



Department of Justice

UNITED STATES ATTORNEY GRETCHEN C.F. SHAPPERT
WESTERN DISTRICT OF NORTH CAROLINA

FOR IMMEDIATE RELEASE
FRIDAY, DECEMBER 28, 2007

CONTACT: SUELLEN PIERCE
704.338.3120
FAX 704.227.0264

**ACCOMPLISHMENTS OF COORDINATED LAW ENFORCEMENT EFFORTS
LEADING TO FEDERAL PROSECUTIONS IN THE
WESTERN DISTRICT OF NORTH CAROLINA**

*From January 1, 2007 to November 1, 2007 Federal Criminal Cases Reveal Pursuit of
Crime Problem Areas and U.S. Justice Department Priorities in the
Western District of North Carolina*

CHARLOTTE, NC - The types of criminal prosecutions and the numbers of suspects and defendants processed in the federal criminal justice system for the Western District of North Carolina from January 1, 2007 through November 1, 2007 reveal the seriousness of the crime problem in Western North Carolina communities and magnify the hard work of state, local, and federal law enforcement agencies. “We want the hard-working and law-abiding citizens of every diverse group of people living in the Western District of North Carolina to know the nature of the ongoing work of law enforcement and federal prosecutors, and to know of law enforcement coalitions working within their communities,” said U.S. Attorney Gretchen C.F. Shappert.

During the first eleven months of 2007, 725 defendants were indicted in 374 bills of indictment filed in federal court in the Western District of North Carolina. Successful partnerships between federal, state, and local law enforcement resulted in significant prosecutions of criminal gangs, violent offenders, drug traffickers, child predators and white-collar felons throughout the 32 counties of western North Carolina.

The Western District of North Carolina encompasses the 32 counties which lie west of a line beginning with Mecklenburg County, bordering South Carolina, and following the I-77

corridor north to the Virginia border. Union and Anson Counties are also part of the Western District. Both Charlotte and Asheville sit in the Western District, as well as the Cherokee Nation territory and over 400,000 acres of federal land, including the Great Smoky Mountains National Park and the Blue Ridge Parkway. The U.S. Attorney's Office for the Western District of North Carolina currently employs 32 attorneys.

I. Gang-Related Investigations and Prosecution of The Hidden Valley Kings Gang

The prosecution of criminal gangs is a top national U.S. Justice Department (DOJ) priority. The growth of criminal gangs in Charlotte has posed problems for local law enforcement. There are presently approximately 1800 documented gang members and 115 gang sets and cliques in the Charlotte-Mecklenburg area alone. In response, FBI formed a "Safe Streets" Gang Task Force consisting of eleven full-time gang investigators. A Gang Unit was also formed within the Charlotte-Mecklenburg Police Department (CMPD), which has an additional three investigators. The U.S. Attorney's Office has an Assistant U.S. Attorney who works closely with these law enforcement groups, and is assigned specifically to coordinate gang prosecutions.

a. Hidden Valley Kings

A bill of indictment filed in U.S. District Court in March 2007, charged 20 members of the "Hidden Valley Kings," a home-grown Charlotte-area gang which organized in the 1990's, deriving its name from Charlotte's Hidden Valley neighborhood. Seventeen of the gang's members, the gang's drug suppliers and associates charged in federal court in March have entered guilty pleas and are presently in pre-trial detention awaiting sentencing.

b. Safe Streets Task Force

FBI's Safe Streets Task Force was created after the Attorney General made criminal gang prosecution one of the Justice Department's top priorities. The Task Force in Charlotte is comprised of agents and officers representing ATF, FBI, ICE, CMPD, Gastonia PD, Mecklenburg County Sheriff's Office and North Carolina Probation and Parole. Federal, state and local law enforcement partner agencies in the Charlotte metropolitan area continue to conduct joint strategic and priority targeting of violent street gangs such as the Hidden Valley Kings. The Task Force also offers assistance in neighboring communities like Gastonia, Hickory, and Monroe. Similarly, the U.S. Attorney's Office works closely with gang investigators on local gang issues, training of law enforcement officers district-wide, and presentation of cases for prosecution in U.S. District Court where maximum statutory penalties call for heavier prison sentences, resulting in lengthy terms of incarceration served without the possibility of parole. Through its Project Safe Neighborhoods and Weed & Seed initiatives, the U.S. Attorney's Office has initiated and co-sponsored programs to discourage youth involvement in gangs and to provide assistance to teens who are seeking to break away from gang involvement.

II. Drug Trafficking Organizations Prosecutions

The Justice Department's Organized Crime Drug Enforcement Task Force Program (OCDETF), initiated in the 1980's, is a vigorous 21st Century program in the Western District of North Carolina, which focuses multi-jurisdictional law enforcement efforts on drug distribution organizations. Federal prosecutions have dramatically impacted methamphetamine distribution in the Western District of North Carolina. Following the crisis brought on by locally manufactured methamphetamine and the stabilization of the numbers of local meth lab seizures, the Drug Enforcement Administration (DEA) leading state and local law enforcement

counterparts throughout the District, shifted the focus of their efforts to Mexican traffickers involved in the distribution of meth and cocaine in the western part of the state. Combined and well-coordinated efforts of federal, state and local law enforcement have repeatedly dismantled significant criminal enterprises through federal prosecutions in the Western District. For example:

a. Operation Shattered Glass

OCDETF “Operation Shattered Glass” was responsible for the indictment of 23 individuals in the Western District. During the course of this investigation spearheaded by the North Carolina State Bureau of Investigation (SBI) approximately 12,500 grams of powder cocaine, 600 grams of crystal methamphetamine, 997 dosage units of MDMA, also known as “Ecstasy,” and 47 illegal firearms were seized. The investigation grew out of North Carolina and led to significant investigations by DEA and the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) in Los Angeles, California, which further led to the arrest and conviction of Hovanes Blikian, the source supplier for the organization operating in North Carolina. The investigation had fingers in Salisbury/Rowan County as well as the Charlotte area and Statesville/Iredell County area. Among those charged in U.S. District Court was a former Salisbury, N.C. police officer. The last defendant in this lengthy and productive OCDETF investigation was sentenced in October 2007—prison sentences ranged from ten years to one year. Participating law enforcement agencies included the North Carolina SBI, ATF, DEA, Salisbury PD, Rowan County Sheriff’s Office, and Iredell County Sheriff’s Office.

b. Operation Ice Melt

OCDETF “Operation Ice Melt” focused on a large methamphetamine conspiracy which went back to January 2001 and continued until June of 2006 operating in Burke, Caldwell, Catawba, Henderson, and Lincoln Counties in the Western District. The organization had ties to Atlanta, and the conspiracy involved at least 500 grams of methamphetamine and at least 5 kilograms of cocaine in Caldwell and Henderson Counties alone. Twenty-eight (28) individuals were indicted in two separate cases in 2006. In addition to the drug distribution and conspiracy charges, “Operation Ice Melt” defendants were also charged with firearms violations, with distribution of both meth and cocaine within 1,000 feet of Gamewell Middle School and Gamewell Elementary School, both in Caldwell County, and with persuading persons under 18 to violate drug trafficking laws. Most of the 28 defendants lived in rural Western North Carolina with addresses in small towns such as Flat Rock, Lenoir, Edneyville, Hudson, Granite Falls, and Connelly Springs. This organization was responsible for the distribution of over 50 pounds of methamphetamine and 15 kilograms of cocaine. The investigation was led by agents of DEA and officers of the Caldwell and Henderson County Sheriff’s Offices. Other law enforcement agencies who dedicated resources to the investigation were the Burke, Catawba, and Lincoln County Sheriffs’ Offices, and the Duluth, Georgia Police Department. Approximately \$17,000 in U.S. currency is currently pending forfeiture to the Government as a result of seizures associated with this case.

c. Operation La Familia

OCDETF “Operation La Familia,” was led by the DEA and the Henderson County Sheriff’s Office with heavy participation by the Asheville PD and Buncombe County Sheriff’s Office. The investigation led to the seizure of 1.5 kilograms of methamphetamine, and culminated with the federal indictment of numerous members of the Lopez family of Henderson County. Alfonzo Lopez, Jr, Eddie Daniel Lopez, and Juan Josa Lopez, along with others, most of whom are from Henderson and Buncombe Counties, were indicted in 2006. Drug distribution activity included Henderson, Buncombe and Rutherford Counties. A total of 20 individuals were charged in one indictment followed by the charging of 18 additional people in a second indictment. Both indictments included federal firearms violations along with the drug charges.

d. Operation Ice and Iron

OCDETF “Operation Ice and Iron” in which 32 were indicted in federal court in three indictments in August and October 2006, represented an organization responsible for the possession with intent to distribute more than five kilograms of cocaine and the possession with intent to distribute more than 500 grams of methamphetamine. This 18-month investigation, which began in Jackson County, North Carolina, included seizure by law enforcement of 1.5 kilograms of methamphetamine. Investigators tracked the importation of cocaine and meth from the Southwestern United States/Mexican border and the Atlanta, Georgia area into Henderson County and Western North Carolina. The organization had filtered into Henderson, Buncombe, Jackson, McDowell, and Macon Counties. DEA and ATF agents, officers from the Henderson, McDowell, Macon, and Jackson County Sheriffs’ Offices, the Asheville PD, the Metropolitan Enforcement Group, and the NC Highway Patrol arrested 22 subjects in October 2006. The investigation involved the shooting death of a defendant by Asheville PD during a walled off car stop in which they were working with DEA at the time of the arrests. Eight kilos of cocaine were in the vehicle. On December 11, 2007 the Government filed a Motion for Final Order of Forfeiture for approximately \$200,000 in U.S. currency as a result of seizures associated with this prosecution. The last defendant was sentenced on November 27, 2007—prison sentences ranged from 19.5 years, to various terms of imprisonment followed by deportation, to probationary terms.

e. Operation Harmony Rocks

OCDETF “Operation Harmony Rocks” represented the investigation and federal prosecution of an Iredell County organization responsible for the distribution of large quantities of illegal drugs (primarily cocaine, “crack” cocaine, and marijuana) in the Statesville/Iredell County and surrounding areas. To date, over 70 defendants have pled guilty or been convicted at trial. Convicted of drug conspiracy by a federal jury following a four-day trial in August 2007, Travis Doran Ramseur, an Iredell County native, is currently in federal custody awaiting sentencing on the drug charges and is also currently awaiting prosecution in the Superior Court of Iredell County on capital murder charges. Charged along with Ramseur was Al Antonio Bellamy, of Iredell County, who is also currently in federal custody awaiting sentencing. Ramseur faces a mandatory minimum sentence of 20 years in federal prison, and Bellamy faces a minimum of ten years in federal prison. The drugs these two individuals distributed were often supplied by the Eckles drug organization which operated out of several residences in the small,

rural community of Harmony, in Iredell County North Carolina. Ramseur was a distributor for the Eckles and also “cooked” powder cocaine into crack cocaine and then sold the drugs. The Eckles organization is one of the most extensive, violent, and pervasive drug networks ever pursued in the Iredell County area. To date, information has been received on at least ten murders, many of which have been unsolved for years. Presently, two defendants in the Eckles organization have been charged by the State with capital murder in the ambush slaying of two other drug dealers. These two defendants also are linked to two additional homicides. Information obtained from witnesses in the investigation led to the location of an assault rifle definitively linked to the ambush slaying. This weapon had been discarded into Lake Norman off Interstate-77 in Mecklenburg County. Information from witnesses also led to the investigation of a large cocaine and “Ice” methamphetamine distribution ring, headed by Mexican Nationals and centered in Harmony, NC. This group was responsible for the distribution of large amounts of “Ice” methamphetamine and cocaine into Yadkin and Surry Counties in North Carolina, and Virginia. “Harmony Rocks” was investigated jointly by agents of ICE and officers of the Iredell County Sheriff’s Office. Federal prison sentences handed down to those indicted under “Operation Harmony Rocks” range from 21 years to three-year-terms of imprisonment..

Drug trafficking is never local. The various drug distribution organizations discussed above and successfully dismantled via the government’s OCDETF program in the Western District of North Carolina had tentacles in Asheville/Buncombe County, Burke, Caldwell, Catawba, Iredell, Jackson, Lincoln, Macon, McDowell, and Rutherford Counties. Local law enforcement, including the Asheville Police Department, Buncombe County Sheriff’s Office, Burke and Caldwell, and Iredell County Sheriff’s Offices, along with local law enforcement representatives and dedicated resources from Jackson, Catawba, Burke and Lincoln Counties all aided and assisted DEA in these investigations. In Asheville alone, local law enforcement agencies, particularly the Asheville Police Department, working with the DEA Asheville Task Force, provided manpower and other resources which led to the arrest of many local drug traffickers along with their out-of-state sources of supply. The local traffickers were responsible for converting cocaine HCL into “crack” cocaine for distribution into many neighborhoods in and around Asheville. Such highly successful cooperative law enforcement investigations continue to be carried out across the Western Counties of North Carolina.

III. Violent Crime and Firearms Violations

With rigorous gun laws on the federal books, the Justice Department, led by the U.S. Attorneys' Offices, have affirmed in community after community across the country that our streets are safer when law enforcement agencies partner in the vigorous enforcement of the federal firearms statutes. Western North Carolina Community in Point: Shelby/Cleveland County, North Carolina.

a. Shelby, NC and Violent Crime Reduction

The U.S. Attorney's Office for the Western District of North Carolina launched the government's comprehensive initiative to reduce gun crime, Project Safe Neighborhoods (PSN), in Shelby, North Carolina in August 2004. When Shelby was tagged by the numbers as being the North Carolina city with the highest violent crime rate per capita in 2004, Shelby City and Cleveland County leaders and law enforcement specialists went to work hand-in-hand with federal law enforcement agencies to make the community more safe and beautiful for the citizens of Shelby. Working side-by-side, agency executives and law enforcement teams identified the most pressing gun crime problems in the Shelby/Cleveland County community and developed strategies via PSN and Project Weed and Seed to attack those problems through prevention, deterrence, and aggressive state and federal prosecutions. Criminals who use guns are prosecuted under federal or state laws, depending on which provides the more appropriate punishment. As gun crime prosecutions reached record highs, the number of gun crimes fell dramatically. According to the Shelby Police Department, Shelby's violent crime index has remained flat in 2007. As of mid-December 2007, Shelby PD had seen 130 fewer reported index crimes than during 2006. At the same time, Shelby's crime rate was being posted at an amazing 20 year low. In 2007 alone, federal sentences were handed down to six Shelby/Cleveland County-area individuals charged in U.S. District Court with being felons in possession of

firearms—those sentences for firearms violations ranged on the high end from 19.5 years to 2.5 years on the low end, all of which will be served out in federal prison without the possibility of parole.

b. Weed and Seed and PSN

There are Weed and Seed sites (some federally funded and some operating independent of federal funds) located in cities across the Western District: Asheville, Charlotte (Central Avenue Corridor), Gastonia, Shelby, and Statesville. In addition, the U.S. Department of Justice, along with the support of city governments, local police departments and sheriffs' offices, faith-based groups working together, numerous service and support organizations, The University of NC at Charlotte, and most importantly, scores of neighborhood associations, direct and fund Project Safe Neighborhoods sites in Asheville, Charlotte (Parkwood Corridor and Freedom Corridor), Shelby, and Statesville. These government-initiated rescue and restore programs incorporate, in addition to the accelerated pursuit of firearms-related crimes, youth programs and scholarships, community gardens, 12-Step Programs, Re-Entry programs, crime mapping, cooperative and coordinated law enforcement efforts, and concentrated probation/parole oversight. The Charlotte-Mecklenburg Police Department, deeply involved and participating in both these programs, reports 70 homicides investigated so far in 2007 as compared to a total of 83 in 2006.

IV. Child Exploitation and Project Safe Childhood

Protecting children from online sexual predators has been a top priority of the Justice Department for nearly two years. Project Safe Childhood (PSC) is a national DOJ initiative that aims to combat the proliferation of technology-facilitated sexual exploitation crimes against children. The threat of sexual predators soliciting children for physical sexual contact is well-known and serious; the danger of the production, distribution, and possession of child

pornography is equally dramatic and disturbing. Through a network of federal, state and local law enforcement agencies and advocacy organizations, PSC serves to coordinate efforts to protect our WNC children by investigating and prosecuting online sexual predators.

The vast online network of pedophiles allows them to easily share sexually explicit material over the Internet. PSC combats this online collaboration of sexual predators by creating a network of law enforcement and advocacy organizations aimed at enhancing the national response to this growing threat to our youth. Coordinated efforts define the implementation of PSC in the Western District of North Carolina; the partnership of the U.S. Attorney's Office, the NC Internet Crimes Against Children (ICAC) Task Force, which is spearheaded by the North Carolina SBI; federal law enforcement agencies, including FBI, U.S. Postal Inspection Service, Immigration and Customs Enforcement and the U.S. Marshals Service; advocacy organizations such as the National Center for Missing and Exploited Children (NCMEC); and local law enforcement agencies across the Western District, represent WNC's response to child exploitation crimes in our counties. Sadly the number of reported child exploitation crimes involving the use of computers has surged in WNC.

a. Increasing Prosecution of Child Predators

- In FY 2003 and FY 2004, the FBI's Charlotte Division Cyber-Squad received reports on 51 Crimes Against Children (CAC) cases. Between the end of FY 2004 and the end of FY 2006, 177 CAC cases were reported—a 288% increase. Forty-two (42) CAC cases have been reported thus far in FY 2007 in the Western District of NC.
- Eleven (11) cases charging some form of sexual crime involving a child (under the age of 18) were filed in U.S. District Court for the Western District of NC for the six-month-period from March 1, 2007 to August 31, 2007.

- Four (4) CAC cases were processed through the federal criminal justice system in the District during the same time period with five sentences having been handed down by WNC federal judges. None of these convicted offenders received probation, three received federal sentences of 15 years or more, and two received sentences of between five and ten years.

b. Child Pornography - Mitchell and Rutherford Counties

In May 2007, husband and wife, Troy and Billie Elaine Witschi, were sentenced to 30 and 20 years, respectively, to be served in federal prison without parole for their involvement in the production and transportation of child pornography. The couple had moved into rural Mitchell County, NC from Ohio and further removed in North Carolina to Rutherford County. Their federal prosecution followed their arrests by local authorities upon discovery of evidence of production and transportation of child pornography by the couple. The case, brought as part of Project Safe Childhood, was the result of investigations and actions by the U.S. Postal Inspection Service, the NC State Bureau of Investigation (NC SBI), and the McDowell, Mitchell, and Rutherford County Sheriffs' Offices.

c. Child Enticement and Exploitation - Mecklenburg County

In October 2007, Jimmie Vance Grubbs, former public and Sunday School teacher and coach, was sentenced 20 years in prison, to be followed by a supervised release term of life. Following an investigation by the Huntersville PD working along with FBI, Grubbs was charged via federal indictment on March 2, 2006 with six counts of transporting a minor from North Carolina to South Carolina with the intent to engage in sexual activity and six count of traveling from North Carolina to South Carolina with the intent to engage in illicit sexual conduct. While a teacher and coach at a Charlotte-area middle school, Grubbs befriended several of his male students and their parents, earning the trust of the parents such that the parents agreed to allow Grubbs to take their children, separately, on trips to his beach condo in Myrtle Beach, South Carolina, and to sporting events at the University of South Carolina in Columbia. Grubbs preyed upon particularly vulnerable boys who came from fractured families; he provided the boys with gifts, money and transportation to school and church. In all, Grubbs took five different boys to South Carolina on separate occasions and molested the boys multiple times while in South Carolina. In addition, Grubbs molested most of the boys multiple times at churches and at schools in North Carolina. Grubbs molested one boy several times a week over the course of a year in his mobile classroom. Once Grubbs was indicted and the charges became public, six adult males contacted authorities to report that Grubbs, their former Sunday School teacher and coach, had molested them when they were boys. Based on the reports from the prior and current victims, Grubbs has molested boys in every decade since the 1970s. One current child victim and one prior victim testified at Grubbs' sentencing hearing. As Grubbs is currently 67 years old, his 20-year sentence is most likely a life sentence.

d. Child Pornography and The Internet

In April 2007 Defendant Marques Bynum was tried on three counts of transporting child pornography (which he posted to a Yahoo Group for others to download) and possession of child pornography (5000+ images and 100+movies) he had on his computer. Bynum had been charged with similar conduct in 2002, but the case was dismissed after the first day of trial because of evidentiary issues. Within 18 months, however, Bynum was caught with child pornography by an undercover FBI agent who did not know of his first case. In his most recent trial, the government brought witnesses from California, Idaho, the District of Columbia, Georgia and Sweden to authenticate and link computer evidence to the defendant. Bynum is currently awaiting sentencing which is set for January 3, 2008. This case was investigated by FBI.

The U.S. DOJ sponsors a number of resources available on the Internet to help educate parents on how to maintain safe home-Internet environments, including NetSmartz.org, isafe.org, and WebWiseKids.org, and in 2007 DOJ awarded \$4 million in PSC grants. In fiscal year 2007, DOJ awarded approximately \$17 million in ICAC funding nationwide.

V. “White Collar” Criminal Prosecutions

Among crimes generally described as “white collar,” the government has pursued mortgage fraud, securities fraud, tax fraud, and environmental crimes which occurred in the Western District of North Carolina.

a. Mortgage Fraud

Mortgage fraud poses a significant concern for federally insured and uninsured lenders. Mortgage fraud also threatens the well-being of neighborhoods when fraud leads to mass foreclosures and reduced property values. Since 2002 in the Western District of North Carolina, lenders and homeowners have suffered tremendous losses in association with mortgage fraud schemes. A number of these schemes have been derailed and exposed by law enforcement authorities. Mortgage fraud is generally defined as fraudulent schemes involving the submission of false information to lenders and others in order to obtain mortgage loans that would not otherwise legitimately be approved. Such schemes also include the creation of fraudulent loan documents in order to obtain loans at higher values and lower rates than would be legitimately

available. These schemes employ various professionals such as recruiters (promoters), attorneys, appraisers, mortgage brokers, and builders who conspire together to successfully execute the fraud scheme. For example, a buyer or investor (potential victim) is recruited. A set of falsified loan application documents is prepared and submitted in which the lender (potential victim) is provided with an overvalued appraisal of the property and an overvalued loan is approved. Ultimately the property forecloses due to the inability of the original buyer or investor to make the payments, and the lender is left to suffer the loss. In the meantime, the conspirators who worked together to execute the scheme have appropriated the difference between the overvalued loan and the actual value of the property. These figures, given current property values, soon reach into multi- millions of dollars. For example, the following case was tried before a federal jury in October 2007 in Charlotte:

b. Mortgage Fraud and Bank Fraud

Defendants William Roosevelt Cloud (a real estate “promoter”) and Juderita Russell (a mortgage loan underwriter) were convicted of multiple fraud offenses arising from millions of dollars in fraudulently obtained residential mortgage loans. Cloud was convicted by the jury of conspiracy related to his role in the mortgage fraud scheme, as well as three counts of mail fraud, 13 counts of bank fraud, one count of money-laundering conspiracy, and six individual counts of money laundering. Following his conviction, Cloud was immediately taken into custody to be held without bond pending his sentencing hearing. Russell, a contract underwriter for Chase Manhattan, was convicted by the jury of conspiracy related to her role in the mortgage fraud scheme, as well as three counts of mail fraud, 15 counts of bank fraud, and one count of money-laundering conspiracy. The evidence at trial showed that Russell was paid “under-the-table” to underwrite and push through the fraudulent loan applications. Russell was allowed to be released on bond pending her sentencing hearing. While a sentencing date has not yet been set, these two defendants each face in excess of 100 years of imprisonment under maximum statutory penalties. The convictions of Cloud and Russell followed the guilty pleas of 19 co-conspirators, including three attorneys, five mortgage brokers, an appraiser, four promoters, two builders, two recruiters, and a bank insider. This case was investigated by the FBI and the US Postal Inspection Service with assistance from the North Carolina Real Estate Commission, as well as the North Carolina Commissioner of Banks. Assistance from these State agencies was particularly important regarding the licensed professionals in the scheme (real estate agents, mortgage brokers, appraisers, and closing attorneys) who enabled the fraud by passing on false information to lenders. A related mortgage fraud case – *U.S. v. Young et al.* – is set for trial in federal court in May 2008.

c. Securities Fraud

In a securities fraud prosecution, former United States Attorney Samuel T. Currin, from Raleigh, along with co-defendants, were convicted and sentenced:

The case involved off-shore money laundering to avoid US taxes and to conceal the proceeds from various “pump and dump” securities fraud schemes. Federal bills of indictment and bills of information returned in 2006 and 2007 charged Howell and Vernice Woltz, husband and wife residents of the Bahamas; Samuel T. Currin, the former EDNC US Attorney; Ricky Graves, an attorney from Wilmington, NC; and others. The investigation is ongoing. The Woltzs’ and Currin pleaded guilty. Another individual was acquitted at a trial held in April 2007. Howell Woltz was sentenced to 87 months; Vernice Woltz 10 months (time served); and Currin to 70 months in prison. Currin was also convicted of obstructing the grand jury’s investigation of the related securities fraud and money laundering scheme by providing false testimony to the grand jury and suborning another lawyer, Shawn Wellons, to withhold documents from the grand jury. Wellons resigned from the bar and received probation. Additional charges are expected in 2008. The investigation of this complicated and ongoing case was led by agents of the FBI and the IRS Criminal Investigation Division with substantial assistance coming from the Securities and Exchange Commission.

In tax-related fraud and public corruption-related schemes, numerous defendants have been charged in U.S. District Court for the Western District of North Carolina.

d. Allegations of Public Corruption

In August 2007 Henderson Amusement, Inc., a SC corporation owned by brothers James Otis Henderson, and Barron Sloan Henderson, with offices in Inman and Spartanburg, SC, along with a host of employees and others (22 total), were indicted in the Asheville Division on numerous charges, including conspiring to conduct an illegal gambling business involving the operation of video poker machines in North Carolina, in violation of NC law. The Henderson brothers, some of their employees, and others, conducted a lucrative illegal gambling business in the Western District of North Carolina in 15 counties by making cash payouts on hundreds of video poker machines. During the course of the conspiracy, which took place from about October 1, 2000 and continued up to 2007, the illegal gambling business took in more than \$5 million in proceeds. The indictment also alleges that in order to facilitate the illegal gambling business, the defendants paid money to law enforcement officers for their assistance and endeavored in numerous ways to obstruct the federal grand jury investigation. Of the 22 individuals indicted, most have entered guilty pleas.

On December 13, 2007, the government announced the filing of new and additional allegations in connection with the operation of video poker machines in violation of NC law wherein former Buncombe County Sheriff Bobby Medford and three Buncombe County men who worked under his employ while he was Buncombe County Sheriff were indicted on numerous felony counts. Charged with conspiracy to commit extortion under color of official right, mail fraud, conspiracy to commit money laundering, obstruction of state and local law

enforcement and making false statements to federal investigators, all in connection with alleged illegal western North Carolina video poker machine businesses, all four defendants are currently being held in jail without bond pending trial. The alleged extortion conspiracy was accomplished over a period of time primarily in three ways: (1) defendants organized golf tournaments that generated significant monies for themselves in both election and non-election years; (2) defendants made direct demands for cash from various video poker machine businesses; and (3) defendants worked on behalf of video poker machine operators and received cash for convincing store owners to place machines in their businesses. The indictment alleges that defendants provided business owners and/or video poker machine operators with benefits and services ranging from the non-enforcement of video poker laws, to the falsification of community service records on behalf of a video poker machine operator's agent charged with criminal offenses. The indictment also alleges instances where one or more of the defendants provided business owners and/or video poker machine business operators with grand jury surveillance, with information that would be known only to law enforcement officers, and with transportation and video poker machine placement. The indictment also contains allegations that the defendants provided business owners and/or video poker machine operators with Special Buncombe County Sheriff's Office Deputy badges, and that the defendants vouched for the video poker machine business employees with other law enforcement agencies. The indictment also alleges that Davis made telephone calls from his office at the Buncombe County Sheriff's Office to warn certain illegal video poker machine operators that search warrants were being executed. The indictment further alleges extortion activity by the defendants in connection with two owners of businesses that put video poker machines in Buncombe County, two video poker machine businesses, and three local owners and operators of illegal gambling businesses. A separate but related indictment (*US v Shepherd, et al*) was filed at the same time, charging six additional individuals and a company with two counts—one alleging conspiracy to conduct an illegal gambling business and the other alleging conducting an illegal gambling business. Both indictments include notices of forfeiture. The investigation has been underway for many months and is ongoing. The U.S. Attorney's office thanks the numerous dedicated law enforcement agencies who are responsible for the investigation to date: FBI, IRS-CI, NC SBI, NC Division of Alcohol Law Enforcement, the Sheriffs' Offices of Buncombe, Cleveland, and Rutherford Counties, and the Shelby PD.

e. Tax Fraud

Dr. John Henry Walker, Senior Pastor of Macedonia Baptist Church of Charlotte, was sentenced on August 31, 2007 to 63 months imprisonment on nine federal criminal counts which charged false statements in connection with bank loans, tax evasion, and false statements to federal agents. Walker's sentence will be followed by a five-year term of supervised release. In addition, Dr. Walker was ordered to pay approximately \$274,000 in restitution to the Internal Revenue Service plus any interest and penalties, and a special assessment of \$900. Dr. Walker had earlier entered a guilty plea to the charges. Dr. Walker's case was investigated by FBI and the Criminal Investigation Division of IRS.

In August 2006 Willard Bradley Lamb of Huntersville was charged in a federal bill of information with bank fraud, money laundering, and filing a false tax return. On the same day the defendant agreed in a plea agreement to plead guilty to all three charges. Lamb was sentenced on November 15, 2007 to 57 months in federal prison. Lamb founded Lighthouse

Title Agency, which prepared and executed mortgage closings on home purchases. The case was investigated by the Criminal Investigation Division of IRS.

VI. Environmental Crimes

Finally, an environmental crimes case, investigated by EPA and prosecuted by the U.S. Attorney's Office in Charlotte involved a company responsible for taking away and properly handling grease and other refuse from restaurants.

Ecosolve, a Charlotte company that was hired to remove, haul, pretreat, and dispose of waste from grease traps of restaurants and other establishments, as well as the company's owner, Ralph Rogers, and a former manager and driver, Thomas Forebush, were charged with conspiracy to commit, and with committing, mail and wire fraud and Clean Water Act violations. The alleged conspiracy involved a scheme in which the defendants directed Ecosolve truck drivers to discharge customers' fat, oil, grease, and other waste back into the customers' own grease traps or, sometimes to divert it into other businesses' grease traps, instead of removing all of the waste and hauling it to the company's pretreatment facility for processing and disposal. The co-conspirators allegedly saved Ecosolve time and money by increasing the number of customers its drivers serviced before returning to the pretreatment facility. The government contends that the defendants' activities violated the Clean Water Act, because the grease traps were not designated discharge points for such waste and some discharged waste may have entered the public sewer system. The company and the company's majority owner during the crime, Ralph Rogers; its Environmental Compliance Officer, Leanne Ingram; and four other company officials and employees, Thomas Forebush, Whit Gibson, James Branham, and Tara Presson--have entered guilty pleas as follows: Ecosolve, LLC, pled guilty to three counts of violating a Clean Water Act pretreatment requirement, and to making a false material statement regarding a matter regulated by the Clean Water Act. Defendants Rogers and Forebush pled guilty to conspiracy to violate the Clean Water Act. Defendants Branham, Gibson, Ingram, and Presson pled guilty to having knowingly violated a Clean Water Act requirement imposed in a pretreatment program and approved by law. The defendants are awaiting sentencing. The company agreed in its plea agreement to pay a \$160,000 in fines--the maximum permitted by law--and to serve three years on probation that will include abiding by an environmental compliance plan under supervision of the government. The case was investigated and brought for federal prosecution by the Environmental Protection Agency.

CONCLUSION

The U.S. Attorney's Office for the Western District of North Carolina completed 50 jury trials from January to November 2007. There were 374 separate bills of indictment filed in U.S. District Court during the same period, some of which contained (among many other charges) 408 separate gun counts and 561 separate drug counts. These charges relate to specific offenses

which the government either alleges or has proven occurred in one of the 32 counties which make up the Western District of North Carolina. During the same time period, the Victim-Witness Unit of the U.S. Attorney's Office oversaw in excess of 10,000 victim-witness notifications. The Government, represented by the U.S. Attorney's Office, collected more than \$10 million in restitution monies, and more than \$15 million in seized and forfeited assets.

"Numbers do not tell the entire story," said U.S. Attorney Shappert. "But the numbers do reflect the hard work of agents, investigators, analysts, and prosecutors who are sworn to protect our citizens and uphold the law. Working together, we accomplished a lot in 2007. And we expect to accomplish even more in the New Year."

###