



Environmental Crimes Case Bulletin

U.S. Environmental Protection Agency
Office of Criminal Enforcement, Forensics and Training

This bulletin summarizes publicized investigative activity and adjudicated cases conducted by OCEFT Criminal Investigation Division special agents, forensic specialists, and legal support staff. To subscribe to this monthly bulletin you may [sign up for email alerts](#) on our publications page.

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CEO of Publicly Traded Company Along with Two Others Sent to Federal Prison—Defrauded Biodiesel Purchasers and Shareholders

On December 5, 2016, United States Attorney Josh Minkler and Assistant Attorney General John C. Cruden for the Department of Justice’s Environment and Natural Resources Division announced the sentencing of Jeffrey Wilson and Craig Ducey, who defrauded investors and biodiesel purchasers of millions of dollars.

“Indiana is not the place to try to fool the investing public,” said U.S. Attorney Minkler, “Here, we expect executives to care about shareholders and to be upfront and honest about what the companies they manage are doing. They are simply thieves with fancy titles and they will now spend time in a federal prison.”

Jeffrey Wilson and Craig Ducey were sentenced to serve prison terms of 120 months and 74 months, respectively, for their roles in multi-million-dollar fraud schemes involving: biodiesel tax credits, renewable fuel credits and shares of Imperial Petroleum Inc. Yesterday, Chad Ducey was sentenced to an 84-month prison term for his role in the same schemes. These defendants were the last to be sentenced from a gaggle of seven charged co-conspirators. The others, Joseph Furando, Katirina Tracy, Brian Carmichael and Chris Ducey were sentenced at prior hearings. Although charged in three separate cases, all the defendants were involved in fraud involving federal incentives to produce renewable fuels, specifically biodiesel.

The defendants’ fraud in these cases not only cheated customers, investors and taxpayers, it set renewable fuel efforts back for the entire nation. At a time when Americans should have been working together to have clean, sustainable and safe energy, the defendants chose to line their own pockets. Prison is the appropriate consequence.

The sentences were the first to address securities fraud charges leveled against Wilson and Craig Ducey. That fraud stemmed from lies the defendants told in the course of their dealings with investors, auditors and the Securities and Exchange Commission, while representing Imperial Petroleum. Wilson, the President and Chief Executive Officer of Imperial Petroleum, was the person who drafted and certified the accuracy of Imperial’s quarterly and annual reports and made those reports available to the investing public through filings with the Securities and Exchange Commission (SEC). He also lied to the company’s outside auditor to keep him from learning of the scheme. At a jury trial in July 2016, he was convicted for his role in the fraud. In April 2015, Craig Ducey admitted to related crimes and began cooperating with the United States; he testified at Wilson’s at trial and the court recognized his substantial assistance in giving him a lower sentence than Wilson.

“Biodiesel has the potential to make the nation’s transportation sector more sustainable, while decreasing our dependence on foreign energy sources, but only if done right,” said Assistant Attorney General Cruden. “The defendants’ fraud in these cases not only cheated customers, investors and taxpayers, it set renewable fuel efforts back for the entire nation. At a time when Americans should have been working together to have clean, sustainable and safe energy, the defendants chose to line their own pockets. Prison is the appropriate consequence.”

“Today’s sentencing is the final chapter in a complex scheme involving phony renewable fuel credits,” said Assistant Administrator Cynthia Giles for EPA’s Office of Enforcement and Compliance Assurance. “The Renewable Fuel Standard is designed to reduce greenhouse gases, fight climate change and reduce our de-

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pendence on foreign oil. EPA and its partners are committed to protecting the integrity of this important program and to ensuring a level playing field for honest companies.”

As shown at Wilson’s trial, the securities fraud began when Wilson learned that e-biofuels LLC—a business that Wilson arranged for Imperial Petroleum to buy—was faking paperwork to claim incentives for biodiesel it had not manufactured. Put another way, Wilson learned that the e-biofuels managers fraudulently claimed millions in federal tax rebates and other incentives that had no basis in real manufacturing. Knowing that it was much more profitable for e-biofuels to fraudulently claim government incentives on biodiesel that had been made by somebody else, Wilson directed the e-biofuels managers to move more and more gallons of such fuel rather than incur the cost associated with legitimate biodiesel production. Despite their knowledge that the e-biofuels facility was dormant, Wilson and Craig Ducey told investors, auditors and SEC that it made millions of gallons a month from raw materials like chicken fat. This defrauded biodiesel buyers—who were duped into taking bad tax credits and renewable fuel credits—and also defrauded investors, who would never have invested in Imperial Petroleum had they known its profits were based on sham manufacturing.

Chad Ducey was sentenced the week prior for his role in the underlying wire, tax fraud and environmental crime that were hidden by the securities fraud (he was not charged with securities fraud). Chad Ducey owned e-biofuels, together with his brother Craig Ducey, until they sold it to Imperial Petroleum in a deal that Wilson organized. Chad Ducey was intimately familiar with how the e-biofuels facility worked and knew that it was not manufacturing biodiesel between July 2010 and June 2011. Nevertheless, he twice persuaded an outside engineer that the facility was a biodiesel producer as essential steps to registering and claiming renewable fuel incentives.

In addition, as shown during Wilson’s trial, Chad Ducey worked with Wilson and others to try to establish “beachheads” in Texas. A beachhead would have been a fuel transload facility used to disguise the transfer of biodiesel to an e-biofuels customer from a Texas fuel terminal where it was purchased. Essentially, a brief stop at the beachhead would have stood in for actual biodiesel production. Chad Ducey traveled to Texas in order to scout sites for the transload facility. Workers at e-biofuels called these remote, no-production transfers “ghost loads” and the transload facility was planned to hide those loads. Ghost loads occurred in Texas and between fuel terminals and e-biofuels customers in Illinois, Indiana and Pennsylvania.

“Today’s sentencing represents the culmination of a five-year investigation of the largest tax and securities fraud scheme in Indiana history,” said Special Agent in Charge W. Jay Abbott of the Indianapolis Office of the Federal Bureau of Investigation (FBI). “The FBI collaborated with our partner agencies from the beginning to uncover the significant and widespread fraudulent activity. The complexity and magnitude of this scheme required extensive forensic accounting and computer forensic work. The FBI will continue to thoroughly investigate individuals that commit illegal acts by stealing money from individuals, businesses, and government programs.”

“Imperial Petroleum’s top executive played a key role in this massive scheme to deceive investors,” said Regional Director David Glockner of the SEC Chicago Regional Office. “The SEC was pleased to participate in a multi-agency effort to hold him accountable.”

“The sentencings handed down send a loud message that IRS Criminal Investigation operates year round to



protect the integrity of our tax system and today is a victory for the American people” said Special Agent in Charge James Robnett for the Internal Revenue Service-Criminal Investigation (IRS-CI). “The object of the defendant’s schemes was to defraud the government, the IRS and the taxpaying public. IRS-CI together with the cooperative efforts of our law enforcement partners, identified and vigorously investigated and put a stop to the fraud and those involved in this scheme.”

The wire fraud, tax fraud, securities fraud and environmental crime investigation that culminated in the December 2016 sentencing hearings began in January 2012, when investigators from the FBI, the Environmental Protection Agency’s (EPA) Criminal Investigation Division, IRS-CI and the SEC began meeting with a whistleblower whose statements were corroborated by government agency data. That led the investigative team to conclude that e-biofuels had engaged in sham manufacturing and tax fraud. Based on intense work at the beginning of the investigation, the team obtained a multi-state search warrant in May 2012, which yielded substantial additional evidence and witness accounts. For over a year, prosecutors and attorneys from the U.S. Attorney’s Office for the Southern District of Indiana, the Environmental Crimes Section of the Department of Justice and SEC pursued the investigation of this matter with special agents of the FBI, EPA, and IRS. Their work involved nearly 100 witness interviews and the review of millions of documents.

The United States approached targets of the investigation and sought pre-indictment plea agreements with them. Ultimately, one defendant, Brian Carmichael, entered into a plea agreement before indictment. The others were indicted in September of 2013. After multiple continuances sought by the defendants and one additional plea, the first case, involving tax fraud, wire fraud and false statements under the Clean Air Act, was set for a final trial date of May 2015. Ultimately, all of the defendants in that case pleaded guilty before trial. The second case, which was the case against Jeffrey Wilson for securities fraud, was scheduled for trial and then continued at the defendant’s request. It was continued and ultimately set for a final trial date of July 2016. In a two-week trial, the United States presented evidence that Wilson had lied to investors in person, through filings he created for his publicly traded company and indirectly through company auditors. Wilson was convicted of fraud in the offer and sale of securities, falsely certifying annual and quarterly reports filed with SEC, lying to a public company’s outside auditor and making false statements to investigators. Today’s sentencing hearing establishes Wilson’s punishment for those convictions.

According to Steven DeBrotta, Senior Litigation Counsel for the Southern District of Indiana, Thomas Ballantine, Assistant Section Chief of the Environmental Crimes Section for the DOJ and Jake Schmidt, SEC Senior Attorney, all who prosecuted this case for the government, Wilson must also make \$16 million in restitution.

West Haven Man Admits To Falsely Certifying Asbestos Abatement Supervisor Course Completion

Guido A. Cortes-Rodriguez, 64, of West Haven, pleaded guilty on December 22, 2016 in Hartford federal court to one count of making a false statement to the federal government.

According to court documents and statements made in court, Cortes was a training instructor at North Star Center For Human Development (North Star), an organization that offered a variety of training courses and certification to individuals working with lead paint and asbestos. Cortes was the training manager and a primary instructor for those courses.

North Star's lead and asbestos training courses were subject to regulation under the training provider accreditation requirements of the federal Toxic Substances Control Act (TSCA). TSCA allowed states to obtain U.S. Environmental Protection Agency (EPA) authorization to administer and enforce the standards, regulations and other requirements of the TSCA's lead and asbestos programs, including the approval of training courses. The State of Connecticut received such authorization for asbestos and lead programs. Individuals in Connecticut who perform or supervise asbestos abatement activities must be certified by the Connecticut Department of Public Health (CT DPH). To obtain certification, an individual must successfully complete an approved 40-hour asbestos abatement supervisor initial training course. North Star applied for and received approval from CT DPH to offer a wide range of lead and asbestos training courses, including asbestos abatement supervisor initial and refresher courses.

On December 16, 2015, Cortes sent notice to the CT DPH that an asbestos abatement supervisor initial training course would be conducted at North Star's facility in Hartford from December 27, 2015 to January 2, 2016. Further, he advised that a 32-hour lead abatement worker initial course would be conducted from January 3 to January 6, 2016 at the same location. Cortes was identified as the training manager and primary course instructor for both courses.

In exchange for cash, Sheffield provided an undercover FBI agent with a 40-Hour Asbestos Abatement Supervisor Initial Certification, a 32-Hour Lead Abatement Worker Initial Certification, and an OSHA 10-Hour Construction Safety Training Certificate.

An undercover FBI agent attempted to attend the second course under a fictitious identity, seeking a lead abatement worker initial course completion certificate. The agent skipped the first three days of the course, and attempted to attend on January 6, 2016. Upon arrival at the facility, the agent learned that no course was being conducted at North Star that day, and further, that no classes had been conducted for weeks.

The agent called the instructor, Cortes, who agreed to meet him at the North Star facility the following day. When the agent met with Cortes on January 7, 2016, the agent indicated he was interested in trying to get work as soon as possible. Cortes provided him with a list of items he would need from the agent, including his name, mailing address, Social Security number, passport-type photos and \$1,260.

Later that day, the agent returned to Cortes' office with the listed items and Cortes met with him in a cubicle. Cortes asked various biographical questions of the agent, filled out paperwork, and provided the agent with three certificates issued to A.R.: a 40-Hour Asbestos Abatement Supervisor Initial Certification, a 32-Hour Lead Abatement Worker Initial Certification, and an OSHA 10-Hour Construction Safety Training

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Course. Cortes accepted \$1,260 cash in payment from the agent. The agent attended no classes conducted by Cortes at North Star, received no training from Cortes in these subject areas, and did not take any examinations. The false certificates issued by Cortes to the agent were signed by Cortes, bore an individual certificate number, and otherwise appeared to meet the requirements of Connecticut's approved lead and asbestos accreditation programs, and therefore, the federal accreditation requirements. Subsequent investigation determined that Cortes provided fraudulent training certificates on multiple occasions.

"Government regulations related to asbestos and lead abatement exist for a very important reason: To ensure that this work is done properly and safely without endangering the public health," said U.S. Attorney Daly. "Individuals who game the system, especially those who illegally profit from it, will be prosecuted."

"Asbestos and lead removal training providers are entrusted with keeping safe the supervisors, workers and the public that hire them," said Special Agent in Charge Amon. "Trainers who cheat and provide false certificates will continue to be a focus for EPA enforcement since they pose too great a risk to the public health."

Cortes is scheduled to be sentenced by U.S. District Judge Robert N. Chatigny on April 18, 2017, at which time Cortes faces a maximum term of imprisonment of five years and a fine of up to \$250,000.

This matter has been investigated by the U.S. Environmental Protection Agency, Criminal Investigation Division and Office of Inspector General, Federal Bureau of Investigation, and Homeland Security Investigations. The case is being prosecuted by Assistant U.S. Attorney Anastasia E. King and Special Assistant U.S. Attorney Peter Kenyon.



New London Manufacturing Company to Pay \$1 Million for Violating the Clean Water Act—Money will fund coastal environmental projects

On December 13, 2016, In proceedings before U.S. District Judge Alvin W. Thompson in Hartford, Connecticut, the government filed a criminal information charging Sheffield Pharmaceuticals (Sheffield) with violating the Clean Water Act. As part of a deferred prosecution agreement, Sheffield is required to commit no criminal conduct, comply with all applicable environmental laws and regulations, and pay \$1 million, most of which will support environmental conservation projects in coastal Connecticut. Sheffield will make the payment in installments over a seven-year period. If Sheffield fully complies with this agreement, the information will be dismissed.

The information and deferred prosecution agreement relate to the conduct of Thomas H. Faria, Sheffield's former president and chief executive officer, who pleaded guilty to a felony violation of the Clean Water Act on July 8, 2014. From at least April 2004 to May 2011, under Faria's leadership, Sheffield discharged polluted industrial wastewater from its New London factory into the municipal sewage system without the required permit and industrial wastewater treatment system. As a condition of his guilty plea, Faria resigned from the company on March 7, 2014, and no longer has any role in its operations or management. On February 13, 2015, Judge Thompson sentenced Faria to three years of probation, a \$30,000 fine, and 300 hours of community service.

According to court documents and statements made in court, the Clean Water Act requires that every company obtain a permit from the Connecticut Department of Energy and Environmental Protection (CT DEEP) before it can discharge industrial wastewater to the public sewage system, commonly known as the publicly owned treatment works (POTW). Companies are also required, among other things, to test and monitor their industrial wastewater monthly to ensure that chemical levels in the wastewater do not exceed federal and state limitations.



Sheffield has a factory at 170 Broad Street in New London that manufactures a wide range of over-the-counter pharmaceutical creams, ointments and toothpastes. From approximately 1986 to July 2011, Sheffield discharged industrial wastewater from its New London manufacturing operations to the New London POTW without a permit and in violation of Connecticut's approved pretreatment program. The New London POTW discharges to the Thames River in southeastern Connecticut. During this entire time period, Sheffield lacked a pretreatment system at its factory to treat its industrial wastewater prior to discharge, performed no regular monitoring of its discharges of industrial wastewater, and submitted no monthly monitoring reports to the CT DEEP.

After becoming the company's president and chief executive officer in April 2003, Faria learned through his own employees that Sheffield was discharging pollutants in its industrial wastewater without the required



permit. Faria also learned that in order to obtain a permit from CT DEEP, the company would have to install, at significant expense, a wastewater pretreatment system that would pretreat its industrial wastewater prior to discharging it to the New London POTW. Although Faria's own employees urged him to make the financial investment to bring the company into compliance, he chose not to do so. Faria continued this illegal course even when four environmental consulting firms, which the company had hired, advised him that the discharge of industrial wastewater to the public sewage treatment system, without a pretreatment system and CT DEEP permit, is illegal.

On April 20, 2011, the CT DEEP conducted an unannounced inspection of Sheffield. After finding that the company had no wastewater discharge permits, the CT DEEP inspector issued a Notice of Violation and cited the company for discharging manufacturing and laboratory wastewater without a permit. On or about May 27, 2011, Sheffield submitted a permit application to CT DEEP. In July 2011, the company installed a wastewater pretreatment system at its factory to pretreat the pollutants contained in its industrial wastewater prior to its discharge to the New London POTW.

Currently led by a new management team, Sheffield has remained compliant with the Clean Water Act. The company's current chief executive officer, Jeffrey Davis, is a former Sheffield manager who personally urged Faria to bring the company into compliance with the Clean Water Act as early as 2005. The company has also established a formal procedure to protect whistleblowers who come forward.

"Prior leadership at Sheffield took short cuts to save money by discharging polluted industrial wastewater into the public sewage system for years without the requisite treatment and regulatory permit," said U.S. Attorney Daly. With today's disposition and the former chief executive's felony conviction in 2014, we are confident that such short-sighted decisions are a thing of the past at Sheffield. Simply put, sound environmental stewardship is good business for all companies and their employees. Sheffield has agreed to pay \$1,000,000, which includes a \$150,000 fine and \$850,000 to fund beneficial environmental projects in coastal Connecticut. We thank our partners at the EPA and Connecticut's Department of Energy and Environmental Protection for their outstanding partnership in this important prosecution."

"This agreement demonstrates EPA's commitment to protecting Connecticut's environment and ensuring that all companies commit to the resources needed to keep pollutants from our systems," said EPA Special Agent in Charge Amon. "EPA's Criminal Investigation Division will continue to work closely with the U.S. Attorney's Office and CT DEEP to achieve this."

"We take compliance seriously and it is important that Mr. Faria was held accountable for disregarding and defying environmental laws," said Commissioner Klee. "This action sends a strong message that ignoring environmental laws – and causing pollution of and damage to this state's natural resources – carries significant consequences."

This matter was investigated by the U.S. Environmental Protection Agency and the Connecticut Department of Energy and Environmental Protection. The case was prosecuted by Assistant U.S. Attorney Hal Chen and Special Assistant U.S. Attorney Peter Kenyon.

Two Florida Men and a Corporation Indicted in Wire Fraud Case Related to Falsified Water Testing in Dale County

Billy Ray Roberson, Sr., 60, of Milton, Florida; Darin Lewis, 46, of Crestview, Florida; and Roberson Excavation, Inc. (Roberson Excavation), a company headquartered in Milton, Florida were indicted and charged with conspiring to commit wire fraud, announced United States Attorney George L. Beck, Jr. The charge in the indictment stemmed from a scheme to falsify water samples during the testing of new water lines. Both Roberson and Lewis were arrested on December 15, 2016 and made their initial appearances in federal court.

According to court documents, in 2014, the Dale County Water Authority hired Roberson Excavation to replace water lines in the Marley Mill neighborhood of Dale County. Mr. Roberson was the owner and president of Roberson Excavation. By February of 2015, Roberson Excavation was three months behind schedule on the job and paying daily penalties of \$500 for each day that the project went incomplete. At that time, Mr. Roberson instructed his site supervisor, Darin Lewis, to falsify the testing required before the lines went into operation. Among the tests falsified were the those used to determine whether harmful bacteria were present in the water.

If convicted of the conspiracy, each individual defendant faces a maximum sentence of 5 years' imprisonment. Additionally, the corporate defendant faces a maximum fine of \$250,000.

An indictment merely alleges that crimes have been committed. The defendants are presumed innocent until proven guilty beyond a reasonable doubt.

This case was investigated by the Environmental Protection Agency's Criminal Investigations Division and Office of Inspector General. Assistant United States Attorney Jonathan S. Ross is prosecuting the case.



Owner of Two Recycling Businesses Arrested in Multi-Million Dollar Fraud Scheme Involving Landfilling and Re-Selling of Potentially Hazardous Electronic Waste

The owner of two recycling businesses was arrested on December 19, 2016 for allegedly operating a multi-million dollar fraud scheme involving the illegal landfilling or re-selling of potentially hazardous electronic waste.

Brian Brundage, the former owner of Intercon Solutions Inc. and the current owner of EnviroGreen Processing LLC, caused thousands of tons of e-waste and other potentially hazardous materials to be landfilled, re-sold to customers who shipped the materials overseas, or stockpiled, according to an indictment returned in U.S. District Court in Chicago. Brundage fraudulently misrepresented to his customers that the materials had been disassembled and recycled in an environmentally sound manner, the indictment states.

The indictment was returned earlier in December, 2016 and ordered unsealed after Brundage's arrest. The indictment charges Brundage, 45, of Dyer, Ind., with five counts of income tax evasion, four counts of mail fraud and two counts of wire fraud. He is scheduled to make an initial appearance at 3:00 p.m. today before U.S. Magistrate Judge M. David Weisman in Chicago. The indictment seeks forfeiture of \$10 million in cash.

According to the indictment, several private companies and governmental entities hired Chicago Heights-based Intercon and Gary, Ind.-based EnviroGreen for the disassembly, recycling or destruction of e-waste and other materials. The customer agreements stipulated that Intercon and EnviroGreen would handle all materials in an environmentally sound manner, without landfilling or exporting, and without reselling the materials in whole form. Intercon specifically represented that it engaged in “absolutely no reselling, no re-marketing, no landfilling, no incineration, and no exportation,” the indictment states.

Unbeknownst to their customers, Intercon and EnviroGreen for more than a decade knowingly sold the e-waste and other materials, including potentially hazardous glass and batteries, to vendors whom Brundage knew would ship the materials overseas. Some of the materials contained Cathode Ray Tubes, which are the glass video display components of certain electronic devices, such as computer and television monitors, and which contain potentially hazardous amounts of lead, according to the indictment. The indictment further alleges that Brundage caused multiple tons of CRT glass and other potentially hazardous materials to be destroyed in environmentally unsafe ways and later landfilled, all in direct contravention to Intercon’s public representations regarding its recycling practices.

At one point in 2011, Intercon was publicly accused of shipping potentially hazardous materials to Hong Kong. In response, Brundage began a fraudulent effort to publicly deny and conceal Intercon’s involvement in the shipment, the indictment states. Brundage destroyed business records related to the shipment and made efforts to conceal other overseas shipments of large quantities of e-waste, according to the indictment. The fraud scheme continued for another five years, the indictment states.

The tax charges relate to Brundage’s efforts to evade paying thousands of dollars in income taxes during the scheme, according to the indictment. Brundage often caused Intercon to pay his own personal expenses, including wages for his nanny and payments to the Horseshoe Casino in Hammond, Ind., while later deducting the expenditures as business expenses on Intercon’s corporate tax returns, the indictment states.

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The public is reminded that an indictment is not evidence of guilt. The defendant is presumed innocent and entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

Each count of income tax evasion is punishable by up to five years in prison. The wire fraud and mail fraud counts each carry a maximum sentence of 20 years. If convicted, the Court must impose a reasonable sentence under federal statutes and the advisory U.S. Sentencing Guidelines.

The government is represented by Assistant U.S. Attorney Sean J.B. Franzblau and Special Assistant U.S. Attorney Crissy Pellegrin.



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Property Manager and Firm Charged with Defrauding Homeowners' Association of \$247,000

San Diego property manager Robert Walsh and his firm, Cornerstone Management Professionals, were charged with four counts of wire fraud in connection with a scheme to defraud a homeowners' association of \$247,000. Walsh made his first appearance in court today.

The indictment alleges that Cornerstone Management Professionals, Inc. and Robert Walsh, 37, falsely represented that Cornerstone could properly submit bids to the homeowners' association for construction projects, and in submitting such bids, the defendants concealed the lower bids to make it appear as if Cornerstone was the low bidder in order to be awarded the projects. The indictment seeks forfeiture of \$247,000 of illegal proceeds.

The indictment further alleges that on March 26, 2015, the defendants sent an email, seeking a change order from the homeowner's association to cover the cost of asbestos removal. According to the indictment, the defendants then sent an email to the contractor working on the project on April 28, 2015, falsely representing that there was no asbestos present in order to induce the contractor to conclude the demolition project without involving an asbestos abatement firm so that the defendants could retain the entire value of the change order.

"The public health dangers of asbestos exposure are well known," said Jay M. Green, Special Agent in Charge of EPA's criminal enforcement program in California. "Materials containing asbestos must be handled safely – and legally. EPA and its law enforcement partners are committed to protecting the health and safety of workers and the communities in which they live."

"The FBI remains committed to rooting out fraud that affects homeowners in San Diego," stated FBI Special Agent in Charge Eric S. Birnbaum. "This indictment is a stark reminder to those who reside in communities governed by Home Owners Associations (HOAs) to remain vigilant and engaged in the financial affairs of your communities."

After his arraignment on December 12, 2016, Robert Walsh was ordered to appear before U.S. District Judge Barry Ted Moskowitz on January 27, 2017 at 2:00 pm for a hearing on all motions. A hearing for the arraignment and status of counsel for the corporate defendant was set for December 22, 2016, at 2:00 pm before U.S. Magistrate Judge Andrew G. Schopler.

This case was investigated by the Federal Bureau of Investigations, the Environmental Protection Agency's Criminal Investigations Division and .

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



O.C. Man Charged with Selling Pet Meds Without a Prescription, Some of Which Were Not Approved for Distribution in the United States

A Laguna Hills man was arrested on December 13, 2016 on charges that he used the internet to sell misbranded veterinary medications without a prescription.

Sean Gerson, 48, the owner of a business called Vaccination Services in Lake Forest, was taken into custody this morning by special agents with U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations (HSI), the Food and Drug Administration's Office of Criminal Investigations, and the Environmental Protection Agency.

Gerson was arrested pursuant to a two-count criminal complaint filed on December 6. The complaint alleges that Gerson delivered into interstate commerce two misbranded drugs: Comfortis, an anti-flea medication, and ciprofloxacin, a powerful antibiotic commonly called "Cipro" that can be used in dogs and cats to treat skin, respiratory and urinary tract infections. The complaint, which contains one felony count and one misdemeanor count, alleges that the drugs were knowingly dispensed without a prescription.

The affidavit in support of the complaint alleges that Gerson sold Comfortis that was designed for the South African market and was not approved for distribution in the United States.

"Uncontrolled distribution of antibiotics and medication pose a threat to public safety, including the fostering of antibiotic resistant strains of bacteria," said United States Attorney Eileen M. Decker. "The drugs involved in this case allegedly were distributed without the supervision of a licensed professional, which greatly increases the risk of unintended consequences beyond the animals taking the medication."

According to the affidavit, Gerson allegedly used several websites – including www.fleastuff.com [external link], www.mydoghasfleas.xyz [external link] and www.fleaandtickstuff.com [external link] – to market prescription animal products to buyers without valid prescriptions, rendering the medications misbranded. Additionally, federal law prohibits the importation and sale of veterinary medicines that have not been approved by the FDA and EPA for use in this country.

In conjunction with Gerson's arrest, federal investigators executed a search warrant at a Laguna Hills storage unit linked to Gerson, where they seized a variety of veterinary prescription products. If he is convicted of two counts in the complaint, Gerson would face a statutory maximum sentence of four years in federal prison.

The arrest marks the second time Gerson has been linked to the illegal sale of pet medications and products. He pleaded guilty in Harris County, Texas, in 2014 to state charges of delivery of a dangerous drug, specifically a prescription drug called Clenbuterol. According to the affidavit filed in connection with this week's charges, following that conviction, Gerson agreed to work as a confidential informant for authorities, with the stipulation he could not sell animal prescription drug products.

The case against Gerson is being prosecuted by Assistant United States Attorney Joseph O. Johns, Chief of the Environmental and Community Safety Crimes Section.