



## U.S. Inquiry Grows Over Olympus Payout

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

Submitted at 8:57 AM October 28, 2011

The New York Times on October 27, 2011 released the following:

“BY BEN PROTESS AND HIROKO TABUCHI

Federal authorities are intensifying an investigation into the large fees that the Japanese company Olympus paid to an obscure American brokerage firm. The Securities and Exchange Commission and other regulators have now begun their own inquiries into the \$687 million payout, according to people briefed on the inquiries.

The Federal Bureau of Investigation opened the case only two weeks ago, but the inquiry has now grown to touch nearly every corner of the federal law enforcement arsenal. Federal prosecutors in Manhattan have jumped on the case, while the S.E.C. has begun an examination of the now-defunct brokerage firm, Axes America.

An S.E.C. spokesman declined to comment.

While the focus of the investigation is not yet clear, securities lawyers speculate that investigators will potentially examine whether the steep fees were kickbacks to Olympus officials involved in the deal. So far, it is believed that federal authorities are possibly interested in whether the fees amounted to money laundering or other illicit acts. A spokesman for the F.B.I. in New York declined to comment.

The F.B.I. began its examination soon after Olympus fired its chief executive, who had confronted the company's chairman about the suspect payouts. Japanese regulators are now looking into the matter as well.

The questions arose from Olympus's 2008 takeover of a British medical device company, the Gyrus Group. Olympus, which runs both a medical equipment business and a less lucrative digital camera business, has described the \$687 million payout as a fee to Axes America for advising on that deal.

But when Olympus announced the acquisition, it said only that Perella Weinberg, an independent investment bank, advised on the deal. The company made no mention of Axes America, according to a recent PricewaterhouseCoopers report.

By any measure, the fees were eye-

popping. The funds amounted to 36 percent of the value of the Gyrus deal, the PricewaterhouseCoopers report said. Olympus later doled out the bulk of the \$687 million to a Cayman Islands company linked to Axes, a firm called Axam Investments.

At a news conference in Tokyo on Thursday, the newly installed president of Olympus, Shuichi Takayama, defended the funds paid to Axes and Axam, saying that Olympus had determined that the fee “would fully pay off.” He said the advisers were hired to give wide-ranging guidance to Olympus, including identifying potential takeover targets in the medical field.

“Olympus sought acquisitions as part of a strategy to find new growth areas and reduce our dependency on endoscopes,” Mr. Takayama said. “These acquisitions were part of that effort.”

Mario Takeno, an official at Japan's securities watchdog, the Securities and Exchange Surveillance Commission, told a parliamentary committee on Thursday that the agency would “closely watch” the findings of a third-party committee set up by Olympus to investigate the payments. “It's clearly worth investigating,” said J. Mark Ramseyer, a professor of Japanese legal studies at Harvard Law School, who added that the fees were “bizarrely huge.” While the PricewaterhouseCoopers report did not identify “improper conduct,” it said that “given the sums of money involved and some of the unusual decisions that have been made, it cannot be ruled out at this stage.”

Axes America itself presents a curious case.

Just weeks after Olympus closed the deal for Gyrus, the firm shuttered its doors.

And after the affiliated Cayman Islands company, Axam Investments, scooped up its portion of the bounty, it too shut down. It was a peculiar end for both firms. In its 10-year history, Axes America never drew much notice on Wall Street. The firm, run by a longtime Japanese banker, Hajime Sagawa, generated mediocre revenue and never drew the ire of regulators.

Mr. Sagawa could not be reached for comment. A relative in Boca Raton, Fla., said he had planned to return from a business trip late last week, potentially to meet with the F.B.I. But the relative said on Wednesday that Mr. Sagawa had not yet returned to Florida. He has not been

accused of any wrongdoing.

Michael C. Woodford, the recently fired Olympus chief, who is British, was in New York on Wednesday meeting with F.B.I. agents and federal prosecutors. He declined to provide specifics of the meeting. As Mr. Woodford flew to New York, Olympus fell deeper into turmoil. On Wednesday, the company's chairman, Tsuyoshi Kikukawa, resigned.

At Thursday's news conference, the executive vice president, Hisashi Mori, did most of the talking.

Mr. Mori said he had been introduced to the advisers by a person in Japan whom he declined to name. The advisers had worked with Olympus in an informal capacity for no fee since around 2004 before being formally hired two years later ahead of the 2008 Gyrus deal, he said.

An official said there had been no discussion of Mr. Woodford's concerns over the acquisitions before the board voted to oust him.

Tensions flared at the news conference, as reporters berated Mr. Takayama and his colleagues for long-winded responses. “What is the point of this press conference if you are not going to address the main issues?” one reporter asked.”

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# Eliyahu Weinstein Indicted by a Federal Grand Jury for Conspiracy to Commit Wire Fraud, Wire Fraud, Bank Fraud, and Money Laundering

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

Submitted at 8:36 AM October 28, 2011

The Federal Bureau of Investigation (FBI) on October 27, 2011 released the following:

**“Leader of \$200 Million Real Estate Investment Scam Charged in 45-Count Indictment with Fraud and Money Laundering**

**Alleged Scheme Defrauded Investors in Multiple States and Abroad**

NEWARK, NJ—Eliyahu Weinstein, a/k/a “Eli Weinstein,” a/k/a “Edward Weinstein,” a/k/a “Eddie Weinstein,” was indicted today by a federal grand jury in Newark on charges alleging he ran an investment fraud scheme causing losses of at least \$200 million, New Jersey U.S. Attorney Paul J. Fishman announced.

The 45-count Indictment charges Weinstein, 36, of Lakewood, N.J., with one count of conspiracy to commit wire fraud, 29 counts of wire fraud, two counts of wire fraud while on pretrial release, one count of bank fraud and 12 counts of money laundering. Weinstein will be arraigned on the Indictment on a date to be determined.

Weinstein was previously charged by Complaint on Aug. 12, 2010, along with then Manalapan, N.J., resident Vladimir Siforov, 44. Both defendants were charged with one count of wire fraud and Weinstein was charged with one count of bank fraud. Siforov, who remains a fugitive, is named in three wire fraud counts in the Indictment.

“According to the Indictment, Weinstein’s exploitation of investors’ trust was so shameless he used doctored documents for properties he didn’t own—including in a town that doesn’t exist—and continued to commit crimes while out on bail,” said U.S. Attorney Fishman. “With promises of sound investments and charitable donations, he allegedly stole \$200 million, spending freely on fancy cars, jewelry and gambling trips. And in using victims’ money to collect Judaica, Weinstein robbed from his own community’s present to stockpile artifacts of its past.”

According to the Indictment and other documents filed in Newark federal court: From at least as early as June 2004 through August 2011, Weinstein, with the help of Siforov and others, orchestrated a real estate investment fraud scheme out of Lakewood that has resulted in losses to victim investors of at least \$200 million. To induce victims to invest, Weinstein

and others made various types of materially false and misleading statements and omissions. For example, Weinstein and others represented to victims that Weinstein’s inside access to certain real estate opportunities allowed him to buy particular properties at below-market prices. Weinstein and others also told victims that their money would be used to purchase a specific property, and the property would be quickly resold—or “flipped”—to a third-party purchaser lined up by Weinstein. Victims were also told that their money would be held in escrow until the closing of a purported real estate transaction.

Weinstein bolstered his lies by creating, and causing to be created, various types of fraudulent documents, including “show checks,” which Weinstein led victims to believe represented Weinstein’s investments in specific transactions but were never deposited; forged checks, which had actually been negotiated for small amounts, but Weinstein altered to appear worth millions of dollars; operating agreements, which showed that victims had ownership interests in specific properties they did not; and various kinds of forged legal documents, including leases, mortgages, and deeds.

Weinstein initially targeted victims from the Orthodox Jewish community, of which he was a member, exploiting his standing in and knowledge of the customs and practices of the community to further the scheme. Weinstein abused the community’s practice of engaging in transactions based on trust and without paperwork to obtain money from his victims without substantial written records. Weinstein would then falsely represent that specific real estate transactions existed, that the victims’ monies were used to fund those transactions, or that the victims’ profits from those transactions were being “rolled” into new investments.

By 2010, Weinstein had tarnished his reputation in the community due to the massive losses caused by the scheme. In April 2010, Weinstein and others began soliciting victims from outside of the Orthodox Jewish community, whom they defrauded out of millions of dollars.

Weinstein then took significant portions of his victims’ money, which had been provided for specific real estate transactions, and used it for other purposes he did not disclose to victims. These included funding unrelated real

estate transactions in which Weinstein was engaged; paying prior victims; and making charitable and religious contributions which he used to elevate his reputation within the Orthodox Jewish community.

Weinstein also used millions of dollars fraudulently obtained from his victims to fund his own lavish spending, including millions of dollars worth of antique Judaica and other artwork; a multimillion-dollar collection of jewelry and watches; gambling in Las Vegas and elsewhere; and his personal expenses, including millions of dollars in credit card bills, millions of dollars in legal bills, and luxury car lease payments.

If convicted of the wire fraud charges, Weinstein and Siforov each face a maximum potential penalty of 20 years in prison and a \$250,000 fine per count. If convicted on the wire fraud while on pretrial release charges, Weinstein faces a maximum potential penalty of 30 years in prison per count. Weinstein also faces a maximum potential penalty of 20 years in prison and a \$250,000 fine on the wire fraud conspiracy charge; 30 years in prison and a \$1 million fine on the bank fraud charge; and a maximum potential penalty of 10 years in prison and a \$250,000 fine on each of the money laundering charges.

U.S. Attorney Fishman praised special agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward in Newark, for their work leading the investigation of this case. He also credited special agents of IRS – Criminal Investigation, under the direction of Special Agent in Charge Victor W. Lessoff, for their important contributions to the investigation.

The government is represented by Assistant U.S. Attorneys Zach Intrater and Gurbir S. Grewal of the U.S. Attorney’s Office Economic Crimes Unit in Newark.

The charges and allegations contained in the Indictment are merely accusations, and the defendants are considered innocent unless and until proven guilty.

If you believe you are a victim of or otherwise have information concerning this alleged scheme, you are encouraged to contact the FBI at 973-792-3000.

This case was brought in coordination with President Barack Obama’s Financial Fraud Enforcement Task Force. President Obama established the interagency

# Scott Kupersmith Arrested, Charged with Allegedly Defrauding New Jersey Firms and Investors in Securities and Investment Fraud Schemes

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

Submitted at 8:30 AM October 28, 2011

The Federal Bureau of Investigation (FBI) on October 26, 2011 released the following:

“NEWARK, NJ— A man who allegedly bought securities without being able to pay for them and claimed to run a phony hedge fund was arrested this morning at his Boca Raton, Fla., office by FBI agents after being charged for allegedly orchestrating the securities and investment fraud schemes, New Jersey U.S. Attorney Paul J. Fishman announced.

Scott Kupersmith, 46, formerly of Alpine, N.J., and currently of Boca Raton, is charged by complaint with one count each of securities and wire fraud. He is scheduled to appear Friday, Oct. 28, 2011, before U.S. Magistrate Judge Ann E. Vitunac in federal court in West Palm Beach, Fla.

According to the criminal complaint unsealed today in Newark federal court:

Kupersmith engaged in a securities fraud scheme commonly referred to as “free-riding,” in which a customer buys or sells securities in a brokerage account without the cash or securities to cover the trades. To perpetuate the scheme, Kupersmith and his associates opened more than half a dozen brokerage accounts at multiple brokerage firms located in New Jersey and elsewhere. In order to induce the brokerage firms to open these accounts, Kupersmith falsely represented that he had a personal net worth of approximately \$5 million and that he controlled a hedge fund in Manhattan with assets of as much as \$20 million.

Kupersmith also misappropriated the personal identification information of a family member and a friend and used that information to open additional brokerage accounts. Once these accounts were opened, Kupersmith used them to make large-dollar-value securities trades.

The defendant then failed to pay for or “settle” the trades he made that were not profitable. As a result, the brokerage firms were forced to settle the trades on Kupersmith’s behalf, leading to approximately \$1 million in losses.

To induce investors to invest in a hedge fund he claimed to control, Kupersmith falsely represented to investors that they would receive extraordinary returns—representing to at least one prospective investor that he would receive a return on his investment of

approximately 43 percent every three months—and told prospective investors that their principal investment was “guaranteed.”

Based on these, and other, misrepresentations, Kupersmith raised approximately \$500,000 from investors in New Jersey and elsewhere. Kupersmith did not use investors’ funds to make legitimate securities trades. He used a small portion of the investments to fund his freeriding scheme, and spent the bulk of the funds either on personal expenditures—such as private limousine services, luxury hotel rooms, and adult entertainment clubs—or to make principal and interest payments to existing investors in Ponzi-scheme fashion.

If convicted, Kupersmith faces a maximum potential penalty per count of 20 years in prison, as well as a \$5 million fine on the securities fraud count and a \$250,000 fine on the wire fraud count.

The Manhattan District Attorney’s Office worked with the New Jersey U.S. Attorney’s Office in conducting the investigation, and is charging related violations of New York state law.

The SEC is also filing a parallel civil action.

“According to the complaint, Scott Kupersmith managed to defraud both investors and brokerage firms of least a million dollars by making trades he couldn’t pay for and promises he couldn’t keep,” said U.S. Attorney Fishman. “Free riders’ and Ponzi schemers who live large on others’ money do so on borrowed time.”

“The alleged conduct undermines the confidence investors place in the markets,” said FBI Acting Assistant Special Agent in charge Douglas Veivia. “Kupersmith’s alleged defrauding of investors is even more troublesome in this time of economic stress.”

“Financial markets are governed by rules that keep investors safe. This defendant, skilled in the technicalities of market function and bank operations, allegedly came up with a clever scheme to create risk-free investments,” said District Attorney Cyrus R. Vance Jr. “The illegal scheme he is accused of was little more than a confidence game using offshore banks, shell companies, and fraud, and ultimately cost legitimate broker-dealers hundreds of thousands of dollars.”

U.S. Attorney Fishman praised special agents of the FBI, under the direction of Special Agent in Charge Michael B.

Ward, for their work in the continuing investigation, and the Manhattan District Attorney’s Office, under the direction of District Attorney Vance, for its contributions and cooperation in coordinating parallel investigations. He also thanked the U.S. Securities and Exchange Commission’s New York Regional Office, under the leadership of Director George S. Canellos, for its assistance.

The government is represented by Assistant U.S. Attorney Christopher J. Kelly of the U.S. Attorney’s Office Economic Crimes Unit in Newark.

The charges and allegations in the complaint are merely accusations and the defendant is considered innocent unless and until proven guilty.

If you believe you are a victim of or otherwise have information concerning this alleged scheme, you are encouraged to contact the FBI at 973-792-3000.

This case was brought in coordination with President Barack Obama’s Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.”

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# Bout Trial Takes A Few Odd Turns

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

Submitted at 8:48 AM October 28, 2011

Courthouse News Service on October 28, 2011 released the following:

“By ADAM KLASFELD

MANHATTAN (CN) – Viktor Bout’s former associate discussed arms sales, the trauma of his arrest and the secret meanings of mustache trimming among political radicals during his third day of testimony Thursday.

Andrew Smulian, a 70-year-old, white-haired South African, had trouble recounting his interviews with government agents after he and Bout were arrested in a sting operation at a conference room at the Sofitel hotel in Bangkok, Thailand.

“I was in a rather traumatic state when that conversation took place,” Smulian said. “It was scarcely 10 to 15 minutes after being arrested.”

Bout is accused of trying to sell millions of dollars in weapons to confidential informants posing as guerrillas from the Fuerzas Armadas Revolucionarias de Colombia (FARC), which the United States calls a terrorist group.

The sting was part of the “Operation Relentless,” a federal quest to arrest Bout, a Russian national whose exploits allegedly inspired the Hollywood movie “Lord of War” and the nonfiction book “Merchant of Death.” Like Bout, Smulian sports a bushy mustache, which became surprisingly relevant to his interactions with the purported FARC militants.

In an email of Dec. 16, 2007, Smulian asked a confidential informant: “For trimming purposes ... are your clients to the left or the right?”

Smulian explained that men who trim their mustaches up tend to be “left-leaning or socialist,” whereas those who brush them down generally are conservative.

Although both men trimmed down, Smulian pleaded guilty to conspiring to arm self-described Marxist-Leninist revolutionaries; Bout is fighting identical charges.

For Bout, political convictions could be adjusted as easily as facial hair, according to his attorney Albert Dayan.

Holding transcripts of his post-arrest

**SCOTT**

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interviews, Dayan said that Smulian told a Drug Enforcement Administration agent that Bout originally did not want to go along with the arms deal when he heard that the purported clients were FARC militants.

“If the agent wrote it down, it must be so,” Smulian said.

Smulian did not deny that he initially told the DEA agent that Bout engaged in no other arms deals, except with the FARC. “Again, it’s what the agent had written,” he said.

Waving another defense exhibit, Dayan pressed Smulian about saying that Bout abandoned arms sales because of a “glut in the market.”

Smulian denied making the remarks until he was shown the documents.

Throughout the trial, prosecutors had witnesses explain code names such as “oro blanco,” or “white gold” for cocaine, and the “big vodka store” for Russia.

Dayan emphasized the innocuous aspects of Bout’s business, which did not require such secrecy.

One email, for example, discussed Bout seeking to ship a “load of cashew nuts.”

Smulian agreed that cashew nuts were not a “disguised term” for contraband.

“These were really cashew nuts,” Dayan said.

During combative cross-examination, Dayan questioned Smulian’s testimony that Bout did not do business with drug dealers.

According to Dayan, Bout did not care where the money came from.

Dayan has argued that Bout left the arms business after United Nations sanctions restricted his movements and seized his assets. He claims that Bout may have humored the informants’ request for arms sales, but was prepared only to sell them two cargo planes for \$5 million.

In one transcript, Smulian told the informants that they “have to” buy the two cargo planes for the deal to move forward.

Smulian said he meant that the airplane purchase was “not obligatory.”

“I didn’t say ‘got’ to,” Smulian said.

“You said ‘have’ to,” Dayan countered.

Dayan pressed him about the distinction several more times to no avail, until U.S. District Judge Shira Scheindlin

interrupted.

“I think the problem is you said it eight times,” Scheindlin said.

Later, Dayan pointed to a different transcript that has Smulian telling the informants they “must” buy the airplanes. “I’m not saying ‘must’ as obligatory,” Smulian insisted.

Dayan asked Smulian about a supposed \$1 million commission he stood to gain on the plane purchase.

Smulian said he volunteered his work on the planes, and he talked about getting a commission only on arms sales.

During one meeting, the lead informant said he brought \$5 million in euros with him, the exact fee Bout requested for the airplanes in a different currency.

Smulian chalked this up to coincidence. “It’s not even a coincidence,” he added, pointing out that euros were worth far more than dollars.

Smulian finished testifying on Thursday.

Witness testimony in the jury trial resumes today (Friday).”

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# Brother's complaints led to FBI raid

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

Submitted at 8:25 AM October 28, 2011

The Charleston Gazette on October 26, 2011 released the following:

“By Eric Eyre

CHARLESTON, W.Va. — Complaints about alleged fraud at a Milton apartment complex helped spark a federal investigation into a Charleston developer and his real estate management company, a Putnam County man said Wednesday.

Johnny C. Sargent said Charleston-based Encore Management, which runs Hickory Way apartments in Milton, was receiving federal funds to lower his sister's monthly rental payments, but withheld the money and didn't discount her rent.

Sargent said he and his sister, Diana Kirk of Milton, notified the U.S. Department of Agriculture and Sens. Jay Rockefeller and Joe Manchin about the alleged fraud.

He said an employee in Manchin's office called him Tuesday — the day federal agents raided Encore Management's office — to thank Sargent for bringing the issue to the senator's attention.

“They told me the information I provided was very helpful,” Sargent said.

This week, federal agents descended on Encore Management's headquarters on Quarrier Street, a block from the state Capitol. The U.S. Attorney's Office and FBI are investigating the company.

“The whole thing in a nutshell, the [management company] defrauded my sister, and I know this can't be an isolated incident,” Sargent said Wednesday.

Encore Management President Douglas E. Pauley could not be reached for comment Wednesday. No one answered the phone at the company's Charleston office, and the voice mail messaging system wasn't working. Earlier this week, Pauley's lawyer declined to comment on the federal probe.

FBI agents returned to Encore Management's office Wednesday, seizing hundreds of boxes of additional records that were loaded into U-Haul rental

trucks.

Melvin Smith, a spokesman for the U.S. Attorney's Office, said the FBI has executed a search warrant, but the information in the document remains under seal.

Sargent, who lives in Hurricane, said Encore Management received federal assistance to lower his sister's rent for eight months, but didn't pass along the savings.

“They did this without my sister's knowledge,” he said.

Sargent said the USDA typically covers 70 percent of the monthly rental payment, while the tenant pays the remaining 30 percent under the assistance program.

But Sargent's sister had to pay the rent's full amount — \$450 a month, he said.

Sargent contacted a USDA representative, who determined Kirk should have been receiving discounted rent because Encore Management was receiving rental assistance in her name.

Sargent eventually hired a lawyer and filed a lawsuit. Encore settled the case and reimbursed Kirk for the money it had withheld, he said. Encore also fired the 40-unit apartment complex's on-site manager, Sargent said.

He said the federal government must take steps to prevent future abuses by companies that manage apartment complexes for low- and middle-income residents.

“The easy fix is to have the federal government notify tenants in a letter that they are getting assistance paid on their behalf,” Sargent said. “If you leave it up to the landlords, they could go forever without notifying the tenants. There's potentially billions of dollars being wasted across the U.S.”

Pauley and Encore Management own about 50 low-income apartment complexes across the state.

Pauley's numerous companies have received tens of millions of dollars through the West Virginia Housing Development Fund and the USDA's rural

rental housing program.

Pauley primarily develops apartment complexes using the national Low-Income Housing Tax Credit Program. The program helps developers defray the cost of building affordable housing for people who earn too much to qualify for subsidized housing but don't earn enough to pay market-value rents.

Pauley has developed more tax-credit financed apartment complexes than any other program recipient in the state, according to the Housing Development Fund.

If Encore Management defrauded just a few residents at each complex every year, the money would add up to hundreds of thousands of dollars, Sargent said.

“It's enough money to pay for an entirely new apartment complex,” he said. “I'm really fired up about this. I'm still ticked off.””

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# Edwards Loses Bid to Get Campaign Case Dismissed

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

Submitted at 9:07 AM October 28, 2011

The New York Times on October 27, 2011 released the following:

“By KIM SEVERSON

GREENSBORO, N.C. — A federal judge on Thursday rejected former Senator John Edwards's request to dismiss criminal campaign finance charges against him, all

but ensuring that Mr. Edwards will go to trial in January.

The ruling, by Judge Catherine C. Eagles of United States District Court here, came after a full day of arguments on Wednesday.

“After all these years, I finally get my day in court,” Mr. Edwards said as he left the courtroom Thursday morning. “I never for a second believed I violated campaign

laws.”

Mr. Edwards, the 2004 Democratic vice presidential nominee, has been charged with violating finance laws to hide an extramarital affair during his 2008 presidential campaign. Abbe Lowell, a powerhouse Washington criminal defense lawyer who recently joined Mr. Edwards's



## EDWARDS

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legal team, spent much of the hearing arguing that the government's case was vindictive, politically motivated and based on an overly broad definition of campaign contributions.

Prosecutors countered that the case was straightforward. Mr. Edwards solicited the money and used it, in effect, to try to influence the outcome of the 2008 campaign, they said. If convicted, Mr. Edwards faces a maximum penalty of 30 years in prison and \$1.5 million in fines.

The nearly \$1 million in question came from two wealthy supporters who provided cash, travel and living expenses for a campaign videographer, Rielle Hunter, with whom Mr. Edwards fathered a child, and a former campaign aide, Andrew Young, and his family.

Mr. Young, who for a time claimed to be the child's father, is expected to be a star witness for the prosecution when Mr. Edwards goes to trial.

Lawyers for Mr. Edwards argued Wednesday that the money was never a campaign contribution. Rather it was a gift, they said, that Rachel Mellon, a 101-year-old banking heiress, and the late Fred Baron, Mr. Edwards's national campaign finance chairman, gave to help Mr. Edwards.

In a legal twist in the case, Mr. Young is scheduled to answer contempt of court

charges in a hearing next month related to his behavior in a civil case winding its way through state court in North Carolina. That case centers on a sex tape purported to feature Mr. Edwards and Ms. Hunter and several photographs that may include images of Mr. Edwards and the daughter he had with Ms. Hunter, who was born in 2008.

Ms. Hunter claims Mr. Young stole the material from her. Mr. Edwards and Ms. Hunter have given depositions in the case.

Records in the sex-tape case have been sealed, but federal prosecutors investigating Mr. Edwards issued a subpoena ordering Mr. Young to turn over thousands of pages of documents.

In Mr. Edwards's bid to get the charges dropped, his lawyers claimed Wednesday that the government conducted an overly elaborate investigation and spent a disproportionate amount of resources investigating the charges at the behest of the United States attorney at the time, George Holding, a Republican appointee of President George W. Bush who stayed on after the Democrats took the White House in 2008 to finish the Edwards case. Judge Eagles rejected arguments that Mr. Holding, who has supported Mr. Edward's political opponents, pursued the case to further his political ambitions.

Mr. Holding, who has since left the

Justice Department, recently announced he is running for Congress."

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## ELIYAHU

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Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes."

Videos:

[Federal Crimes – Be Careful](#)  
[Federal Crimes – Be Proactive](#)  
[Federal Crimes – Federal Indictment](#)  
[Federal Crimes – Detention Hearing](#)

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To find additional federal criminal news, please read [Federal Crimes Watch Daily](#).

Douglas McNabb and other members of the U.S. law firm practice and write and/or report extensively on matters involving Federal Criminal Defense, INTERPOL Red Notice Removal, International Extradition and OFAC SDN Sanctions Removal.

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