



U.S. Department of Justice

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Nov 6, 2007

EVENT: Guilty Plea

Defendant: Dr. Larry White

**DOCTOR PLEADS GUILTY TO UNLAWFULLY
DISTRIBUTING A CONTROLLED SUBSTANCE**

A physician operating in Macomb County pleaded guilty today in federal court in Ann Arbor to charges of distributing pain medications without a legitimate medical purpose and outside the course of professional practice, United States Attorney Stephen J. Murphy announced.

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

Dr. Larry White, 65 of Rochester, Michigan pleaded guilty before United States District Judge John Corbett O'Meara. Dr. White admitted to distributing the pain pill Percodan (oxycodone) to a patient, with known drug seeking behavior, without an appropriate inquiry to determine if the patient had a legitimate medical need for the pain medication.

"The illegal prescribing of controlled substances by medical professionals appears to be increasing in the metro Detroit area. The type of criminal violations committed by Dr. White, a licensed doctor, are taken very seriously by my office because they evidence a total abuse of

trust by the physician and because they endanger the safety of their patients,” said United States Attorney Murphy.

The information presented to the court at the time of the plea showed that between January 2004 and May 2006, Dr. White unlawfully prescribed over 90,000 dosage units including Oxycodone, Vicodin, Xanax and Valium.

Under the terms of the plea agreement, Dr. White faces up to 60 months imprisonment and a fine of up to \$1 million and must surrender his DEA license and will not be allowed to write prescriptions for controlled substances.

A sentencing hearing was set by Judge O'Meara for February 5, 2008 at 1:30 p.m..

The case was investigated by Diversion Investigators of the Drug Enforcement Administration and prosecuted by Assistant U.S. Attorney Alan M. Gershel, Chief of the Criminal Division.



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Nov 6, 2007

EVENT: Partnered with University of Detroit Mercy (UDM) School of Law

**US ATTORNEY MURPHY TO PARTNER WITH
UDC SCHOOL OF LAW TO BOLSTER FEDERAL
ENVIRONMENTAL ENFORCEMENT**

United States Attorney Stephen J. Murphy announced today that the United States Attorney's Office has partnered with the University of Detroit Mercy (UDC) School of Law to create a first of its kind Environmental Law Clinic that will support the Justice Department's environmental enforcement mission while providing legal experience to UDC law students.

The Clinic, which will begin operation in January 2008, offers a unique opportunity to University of Detroit Mercy School of Law students to work with the U.S. Attorney's Office for the Eastern District of Michigan and the Environmental Enforcement Section of the United States Department of Justice in Washington, D.C. The Clinic will be supervised by a UDC faculty member, Lynn Dodge, who is Director of the Environmental Law Clinic, and who has been appointed as a Special Assistant United States Attorney for the Eastern District, as well as attorneys in the Civil Division of the U.S. Attorney's Office. Dodge is a former Trial Attorney with the Environmental and Natural Resource Section of the Department of Justice in Washington, D.C. Participating students will be required to complete FBI background investigations before handling work with the U.S. Attorney's Office and the Environmental

Enforcement Section.

United States Attorney Stephen J. Murphy said, "Polluting our waterways and atmosphere is not only detrimental to others who use them, it can constitute criminal activity. Our office has traditionally played a strong role in protecting these important natural resources. The creative program I am proud to announce today will both benefit our environment and provide a top-notch litigation experience for student lawyers. I look forward to working with UDC on this unique project."

In the Clinic, students will assist in handling environmental enforcement matters referred from the U.S. Environmental Protection Agency, the U.S. Army Corps of Engineers, or the U.S. Coast Guard. Under supervision of Prof. Dodge, the students will participate in litigating matters brought under such federal environmental statutes as the Clean Water Act, the Clean Air Act, the Comprehensive Environmental Response, Compensation and Liability Act, and the Resource Conservation and Recovery Act in federal district court. Under this relationship with the U.S. Attorney's office, the students will gain an in-depth understanding of how to litigate complex environmental statutes while obtaining an insider's view of the Justice Department and various federal agencies. The program will enhance the U.S. Attorney's Office's capacity to respond effectively to environmental cases by providing a dedicated resource in this enforcement area.

The United States Attorney's Office for the Eastern District of Michigan, the fourteenth largest such office in America, prosecutes civil and criminal matters on behalf of the United States of America and its agencies – such as the Environmental Protection Agency -- in the 34 counties that make up the eastern half of the state. The office serves a population of more than 6.7 million Michigan residents and is comprised of approximately 100 Assistant United States Attorneys and a similar number of support staff. United States Attorney Stephen J. Murphy was appointed by President Bush to his position on March 8, 2005, and confirmed by unanimous consent of the United States Senate three months later.

Inquiries or interview requests may be lodged with Public Information Officer Gina Balaya, 313.226.9758



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Nov 7, 2007

EVENT: Indictment

Defendant: Joseph Costa Pacheco III

**PLYMOUTH MAN INDICTED IN CONNECTION
WITH FIVE BANK ROBBERIES**

Joseph Costa Pacheco III, 32, of Plymouth was indicted by a federal grand jury in Detroit on five counts of bank robbery, United States Attorney Stephen J. Murphy announced today.

Mr. Murphy was joined in the announcement by Andrew G. Arena, Special Agent-In-Charge of the Federal Bureau of Investigation's Detroit field office.

The indictment charges Pacheco with committing five bank robberies:

- October 15, 2007 -- National City Bank, 39475 Ann Arbor Rd., Plymouth Township, resulting in a loss of \$4,460.00
- October 19, 2007 -- Chase Bank, 32203 Plymouth Rd., Livonia, resulting in a loss of \$2,106.00
- October 23, 2007 -- Charter One Bank, 31441 Plymouth Rd., Livonia, resulting in a loss of \$752.00
- October 24, 2007 -- Charter One Bank, 23220 Farmington Rd., Farmington, resulting in a loss of \$3,501.95
- October 29, 2007 -- Flagstar Bank, 3915 Telegraph Rd., Bloomfield Hills, resulting in a loss of \$4,912.11

Each of the five counts of bank robbery is punishable by up to 20 years' imprisonment and a \$250,000 fine.

United States Attorney Stephen J. Murphy said, "The swift law enforcement response to this rash of bank robberies is a tribute to the excellent federal, state, and local cooperation that made today's charges possible. I commend the excellent investigative effort involved at all levels of government."

An indictment is only a charging document and is not evidence of guilt. A defendant is presumed innocent and it is the government's burden to prove guilt beyond a reasonable doubt.

Pacheco was arrested at his home on October 30, 2007 by law enforcement officers from the Western Wayne County Community Response Team, a group of law enforcement officials from the Michigan State Police, Wayne County Sheriff's Department, Plymouth Township, Canton Township, and Northville Township. Officers from the City of Farmington and Livonia Township also assisted in the investigation.

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



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Nov 13, 2007

EVENT: Guilty Plea

Defendant: Nada Nadim Prouty

**FORMER EMPLOYEE OF CIA AND FBI PLEADS GUILTY TO CONSPIRACY,
UNAUTHORIZED COMPUTER ACCESS AND NATURALIZATION FRAUD**

Nada Nadim Prouty, a 37-year-old Lebanese national and resident of Vienna, Va., pleaded guilty today in the Eastern District of Michigan to charges of fraudulently obtaining U.S. citizenship, which she later used to gain employment at the FBI and CIA; accessing a federal computer system to unlawfully query information about her relatives and the terrorist organization Hizballah; and conspiracy to defraud the United States.

The announcement was made today by Stephen J. Murphy, U.S. Attorney for the Eastern District of Michigan; Kenneth L. Wainstein, Assistant Attorney General for National Security; Willie T. Hulon, Executive Assistant Director of the FBI's National Security Branch; Brian M. Moskowitz, Special Agent in Charge of the Detroit Office of U.S. Immigration and Customs Enforcement (ICE); and Kurt Rice, Chicago Field Office Special Agent in Charge for the U.S. State Department's Diplomatic Security Service.

At a hearing in Detroit before the U.S. District Court Judge Avern Cohn, Prouty entered

a plea of guilty to counts one, two and three of a second superseding information. Count one of the information charges conspiracy, for which the maximum penalty is five years imprisonment and a \$250,000 fine. Count two charges unauthorized computer access, for which the maximum penalty is one year imprisonment and a \$100,000 fine. Count three charges naturalization fraud, for which the maximum penalty is 10 years imprisonment and a \$250,000 fine, and requires the court to de-naturalize the defendant.

“This case highlights the importance of conducting stringent and thorough background investigations,” said U.S. Attorney Stephen J. Murphy. “It’s hard to imagine a greater threat than the situation where a foreign national uses fraud to attain citizenship and then, based on that fraud insinuates herself into a sensitive position in the U.S. government. I applaud the excellent investigative work of the FBI, ICE and DHS, which led to the successful prosecution today.”

“It is a sad day when one of our public servants breaches our security and trust,” said Assistant Attorney General Kenneth L. Wainstein. “This defendant engaged in a pattern of deceit to secure U.S. citizenship, to gain employment in the intelligence community, and to obtain and exploit her access to sensitive counterterrorism intelligence. It is fitting that she now stands to lose both her citizenship and her liberty.”

“We became aware of this compromise in December 2005 and moved to address any further damage,” said Willie T. Hulon, Executive Assistant Director of the FBI’s National Security Branch. “The FBI worked closely with other agencies to investigate this matter. We continue to evaluate our security practices and will make any necessary changes.”

“Nada Proudly’s guilty plea should serve as a solemn warning to those who say they’ve pledged their allegiance to the United States and then make the conscious decision to place America’s interests at risk,” said Brian M. Moskowitz, Special Agent in Charge of the ICE Office of Investigations in Detroit. “Becoming a naturalized U.S. citizen is an honor and a privilege. ICE will do everything in its power to see that those who achieve this honor by fraud and deception are brought to justice.”

Naturalization Fraud

According to documents filed in court by the government, Prouty first entered the United States from Lebanon on June 24, 1989, on a one-year, non-immigrant student visa. After her visa expired, she remained in the country, residing in Taylor, Mich., with her sister, Elfat El Aouar, and an individual named Samar Khalil Nabbouth. In order to remain in the United States and evade U.S. immigration laws, Prouty later offered money to an unemployed U.S. citizen to marry her. On August 9, 1990, Prouty married the U.S. citizen. As planned, Prouty never lived with her fraudulent “husband,” but continued to live with her sister and Nabbouth.

Prouty later submitted a series of false, fraudulent and forged documents and letters to federal immigration officials to verify the validity of the fraudulent marriage in order to obtain permanent residency status, and, later, U.S. citizenship, thereby committing naturalization fraud. On Aug. 5, 1994, the former Immigration and Naturalization Service granted Prouty U.S. citizenship under the name “Nada Nadim Deladurantaye.” The following year, she filed for a divorce from her fraudulent husband, and later obtained a U.S. passport, which she used to travel overseas.

Talal Khalil Chahine

According to court documents, from May 1992 through April 1993, and again, from August through November 1994, Prouty was employed as a waitress and hostess at La Shish Inc., a chain of Middle Eastern restaurants in Detroit that was owned by Talal Khalil Chahine. During this time, Chahine wrote a letter for submission into Prouty’s immigration file attesting to the validity of Prouty’s false marriage.

Chahine is currently a fugitive believed to be in Lebanon. He, along with Prouty’s sister, Elfat El Aouar, and others were charged in 2006 in the Eastern District of Michigan with tax evasion in connection with a scheme to conceal more than \$20 million in cash received by La Shish restaurants and to route funds to persons in Lebanon. Last month, Chahine was also charged in the Eastern District of Michigan, along with a senior ICE official in Detroit and others in a bribery and extortion conspiracy in which federal immigration benefits were allegedly awarded to illegal aliens in exchange for money.

Employment at FBI and CIA

In April 1999, through a series of false representations and use of her fraudulently procured proof of U.S. citizenship, Prouty, then known as “Nada Nadim Alley,” obtained employment as a special agent of the FBI. It was a prerequisite to FBI employment that she be a U.S. citizen. As a special agent with the FBI, Prouty was granted a security clearance and assigned to the FBI’s Washington Field Office to work on an extraterritorial squad investigating crimes against U.S. persons overseas. During her tenure with the FBI, Prouty was not assigned to work on investigations involving the international terrorist group Hizballah.

In August 2000, Prouty’s sister, Elfat El Aouar, entered into a marriage with Talal Khalil Chahine, the owner of La Shish Inc. In September 2000, Prouty, while employed as an FBI special agent, used the FBI’s computerized Automated Case System (ACS), without authorization, to query her own name, her sister’s name, and that of her brother-in-law, Talal Khalil Chahine. In addition, on or about June 4, 2003, Prouty accessed the FBI’s ACS and obtained information from a national security investigation into Hizballah that was being conducted by the FBI’s Detroit Field Office.

According to court documents, in August 2002, Prouty’s sister, Elfat El Aouar, and her brother-in-law, Talal Khalil Chahine, attended a fundraising event in Lebanon where the keynote speakers were Chahine himself and Sheikh Muhammad Hussein Fadlallah. Sheikh Fadlallah had previously been designated by the U.S. government as a Specially Designated Global Terrorist based upon his status as a leading ideological figure with Hizballah.

In June 2003, through a series of false representations and use of her fraudulently procured proof of U.S. citizenship, Prouty, then known as “Nada Nadim Prouty,” voluntarily left her position with the FBI and obtained employment with the CIA. It was also a prerequisite to CIA employment that she be a U.S. citizen.

On Nov. 6, 2007, Prouty resigned her position at the CIA. Pursuant to the terms of her plea agreement, she has agreed to fully and truthfully cooperate with the CIA on any matters

the CIA deems necessary to transition Prouty out of its employment in a manner consistent with safeguarding the national security of the United States. This cooperation includes participation in debriefing and polygraph interviews.

The ongoing investigation into this matter is being conducted by the FBI and ICE, with assistance from the U.S. Department of State, Diplomatic Security Service, and the Internal Revenue Service.

The case is being prosecuted by Eric M. Straus, Chief of the National Security Unit, and Kenneth R. Chadwell, Assistant U.S. Attorney, from the U.S. Attorney's office for the Eastern District of Michigan, as well as Mark J. Jebson, Special Assistant U.S. Attorney and Senior Assistant Chief Counsel for U.S. Immigration and Customs Enforcement.

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Nov 15, 2007

EVENT: Guilty Plea

Defendant: Dennis Johnston

ATTORNEY PLEADS GUILTY TO CAMPAIGN FINANCE LAW VIOLATION

Dennis Johnston, a St. Clair Shores attorney, pleaded guilty today to unlawfully making campaign contributions in the names of other persons, United States Attorney Stephen J. Murphy announced today.

Mr. Johnston, 60, entered his guilty plea before U.S. District Judge Victoria A. Roberts. According to documents filed in the case, on December 10, 2001, Mr. Johnston directed another person to purchase four bank checks, each in the amount of \$2,000, knowing that the maximum amount for a contribution by a person was \$2,000. These checks were then contributed to the Carl Marlinga congressional campaign.

The offense to which Mr. Johnston pled guilty is a misdemeanor, punishable by up to one year in prison. Judge Roberts set the date for sentencing for April 14, 2007 at 2:00 p.m.



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Nov 15, 2007

EVENT: Sentencing

Defendant: Dorian Merriewether

FORMER WAYNE COUNTY SHERIFF'S DEPUTY SENTENCED

A former Wayne County Sheriff's Deputy, Dorian Merriewether, 36 of Farmington Hills, Michigan was sentenced today to 30 months probation with the first 8 months to be served under home confinement, announced United States Attorney Stephen J. Murphy.

Murphy was joined in the announcement by Special Agent in Charge Andrew G. Arena, Federal Bureau of Investigation and Wayne County Sheriff Warren C. Evans, whose agency played a central collaborative role in the investigation.

Merriewether was sentenced today before United States District Judge Lawrence P. Zatkoff in Port Huron, Michigan.

Merriewether pleaded guilty in September of this year on charges of conspiracy to distribute cocaine and marijuana. The information presented to the court at the time of the plea established that between 2004 and August 2005, Merriewether used his position as a Wayne County Sheriff's Deputy to transport and distribute cocaine and marijuana to individuals

detained in the Wayne County Jail.

“When the state acts as a jailer, its first duty is the secure and safe detention of those in custody. A deputy sheriff who supplies illegal drugs to prisoners threatens the safety of inmates, guards, and even citizens who may be visitors. I am very pleased that the FBI and the Wayne County Sheriff’s Office did all they could to bring this defendant to justice.”

SAC Arena said, “Police corruption matters are a priority of the FBI and we will continue to aggressively investigate those cases where public officials have betrayed the trust of the citizens which they have the responsibility to protect.”

Wayne County Sheriff Warren C. Evans said, "This type of activity will not be tolerated in this department. We will continue to actively and aggressively ferret out illegal activity wherever it exists."

The case was investigated by special agents of the FBI as well as the internal affairs department of the Wayne County Sheriff’s Office.



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Nov 15, 2007

EVENT: Sentencing

Defendant: Karl Kaechele

**FLORIDA MAN SENTENCED TO 110 MONTHS IN PRISON FOR TRAVELING TO SOUTHEAST
ASIA TO HAVE SEX WITH CHILDREN**

Karl Kaechele, 65, was sentenced to 110 months in custody for two counts of traveling in interstate and foreign commerce with the intent to engage in illicit sexual conduct, United States Attorney Stephen J. Murphy announced today.

U.S. Attorney Murphy was joined in the announcement by Brian Moskowitz, Special Agent in Charge of the Bureau of Immigration and Customs Enforcement (ICE) in Detroit.

The case arose out of a April 2005 arrest of Kaechele at the Detroit Metropolitan Airport. On that date, Kaechele was returning from a trip to Southeast Asia. The investigation into Kaechele's travel revealed that while overseas Kaechele committed sexual acts on several minors, some as young as 8 or 9 years of age. Kaechele frequented brothels in Vietnam, Thailand, and Cambodia to pay to have sex with both young girls and adult women. Kaechele made several trips to Southeast Asia for this purpose over several years. Kaechele kept

detailed notes of his sexual activity with these girls and women, describing the sex acts committed as well as the amount of money he paid.

United States Attorney Murphy said, "Make no mistake, our law prohibits American citizens from traveling abroad in order to sexually molest minor children. Regardless of the reason – whether it's conditions of poverty or corrupt law enforcement practices in foreign lands that are responsible for fostering such horrible things – we can and will prosecute anyone caught in the U.S. who travels to engage in 'child sexual tourism.'"

"As this sentence illustrates, Americans who travel abroad to prey on the children of other countries should clearly understand that their actions are not beyond the reach of U.S. law," said Brian M. Moskowitz, special agent in charge of the ICE Office of Investigation in Detroit. "ICE is committed to protecting those who cannot protect themselves. The victims of child sexual predators are at the top of that list." Moskowitz heads the ICE Office of Investigations for the states of Michigan and Ohio.

Murphy noted the diligence of the officers from the Bureau of Customs and Border Protection at the airport that disclosed Kaechele's numerous trips to Southeast Asia for the purpose of exploiting women and children. The Honorable Gerald E. Rosen imposed the sentence.

Assistant United States Attorneys John N. O'Brien II and Kevin M. Mulcahy prosecuted this case for the United States.

This prosecution was facilitated through Project Safe Childhood, a nationwide Department of Justice initiative designed to protect children from online exploitation and abuse. Led by the United States Attorneys Offices, Project Safe Childhood marshals federal, state and local resources to better locate, apprehend, and prosecute individuals who exploit children via the Internet, as well as identify and rescue victims. For more information about Project Safe Childhood, please visit www.projectsafechildhood.gov/.



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Nov 19, 2007

EVENT: Guilty Plea

Defendant: Demetrius Flenory

**DRUG KINGPIN PLEADS GUILTY TO DRUG
AND MONEY LAUNDERING CHARGES**

Leader of the "Black Mafia Family" (BMF) pleaded guilty today to running a large scale drug organization and money laundering, United States Attorney Stephen J. Murphy announced.

Demetrius Flenory, 39, originally of Detroit of entered his guilty plea in United States District Court in Detroit before Judge Avern Cohn.

Specifically, Flenory admitted that from 1990 through 2005, he was the leader of a criminal enterprise involving the large scale distribution of controlled substances, mainly cocaine. Further, Flenory admitted to obtaining millions of dollars in cash from the sale of cocaine. He used the illegal proceeds of his drug trafficking to purchase real estate, vehicles and jewelry.

Under the terms of the plea agreement, Flenory faces a sentence of 30 years to life in prison. In addition, Flenory agreed to a money judgment in the amount of \$270,000,000. A sentencing hearing was not set by Judge Cohn.

Demetrius Flenory's brother, Terry Flenory and five other defendants are still scheduled for trial on November 26, 2007. Of the 41 defendants who were indicted along with the brothers, 32 have pleaded guilty.



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Nov 20, 2007

EVENT: Guilty Plea

Defendant: Terry Flenory

**THE SECOND OF TWO DRUG KINGPINS PLEADS GUILTY TO DRUG
AND MONEY LAUNDERING CHARGES**

A leader of the "Black Mafia Family" (BMF) pleaded guilty today to running a large scale drug organization and money laundering, United States Attorney Stephen J. Murphy announced.

Mr. Murphy was joined in the announcement by Special Agent in Charge Robert L. Corso, Drug Enforcement Administration and Special Agent in Charge Maurice Aouate, Internal Revenue Service Criminal Investigation.

Terry Flenory, 37, originally of Detroit entered his guilty plea in United States District Court in Detroit before Judge Avern Cohn.

Specifically, Flenory admitted that from 1990 through 2005, he was the leader of a criminal enterprise involving the large scale distribution of controlled substances, mainly

cocaine. Further, Flenory admitted to obtaining millions of dollars in cash from the sale of cocaine. He used the illegal proceeds of his drug trafficking to purchase real estate, vehicles and jewelry.

Under the terms of the plea agreement, Flenory faces a sentence of 30 years to life in prison. In addition, Flenory agreed to a money judgment in the amount of \$270,000,000. A sentencing hearing was not set by Judge Cohn.

According to the charges in the indictment, Terry Flenory and his brother, Demetrius Flenory have been operating a drug organization, at some point named the "Black Mafia Family" (BMF), which dealt in multi-kilo quantities of cocaine in the Detroit metropolitan area beginning in the early 1990's. Since 2000, law enforcement officers from across the country have seized over 476 kilograms of cocaine destined for distribution by this organization. More than million in cash was seized by law enforcement officers between October, 1997 and June 2005. The members of this organization, using the illegal proceeds of their narcotic sales, purchased and leased numerous luxury vehicles, acquired and sold real property and purchased jewelry while concealing the true source and nature of the funds involved in the transaction through false names and nominee purchasers.

Five other defendants are still scheduled for trial on November 26, 2007. Of the 41 defendants who were indicted along with the brothers, 33 have pleaded guilty.



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Nov 21, 2007

EVENT: Indictment

Defendant: Steven Gene Marsh

BAY CITY MAN CHARGED WITH SEXUAL EXPLOITATION OF A MINOR

A federal Grand Jury has charged Steven Gene Marsh, 52, of Bay City, in an Indictment for manufacturing child pornography, United States Attorney Stephen J. Murphy announced today. Murphy was joined in the announcement by Andrew G. Arena, FBI Special Agent in Charge.

Steven Gene Marsh, 52, of Bay City, Michigan was arraigned in United States District Court in Bay City today. Bond was denied, and he was ordered detained by Magistrate Judge Charles Binder.

According to the indictment, on about September 27, 2007, Marsh persuaded and coerced a minor boy to engage in sexually explicit conduct for the purpose of producing visual depictions of such conduct. The charges carry a mandatory minimum sentence of 35 years to life, based on the severity of the charge, and the defendant's criminal history, which includes two prior convictions for sexual assault and possession of child sexually abusive material.

United States Attorney Stephen J. Murphy said, "Protecting children from predatory child sexual offenders is a top prosecution priority of my office. Today's charges are extremely serious and the penalties involved appropriately high."

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 was investigated by special agents of the FBI and the Bay City Police Department. The case is being prosecuted by Assistant U.S. Attorney Nancy Abraham.

This case is being brought as part of Project Safe Childhood. In February 2006, the Department of Justice created Project Safe Childhood, a nationwide initiative designed to protect children from online exploitation and abuse. Led by the United States Attorneys Offices, Project Safe Childhood marshals federal, state and local resources to better locate, apprehend, and prosecute individuals who exploit children via the Internet, as well as identify and rescue victims. For more information about Project Safe Childhood, please visit www.projectsafechildhood.gov/.



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Nov 30, 2007

EVENT: Sentencing

Defendant: Kenneth C. Kazerski

**BANKER SENTENCED TO 18 MONTHS
FOR ROLE IN ILENE MOSES INTERNATIONAL FRAUD SCHEME**

United States Attorney Stephen J. Murphy announced that Kenneth C. Kazerski, a resident of Grosse Pointe Woods, Michigan, former bank officer and former partner of the financial consulting and business work-out firm, Bahadur, Balan & Kazerski, was sentenced to 18 months imprisonment for aiding and abetting wire fraud for his role in a fraud committed against Michigan National Bank between 1982 and 1989.

The sentence was imposed by United States District Judge Patrick Duggan. The Court also imposed restitution in the amount of nearly \$15 million to be paid to Standard Federal Bank, the successor to Michigan National Bank.

United States Attorney Murphy said, "The Ilene Moses fraud scheme stands as one of the most complicated schemes this district has seen, but eventually the layers of sophisticated and complex fraud, conducted around the globe, were peeled away, exposed, and the perpetrators punished. We hope this will bring some sense of satisfaction to the many victims of the fraud as Mr. Kazerski's sentence helps close a chapter on an international scheme that took years to unravel."

Kenneth C. Kazerski had been hired as the Executive Vice President of a company owned by Ilene Ruth Moses called SMS, Inc. and later served as a consultant to the company. Assistant United States Attorneys Lynn Helland and Ross MacKenzie, who prosecuted the case, said that, "The evidence established that Ilene Moses, aided and abetted by her co-defendants including Kenneth Kazerski, defrauded three banks - two in Michigan, one in Switzerland - several top notch accounting firms, and numerous highly reputable British and American law firms out of approximately \$29 million in loans, investments, and service fees from 1982 until 1989. Moses and her co-defendants used a series of sophisticated cons conducted in Europe, Hong Kong, and the Caribbean to convince SMS' banks and investors that she was backed by a secret textile cartel based in Europe that would eventually provide her companies with millions of dollars with which she could repay her loans and outstanding fees. The international business SMS purportedly conducted with the cartel looked real, but it was all a sham." The fraud involved the use of a number of shell companies in Europe, the Caribbean, and Hong Kong and a system of phony paperwork and communications which helped make Moses' business and her financial backing by the secret cartel look real to sophisticated and experienced businessmen, bankers, and attorneys. Kazerski, himself a former banker and financial consultant, was instrumental in setting up the phony shell companies in the Caymans and Hong Kong and creating the business paper flow and communications that made it look real. He also was instrumental in getting the nominee owners of the shell business to confirm the business to SMS' auditors. The investigation conducted by the Federal Bureau of Investigation took a number of years and involved the gathering of evidence from numerous countries and the deposing of witnesses in a number of countries including Switzerland, England, Hong Kong, and the Cayman Islands with the Assistance of the Office of International Affairs in the Criminal Division of the Department of Justice and the FBI's Legat Officers located in a number of foreign countries.

Mr. Kazerski pled guilty and cooperated with the government during two trials of his co-defendants. The defendant has been permitted to remain free on bond pending his notification by the Bureau of Prison to report to the designated Federal Correctional Institution.

The case was investigated by Special Agent Daniel Troccoli of the Federal Bureau of Investigation.