



Department of Justice

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Northern District of California

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**TWO SOUTHERN CALIFORNIA MEN EACH SENTENCED TO 60 MONTHS IN
PRISON FOR THEIR ROLES IN A NATIONWIDE BREACH OF CREDIT
AND DEBIT CARD TERMINALS AT MICHAELS STORES INC.**

***Defendants Possessed 952 Blank Gold and Silver Credit Card-like Cards Re-Encoded with
Stolen Bank Account and Personal Identification Numbers***

OAKLAND, Calif. – Two southern California men were sentenced in the U.S. District Court for the Northern District of California in Oakland for their roles in a scheme to defraud nearly 1,000 debit card holders by using stolen bank account information to withdraw money from ATMs, announced U.S. Attorney Melinda Haag, Assistant Attorney General Lanny A. Breuer of the Justice Department's Criminal Division and Special Agent in Charge (SAIC) Andrew C. Adelman of the U.S. Secret Service's San Francisco Field Office.

Eduard Arakelyan, 21, and Arman Vardanyan, 23, were each sentenced yesterday to serve 36 months in prison on bank fraud and conspiracy charges, and an additional, consecutive 24 months in prison for the identity theft charge. In addition, upon release from prison Arakelyan and Vardanyan were ordered to serve five years of supervised release and to pay \$42,043 in restitution.

Arakelyan and Vardanyan were each charged in a criminal information filed on March 5, 2012, in the U.S. District Court in Oakland, with one count of conspiracy to commit bank fraud, one count of bank fraud, and one count of aggravated identity theft. On March 20, 2012, Arakelyan and Vardanyan pleaded guilty to these crimes in Oakland and U.S. District Judge Claudia Wilken pronounced the sentences.

“By employing an identity theft and bank fraud scheme, the defendants in this case attempted to make a fast buck at the expense of hard-working, law abiding citizens. Instead, they discovered a cold hard truth – crime does not pay,” said U.S. Attorney Haag. “Hopefully, the sentences in this case will serve as a deterrent to individuals who may be considering a similar scheme – you will be caught and you will be prosecuted to the fullest extent of the law.”

“These sentences send a clear message that if you take part in a fraud scheme that cheats consumers out of their hard earned money, you will pay a significant price,” said Assistant Attorney General Breuer. “No matter the sophistication or size of the scheme, we are determined to bring to justice those who engage in these kinds of frauds.”

“This case represents a clear example of the successful cooperation between federal, state and local law enforcement authorities to aggressively investigate and hold accountable criminal organizations and individuals who target our financial payment systems,” said Special Agent in Charge Adelman.

Arakelyan and Vardanyan admitted that in or about July 2011, they participated in a scheme to defraud bank account holders and financial institutions by obtaining 952 stolen bank cards and traveling to Northern California to withdraw from ATMs as much money as possible using these stolen bank accounts. According to court documents, Arakelyan and Vardanyan possessed two loaded firearms, a GPS device pre-programmed with ATM locations and eight mobile telephones, all to further their scheme.

The information charged that these stolen cards were linked to a 2011 theft of a reported 94,000 debit and credit card account numbers from customers buying goods at 84 Michaels Stores Inc. stores across the United States. The perpetrators of that security breach replaced about 84 authentic personal identification number pads, used by the stores to process debit and credit card purchases, with fraudulent pads from which they downloaded customers’ banking information. After this breach, financial institutions reported tens of thousands of incidents of fraudulent activity linked to customers who had visited the affected Michaels stores. Arakelyan and Vardanyan are among those who executed one aspect of this scheme.

This case is being prosecuted by Trial Attorney Paul Rosen of the Fraud Section in the Justice Department’s Criminal Division, and Special Assistant U.S. Attorney Tamara Weber of the Northern District of California. The investigation was conducted by the U.S. Secret Service San Francisco field office and the Pleasant Hill, Calif., Police Department, with assistance from the U.S. Secret Service Los Angeles and Chicago field offices, as well as the Glendale, Calif. Police Department.

This prosecution is part of efforts underway by 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. For more information about the task force visit: www.stopfraud.gov.

Further Information:

Case #: CR 12-0153 CW

A copy of this press release may be found on the U.S. Attorney's Office's website 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 website at www.cand.uscourts.gov.

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