



U.S. Department of Justice

**Stephen J. Murphy
United States Attorney
Eastern District of Michigan**

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For Immediate Release:

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Aug 7, 2008

EVENT: Guilty Plea

Defendant: Efstathios Louis Pavledes

**Former Director of Cobo Pleads Guilty to Structuring
\$97,940 in Bribe Payments to Avoid Reporting Requirements**

Efstathios Louis Pavledes, age 54, a resident of Allentown, PA, and the former Director of the City of Detroit's Cobo Civic Center, pled guilty today to structuring \$97,940 in bribe payments in order to evade federal currency transaction reporting requirements, Stephen J. Murphy, United States Attorney, Eastern District of Michigan, announced today.

Mr. Murphy was joined in the announcement by Special Agent in Charge Andrew G. Arena, Federal Bureau of Investigation and Special Agent in Charge Maurice Aouate, Internal Revenue Service, Criminal Investigation.

United States District Judge Marianne O. Battani accepted Pavledes's guilty plea in federal court in Detroit.

According to the plea agreement and other court records, in January 2003, while Pavledes was serving as Director of the Cobo Civic Center, he accepted an illegal payment of about \$100,000 in cash from a contractor in connection with Pavledes's performance of his

duties. Between January 13 and January 28, 2003, defendant deposited \$97,940 of this money in his personal bank account at Standard Federal Bank, N.A. (now LaSalle Bank). Pavledes understood that the bank was required under federal law to report currency transactions of \$10,000 or more to the U.S. Treasury Department. In order to evade this reporting requirement, Pavledes broke up the deposits into a series of ten structured deposits at the bank, each totaling slightly less than \$10,000.

Pavledes was released on bond pending his sentencing. He faces a statutory maximum sentence of up to five years in prison, with an advisory Sentencing Guidelines range of 18 to 24 months. The government agreed that in exchange for Pavledes's cooperation in the investigation and prosecution of others engaged in criminal activity, the government would recommend a sentence of 11 months in prison.

United States Attorney Stephen J. Murphy said, "This conviction underscores the commitment of this office to weed out and punish corruption and misuse of public resources at all levels of government. We are pleased that Mr. Pavledes has agreed to accept responsibility for his misconduct and to assist the government in its investigation of others engaged in corrupt activities."

FBI Special Agent in Charge Arena said, "Public corruption is a high priority for the FBI. Individuals in public positions, both elected and appointed, who accept bribes will be held accountable for betraying public trust."

IRS Special Agent in Charge Aouate said, " Structuring, a crime of greed, is an avenue used by individuals to conceal the true source of their illegal activities," said Aouate. "This is a very serious offense and IRS Criminal Investigation will continue to track the flow of any illegal payments, holding those individuals accountable."

This case is being investigated by special agents of the Federal Bureau of Investigation and Internal Revenue Service, Criminal Investigation. The case is being prosecuted by Assistant United States Attorneys Michael Bullotta and Mark Chutkow.



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Aug 7, 2008

EVENT: Conviction

Defendant: Costica Bonas et al

**THREE MEN CONVICTED, ONE ACQUITTED
ON FEDERAL FIREARMS AND NARCOTICS CHARGES**

Three area men were found guilty yesterday of federal drug trafficking and gun charges based on a seizure by local DEA agents of over one ton of marijuana hidden in a secret compartment in a 53' enclosed semi-trailer last year. The Mexican marijuana, with an estimated street value of over \$2.3 million, had been shipped here from the Texas border, for distribution in metropolitan Detroit.

Found guilty were, Costica Bonas, a 47 year-old Detroit man, David Carter, a 41 year old Detroit man, and Joe Nemes, 38, of Belleville. Acquitted of all charges was Michael Hadden, 54, of Detroit, United States Attorney Stephen J. Murphy announced today.

Murphy was joined in the announcement by Robert Corso, Special Agent in Charge, United States Drug Enforcement Administration.

The jury deliberated for less than two days before returning the verdict, concluding a six-day jury trial before United States District Judge Victoria A. Roberts.

The evidence presented at trial showed that the group was obtaining distribution quantities of marijuana from sources in both Mexico and Canada, for distribution in the Detroit area. The one ton marijuana seizure by local DEA agents at a stone-cutting warehouse in New Boston, Michigan on June 5, 2007 was the second such shipment seized by law enforcement in a six-month period in 2007. The evidence showed that the marijuana organization concealed marijuana shipments in sophisticated hidden compartments in semi-trailers, and also smuggled marijuana across from Canada on the Detroit River.

“Cross-border marijuana smuggling is a serious federal crime, and it is even more serious when firearms are involved. My office will aggressively prosecute any individuals engaged in drug trafficking in the Eastern District of Michigan, particularly armed individuals,” United States Attorney Murphy said.

DEA Special Agent in Charge Corso said, "Marijuana is the most commonly abused illegal drug in the United States, and the evidence brought forth during this trial made it clear that marijuana traffickers are indeed violent. This was a sophisticated, international drug trafficking organization that is now out of business. The DEA will continue to work with our law enforcement partners to bring to justice those greedy individuals that choose to disregard the federal drug laws of the United States.”

Murphy commended the work of the agents of the Drug Enforcement Administration in the investigation.

Sentencing dates have been set for January 20, 2009. Bonas and Nemes face a mandatory minimum of 10 years imprisonment, while Carter faces a mandatory minimum 15 years in prison because he carried a gun during the commission of the offense. The case was prosecuted by Assistant U.S. Attorney J. Michael Buckley



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Aug 7, 2008

EVENT: Sentenced

Defendant: Robert McDonel

DEFENDANTS SENTENCED IN ROBBERY OF AUTO PARTS STORES

Two Detroit residents were sentenced yesterday to 107 years and 62 years imprisonment respectively for charges involving Hobbs Act robbery and possession of a firearm in furtherance of a crime of violence, United States Attorney Stephen J. Murphy announced today. Mr. Murphy was joined in the announcement by Special Agent in Charge Andrew Arena, Federal Bureau of Investigation.

Robert McDonel, 20, of Detroit, was sentenced to 107 years imprisonment by United States District Judge David M. Lawson. Co-defendant Frederick Atkins, 42, of Detroit, was sentenced to 62 years imprisonment.

On March 31, 2008, A jury found McDonel guilty of all counts: five counts of Hobbs Act Robbery involving three Autozone stores, a Murray's auto parts store, and the clothing store Simply Fashions; and five counts of possession of a firearm in furtherance of a crime of violence. Atkins was found guilty of all counts: three counts of Hobbs Act Robbery and three counts of possession of a firearm in furtherance of a crime of violence. The charges arose following a joint investigation by members of the FBI's Violent Crimes Task Force and the Detroit Police Robbery Squad. Moments before the robberies occurred, an accomplice would

enter the store, conduct pre-robbery surveillance, and then notify his armed accomplice. During the robberies, the masked robber would enter the stores, point a gun at a store employee, demand to be taken to the safe, and depart the store with the contents of the safe and cash registers.

The robberies were solved after Detroit Police officers, while conducting extra patrols of auto parts stores in their districts, observed McDonel standing outside a Murray's wearing: a mask and latex gloves, the identical clothing worn during the robbery of an Autozone one week before, while armed with a handgun-all in preparation to rob the Murray's store.

United States Attorney Murphy said, "The length of these sentences sends a message to those who would terrify our streets with their violent crimes. As a result of committing these armed robberies these two defendants will possibly spend their lives in prison -- for a few thousand dollars. I commend the work of the Violent Crime Task Force, specifically, the FBI and the Detroit Police Department."

FBI Special Agent in Charge Arena said, ""This case exemplifies how the cooperative effort between federal task forces and local law enforcement agencies can culminate in severe penalties for egregious violent crimes."

McDonel has a prior criminal history which includes a prior felony conviction for Carrying a Concealed Weapon. Co-defendant Atkins has a prior criminal history which includes prior felony convictions for Burglary, Carrying a Concealed Weapon, Breaking and Entering, an Robbery Armed. Two other Co-defendants, Johnnie Cromer and Maurice Woodley, previously pled guilty before trial and received imprisonment sentences of twenty years and four years respectively. The lengthy nature of the sentences are due to the gun charge convictions which carry mandatory consecutive sentencing. Seven years imprisonment is required upon conviction of the first gun charge and then a consecutive twenty-five years imprisonment for each additional gun charge.

The case was the result of multi-agency cooperation between the FBI's Violent Crimes Task Force and the Detroit Police Robbery Squad. The FBI's Violent Crimes Task Force is comprised of Agents from the FBI, Drug Enforcement Administration, Bureau of Alcohol, Tobacco, Firearms and Explosives, and officers from the Michigan State Police, Wayne County Sheriff's Office and the Detroit Police Department. The case was prosecuted by Assistant United States Attorneys Terrence R. Haugabook and Eaton Curtis.



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Aug 14, 2008

EVENT: Indictment

Defendant: Frank Scaramuzzino

Shelby Township Businessman Arraigned on Tax Charges

Frank Scaramuzzino, of Shelby Township, owner of Premier Autoworkers, Inc., was arraigned on an indictment charging him with three counts of failure to file income tax returns and four counts of failure to pay income tax, United States Attorney Stephen J. Murphy announced.

Mr. Murphy was joined in the announcement by Special Agent in Charge Maurice Aouate, Internal Revenue Service Criminal Investigation Division.

According to court records, during 2001 through 2003 tax years, Scaramuzzino received gross income of \$2,024,473 and willfully fail to file his income tax returns with the Internal Revenue Service. He also willfully failed to pay \$736,917 in income tax due and owing to the IRS. In 2004, Scaramuzzino willfully failed to pay an additional \$141,094, based on earned gross income of \$452,078.

"The law is crystal clear," said Aouate. "Everybody has a duty to file and pay their taxes."

Failure to file income tax returns and failure to pay carries a maximum penalty of not more than one year imprisonment and a \$100,000 fine, per count.

An indictment is only a charge and is not evidence of guilt. A defendant is entitled to a fair trial in which it will be the government's burden to prove guilt beyond a reasonable doubt.

United States Attorney Murphy thanked the IRS Criminal Investigation. The case is being prosecuted by Assistant United States Attorney David E. Morris.



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Aug 14, 2008

EVENT: Indictment

Defendant: Nishon Johnson

DETROIT RESIDENT INDICTED ON MORTGAGE FRAUD

A Detroit resident was indicted today on two counts of wire fraud for defrauding New Century Mortgage and Countrywide Home Loans, United States Attorney Stephen J. Murphy announced today.

U.S. Attorney Murphy was joined in the announcement by Andrew G. Arena, FBI Special Agent in Charge.

Nishon Johnson, 37, of Detroit, a loan originator, and others were involved in a scheme to defraud mortgage companies. According to the indictment, during 2005 and 2006, Johnson worked with Quick Michigan Mortgage, located in Southfield, to defraud New Century Mortgage and Countrywide Home Loans. After buying a single-family house, Johnson recruited a buyer to purchase the house at an inflated value. Johnson marketed the home as involving no down payments. As alleged in the indictment, Johnson submitted false loan applications to the mortgage companies which overstated the borrower's income, and understated his liabilities. In one case, the alleged borrower was not even aware of the loan, and his signatures were forged. The buyers were not able to pay the monthly mortgage, thus resulting in a loan default and foreclosure.

United States Attorney Stephen J. Murphy said, " When lenders are victimized

by unscrupulous real estate professionals who obtain loans by fraud and deceit, we all suffer -- including the lenders which have fewer assets to lend to deserving families, the borrowers are not able to hold on to their properties and foreclosure follows. These mortgage schemes have devastated our economy. The Department of Justice has made mortgage fraud a priority."

An indictment is only a charge and is not evidence of guilt. A defendant is entitled to a fair trial in which it will be the government's burden to prove guilt beyond a reasonable doubt.

The case is being prosecuted by Assistant United States Attorney Christopher Varner.



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**UNITED STATES ATTORNEY STEPHEN J. MURPHY
TO JOIN THE FEDERAL BENCH IN DETROIT**

U.S. Attorney Credited with Fostering Strong Working Relationships Among Agencies

After three years and five months as the top federal law enforcement official in the Eastern District of Michigan, United States Attorney Stephen J. Murphy will soon step down to be sworn in as a United States District Court Judge in Detroit. Mr. Murphy's tenure as United States Attorney has been marked by a number of key initiatives designed to keep citizens safe and to enhance law enforcement efforts in the Eastern District of Michigan.

Chief Judge Bernard A. Friedman said, "We are looking forward to Steve's arrival and bringing the excellencies he brought to the U.S. Attorney's Office to the Court."

"It has been a pleasure to work with Stephen Murphy during his tenure as the United States Attorney for the Eastern District of Michigan. Our agencies have often collaborated on successful initiatives that created a template for federal and local law enforcement partnerships around the country to follow," said **Chief Ella Bully-Cummings**, Detroit Police Department. "As our nation looks to overcome some of its most demanding challenges ever, it is my hope that the United States Attorney's Office continues to develop the solid relationship with the city of Detroit that was cultivated under the leadership of Stephen Murphy. With his integrity, expertise and sensibility, I am certain that Judge Stephen Murphy will be an asset to the United States District Court."

“I have the greatest respect for Stephen Murphy,” said **Wayne County Prosecutor Kym Worthy**. “We have always had an excellent working relationship. Over the years we have worked on cases involving Internet predators, gun violence and community prosecutions. Whenever there was a decision that required us to determine whether there should be a state or federal prosecution we have been able to work out our differences in an amicable way. I am sorry to see him go, but I wish him great success.”

“I would like to congratulate Steve Murphy on his confirmation to the Federal Bench. He has been a true professional as the United States Attorney, and he will certainly be missed by the law enforcement community. I consider him a true gentleman and a friend, and wish him the best in his new position,” commented **Andrew G. Arena**, Special Agent in Charge of the Federal Bureau of Investigation, Detroit, Michigan

“The U.S. Attorney’s Office’s loss is the Court’s gain and with Steve on the bench, the public will be the true benefactor” said **Brian M. Moskowitz**, Special Agent in Charge of U.S. Immigration and Customs Enforcement for Michigan and Ohio. “Steve has been a great partner and friend to ICE in his role as United States Attorney and I have no doubt that he will continue to serve the people of the Eastern District with honor and distinction in his new role.”

United States Attorney Murphy worked hard on the priorities he set for himself when he took office on March 8, 2005.

National Security

Since 2006, U.S. Attorney Murphy expanded and enhanced the office’s National Security Unit by adding highly experienced Assistant United States Attorneys to the eight-member unit. Consistent with the Department of Justice’s creation of a separate National Security Division following the extension of the USA-PATRIOT Act, the Unit’s responsibilities expanded to include other investigations and prosecutions involving national security. Those matters touch upon

foreign counterintelligence matters, espionage, and certain transnational organized crime groups involved in alien smuggling, cash smuggling and the operation of illegal unlicensed money transmitting businesses.

Kathleen Alcorn, Chief Counsel for Immigration and Customs Enforcement said, "Immigration and Customs Enforcement Detroit Office of the Chief Counsel would like to thank United States Attorney Stephen Murphy for his many accomplishments, specifically mentioning his fight against terrorism. Under Mr. Murphy, his office has worked closely with the Detroit Chief Counsel's Office in the fight to protect the United States from terrorist threats. Mr. Murphy has been supportive of not only criminal but also administrative immigration violations when appropriate to fight the war against terrorism. The cooperation between our offices has reached an all time high due to Mr. Murphy's vision and support. Mr. Murphy has been instrumental in the fight against terrorism and protecting the United States."

U.S. Attorney Murphy oversaw several significant prosecutions involving national security. Those cases include:

- Nada Nadim Prouty, the Lebanese national who, along with others, pleaded guilty to conspiring to fraudulently obtain U.S. citizenship through sham marriages. Prouty utilized her fraudulently procured U.S. citizenship to obtain employment with the FBI and later, with the CIA.
- Monassar Omian and three others were convicted for using their unlicensed money remitting business (a "Hawala") transfer \$10 million to Switzerland and Yemen. Some of the money they laundered through the Hawala accounts was proceeds of criminal activity, such as the sale of controlled substances and contraband cigarettes.
- Imad Hammound was one of 19 who were charged and convicted for their role in a large racketeering conspiracy which trafficked in contraband cigarettes and counterfeit Zig Zag rolling papers. Profits from the illegal activities were sent to Hizballah.

- Salah Rashem, along with twelve others, was convicted in a case involving a conspiracy to smuggle illegal aliens into the U.S. from Canada. The charges were based on the interdiction of 74 aliens who were smuggled into the U.S. The Royal Canadian Mounted Police assisted in this investigation.

U.S. Attorney Murphy also worked to strengthen the relationship between Canadian and U.S. law enforcement to combat cross border crime in a district that has one of the busiest ports of entry in the country. Mr. Murphy instituted a five-point plan aimed at bolstering the office's capacity to cooperate more effectively with Canada to fight drug trafficking, gun trafficking and alien smuggling.

Project Safe Childhood

Over the past three years, the Eastern District of Michigan has seen a significant increase in the number of prosecutions involving child pornography and child exploitation. The increase is due largely to the commitment Mr. Murphy made in 2006 when he initiated the district's highly successful Child Protection Initiative. The initiative, in part, called for the prosecution of the most serious child exploitation offenders, insuring that they face the maximum sentences available under the law. Examples of those cases include:

- Bryan Brown, a prior sex offender, was indicted on charges that he enticed and coerced a 5- year-old girl to engage in sexually explicit conduct for the purpose of producing a video tape of the act.
- Leo Rudolph was sentenced to 30 years in federal prison for enticing, threatening and otherwise coercing a 9 year-old- girl to engage in sexual acts with him.
- Kenneth Stefanski, a multi-convicted sex offender, received a 35 year sentence for manufacturing child pornography.
-
- Brian Lee Flaherty, a Los Angeles firefighter, received more than 12 years in prison for

flying to Detroit with the intent of having sex with a five year-old child.

Another key part of the initiative is law enforcement training and community outreach. US Attorney Murphy, along with the office's designated team of Project Safe Childhood Assistant United States Attorneys, conducted a large number of law enforcement training programs. The training programs focus on issues related to sex offender registration, notice, investigation and prosecution.

Community outreach has been a critical component of the initiative. US Attorney Murphy developed a town hall and public outreach strategy which commenced in the spring of 2006. The first town hall meeting took place in June 2006 in Oakland County and included a panel of speakers from the FBI, the U.S. Attorney's Office and the County Prosecuting Attorney's Office, and the Child Exploitation and Obscenity Section of the Department of Justice. The targeted audience consisted of parents, educators, child protection workers, and law enforcement. Similar town hall meetings have been held throughout the Eastern District of Michigan. The goal of the town hall meetings has been to increase community awareness and educate the public about the dangers facing children from sexual exploitation and abuse facilitated by technology.

Violent Crimes and Gangs

Mr. Murphy has been a strong advocate for bringing crime-fighting resources to Eastern District of Michigan. During his tenure more than \$1.5 million has been delivered to the City of Detroit for violent crime fighting through Project Safe Neighborhoods (PSN). In 2007, as a result of increased gun violence and gang activity in the cities of Flint, Saginaw and Jackson, Mr. Murphy sought and received a \$1 million grant as part of the Three Cities Initiative which will expand the resources necessary to combat violent crime in these communities. Just this past week, United States Attorney Murphy sought and received another \$ 2 million grant to expand resources necessary to combat gangs in Metro Detroit.

Over the past three years, Mr. Murphy has overseen the prosecution of several gang related cases. The most notable case involves 16 members, associates, and former members

of the Outlaws Motorcycle Club. The Outlaws have been identified as an international criminal organization whose members and associates engage in acts of violence including murder, attempted murder, assault, narcotics distribution and firearms and gambling offenses. Other cases of significant note include the indictments against members and associates of the Highwaymen Outlaw Motorcycle Gang, the Latin Counts and the Detroit Thug Lordz. In each case the gang members are charged with various federal offenses ranging from firearm and drug conspiracy to continuing criminal enterprise.

The Detroit and Three Cities Initiative is modeled after the award-winning Project Safe Neighborhoods Operation TIDE (Tactical Intelligence Driven Enforcement) initiative launched by U.S. Attorney Murphy in 2006 in the Northwestern and Eastern Police District of Detroit. In its first year as a task force, Operation TIDE contributed to a 43% decrease in homicides and a 26% decrease in non-fatal shootings in Detroit's Northwestern District.

Thomas E. Brandon, Special Agent in Charge, Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) said, "United States Attorney Steve Murphy's leadership has been a key component in assisting ATF and law enforcement in combating violent crime in the Eastern Judicial District of Michigan. His partnership and friendship are greatly valued and will be missed. The men and women of ATF's Detroit Field Division wish Mr. Murphy the best of luck in his new position as a federal judge."

"As the U.S. Attorney in the State of Michigan Mr. Murphy has shown unflagging support of multi-jurisdictional, city, state and federal collaborative efforts through the "Project Safe Neighborhood" and other similar anti-gang initiatives. This support has had and continues to have a dramatic impact on the incidence of violent / organized crime in many of the cities of Michigan currently faced with fiscal challenges and rising rates of violence. The citizens of this state and in particular, the City of Saginaw, owe more than they will ever realize to the crime fighting efforts of Mr. Murphy," said **Chief of Police Gerald Cliff**, Saginaw Police Department.

" Mr. Murphy has been instrumental in the success of the Michigan High Intensity Drug Trafficking Area (HIDTA) providing leadership to the Federal Law Enforcement Community. As the Chair of the Executive Board, his skill at consensus building has benefitted all of us, Federal, State and Local Participants," said **Abraham Azzam**, Executive Director, Michigan HIDTA. " We wish him good fortune in his new position."

During Mr. Murphy's tenure as the US Attorney, two additional Weed and Seed Sites were awarded, bringing the District total to eight. These awards brought millions of dollars into the region to assist with grass root community based programs. In addition, the District was chosen as the site for the 2007 National Weed and Seed Conference. The highly successful event, which was personally sought and hosted by U.S. Attorney Murphy, brought thousands of delegates from across the country to Detroit.

Public Corruption

Prosecuting public officials who breach their duties and violate the public trust was one of the significant priorities of the U.S. Attorney's Office under the leadership of Mr. Murphy. Over the last three years the office has seen several prosecutions, convictions and sentencings of government officials, police officers, federal law enforcement employees, former prosecutors and public school officials. Those cases include:

- Former Detroit City Councilman Alonzo Bates was convicted and sentenced to 33 months in prison on theft and fraud charges. Bates placed ghost employees on the City of Detroit's payroll which resulted in a loss to the city of approximately \$91,000.
- Lance Newman, a former homicide detective with the Detroit Police Department, was sentenced to 12 months in prison after pleading guilty to defrauding the family of a murder victim out of \$12,000 by telling them he has incurred personal expenses in investigation the murder of their family member.

- Vincent Crockett, an 18 year veteran of the Detroit Police Department was indicted on charges of stealing cocaine from the property room of the police department. He is currently awaiting trial.
- Patrick Wynne, a former detention officer, was convicted and sentenced to 57 months in prison for stealing as much as \$290,000 in cash and other property from more than 500 illegal immigrants he was responsible for housing.
- Roy Bailey, the Field Office Director at the Department of Homeland Security, Immigration and Customs Enforcement (DHS-ICE), was indicted along with four others on charges of bribery, extortion and conspiracy. Baily is alleged to have misused his position by accepting large sums of money and other property in return for granting immigration benefits, including the release of several individuals who were being kept in the custody of the Immigration and Naturalization Service. Bailey is currently awaiting trial.
- Former Ogemaw County Prosecuting Attorney Frederick MacKinnon, Chief Assistant Prosecuting Attorney Gary Theunick and former Rose City Chief of Police Maxwell Garnett were convicted and sentenced for their roles in illegally obtaining and possessing machine guns and silencers.
- Richard Zaranek, a former school principal with the Chippewa Valley School District was convicted and sentenced to 31 months in prison for embezzling approximately \$400,000 from the school's child care and parent teacher organizations.
- James Tague, a former purchasing agent for the Chippewa Valley School District was convicted and sentenced to 42 months in prison for defrauding the school district out of over \$2 million. Tague defrauded the school district by rigging bids and awarding contracts to a company he secretly owned and operated.

Drugs

The drug trafficking trade in the Eastern District of Michigan has suffered a serious blow due to the diligent efforts of federal prosecutors under the leadership of Mr. Murphy. With the help of federal, state and local law enforcement agencies, the U.S. Attorney's office has successfully dismantled some of the largest drug organizations this district has seen.

Examples of those cases include:

- Terry and Demetrius Flenory, who, along with 38 other individuals, were convicted for their roles in operating a drug organization called the "Black Mafia Family" which dealt in multi-kilo quantities of cocaine in the Detroit metropolitan area. Law enforcement officers from around the county seized over 476 kilograms of cocaine and over \$19 million worth of assets.
- Quasand Daniell Lewis was convicted and sentenced to eighteen years in prison for his role as the leader of a drug organization that distributed more than 30,000 kilograms of marijuana in Detroit, California, Arizona and elsewhere. Twenty-seven other individuals were convicted and sentenced for their roles in the conspiracy, including Robert Traylor, a former NBA player.
- Michael Anthony Clark was convicted and sentenced to fifty years in prison for his role as the leader of a Detroit-based drug trafficking organization which operated for more than 15 years. Clark and his organization were responsible for transporting more than 1,000 kilograms of marijuana and cocaine from the western United State to Detroit for distribution. Twelve other associates of Clark were convicted and received sentencing ranging up to 20 years.

In response to the increase in the manufacture and use of methamphetamine in our state, Mr. Murphy initiated a meth awareness program in 2005 designed to address the dangers of this highly addictive drug. The initiative placed a high priority on the prosecution of methamphetamine cooks and repeat offenders, with special emphasis being given to the small

toxic labs (“STLs”) that crop up in rural areas of the district. Since launching its meth initiative, the United States Attorney’s Office has successfully prosecuted individuals on methamphetamine related charges who subsequently received sentences ranging from probation to 360 months in prison. Many have credited this initiative with stopping the spread of meth into southeast Michigan’s most populace tri country region.

As a further part of the initiative, Mr. Murphy hosted the first Drug Endangered Children Conference. The conference provided a forum to educate professionals from a variety of disciplines including local, state and federal law enforcement, firemen, local and state prosecutors, probation officers, child protective services workers and child advocacy providers on the dangers associated with methamphetamine abuse.

Robert L. Corso, Special Agent in Charge of the DEA Detroit Field Division stated, “Working with the United States Attorney’s Office during Stephen Murphy’s tenure, has been very productive. He always extended the full resources of his office to assist in furthering DEA investigations. This is illustrated by the fact that his office has helped put away some of the largest drug trafficking organizations ever investigated in southeast Michigan. It is good to see that his passion for law enforcement and his commitment to justice has been rewarded, and that he will continue to serve the citizens of this nation with his appointment to serve as a U.S. District Court Judge.

Civil Rights

After taking office in April, 2005, Mr. Murphy created an innovative Cross Functional Civil Rights Working Group (CFCRWG) to focus on issues relating to his office’s civil rights enforcement and community outreach programs. For the first time, a group was created in the office to bring together on a regular basis criminal and civil division personnel, as well as senior management, to share information and coordinate civil rights enforcement activities and community concerns.

The office has had success in both the civil and criminal areas of civil rights enforcement. Over the past three years the office has seen the conviction and sentencing of three men who attempted to burn down the home of an African American family in Taylor, Michigan; the conviction and sentencing of a Sumpter Township man who burned a five-foot-tall cross in front of a victim's residence; the conviction of a Livonia man who threatened a couple and their real estate agent in an attempt to keep the couple from selling their home to African-Americans; the conviction and sentencing of two men, who along with 7 others, organized a conspiracy whereby they forced women to work as exotic dancers in Detroit area strip clubs, and the conviction and sentencing of a couple who forced a Cameroonian girl, whom they had brought to the U.S. illegally, to work against her will as a domestic servant. In addition, United States Attorney Murphy – along with Canadian authorities – presided over the indictment and prosecution of one of the largest human trafficking cases on the northern border in 2006 when 24 individuals were arrested and prosecuted for smuggling illegal aliens into the United States in terrible conditions for exorbitant fees.

Further, since 2006 the United States Attorney's office, through various civil enforcement actions, has obtained nearly \$1 million from owner/operators of area apartment complexes as well as a local developer to settle allegations of discrimination under the Fair Housing Act.

Fraud

The office's Economic Crimes Unit, under the leadership of U.S. Attorney Murphy (who worked in the unit as an AUSA more than 10 years ago), has a strong record of prosecuting corporate fraud such as investor fraud, bank and wire fraud, mortgage fraud and computer fraud and intellectual property crimes. Some of those cases include:

- The prosecution of seven members of MCA Financial Corporation, who falsified accounting books and records and misled investors, lenders and regulators which resulted in a \$250 million loss.

- Three high-level executives of Lason Corp. were convicted for defrauding investors and potential investors, institutional lenders and others by overstating and fabricating company revenues, understating its expenses and fraudulently boosting its earnings for the purpose of meeting or exceeding Wall Street's quarterly earnings projections which resulted in a loss to Lason's shareholders of over \$100 million.
- Charles Mady, a Northville attorney was convicted for embezzling more than \$8 million from 30 investors who he solicited money from for the purpose of pooling their funds and using the money to trade in the commodity futures market.
- 25 people have been charged with fraud in connection with over \$ 76 million in loans guaranteed by the federal Small Business Administration.
- 15 separate complaints, indictments or informations were filed charging 28 individuals with felonies relating to mortgage fraud with an estimated loss of over \$50 million.

Computer and Intellectual Property Crimes

- The first in the nation prosecution and conviction for a violation of the CAN-SPAM Act, the federal law making certain kinds of unlawful spamming illegal with the conviction and 3-year prison sentence of Daniel Lin.
- The Alan Ralsky international spamming and stock market pump and dump ring was indicted in January 2008, with ten individuals charged.
- Two successful trials against two separate defendants, Kirk Lanam in 2006, and Patrick Nolan in 2007, for illegal computer hacking. Both cases resulted in guilty verdicts against computer IT experts who broke into the computers of companies they had once worked for, and damaged them.

- One the Nation's first successful prosecutions in 2007 of the manager of a "bot-net." Jason Downey pleaded guilty and was sentenced to 1-year in prison for operating a network of computers infected with a "bot virus", a malicious program that allowed Downey to control thousands of computers and the same time, and use them to launch attacks on other computer networks and knock them off-line.

William Callahan, Special Agent in Charge, United States Secret Service, Detroit Field Office, said, "We would like to recognize USA Stephen Murphy's support of the Detroit Field Office's efforts in the areas of child pornography and loan/mortgage fraud. Because of his support, through his assignment of Assistant United States Attorneys specifically dedicated to prosecuting cases involving child pornography, and who have attended Internet Crimes Against Children (ICAC) training side by side with our agents, we have arrested and convicted offenders for the distribution and manufacturing of child pornography. Together our offices have also successfully prosecuted child internet predators, who traveled to meet with underage teenagers after communicating with under cover agents on the internet." "Another arena of significance to the public has been the abuses and criminal activity surrounding fraudulent loans and mortgages. Together we have successfully prosecuted over 23 individuals in the BLX case including the Vice President of Business Loan Express, Patrick Harrington. We have seized assets in this case over 1.2 million dollars. Our office is expanding its efforts into mortgage loan fraud and has received energetic support from the United State's Attorney's Office. Without USA Stephen Murphy's enthusiastic support, our efforts would have been in vain."

Murphy also hosted the first-ever AUSA Reunion Gala for former Assistant U.S. Attorneys in early 2008. The Gala brought back to Detroit over 100 former AUSAs and their guests for a special evening at the Detroit Marriot Renaissance Center.



U.S. Department of Justice

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Aug 20, 2008

EVENT: Indictment

Defendant: Hassan Nagi et al

FOUR INDICTED BY FEDERAL GRAND JURY FOR MORTGAGE FRAUD

Defendants Alleged To Have Obtained \$1.9 Million In Bad Loans Using Inflated Appraisals

A seventeen-count indictment charging four defendants with conspiracy, bank fraud, and mail fraud was returned by a federal grand jury this morning, Acting United States Attorney Terrence Berg announced. Berg was joined in the announcement by Andrew G. Arena, Special Agent-In-Charge of the Federal Bureau of Investigation in Detroit.

According to the indictment, Hassan Nagi, 30, of Dearborn Heights, Ali Haidous, 24, of Dearborn, Safi Bzeih, 35, of Dearborn, and Hussein Aoun, 23, of Dearborn Heights conspired to secure fraudulent mortgages on 16 properties between April 2005 and April 2008. The value of the mortgages totaled \$1.9 million. The properties were located in Detroit, Dearborn, and Dearborn Heights. The loans were issued by various national financial institutions, including Countrywide Bank, Washington Mutual, Fifth Third Bank, IndyMac Federal Bank, Net Bank, and Sun Trust bank.

The indictment alleges Nagi worked as a mortgage broker and was responsible for submitting false and fraudulent applications to obtain the mortgages. Haidous was a real estate appraiser who provided fraudulent appraisals for the properties. Bzeih and Aoun recruited sellers and "straw buyers" for the properties.

According to the indictment, after the defendants identified a willing seller of a property,

Nagi secured financing for a "straw buyer." False income and employment information was provided to the lender using fraudulent W-2 forms. In support of each loan, Nagi also submitted an inflated appraisal, created by Haidous. After the inflated mortgage was funded at closing, the seller received sufficient funds to pay off any existing mortgage as well as a "bonus" for participating in the mortgage fraud scheme. The remainder of the proceeds from the inflated mortgage were shared between the defendants and straw buyer.

Acting United States Attorney Berg said, "Mortgage fraud is a serious and economically damaging crime because it harms both our financial institutions as well as the integrity of the market. These are not victimless crimes and we will do all we can to ensure that those who commit fraud are brought to justice."

"We remain dedicated to preventing mortgage fraud and putting unrelenting pressure on these criminal groups," Arena said.

An indictment is a charging document and not evidence of guilt. Each and every defendant is presumed to be innocent.

Nagi, Haidous, and Bzeih are expected to appear in federal court before Magistrate Judge Virginia Morgan at 1:00 p.m. on Thursday, August 21, for their initial appearances and arraignment on the indictment. Aoun is a fugitive in Lebanon.

The case is being prosecuted by Assistant U.S. Attorney Leonid Feller.



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Aug 22, 2008

EVENT: Guilty Verdict

Defendant: Donald Wayne Flint

**OHIO MAN FOUND GUILTY OF TRAFFICKING IN CHILDREN
FOR SEXUAL EXPLOITATION**

Donald Wayne Flint, age 34, of Cleveland, Ohio, Michigan, was found guilty yesterday by a federal jury in Detroit, Michigan on two counts of Sexual Trafficking of Children and Interstate Transportation of Minors for Prostitution, Acting United States Attorney Terrence Berg announced today. He was acquitted on one count of conspiracy and one count of Interstate Transportation for Prostitution.

The jury deliberated for less than three hours before returning the verdict, concluding a trial that began on August 19, 2008, with jury selection before United States District Judge Patrick J. Duggan.

"The sexual exploitation of minors is a horrific crime whenever it occurs, but especially when it involves forced prostitution -- as it did in this case," said Acting United States Attorney Terrence Berg. "Reducing human trafficking and punishing those who exploit children are key goals of my office and the guilty verdict evidences our unceasing effort to combat this dangerous criminal activity."

The evidence presented at trial established that in June, 2007, FLINT and co-defendant James Roney brought two victims, a 15 year old girl and an adult woman from Cleveland, Ohio to Detroit for the purpose of making money through prostitution and striptease dancing, and for the purpose of having sex with them. While in Detroit, defendant FLINT instructed the victims that they would have to engage in commercial sexual acts for money, including sexual intercourse and oral sex.

FLINT faces a mandatory minimum sentence of 10 years in prison up to 30 years in prison on each count. The actual sentence imposed will depend on a number of factors, including the defendant's criminal record (if any), and advisory Sentencing Guidelines. A sentencing date has not yet been set.

Co-defendant James Roney pleaded guilty to the charges in October, 2007 and will be sentenced August 26, 2008.

The investigation of this case has been conducted by the Federal Bureau of Investigation, the Michigan State Police and the Wayne County Sheriff's Department. The case has been prosecuted by Assistant U.S. Attorneys Saima Mohsin and Matthew Roth, with the assistance of Paralegal Sherita Gentry.



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Aug 26, 2008

EVENT: Guilty Plea

Defendant: Aaron Scott

FORMER DETROIT POLICE OFFICER SENTENCED FOR EXTORTION

Acting United States Attorney Terrence Berg announced today that former Detroit Police Officer Brandon Allen, 23 of Southfield, was sentenced yesterday to serve 2 years under the supervision of the federal court, the first 6 months in the custody of the Bureau of Prisons and the second 6 months on home confinement, and to pay \$200 restitution, upon his conviction for extorting money from a citizen under color of law. Berg was joined in the announcement by Special Agent in Charge Andrew G. Arena, Federal Bureau of Investigation. The sentence was imposed by the Honorable David M. Lawson.

On April 8, 2008, Allen and his partner, Aaron Scott, pleaded guilty to extorting money from a citizen under color of law, in violation of the Hobbs Act.

The evidence adduced at the two guilty plea hearings established that on October 19, 2007, while they were on duty with the Detroit Police Department and assigned to the Tactical Services Section, Allen and Scott extorted funds from a clerk at the convenience store inside the Marathon Gas Station located at West Warren and the Jeffries Freeway in the City of Detroit by threatening to arrest him if he did not pay them. The in-store video from that night shows the clerk chased a group of troublemakers out of the store by brandishing a shotgun;

the clerk immediately came back inside the store, put the shotgun away, and continued to wait on customers. The video shows that moments later, Allen and Scott came into the store with guns drawn, ordered the clerk from behind the counter, placed him in handcuffs, and talked to him. According to their guilty pleas, the two men told the clerk he could face various legal troubles as a result of his actions, but he could avoid going to jail by paying them cash. The video shows the officers then removed the handcuffs, and the clerk took money from the cash register of the gas station and handed it to one of the officers. The officers left, and made no note of the event in their DPD activity log.

Acting United States Attorney Terrence Berg said, "Extortionate conduct by a police officer harms not only the victim who is shaken down, but also the larger community of citizens, whose confidence in law enforcement is also shaken. Our office will pursue such cases with appropriate vigor."

Aaron Scott's sentencing hearing is set for September 29, 2008, also before Judge Lawson.



U.S. Department of Justice

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Aug 26, 2008

EVENT: Indictments

Defendant: Deondre M. Mullen et al

EIGHT INDICTED BY FEDERAL GRAND JURY ON DRUG AND GUN CHARGES

“Evonnie Boyz & Gyrلز” Gang Members Face Up To Life Imprisonment

A fourteen-count indictment charging eight defendants with conspiracy to distribute crack cocaine and heroin – as well as other drug and firearm charges – has been unsealed, Acting United States Attorney Terrence Berg announced today. Berg was joined in the announcement by Thomas E. Brandon, Special-Agent-In-Charge of the Detroit office of the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), Jackson County Sheriff Dan Heyns, Jackson County Prosecutor Henry C. Zavislak, Chief Matthew Heins, Jackson City Police Department, Lt. James Shaw, Michigan State Police, the Jackson Narcotics Enforcement Team and the Michigan Department of Corrections.

The indictment charges eight defendants – all alleged to be members of an armed street gang known as the “Evonnie Boyz & Gyrلز” – with conspiring to distribute crack cocaine and heroin in Jackson over the past year. The eight defendants are:

- DEONDRE MEQUALE MULLEN, a/k/a Dre, 33
- SHARONDA LATRICE BAILEY, a/k/a Shorty, 23
- JARRELL LAFEYETTE FULLILOVE, a/k/a Chi Town, 24
- DWIGHT EVERETTE FULLILOVE, a/k/a Whitehead, 22
- DIONTE CORTEZ REED, a/k/a Mike Jones, 20
- DELANO D'MITERI TARPLEY, a/k/a Lano, a/k/a Bird, 19
- JAMIE LEE WAGNER, 20

- DESHAWN SWEET, 20

Jarrell Fullilove is also charged with selling a stolen firearm.

“Gangs can be beaten when federal, state, and local law enforcement team up with community groups to fight organized drug trafficking and the dangers it brings to our neighborhoods,” Berg said.

“ATF remains committed to working with our law enforcement partners and prosecutors to aggressively investigate armed violent gangs,” Brandon said.

“Taking these offenders off the streets of Jackson and bringing the harshest penalties to bear has always been our goal,” says Prosecutor Hank Zavislak. Both Chief Matt Heins and Sheriff Heyns agree that a small group of gun carrying perpetrators has always been at the heart of violent crime in the community. “The Jackson community needs protection from these types of offenders. Thanks to Project Safe Neighborhood and some great police work, they’re going to get it!”

Mullen, Jarrell Fullilove, Dwight Fullilove, and Reed were taken into custody this morning by ATF agents working with officers from the Jackson Police Department. They made their appearance before Magistrate Judge Donald A Scheer in federal district court in Detroit and were ordered temporary detained pending a detention hearing tomorrow.. Wagner was arrested and appeared in federal district court late yesterday afternoon. Law enforcement officers continue to search for Bailey and Sweet, who are fugitives and Tarpley is currently in state custody.

The most serious charge against all eight defendants, conspiracy to distribute more than 50 grams of crack cocaine, carries a penalty of 10 years to life imprisonment.

An indictment is a charging document and not evidence of guilt. Each and every defendant is presumed to be innocent.

These charges are a result of the “Three Cities Initiative” (TCI), which is part of Project Safe Neighborhoods, and launched in September, 2007 which expanded the resources necessary to combat gun and gang violence in three priority communities in the Eastern District of Michigan: Flint, Saginaw and Jackson. As part of the TCI, a \$1M grant was awarded and is being allocated to the TCI over three years and will be rolled out in five phases that include identifying the worst of the worst and weekly meetings, community outreach and public awareness, major sweeps based on intelligence gathering, evaluation and sustainability. Each

city participated in the grant process and received a proportion of the award based on population, crime rate and other needs related to gun crime demonstrated in the grant.

Citizens with information concerning illegal guns, gangs with guns, armed drug trafficking or the trafficking of illegal guns are encouraged to call 800-ATF-GUNS. Callers can remain anonymous. This number is managed and answered by law enforcement, ATF agents who work directly with local police departments. For information about Project Safe Neighborhoods call 1-800-891-8881 or visit www.psnworks.org.

The case is being prosecuted by Assistant U.S. Attorney Leonid Feller.



U.S. Department of Justice

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Aug 26, 2008

EVENT: Convicted

Defendant: James Roney, III

**OHIO MAN SENTENCED FOR TRAFFICKING IN CHILDREN
AND CONSPIRACY**

An Ohio man convicted on charges of sexual exploitation of children and criminal conspiracy was sentenced today to 151 months' in prison, announced Acting United States Attorney Terrence Berg. Mr. Berg was joined in the announcement by Andrew G. Arena, Special Agent in Charge, Federal Bureau of Investigation.

James Roney, III, 33, of Cleveland, Ohio, who pleaded guilty to criminal conspiracy and the sexual trafficking in children in October, 2007 was sentenced before United States District Judge Patrick J. Duggan.

"The sexual exploitation of minors is a horrific crime whenever it occurs, but especially when it involves forced prostitution -- as it did in this case," said Acting United States Attorney Terrence Berg. "Reducing crimes of human trafficking is a key goal of my office and today's guilty plea evidences our unceasing effort to stop this pernicious criminal activity."

During the plea hearing, Roney admitted that in June, 2007, he and co-defendant Donald Wayne Flint brought two victims, a 15-year-old girl and an adult woman from Cleveland, Ohio to Detroit for the purpose of making money through prostitution and striptease dancing, and for the purpose of having sex with them. While in Detroit, defendant Roney instructed the victims that they would have to engage in commercial sexual acts for money,

including sexual intercourse and oral sex. Roney further admitted to physically and sexually assaulting the minor victim.

The investigation of this case has was conducted by the Federal Bureau of Investigation, the Michigan State Police and the Wayne County Sheriff's Department. The case has been prosecuted by Assistant U.S. Attorney Saima Mohsin.