



Department of Justice

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Northern District of California

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FOUR MEN SENTENCED FOR DEFRAUDING GOVERNMENT AGENCY

SAN FRANCISCO - A federal judge last week sentenced four defendants to prison terms for defrauding a federal agency of millions of dollars in connection with a loan to fund a business project in Estonia, United States Attorney Melinda Haag announced. Donald Daniels, 46, of Morgan Hill, and Tapani Koivunen, 54, of Davis, were sentenced to two years in prison, and Martin William Washburn, 79, of Morgan Hill, was sentenced to one year in prison and one year of home detention, for conspiracy to commit mail and wire fraud and conspiracy to commit money laundering. Sergei Shkurkin, 57, of Davis, was sentenced to one year in prison for conspiracy to commit mail and wire fraud. All defendants were ordered to pay \$2,054,698 in restitution.

According to the plea agreements and other court documents, the defendants admitted that from 2003 to 2005, they agreed to participate in a fraudulent scheme to defraud the Overseas Private Investment Corporation ("OPIC") and to obtain a loan of approximately \$9.4 million from OPIC to fund a milling and bakery project in Estonia. OPIC is a United States governmental agency, located in Washington, D.C., whose mission is to encourage U.S.-based companies to invest in overseas business projects.

As part of the defendants' fraudulent scheme, they submitted documents that contained materially false and fraudulent representations to OPIC, including, among others, that: (1) what was represented to be cash equity in the project was actually a loan from Daniels; (2) the

amount spent by the project on equipment was far less than what was reported; and (3) what was to be an arms-length transaction to purchase equipment was in fact a transaction between related parties designed to conceal that the money Daniels had allegedly invested in the project was, in fact, returned to him.

Once the loan was approved, the defendants made the following material misrepresentations and omissions, among others, to obtain the loan disbursements from OPIC: (1) provided to OPIC falsified invoices that contained inflated equipment prices and that concealed the close relationship of the companies involved in the underlying transactions; (2) withheld bank statements from OPIC that would have demonstrated that the cash equity was immediately returned to Daniels; (3) made false assurances to OPIC regarding the progress of the project; and (4) affirmed and reaffirmed the accuracy of the completeness and truthfulness of their disclosures to OPIC. The loan disbursements totaled approximately \$7.9 million.

Daniels, Washburn, and Koivunen also admitted in their plea agreements that they agreed to have money transferred by wire from an account located in San Francisco, California, to a bank account located in Estonia, for the purpose of executing the scheme described above.

The sentence was handed down by U.S. District Court Judge Marilyn H. Patel. For Daniels, Washburn and Koivunen, the sentencing followed a May 2011 guilty plea on two counts of violations of 18 U.S.C. Section 1349, conspiracy to commit mail and wire fraud, and 18 U.S.C. Section 1956, conspiracy to commit money laundering. Mr. Shkurkin pleaded guilty in May 2011 to one count of a violation of 18 U.S.C. Section 1349, conspiracy to commit mail and wire fraud.

Christine Y. Wong and Andrew P. Caputo are the Assistant U.S. Attorneys who are prosecuting the case with the assistance of Ponly Tu. The prosecution is the result of an investigation by the Federal Bureau of Investigation and the Internal Revenue Service.

Further Information:

Case #: 09-862 (MHP)

A copy of this press release may be found on the U.S. Attorney's Office's Web site at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's Web site at www.cand.uscourts.gov.

All press inquiries to the U.S. Attorney's Office should be directed to Jack Gillund at (415) 436-6599 or by email at Jack.Gillund@usdoj.gov.