chief, Tax Division:	Sandra Brown
Criminal Division Section Chiefs:	
Appeals:	Jean-Claude Andre
Asset Forfeiture:	Steve Welk
Environmental and Community Safety Crimes:	Joseph Johns
General Crimes:	Ruth Pinkel
Major Frauds:	George Cardona
Organized Crime & Drug Enforcement Task Force:	Kevin Lally
Public Corruption & Civil Rights:	Brandon Fox
Riverside Branch:	Joe Widman
Santa Ana Branch & Special Counsel to US Attorney:	Dennise Willett
Violent & Organized Crime:	Elizabeth Yang
National Security Division Section Chiefs:	
Cyber and Intellectual Property Crimes:	Tracy Wilkison
Terrorism and Export Crimes:	Christopher Grigg

Acknowledgements

We would like to thank our student interns: Mikaela Arnstein, Brittany Hope, and Kelsey Marron. These wonderful interns contributed significantly to the development of this report. We wish Mikaela, Brittany, and Kelsey the best of luck in their future studies and hope that one day their career paths will lead them back to the U.S. Attorney's Office.

We would also like to thank the USAO personnel who contributed to this report, including all of the Division and Section Chiefs listed above, Liz Rhodes, Justin Rhoades, Bruce Riordan, Dorothy Schouten, Steve Wolfe, Chris Park, and Jennifer Burtness.