



U.S. Department of Justice

**Terrence Berg
United States Attorney
Eastern District of Michigan**

***Suite 2001
211 West Fort Street
Detroit, Michigan 48226-3277***

For Immediate Release:

Contact: Gina Balaya (313) 226-9758

Nov 6, 2008

EVENT: Indictment

Defendant: Kassem Khalil

TWO DEARBORN RESIDENTS CHARGED WITH FOOD STAMP FRAUD

Acting United States Attorney Terrence Berg announced that two separate indictments have been returned charging two Dearborn residents with food stamp fraud. The indictments allege a scheme to defraud the United States Department of Agriculture ("USDA") of approximately \$566,000 in Food Stamp Program benefits.

Mr. Berg was joined in the announcement by Joe N. Smith, Special Agent in Charge, United States Department of Agriculture - Office of Inspector General and Maurice Aouate, Special Agent in Charge, Internal Revenue Service, Criminal Investigation Division. Kassem Khalil, 48, is alleged to have engaged in a scheme to defraud the USDA of approximately \$144,000. The indictment states that Khalil illegally paid food stamp beneficiaries cash in exchange for the food stamp benefits held via their EBT (Electronic Benefit Transfer) debit cards. The indictment alleges that the fraud took place during 2004 until 2007, while Khalil was working at Casey Mini Mart, Detroit, Michigan.

In a separate indictment, Jihad Aoun, 28, is alleged to have engaged in a scheme to defraud the USDA of approximately \$422,000. The indictment states that Aoun illegally paid food stamp beneficiaries cash in exchange for the food stamp benefits held via their EBT (Electronic Benefit Transfer) debit cards. The indictment alleges that the fraud took place between 2005 and 2007, while Aoun was working at IMK Mark, Detroit, Michigan.

As noted in the indictment, the defendants typically paid 50% for the amount charged to the USDA Food Stamp Program – for example if a beneficiary wanted \$20.00 in cash, the defendants would charge the food stamp card \$40.00. The USDA would then unwittingly reimburse the store where the defendants worked \$40.00 – thinking that a legitimate transaction for food had taken place.

Under federal law, food stamps cannot be traded or sold for cash, and they cannot be used to buy non-food items such as gasoline, tobacco or alcoholic beverages.

Acting United States Attorney Berg said, “The food stamp program is intended to provide millions of low income American families with their nutritional needs. However, abuse by some stores threaten the integrity of the entire program and this office will aggressively pursue those who seek to undermine it.”

Special Agent in-Charge Smith said; "The USDA Office of Inspector General, Office of Investigations, is committed to aggressively investigating the criminal activities of store owners and employees who deprive needy citizens of the Detroit metropolitan area access to nutritious meals. We appreciate the assistance from our partners in the Federal and state law enforcement community."

Special Agent in Charge Aouate said, “IRS Criminal Investigation's unique role is to follow the money and identify those guilty parties who are financial benefitting from these illegal actions. Working with the United States Department of Agriculture Office of Inspector General and our other law enforcement partners, we will make sure that there are stiff consequences to these types of fraudulent activities that prey on the people that can least afford it.”

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. If convicted, a defendant faces penalties of up to 20 years' imprisonment and a \$250,000 fine.

The case was investigated by special agents of the United States Department of Agriculture Office of Inspector General, and the United States Internal Revenue Service, Criminal Investigation Division.



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Nov 12, 2008

EVENT: Indictment

Defendant: Peter Hendrickson

Man Indicted for Submitting False Documents With the Internal Revenue Service

Peter Hendrickson, 53, was arraigned today in federal court in Detroit on an indictment charging him with submitting several false documents with the Internal Revenue Service (IRS), Acting United States Attorney Terrence Berg announced today.

The 10-count indictment charges that for the calendar years 2000, 2002, 2003, 2004, 2005, and 2006 Hendrickson filed IRS Forms 1040 (income tax returns) and/or IRS Forms 4852 (Substitute for Form W-2) stating under penalties of perjury that he had received no wages in those years. The indictment indicates that he had in fact received wages in those years in varying amounts.

In May 2007, a federal court in Detroit [permanently enjoined](#) Peter Hendrickson from filing tax returns and forms on which he falsely reported his income as zero. The injunction order, signed by U.S. District Judge Nancy G. Edmunds, also required Hendrickson and his wife to repay more than \$20,000 in federal income, Social Security and Medicare taxes that

they had obtained by filing false tax returns with the IRS.

According to information in the May 2007 court order, Hendrickson based his improper conduct on a book he wrote called "Cracking the Code." The book states that federal tax withholding and income taxes on wages are applicable only for a limited class of people, primarily government employees. The court found that position to be "false and frivolous," and cited an earlier court decision holding the position to be "preposterous."

Peter Hendrickson was convicted in 1992 on federal criminal charges for failing to file a federal income tax return and for a conspiracy involving a firebomb placed in a bin at a U.S. Post Office in Royal Oak, Mich. on April 16, 1990, the last day on which tax returns could be postmarked that year.

Acting United States Attorney Berg said, "The right to protest cannot cross the line into unlawful conduct. Although our system depends on the voluntary compliance of citizens, no one is exempt from paying taxes or following federal tax laws."

"This is yet another example of the Justice Department's commitment, under the National Tax Defier Initiative, to use off all of its tools - both civil and criminal - to stop tax defier conduct throughout the nation," said Nathan J. Hochman, Assistant Attorney General of the Justice Department's Tax Division. "Hendrickson, if convicted, faces years in prison, steep fines, and paying back all taxes with penalties and interest."

"The Internal Revenue Code has no hidden secrets and applies to all taxpayers," said Eileen Mayer, Chief, Internal Revenue Service Criminal Investigation Division. "Today's indictment signals the IRS' determination to ensure that all taxpayers abide by the tax laws and pay their fair share of taxes."

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 IRS. The case is being prosecuted by Assistant U.S. Attorney Michael Leibson and Department of Justice Tax Division attorney Mark Daly.

More information about the Justice Department's efforts to stop tax fraud promoters and preparers through civil and criminal actions is available on the [Tax Division's website](#).



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Nov 13, 2008

EVENT: Sentenced

Defendant: Patrick J. Harrington

FORMER SBA LOAN V.P. SENTENCED TO TEN YEARS IN FRAUD SCHEME

A former executive vice-president of Business Loan Express (BLX), was sentenced today to 10 years' imprisonment based upon his prior guilty pleas on a two-count information charging him with conspiracy to defraud the United States and with perjury before the Grand Jury, Acting United States Attorney Terrence Berg announced today. Mr. Berg was joined in the announcement by Peter McClintock, Deputy Inspector General, Small Business Administration (SBA) and Special Agent in Charge William Callahan, United States Secret Service, Detroit Field Office. In addition to the term of imprisonment, the Court ordered Harrington to pay restitution totaling approximately \$34,000,000 to BLX, SBA and Community South Bank.

Patrick J. Harrington, 45, of Beverly Hills, Michigan, was sentenced in the United States District Court by Judge Avern Cohn in what was referred to as the single largest SBA loan fraud scheme in the history of the agency. At least 89 fraudulent loans, totaling approximately \$85,000,000, were issued through the BLX office in Troy, Michigan under Patrick Harrington's

authority.

Acting United States Attorney Terrence Berg said “The effects and consequences of this fraud scheme are felt today in our community and will resonate nationwide for years to come. The lesson from the Court’s imposing the maximum ten year sentence should be very clear: fraud in connection with lending is a serious crime that will land you in prison.”

Harrington had been previously charged in a fourteen-count indictment arising from his alleged involvement in the fraudulent issuance of SBA-guaranteed loans by Business Loan Express. Business Loan Express was one of the largest lenders participating in the SBA 7(a) Loan Guaranty Program and had offices throughout the country. Harrington headed up the Troy, Michigan office of Business Loan Express. That office is now closed, and BLX now operates under the name Ciena Capital. Ciena Capital declared bankruptcy on September 30, 2008.

In imposing the maximum sentence allowable for the crimes charged, Judge Cohn noted that Mr. Harrington’s fraudulent conduct “inflicted mammoth injury on BLX and the employees of BLX” and “mammoth intangible loss to the SBA.” With respect to Mr. Harrington’s conviction for lying to the federal grand jury, Judge Cohn stated this sentence will make “clear what happens to people who falsely testify to a grand jury,” because “people who lie to the grand jury inflict injury on all of us.”

The federal investigation of fraudulent SBA loans issued through BLX is ongoing. To date, thirty-four individuals have been indicted or otherwise charged in this investigation. Seventeen individuals have been convicted and sentenced, and others await resolution. The investigation is being conducted by special agents of the U.S. Small Business Administration-Office of Inspector General, and the United States Secret Service. Assistant United States Attorneys John Engstrom and Noceeba Southern are assigned to the investigations.



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Nov 13, 2008

EVENT: Settlement

Defendant: Regent Court Apartments

**JUSTICE DEPARTMENT RESOLVES LAWSUIT
ALLEGING RACE DISCRIMINATION AT ROSEVILLE, MICHIGAN
APARTMENT COMPLEX**

The Justice Department today announced it has reached a \$170,000 settlement resolving its lawsuit against the owners and managers of Regent Court Apartments in Roseville, Mich., who allegedly discriminated against African-Americans seeking to rent apartments at the complex. The complaint alleged that Regent Court Apartments, LLC and Donna Harrison, the leasing manager, engaged in a pattern or practice of discrimination against African-American applicants for tenancy.

The Department of Justice's lawsuit, which was handled jointly by attorneys from the Civil Rights Division and the U.S. Attorney's Office, was filed in January 2008, based upon evidence developed by the Department's fair housing testing program, as part of the Department's Operation Home Sweet Home Initiative. This fair housing testing program employs individuals

who pose as renters for purposes of gathering information about possible discriminatory practices in the rental of apartments. The Fair Housing Center of Metropolitan Detroit, a private fair housing organization, also assisted with the testing pursuant to a contract with the Department of Justice.

Terrence Berg, Acting U.S. Attorney for the Eastern District of Michigan, said, "Race discrimination in housing is morally and legally wrong. This settlement represents an important step in our continuing effort to ensure that those who discriminate on the basis of race, or any other unlawful criteria, understand that this will not be tolerated."

Under the settlement, which must still be approved by the court, the defendants will pay \$75,000 in damages to three victims who were discriminated against because of their race at Regent Court Apartments; pay \$55,000 in a civil penalty to the United States; and pay \$40,000 into a settlement fund that will be distributed to any additional victims of discrimination at Regent Court Apartments who are identified following entry of the proposed order. The settlement also requires defendants to undergo fair housing training, self-testing, and reporting requirements for the three year term of the decree.

Any individual who believes he or she may be a victim of race discrimination at Regent Court Apartments can contact lawyers for the United States by calling 1-800-896-7743, mailbox 3, or 313-226-9727.

Fighting illegal housing discrimination is a top priority of the Justice Department. Operation Home Sweet Home, a concentrated initiative to expose and eliminate housing discrimination in America, was launched in February 2006. More information is available at <http://www.usdoj.gov/fairhousing>.

The federal Fair Housing Act prohibits discrimination in housing based on race, color, religion, national origin, sex, disability and familial status. Since January 1, 2001, the Department has filed 277 cases under the Fair Housing Act, 80 of which have alleged discrimination based on race. More information about the Civil Rights Division and the laws it

enforces is available at <http://www.usdoj.gov/crt>. Individuals who believe that they may have been victims of housing discrimination can call the Housing Discrimination Tip Line (1-800-896-7743), e-mail the Justice Department at fairhousing@usdoj.gov, or contact the U.S. Department of Housing and Urban Development at 1-800-669-9777.



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Nov 20, 2008

EVENT: Guilty Plea

Defendant: Charles Bohannon

**FORMER BROTHERHOOD OF LOCOMOTIVE ENGINEERS AND
TRAINMEN (BLET), DIVISION 1, OFFICER PLEADS GUILTY TO THEFT**

A former Secretary-Treasurer of Brotherhood of Locomotive Engineers and Trainmen (BLET), Division 1, pleaded guilty today to embezzlement charges stemming from the theft of Division 1 funds, Acting United States Attorney Terrence Berg announced today.

Berg was joined in the announcement by Ian Burg, Detroit District Director of the U.S. Department of Labor, Office of Labor-Management Standards.

Charles Bohannon, 29, formerly of Luna Pier, Michigan, entered a guilty plea to Embezzlement of Union Assets in the United States District Court before the Honorable Lawrence P. Zatkoff.

The information presented to the court at the time of the plea showed that between September 2003 and January 2005, Bohannon, while acting as Secretary-Treasurer of BLET,

Division 1, embezzled approximately \$18,074.23 from BLET, Division 1, by writing unauthorized checks to himself drawn on the union's checking account, making unauthorized cash withdrawals from the union's checking account, and making an unauthorized computer purchase with union funds.

A sentencing hearing was set by Judge Zatkoff for February 10, 2009 at 10:30 A.M.

The case was investigated by Investigator Mildred Holmes of the U.S. Department of Labor, Office of Labor-Management Standards. The case is being prosecuted by Assistant U.S. Attorney James M. Wuczyna.



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Nov 20, 2008

EVENT: Guilty Plea

Defendant: Fatima Shalhout et al

**OWNER AND OPERATOR OF A DETROIT MARKET PLEAD
GUILTY TO FOOD STAMP FRAUD**

Fatima Shalhout, age 43 and her husband Wasfi Shalhout, age 50, both of Dearborn, Michigan, pleaded guilty to charges of conspiracy to commit wire fraud and money laundering involving a scheme to defraud the United States Department of Agriculture ("USDA") of approximately \$1,261,943 in Food Stamp Program Benefits, announced Acting United States Attorney Terrence Berg.

Mr. Berg was joined in the announcement by Joe N. Smith, Special Agent in Charge, United States Department of Agriculture - Office of Inspector General and Maurice Aouate, Special Agent in Charge, Internal Revenue Service, Criminal Investigation Division.

The information presented to the court at the time of the plea established that from May 2005 to February 2008, Fatima Shalhout, who was the President, Vice President, Secretary

and Treasurer of Ranyah Management, doing business as Ann's Market, located in Detroit, Michigan, and her husband Wasfi Shalhout, who was the Operations and Business Manager of Ann's Market engaged in a scheme to defraud the USDA of approximately \$1,261,943. Fatima Shalhout and Wasfi Shalhout illegally paid food stamp beneficiaries cash in exchange for the food stamp benefits held via their EBT (Electronic Benefit Transfer) debit cards. The fraudulently obtained funds were deposited into Ann's Market's business banking account and were subsequently withdrawn by Fatima Shalhout and Wasfi Shalhout for their own personal use.

During the investigation, in excess of \$80,000.00 was seized by federal law enforcement pursuant to Court authorized search and seizure warrants and those funds will be forfeited to the government.

Food stamp recipients would typically receive 50% for the amount charged to the USDA Food Stamp Program – for example if a beneficiary wanted \$20.00 in cash, the defendants would charge the food stamp card \$40.00. The USDA would then unwittingly reimburse the store where the defendants worked \$40.00 – thinking that a legitimate transaction for food had taken place.

Under federal law, food stamps cannot be traded or sold for cash, and they cannot be used to buy non-food items such as gasoline, tobacco or alcoholic beverages.

Acting United States Attorney Berg said, "The food stamp program is intended to provide millions of low income American families with their nutritional needs. However, abuse by some stores threaten the integrity of the entire program and this office will aggressively pursue those who seek to undermine it."

Special Agent in-Charge Smith said; "The USDA Office of Inspector General, Office of Investigations, is committed to aggressively investigating the criminal activities of store owners and employees who deprive needy citizens of the Detroit metropolitan area access to nutritious

meals. We appreciate the assistance from our partners in the Federal and state law enforcement community."

Special Agent in Charge Aouate said, "IRS Criminal Investigation's unique role is to follow the money and identify those guilty parties who are financially benefitting from these illegal actions. Working with the United States Department of Agriculture Office of Inspector General and our other law enforcement partners, we will make sure that there are stiff consequences to these types of fraudulent activities that prey on the people that can least afford it."

Under the terms of their plea agreements Fatima Shalhout faces 46-57 months in prison and Wasfi Shalhout faces 57-71 months in prison and a fine up to \$100,000.

The case was investigated by special agents of the United States Department of Agriculture Office of Inspector General, and the United States Internal Revenue Service, Criminal Investigation Division. The case is being prosecuted by Assistant United States Attorneys Noceeba Southern and Linda Aouate.



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Stephen Moore - IRS (313) 234-2410

Nov 18, 2008

EVENT: Sentenced

Defendant: John Diekman

Clinton Township Man Sentenced on Tax Evasion Charges

John Diekman, 59, of Clinton Township, was sentenced today to one day imprisonment followed by six months home confinement and two years of supervised release, announced Acting United States Attorney Terrence Berg. United States District Court Judge Marianne O. Battani also order Diekman to pay a \$9,000 fine, over \$7,000 for the cost of supervised release, and to cooperate with IRS. The sentence was imposed as a result of Diekman's guilty plea to willfully attempting to evade income taxes by filing a false Form W-4 with his employer, American Axle, claiming that he was exempt from income taxes.

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

On April 1, 2008, Diekman was indicted on four counts of tax evasion. According to court records, during 2001 through 2004 tax years, Diekman filed fraudulent Form W-4s with

his employer, falsely claiming that he was “Exempt” from income taxes. Employers use the IRS Form W-4 to determine the amount of tax withholdings that are needed to be deducted from an employee’s wages. During these years, after making substantial gross income, with a tax due and owing, Diekman failed to report his income to the Internal Revenue Service, as required by law. Diekman learned about this scheme by researching the Internet and purchasing a kit for the purpose of evading taxes. Diekman also promoted this tax scheme at American Axle with other employees.

Acting United States Attorney Berg stated, “Filing fraudulent tax returns is a serious federal crime. Our system depends on the voluntary and accurate filing of tax returns so that all tax payers will pay a fair share.”

“The majority of American taxpayers file timely, accurate tax returns,” said Aouate. “Part of our mission is to assure those honest taxpayers that everyone pays their fair share.”

Acting United States Attorney Berg thanked the IRS Criminal Investigation. The case is being prosecuted by Assistant United States Attorney Barbara L. McQuade.



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Nov 20, 2008

EVENT: Sentenced

Defendant: Marcia Christine Ottoman

**DEXTER TOWNSHIP TRUSTEE SENTENCED FOR IMPERSONATION OF A
FEDERAL OFFICIAL AND WIRE FRAUD**

Elected Dexter Township Trustee Marcia Christine Ottoman, 44, of Dexter Township, was sentenced today to 22 months and received a \$3,000 fine as a result of her guilty plea to impersonating a federal prosecutor and wire fraud, Acting United States Attorney Terrence Berg announced today. Murphy was joined in the announcement by Andrew G. Arena, FBI Special Agent in Charge.

Ottoman was indicted by a federal grand jury on May 9, 2007 and pleaded guilty on April 29, 2008. The information presented to the court at the time of the plea showed that between October 11, 2006 through December 18, 2006, Ottoman created false documentation pretending to be an Assistant United States Attorney, and in such pretended character, she demanded control of real property. Ottoman also admitted to fraudulently using e-mail messages to further her scheme.

The indictment followed a criminal complaint filed against Ottoman on April 9, 2007. The complaint alleged that Ottoman created an e-mail account in the name of a federal prosecutor in Detroit. Ottoman also authored a letter in the AUSA's name on forged U.S. Department of Justice letterhead. Ottoman utilized e-mails and the letter to attempt to evict tenants from a rented house in Dexter Township, apparently so Ottoman and her husband could move in. A Washtenaw County Sheriff's Department Deputy alerted the FBI to the scheme.

Acting United States Attorney Terrence Berg said, "Impersonating a federal official for the purpose of corruptly influencing another to give up property rights is a serious crime. Such conduct can not only harm the victim, but also undermine the general public's trust in the integrity of public officials."

The case was investigated by special agents of the FBI and was prosecuted by Detroit Assistant United States Attorneys Matthew Schneider and Matthew Roth.



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Nov 20, 2008

EVENT: Sentenced

Defendant: Rahib Al-Cholan

DETROIT MAN SENTENCED TO 9 1/2 YEARS FOR INTERSTATE SEX TRAVEL

Iraqi Army Veteran Drove To Toledo For Sex With 12-Year-Old For \$150

A Detroit man who drove to Toledo to have sex with a girl he believed to be 12-years-old for \$150 to be paid to her uncle was sentenced to 112 months imprisonment in federal court today, Acting United States Attorney Terrence Berg announced. Berg was joined in the announcement by Brian M. Moskowitz, Special Agent-In-Charge of the Immigration and Customs Enforcement (ICE) Office of Investigations in Detroit.

Rahib Al-Cholan, 46, was convicted after two hours of deliberation by a federal jury following a week-long trial in July before United States District Judge George Caram Steeh.

Law enforcement agents testified that Al-Cholan is an Iraqi army veteran who served in tank and artillery units in Baghdad and Basra from 1982 to 1991. He arrived in the United States as a refugee in 1995 and was granted citizenship in 2003.

In October 2007, Al-Cholan solicited an undercover ICE informant to provide a child for sex. Over the course of several days, Al-Cholan described a series of past sexual acts with children, including numerous acts of solicitation and molestation of children. His sentence

today included an enhancement for a pattern of prior sexual abuse against children.

Agents directed an informant to tell Al-Cholan that a 12-year-old child was being sold by her uncle for sex for \$150 out of a hotel in Toledo. The defendant drove to Toledo with the informant on November 7, 2007. When they arrived in Toledo, defendant paid an undercover agent posing as the girl's uncle and was given a room key. He was arrested entering the lobby of the hotel.

Acting United States Attorney Berg said, "The predatory conduct and dangerous history of this defendant merited a significant sentence that would remove him from society for a good period of time. Keeping such offenders off the streets and away from children is a key goal of Project Safe Childhood."

This case was brought as part of Project Safe Childhood. In February 2006, the Department of Justice launched 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/.

The case was prosecuted by Assistant United States Attorneys Leonid Feller and Erin Shaw.



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Nov 20, 2008

EVENT: Sentenced

Defendant: Stephanie Head

DETROIT WOMAN SENTENCED TO 10 YEARS FOR CHILD PROSTITUTION RING

Defendant, a.k.a. "Chocolate," Was Lead Prostitute In Motor City Mink Organization

A Detroit woman who helped run a nation-wide Internet child prostitution network was sentenced to 10 years' imprisonment in federal court today, 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's Detroit field office.

Stephanie Head, a/k/a "Chocolate," 23, of Detroit, pleaded guilty to distributing child pornography before United States District Judge Lawrence P. Zatkoff on July 10, 2008. In October, Head testified at the trial of co-defendant Robert Daniels, a/k/a "Motor City Mink", 28. Head admitted that she solicited and trained minors as young as 15 to engage in prostitution, took sexually explicit photographs of them, posted those pictures to the Internet as advertisements for prostitution, and collected money from the juveniles after they completed

sex acts.

Acting United States Attorney Terrence Berg said, "This defendant ran the day-to-day operations of a nation-wide child prostitution ring, leading to the exploitation and victimization of dozens of young women and girls. In view of such a crime, a lengthy prison sentence such as this is quite appropriate."

"We remain dedicated to protecting children and putting unrelenting pressure on these criminal groups," Arena added.

Between February 2005 and March 2008, the Motor City Mink organization included as many as 100 adult and minor prostitutes. More than 2,800 advertisements for prostitution were posted on craigslist.org and other websites nationwide. Daniels and Head transported minor and adult prostitutes to Washington, D.C., College Park, Maryland, Indianapolis, Chicago, and New York.

Locally, Daniels and Head rented hotel rooms in Southfield and in Farmington Hills. The rooms were provided for minors and adults to perform sex acts for money.

Daniels was convicted following a week-long trial on October 24, 2008 of eight-counts related to the prostitution network. He is scheduled to be sentenced on January 27, 2009, at 10 a.m., when he will face a mandatory minimum of 20 years and up to life imprisonment.

This case was brought as part of Project Safe Childhood. In February 2006, the Department of Justice launched 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.

The case is being prosecuted by Assistant U.S. Attorneys Leonid Feller and John N. O'Brien II.



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Nov 21, 2008

EVENT: Sentenced

Defendant: Dennis William Delaney

WAYNE COUNTY MAN CONVICTED OF CHILD PORNOGRAPHY

Terrence Berg, Acting United States Attorney for the Eastern District of Michigan, announced that Dennis William Delaney, 37 of Northville, Michigan was convicted in United States District Court after a two week long jury trial for manufacture of child pornography, child pornography distribution, and, one count of child pornography possession. Delaney is scheduled to be sentenced by the Honorable Denise Page Hood, who presided over the trial, in February.

Testimony during the trial revealed that Delaney met and developed a relationship with a 12-year-old girl via the Internet from 2002 through 2004. In 2004 they met in person and Delaney took sexually explicit photos of the minor girl. Between 2004 and 2006, the photos, along with other child pornographic images obtained on the Internet were distributed to others via his *Yahoo* accounts.

Delaney was arrested in Macomb County by the Macomb County Computer Enforcement ("MACE") Team on November 1, 2007 for related state computer solicitation charges. A subsequent search of his home disclosed the images of the victim and additional child sexually exploitive images on his computer and compact discs.

Acting United States Attorney Terrence Berg said: "This verdict is the outcome of excellent cooperative efforts between state and federal law enforcement through our Project Safe Child initiative. Mr. Delaney's exploitation of a 14-year-old girl and distribution of her image on the Internet permits the re-victimization of this girl by others who trade in this despicable material, for the rest of her life. We intend to seek a sentence for Mr. Delaney that will serve as a significant punishment for his conduct and a deterrent for those who may consider exploiting children in this fashion."

Delaney faces a mandatory minimum sentence of 15 years and could serve up to 30 years in federal prison for his conduct.

Berg praised the work of the Detroit Office of the Secret Service, Special Agents Eric Clark and Chad Cable, the Michigan Crimes Against Children Task Force and the Macomb Area Computer Enforcement Team under Sheriff Mark Hackel and Sgt. Tina Old. Their dedication and skill necessary to identify and apprehend this individual has been most successful. These agencies, Berg said, consistently demonstrate professionalism and dedication in their aggressive and thorough investigation of these cases.

Assistant United States Attorneys Eaton Brown and John O'Brien prosecuted case for the United States.



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Nov 21, 2008

EVENT: Sentenced

Defendant: Shannon Ferguson

**FORMER TITLE COMPANY EMPLOYEE SENTENCED TO
18 MONTHS AT HALFWAY HOUSE FOR ABETTING MORTGAGE FRAUD**

A resident of Canton Township was sentenced yesterday to 18 months at a halfway house and six months of home detention on a conviction for wire fraud based on a scheme to defraud mortgage lenders, announced Terrence Berg, Acting United States Attorney for the Eastern District of Michigan, and Andrew G. Arena, Special Agent in Charge of the Detroit Division of the Federal Bureau of Investigation.

Receiving the sentence from U.S. District Judge Denise Page Hood was Shannon Ferguson, 37. She was employed as a loan processor at Select Mortgage, a mortgage brokerage located in Brownstown Township that was operated by KALIL KHALIL and TARIQ HAMAD. Prior to that, Ferguson was a loan processor at three different title companies. When she pleaded guilty in June 2008, Ferguson admitted that in 2001 she, Khalil, and Hamad obtained a fraudulent loan secured by her residence in the amount of \$370,000. The loan application indicated that Ferguson was the borrower and that she was a physician. A bogus

title insurance policy was submitted to the lender. In addition, Ferguson admitted that in 2003 she and Hamad obtained a fraudulent loan secured by her residence in the amount of \$364,000. A bogus title insurance policy was submitted in this transaction as well. As to each of the two loans, Ferguson received only a small portion of the fraudulent loan proceeds.

Judge Hood also imposed a term of three years' supervised release and ordered Ferguson to pay restitution to the two lenders, First Banc Mortgage and CitiMortgage, in the amounts of \$370,000 and \$364,000.

HAMAD, 38, of Dearborn, pleaded guilty to one count of wire fraud before U.S. District Judge David A. Lawson in December 2006 in connection with a scheme to defraud mortgage lenders. He was sentenced in September 2007 by Judge Lawson to 110 months' imprisonment and ordered to pay restitution in the amount of \$11.4 million to the affected lenders.

KHALIL, 37, of Dearborn Heights, and a tax accountant, pleaded guilty to one count of wire fraud before Judge Lawson in May 2007 in connection with the same scheme to defraud mortgage lenders. He was sentenced in February 2008 by Judge Lawson to 60 months' imprisonment and ordered to pay restitution in the amount of \$11.1 million restitution to the mortgage lenders and a legitimate appraisal company whose name he used on bogus appraisals. Khalil also forfeited his interest in bank and securities accounts containing about \$300,000 that were seized by the government. Judge Lawson noted that he would have sentenced Khalil to a term of imprisonment similar to Hamad's had it not been for Khalil's cooperation with federal law enforcement in unrelated investigations.

The total loss resulting from the scheme to all mortgage lenders exceeded \$21 million. Acting United States Attorney Berg said, "We will continue to pursue mortgage fraud scammers who profit from deception and greed. This is an enforcement area that is getting more and more of our attention and our resources."

The investigation of this case was conducted by the FBI. The case was prosecuted by

Assistant U.S. Attorneys Stephen Hiyama and Julie Beck.



U.S. Department of Justice

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For Immediate Release:

Contact: Gina Balaya (313) 226-9758

Nov 24, 2008

EVENT: Guilty Plea

Defendant: Cal Fizer

**DETROIT MAN PLEADS GUILTY TO USING FAKE 1-800 NUMBERS TO
STEAL CREDIT CARD AND PERSONAL IDENTITY INFORMATION**

Terrence Berg, Acting United States Attorney for the Eastern District of Michigan, announced today that a Detroit resident, who used fake 1-800 numbers to steal hundreds of credit card numbers and other personal identity information, entered a plea of guilty to the charges of credit card fraud, mail fraud, and aggravated identity theft.

Mr. Berg was joined in the announcement by William Callahan, Special Agent in Charge, U.S. Secret Service.

Cal Fizer, age 41, entered the guilty pleas in United States District Court before Judge Marianne O. Battani. Under the plea agreement, Fizer faces up to 95 months imprisonment and a fine of up to \$100,000.00.

Information presented to the Court at the time of the pleas showed that Fizer defrauded hundreds of individuals across the country by establishing false toll free telephone numbers, through AT&T, under the Black and Decker Corporation and its Dewalt Industrial Tool Company division, in order to obtain customer credit card and identity information, and used

that information to order merchandise. From on or about May, 2003, to on or about September 2006, over 42,000 calls were made to at least twenty-six different toll free telephone numbers established by Cal Fizer.

Acting U.S. Attorney Terrence Berg said, "Putting over 42,000 personal identities and credit card numbers at risk through a phony toll-free number scam is identity theft on a grand scale. I commend the U.S. Secret Service for their excellent investigation in this case." Special Agent in Charge Callahan stated, "Case Agent Brian Gallagher's exhaustive efforts illustrate that the agents of the United States Secret Service will thoroughly investigate, locate and arrest those in our community who commit acts of credit card fraud and identity theft."

According to information presented to the Court, individuals throughout the United States, seeking to purchase products from Black & Decker/Dewalt, obtained the fraudulent toll free numbers by calling national telephone directories.

When a customer placed a call to a fraudulent toll free number established by Fizer, they were connected to an individual who falsely represented themselves to be a customer service employee of Black & Decker.

During the conversation with the alleged customer service employee of Black & Decker, the customer would place an order for a Black & Decker product and provide credit card and identifying information to the alleged Black & Decker employee.

The Black & Decker customers who placed orders via the fraudulent telephone numbers usually did not receive the product(s) they attempted to order. Instead, the credit card number provided during the telephone call was fraudulently used by Cal Fizer, and/or individuals aiding and abetting Cal Fizer, to purchase Black & Decker products or other various products including, among other things, power equipment from Grainger Company and gift cards from various vendors.

The products ordered, using the fraudulently obtained credit card numbers, were shipped, at the direction of Defendant Cal Fizer and/or individuals aiding and abetting Cal Fizer, to addresses located in the Eastern District of Michigan.

During the course of the scheme, Defendant possessed both the credit card numbers and sometimes the social security numbers of the victim individuals across the country.

A sentencing hearing was set by Judge Battani for March 26, 2009 at 2:00 pm.

This case was investigated by the the United States Secret Service and is being prosecuted by Assistant U.S. Attorney Sarah Resnick Cohen.