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23 People Indicted in Decades-Long, \$126 Million Telemarketing Scheme Involving Sale of Toner for Copiers and Printers

SANTA ANA, California – Federal authorities and Huntington Beach Police detectives and officers this morning arrested 21 defendants who were recently indicted by a grand jury on charges of participating in a long-running telemarketing scheme that targeted small business and charities by selling them toner products for printers and photocopiers at grossly inflated prices.

The indictment unsealed after this morning's arrests alleges that participants in the scheme fraudulently induced over 50,000 victims to send more than \$126 million to telemarketers who posed as the victims' regular supplier of toner products at prices as much as ten times the normal retail price.

The 30-count indictment, which charges 23 defendants, alleges a conspiracy that started in 1988 and was orchestrated by Gilbert N. Michaels, a Beverly Hills man who had previously been ordered by federal and state court judges to cease fraudulent and deceptive business practices related to toner sales. Michaels owned and operated IDC SERVCO, a Culver City -based business that sold toner to small businesses, charities (such as Easter Seals Disability Services and the United Way), schools, churches, city governments and other entities in the United States and Canada.

In addition to the 21 defendants arrested this morning, authorities are continuing to search for 2 additional people. Those taken into custody today are expected to be arraigned on the indictment in federal courtrooms in Santa Ana, beginning at 2:00 p.m.

"The toner scam has been a tremendous burden on small businesses across America for many years," said United States Attorney Eileen M. Decker. "While the losses suffered by a single company or non-profit may not be great, the collective losses are massive."

“This case originated from the initiative of the Huntington Beach Police Department; their long-term partnership and steadfast collaboration with the US Secret Service and other law enforcement agencies led to dismantling a large-scale fraud operation, which impacted victims throughout the United States,” said Special Agent in Charge L. Robert Savage of the US Secret Service’s Los Angeles Field Office.

“The teamwork and tenacity of the agencies, investigators, and prosecutors involved in this complex investigation is a testament to law enforcement’s united commitment to pursue accountability for criminals and justice for victims,” said Huntington Beach Police Chief, Robert Handy.

The indictment outlines a scheme in which telemarketers at a series of companies called victim organizations and claimed to be their regular supplier of toner or affiliated with those suppliers. The telemarketers typically told employees at the victim companies that the price of toner had increased and they had not been notified, however, the victims now had a chance to purchase toner at the previous, lower price. Believing that they were dealing with their regular supplier of toner supplies, employees at the victim companies signed order confirmation forms, which prompted Michael’s company to ship toner to victims and send invoices that demanded payment at inflated prices.

When the victim companies realized they had been scammed, they called IDC to complain. The victims were told IDC could not cancel the order or refund money because the victims had signed order confirmation forms, according to the indictment, which further alleges that IDC failed to disclose its relationships to the telemarketing companies that had actually brokered the fraudulent deals.

In many cases, the indictment alleges, IDC employees threatened victims with collections or legal action if they did not pay an invoice. In the cases where IDC agreed to take toner back, victims were forced to pay significant “restocking fees.”

The indictment alleges that most victims received toner at no extra cost as part of their printer or copier service agreements. The indictment alleges the telemarketers knew there had not been a price increase for toner, and failed to disclose that the prices they were charged were two to ten times the regular cost of toner.

Another aspect of the fraud was that the telemarketers failed to disclose that they were affiliated with IDC. In a series of court orders dating back to November 1988, Michaels and his companies were prohibited from making false statements – such as that they were a usual supplier of photocopier supplies or that there had been price change – and they were required to provide oversight to “independent sales companies.” Michaels allegedly violated these court orders by working with and providing financing to independent sales companies that were engaged in deceptive and fraudulent practices, despite the fact that IDC received thousands of complaints from victims claiming they had been defrauded.

The defendants named in the indictment are:

- Gilbert "Gil" N. Michaels, 73, of Los Angeles, California, the owner of G.N.M. Financial Services Inc., doing business as IDC SERVCO and Mytel International, Inc.;
- Jerry P. Feldman, 61, of Los Angeles, California, a longtime associate of Michaels who was the vice president of IDC;
- Anjanette S. Lester, 60, of Garden Grove, California, who owned Supply Processing Center, Inc. and Invoice Processing Center, Inc.;
- Glen K. Katayama, 48, of Fullerton, California, who owned GK Ventures, Inc., Supply Management Center, and Copier Products Center;
- Tiffany M. Ostrander, 32, of Newport Beach, California, who owned Epic Distribution, Inc. and Supply Fulfillment Center;
- Ostrander's husband, Sean S. Moustakas, 35, of Newport Beach, California, who also owned and/or controlled Epic Distribution, Inc. and Supply Fulfillment Center;
- James R. Milheiser, 49, of Huntington Beach, California, who owned and/or controlled Material Distribution Center, PDM Marketing, Bird Coop Industries, Inc., and Copier Products Center;
- Thomas A. Sanetti, 49, of Huntington Beach, California, who also owned and/or controlled Material Distribution Center; Bird Coop Industries, Inc.; and Copier Products Center, as well as West Coast Distribution and Uncaged Industries, Inc.;
- Cynthia A. Weekes, 47, of Pacific Palisades, California, who owned Coastal Distribution Center, Inc.;
- Cynthia Weekes' husband, Michael B. Weekes, 44, of Pacific Palisades, California, who also owned Coastal Distribution Center, Inc.;
- Daniel C.J. Ellis, 59, of Los Angeles, California, who owned Turner Supply Company, Inc. and Tech Transfer, Inc. (doing business as Delray Supply Company);
- Leah D. Johnson, 52, of Ignacio, Colorado, who owned Capital Supply Center and LJT Distribution, Inc.;
- John A. Buzzard, 60, of San Diego, California; who also owned and/or controlled Capital Supply Center and LJT Distribution, Inc.;

- Jonathan M. Brightman,49, of Los Angeles, California, who owned Copy Com Distribution, Inc.; Independent Cartridge Supplier; and Corporate Products;
- Stephen D. Paine,51, of Hollywood, California, who owned Case Distribution Services, Inc.;
- Sharon Scandaliato Virag,51, of West Hills, California, who owned XL Supply, Inc.;
- Glen M. Diamond III,38, of Carlsbad, California, who owned Specialty Business Center; Specialty Office Products, Inc.; and Elite Office Supplies, Inc.;
- Tammi L. Williams,41, of Chino Hills, California, who was the office manager at Elite Office Supply, and also worked at Specialty Business Center, Rancho Office Supply and Select Imaging Supplies;
- Christina M. Cadena,49, of Vista, California, who owned Warehouse Service Center, Inc. and Resource Processing Center, Inc.;
- Michelle C. Nunez,53, of Menifee, California, who also owned and/or controlled Warehouse Service Center, Inc. and Resource Processing Center, Inc.;
- Francis “Frank” S. Scimeca,51, of Los Angeles, California, who owned Supply Central Distribution, Inc. and Priority Office Supply;
- Cynda L. Hill,43, of Rancho Cucamonga, California, who owned and/or controlled Distribution Service Center, Inc. and C&H Management; and
- Cynda Hill’s husband, Henry L. Hill II,44, of Rancho Cucamonga, California, who also owned and/or controlled Distribution Service Center, Inc., and C&H Management.

All 23 defendants are charged with conspiracy to commit mail fraud. Each of the 23 is charged in at least one of two dozen mail fraud counts. Michaels is additionally charged with five counts of money laundering.

An indictment contains allegations that a defendant has committed a crime. Every defendant is presumed innocent until and unless proven guilty in court.

All of the charges in the indictment carry a statutory maximum penalty of 20 years in federal prison, except for two of the money laundering against Michaels, which carry a 10-year maximum prison term.

The investigation into this toner fraud case was conducted over a four year period by the Huntington Beach Police Department, the United States Secret Service, the FBI,

and the Orange County District Attorney's Office. Garden Grove Police Department and San Diego County Sheriff's Department assisted with today's arrests and search warrant executions as well as at various points during the investigation.