



U.S. Department of Justice

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

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For Immediate Release:

Contact: Gina Balaya (313) 226-9758

Oct 3, 2007

EVENT: Indictment

Defendant: Roy M. Bailey et al

**IMMIGRATION OFFICIAL ONE OF FIVE DEFENDANTS
CHARGED WITH BRIBERY, EXTORTION AND CONSPIRACY**

A high-ranking official with the Detroit office of the U.S. Immigration and Customs Enforcement agency ("ICE"), formerly known as the Immigration and Naturalization Service, and four other metro-Detroit men were indicted by a federal Grand Jury with multiple counts of bribery, conspiracy and extortion, United States Attorney Stephen J. Murphy announced today.

U.S. Attorney Murphy was joined in the announcement by Thomas M. Frost, Special Agent in Charge of the Chicago, Illinois office of the Department of Homeland Security - Office of Inspector General, and Andrew G. Arena, Special Agent in Charge of the Detroit, Michigan, office of the Federal Bureau of Investigation.

Named in the Superseding Indictment were:

ROY M. BAILEY, age 54, of Romulus, Michigan,
ANTONIO IVEZAJ, age 39, of Milford, Michigan,

TALAL KHALIL CHAHINE, age 52, formerly of Plymouth, Michigan, MOHAMAD ARZOUNI, age 59 of Dearborn Heights, Michigan; and MOHAMMAD BAZZI, age 61, formerly of Detroit, Michigan.

The indictment charges BAILEY with misusing his position as the Assistant District Director with INS and, thereafter, as the Field Office Director at DHS-ICE by accepting large sums of currency and other property in return for granting immigration benefits, including the release of several individuals who were being kept in the custody of INS and DHS-ICE.

U.S. Attorney Murphy announced that the charges were unsealed today followed an extensive, multi-year investigation into corruption activities at the Detroit offices of the INS and, thereafter, ICE.

ANTONIO IVEZAJ, the owner of TMI Construction Company in Ferndale, Michigan, was charged with paying in excess of \$5,000.00 and providing free residential construction services to BAILEY in exchange for IVEZAJ's release from INS custody. ANTONIO IVEZAJ and ROY BAILEY were further charged with conspiring to arrange for a \$50,000.00 bribe paid to release a second individual from ICE custody.

Also charged in the Superseding Indictment was TALAL KHALIL CHAHINE, the owner of the La Shish restaurant chain. CHAHINE and BAILEY were charged with conspiring to use BAILEY's position at INS and at DHS-ICE to extort money from former employees of the La Shish restaurant business. In May of 2006, CHAHINE was charged in a separate investigation with criminal tax evasion. Since the time those charges were made public, CHAHINE has failed to return to the United States and is believed to be living as a fugitive in the country of Lebanon.

The Superseding Indictment also charged BAILEY and CHAHINE, along with ARZOUNI and BAZZI, with conspiring to defraud the United States by obtaining immigration benefits, including permanent resident status, through the use of false marriages arranged with other La Shish employees who were U.S. citizens.

BAILEY was further charged with failing to report and refer to the proper authorities the

theft of over \$300,000.00 in property from criminal aliens who were being housed at the INS/ICE detention facility in Monroe, Michigan. In January of 2006, PATRICK WYNNE, a former ICE Detention Officer, was sentenced to a prison term of 57 months for his role in the thefts of alien property at the Monroe detention facility.

United States Attorney Stephen Murphy said, "Corruption on the order and degree alleged in today's Grand Jury Indictment is very serious, because it amounts to the selling of one's office. While this matter appears to be an isolated incident, prosecution will be nevertheless be pursued with the utmost and thorough-going professionalism because no one is above the law." Mr. Murphy also commended the agents from DHS-OIG and FBI for conducting an exhaustive and thorough investigation.

Special Agent in Charge Frost stated, "Acts of corruption within the Department of Homeland Security represent a threat to our nation and undermine the legitimacy of the immigration process. This indictment should serve to reassure the public that such conduct will not be tolerated, and that the Office of Inspector General, in partnership with the US Attorney's Office and the FBI, will work tirelessly to end corruption and bring offenders to justice."

Special Agent in Charge Arena advised, "Public corruption is a top investigative priority of the FBI and we will aggressively investigate individuals who abuse their position in a government office for private gain."

The subject charges returned against defendant ROY M. BAILEY carry total penalties of up to 68 years in prison and fines of over \$1 million.

The charges returned against ANTONIO IVEZAJ carry total penalties of up to 20 years in prison and fines of up to \$500,000.00

The charges returned against TALAL KHALIL CHAHINE carry total penalties of up to 25 years in prison and fine of up to \$500,000.00

The charges against MOHAMAD ARZOUNI and MOHAMMAD BAZZI carry total

penalties of up to 5 years in prison and fines of up to \$250,000.

An indictment is only a charge and is not evidence of guilt. Each 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 Department of Homeland Security - Office of Inspector General and the Federal Bureau of Investigation. The case is being prosecuted by Assistant U.S. Attorney Bruce C. Judge.



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Oct 3, 2007

EVENT: Sentencing

Defendant: Safi Sobh

**LEADER OF MORTGAGE FRAUD CONSPIRACY
SENTENCED TO 10 YEARS FOR BANK FRAUD**

Safi Sobh, 34, of Dearborn, was sentenced to serve ten years in prison after being convicted by a jury of leading a mortgage fraud conspiracy that obtained inflated appraisals on residential properties, created false applications and obtained millions of dollars in bank loans, United States Attorney Stephen J. Murphy announced today.

Murphy was joined in the announcement by Andrew G. Arena, Special Agent In Charge of the Detroit Field Office of the Federal Bureau of Investigation.

Sobh was also ordered to pay restitution of \$1,256,579, and to serve 3 years under the supervision of the Court upon his release from the custody of the Bureau of Prisons. The sentence was imposed by U.S. District Judge Patrick J. Duggan. Judge Duggan took the government's request for an order of forfeiture under advisement.

The evidence presented during trial established that between July 2002 and December

2005, Sobh led a large conspiracy that successfully corrupted the system of checks and balances lending institutions rely upon to determine how much money they can safely lend on a property, and whether a particular borrower is qualified to repay the loan. Ohio Savings Bank, Commercial Federal Bank and several other federally insured financial institutions relied upon the false representations of the conspirators and loaned millions of dollars, most of which has not been recovered. Working out of his realty, The Success Group, Sobh hand-picked and taught his co-conspirators how to commit these crimes. Eight indicted co-conspirators pleaded guilty to acting as corrupt loan originators, processors, appraisers, and straw buyers.

United States Attorney Stephen J. Murphy said, "Today's 10-year prison sentence of this mortgage fraud ring leader should leave no doubt that schemes undermining the integrity of the banking system will not go unpunished. The successful investigation of this highly complex and sophisticated fraud case, which culminated in a three-week jury trial, required a significant commitment of resources by the FBI and by the trial team from my office, and I commend them for their efforts." U.S. Attorney Murphy stated.

U.S. Attorney Murphy thanked the FBI for the successful investigation of the case, which was prosecuted by Assistant United States Attorneys Cynthia Oberg and Julie Beck.



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Oct 3, 2007

EVENT: Guilty Plea

Defendant: James Tague

**FORMER SCHOOL OFFICIAL PLEADS GUILTY
TO DEFRAUDING A FEDERALLY FUNDED PROGRAM**

A former Purchasing Agent of the Chippewa Valley School District ("CVSD") pleaded guilty to one count of defrauding a federally funded program, United States Attorney Stephen J. Murphy announced today.

United States Attorney Murphy was joined in the announcement by Andrew G. Arena, Special Agent in Charge of the Detroit Field Office of the Federal Bureau of Investigation.

Pleading guilty before U.S. District Judge Paul D. Borman was James Tague.

The fraud from CVSD, a federally funded entity, occurred between 1998 and 2006. During that time, Tague, 59, of Clarkston, worked as the Purchasing Agent for the School District. Tague's duties included obtaining bids from furniture and other school equipment suppliers and awarding contracts to the lowest qualified bidder to supply items to the School District. Unbeknownst to the CVSD, Tague, according to the investigation, rigged bids and

awarded contracts to Megasource, Inc., a company Tague owned and operated under that name and the assumed names "DSC Office Products and Supplies," "Design Seating" and "Mid American School Supply." Between 1998 and 2006, Tague, through these entities, charged the school district a markup over cost that amounted to over \$2 million.

United States Attorney Stephen Murphy said, "When a school official steals from a federally funded educational institution, it's a fraud on the taxpaying public. I commend the work of the FBI in this investigation. Cases like this help protect the integrity of government services."

According to the plea agreement, the government will ask for a sentence of between 37 and 46 months in federal prison. Tague must also repay the amount obtained by fraud, as determined by the court. The maximum possible sentence is ten years imprisonment and a fine of \$250,000.

The investigation of this case was conducted by the Federal Bureau of Investigation, and the case is being prosecuted by Assistant U.S. Attorney R. Michael Bullotta, both of whom U.S. Attorney Murphy thanked and congratulated.



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October 9, 2007

EVENT: Convicted

Defendant: Joseph Patrick Nolan

**ANN ARBOR FORMER NETWORK ENGINEER CONVICTED
OF HACKING INTO PENTASTAR AVIATION NETWORK,
DESTROYING PAYROLL AND PERSONNEL RECORDS**

Joseph Patrick Nolan, 26, of Ann Arbor, Michigan, was found guilty today for unlawful computer intrusion and causing damage to the system by destroying payroll and personnel records, United States Attorney Stephen J. Murphy announced.

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

The evidence at trial showed, on February 1, 2007, Joseph Patrick Nolan, was a former employee of Pentastar Aviation, LLC, a Waterford, Michigan aviation leasing and maintenance company. On that date, and acting without authorization, Nolan gained unauthorized access to Pentastar's computer system and destroyed payroll and personnel records. Repairing the damage caused from this intrusion, cost Pentastar in excess of \$50,000.

United States Attorney Stephen J. Murphy said, "Computer security is a fundamental

component of our nation's security. Those who may have the technical ability to breach the walls protecting our computer networks should realize that doing so is a serious federal offense that will be prosecuted. I commend the FBI, and the staff at Pentastar, for their investigative work."

Under the statute involving computer intrusion, Nolan faces up to 10 years' imprisonment and a fine of up to \$250,000. A sentencing hearing is currently scheduled for January 24, 2008.



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Oct 10, 2007

EVENT: Guilty Plea

Defendant: Leo Joseph Rudolph

**MACOMB COUNTY MAN PLEADS GUILTY TO CHILD PORNOGRAPHY
MANUFACTURE AND DISTRIBUTION IN FEDERAL COURT**

Stephen J. Murphy, United States Attorney for the Eastern District of Michigan, announced that Leo Joseph Rudolph, 44 of Ray Township, Michigan pleaded guilty today in Federal District Court to manufacture of child pornography, child pornography transportation, child pornography receipt, and one count of child pornography possession. Rudolph pleaded guilty before the Honorable David M. Lawson and faces a minimum of 15 years in prison and a maximum of 30 years.

From January until May 2007, Rudolph, used, enticed and otherwise coerced the 9-year-old daughter of his then girlfriend to engage in sexual acts with him which were photographed and or videotaped by him. Some of these images were later distributed on the Internet. At the time of his arrest, Rudolph was found in possession of well in excess of 600 images of child pornography, which depicted real children, including the victim, engaged in explicit sexual conduct. Rudolph had downloaded much of his collection from child pornographic images and/or videos from the Internet.

United States Attorney Stephen Murphy said:

“This case involves not only manufacture of child pornography, but also repeated acts of child molestation, that were then photographed and posted on the Internet. We should all recognize that the child victim is re-injured every time the images of the abuse of that child are transmitted on the Internet or viewed by a perpetrator. I congratulate the hardworking agents from the DHS-ICE computer crimes and child exploitation unit. Their dedication of time and skill necessary to work to reveal and apprehend these predators has been most successful.”

Murphy commended the work of the DHS-ICE and Special Agents Mark Langenderfer and Daniel Ben-Meir as well as the work of ICE agents in Oregon who originally located the images, as demonstrating professionalism and dedication in their aggressive and thorough investigation of these cases.

“All children have an absolute right to grow up free from the fear of sexual exploitation, and they should never have to be afraid of those who are supposed to protect,” said Brian M. Moskowitz, Special Agent in Charge of the ICE Office of Investigations in Detroit. “ICE will not cease in its relentless pursuit of those who abuse our kids regardless of whether that abuse is physical in nature or if it’s accomplished through the exploitation of their captured images.”

Assistant United States Attorneys John O’Brien and Jeanine Jones are prosecuting case for the United States.



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Oct 16, 2007

EVENT: Guilty Plea

Defendant: James Roney

**OHIO MAN PLEADS GUILTY TO SEXUAL TRAFFICKING IN CHILDREN
AND CONSPIRACY**

An Ohio man charged with the sexual exploitation of children and criminal conspiracy pleaded guilty today in federal court in Detroit, announced United States Attorney Stephen J. Murphy. Mr. Murphy was joined in the announcement by Andrew G. Arena, Special Agent in Charge, Federal Bureau of Investigation.

James Roney, III, 33, of Cleveland, Ohio, entered a guilty plea to criminal conspiracy and the sexual trafficking in children 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 United States Attorney Stephen J. Murphy. "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."

At today's 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.

Under the terms of the plea agreement, Roney faces up to 188 months imprisonment and a fine of up to \$250,000.

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. Attorney Saima Mohsin.



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Oct 16, 2007

EVENT: Sentencing

Defendant: Michael Richardson

TAYLOR MAN SENTENCED FOR HATE CRIME

A Taylor, Michigan man was sentenced to 96 months in prison today as a result of his pleading guilty to violating the civil rights of an African-American family by attempting to burn down the family's house as well as obstructing justice, announced United States Attorney Stephen J. Murphy.

Mr. Murphy was joined in the announcement by Special Agent in Charge Andrew G. Arena, Federal Bureau of Investigation.

Michael Richardson, age 35, was sentenced by United States District Judge George Caram Steeh in federal court in Detroit.

United States Attorney Stephen J. Murphy said, "The idea that an American family could be driven from its home because of an arson fostered by racial hatred is a chilling throwback to an era of discrimination that rightfully belongs on the ash-heap of history – and not in our present day neighborhoods. The right of each person to live where he or she wants, in peace,

without being subjected to racial harassment and hate-motivated violence, is one that civilized society must always preserve. Today's sentence should stand as a deterrent against any who would attempt to intimidate, threaten or harm another person by interfering with these civil rights."

Richardson's co-defendant Wayland Mullins, age 38, was sentenced in August, 2007 to 17 years in prison as a result of him being found guilty by a jury of conspiring to violate the family's housing rights, conspiring to obstruct a federal investigation, and using fire in the commission of a felony. Mullins was also ordered to pay restitution in the amount of \$12,400.

The evidence at trial established that on July 28, 2002, Mullins and several of his neighbors gathered together and discussed burning down the home of an African-American family that had recently moved into the neighborhood. Following this conversation, Mullins broke a window in the family's home, poured in a flammable substance, and lit the substance on fire while Michael Richardson, acted as a lookout. After the fire, Mullins and Richardson attempted to obstruct a federal investigation into the arson by lying to federal investigators about their knowledge of the crime. The jury found that Mullins' actions were racially-motivated.

A third defendant, Rick Cotton, also participated in the discussion before the fire and in the cover-up afterward, and was convicted by a jury for lying to federal investigators and a federal grand jury and for obstructing justice. Cotton also pleaded guilty to conspiring with Mullins, Richardson and others to violate the family's housing rights.

Ricky Cotton was sentenced in April, 2007 to 78 months in prison.



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Oct 18, 2007

EVENT: Director's Award

**FIVE ASSISTANT UNITED STATES ATTORNEYS TO RECEIVE
NATIONAL AWARDS FROM DEPARTMENT OF JUSTICE**

Acting Attorney General Peter D. Keisler and Director Kenneth E. Melson, Executive Office for the United States Attorneys (EOUSA) will host the annual EOUSA Director's Award Ceremony, Friday, October 19, 2007 in Washington, D.C.

United States Attorney Stephen J. Murphy announced that an unprecedented number of Detroit Assistant US Attorneys – five in total – will be honored by the Department of Justice with prestigious "Director's Awards" for achievements in their cases and other matters.

The following Assistant United States Attorney will be honored:

Ken Chadwell, a seventeen-year office veteran, and a member of the district's National Security Unit. AUSA Chadwell graduated with honors from Wayne State Law School in 1986 where he edited the law review. He previously clerked for a federal district judge in Bay City and worked for a major corporate law firm in Detroit.

John Engstrom, Deputy Chief of the office's Special Prosecutions Unit and a nineteen year veteran of the office. AUSA Engstrom graduated with honors from Wayne State Law

School in 1985, where he as well edited the law review. Engstrom previously clerked for a judge on the district's federal court and on the 6th U.S. circuit court of appeals, and he worked for another major corporate law firm in Detroit.

Kathy McCarthy, Chief of the district's Controlled Substances Unit, has been working in the office since 1995. A 1988 honors graduate of Wayne State Law School, AUSA McCarthy spent the first seven years of her career as an assistant county prosecutor in Michigan, and she has served in both the Civil and the Criminal Divisions of the office.

Leslie Matuja Wizner has served in the Affirmative Litigation Unit of the office's Civil Division since 2002. A 1987 graduate of the Vanderbilt School of Law, AUSA Wizner practiced in a large corporate Chicago law firm and served as corporate counsel for a major health care system based in Detroit.

Mike Wicks, a thirty-two year veteran of the office, has served as the Chief of the Civil Division since 1984. AUSA Wicks graduated with honors from the University of Michigan School of Law in 1974, and he started with the office as a student clerk between his second and third years of law school.

Details about the awards can be found below.

United States Attorney Murphy stated, "Although these are *individual* achievements by excellent attorneys of which they can be justifiably proud, when we take cases from start to finish, we do so with the support and contributions of many, both in our office and in the other federal agencies. Legal assistants, paralegals, colleagues in the office, our IT people, our admin people, our lit support people, our student workers, our law clerks and our supervisors all contribute vitally to the excellent results we are able to obtain. So these awards are actually something of which our entire office can be proud. They are reflective of the extra effort, positive attitude, professional demeanor, and commitment to excellence and service that our employees bring to work every day. The hard work of all of these people makes our nation safer and our system of justice stronger."

The winners will receive their awards on October 19, 2007, at a ceremony hosted by the Attorney General of the United States in Washington, D.C.

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 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.

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

Details of the Director's Awards:

Superior Performance as an Assistant United States Attorney

AUSAs John C. Engstrom and Kathryn A. McCarthy were awarded with Superior Performance as an Assistant United States Attorney for the highly successful investigation and prosecution of a complex public corruption scheme involving 19 defendants, including public school officials, building contractors, vendors, and other public officials, for millions of dollars in bogus construction contracts and other services in Macomb County.

Superior Performance as an Assistant United States Attorney

AUSA Leslie Wizner was awarded with Superior Performance as an Assistant United States Attorney for her outstanding work in obtaining the highest fraud settlement in the history of the Federal Housing Authority, \$41 million, from the ABN-AMRO Mortgage Group, as a result of her painstakingly detailed investigation and analysis of hundreds of FHA-insured mortgages, which were discovered to contain false certifications of underwriting, and her determined and creative negotiating skills, involving not only ABN-AMRO but several other parties with complex and differing interests, resulting in a national record-setting False Claims Act settlement with a National Mortgage Group.

Superior Performance in Terrorism Prevention and National Security Protection

AUSA Kenneth Chadwell won an award for his exceptional contributions to protecting the Nation's security and preventing another terrorist attack through the development of innovative and unique prosecution tools. Mr. Chadwell conceived, organized and implemented a multi-agency task force dedicated to the permanent removal of alien terrorists from the United States. The task force is the only one of its kind in the nation, and is a model of inter-agency cooperation and force multiplying concepts to maximize anti-terrorism resources.

Executive Achievement Award

AUSA Michael Wicks was recognized for his exceptional career in service to the Department for more than 30 years as an Assistant U.S. Attorney and 23 years as Chief of the Civil Division for the U.S. Attorney's Office, Eastern District of Michigan. Mr. Wicks is without parallel as an exemplary leadership and trusted manager of the Civil Division, which, under his oversight, has expanded greatly in size, complexity and variety of operations during his tenure. Mr. Wicks will retire from Government service at the end of 2007, and will leave behind an extremely effective, well-run, and efficient Civil Division operating at its fullest potential and with exceedingly high morale.



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Oct 18, 2007

EVENT: Sentencing

Defendant: Keith Goodwin

DETROIT MAN SENTENCED IN CHILD PORNOGRAPHY CASE

Keith Goodwin was sentenced to 97 months in prison for distributing child pornography, United States Attorney Stephen J. Murphy announced today. Murphy was joined in the announcement by Special Agent in Charge Andrew G. Arena, of the Federal Bureau of Investigation (FBI) in Detroit.

Information presented to the court showed that Goodwin posted child pornographic pictures of teen-age girls on www.craigslist.org to facilitate the prostitution of those girls. The pictures were included in advertisements that solicited money for sex. A search of Goodwin's house revealed several girls living with him, including three underage girls, and explicit photographs of these girls. The search warrant also revealed a shotgun with an obliterated serial number, possession of which is a separate federal offense for which Goodwin received a 15-month concurrent sentence.

"Fighting the exploitation of children through distribution of child pornography is an important initiative for our office," Murphy said. "This case is especially egregious in that the

child pornography was used to facilitate prostitution by teen-age girls – a severe form of exploitation. Today’s sentence should serve notice that the sexual exploitation of children will be met with swift, harsh penalties.”

Murphy praised the work of the FBI for their professionalism and dedication in their aggressive and thorough investigation of these cases. The Honorable Sean F. Cox, United States District Judge, imposed the sentence.

Assistant United States Attorney Kevin M. Mulcahy prosecuted this case for the United States.



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Oct 18, 2007

EVENT: Sentenced

Defendant: Scott Valla

**FORMER "TOYS R US" EMPLOYEE SENTENCED TO 90 MONTHS AFTER GUILTY PLEA
TO RECEIPT AND POSSESSION OF CHILD PORNOGRAPHY**

A 35-year-old Marine City man, who possessed over 450 images and over 90 movies of child pornography was sentenced today in federal court to 90 months in prison, United States Attorney Stephen J. Murphy announced. Joining in the announcement was Andrew G. Arena, Special Agent in Charge of the Federal Bureau of Investigation in Detroit.

Scott Valla, a former employee of a Toys R Us, pleaded guilty to one felony count of receipt of child pornography and one felony count of possession of child pornography before United States District Judge Marianne O. Battani. Valla admitted that he used America Online to receive and download over 450 child pornographic images and that he possessed VHS videotapes of child pornography. Valla retained all of the images and movies at his sports card shop, The Dugout, located in Marine City. Many of the children depicted in the images and movies are under 12 years-of-age.

United States Attorney Murphy stated, "Children do not deserve to have their innocence

ripped away, and their dignity stolen, by the sexual exploitation of child pornographers. Those who possess unlawful images of child pornography fuel the international online marketplace the sexual abuse of children. Today's 90-month sentence should be a strong deterrent to stop such abhorrent conduct."

This case was brought as part of Project Safe Childhood. In February 2006, Attorney General Alberto R. Gonzales 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

The case was prosecuted by Assistant United States Attorney Sarah Resnick Cohen.



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Oct 23, 2007

EVENT: Sentencing

Defendant: Deborah J. Lazenby

BANKER INVOLVED IN SBA LOAN FRAUD SENTENCED

United States Attorney Stephen J. Murphy today announced the sentencing of a former banker involved in the fraudulent acquisition of SBA-guaranteed loans.

Murphy was joined in the announcement by Desmond Scanlon, Special Agent in Charge, United States Secret Service, Detroit Division.

Deborah J. Lazenby, 49, of Canton, Michigan, was sentenced today by United States District Judge Denise Page Hood to 24 months' imprisonment, five years supervised release, and \$3,930,889 restitution.

Lazenby had previously pleaded guilty to charges of conspiracy and misapplication of bank funds. Lazenby was an assistant vice president of Huntington National Bank and managed Huntington's Oakman Boulevard (Dearborn) branch until she was fired in November 2005. The charges against Lazenby arose from her role in assisting borrowers in fraudulently obtaining SBA-guaranteed loans issued by Business Loan Express and Community South

Bank. Working with a loan broker, Lazenby supplied bank letters falsely verifying accounts and account balances of loan applicants. Lazenby also assisted the loan broker in “flipping” properties such as gas stations and oil changes. Lazenby allowed the loan broker to use unpaid-for Huntington National Bank official checks to purchase properties which were then quickly resold at an inflated price to persons purchasing the property with fraudulently obtained SBA-guaranteed loans originated by Business Loan Express and Community South Bank. The official checks would be “paid” for only after the property had been resold at the inflated price. In her plea, Lazenby specifically admitted that on June 21, 2005, she gave the loan broker four unfunded Huntington checks totaling more than \$2.8 million. The loan broker used the checks to conduct a “flip” of three oil change properties.

United States Attorney Stephen J. Murphy said, “A bank officer occupies a high position of trust, and the violation of that trust by issuing false bank letters, producing bogus bank checks, and defrauding the SBA merits the type of significant prison sentence the court handed down today.”

The SBA loan fraud investigation, which continues, is being conducted by special agents of the U.S. Small Business Administration-Office of Inspector General and the United States Secret Service. Stephen T. Robinson is the Assistant United States Attorney assigned to the investigation.



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Oct 22, 2007

EVENT: Sentencing

Defendant: Zack Brown et al

**DETROIT DOCTOR SENTENCED TO 16 YEARS
ON \$ 2.5 MILLION HEALTH CARE FRAUD SCHEME**

A Detroit doctor and his biller were sentenced today in federal court in Detroit as a result of having been found guilty by a jury on 80-counts of health care fraud, mail fraud and conspiracy to commit both crimes, United States Attorney Stephen J. Murphy announced.

Murphy was joined in the announcement by Andrew G. Arena, FBI Special Agent in Charge, Lamont Pugh III, Special Agent in Charge, HHS-OIG, and Gregory W. Anderson, Vice President, Corporate and Financial Investigations, BCBSM.

Dr. Zack Brown, 61, and Davell Culberson, 68, were found guilty in May 2007 of conspiring to submit more than 19,000 phony claims to Blue Cross Blue Shield of Michigan ("BCBSM") in an effort to steal more than \$775,000 from the insurer. At sentencing, the Court determined that the two defendants submitted more than 80,000 false claims, totaling over \$2.5 million.

Dr. Brown, who had two prior felony convictions, was sentenced to 200 months (16.6 years) in federal custody, followed by a 3-year term of supervised release.

Davell Culberson was sentenced to 3 years in federal custody, followed by a 3-year term of supervised release.

Brown and Culberson were also ordered to pay \$ 1,130,466.55 in restitution to BCBSM and Medicare.

United States Attorney Murphy said “Health care fraud on a grand scale will result in serious prison time. That’s the message of today’s sentence for Dr. Zack Brown and his accomplice. When a doctor submits thousands of false claims to a health insurance company, it imposes terrible costs on the system, not only in paying fabricated medical bills for non-existent treatment, but also in dealing with the mess the scheme has left behind.”

The sentence was imposed by United States District Judge Marianne Battani. Imposing the sentence, Judge Battani noted that more than 140 phony patients were recruited by Dr. Brown in the course of the scheme, including 12 that were also convicted of felonies and more than 30 that entered into pretrial diversion agreements in this prosecution.

Addressing the defendant, Judge Battani said, “I have never in 20 years as a judge seen a case that impacted so many people as this scheme of yours. The public needs to be protected from people like you. You need to go away where you are not going to be able to harm other individuals.”

Gregory W. Anderson, Vice President, Corporate and Financial Investigations, BCBSM said, “We would like to thank the FBI, OIG-HHS, and U.S. Attorney’s Office for their unrelenting efforts to bring these defendants to justice. The sentence handed down today by Judge Battani sends a clear message to those thinking of committing health care fraud that crime does not pay. I would like to urge anyone that suspects health care fraud to call our toll-free anti-fraud hotline at 1-800-482-3787.”

Lamont Pugh, Special Agent in Charge, U.S. Department of Health and Human

Services, Office of Inspector General, Office of Investigations said, "In perpetrating fraud against Medicare and the private health care insurance industry, Dr. Brown and Davelle Culberson caused a great disservice to the public trust. Health care fraud is a very serious offense and today's sentencing shows that health care fraud will be prosecuted to the fullest extent of the law."

The convictions of Brown and Culberson followed a seven-year joint investigation by FBI, U.S. Health and Human Services, Office of the Inspector General ("HHS-OIG") and BCBSM corporate fraud investigative unit.

Brown and a group of eight recruiters convinced BCBSM subscribers that if they could use their BCBSM cards, they would get to keep half of more than 500 checks, which averaged \$3,000 to \$8,000.

Thus far, BCBSM has recovered more than \$40,000 in restitution payments from the co-conspirators.

The evidence at trial showed Brown and his recruiters told BCBSM subscribers they could share in up to half of the amount the doctor falsely billed in their name if they would cash the checks they received from BCBSM and split the money with the doctor. Brown was not able to directly bill BCBSM because of questionable billing in the past. Once these "phony patients" signed up, Brown paid Culberson \$300 a day in cash to submit claims for anywhere from 100 to 4,700 phony physical therapy services for each patient during the previous year, generating checks from BCBSM of between \$2,000 and \$13,000 to the "phony patients" who then split the money with Brown.

Recruiters received from \$100 to \$300 each time they brought Brown cash from BCBSM subscribers they recruited. Most of those recruited to participate never met Brown and received no services. Two "phony patients" received checks totaling more than \$59,000 and were allowed to keep about half that amount. Many of the BCBSM checks were co-signed by recruiters or Brown and cashed at two or three party stores near Brown's office.

Mr. Murphy commended the excellent work of the trial team of Assistant U.S. Attorneys

James Mitzelfeld and Stephen L. Hiyama, as well as the FBI, the HHS-OIG, and the BCBSM corporate fraud unit.



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Oct 23, 2007

EVENT: Sentencing

Defendant: Jason Michael Downey

**OPERATOR OF "BOT-NET", A NETWORK
OF THOUSANDS OF VIRUS-INFECTED COMPUTERS,
SENTENCED TO 12 MONTHS IN FEDERAL PRISON**

Jason Michael Downey, the operator of "bot network" of virus infected computers that he used to attack other computer systems, was sentenced to a year in federal prison today on his conviction for unlawful computer intrusion that caused over \$20,000 in damages to other computer networks, United States Attorney Stephen J. Murphy announced today.

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

Jason Michael Downey, 24, of Dry Ridge, Kentucky, was sentenced by United States District Judge Nancy G. Edmunds to 12 months' custody in the Bureau of Prisons, 3 years' supervised release, and ordered to pay \$21,110 in restitution to the three victim computer networks, and perform 150 hours of community service during the period of supervised release, as well as to pay a \$100 special assessment.

At sentencing, Judge Edmunds noted that computer crime inflicted serious damages on society and that the crime deserved a serious punishment. Information presented to the court at the time of the sentence showed that from on or about June 18, 2004 through on or about September 5, 2004, Defendant was the owner of the Rizon.net Internet Relay Chat (or "IRC") network. During that time defendant operated a "bot-network," that is, a network of computers infected with a virus that allowed defendant to control such computers, and cause them to attack other computers by sending high volumes of data to such target computers, and thereby causing damage by impairing the availability of such systems. In particular, Defendant caused a large number of computers to be infected with several kinds of "bot" viruses that would cause such computers to respond to commands that defendant issued. As a result, Defendant created a network of infected computers, or "bot-net," of up to 6,000 infected computers. An unspecified number of the infected computers were in the Eastern District of Michigan. Thereafter, Defendant used the Internet Relay Chat network known as "Yotta-byte.net" to control and send commands to the bot-net in order to launch "denial of service" attacks on a variety of computer systems on the Internet, causing such systems to be overloaded with network data and unable to function properly and thereby impairing the operability of such systems. The losses caused by this conduct were over \$20,000.

United States Attorney Stephen J. Murphy said, "The so-called 'bot-masters' on the Internet should realize that attacking and damaging other computer networks through a bot-net can land you in prison. We have the capacity to investigate and prosecute these high tech crimes and we will continue to do so. I commend the FBI for the excellent investigative work they did in this case."

The case was prosecuted by First Assistant United States Attorney Terrence Berg.



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Oct 24, 2007

EVENT: Indictment

Defendant: Wayne T. Duffiney

CHEBOYGAN MARINER INDICTED FOR SINKING BOAT

Wayne T. Duffiney, 57, of Cheboygan, Michigan was indicted by a federal grand jury in Bay City, Michigan on four charges stemming from his conduct on May 14 and 15, 2007, United States Attorney Stephen J. Murphy announced today.

Murphy was joined in the announcement by Rear Admiral John E. Crowley, Jr., Commander of the Ninth Coast Guard District.

Count 1 of the indictment alleges that Duffiney caused and permitted the destruction and injury of his boat, the Misty Morning, in the territorial waters of the United States, i.e. Lake Huron and the Cheboygan River. Count 2 charges that Duffiney violated the federal Clean Water Act by discharging pollutants into the navigable waters of the United States. Count 3 alleges that Duffiney sank the Misty Morning in the navigable channels of Lake Huron, while count 4 charges that he failed to mark the sunken vessel with navigation aids after it was sunk in the navigation channel of Lake Huron.

U.S. Attorney Stephen J. Murphy said, "The safe navigation of our waterways requires that all ship-owners comply with our laws prohibiting the destruction and intentional sinking of vessels in an unlawful manner. I commend the concerned citizens, local, state and federal authorities that brought this conduct to the attention of law enforcement."

Rear Admiral Crowley said, "The Great Lakes are a national treasure of the United States and Canada. The Coast Guard is committed to working closely with our federal, state, local and Canadian partners to safeguard the Great Lakes from environmental harm. This indictment resulted from the Coast Guard and Michigan Department of Environmental Quality working side-by-side to investigate this matter."

If convicted, Duffiney faces a maximum penalty of 10 years in custody and a fine of \$250,000 on count 1, and 3 years in custody and per diem penalties of \$50,000 per day on count 2. Convictions on counts 3 and 4 would subject Duffiney to a mandatory minimum sentence of 30 days in custody and a maximum of a year in custody, plus per diem fines of \$25,000 per day. Forfeiture of the vessels used by Duffiney to tow the Misty Morning, as well as a loss of his mariner's license, are additional potential consequences of convictions in this case.

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 the Coast Guard Sector Sault Ste. Marie, Coast Guard Investigative Service, and the Michigan Department of Environmental Quality and is being prosecuted by the U.S. Attorney's Office in Bay City.



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Oct 24, 2007

EVENT: Sentencing

Defendant: Willie Haynes

**FORMER FINANCIAL SECRETARY FOR LABOR UNION
SENTENCED FOR MAKING FALSE STATEMENTS IN
UNION FINANCIAL REPORTS**

The former financial secretary of United Auto Workers Local 362, which represents employees of Bay City-based General Motors Corporation Powertrain Division, was sentenced on October 24, 2007 to a 12-month period of probation and ordered to pay a fine of \$2,000 for charges of making false statements in labor union financial reports, United States Attorney Stephen J. Murphy announced today.

Willie Haynes, age 61, of Saginaw, Michigan, was sentenced by United States Magistrate Judge Charles E. Binder. Haynes pleaded guilty in July, 2007 to one count of making false statements in labor union financial reports. The offense(s) arose from false statements that Haynes submitted relating to the amount of time he lost from his regular employment due to union work he did for Local 362. Haynes was entitled to be paid by the union due to union work. At the time of his plea, Haynes admitted that he falsified Local 362 annual financial reports (Form LM-2) filed by Local 362 for fiscal years 2001 through 2003. As

a result of the conviction, Haynes is barred from being a union official in the future.

United States Attorney Stephen J. Murphy said, "Accurate financial records for labor unions, as for businesses and government agencies, helps forestall and prevent the possibility of fraud, and therefore any intentional falsification of union financial records must be taken seriously. I commend the Department of Labor's Office of Labor Management Standards for their thorough investigation of this matter."

The case was investigated by the U.S. Department of Labor's Office of Labor-Management Standards.



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Oct 25, 2007

EVENT: Indictment

Defendant: Stanley Thomas Brazil et al

**SEVENTEEN MEMBERS OF SAGINAW GANG
INDICTMENT ON DRUG CHARGES**

Seventeen individuals were indicted by a federal grand jury in Bay City, Michigan relating to charges of conspiracy to distribute crack cocaine or the distribution of crack cocaine. The indictments are the result of an ATF-led investigation named "Operation Sunset" which targeted alleged members of the Sunnyside gang, United States Attorney Stephen J. Murphy announced today.

Murphy was joined in the announcement by Acting, Special Agent in Charge William Temple, Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) and Andrew G. Arena, Special Agent in Charge, Federal Bureau of Investigation.

The six indictments were sealed by court order until today. Named in the six indictments were:

Stanley Thomas Brazil, Jr., 31;

Demetress Lashawn Bryant, 31;
Terrance Lavonn Harris, 28
Jeffrey Dale Harris, Jr., 39;
Damarlon Cenaka Thomas, 26
Torrelee Brazil, 25
Morris Lee Calhoun, Jr., 26
Willie Floyd Jackson, 54
Kevin Stephens, 23
Dlaurence Curtis McCall, 21
Andre Stidhum, 27
Robert Louis Bell, 25
Marcus Courtney Conway, 28
Steven Dawayne Griffin, 29
John Tyler McKinney, Sr., 39
John Tyler McKinney, Jr., 19
Andrea Katie Rankin, 32

All seventeen individuals are residents of Saginaw.

The six separate indictments charge that some of these individuals conspired to distribute crack cocaine in the Saginaw area, primarily in a portion of the City commonly known as the South Side or the Sunnyside. The indictments also charges specific crack cocaine distributions as well as marijuana along with a gun charge.

Murphy stated, "Crack destroys its users, their families, and their neighborhoods. We will spare no effort in pursuing the purveyors of this pernicious drug, disrupting their trade, and eliminating their organizations. I commend the excellent local - federal law enforcement team that conducted this investigation."

Acting ATF SAC Temple stated, "Today, some of Saginaw's 'worst of the worst offenders', identified as members or associates of the "Sunnyside gang," are behind bars as a result of the tireless efforts of our agents and task force officers working together. We know that guns and drugs go hand-in-hand and can escalate violent crime rates. Through

aggressive enforcement of the federal gun and narcotics laws we can identify and combat violent drug gangs from ruling our streets.”

The United States Marshal Service and the Michigan State Police fugitive team participated in attempting to locate the seventeen defendants. At the time of this release, eight defendants have been arrested and will be making appearances in federal court in Bay City.

Earlier this morning, agents executed four federal search warrants in Saginaw and agents recovered four handguns, approximately 8 ounces of crack cocaine, approximately ½ kilogram of cocaine, approximately 5 pounds of marijuana, roughly \$35,000 in currency, ammunition and drug paraphernalia.

An indictment is only a charge and is not evidence of guilt. The defendants are 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 ATF and the FBI with the assistance of the Michigan State Police, Saginaw Police Department, and the Saginaw County Sheriff's Office. The case is being prosecuted by Assistant U.S. Attorney Michael Hluchaniuk.



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Oct 31, 2007

EVENT: Guilty Plea

Defendant: Jacob Arabov

**NEW YORK JEWELER PLEADS GUILTY TO
FALSIFYING RECORDS AND MAKING FALSE STATEMENTS**

Jacob Arabov, the owner of a New York City jewelry store pleaded guilty today to falsifying records in order to obstruct a federal drug investigation and making false statements to federal agents and the United States Attorney's Office, United States Attorney Stephen J. Murphy announced.

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

Jacob Arabov, 42, entered the guilty plea in United States District Court in Detroit before Judge Avern Cohn.

The information presented to the court at the time of the plea showed that between July