



Department of Justice



**United States Attorney Melinda Haag
Northern District of California**

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**TWO SOUTHERN CALIFORNIA MEN PLEAD GUILTY 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 pleaded guilty today in the Northern District of California 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 Andrew C. Adelman, Special Agent in Charge, U.S. Secret Service San Francisco Field Office.

Edward Arakelyan, 21, and Arman Vardanyan, 22, were each charged in a criminal information filed on March 5, 2012, in 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.

"This case demonstrates the extent perpetrators of identity theft go to to gain access to another person's bank account," U.S. Attorney Haag said. "These are crimes that my office takes very seriously. We will continue to work with our partners in law enforcement to

investigate and prosecute the criminals who attempt to lay claim to other peoples' hard-earned money. It is our hope that the efforts of law enforcement will help bring an end to these types of crimes, and will help restore consumer confidence."

"Mr. Arakelyan and Mr. Vardanyan used stolen bank account information to withdraw tens of thousands of dollars in consumer funds from ATMs across northern California," said Assistant Attorney General Breuer. "With the personal information of nearly 1,000 debit card holders in hand, they stuffed their pockets with other people's money. This easy cash has now come at a high price. As the defendants have learned the hard way, this Justice Department is aggressively pursuing consumer fraud schemes from coast to coast."

"This case clearly represents the importance of effective interagency collaboration at the local, state, and federal level," stated USSS Special Agent in Charge Adelman. "The U.S. Secret Service through our law enforcement partnerships continue our commitment to aggressively investigate and hold accountable those criminal groups who prey on America's financial institutions and their customers."

Arakelyan and Vardanyan admitted that in 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 charges 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. 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.

The conspiracy to commit bank fraud charge and the bank fraud charge each carry a statutory maximum sentence of 30 years in federal prison. The aggravated identity theft charge carries a mandatory additional sentence of two years. The sentencing of Arakelyan and Vardanyan is scheduled for July 24, 2012, before U.S. District Judge Claudia Wilken in Oakland.

This case is being prosecuted by Special Assistant U.S. Attorney Tamara Weber for the Northern District of California and Trial Attorney Paul Rosen of the Fraud Section in the Justice Department's Criminal Division, with the assistance of Legal Assistant Jeanne Carstensen. The investigation was conducted by the U.S. Secret Service San Francisco Field Office, with additional support from the U.S. Secret Service Los Angeles Field Office, U.S. Secret Service Chicago Field Office, and the Glendale and Pleasant Hill California Police Departments.

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 12-00153 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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