Orange County District Attorney
District Attorney, Tony Rackauckas

California Department of Insurance
Insurance Commissioner, Steve Poizner

California Franchise Tax Board
State Controller, John Chiang

Case # 09CF1067
April 30, 2009

Press Release

FOR IMMEDIATE RELEASE

Contact:	Susan Kang Schroeder	Farrah Emami	Darrel Ng	John Barrett
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HUSBAND AND WIFE ARRESTED AND CHARGED WITH CALIFORNIA'S LARGEST PREMIUM INSURANCE FRAUD SCAM FOR COMMITTING $38 MILLION IN FRAUD AND SPENDING HIDDEN INCOME ON LAVISH LIFESTYLE

*Over $500,000 in jewelry recovered along with application for "Real Housewives of Orange County"

SANTA ANA - A husband and wife accused of living a lavish lifestyle of high-end cars, vacations, and shopping which was financed by committing more than $38 million in premium insurance fraud were arrested yesterday. This is the largest known Workers' Compensation Insurance fraud case in California's history. This case was investigated by the Orange County District Attorney's Office (OCDA) and the Orange County Premium Fraud Task Force, a collaboration of investigators from the OCDA, Department of Insurance (DOI), California Employment Development Department (EDD), Franchise Tax Board, and Contractors State License Board.

Michael Vincent Petronella, also known as Michael Constantine, 50, and his wife Devon Lynn Kile, 44, both of Laguna Hills, are charged with 106 felony counts including conspiracy to commit a crime, grand theft, insurance fraud, filing a false tax return, willfully failing to file or filing fraudulent tax returns, misrepresenting facts to State Compensation Insurance Fund, making fraudulent statements, making false statements to discourage an injured worker from claiming benefits, misrepresenting facts to workers' compensation insurance company, and failing to file a return with the intent to evade tax. The defendants both face sentencing enhancements and allegations for aggravated white collar crime over $2.5 million, $500,000, and $100,000. If convicted on all counts, the defendants each face a sentence ranging from five years and four months up to 102 years in state prison. Petronella and Kile are being held on $10 million bail each and must prove the money is from a legal and legitimate source before posting bond. They are expected to be arraigned tomorrow, Friday, May 1, 2009, at 9:00 a.m. at the Central Justice Center in Santa Ana. The Department is to be assigned.

"Unfortunately, this episode may be titled "The Real Insurance Fraud of Orange County'. The `Real citizens of Orange County' are struggling to keep their houses, put food on the table, and pay for necessities. This husband and wife team was living a lavish lifestyle. How? By committing more than $38 million in premium insurance fraud and not paying their taxes," said District Attorney Tony Rackauckas. "I want to send a message out there that these types of fraud hurt our economy, our infrastructure, and our workers. I want to send a message that if you commit these crimes, you may be looking at the "Real jail cell of Orange County."

"Employees deserve to be taken care of when they are injured on the job, and this type of workers comp fraud jeopardizes this vital protection," said Insurance Commissioner Steve Poizner. "We will work tirelessly with our partners like the Orange County District Attorney's office to track down all types fraud. I want to remind potential criminals out there that no matter

how bad the economy is, no matter how enticing it is, if you commit insurance fraud, we will work day and night to bring you to justice."

"This is about all the honest roofers, plumbers and other contractors who can't possibly compete against a business operating in the underground economy," said John Barrett, FTB Public Affairs Spokesman. "This isn't about leveling the playing field. It's about pulling those operating in the underground into the light of compliance."

WHAT IS PREMIUM INSURANCE FRAUD?

California law requires that all employers maintain Workers' Compensation Insurance for their employees. Payroll records showing the number of employees and their income must be submitted to both the insurance company and EDD, who oversee the audit and collection of payroll taxes and employment records for workers in California. Workers' Compensation Insurance rates are determined by a formula, which takes into consideration the factors above and the company's loss history on claims.

Premium insurance fraud is committed when an employer intentionally misrepresents to the State or his/her insurance company the number of employees, the nature of work performed by certain employees, the amount of payroll, and the loss history. These illegal misrepresentations allow deceitful employers to purchase Workers' Compensation Insurance at a significantly lower rate, or to avoid purchasing the insurance at all. This practice also places their competitors at a disadvantage because it forces them to compete against a company with lower operating costs.

This deceptive under or non-reporting drives up the cost of insurance premiums for legitimate businesses, which pay higher rates for their employee's Workers' Compensation Insurance. These legitimate businesses are less competitive against crooked companies who are able to under-bid their competitors due to lower business costs resulting from insurance fraud. This also endangers injured employees who may be denied the workers' compensation benefits intended to meet their physical, psychological, and financial needs for a work-related injury.

CIRCUMSTANCES OF PREMIUM INSURANCE FRAUD CASE

Petronella is a roofing and general building contractor. Petronella and Kile own three businesses including Petronella Corporation, Western Cleanoff, Inc., and The Reroofing Specialists, Inc. (also known as Petronella Roofing). The businesses are located in Costa Mesa and Cathedral City, Riverside County, and have clients primarily in Southern California which include the Ocean Institute in Dana Point, Pacific Amphitheater in Costa Mesa, and other commercial properties.

In March 2006, an employee of Petronella fell from a roof and sustained injuries. A payroll stub was submitted to SCIF listing his employer as Western Cleanoff, Inc., which SCIF did not insure. SCIF reported the suspected fraudulent claim to the OCDA and DOI.

Following a 2-year investigation by the OCDA with assistance from several agencies (listed above), Petronella and Kile were arrested at approximately 7:00 a.m. yesterday, April 29, 2009, at their Laguna Hills home. A search of six locations including two residences, two businesses, a storage unit and a Certified Public Accountant's office turned up more than $500,000 in jewelry, $51,000 cash, and an application from Kile to be featured on the Bravo series Real Housewives of Orange County.

The investigation, which began in 2006, revealed the following:

Beginning in 2000, Petronella and Kile are accused of obtaining Workers' Compensation Insurance for their three companies through State Compensation Insurance Fund (SCIF), a quasi-governmental non-profit insurance company established by the California State Legislature. Between 2000 and 2008, Petronella is accused of fraudulently submitting 42 claims for uninsured injured workers and underreporting $29 million in payroll to SCIF in order to avoid paying his Workers' Compensation Insurance premiums. They are accused of engaging in a scheme that resulted in SCIF incurring more than $253,000 in uncovered injured worker claims and insurance premium losses exceeding $38 million. Petronella and Kile are accused of reporting $2.9 million in payroll to SCIF, while having an actual payroll of $29 million, ten times more than

reported. The $38 million premium due includes the $29 million in loss history plus penalties and assessments for inaccurate reporting.

Beginning in 2000, SCIF performed annual audits of Petronella and Kile's companies, during which they are accused of providing false employee and payroll records. Between 2000 and 2008, Petronella and Kile are accused of fraudulently reporting a $2.9 million payroll to SCIF for The Reroofing Specialists, Inc., while reporting $16.6 million in payroll to EDD for the same company during the same time period. Beginning in 2003, Petronella and Kile are accused of fraudulently reporting no payroll to SCIF for Western Cleanoff, Inc., while reporting in excess of $13.9 million in payroll to EDD for the same company between 2000 and 2008. Between 2007 and 2008, they are accused of paying unreported payroll in excess of $1.6 million in cash to day laborers.

In order to avoid paying Workers' Compensation Insurance for all of his employees, Petronella and Kile are accused of underreporting the number of workers employed at each business, including claiming none for Western Cleanoff, Inc. Petronella is accused of fraudulently filing 42 claims for employees injured while working for The Reroofing Specialists, Inc. to obtain insurance coverage for the injured employee without paying for the insurance. The injured employees have since been identified as Western Cleanoff, Inc. and Petronella, Inc. employees.

UNDER-REPORTING AND TAX FRAUD CHARGES

The defendants are accused of underreporting their income on their individual state income tax returns. Petronella is accused of underreporting his income between 2005 and 2007 on his tax returns by more than $2.3 million. He is accused of owing the state more than $632,600 in taxes, fines, penalties, and the cost of the investigation. Kile is accused of underreporting her income by more than $1.7 million during the same time and owning the state more than $530,000.

The couple, who live in Laguna Hills, own five properties in California and Texas, and multiple luxury vehicles including a Bentley, two Ferraris, and a Range Rover. Between 2005 and 2007, Petronella and Kile are accused of claiming less than $290,000 of income on their tax returns, but spending more than $2.1 million on their American Express credit card for personal items. They are accused of spending thousands of dollars on jewelry, shoes, clothes, and other personal items at stores including Balenciaga, Bloomingdale's, Chanel, Christian Louboutin, Gucci, Kitson, Neiman-Marcus, Nordstrom, Yves Saint Laurent, and others.

Anyone with additional information is encouraged to contact Supervising District Attorney Investigator Baden Gardner at (714) 648-3667. Deputy District Attorney Debbie Jackson of the Workers' Compensation Insurance Fraud Unit is prosecuting this case.

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California Department of Insurance & Orange County District Attorney
Press Release

FOR IMMEDIATE RELEASE
Case # 09CF1067
November 4, 2010

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ROOFING CONTRACTOR SENTENCED TO 10 YEARS IN PRISON IN CALIFORNIA'S LARGEST PREMIUM INSURANCE FRAUD SCAM

*Defendant's wife is charged as a co-defendant in this case

SANTA ANA - A roofing contractor was sentenced today to 10 years in state prison for committing premium insurance fraud with his wife in one of the largest known Workers' Compensation Insurance fraud case in California's history. Michael Vincent Petronella, also known as Michael Constantine, 51, was found guilty by a jury Feb. 11, 2010, of 33 felony counts of insurance fraud and the sentencing enhancement for aggravated white collar crime over $500,000 was found true. He was ordered by the court to pay $500,000 in restitution to the State Compensation Insurance Fund (SCIF).

Petronella's wife Devon Lynn Kile, 44, both of Laguna Hills, is also charged in this case. Kile is in-custody on $250,000 bail and is scheduled for a pre-trial mental health competency hearing Nov. 10, 2010, at 9:00 a.m. in Department C-55, Central Justice Center, Santa Ana.

"This case is an outrageous example of a person who lavishly spent illegal profits on luxury goods by cheating the Workers' Compensation Insurance system and legitimate businesses that play by the rules," said Orange County District Attorney Tony Rackauckas. "This should serve as a warning to anyone considering ripping off taxpayers and the public that you will be trading in your Pradas for prison garb for the next 10 years."

WHAT IS PREMIUM INSURANCE FRAUD?
California law requires that all employers maintain workers' compensation insurance for their employees. Payroll records showing the number of employees and their income must be submitted to both the workers' compensation insurance company and EDD, who oversee the collection of payroll taxes. Workers' Compensation Insurance rates are determined by a formula, which takes into consideration the number and type of employees and the company's history of injury claims.

Premium insurance fraud is committed when an employer intentionally misrepresents to the State or insurance company the number of employees, the type of work performed, the amount of payroll, and the loss history. These illegal misrepresentations allow deceitful employers to calculate and purchase workers' compensation insurance at a significantly lower premium rate, or to avoid purchasing the insurance at all. This practice places their competitors at a disadvantage because it forces them to compete against a company with fraudulently lower operating costs.

Premium fraud drives up the cost of insurance premiums for legitimate businesses that pay higher rates for their employees' workers' compensation insurance coverage. These legitimate businesses are less competitive against crooked companies who are able to under-bid their competitors due to lower business costs resulting from insurance fraud. This also endangers injured employees who may be denied workers' compensation benefits intended to meet their physical, psychological, and financial needs for a work-related injury.

CIRCUMSTANCES OF PREMIUM INSURANCE FRAUD CASE

Petronella is a roofing and general building contractor. At the time of their arrest, Petronella and Kile owned three businesses including Petronella Corporation, Western Cleanoff, Inc., and The Reroofing Specialists, Inc. (also known as Petronella Roofing). The businesses were located in Costa Mesa and Cathedral City, Riverside County, and had clients primarily in Southern California which included the Ocean Institute in Dana Point, the Pacific Amphitheater in Costa Mesa, and other commercial properties.

In March 2006, an employee of Petronella fell from a roof and sustained injuries. A payroll stub was submitted to the SCIF, listing his employer as Western Cleanoff, Inc., which SCIF did not insure. SCIF is a quasi-governmental non-profit insurance company established by the California State Legislature. SCIF reported the suspected fraudulent claim to the Orange County District Attorney's Office (OCDA) and Department of Insurance (DOI).

Following a 2-year investigation by the OCDA, with assistance from several agencies (listed below), Petronella and Kile were arrested April 29, 2009, at their Laguna Hills home. A search of six locations including two residences, two businesses, a storage unit and a Certified Public Accountant's office turned up more than $500,000 in jewelry, $51,000 cash, and an application from Kile to be featured on the Bravo series Real Housewives of Orange County. A Receiver was appointed by the Court to oversee the seized property and determine which items and properties should be held as collateral or sold at auction as payment for back due taxes.

THE PEOPLE ARGUED DURING TRIAL:

Beginning in 2000, Petronella and Kile obtained Workers' Compensation Insurance for their three companies through SCIF. Between 2000 and 2008, Petronella fraudulently submitted 42 claims for uninsured injured workers and underreported $29 million in payroll to SCIF in order to avoid paying his Workers' Compensation Insurance premiums. The couple engaged in a scheme that resulted in SCIF incurring more than $253,000 in uncovered injured worker claims and insurance premium losses in the millions. Petronella and Kile reported $3 million in payroll to SCIF, while having an actual payroll of $32 million, ten times more than reported.

Beginning in 2000, SCIF performed annual audits of Petronella and Kile's companies, during which they provided false employee and payroll records. Between 2000 and 2008, Petronella and Kile fraudulently reported a $2.9 million payroll to SCIF for The Reroofing Specialists, Inc., while reporting $16.6 million in payroll to EDD for the same company during the same time period. Beginning in 2003, Petronella and Kile fraudulently reported no payroll to SCIF for Western Cleanoff, Inc., while reporting in excess of $13.9 million in payroll to EDD for the same company between 2000 and 2008. Between 2007 and 2008, they paid unreported payroll in excess of $200,000 in cash to day laborers.

In order to avoid paying Workers' Compensation Insurance for all of his employees, Petronella and Kile underreported the number of workers employed at each business, including claiming none for Western Cleanoff, Inc. Petronella fraudulently filed 42 claims for employees injured while working for The Reroofing Specialists, Inc. to obtain insurance coverage for the injured employee without paying for the insurance. The injured employees have since been identified as Western Cleanoff, Inc. and Petronella, Inc. employees.

The couple, who lived in Laguna Hills at the time of their arrest, owned five properties in California and Texas and multiple luxury vehicles including a Bentley, two Ferraris, and a Range Rover. Between 2005 and 2007, Petronella and Kile spent more than $2.1 million on their American Express credit card for personal items. They spent thousands of dollars on jewelry, shoes, clothes, and other personal items at stores including Balenciaga, Bloomingdale's, Chanel, Christian Louboutin, Gucci, Kitson, Neiman-Marcus, Nordstrom, Yves Saint Laurent, and others.

This case was investigated by the OCDA and the Orange County Premium Fraud Task Force, a collaboration of investigators from OCDA, DOI, EDD, Franchise Tax Board, and Contractors State License Board.

Deputy District Attorney Shaddi Kamiabipour of the Workers' Compensation Insurance Fraud Unit prosecuted this case.

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California Department of Insurance & Orange County District Attorney
Press Release

FOR IMMEDIATE RELEASE
Case # 11ZF0110
June 13, 2011

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RADIOLOGIST, NEUROLOGIST, AND TWO CO-DEFENDANTS INDICTED IN $17 MILLION WORKERS' COMPENSATION INSURANCE OVERBILLING SCHEME

*Grand jury transcripts revealed for the first time

SANTA ANA - The Orange County District Attorney's Office (OCDA) and California Department of Insurance (CDI) announced today the facts surrounding the indictment of a radiologist, a neurologist, and two co-defendants for a $17 million workers' compensation insurance overbilling scheme. The indictments against the four defendants were issued May 11, 2011, and the grand jury transcripts were unsealed today, June 13, 2011.

We need to end these types of medical fraud mills – STAT. Let's end unethical doctors, unscrupulous dealings, and patients being treated like walking ATMs," stated District Attorney Tony Rackauckas. "We hope before people engage in these types of schemes, they ask themselves if this is worth 800 years in prison?"

"The magnitude of the fraud committed by these co-conspirators is reprehensible," said Insurance Commissioner Dave Jones. "When medical providers conspire to defraud the California workers' compensation insurance system, everybody loses, including the injured workers and the businesses that employ them."

This case was investigated by CDI and the OCDA. Deputy District Attorney Shaddi Kamiabipour of the Workers' Compensation Fraud Unit is prosecuting this case.

Defendants

Dr. Sim Carlisle Hoffman, 59, Newport Beach, is a radiologist and owner of Advanced Professional Imaging (API), Advanced Management Services (AMS), and Better Sleeping Medical Center (BSMC) in Buena Park. He is charged with 592 felony counts of insurance fraud for BSMC, 291 felony counts of insurance fraud for API, and one felony count of aiding and abetting the unauthorized practice of medicine. If convicted, he faces a sentence ranging from two years up to 892 years and eight months in state prison. Hoffman is out of custody on $1.5 million bail. In 2001, Hoffman was disciplined by the Medical Board of California (Board) for excessive billing and subjecting a patient to radiology procedures that were not medically necessary.

Beverly Jane Mitchell, 60, Westlake Village, is the administrator in charge of insurance billing for all of Hoffman's businesses. She faces the same charges and maximum sentence as Hoffman. Mitchell is out of custody on $250,000 bail.

Dr. Thomas Michael Heric, 74, Malibu, is a neurologist who worked for Hoffman at BSMC. He is charged with 296 counts of insurance fraud and one felony count of aiding and abetting the unauthorized practice of medicine. If convicted, he faces a sentence ranging from two years up to 315 years and eight months in state prison. Heric is out of custody on $500,000 bail. His medical license was suspended by the Board for 60 days as a result of a 2008 felony federal Medicare and Medi-Cal fraud conviction.

Louis Umberto Santillan, 44, Chino Hills, worked for Hoffman in billing collections for API. He is charged with 141 felony counts of insurance fraud and faces a sentence ranging from two years up to 150 years in state prison if convicted. Santillan is out of custody on $250,000 bail. Santillan has no college degree or certification.

Prior to posting bail, all four defendants were required by the court to prove their bail money was from a legal and legitimate source. All four defendants are scheduled for continued arraignment June 22, 2011, at 8:30 a.m. in Department C-5, Central Justice Center, Santa Ana. Hearing on the revocation of Hoffman and Heric's medical licenses as a condition of bail will also be heard at that time.

Investigation

In January 2008, two BSMC employees filed a complaint with the California Department of Health Services regarding unsanitary conditions and lack of proper patient care at the facility. This complaint was forwarded to Don Marshall, Vice President of the National Anti-Fraud Program for Zenith Insurance Company (Zenith).

Based on this complaint, Zenith began a fraud investigation into BSMC and API and contacted CDI in July 2008. Zenith forwarded evidence that BSMC was not conducting an appropriate medical business and was overbilling for procedures that had no medical value or necessity.

CDI began investigating this case in July 2008 and turned over the case to the OCDA in June 2010. Following an extensive, lengthy joint investigation, the OCDA presented the case to the Orange County Grand Jury in May 2011. All four defendants were indicted May 11, 2011.

Fault in the Workers' Compensation Insurance System

California employers are required by law to maintain workers' compensation insurance for employees to provide medical services and lost wage compensation in the event of an injury sustained at work. Unlike other medical industries, doctors and insurance companies are not required by law to communicate with the workers' compensation insurance recipient/injured worker regarding what medical procedures are being claimed for the purpose of billing. Consequently, there is no system in place to verify which services were provided during a medical appointment.

As a result, unscrupulous medical providers are able to exploit the workers' compensation system and injured worker by subjecting the injured worker to unnecessary medical diagnostic tests in order to generate higher insurance bills. These unethical medical providers are also able to bill the insurance companies for services never rendered.

Profile of Injured Employees Targeted in Scheme

Employees injured on the job are entitled to file workers' compensation claims to have their medical treatment covered by their employer's insurance. In some cases, the injured workers hire attorneys when they feel the insurance company is not adequately handling their claim. These attorneys are responsible for communicating with the insurance company on behalf of their client and often refer the injured worker to chiropractors for treatment. The chiropractors frequently refer the injured workers to other medical providers, often unnecessarily, for diagnostic studies including sleep centers and nerve testing.

In this case, the injured employees were primarily blue collar workers in industries such as manufacturing, construction, or other fields involving manual labor. The majority are Hispanic and many are Spanish-speaking. All of these workers in this case were referred by chiropractors or attorneys to API or BSMC.

In order to streamline the case, the OCDA chose to limit the charges to 600 patients and select time periods. In all of these cases (below), the injuries to the worker could have been treated and fully resolved for under $5,000. The defendants are accused of instead fraudulently billing over $15,000 per patient.

API Overbilling Scheme

Hoffman is accused of opening API as a facility to perform Magnetic Resonance Imaging. In order to generate extra billing, he is accused of expanding to perform nerve testing called Electromyography (EMG), in which muscle cells are analyzed for neurological activity. This is a non-invasive, out-patient procedure that should be billed at approximately $35 per test.

Single Fiber EMG is an invasive, painful procedure that often requires hospitalization and can result in bleeding and infections if not performed properly. This test takes an hour to perform and involves sticking a massive needle into a single nerve to detect damage based on electricity conduction. This test is significantly more complex and costly that can be billed at $330 per procedure. Most neurologists are not qualified to perform this test based on the intense specialization and training required. Only two doctors in California are qualified.

Between June 2007 and March 2009, Hoffman is accused of conducting an EMG test on patients and overstating the nature of the test. Instead of billing for the performed EMG, he is accused of fraudulently billing insurance companies for Single Fiber EMGs.

Hoffman is accused of billing for Single Fiber EMGs as many as 20 times per patient, despite this test never being rendered by Hoffman or any physician employed at API on any patient. The defendant is accused of inflating insurance billings from what should legitimately have been under $2,000 to approximately $10,000 per patient.

After receiving payment from the insurance companies on the fraudulent bills, Hoffman is accused of re-submitting the same bill as a lien against the patient's workers' compensation insurance case in order to collect additional payment.

Hoffman is accused of fraudulently billing seven insurance companies including Berkshire Hathaway Homestate Companies, California State Compensation Insurance Fund, Commercial Property and Casualty Insurance, Fireman's Fund Insurance Company, Liberty Mutual, Travelers Insurance, and Zenith.

In all, he is accused of billing insurance companies over $9 million in Single Fiber EMGs alone in the API scheme.

Sleep Center Overbilling Scheme

Hoffman is accused of opening BSMC in 2007 and failing to hire a certified technician or a qualified physician to supervise the sleep center, as required by law. A "sleep center" is a medical facility that specializes in the diagnosis and treatment of patients suffering from sleep disorders.

Between November 2007 and November 2008, Hoffman is accused of filing insurance claims for 1,247 patients. He is accused of billing for epilepsy and seizure testing for all 1,247 patients without ever conducting these tests on a single patient.

Hoffman is accused of paying Heric $100 per patient to write a report on the patient's condition (see below). Despite all of the 1,247 "reports" indicating that the patient needed medical treatment, none of the patients ever received medical treatment or care from BSMC.

In the course of the investigation it was determined that two of the patients who underwent "testing" suffered severe sleep disorders and were in dire need of medical attention. These disorders were neither diagnosed nor treated at BSMC. During the grand jury proceedings, medical experts opined that the service rendered to patients at BSMC was a "disgrace" and had "no medical value."

Hoffman is accused of operating this facility as a "medical mill" for the sole purpose of insurance billing and without providing any legitimate treatment to any of his patients. For all 1,247 patients, Hoffman is accused of billing exactly $6,728 to the insurance company.

Hoffman is accused of fraudulently billing the City of Los Angeles and 19 insurance companies including Berkshire Hathaway Homestate Companies, California State Compensation Insurance Fund, Chartis division of American International Group, Commercial Property and Casualty Insurance, Crum & Forster Holdings Corporation, Employers Insurance, FirstComp Insurance, Fireman's Fund Insurance Company, The Hartford Financial Services Group, Liberty Mutual, Matrix Direct Insurance Services, Republic Indemnity Company of America, SeaBright Insurance Company, Sentry Insurance, Specialty Risk Services, Travelers Insurance, Southern California Risk Management Associates (now York Insurance Services Group – California), Zenith, and Zurich Financial Services Group.

By November 2008, he is accused of billing insurance companies over $8.4 million in the BSMC scheme.

Role of Hoffman's Co-defendants

As a result of Hoffman's 2001 Board discipline, he is accused of hiring Mitchell to manage all billing and administration for his businesses through AMS as part of his rehabilitation. Mitchell is accused of knowing that Hoffman had been disciplined by the Board and helping him to continue his fraudulent scheme. She is accused of directly supervising all fraudulent billing from API and BSMC to the insurance companies knowing that the procedures were overstated or never performed. Mitchell is also accused of "unbundling," or breaking up procedures and billing them separately instead of together with the intention of fraudulently collecting higher payments.

Heric is a neurologist and is associated with Hoffman from several years ago. He was convicted in 2008 of felony federal fraud, for which his medical license was suspended by the Board for 60 days. In exchange for $100 per patient, Heric is accused of writing "reports" on all 1,247 sleep center patients evaluating the data generated during their sleep study. He is accused of finding in his "reports" that all 1,247 patients were "disabled" by using a formula entirely of his own invention not recognized in the medical community to reach his conclusions. None of these patients ever received any treatment for their supposed disability. All of his reports on the 1,247 patients are almost identical. Heric's reports were used to lend legitimacy to the fraudulent insurance bills for each patient.

Santillan is accused of supervising the collections department for Hoffman's businesses and collecting payment on the medical bills knowing they were inflated and fraudulent. He is accused of receiving approximately $800,000 in commission on all of the fraudulent monies collected for Hoffman between 2006 and 2007.

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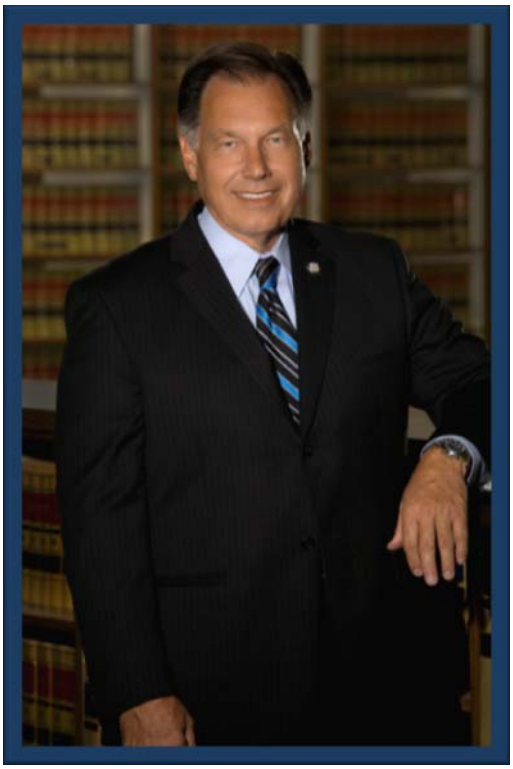
Biography for District Attorney Tony Rackauckas



Tony Rackauckas earned his Juris Doctor from Loyola Law School, Los Angeles in 1971. He has served in the U.S. Army as a paratrooper in the 101st Airborne Division (Air Assault) and as a social worker in the Los Angeles County Department of Public Social Services.

In 1972, Tony joined the Orange County District Attorney's Office (OCDA). Over the next 15 years as a deputy district attorney, he conducted over 40 homicide cases and well over 100 felony trials including rape, robbery, arson, assault, burglary, fraud, narcotics, and child molestation.

Tony was appointed as a Municipal Court Judge in 1990 by Governor George Deukmejian. Three years later, Governor Pete Wilson appointed Tony to the Superior Court, and he was named Presiding Judge of its Appellate Department in 1996.

In June 1998, Tony ran for District Attorney and was overwhelmingly elected to the post by the citizens of Orange County. He won the election by 23 percentage points over his opponent, becoming the first person from outside the OCDA to be elected District Attorney in more than 40 years.

He was re-elected in March 2002 by 22 percentage points. In June 2006 and 2010, Tony was re-elected to his third and fourth terms with 100 percent of the vote, running unopposed.

William Scott Zidbeck
Orange County District Attorney's Office
Assistant District Attorney and Program Director
Insurance and Public Assistance Fraud Unit

Scott Zidbeck graduated from the University of California at Santa Barbara in 1987 with a Bachelor of Arts degree in Political Science. After a brief career as a professional tennis player and instructor, Mr. Zidbeck attended the California Western School of Law in San Diego, earning his Juris Doctor in 1990.

Mr. Zidbeck joined the Orange County District Attorney's Office in 1990 and has served there for 21 years to the present date.

Initially, Mr. Zidbeck was assigned to the Family Support Division and to Municipal Court Operations in all five branch locations. He then advanced to the Felony Panel, the unit responsible for trial of all non-vertical felonies in Orange County. After completing the Felony Panel, Mr. Zidbeck handled cases vertically as a trial attorney several years in a number of different units.

Over the course of his vertical unit prosecution career, Mr. Zidbeck worked in:

Career Criminal Unit – handling the prosecution of serious or violent "3rd Strike" or life offenses;

TARGET Unit – directed gang enforcement and prosecution unit stationed at the Santa Ana Police Department;

Environment Protection Unit – handling the criminal prosecution of large scale environmental polluters;

Gang Unit – handling the prosecution of serious or violent cases, complex or multiple defendant cases and gang homicides; and

Special Prosecutions Unit – handling post conviction mental health and political prosecution cases.

In a supervisorial capacity, Mr. Zidbeck acted as the Assistant Head of Court for the North Branch Municipal Court and for the Felony Panel.

In February of 2011 he was appointed to the position of Assistant District Attorney and transferred to act as the Head of Court and Program Director for Insurance/Public Assistance Fraud Unit where he remains to the present date.