



Metro

Metropolitan Transportation Authority

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FINANCE AND BUDGET COMMITTEE
APRIL 15, 2004

SUBJECT: ACCOUNTS RECEIVABLE WRITE-OFF

**ACTION: APPROVE WRITE-OFF OF UNCOLLECTIBLE ACCOUNT IN THE
AMOUNT OF \$168,961**

RECOMMENDATION

Authorize the Chief Executive Officer to approve the write-off of Supermail International's account in the amount of \$168,961.

ISSUE

Supermail International has been having cash flow problems since March 1998. In July 1998, the media vendor was charged with money laundering by the FBI that subsequently led to its business closure. The outstanding balance of \$168,961 has been carried in the MTA books as an uncollectible account.

Staff conducted an investigation and based on the results, staff recommends that the outstanding receivable balance of \$168,961 be written off.

POLICY IMPLICATIONS

None. This recommendation is in compliance with MTA Procedure #RA-11, Finance-Revenue Administration Accounts Receivable Write-off.

OPTIONS

None.

FINANCIAL IMPACT

This write-off is fully covered by the current reserve for bad debts of \$1,621,902.

BACKGROUND

Supermail International has been a fare media vendor since January 20, 1990. As of February 1998, the Company had an original outstanding account receivable with the MTA of \$278,984. Subsequent staff efforts resulted in collection of \$110,023 prior to their business closure.

As part of the investigation, the collection agency report of CMA Business Credit Services dated December 27, 2001-concluded-that Supermail's general debt judgments and tax liens remain unsatisfied, their liabilities far exceeded their unencumbered assets, and therefore, the corporation is financially insolvent. As a result the \$168,961 receivable balance was determined uncollectible.

NEXT STEPS

The account will be written off the books of the MTA on April 30, 2004

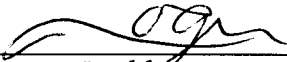
ATTACHMENT

A. CMA Business Credit Services letter dated December 31, 2001

Prepared by: Josie V. Nicasio, Controller



Richard Brumbaugh
Chief Financial Officer



Roger Snoble
Chief Executive Officer



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December 27, 2001

Mr. Jerry Solomon
L.A. Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles CA 90012-2952

Re: Supermail International, Inc.

Dear Jerry:

In accordance with your letter of December 13, 2001; this office conducted certain investigations in order to ascertain the viability of Supermail International, Inc.

As a result, I am attaching herewith for your reference, copies of the business profile report pertaining to the subject debtor business inclusive of the identified sub-locations. As you will note, we were able to extract data on only eight of the eleven store locations with particular focus on the Sacramento location which appears to be the parent corporate entity.

Although there is very limited information relative to the Southern California sub-locations; it is quite apparent that no trade transactions occurred after 1997-1998 which coincides with the time period wherein the Federal Government closed the business operation and effected criminal prosecution of the corporate principals and key affiliates.

Please further note as specifically referenced in the report pertaining to the Sacramento Location, the number of unsatisfied civil judgements as well as State and Federal Tax Liens. In addition, there are a number of entries relative to collection assignments and UCC-1 security filings. This data collectively would indicate that the corporation is heavily encumbered and that the secured creditors listed have primary position in foreclosing upon and liquidating all tangible corporate assets pursuant to their security agreement.



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In this regard, I strongly suspect that the secured creditors have already exercised their rights to foreclosure and if such action has not transpired; the State and Federal taxing authorities certainly would be in immediate position to attach whatever assets are available.

Clearly, there is a considerable amount of individual creditors already in position to enforce payment of their respective claims. Without taking into account those unidentified debts, such as that owed to the MTA; the fact that the general debts, judgements and tax liens remain unsatisfied is an indication that the debtor corporation's cumulative amount of liabilities far exceeds the availability of unencumbered assets thereby concluding that the corporation is indeed defunct and financially insolvent. In effect, any consideration by the MTA to proceed with collection/legal action against Supermail International, Inc. would merely be an exercise in futility.

You further requested that I present some type of an assessment as to the potential for recovery of the MTA's account for \$168,961.75.

Given the information we have developed coupled with the file documents you provided and the narrative presented above; I am of the opinion that the probability for any recovery against the subject debtor corporation is extremely remote.

Although the legal composition of the corporation would preclude the pursuit of the corporate principals for individual liability; there are other legal remedies under qualified parameters that would allow action against Christine and Alberto Umbertino individually.

Realistically however, I would suspect that any and all personal assets identified by the government and other law enforcement authorities as belonging to the principals would have been seized, held and/or frozen. I further suspect that any assets that may have been overlooked have certainly been transferred or liquidated by this time and would undoubtedly be difficult to trace otherwise.

Consequently, when and if the subject principals are released; they will be without any identifiable assets subject to attachment. It would therefore be my opinion that any consideration of a civil action against Mr. And Mrs. Umbertino would not prove to be warranted nor cost-effective.



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I realize that the dollar amount in question is extremely sizable. However, it would nonetheless be my recommendation that the delinquency balance be written off as bad debt.

Should you have any further questions with respect to the foregoing, please do not hesitate to direct them to my immediate attention.

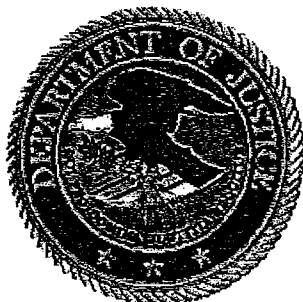
Yours very truly,

A handwritten signature in black ink, appearing to read 'Richard D. Descampo', is written over the typed name.

Richard D. Descampo
Collection Supervisor – Phone: (818) 972-5365

NEWS
RELEASE

For Immediate Distribution



ALEJANDRO N. MAYORKAS

United States Attorney
Central District of California

Thom Mrozek, Public Affairs Officer
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June 7, 1999

**CHECK CASHING FIRM, SENIOR OFFICERS PLEAD GUILTY
TO FEDERAL MONEY LAUNDERING CHARGES**

Supermail International, Inc. and three top managers pleaded guilty today to federal money laundering charges for their role in a scheme to willingly launder money derived from drug trafficking, United States Attorney Alejandro N. Mayorkas announced.

Today's guilty pleas cap a joint FBI-LAPD undercover investigation dubbed "Operation Mule Train," which had its genesis at a Reseda check cashing store and went to chief executive's office at a publicly traded corporation.

In addition to Supermail, the company's chief executive officer Christine Annette Umbertino, 43, president Alberto Joseph Umbertino, 40, and senior vice president Mercedes Veiga, 46, each pleaded guilty to one count of conspiracy to engage in money laundering.

The four defendants appeared this morning before United States District Judge Ronald S.W. Lew in Los Angeles. Supermail, with its corporate headquarters in Sacramento, and the corporate officer defendants, all of whom live in Sacramento, entered into plea agreements with the government in which they acknowledged participating in a conspiracy to engage in money laundering and agreed to forfeit any cash and assets received during the conspiracy. The guilty pleas mean the defendants will avoid a trial that was scheduled to begin tomorrow.

The three individual defendants could be sentenced to as much as 20 years in federal prison and could be fined as much as \$250,000, or twice the gross gain resulting from the offense. As for Supermail, the statutory maximum sentence is a 5-year period of probation and a fine of \$500,000, or twice the gross gain associated with the criminal conduct.

By pleading guilty, Christine and Albert Umbertino admitted that they laundered approximately \$828,500 in cash received from a government undercover agent posing as a major drug trafficker. In exchange for a cash fee -- usually 5 percent of the laundered money -- the defendants would use Supermail's corporate account in Sacramento to wire transfer the cash to an undercover bank account in Florida. In some cases, they converted the cash into \$500 money orders in \$500 denominations that were issued from Supermail stores throughout Southern California.

Veiga, by pleading guilty, admitted that she assisted the Umbertinos in two transactions that occurred in 1997.

All three defendants also acknowledged that the cash that was laundered was used to pay Supermail debts and to maintain the cash flow at its stores.

employees who have previously pleaded guilty to money laundering in this case.

On February 17, 1999, Marco Antonio Soto, Supermail's Southern California Regional Manager, pleaded guilty to participating in the money-laundering conspiracy. For a cash fee, Soto engaged in four transactions with the undercover agent, laundering approximately \$400,000 in "drug cash."

Supermail's store manager in Reseda, Salvador Jose Sanchez, pleaded guilty on February 18 to the same conspiracy, based upon his participation in five separate transactions totaling \$770,000 in "drug cash" in exchange for a cash fee. Likewise, on March 15, Rogelio Jordan, the manager at the Reseda store prior to Sanchez, pleaded guilty to the conspiracy for engaging in eight separate transactions with the undercover agent, totaling \$554,500. Each of the former Supermail supervisors admitted that they laundered the drug money to maintain Supermail operations and for personal profit.

Other defendants charged nearly one year ago have also pleaded guilty to conspiracy charges. Alberto Acosta and Evangelina Berrios, owners of Environmental Flooring Services in Reseda, pleaded guilty to the money laundering conspiracy. Introduced to the "traffickers" by defendant Sanchez, Acosta and Berrios were paid a cash fee to wire transfer \$21,000 in "drug cash" from their company account to an undercover bank account in Florida. Guillermo Jordan, a former manager of the Supermail store in Santa Ana, pleaded guilty to Count Two of the indictment, which charges a conspiracy to avoid currency transaction reporting requirements. Jordan assisted his brother Rogelio Jordan by accepting \$100,000 in cash from the undercover agent, knowing the cash was "drug" proceeds that had not been reported by his brother. The cash was eventually laundered by Rogelio Jordan.

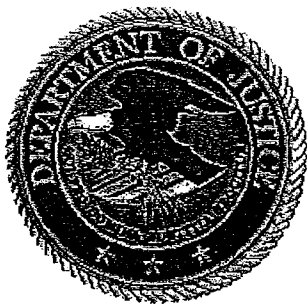
On May 3, Guillermo Jordan was sentenced by Judge Lew to 18 months in prison, and Marco Soto was sentenced on June 7 to 46 months in prison. Salvador Sanchez, Alberto Acosta and Evangelina Berrios are scheduled to be sentenced tomorrow, and Rogelio Jordan on July 12, 1999.

Today Judge Lew scheduled sentencing hearings for Supermail, the Umbertinos and Veiga for October 18, 1999.

Operation Mule Train was the second large-scale money laundering case brought by the United States Attorney's Office in 1998. The second matter, Operation Casablanca, resulted in the arrest of approximately 50 defendants charged with laundering the proceeds of the Cali and Juarez drug cartels and the seizure of more than \$60 million in tainted money.

Release No. 99-118

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ALEJANDRO N. MAYORKAS

United States Attorney
Central District of California

Thom Mrozek, Public Affairs Officer
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October 2, 2000

CHECK CASHING FIRM AND ITS TOP OFFICERS SENTENCED TO PRISON IN FEDERAL MONEY LAUNDERING CHARGES

Supermail International, Inc. and the corporation's top three managers were all sentenced today, with the individuals each receiving several years in prison for willingly laundering money derived from drug trafficking, United States Attorney Alejandro N. Mayorkas announced.

The sentences handed out in federal court in Los Angeles cap a joint FBI-LAPD undercover investigation called "Operation Mule Train," which had its genesis at a Reseda check cashing store and went to chief executive's office of a publicly traded corporation.

Those sentenced today by United States District Judge Ronald S.W. Lew are residents of Sacramento. They are:

- Supermail's chief executive officer, Christine Annette Umbertino, 44, who received a 57-month sentence;
- Supermail president Alberto Joseph Umbertino, 40, who was also sentenced to 57 months;
- Supermail senior vice president Mercedes Veiga, 46, who was ordered to serve 46 months in federal prison; and
- Supermail itself was placed on probation for five years, which is the maximum sentence it could have received.

When they pleaded guilty in June 1999, each acknowledged participating in a conspiracy to engage in money laundering and agreed to forfeit any cash and assets received during the conspiracy. Christine and Albert Umbertino admitted that they laundered approximately \$828,500 in cash received from a government undercover agent posing as a major drug trafficker. In exchange for a cash fee – usually 5 percent of the laundered money – the defendants would use Supermail's corporate account in Sacramento to wire transfer the cash to an undercover bank account in Florida. In some cases, they converted the cash into money orders in \$500 denominations that were issued from Supermail stores throughout Southern California.

Veiga, by pleading guilty, admitted that she assisted the Umbertinos in two transactions that occurred in 1997.

All three individuals defendants also acknowledged that the cash that was laundered was used to pay Supermail debts and to maintain the cash flow at its stores.

On February 17, 1999, Marco Antonio Soto, Supermail's Southern California Regional Manager, pleaded guilty to participating in the money-laundering conspiracy. For a cash fee, Soto engaged in four transactions with the undercover agent, laundering approximately \$400,000 in "drug cash." Soto was sentenced in to 46 months.

Supermail's store manager in Reseda, Salvador Jose Sanchez, pleaded guilty on February 18, 1999 to the same conspiracy, based upon his participation in five separate transactions totaling \$770,000 in "drug cash" in exchange for a cash fee. Likewise, on March 15, 1999, Rogelio Jordan, the manager at the Reseda store prior to Sanchez, pleaded guilty to the conspiracy for engaging in eight separate transactions with the undercover agent, totaling \$554,500. Each of the former Supermail supervisors admitted that they laundered the drug money to maintain Supermail operations and for personal profit.

Sanchez was sentenced to 72 months in prison, and Rogelio Jordan was sentenced to 50 months.

Other defendants charged in 1998 when Operation Mule Train was announced also pleaded guilty to

conspiracy charges. Alberto Acosta and Evangelina Berrios, owners of Environmental Flooring Services in Reseda, pleaded guilty to the money laundering conspiracy. Introduced to the “traffickers” by defendant Sanchez, Acosta and Berrios were paid a cash fee to wire transfer \$21,000 in “drug cash” from their company account to an undercover bank account in Florida. Guillermo Jordan, a former manager of the Supermail store in Santa Ana, pleaded guilty to a conspiracy to avoid currency transaction reporting requirements. Guillermo Jordan assisted his brother Rogelio Jordan by accepting \$100,000 in cash from the undercover agent, knowing the cash was “drug” proceeds that had not been reported by his brother. The cash was eventually laundered by Rogelio Jordan. Another employee at the Reseda store, Fernando Malagon, also pleaded guilty to participating in the conspiracy.

Guillermo Jordan was sentenced by Judge Lew to 18 months in prison. Acosta was sentenced to 12 months. Evangelina Berrios was sentenced to 10 months. Malagon received a sentence of 37 months in prison.

There is no parole in the federal prison system, and each prisoner must serve at least 85 percent of his sentence.

Operation Mule Train was investigated by the Federal Bureau of Investigation and the Los Angeles Police Department.

Release No. 00-177

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