



**U.S. Department of Justice  
Executive Office for United States Trustees**

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**Report to Congress:  
Criminal Referrals by the  
United States Trustee Program  
Fiscal Year 2006**

*(As required by Section 1175 of the Violence Against Women and  
the Department of Justice Reauthorization Act of 2005, Public Law 109-162)*

**June 2007**

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## **EXECUTIVE SUMMARY**

The Director of the Executive Office for United States Trustees is required to submit an annual report to Congress under the provisions of Section 1175 of the Violence Against Women and the Department of Justice Reauthorization Act of 2005 (P.L. 109-162). Section 1175 states:

The Director of the Executive Office for United States Trustees shall prepare an annual report to the Congress detailing—(1) the number and types of criminal referrals made by the United States Trustee Program; (2) the outcomes of each criminal referral; (3) for any year in which the number of criminal referrals is less than for the prior year, an explanation of the decrease; and (4) the United States Trustee Program’s efforts to prevent bankruptcy fraud and abuse, particularly with respect to the establishment of uniform internal controls to detect common, higher risk frauds, such as a debtor’s failure to disclose all assets.

The United States Trustee Program made 925 bankruptcy and bankruptcy-related criminal referrals during Fiscal Year (FY) 2006. The number of criminal referrals made during FY 2006 represents a 24 percent increase over the number of criminal referrals (744) made during FY 2005. The most common allegations contained in the 925 criminal referrals involved false oaths or statements (51.7%), followed by concealment of assets (41.2%), bankruptcy fraud schemes (30.8%), perjury or false statements (28.9%), and identity theft or use of false/multiple Social Security numbers (20.9%).

Of the 925 criminal referrals, as of December 31, 2006, formal criminal charges had been filed in connection with 42 of the referrals, 234 of the referrals were declined for prosecution, and the remainder were under review or investigation. Several FY 2006 referrals resulted in prosecutions that were included in the Department of Justice’s bankruptcy fraud initiative called “Operation Truth or Consequences” that was announced at the beginning of FY 2007. A synopsis of the cases involved in Operation Truth or Consequences is attached as an appendix to this report.

The United States Trustee Program established uniform internal controls regarding criminal referrals, and developed training programs to implement these policies. In addition, the United States Trustee Program developed debtor audit procedures for implementation in FY 2007; initiated an independent study on the nature and prevalence of fraud, abuse, and error in the bankruptcy system; and established a bankruptcy fraud Internet “hotline” that became operational at the beginning of FY 2007.

## **INTRODUCTION**

Section 1175 of the Violence Against Women and Department of Justice Reauthorization Act of 2005 (P.L. 109-162) requires the Director of the Executive Office for United States Trustees (EOUST) to submit a report to Congress detailing: (1) the number and types of criminal referrals made by the United States Trustee Program; (2) the outcome of each criminal referral; (3) for any year in which the number of criminal referrals is less than the prior year, an explanation of the decrease; and (4) the Program’s efforts to prevent bankruptcy fraud and abuse, particularly with respect to the establishment of uniform internal controls to detect common, higher risk frauds, such as a debtor’s failure to disclose all assets.

The United States Trustee Program (Program) is the component of the Department of Justice whose mission it is to promote the integrity and efficiency of the bankruptcy system by enforcing bankruptcy laws and providing oversight of private trustees. The Program consists of 21 regions with 95 field offices nationwide and carries out numerous administrative, regulatory, and litigation responsibilities under title 11 (the Bankruptcy Code) and title 28 of the United States Code. The Program undertakes significant civil and criminal enforcement actions to combat fraud and abuse in the system.

The Program has a statutory duty to refer matters to the U.S. Attorney’s offices (USAOs) for investigation and prosecution that “relate to the occurrence of any action which may constitute a crime.” 28 U.S.C. § 586(a)(3)(F). The statute also requires that each United States Trustee shall assist the United States Attorney in “carrying out prosecutions based on such

action.” With the enactment of 18 U.S.C. § 158, which requires designation of a prosecutor and a Federal Bureau of Investigation (FBI) agent in each district to address bankruptcy-related crimes, Congress has reaffirmed the importance of the USAOs and the FBI working in cooperation with the Program to protect the integrity of the bankruptcy system.

**I. NUMBER AND TYPES OF CRIMINAL REFERRALS**

The Program tracks criminal referrals using its automated Criminal Enforcement Tracking System (CETS) that was implemented nationwide in FY 2005. Program personnel enter information into CETS that relates to each criminal referral, and are required to update information for each referral at least once every six months. This system is designed to provide an accurate measure of criminal enforcement actions, assist in trend identification, and facilitate management improvements.

In FY 2006, the Program made 925 bankruptcy and bankruptcy-related criminal referrals. Each referral may be sent to multiple agencies, but is counted only once within CETS. Similarly, one referral may contain multiple allegations. The breadth of allegations involved in criminal referrals is evident in Table 1. The most common allegations contained within the 925 criminal referrals involved false oaths or statements (51.7%), followed by concealment of assets (41.2%), bankruptcy fraud schemes (30.8%), perjury or false statements (28.9%), and identity theft or use of false/multiple Social Security numbers (20.9%).

<b>Type of Allegation</b>	<b>Referrals</b>	
	<b>Number</b>	<b>Percent*</b>
False Oaths/Statements [18 U.S.C. § 152(2) & (3)]	478	51.7%
Concealment of Assets	381	41.2%
Bankruptcy Fraud Scheme [18 U.S.C. § 157]	285	30.8%
Perjury/False Statement	267	28.9%
ID Theft/Use of False/Multiple SSNs	193	20.9%
Tax Fraud [26 U.S.C. § 7201, et seq.]	92	9.9%
Forged Documents	70	7.6%
Mortgage/Real Estate Fraud	64	6.9%

Type of Allegation	Referrals	
	Number	Percent*
Concealment of Documents [18 U.S.C. § 152(8) & (9)]	55	5.9%
Embezzlement [18 U.S.C. § 153]	36	3.9%
Mail/Wire Fraud [18 U.S.C. § 1341 & 1343]	36	3.9%
Post-Petition Receipt of Property [18 U.S.C. § 152(5)]	29	3.1%
Credit Card Fraud/Bust-Outs	28	3.0%
Sarbanes-Oxley [18 U.S.C. § 1519]	20	2.2%
Bank Fraud [18 U.S.C. § 1344]	19	2.1%
False Claim [18 U.S.C. § 152(4)]	19	2.1%
Serial Filer	14	1.5%
Corporate Bust-Outs/Bleed-Outs	11	1.2%
Criminal Contempt	8	0.9%
Investor Fraud	7	0.8%
Bribery [18 U.S.C. § 152(6)]	6	0.6%
Disregard of Law by Preparer [18 U.S.C. § 156]	6	0.6%
Money Laundering	6	0.6%
State Law Violations	6	0.6%
Federal Program Fraud	5	0.5%
Obstruction of Justice	5	0.5%
Adverse Interest/Officer Conduct [18 U.S.C. § 154]	4	0.4%
Corporate Fraud	4	0.4%
Professional Fraud	4	0.4%
Threat of Violence	4	0.4%
Immigration Violation	3	0.3%
Insurance Fraud	3	0.3%
Antitrust	2	0.2%
Conspiracy	1	0.1%
Felon/Possession of a Handgun	1	0.1%
Foreign Corrupt Practices Act	1	0.1%
Health Care Fraud	1	0.1%
Internet Fraud	1	0.1%
* Percent based on 925 referrals. One referral often contains more than one allegation, so the sum of the percentages for referrals will exceed 100 percent.		

## II. OUTCOMES OF CRIMINAL REFERRALS

Table 2 shows the current outcomes and dispositions of the 925 criminal referrals made by the Program during FY 2006. Of the 925 referrals, 42 referrals (4.5%) resulted in formal charges, 230 referrals (24.9%) were declined for prosecution, four referrals (0.4%) were administratively closed, and 649 referrals (70.2%) remain under investigation or review.

<b>Table 2: Outcome/Disposition of FY 2006 Referrals (as of 12/31/06)*</b>		
<b>Outcome/Disposition</b>	<b>Number of Referrals</b>	<b>Percentage of Referrals</b>
Prosecution Declined by U.S. Attorney's Office	230	24.9%
Administratively Closed	4	0.4%
With Investigative Agency	110	11.9%
Under Review in U.S. Attorney's Office	539	58.3%
Formal Charges Filed (Case active)	31	3.4%
Formal Charges Filed (Case closed)	11	1.2%
-- At least one guilty plea or conviction	11	
-- At least one pre-trial diversion	0	
-- At least one acquittal	0	
-- At least one dismissal	0	
* Outcome and disposition information will change over time. The outcome information contained within Table 2 reflects information contained within CETS as of December 31, 2006.		

The 42 criminal prosecutions referenced in Table 2 are only those prosecutions from October 1, 2005, to December 31, 2006, that originated from the Program's FY 2006 referrals as derived from CETS. Table 2 does not reflect the entirety of bankruptcy fraud prosecutions brought by the Department of Justice in FY 2006, since experience has shown that it takes time to investigate historical white-collar criminal referrals like those made by the Program. Total prosecutions would include prosecutions that originated from prior fiscal year referrals by the Program or from investigations unconnected to Program referrals. In an effort to ensure the status and disposition information reported to Congress is complete and accurate, EOUST and the Executive Office for United States Attorneys (EOUSA) have manually exchanged data, and will continue to discuss options for streamlining or automating portions of the update process in the future.

### III. COMPARISON WITH CRIMINAL REFERRALS MADE IN PREVIOUS YEAR

As shown in Table 3, the number of criminal referrals made during FY 2006 represents a 24 percent increase over the number of referrals made in FY 2005.

<b>FY 2005</b>	<b>FY 2006</b>	<b>Percent Change</b>
744	925	+ 24.3%

### IV. PROGRAM EFFORTS TO PREVENT BANKRUPTCY FRAUD AND ABUSE

One of the Program's top priorities is to prevent fraud and abuse in the bankruptcy system through civil and criminal enforcement, uniform internal controls, collaboration with other agencies, and furthering our understanding of bankruptcy fraud and abuse through research.

#### **Civil Enforcement**

The Program's civil enforcement efforts remain the major avenue for preventing fraud and abuse in the bankruptcy system. The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA) provided additional tools, such as means testing and debtor audits, to improve the Program's ability to identify cases for civil enforcement. More information regarding civil enforcement efforts is included in the Program's Annual Report which can be found on the Program's Web site at:

[http://www.usdoj.gov/ust/eo/public\\_affairs/annualreport/index.htm](http://www.usdoj.gov/ust/eo/public_affairs/annualreport/index.htm).



## **Criminal Enforcement**

Criminal enforcement is a primary component of the Program's strategy to prevent bankruptcy fraud. The Program's Criminal Enforcement Unit (CREU), consisting primarily of former federal prosecutors, oversees and coordinates the Program's criminal enforcement efforts. The CREU has significantly strengthened the Program's ability to detect, refer, and assist in the prosecution of criminal violations. Program personnel identify instances of suspected criminal behavior and assist U.S. Attorneys in prosecuting such cases. In FY 2006, the Program continued to work with various federal law enforcement agencies to investigate individuals who engaged in a wide range of bankruptcy fraud and related federal crimes. Approximately 25 Program attorneys are currently designated as Special Assistant United States Attorneys to assist in the prosecution of bankruptcy fraud.

## **Uniform Internal Controls**

Establishing and enhancing a system of internal controls has been a Program priority. Over the past fiscal year, the Program has issued enhanced resource materials, focused on case monitoring, and established debtor audit procedures.

*Resource Materials:* During FY 2006, the CREU published internal resource documents for use by Program personnel involved in the criminal referral process. These documents provide guidance in the identification and referral of bankruptcy related crimes, the relevant criminal statutes that apply to those crimes, the "red flags" that appear in bankruptcy fraud schemes, and the common defenses raised by defendants in bankruptcy fraud prosecutions. They also provide assistance with the drafting of referrals and address other issues relevant to the criminal referral process. The CREU also developed and distributed an internal training video entitled "Detecting Common Fraud Schemes" to all 95 Program offices.

*Case Monitoring:* In an effort to prevent identity theft and abusive re-filings, the Program requires all debtors to produce documents at the meeting of creditors (required by

11 U.S.C. § 341) to confirm their names and Social Security numbers. The Program also monitors its own databases and court records for evidence of abusive re-filings and seeks dismissal or denial of discharge in such cases.

*Debtor Audits:* In FY 2006, the Program undertook efforts to prepare for the new debtor audit requirements required by the BAPCPA. The Program contracted with outside auditors who began conducting random and selective audits of bankruptcy cases filed on or after October 20, 2006. These debtor audits will focus on the accuracy, veracity, and completeness of documents filed in the audited cases. If a debtor does not satisfactorily explain material misstatements identified by the auditor, the U.S. Trustees may take action, including filing a complaint to deny or revoke the debtor's discharge and/or referring the matter to the appropriate USAO for further investigation and possible criminal prosecution.

### **Collaborative Efforts**

The CREU has provided extensive bankruptcy fraud training to private trustees, prosecutors, and federal law enforcement personnel in courses at the National Advocacy Center, the Federal Law Enforcement Training Center, and the Inspector General Criminal Investigator Academy, and has conducted training sessions throughout the country at various Program and U.S. Attorney's offices. During FY 2006, CREU staff participated in over 50 sessions, at which over 1,500 people were trained, including special agents of the FBI, Internal Revenue Service – Criminal Investigation, United States Postal Inspection Service, U.S. Secret Service, and Inspectors General at the Department of Housing and Urban Development (HUD), Social Security Administration (SSA), Department of Homeland Security, and the Department of Agriculture.

*Bankruptcy Fraud Working Groups:* The Program participates in national and local bankruptcy fraud working groups in which members collaborate to investigate and prosecute bankruptcy fraud and related criminal conduct. In the approximate 48 local working groups, the Program serves as a resource for information on pending criminal referrals, and provides education and training on the bankruptcy system. The National Bankruptcy Fraud Working

Group focuses on current trends and emerging areas of bankruptcy fraud, such as corporate fraud, mortgage fraud, credit card bust-outs, and identity theft. It includes members from Department components including the Program, EOUSA, USAOs, Criminal Division, and FBI; as well as representatives from other federal agencies including the Internal Revenue Service, HUD's Office of Inspector General, Treasury Department, SSA's Office of Inspector General, U.S. Postal Inspection Service, Veterans Administration, Federal Trade Commission, Securities and Exchange Commission, and Commodities Futures Trading Commission.

*Special Operations:* The CREU has been instrumental in coordinating special enforcement initiatives that involve the investigation and prosecution of bankruptcy fraud and related criminal violations. During FY 2006, plans were developed for an initiative called "Operation Truth or Consequences" that took place at the beginning of FY 2007. Operation Truth or Consequences resulted in U.S. Attorneys charging 78 defendants in 69 separate prosecutions in 36 judicial districts with bankruptcy fraud and related crimes. A summary of the matters included in Operation Truth or Consequences is attached as an appendix to this report. A bankruptcy fraud Internet "hotline" was also planned in FY 2006 and became operational on the Program's Web site at the beginning of FY 2007.

### **Independent Studies**

The Program, in conjunction with the National Institute of Justice, selected RAND Corporation to conduct an independent study on the nature and prevalence of fraud, abuse, and error in the bankruptcy system. RAND will also examine research related to preventing fraud and abuse in federal Programs conducted by or for other agencies. It is expected that RAND's final research product will: address approaches to identify and better understand fraud, abuse, and errors; suggest potential future data collection and research needs; and identify promising practices for reducing fraud, abuse, and error in the bankruptcy system.

## **SUMMARY**

The United States Trustee Program continues its efforts to strengthen enforcement of the Bankruptcy Code through effective civil and criminal enforcement activities. The 24 percent increase in the number of criminal referrals made during FY 2006 is in no small part due to the enhanced efforts of the Program and the increased resources dedicated by the recently established Criminal Enforcement Unit. Through uniform internal controls, collaboration with our law enforcement partners, research, training, and education, the Program will continue its dedicated civil and criminal enforcement efforts in order to promote the integrity of the U.S. bankruptcy system.

# **APPENDIX**

## **“OPERATION TRUTH OR CONSEQUENCES” CASE SUMMARIES**

### **Arizona**

James Joseph Everett of Paradise Valley, Arizona, an attorney, was indicted on August 29, 2006, in the District of Arizona on 34 counts of false declarations in bankruptcy, bankruptcy fraud, and money laundering. Everett allegedly made numerous false declarations in his chapter 7 case to conceal approximately \$500,000 in assets and income, which was used to purchase a house.

Sergio and Sandra Renteria of Willcox, Arizona, and their daughter, Kayla Taylor, were arrested on August 1, 2006, in the District of Arizona with bankruptcy fraud, conspiracy to impair the Farm Service Agency, and illegal disposition of federal property. Taylor was also charged with making a false statement in connection with a loan. The 18-count indictment said the family obtained loans totaling \$800,000 from the farming agency and then failed to repay them. According to the indictment, Taylor used some of the loan proceeds to buy two Mercedes-Benz automobiles, although she told officials the loan was for farm operations. The defendants also allegedly sold crops and farm equipment pledged as security for the loans, and the Renterias allegedly concealed over \$200,000 in assets when they filed bankruptcy.

### **California**

#### *Central District*

A superseding indictment was filed against Linda Lee Chamberlain, a/k/a Linda Lee Eoff, on August 1, 2006, in the Central District of California alleging that she stole approximately \$100,000 in Social Security disability income benefits (DIB) and approximately \$33,000 in Supplemental Security Income (SSI). The indictment charged that Chamberlain received monthly SSI and DIB benefits while concealing from the Social Security Administration that she was working under a different name and Social Security number as “Linda Lee Eoff.” When Chamberlain filed bankruptcy under the name “Linda L. Eoff,” she failed to disclose her true name and Social Security number, as well as the SSI and DIB income she had received under her true name.

#### *Eastern District*

Alberto Fernando Manfredi was indicted on October 12, 2006, in the Eastern District of California on charges of making multiple false statements in two separate bankruptcy cases and overstating his income on a loan application. The false bankruptcy statements allegedly concealed income and assets, including a Mercedes-Benz and business equipment.

#### *Southern District*

Roland Colton, an attorney from Laguna Niguel, California, was indicted on October 17, 2006, in the Southern District of California on seven counts of bankruptcy fraud for fraudulently

concealing real property, personal assets, and bank accounts located in the United States and France, which were valued at more than \$1.5 million dollars. Colton failed to disclose and concealed his interest in a chateau and other real and personal property located in France and the United States, as well as his interest in bank accounts containing hundreds of thousands of dollars during the year before he filed bankruptcy. Colton was also charged with falsely testifying in bankruptcy proceedings regarding his ownership and control of numerous bank accounts, his payment of foreign taxes to maintain his property holdings in France, and his contribution toward the down payment for a home purchased in the name of his wife.

### **Colorado**

Former police officer Joseph Martin Rael was arrested on October 11, 2006, after being indicted on August 22, 2006, in the District of Colorado on charges that he filed a joint chapter 13 bankruptcy petition without the knowledge of his wife, forged her signature on the bankruptcy petition and other bankruptcy documents, falsely testified about her location during the meeting of creditors, and concealed gambling debts in the bankruptcy case.

Darla Murta Sanchez of Littleton, Colorado, was charged with eight counts of bankruptcy fraud and use of false Social Security numbers on September 13, 2006, in the District of Colorado. She allegedly used false Social Security numbers when she rented apartments to avoid detection of her past non-payment of rent, and filed multiple bankruptcy cases to avoid eviction.

### **Connecticut**

Kurt C. Claywell, formerly of Otis, Massachusetts, was indicted on October 17, 2006, in the District of Connecticut on charges of conspiracy to commit bankruptcy fraud and bankruptcy fraud. Claywell allegedly conspired to conceal assets when he filed for bankruptcy, including 35 acres of land, wine valued at approximately \$35,000, a boat, a gun collection, and a rare book collection.

Jeffrey Goldberg of Greenwich, Connecticut, was charged via complaint on October 17, 2006, in the District of Connecticut with concealing assets when he filed for bankruptcy, including antique furniture he had placed for sale on consignment with an antique dealer.

### **Delaware**

Candy Jean Haas and Pamela J. Haas of Dover, Delaware, were charged in the District of Delaware on September 5, 2006, with concealing their mother's death and continuing to receive Social Security and veterans' benefits paid to their mother. Both women filed for bankruptcy, allegedly failing to disclose their interests in the bank account into which the benefits were deposited.

Sheila Margaret Hayford was charged with five counts of bankruptcy fraud in the District of Delaware on October 3, 2006. She allegedly filed bankruptcy seven times to avoid

foreclosure after failing to make payments on a \$303,964 mortgage, and made material false statements on five bankruptcy petitions by failing to fully disclose all of her prior cases.

Joseph Rychalsky, Jr., was indicted on October 12, 2006, in the District of Delaware for allegedly making a false declaration under penalty of perjury in his bankruptcy case, in which he falsely denied having a claim for injuries sustained in a prior automobile accident.

### **District of Columbia**

Ricardo F. Henry was charged, in a second superseding indictment filed in the District of the District of Columbia on October 5, 2006, with 72 counts arising from his alleged operation of a health care fraud scheme. As principal officer of Insight Therapeutic Services, Inc., Henry allegedly fraudulently obtained money from Medicaid by claiming services that were not performed and making other false claims. Among other crimes, Henry was charged with filing bankruptcy to retain assets he acquired from the health care fraud scheme, including a Porsche for which he paid approximately \$113,000, and with concealing bank accounts, over \$120,000 in proceeds from the sale of his house, and assets including the Porsche and firearms.

### **Florida**

#### *Northern District*

Attorney Tommy McPherson and his wife Jeannette McPherson were indicted in the Northern District of Florida on August 15, 2006, for allegedly using the bankruptcy system to discharge Jeannette McPherson's gambling debts, falsely claiming in her bankruptcy case that they were legally separated, and concealing assets including an automobile.

#### *Middle District*

Claude Hall was charged in the Middle District of Florida on October 11, 2006, with making a false oath and using a false Social Security number in his bankruptcy case.

John W. Whitman, Jr., was charged in the Middle District of Florida on October 11, 2006, with bankruptcy fraud based upon his forging an attorney's signature on the bankruptcy petition of Day Spas of America, Inc.

### **Georgia**

#### *Northern District*

Donna Renae Woods Lawrence, Kerwana Lashon Bennett Woods, and Gwendolyn Reshell Woods were charged on October 4, 2006, in the Northern District of Georgia with 33 counts of conspiracy, bank fraud, bankruptcy fraud, and witness tampering. Lawrence allegedly used a stolen Social Security number to obtain HUD authorization to underwrite and broker FHA guaranteed loans through her company; submitted loan packages containing false qualifying information to obtain FHA guaranteed and conventional funding; fraudulently erased the security



interests of prior lenders to keep subsequent loan proceeds; and filed five bankruptcy petitions, using false identities, to avoid foreclosure on approximately \$3.6 million in unpaid mortgage loans. Kerwana Woods and Gwendolyn Woods allegedly assisted Lawrence by attending bankruptcy hearings posing as the debtors.

#### *Southern District*

Charlie Greer, Jr., was charged on October 11, 2006, in the Southern District of Georgia with concealing almost \$100,000 in assets, including a bank account and proceeds from two real estate transactions.

### **Idaho**

Laura R. Rodriguez was indicted on October 17, 2006, in the District of Idaho on four charges, including two bankruptcy fraud counts of making a false declaration under penalty of perjury and making a false oath. Rodriguez allegedly used a false Social Security number on her bankruptcy petition and later falsely testified under oath that the information on her petition was true and correct.

### **Illinois**

#### *Northern District*

Norton Helton, a bankruptcy and real estate lawyer in Chicago, was charged with a bankruptcy fraud scheme in a complaint filed on October 17, 2006, in the Northern District of Illinois. According to the complaint, Helton worked with an entity, identified in the complaint as Company A, that offered a “mortgage bailout” program to homeowners facing foreclosure. The “mortgage bailout” program consisted of transferring the homeowners’ property to “investors” who would allegedly hold these properties for a period of time while the former homeowners attempted to improve their financial position. Homeowners could allegedly repurchase their homes from the investors if they were financially able at the end of a predetermined period of time. The complaint further alleged that Helton subsequently offered a similar service directly to clients through his company, Diamond Management of Chicago, Inc. Helton also allegedly filed bankruptcy petitions for certain clients, but failed to reference the transfer of property as required, despite his personal knowledge of those transfers. The concealment of these real estate transactions kept equity realized from the sale of these properties from becoming part of the debtors’ bankruptcy estates.

Thomas O’Connell Holstein, a consumer bankruptcy lawyer, was indicted on October 17, 2006, in the Northern District of Illinois, on nine counts of bankruptcy fraud and making false statements in three separate bankruptcy cases. Holstein allegedly concealed from his clients his impending suspension from the practice of law and prepared bankruptcy documents that concealed his role in their preparation and his receipt of attorneys’ fees. He allegedly made these false statements in bankruptcy documents filed in all three cases.

Brian Hughes of Chicago was charged on October 17, 2006, in the Northern District of Illinois in a four-count indictment with bankruptcy fraud and making false statements in bankruptcy cases. Hughes allegedly filed multiple fraudulent bankruptcy cases to avoid foreclosure of his residence and repossession of his Mercedes-Benz. He also allegedly acted as a bankruptcy petition preparer without disclosing his role, and filed a fraudulent bankruptcy case for an individual.

William Ramon Jackson, 62, of Chicago, a disbarred attorney, was charged on October 17, 2006, in the Northern District of Illinois with bankruptcy fraud, receipt of bankruptcy estate property with intent to defeat the provisions of the Bankruptcy Code, and conversion of bankruptcy estate property. Jackson, the attorney for a debtor corporation, allegedly lied to the bankruptcy court regarding the whereabouts of \$28,000 in attorneys' fees the court had ordered Jackson to return to the bankruptcy trustee. Jackson also allegedly received and converted a \$6,098 check payable to the debtor corporation.

Sherry L. Kolthoff was indicted on October 17, 2006, in the Northern District of Illinois for allegedly falsely claiming in her bankruptcy documents that she did not have an interest in a decedent's estate and concealing her interest in the property.

Craig D. McKinley was indicted in the Northern District of Illinois on August 29, 2006, on charges of perpetrating a bankruptcy fraud scheme, concealment of assets, and mail fraud. McKinley's alleged scheme involved the serial filing of bankruptcy cases to prevent creditors from collecting debts and foreclosing on real property he owned. McKinley also allegedly falsified his bankruptcy papers, as well as real estate and automobile loan applications.

Erica M. Reaves was indicted on October 17, 2006, in the Northern District of Illinois for allegedly making false statements in her bankruptcy petition by failing to disclose all Social Security numbers that she had used and by failing to disclose all her unsecured debts. She also allegedly used a Social Security number not assigned to her in connection with a loan application.

Charlotte Schuett of Lake Havasu City, Arizona, and attorney Edward Varga of Aurora, Illinois, were charged in an eight-count indictment on October 17, 2006, in the Northern District of Illinois with bankruptcy fraud, mail fraud, and falsifying documents in relation to bankruptcy cases. The indictment charged that Schuett and Varga, in the guise of assisting individuals facing foreclosures of their homes, allegedly convinced these homeowners to sell their homes to "investors" while in bankruptcy or just before entering bankruptcy. Allegedly, Schuett and Varga through the use of false statements and documents ensured that the closings took place, the sale proceeds were signed over to Schuett and not the sellers, and the sale and existence of the proceeds were concealed from the bankruptcy court, the trustees, and creditors. Schuett and Varga allegedly defrauded property owners facing foreclosure, creditors, and bankruptcy trustees of approximately \$500,000.

Lorie K. Westerfield of Chicago, an attorney, was indicted on October 17, 2006, in the Northern District of Illinois for allegedly filing false documents in a bankruptcy case. Westerfield allegedly purchased a residence from an individual for \$153,000, and then failed to

disclose the property transfer or the sale proceeds received by the individual in a bankruptcy petition she filed on the individual's behalf. Westerfield also allegedly omitted information from that bankruptcy petition, and from a subsequent petition, regarding prior bankruptcy petitions Westerfield had filed on behalf of the individual.

Constantine Zombanakis was indicted on October 17, 2006, in the Northern District of Illinois on two counts of bankruptcy fraud based on his false statements in his bankruptcy documents and his concealment of his interest in a decedent's estate.

## **Indiana**

### *Southern District*

Jeffrey E. Onkst of Bloomington, Indiana, was charged on September 7, 2006, and pleaded guilty to charges of bankruptcy fraud and suborning perjury on September 18, 2006, in the Southern District of Indiana. Onkst filed or caused to be filed 19 bankruptcy cases, in his name and in the names of other individuals, in order to stop foreclosure on real properties he owned or controlled. In each bankruptcy case, he allegedly failed to disclose his prior filings. All of the 19 bankruptcy cases were eventually dismissed after Onkst failed to pursue them.

## **Iowa**

### *Northern District*

Sherman and Chantelle Hogrefe of Albert City, Iowa, were charged on August 23, 2006, in the Northern District of Iowa with bank fraud, bankruptcy fraud, and false certification and conversion of grain secured by the government. Among other conduct, Sherman Hogrefe allegedly made false statements to a bank to obtain a \$2.5 million agricultural loan, and both Sherman and Chantelle Hogrefe allegedly made false statements and concealed approximately \$80,000 in assets and income in their joint chapter 7 bankruptcy case.

Darren J. Patzner was indicted on bankruptcy fraud charges on September 20, 2006, in the Northern District of Iowa. One month before filing bankruptcy, Patzner liquidated his 401(k) account and deposited the 401(k) distribution check into his bank account. Patzner allegedly withdrew part of those funds as a cashier's check made out to himself, which he cashed one day after filing bankruptcy. The indictment charged that the funds held in the cashier's check were not disclosed in Patzner's bankruptcy case.

## **Maryland**

Dianna Butler was indicted on October 17, 2006, in the District of Maryland on charges of bankruptcy fraud and forging a bankruptcy court order. She allegedly used the forged order to prevent the contents of a storage unit from being auctioned to the public.

Dana Maria Cogna was indicted in the District of Maryland on October 16, 2006, on charges of making false statements in bankruptcy. The indictment charged Cogna with failing

to disclose criminal restitution debts totaling \$28,343, and failing to disclose that she was party to a criminal proceeding within one year immediately before filing bankruptcy.

Jerome A. Pearson was indicted in the District of Maryland on October 16, 2006, on charges of fraudulent conveyance in bankruptcy, mail fraud, wire fraud, and money laundering. After filing bankruptcy, Pearson allegedly received \$49,945 from the sale of real property without the approval of the bankruptcy trustee or the court, and used \$37,993 to purchase a 2006 Chrysler 300C automobile.

## **Michigan**

### *Eastern District*

Dorian Marie Hayes was charged on September 27, 2006, in the Eastern District of Michigan with making a false oath in bankruptcy by falsely denying that she had given her parents cash to purchase her residence, when in fact she had given her parents \$80,000 in cash.

Jack Mevorach was charged with bankruptcy fraud via complaint on September 28, 2006, in the Eastern District of Michigan. According to the complaint, Mevorach engaged in a scheme to defraud his corporate employer, during the course of which he filed two bankruptcy cases in the name of the company's owner.

## **Missouri**

### *Eastern District*

Marquita Yvonne Hawkins was indicted on October 11, 2006, in the Eastern District of Missouri for allegedly falsifying credit counseling certificates in two bankruptcy cases and causing the certificates to be filed in the bankruptcy court.

Eileen Shepard was indicted in the Eastern District of Missouri on August 17, 2006, on charges of identity theft, aggravated identity theft, and making false statements about her Social Security number when she filed bankruptcy.

## **Nevada**

Tommy Johnson was charged on October 11, 2006, in the District of Nevada with concealing his 2004 Harley Davidson "Road King" motorcycle when he filed bankruptcy. He was also charged with falsely testifying that the motorcycle was his girlfriend's, rather than his.

## **New Hampshire**

J. Gregory Skorich was charged on September 27, 2006, in the District of New Hampshire with concealing assets by failing to disclose a pickup truck and a 25-foot trailer in his bankruptcy case.

## **New Jersey**

John Kurzel was charged and pleaded guilty on October 2, 2006, in the District of New Jersey to conspiracy to commit wire fraud. Kurzel, a mortgage loan processor, prepared false loan applications and submitted supporting documentation, including inflated appraisals, for individuals willing to pose as nominee buyers of properties sold by New Jersey Affordable Homes, to further a mortgage fraud scheme involving multiple properties.

## **New York**

### *Eastern District*

Richard Thomas Hubbard and Christine V. Blumenauer were charged via complaint on October 17, 2006, in the Eastern District of New York with making false statements and forging a court document. Hubbard allegedly made false statements, including the listing of an invalid Social Security number, in multiple bankruptcy filings. Blumenauer allegedly sent a fraudulent court order, which included a forged signature of a bankruptcy judge, to remove the restraining notice a creditor had placed on her bank account.

## **Ohio**

### *Northern District*

Monique Caldwell was indicted on October 17, 2006, in the Northern District of Ohio on charges of bankruptcy fraud, bank fraud, and mail fraud for allegedly obtaining a mortgage using the name and Social Security number of her daughter. Caldwell allegedly filed bankruptcy several years after she obtained the mortgage, failed to disclose in her petition that she had used her daughter's name, and falsely denied owning any real estate in her bankruptcy schedules.

Ahmad Elgergawi was indicted on September 26, 2006, in the Northern District of Ohio for alleged concealment of assets, false oaths in bankruptcy, and participation in a scheme to defraud credit card companies by filing bankruptcy.

Anthony Rawls was indicted on September 26, 2006, in the Northern District of Ohio on charges that he lied about his income to receive benefits from the Department of Housing and Urban Development, and lied in his bankruptcy case about receiving benefits and assistance from the Veterans' Administration.

John M. Smalcer, Jr., of Garfield Heights, Ohio, was charged on September 26, 2006, in the Northern District of Ohio with engaging in a scheme to defraud creditors by forging bankruptcy court orders that excused him from liability for certain lawsuits and removed him from several bankruptcy cases.

### *Southern District*

Randall Webb was indicted on October 10, 2006, in the Southern District of Ohio on charges of mail fraud and bankruptcy fraud for allegedly operating a mortgage foreclosure scheme. Webb, a bankruptcy petition preparer doing business as American Foreclosure Group, advertised his services to people facing foreclosure and made false promises about saving their homes. He allegedly filed numerous fraudulent bankruptcy cases in the names of the homeowners without their consent, and made false statements about his role in preparing the bankruptcy filings.

### **Oregon**

Clifford Chin was charged on October 11, 2006, in the District of Oregon with making false statements, by under-reporting his income over a three-year period when he filed bankruptcy.

### **Pennsylvania**

#### *Eastern District*

Robert Coates was indicted on October 12, 2006, in the Eastern District of Pennsylvania for allegedly filing four bankruptcy petitions using a false Social Security number in each case.

Tameeka Molletta was indicted on October 12, 2006, in the Eastern District of Pennsylvania for allegedly filing three bankruptcy cases in which she falsely represented herself as another person and used a false Social Security number.

Jean Krotz was indicted on October 12, 2006, in the Eastern District of Pennsylvania for allegedly engaging in a bankruptcy fraud scheme in which she filed a bankruptcy case under the name of her minor child, and then altered the bankruptcy petition to make it appear as if she had filed in order to delay the foreclosure of her residence. Krotz, who had previously filed six bankruptcy cases, had been barred by the court from re-filing without court permission.

#### *Western District*

George R. Davitch, Jr., was indicted on October 17, 2006, in the Western District of Pennsylvania for allegedly making a false statement by omitting income on his bankruptcy schedules.

Catherine Jeter was indicted on October 10, 2006, in the Western District of Pennsylvania for allegedly forging a bankruptcy judge's signature on a court order that purported to grant a bankruptcy discharge.

Robin Grassel Musher, a bankruptcy attorney, was indicted in the Western District of Pennsylvania on October 17, 2006, for allegedly embezzling approximately \$152,253 that belonged to the bankruptcy estates of debtors.

## **Puerto Rico**

Freddy Victor Garrido-Jimenez was indicted on October 11, 2006, in the District of Puerto Rico for allegedly concealing assets and property valued at more than \$275,000 in his chapter 13 bankruptcy case.

## **Rhode Island**

Richard M. Cecca was charged on August 2, 2006, in the District of Rhode Island with concealing his ownership interest in multiple properties, making false oaths regarding the value of companies he controlled, and concealing his interest in a company worth approximately \$115,000.

## **South Carolina**

Ruth Jimenez was indicted on October 4, 2006, in the District of South Carolina for allegedly using a false Social Security number to file bankruptcy.

Frank LeDonne was indicted on October 10, 2006, in the District of South Carolina for allegedly keeping rental proceeds collected from bankruptcy estate property during his joint bankruptcy case. The proceeds were also bankruptcy estate property and should have been turned over to the bankruptcy trustee.

Christina Y. Scott, a/k/a Christina Hughey, was charged via complaint on October 10, 2006, in the District of South Carolina with counterfeiting the bankruptcy court seal and forging a bankruptcy judge's signature on a document, in order to qualify for a loan on a used car. The document falsely claimed that the judge had reviewed court records and had verified Scott was not associated with an open bankruptcy case.

## **Texas**

### *Southern District*

Antonio Perez Ferrer, the former office manager for a chapter 13 trustee, was indicted on September 6, 2006, in the Southern District of Texas on two counts of embezzlement of bankruptcy funds. Ferrer allegedly embezzled \$120,867 by changing the names of payees to his own name on checks written from the trustee's expense account, and charged personal expenses of \$6,571 on the chapter 13 trustee's credit card account.

## **Utah**

Kathleen Jill Heath was indicted on August 16, 2006, in the District of Utah on one count of concealment and two counts of false bankruptcy oath for failing to disclose her home and her vehicle in her chapter 7 case.

Holli Lundahl was indicted in the Central District of Utah on October 4, 2006, for allegedly fraudulently omitting information on her bankruptcy filings and submitting documents with forged signatures of state and federal judges.

Irene Salcido was charged on August 2, 2006, in the District of Utah and pleaded guilty on September 11, 2006, to failure to surrender to serve her sentence. She had previously pleaded guilty to bank fraud for using a false Social Security number to obtain two car loans and a \$5,000 line of credit from a federally insured credit union and, to bankruptcy fraud, for making a false bankruptcy declaration by using the false Social Security number on her bankruptcy filing. She was to report for prison in April 2006, but she failed to do so.

## **Virginia**

### *Eastern District*

Alladean M. Allobaidy was charged with bank fraud via complaint on September 18, 2006, in the Eastern District of Virginia. Allobaidy allegedly participated in a fraud scheme by acting as the straw buyer of a residence of two debtors who had previously filed chapter 11 bankruptcy.

Brenda Marks was indicted on August 25, 2006, and pleaded guilty on October 12, 2006, in the Eastern District of Virginia to one count of conspiracy, part of a 15-count indictment charging bankruptcy fraud, bank fraud, and possessing and uttering counterfeit securities. Over a period of more than 17 months, Marks filed or caused to be filed five bankruptcy cases in order to avoid foreclosure on two properties.

Bernard Williams was indicted on October 11, 2006, in the Eastern District of Virginia for allegedly concealing \$86,000, which constituted the proceeds of the sale of his home while he was in chapter 11 bankruptcy.

## **Washington**

Jon Baer was indicted on October 12, 2006, in the Western District of Washington for concealing various assets including real estate, a BMW automobile, a 2004 recreational vehicle, and three motorcycles. Baer was also charged with making false statements in connection with his bankruptcy documents.



## **Wisconsin**

Teresa Sanchez was indicted on October 11, 2006, in the Western District of Wisconsin for concealing \$40,000 in proceeds from a real estate transaction and failing to disclose these proceeds in her subsequent bankruptcy case.

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The charges contained in an indictment, information, or criminal complaint are merely allegations, and the defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt.