



## Former Credit Suisse Employee Surrenders

McNabb Associates, P.C. (Federal Criminal Defense Lawyers)

Submitted at 11:07 AM February 1, 2012

Bloomberg on February 1, 2012 released the following:

“By Patricia Hurtado

Former Credit Suisse Group AG (CSGN) employee David Higgs pleaded guilty to conspiracy related to the intentional mismarking of prices tied to securities including collateralized debt obligations. Another former bank employee, Salmaan Siddiqui, will plead guilty later today, a person familiar with the case said.

Switzerland’s second-largest bank said in February 2008 it would take writedowns on asset-backed securities after finding “mismarkings” by a group of traders. The bank said a month later it would write down \$2.65 billion after an internal review found pricing errors on residential mortgage-backed bonds and CDOs were made intentionally “by a small number” of traders who were then fired or suspended. At the time, the bank hadn’t disclosed the names of the traders.

Higgs said in Manhattan federal court today that he engaged in the scheme “to remain in good favor” with his superiors.

The prosecution is one of only a handful brought over charges tied to the subprime-mortgage market. The government failed in its biggest prosecution tied to the 2008 financial collapse when ex-Bear Stearns Cos. hedge-fund managers Ralph Cioffi and Matthew Tannin were acquitted in 2009 in Brooklyn, New York federal court of charges they misled investors who lost \$1.6 billion.

Surrendered Today

Higgs, who the FBI said surrendered this morning, pleaded guilty to one count of conspiracy to falsify books and records and commit wire fraud. The count carries a maximum five year prison term and three years supervised release.

The U.S. Securities and Exchange Commission was also involved in the probe, said another person familiar with the case, who added that fewer than five people will be charged. Both people declined to be identified because the investigation isn’t public. Credit Suisse won’t be prosecuted, one of the people said. John Nester, an SEC spokesman, declined to comment yesterday about the

prosecution.

Higgs appeared before U.S. District Judge Alison Nathan, who said the former trader is cooperating with the government’s probe. He will be released on \$500,000 bond and live in the U.K. while he awaits sentencing. Siddiqui is scheduled to appear at 11:30 a.m. in the same courthouse before U.S. District Judge Paul Crotty.

Ex-Employees

Higgs and Siddiqui haven’t worked for Credit Suisse since their employment was terminated in 2008, said Steven Vames, a spokesman for the bank in New York. A call and e-mail to Siddiqui’s lawyer, Ira Sorkin, weren’t immediately returned. “Following its revaluation review, Credit Suisse has determined that the pricing errors were, in part, the result of intentional misconduct by a small number of traders,” Credit Suisse said in a statement on March 20, 2008. “These employees have been terminated or have been suspended.”

In his State of the Union address to Congress last month, U.S. President Barack Obama said he would establish a financial crimes unit “to crack down on large-scale fraud and protect people’s investments.” Obama urged lawmakers to “make the penalties for fraud count.”

New Unit

He also announced the creation of a unit to increase investigations into mortgage lending and securitization. The unit will probe bank conduct that created the housing bubble and bust, including the packaging of loans into securities, said New York Attorney General Eric Schneiderman, a co-chairman of the group.

Last year, federal prosecutors said they were planning to step up probes of fraud involving CDOs and credit default swaps.

Christopher Garcia, chief of the Securities and Commodities Fraud Task Force in the U.S. Attorney’s Office in Manhattan, told white-collar criminal-defense lawyers at a conference last March that his office would spend 2011 investigating possible fraud involving CDOs and CDSs.

Pursue Probes

“If there’s crime there, we’re going to find it and we’re going to pursue it,” Garcia

said at an American Bar Association meeting in San Diego. Investigators won’t be deterred by the complexity of the financial instruments, he said.

CDOs are pools of assets such as mortgage bonds packaged into new securities. Interest payments on the underlying bonds or loans are used to pay investors.

Credit default swaps pay the buyer face value if a borrower fails to meet its obligations, less the value of the defaulted debt.

Garcia said in an interview after his presentation that his office is “bringing in people with expertise in these areas.” “It’s an enforcement priority,” he said.

U.S. prosecutors in Washington in 2010 decided not to bring charges against former American International Group Inc. (AIG) executive Joseph Cassano after a probe into whether executives in the firm’s Financial Products Division misrepresented the value of a portfolio of “super senior” credit-default swaps, which insured bond losses tied to the U.S. housing market.”

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# Seven Members, Associates, and Leaders of Folk Nation Gang Indicted for Alleged Racketeering and Murder

McNabb Associates, P.C. (Federal Criminal Defense Lawyers)

Submitted at 7:33 AM February 1, 2012

The Federal Bureau of Investigation (FBI) on January 31, 2012 released the following:

“Additional Charges Include Robbery, Assault, Illegal Use of Firearms, and Related Crimes

A superseding indictment was unsealed in federal court in Brooklyn this morning charging seven members, associates, and leaders of the violent Brooklyn street gang “Six Tre Outlaw Gangsta Disciples Folk Nation,” also known as the “Folk Nation.” The 16-count indictment charges the defendants with violent crimes including racketeering, murder in-aid-of racketeering, murder conspiracy, attempted murder, robbery, assault, and illegal use of firearms.[1] Two defendants will be arraigned later today before United States Magistrate Judge Marilyn D. Go at the federal courthouse in Brooklyn. The defendants face sentences up to life imprisonment if convicted.

The charges were announced by Loretta E. Lynch, United States Attorney for the Eastern District of New York; Janice K. Fedarcyk, Assistant Director in Charge, Federal Bureau of Investigation, New York Field Office; and Raymond W. Kelly, Commissioner, New York City Police Department. As detailed in the indictment and other court filings submitted by the government, a two-year joint investigation by the FBI and the NYPD revealed that since 2008, a violent set of the Folk Nation gang committed numerous crimes of violence including four murders, three attempted murders, two assaults, and six robberies. The gang was based in the Ebbets Field Houses, a New York City public housing community, although its criminal activities extended into the Tri-State area.

The gang is alleged to have used extreme and indiscriminate violence to further its objectives. The defendants’ victims include a 10-year-old girl, who was severely injured when she was shot in the neck by gang members while they were attempting to murder a rival. The gang is alleged to have committed four murders, in an effort to assert its power over the neighborhoods in which it operated. On at least two occasions, gang members missed their intended targets and hit innocent bystanders—after one murder at a teenager’s birthday party in an Ebbets Field apartment, gang members

acknowledged that they had killed the wrong person.

In order to fund its illegal activities, members of the gang allegedly committed violent robberies of individuals and commercial establishments. Members of the gang are alleged to have robbed the Lee Perla jewelry store at the Riverside Square Mall in Hackensack, New Jersey, making off with hundreds of thousands of dollars worth of luxury watches. According to the indictment, the gang also targeted individual robbery victims, whom they lured to secluded areas in Brooklyn, via Internet advertisements on Craigslist, and then robbed at gunpoint. According to a detention memorandum filed by the government, the charged murders and other acts of violence took place on public streets, in front of personal residences, and even on a playground, in Brooklyn neighborhoods.

The charges announced today are the latest in a series of federal indictments in this district charging members of violent street gangs with racketeering crimes. “Motivated by greed, the Folk Nation employed indiscriminate violence to destroy the lives of their perceived enemies. But their violence spread beyond the gang world into the streets and playgrounds of Brooklyn, and innocent bystanders, including a child, were caught in the crossfire. Terrorizing a community, this gang claimed its turf by force and robbed from businesses and individuals alike leaving a trail of victims in its wake,” stated United States Attorney Lynch. “We are steadfast in our commitment to dismantling street gangs that put at risk the members of our community, and the seriousness of today’s charges reflect that commitment.”

“The reason the FBI places such a high priority on gang investigations is the extreme violence gangs so often commit. Here, as charged in the indictment, the defendants’ ruthlessness was matched by their recklessness. They allegedly showed no apparent concern for bystanders, and bystanders were seriously hurt as a consequence,” said Assistant Director in Charge Fedarcyk.

NYPD Commissioner Kelly stated, “Through a variety of partnerships, including clergy, the Brooklyn District Attorney, and in this case United States Attorney Loretta Lynch, the police department is suppressing crime in Brooklyn to the point where last year for the first time since 1963 murder in the

Borough fell below 200. As charged in the indictment, members of the Folk Nation have been responsible for multiple murders and shootings, and their apprehension and prosecution should have a continued salutary effect for the residents in and around the Ebbets Field Houses.”

The government’s case is being prosecuted by Assistant United States Attorneys Zainab Ahmad and Seth DuCharme.

The Defendants:

YASSA ASHBURN, also known as “Indio,” “Swirls,” and “Swerve”

Age: 28

HAILE CUMMINGS, also known as “Ruger” and “Rugah”

Age: 20

GERALDO ELAINOR, also known as “Gunny” and “Geraldo Casimir”

Age: 21

DANIEL HARRISON, also known as “Bones,”

Age: 24

RICKY HOLLENQUEST, also known as “Dancer”

Age: 20

JAMAL LAURENT, also known as “Tails” and “Gunner”

Age: 22

TREVELLE MERRITT, also known as “Tiger”

Age: 19

[1] The charges contained in the superseding indictment are merely allegations, and the defendants are presumed innocent unless and until proven guilty.”

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# FBI Director Says Cyberthreat Will Surpass Threat From Terrorists

McNabb Associates, P.C. (Federal Criminal Defense Lawyers)

Submitted at 10:41 AM February 1, 2012

ABC News on January 31, 2012 released the following:

“Threats from cyber-espionage, computer crime, and attacks on critical infrastructure will surpass terrorism as the number one threat facing the United States, FBI Director Robert Mueller testified today.

Mueller and National Intelligence Director James Clapper, addressing the annual Worldwide Threat hearing before the Senate Select Committee on Intelligence, cited their concerns about cyber-security and noted that China and Russia run robust intrusion operations against key U.S. industries and the government.

“I do not think today it is necessarily [the] number one threat, but it will be tomorrow,” Mueller said.

“Counterterrorism — stopping terrorist attacks — with the FBI is the present number one priority. But down the road, the cyberthreat, which cuts across all [FBI] programs, will be the number one threat to the country.”

A report released in November by the National Counterintelligence Executive singled out Russia and China for their aggressive efforts to steal American intellectual property, trade secrets and national security information.

“The cyberthreat is one of the most challenging ones we face,” Clapper said. “Among state actors, we’re particularly concerned about entities within China and Russia conducting intrusions into U.S. computer networks and stealing U.S. data. And the growing role that nonstate actors are playing in cyberspace is a great example of the easy access to potentially disruptive and even lethal technology and know-how by such groups.”

“We foresee a cyber-environment in which emerging technologies are developed and implemented before security responses can be put in place,” Clapper said. U.S. officials estimate that there are 60,000 new malicious computer programs identified each day.

Last week the computer security firm Symantec released a report on a Trojan horse program dubbed “Sykipot,” which researchers say was traced to computer

servers in China and was allegedly targeting firms in the defense industry. “The Sykipot attackers have a long running history of attacks against multiple industries. Based on these insights, the attackers are familiar with the Chinese language and are using computer resources in China. They are clearly a group of attackers who are constantly modifying their creation to utilize new vulnerabilities and to evade security products and we expect that they will continue their attacks in the future,” Symantec noted in a blog posting.

In the past several years there has been a growing list of complex computer breaches that highlight the wide array of threats the officials were testifying about:

- The high-profile intrusions of Google’s Gmail by China in 2009 also targeted as many as 30 other high-tech companies including Yahoo, Adobe, Rackspace and Northrop Grumman. U.S. officials believe China was attempting to gain access to these firms’ networks to obtain intellectual property and source code information.
- China is also believed to be behind hacking into computer systems run by NASDAQ-OMX, the parent company of the NASDAQ stock exchange, and an intrusion last year into computers at the International Monetary Fund.
- Last year RSA, the security division of the EMC Corp., suffered a breach of the firm’s intellectual property, SecureID, which provides encrypted authentication services to defense contractors and the U.S. government, including the FBI. U.S. officials say Chinese entities compromised the RSA SecureID system to try to break into computers used by defense contractor Lockheed Martin.
- In 2007, Russia waged cyber-attacks against computer systems in Estonia and U.S. officials have also cited Russia using cyber-capabilities in the conflict between Russia and Georgia in 2008.
- Non-state entities such as the computer “hactivist” group Anonymous have wreaked havoc recently with distributed denial of service attacks against the websites of the Justice Department, Universal Music, the Motion Picture Association of America, the Recording Industry Association of America and the FBI. Anonymous also has conducted

sophisticated intrusions, breaching the computer systems of government contractor HB Gary, a cyber-security firm, in early 2011 when they downloaded more than 50,000 emails from the firm and posted private information about the CEO on his own Twitter account.

In the next month, Congress is expected to take up debate about pending cyber-security legislation that could possibly give the Department of Homeland Security new authorities to protect critical computer networks. Senators today on the Hill questioned the panel about why they have not done more to move forward on the issue.

“I can tell you that we are exceptionally concerned about that threat,” Mueller said, citing the establishment of the National Cyber Investigative Joint Task Force that brings together the 18 intelligence agencies to work on various cyber threats. “In the same way we changed to address terrorism, we have to change to address cybercrime.” Mueller said. “And so we have to build up the collective addressing of that threat in the same way that we did so and broke down the walls in the wake of September 11th .”

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Removal.

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# Gupta Faces New Charges in Insider Trading Case

McNabb Associates, P.C. (Federal Criminal Defense Lawyers)

Submitted at 8:51 AM February 1, 2012

The New York Times on January 31, 2012 released the following:

“BY PETER LATTMAN

Federal prosecutors expanded their case against Rajat K. Gupta on Tuesday, filing a new indictment that broadens what they claim was an insider trading conspiracy between the former director of Goldman Sachs and Raj Rajaratnam.

In a new charge, the government contends that Mr. Gupta called in to a Goldman board meeting in March 2007 from Mr. Rajaratnam’s offices at the Galleon Group hedge fund. Minutes after the call, he leaked secret information about the bank to Mr. Rajaratnam, the government says.

Gary P. Naftalis, a lawyer for Mr. Gupta, denied the new accusations, saying, “As we have stated from the onset, the government’s allegations are totally baseless.”

Last October, the government charged Mr. Gupta with leaking to Mr. Rajaratnam boardroom secrets about Goldman and Procter & Gamble, where he also served as a director. It was a stunning blow to Mr. Gupta, who as the former global head of the consulting firm McKinsey & Company was one of the world’s most respected businessmen.

His trial is set for April 9 before Judge Jed S. Rakoff in Federal District Court in Manhattan. Mr. Rajaratnam, who was convicted by a jury last May of leading a huge insider trading ring, is serving an 11-  
**Principal of Offshore Brokerage Firm and Las Vegas Stock Promoter Convicted in Miami for \$7 Million Stock Manipulation Scam**

(USDOJ: Justice News)

Submitted at 5:56 PM February 1, 2012

Jonathan Curshen, 47, the principal of Red Sea Management and Sentry Global Securities, two companies located in San Jose, Costa Rica, that provided offshore accounts and facilitated trading in penny stocks, was found guilty of conspiracy to commit securities fraud, wire fraud and mail fraud; two counts of mail fraud; and conspiracy to commit international money laundering.

year prison term.

The new charges seem to counter one of Mr. Gupta’s main lines of defense. At pretrial hearings, Mr. Gupta’s lawyers have said that the relationship between Mr. Gupta and Mr. Rajaratnam, once close friends and business associates, had soured by 2008, which is when the government said that Mr. Gupta leaked corporate secrets to Mr. Rajaratnam. The lawyers attribute the falling out to a \$10 million loss on an investment with Mr. Rajaratnam.

By stretching the conspiracy back to 2007, when the markets were still soaring and Galleon’s investments were performing well, the government appears to be countering the defense that Mr. Rajaratnam had fallen out of Mr. Gupta’s good graces.

In addition, the accusation that Mr. Gupta participated in a Goldman board call from Galleon’s offices suggests a coziness between the two men that Mr. Gupta’s lawyers have sought to debunk.

The additional charges against Mr. Gupta involve both Goldman and Procter & Gamble.

In one new count, prosecutors assert that Mr. Gupta, then a Goldman director, participated in a telephone meeting of the board’s audit committee in March 2007 from Galleon. Mr. Gupta heard a preview of Goldman’s earnings, which were strong and set for release the next morning, the government contends. About 25 minutes after the call, Galleon bought at least \$70 million worth of Goldman shares, allowing the fund to profit when the

**Justice Department Settles Americans with Disabilities Act Lawsuit with Michigan’s Henry Ford Health System**

(USDOJ: Justice News)

Submitted at 6:11 PM February 1, 2012

The Justice Department has reached a settlement with the Henry Ford Health System to ensure effective communication with individuals who are deaf or hard of hearing in the provision of medical services.

**Department of Justice Reaches Settlement with Mercer County School District in West Virginia to Ensure Equal Opportunities for ELL Students**

(USDOJ: Justice News)

Submitted at 1:40 PM February 1, 2012

The three-year settlement agreement will ensure that this rural district takes

bank’s shares rose the next morning.

In the other added charge, the government asserts that Mr. Gupta called Mr. Rajaratnam from Switzerland after participating in a Procter & Gamble board call and leaked information about the company’s coming earnings release.

Separately, Richard J. Holwell, the federal judge who presided over the trial of Mr. Rajaratnam, is retiring from the bench, according to two people with direct knowledge of the matter who requested anonymity because they were unauthorized to discuss it.

The timing of Judge Holwell’s retirement is unclear, but he is expected to return to private practice. He was a partner at the law firm White & Case before becoming a judge in 2003.

Judge Holwell did not respond to a request for comment.”

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**Federal Court Orders Iowa Man and Eight Companies to Pay Employment Taxes**

(USDOJ: Justice News)

Submitted at 9:32 AM February 1, 2012

A federal court has ordered James Watts and eight corporations to begin paying employment taxes to the United States on a timely basis, the Justice Department announced today.

appropriate action to serve its small but growing and widely dispersed ELL population.



## Kim Davis Indicted by a Federal Grand Jury Allegedly Conspiring to Commit Extortion Under Color of Official Right, Extortion Under Color of Official Right, and Corrupt Solicitation or Acceptance of a Bribe

McNabb Associates, P.C. (Federal Criminal Defense Lawyers)

Submitted at 8:39 AM February 1, 2012

The Federal Bureau of Investigation (FBI) on January 31, 2012 released the following:

“East Orange Construction Official Charged with Taking Bribe

NEWARK, NJ—A longtime construction official in the property maintenance department of the city of East Orange, N.J., was arrested this morning in East Orange by special agents of the FBI for allegedly taking a bribe from an East Orange property owner in exchange for his assistance in city government matters, U.S. Attorney Fishman announced.

Kim Davis, 45, of New York and formerly of Newark, is charged by indictment with one count of conspiring to commit extortion under color of official right; one count of extortion under color of official right—for accepting a \$5,000 corrupt cash payment in exchange for official action; and one count of corrupt solicitation or acceptance of a bribe. Davis is expected to appear this afternoon before U.S. Magistrate Judge Cathy L. Waldor in Newark federal court.

According to the indictment unsealed today:

Davis is a certified technical assistant to construction officials in the building division of the property maintenance department of the city of East Orange. The

building division is responsible for the enforcement of the New Jersey Uniform Construction Code and the approval of all applications for construction, alterations and renovations of buildings within the city.

Davis and an inspector in the code and enforcement division of the property maintenance department—referred to in the indictment as co-conspirator 1—conspired in 2007 to accept corrupt cash payments from East Orange property owners and developers in exchange for promises of official action in East Orange government matters related to the construction and development of property. Specifically, Davis accepted a \$5,000 bribe from an East Orange property owner in September 2007.

The extortion and conspiracy counts each carry a maximum potential penalty of 20 years in prison and a \$250,000 fine, or twice the aggregate loss to victims or gain to the defendant. The bribery count carries a maximum potential penalty of 10 years in prison and a \$250,000 fine, or twice the aggregate loss to victims or gain to the defendant.

U.S. Attorney Fishman credited special agents of the FBI’s Garret Mountain Resident Agency, under the direction of Special Agent in Charge Michael B. Ward, for the investigation leading to the indictment.

The government is represented by

Assistant U.S. Attorney Sandra L. Moser of the U.S. Attorney’s Office Special Prosecutions Division in Newark.

The charges and allegations contained in the indictment are merely accusations, and the defendant is considered innocent unless and until proven guilty.”

Douglas McNabb – McNabb Associates, P.C.’s

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## California Man Pleads Guilty to \$8.5 Million Mortgage Fraud Scheme

McNabb Associates, P.C. (Federal Criminal Defense Lawyers)

Submitted at 7:44 AM February 1, 2012

The Federal Bureau of Investigation (FBI) on January 30, 2012 released the following:

“KANSAS CITY, MO—Beth Phillips, United States Attorney for the Western District of Missouri, announced that a California man pleaded guilty in federal court today to his role in a mortgage fraud scheme that defrauded a failed Sugar Creek, Mo., bank of more than \$8.5 million.

William Troy Goings, 36, of Sacramento, Calif., pleaded guilty before U.S. District Judge Gary A. Fenner to participating in a conspiracy to commit wire fraud.

By pleading guilty today, Goings admitted that he defrauded American Sterling Bank in Sugar Creek in a scheme that lasted from Oct. 11, 2006, to Jan. 18, 2007. American Sterling Bank was closed

on April 17, 2009.

Goings acted as a finder for a California mortgage broker by recruiting borrowers and preparing loan applications for those borrowers. Goings submitted fraudulent loan applications and supporting documents that contained false information about the borrowers’ income, assets and liabilities, and credit history.

As a result of the mortgage fraud scheme, American Sterling Bank approved loans totaling \$8,587,893 for 19 properties in California. Goings received approximately \$99,408 from the scheme.

Under federal statutes, Goings is subject to a sentence of up to 30 years in federal prison without parole, plus a fine up to \$1 million and an order of restitution. A sentencing hearing will be scheduled after the completion of a presentence investigation by the United States Probation Office.

This case is being prosecuted by Senior

Litigation Counsel Linda Parker Marshall. It was investigated by the FBI and the FDIC, Office of Inspector General.”

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CALIFORNIA page 6



# FBI raids wrong apartment in Fitchburg, Massachusetts

McNabb Associates, P.C. (Federal Criminal Defense Lawyers)

Submitted at 9:40 AM February 1, 2012

KSDK.com on January 31, 2012 released the following:

“By Victoria Block

Fitchburg, MA (WHDH/CNN) – An FBI raid called Operation Red Wolf has the agency slightly red-faced.

The two-year investigation into drugs and weapons led them to the second floor of a building in Massachusetts, but to the wrong apartment.

“I took two steps, face the second door, and I heard the click of a gun, and saying, ‘FBI, get down,’ so I laid down on my living room floor,” said Judy Sanchez.

Sanchez describes how she was terrorized during an early morning FBI raid in Fitchburg.

“I was screaming, ‘You have the wrong apartment, you have the wrong apartment,’ over fifty times. And then I seen the big blade coming down my

## CALIFORNIA

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door,” she said.

The feds chain-sawed their way into her second floor apartment before realizing they had hit the wrong spot. Their suspect was next door, and they eventually got him. But not before humiliating Sanchez, scaring the daylights out of her 3-year-old daughter, Ji’anni, who was left alone and screaming in another room.

“I was... 35 minutes, just holding my puppy, she was just shaking as much as I was, it was very cold, doors were open, they didn’t let me get my jacket or even so much as get my daughter. It was horrible,” said Sanchez.

The FBI says the agent repeatedly apologized for the mistake and Sanchez was reimbursed for the broken door. But it was hardly enough to appease her anger or lessen her fear. She’s taken to sleeping with a baseball bat ever since the raid, and her daughter continues acting out.

“Anytime anybody knocks, she freezes up. A two-year investigation and you still

knock down the wrong door? That’s crazy,” said Sanchez.

As for the real suspect, Luis Vasquez faces up to 40 years in prison, if he’s convicted.

WHDH/CNN”

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