ATTACHMENTS

TO

THE STAFF'S INITIAL REPORT
REGARDING THE IMPACT OF THE
ALLEGATIONS OF CRIMINAL ACTIVITIES
BY KENNETH MATZDORFF ON
MISSOURI UTILITY CONSUMERS

JANUARY 31, 2005

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Attachment 1

Mr. Matzdorff Guilty Plea in US Eastern District Court of New York

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

- - - - - - - - - - - - - - - - - x

UNITED STATES OF AMERICA

- against -

KENNETH MATZDORFF,

Defendant.

- - - - - - - - - - - - - - - - - x

I N F O R M A T I O N

Cr. No. ____________
(T. 18, U.S.C., §§ 371, 981(a)(1)(C), 982, 1956(h) and 3551 et seq.; T. 21, U.S.C., § 853(p); T. 28, U.S.C., § 2461(c))

THE UNITED STATES ATTORNEY CHARGES:

INTRODUCTION

At all times relevant to this Information, unless otherwise stated:

I. Billing for “Enhanced” Telecommunications Services

1. Telecommunications services such as voicemail, call forwarding and private “1-800" numbers were sometimes referred to in the telecommunications industry as “enhanced” or “premium” services. Local telephone companies, which were also known as local exchange carriers, or “LECs,” provided basic telephone services and some enhanced services to consumers. Third-party service providers also offered enhanced services directly to consumers, often in competition with LECs.

2. In order to enhance competition in the telecommunications industry, LECs were required by law, under certain circumstances, to allow third-party service providers to

include charges for their services on the LECs’ telephone bills to consumers. When LECs included these charges, consumers paid the entire amount of the bills to the LECs, which were then obligated to pass along to the third-party service providers the amount paid for the enhanced services they provided.

3. Telephone billing “aggregators” were companies that acted as intermediaries between LECs and third-party service providers. Among other things, aggregators (a) transmitted billing data relating to the enhanced services from service providers to LECs, and (b) collected from LECs money paid by consumers for the enhanced services. The aggregators charged their clients, the service providers, a fee for the billing and collection services they provided.

4. Before LECs would accept charges for inclusion on their bills, they typically required the billing aggregators to provide copies of the advertising material and descriptions of the services and programs offered by the service providers. In addition, the entries on telephone bills that described the services for which consumers were being charged, commonly referred to as “Bill Phrases,” were subject to approval by the LECs and were generally required to be clear and concise descriptions of the service. The LECs imposed these requirements on the billing aggregators, among other reasons, to combat the placement of unauthorized charges on their customers’ local

telephone bills – a fraudulent practice commonly known in the telecommunications industry as “cramming.”

II. The Defendant and USP&C

5. USP&C, Inc. (“USP&C”) was a telephone billing aggregator. USP&C was secretly controlled by Richard Martino, a “made” member, or soldier, in the Gambino crime family of La Cosa Nostra (the “Gambino family”), and Norman Chanes and Daniel Martino, both of whom were associates in the Gambino family.

6. In order to conceal their ownership and control of USP&C, in or about 1996, Richard Martino, Norman Chanes and Daniel Martino caused the defendant KENNETH MATZDORFF to assume nominal ownership of USP&C and to falsely represent himself to third parties as the owner of that company.

III. The Telephone Cramming Fraud Scheme

7. In or about and between approximately 1996 and 2002, the defendant KENNETH MATZDORFF, together with Richard Martino, Norman Chanes, Daniel Martino and others, knowingly and intentionally devised and executed a telephone cramming scheme, which involved defrauding consumers by causing USP&C to place unauthorized charges on local telephone bills of victims within the Eastern District of New York and elsewhere, and collecting payment on those unauthorized charges (the “Cramming Scheme”).

8. To execute the Cramming Scheme, Richard Martino, Norman Chanes and others acting at their direction produced and

disseminated advertisements offering free samples of adult entertainment services, such as psychic hotlines, dating services, and sexually oriented talk-lines, over various “1-800" telephone numbers. These advertisements induced victims within the Eastern District of New York and elsewhere to call the various “1-800" telephone numbers by promising free samples of the entertainment services described.

9. Victims who called the “1-800" telephone numbers advertised in this manner heard pre-recorded “front-end programs,” which varied over time and across the various “1-800" telephone numbers. Each was designed so that when a victim called the “1-800" telephone number and expressed a desire to obtain the free sample of the entertainment service advertised, the front-end program triggered a recurring monthly charge on the victim’s local telephone bill for voice-mail service, without the knowledge, consent or authorization of the victim. The Bill Phrases for the monthly charges that later appeared on the victims’ local telephone bills were designed to appear to be standard telephone-related charges or fees, and to conceal the fact that the charges were triggered by the calls to the “1-800" adult entertainment telephone lines.

10. In order to conceal the fraudulent nature of the “1-800" telephone numbers and related front-end programs used in the Cramming Scheme, Richard Martino, Norman Chanes, the

defendant KENNETH MATZDORFF and others acting at their direction caused to be prepared and knowingly facilitated the preparation of two sets of advertisements, front-end programs and related materials. One set was referred to as the “marketing” materials, and consisted of the fraudulent advertisements, front-end programs and related materials offering the free samples of entertainment services that were used to defraud the victims in the manner described above. The second set was referred to as the “approval” materials, and consisted of advertisements, front-end programs and related materials offering various voice-mail services. Unlike the “marketing” versions, the “approval” versions of the front-end programs appeared properly to seek the consumer’s authorization to charge a recurring monthly fee for a voice-mail service, whose features were fully described.

11. The “approval” materials were not actively marketed to the public, but rather were presented to LECs, regulatory and law enforcement agencies and complaining customers in order to conceal the existence and fraudulent nature of the “marketing” materials actually used to generate the unauthorized charges. The Bill Phrases for the unauthorized charges corresponded to the names of the voice-mail services contained in the “approval” materials. In this manner, when USP&C faced inquiries concerning the business practices of its clients or the nature of the monthly recurring charges from LECs, regulatory or

law enforcement agencies or complaining customers, USP&C presented the “approval” materials rather than the “marketing” materials that actually triggered the charge.

12. The service providers that were USP&C’s clients were front companies, devoid of employees and physical office space, that were set up to conceal the fact that the fraudulent front-end programs were owned and controlled by Richard Martino, Norman Chanes and Daniel Martino. All of USP&C’s dealings with these purported clients were conducted through Richard Martino, Norman Chanes and employees acting at their direction.

13. The Cramming Scheme caused unauthorized recurring monthly charges to be included on millions of victims’ local telephone bills throughout the Eastern District of New York and elsewhere in the United States, and generated between approximately $50,000 and $600,000 in gross revenue per day between 1997 and 2001. In total, the Cramming Scheme generated substantially in excess of $500 million in gross revenues.

14. Many of the Cramming Scheme’s victims complained to LECs and to USP&C about the unauthorized charges appearing on their local telephone bills. The defendant KENNETH MATZDORFF, at the direction of Richard Martino, Norman Chanes, Daniel Martino and others, caused a “call center” affiliated with USP&C to be established to handle the large volume of victim complaints internally, to prevent LECs from learning the extent of customers

complaining that the charges were unauthorized.

15. Telephone operators at the call center were directed initially to attempt to persuade victims that the charges were in fact authorized and to induce customers to agree to pay the charges. If a victim was adamant that the charges had not been authorized and refused to pay, the operators were next directed to offer a partial refund, but to offer a full refund only if the victim would not accept a partial refund.

16. The purpose of offering refunds to customers who demanded them was to reduce the likelihood that victims would complain directly to LECs or to regulatory agencies. The call center operators were further instructed that if victims asked them to provide the telephone number that triggered the charge on the USP&C page of their local telephone bill, the operators were to provide a “1-800" number that connected to the “approval” version of the front-end program, instead of the “1-800" telephone number that was connected to the “marketing” front-end program that the customer had actually called.

17. During the course of the Cramming Scheme, USP&C on average refunded approximately 50 percent of the unauthorized charges to complaining customers. From time to time, various LECs canceled the billing privileges of certain “1-800" number programs that generated these high refund levels. On such occasions, the defendant KENNETH MATZDORFF, Richard Martino and

Norman Chanes, together with others, caused USP&C to transfer billing for the purported customers of these canceled programs to new “1-800" number programs for the purpose of continuing and perpetuating the Cramming Scheme.

18. On several occasions during the course of the Cramming Scheme, representatives of various LECs and government agencies demanded to meet with USP&C’s president to address the large volume of cramming complaints being made against USP&C and the service providers that were its clients. On several such occasions, the defendant KENNETH MATZDORFF attended meetings at the direction of Richard Martino or his employees. MATZDORFF represented himself at these meetings to be the owner and president of USP&C, despite the fact that, as he well knew and believed, he did not own or control USP&C.

19. The defendant KENNETH MATZDORFF further represented to LEC employees and government officials that USP&C was taking steps to police cramming activity by its service-provider clients, including by shutting down the “1-800" number programs that had particularly high rates of complaints and refunds. At the time he made such representations, MATZDORFF well knew and believed that the shell companies that were USP&C’s clients were not, in fact, ceasing to bill the purported customers of those programs, but were instead simply transferring the billing of those individuals to new shell companies at the

direction of Richard Martino, Norman Chanes, Daniel Martino and others.

IV. The Internet "Free-Tour" Fraud Scheme

20. Richard Martino, Norman Chanes and Daniel Martino also designed and executed a scheme to defraud internet users who visited pornographic websites that they designed and operated together with others. Through these websites, the Martinos and Chanes fraudulently obtained visitors' credit and debit card information, ostensibly for age-verification purposes, and then billed the victims' cards without the victims' knowledge or consent (the "Internet Free-Tour Scheme").

21. The Internet Free-Tour Scheme was centered around purportedly "free tours" of the websites created by the Martinos and Chanes. Although the websites represented that visitors to the websites could take a "free tour" of each website without being billed, in actuality the websites were designed and operated so that victims would be billed without their knowledge or consent. Through the websites, the Martinos, Chanes and others billed and caused to be billed the credit and debit cards of thousands of victims in the United States, including in the Eastern District of New York, Europe and Asia, without their authorization. The bills were charged at a recurring monthly rate of up to $90 each, for an approximate total amount of more than $230 million.

V. <u>Laundering of the Proceeds of the Telephone Cramming Scheme and Internet Free-Tour Scheme</u>

22. During the course of the Cramming Scheme described above, USP&C collected the payments for the unauthorized charges from LECs, and in turn, at the direction of the defendant KENNETH MATZDORFF and others, paid the bulk of the proceeds to its purported service-provider clients, net of expenses and refunds to complaining victims. These companies in turn transferred the proceeds to Overland Data Center (“Overland”), another company secretly controlled by Richard Martino, and Fairfax Telecommunications, Inc., a shell company secretly controlled by Richard Martino. Overland in turn transferred the vast bulk of the proceeds to two other companies owned and controlled by Richard Martino’s companies, Mical Properties and Telcom On-Line, Inc.

23. The proceeds of the Internet Free-Tour Scheme described above were initially received at the bank account of Multimedia Forum, Inc. (“Multimedia”), at North Fork Bank on Long Island, New York. At the direction of Richard Martino and Daniel Martino, these funds were transferred to another company, Westford, which was secretly controlled by Richard Martino through one of his business associates. Among other things, in 1999 five transfers were made from Multimedia’s account at North Fork Bank on Long Island to Westford’s account in New Jersey. The proceeds of the Internet Free-Tour Scheme were commingled

with the proceeds of the Cramming Scheme and other monies in various accounts controlled by Richard Martino, Norman Chanes and Daniel Martino. The transfers and commingling of funds described above were executed for the purpose of concealing the criminal nature of the funds and of promoting the continued fraudulent activity.

COUNT ONE
(Conspiracy to Commit Wire Fraud)

24. The allegations contained in paragraphs 1 through 23 are realleged and incorporated as if fully set forth in this paragraph.

25. In or about and between 1996 and 2002, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendant KENNETH MATZDORFF, together with Richard Martino, Norman Chanes, Daniel Martino and others, did knowingly and intentionally conspire to devise and execute a scheme and artifice to defraud users of the “1-800" adult entertainment telephone numbers involved in the Cramming Scheme and others, and to obtain money and property from them by means of materially false and fraudulent pretenses, representations and promises, and for the purpose of executing such scheme and artifice, to transmit and cause to be transmitted, by means of wire communication in interstate and foreign commerce, writings, signs, signals and sounds, in violation of Title 18, United States Code, Section 1343.

26. In furtherance of the conspiracy and to effect its objectives, within the Eastern District of New York and elsewhere, the defendant KENNETH MATZDORFF, together with others, committed and caused to be committed, among others, the following:

OVERT ACTS

a. On or about March 15, 1997, MATZDORFF executed a resolution purporting to elect himself the President and Secretary/Treasurer of USP&C.

b. On or about December 17, 1999, MATZDORFF and others executed an agreement for the Sale and Purchase of Common Stock of USP&C, Inc.

(Title 18, United States Code, Sections 371 and 3551 et seq.)

COUNT TWO
(Money Laundering Conspiracy)

27. The allegations contained in paragraphs 1 through 23, 25 and 26 are realleged and incorporated as if fully set forth in this paragraph.

28. In or about and between 1996 and 2002, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendant KENNETH MATZDORFF, together with Richard Martino, Norman Chanes, Daniel Martino and others, did knowingly and intentionally conspire to conduct financial transactions affecting interstate and foreign commerce, which in

fact involved the proceeds of specified unlawful activity, to wit: mail fraud, in violation of Title 18, United States Code, Section 1341; wire fraud, in violation of Title 18, United States Code, Section 1343; and credit card fraud, in violation of Title 18, United States Code, Section 1029(a)(5), knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity (a) with the intent to promote the carrying on of the specified unlawful activity, and (b) knowing that the transactions were designed in whole and in part to conceal and disguise the nature, the location, the source, the ownership and the control of the proceeds of the specified unlawful activity, in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i) and 1956(a)(1)(B)(i).

(Title 18, United States Code, Sections 1956(h) and 3551 et seq.)

ADDITIONAL ALLEGATIONS AS TO COUNT ONE

29. The allegations contained in Count One are hereby realleged and incorporated as if fully set forth in this paragraph, and the additional allegations below are incorporated by reference into Count One.

30. Based on (a) acts and omissions committed, aided, abetted, counseled, commanded, induced, procured, and willfully caused by the defendant, and (b) all reasonably foreseeable acts and omissions of others in furtherance of a criminal plan,

scheme, endeavor, and enterprise undertaken by the defendant in concert with others; all of which occurred during the commission of the offense of conviction, in preparation for that offense, and in the course of attempting to avoid detection and responsibility for that offense, the following conduct occurred (U.S.S.G. § 1B1.3(a)(1)):

a. The greater of the actual loss and the intended loss was more than $100,000,000 (U.S.S.G. § 2B1.1(b)(1)(N)(2002)).

b. The offense involved a scheme to defraud 50 or more victims (U.S.S.G. § 2B1.1(b)(2)(B)(2002)).

c. The offense involved sophisticated means (U.S.S.G. § 2B1.1(b)(8)(C)(2002)).

CRIMINAL FORFEITURE ALLEGATION ONE
(Conspiracy to Commit Wire Fraud)

31. The United States hereby gives notice to the defendant charged in Count One that, upon his conviction of such offense, the government will seek forfeiture in accordance with Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), which require any person convicted of such offense to forfeit any property constituting or derived from proceeds obtained directly or indirectly as a result of such offense, or traceable thereto. The value of the forfeitable property is a sum of money equal to $500 million in United States currency.

32. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred or sold to, or deposited with, a third party;

(c) has been placed beyond the jurisdiction of the court;

(d) has been substantially diminished in value; or

(e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982, to seek forfeiture of any other property of the defendant up to the value of the forfeitable property described in this forfeiture allegation, including but not limited to the following:

1. all right, title and interest in the premises and real property located at 17074 S. Demi Drive, Belton, Missouri 64012;

2. all right, title and interest in the premises and real property located at Lot 107 Cedar Crest, Lake Ozark, Missouri 65049;

3. all right, title and interest in the premises and real property located at Lot 23, Kays Point #1, Lake Ozark, Missouri 65049; and

4. all right, title and interest in the premises and real property located at 979 Heritage Isle, Sunrise Beach, Missouri 65079.

(Title 28, United States Code, Section 2461(c), Title 18, United States Code, Section 981(a)(1)(C); Title 21, United States Code, Section 853(p))

CRIMINAL FORFEITURE ALLEGATION TWO
(Money Laundering Conspiracy)

33. The United States hereby gives notice to the defendant charged in Count Two that, upon his conviction of such offense, the government will seek forfeiture in accordance with Title 18, United States Code, Section 982, of all property involved in each offense of conviction in violation of Title 18, United States Code, Section 1956, or conspiracy to commit such offense, and all property traceable to such property as a result of the defendant's conviction of Count Two of this information. The value of the forfeitable property is a sum of money equal to $730 million in United States currency.

34. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred or sold to, or deposited with, a third party;

(c) has been placed beyond the jurisdiction of the court;

(d) has been substantially diminished in value; or

(e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982, to seek forfeiture of any other property of the defendant up to the value of the forfeitable property described in this forfeiture allegation, including but not limited to the following:

1. all right, title and interest in the premises and real property located at 17074 S. Demi Drive, Belton, Missouri 64012;

2. all right, title and interest in the premises and real property located at Lot 107 Cedar Crest, Lake Ozark, Missouri 65049;

3. all right, title and interest in the premises and real property located at Lot 23, Kays Point #1, Lake Ozark, Missouri 65049; and

4. all right, title and interest in the premises and real property located at 979 Heritage Isle, Sunrise Beach, Missouri 65079.

(Title 18, United States Code, Section 982)

ROSLYNN R. MAUSKOPF
UNITED STATES ATTORNEY
EASTERN DISTRICT OF NEW YORK

Attachment 1a

Mr. Matzdorff Guilty Plea in US Western District Court for the District of Missouri Western Division

IN THE UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF MISSOURI
WESTERN DIVISION

UNITED STATES OF AMERICA, Plaintiff, v. KENNETH M. MATZDORFF, [DOB: XX/XX/XX], Defendant.	))))))))))	 No. 05-00020-01-CR-W-SOW Count One 18 U.S.C. § 371 [NMT: Five Years Imprisonment, $250,000 Fine, Three Years Supervised Release, Plus $100 Special Assessment] Count Two (Criminal Forfeiture) 18 U.S.C. § 981(a)(1)(C) 28 U.S.C. § 2461(c)

I N F O R M A T I O N

THE UNITED STATES ATTORNEY CHARGES THAT:

COUNT ONE

1. At all times relevant to this Information:

(a) Cass County Telephone Company, LP (hereinafter CassTel) is a limited partnership located in Peculiar, Missouri. CassTel's principal business is providing telecommunications services to approximately 8,000 customers in Cass County, Missouri, as well as a small number of customers in the State of Kansas. CassTel is primarily (99%) owned by Local Exchange Company, LLC (hereinafter LEC).

(b) Local Exchange Company, LLC (LEC) is a limited liability company registered in Maryland. The corporation consists of approximately 43 persons and trusts which own "units" of the company.

(c) The National Exchange Carriers Association (hereinafter NECA) is a not-for-profit organization created by the Federal Communications Commission (FCC) pursuant to 47 C.F.R. § 69.601. NECA's purpose is to prepare and file access charge tariffs on behalf of all telephone companies that do not file separate tariffs. A tariff is the rate charged by one telephone company to another telephone company for access and use of that company's telephone system in the course of interstate telecommunications. 47 C.F.R. § 69.601(c) requires that all data submissions made to NECA be accompanied by a certification statement from an officer or employee responsible for the overall preparation of the data submission that "the data have been examined and reviewed and are complete, accurate, and consistent with the rules of the Federal Communications Commission." 47 C.F.R. § 69.601(c) further provides that "Persons making willful false statements in this data submission can be punished by fine or imprisonment under the provisions of the United States Code, Title 18, Section 1001."

NECA collects money from individual telephone companies, known as "local exchange carriers" under 47 C.F.R., Part 69. NECA distributes the funds back to local exchange carriers based upon whether the individual exchange carrier has costs above the national average cost as determined by NECA.

(d) The Universal Service Administrative Company (hereinafter USAC)is a not-for-profit corporation established to administer the Universal Service Fund (hereinafter USF). The USF was established by the FCC to subsidize high cost rural telephone systems. Pursuant to C.F.R § 36.611, each local exchange carrier must submit information to NECA by July 31st of each year which sets forth the allowable expenses of the carrier in the previous calender year. Based upon this submission of expenses, the USAC makes a determination whether rural telephone companies are eligible for cost subsidies from the USF. The subsidies are disbursed by USAC to NECA to be paid out to the rural telephone companies the following calender year.

(e) The Overland Data Center (ODC) was a company located in Overland Park, Kansas, that provided software support and information technology support to CassTel.

(f) F.S.E. Consulting Corp. (FSE) was a corporation located in New York, New York, which provided financial and accounting services to ODC.

(g) Defendant KENNETH M. MATZDORFF was at all times relevant to this information an employee of LEC. At various times throughout the conspiracy, defendant KENNETH M. MATZDORFF was the President of CassTel and LEC.

2. From on or about January 1998, to on or about July 2004, in the Western District of Missouri and elsewhere, defendant KENNETH M. MATZDORFF, and others known and unknown to the United States Attorney, did knowingly conspire, combine, confederate and agree together and with each other to violate the laws of the United States of America, specifically, mail and wire fraud in violation of Title 18, United States Code, Sections 1341 and 1343.

MANNER AND MEANS

The manner and means by which the conspiracy operated included the following:

3. From on or about January 1998, and continuing to on or about July 2004, in the Western District of Missouri and elsewhere, the defendant KENNETH M. MATZDORFF, and other persons known to the United States Attorney, devised and intended to devise a scheme and artifice to defraud the USF and NECA.

4. Defendant KENNETH M. MATZDORFF and others agreed to create false and fictitious ODC invoices to CassTel. The payments by CassTel to ODC based upon the fictitious invoices totaled approximately $11 million between 1998 and 2003. The total value of the actual services performed during 1997 to 2002 by ODC for CassTel is estimated at $240,000.

5. Defendant M. KENNETH MATZDORFF and others agreed to have CassTel, and later LEC, charge ODC for “consulting” and “management” fees. The payments from ODC to CassTel and LEC totaled approximately $11 million from 1998 to 2003.

6. The payments from CassTel to ODC and from ODC to LEC were coordinated by persons known to the United States Attorney that were employed by FSE in New York, New York.

7. The fictitious ODC expenses were included by CassTel as allowable expenses in the submissions to NECA for the calculation by USAC of the Universal Service Fund payments to CassTel. The false and fictitious expenses resulted in an overpayment by USAC to CassTel of approximately $3.5 million from 1999 to 2004.

8. The fictitious ODC expenses were included as allowable expenses in the cost studies filed by CassTel with NECA for determination of the payments to CassTel from the “cost pools” administered by NECA. The false and fictitious expenses resulted in an overpayment by NECA to CassTel of approximately $5.4 million from 1998 to 2003.

OVERT ACTS

In furtherance of the conspiracy, the following Overt Acts, among others, were committed in the Western District of Missouri and elsewhere.

1. On or about January 1998, defendant KENNETH M. MATZDORFF and other LEC shareholders met to review the 1998 budget for

CassTel. At that meeting, defendant KENNETH M. MATZDORFF and other persons known to the United States Attorney agreed to inflate the expenses of CassTel in order to generate additional capital to expand the assets and services of CassTel. The additional capital would be received from the increased payments from the USF and NECA based upon the fictitious ODC expenses reported by CassTel.

2. On or about July 30, 1999, CassTel sent the 1998 USF submission to NECA. The submission was sent via Federal Express from Kansas City, Missouri, to St. Louis, Missouri.

3. On or about July 31, 2001, CassTel sent the 2000 USF submission to NECA. The submission was sent via Federal Express from Kansas City, Missouri, to St. Louis, Missouri.

4. On or about September 5, 2001, CassTel sent the 2000 cost study to NECA. The submission was sent via Federal Express from Kansas City, Missouri, to St. Louis, Missouri.

5. On or about October 22, 2002, CassTel sent the 2001 cost study to NECA. The submission was sent via Federal Express from Kansas City, Missouri, to St. Louis, Missouri.

6. On or about October 28, 2003, CassTel sent the 2002 cost study to NECA. The submission was sent via Federal Express from Kansas City, Missouri, to St. Louis, Missouri.

7. On, about and between January 1998, and September 2004, NECA sent to CassTel, via wire transfers, approximately $36,906,078.29.

All in violation of Title 18, United States Code, Section 371.

COUNT TWO

The allegations contained in Count One of this Information are realleged and incorporated by reference for the purpose of alleging a forfeiture pursuant to the provisions of Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c). Defendant KENNETH M. MATZDORFF shall forfeit to the United States $2,500,000 in U.S. currency which constitutes or is derived from the proceeds traceable to the violation incorporated by reference in this Count.

All in violation of Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

If any of these assets, as a result of any act or omission of the defendant KENNETH M. MATZDORFF:

(1) cannot be located upon the exercise of due diligence;

(2) has been transferred or sold to or deposited with a third person;

(3) has been placed beyond the jurisdiction of the Court;

(4) has been substantially diminished in value; or

(5) has been commingled with other property which cannot be subdivided without difficulty;

it is the intention of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any property of said defendant KENNETH M. MATZDORFF up to the value of the assets set-out above.

Todd P. Graves
United States Attorney

January 18, 2005
DATE

By: /s/
Paul S. Becker
Assistant United States Attorney
Western District of Missouri
Chief, Organized Crime Strike Force Unit

/s/ /s/
Bruce E. Clark, #31443
Assistant United States Attorney
Western District of Missouri
Organized Crime Strike Force Unit

/s/
Jess E. Michaelsen, #52253
Assistant United States Attorney
Western District of Missouri
Organized Crime Strike Force Unit

psb:sgs

ATTACHMENT 2

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS

ENTIRETY.

ATTACHMENT 3

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS

ENTIRETY.

Attachment 4

Missouri Utilities Noted in Staff’s Investigation

Missouri Local Exchange Companies of Interest

Company	Connection
Cass County Telephone	Ken Matzdorff was the President and Chief Executive Officer for this firm per his testimony in Case Number TM-2000-0182
Century Telephone	Firm is an owner of Spectra based in Monroe, Louisiana per Matzdorff Direct testimony in Case Number TM-2000-0182.
Spectra Communications Group LLC (Spectra)	Ken Matzdorff was the Chief Operating Officer for this firm per his testimony in Case Number TM-2000-0182
New Florence Telephone	Ken Matzdorff purchased this firm per his testimony in Case Number TM-2000-0182. Staff's data request responses in Case No. TM-98-222 - the case in which New Florence was sold to Tiger Telephone. Tiger Telephone is ownership is as follows: 1/3 Ken Matzdorff, 1/3 Bob Williams (Oregon Farmers Telephone) and 1/3 LEC, LLC. Per Dave Winter 8/11/04 e-mail
Oregon Farmers	-Robert D. Williams owns 94.12% of common stock. Loans with CoBank *per 2003 Annual report filed with MPSC* -Company uses **LEC LLC** as a billing vendor *per September 17, 2004 Oregon Farmers response to Staff Data Request #* 4**,**

Attachment 5

States Noted in Staff's Investigation

State	Connection
Delaware	**Spectra** is a Delaware Limited Liability Company *per Matzdorff Direct testimony in Case Number TM-2000-0182*. - **-LEC, Inc.** is a Delaware corporation**.** *Per 3/1/96 Limited Liability Company Operating Agreement of **Local Exchange Company LLC** per DR # 2, March 3, 2004 responses pg. 4.* **CONFIDENTIAL** **-Lexitrans, Inc.** is a Delaware corporation *per DR # 14, March 3, 2004 responses pg. 2* **- Dynamic Telecommunications, Inc.,** and **Westford Telecommunications, Inc.** are Delaware corporations. *per DR # 14, March 3, 2004 responses pg. 3*
Kansas	Location of **USP&C** and **Overland Data**
Georgia	Home for **Spectronics** Corporation *per Matzdorff Direct testimony in Case Number TM-2000-0182*
Illinois	State of incorporation for **Lexicom. Inc**., a minority owner of **LEC LLC**. *per DR # 13, March 3, 2004 answers, Cass County Telephone Company Limited Partnership Agreement of Limited Partnership, pg. 14.* **CONFIDENTIAL**.
Louisiana	Home of **Century Telephone**, Dr. Minor, and Dr. Cunningham *per Matzdorff Direct testimony in Case Number TM-2000-0182*
Maryland	State in which **Local Exchange Company LLC** is a limited liability company. **Crawford Telephone Company Limited Partnership** is a Maryland limited partnership. *Per 3/1/96 Limited Liability Company Operating Agreement of **Local Exchange Company LLC** per DR # 13, March 3, 2004 responses pg. 2.* **CONFIDENTIAL**
Missouri	Primary focus of investigation to determine what is any impact the Matzdorff Arrest has on utility or operations in Missouri.
New York	State where Arrest Warrant was filed. Most indicted individuals reside in this state. **Mical Properties, Inc**. and **Harvest Advertising, Inc.** were New York corporation. *per DR # 14, March 3, 2004 responses pg. 2-3*

Attachment 6

Addresses Noted in Staff's Investigation

Address	Significance
4550 W 109th Street STE 150 Overland Park, Ks.	-Address of **USP&C, TELDATA Consultants, Inc**. & **LEXITRANS** (See Firms of Interest) *per Kansas & Mo. Secretary of State search* -Address for **Telecom Operator Services, Inc**. *per o. 2001&2002 Annual Registration Report*. -Address for **Billing Management Services, Inc**. *per Kansas secretary of State search.*
4550 W 109th Street STE 218 Overland Park, Ks.	-Address of **USP&C** (see firms of interest) *per Mo. Secretary of State 2003 Annual Registration Report* -Address for **Telecom Operator Services, Inc**. *per o. 2003 Annual Registration Report* -Address for **Cyber Data Processing, Inc**. *per Kansas Secretary of State search* -Address for **Lexitrans, Inc**. *per Kansas Secretary of State search*
4550 W 109th Street STE 220 Overland Park, Kansas	Address of **Cyberdata Processing, Inc. f.k.a. Lexitrans** *per 8/20/2004 Featherstone e-mail to Schallenberg* & *per Cass County Telephone 8/20/0 attachment to response to Data Request No.4, Schedule A*
4550 W 109th Street STE 222 Overland Park, Kansas 66211	Address for **Info Access, Inc**. on August 4, 1997 *per Kansas secretary of state search.* Address for **Overland Data Center** on May 2, 2004 *per Kansas secretary of state search*
4550 W 109th Street STE 300 Overland Park, Kansas 66211	Address of **TELDATA Consultants**, **Inc**. (See Firms of Interest) *per Kansas Secretary of State search*
4550 W 109th Street Overland Park, Ks.	Address of **Overland Data Center Inc**. and **Lexitrans, Inc**.(see firms of interest) *per Kansas Secretary of State search*
3200 Lake Desiard Monroe, La. 71201	Address for Dr. Claude B. Minor Jr.
511 S Dresden CT Shreveport, La 71115	Address for Dr. Bobby R. Cunningham
36 South Charles St Baltimore, Md. 21202	Address of Local exchange Company LLC (see firms of interest) *per Mo. Secretary of State search*
36 South Charles St 1100 South Charles Center Baltimore, Md. 21202	Maryland address for Piper & Marbury and Lawrence M. Katz to handle Cass County Telephone Company LLP & LEC, LLC matters. *per Mo. Secretary of State search*
818 Guenevere Ballwin, Missouri 63011	Address for LEC Long Distance Inc. *per Mo. Secretary of State search*

17074 Demi Drive Belton, Mo. 64012	Address for Ken Matzdorff, secretary of Haug Construction Inc. *per Mo. 1999 Annual Registration Report*. Address for Ken Matzdorff, president & secretary of LEC Long Distance, Inc. *per Mo. 2003 Secretary of State Annual Registration Report* Address for Ken Matzdorff, organizer and initial manager for VIDEONET LLC *per Mo. Secretary of state search*
312 E. Capital PO Box 456 Jefferson City, Mo. 65102	Address for William R. England III and Sondra Morgan per Mo. 2003 Secretary of State Annual Registration Report
5963 North Cosby Avenue Kansas City, Missouri 64151	Address for Williams Holdings, L.L.C.
8800 Blue Ridge Blvd Suite 300 Kansas City, Mo. 64138	-Address of **USP&C** and **Telecom Operator Services, Inc.** (see firms of interest) *per Mo. Secretary of State 1999 & 2000 Annual Registration Report* -Address for **Billing Management Services, Inc** *per Terry Stock deposition in California, pg. 4 l. 114* - Address of **Investco Telecommunications, Inc.** *per 2000 Mo. Annual Report* -Address **Telecom Operator Services, Inc**. - Address for Telecom Operator Services, Inc. *per Mo. Secretary of State 1997& 1998 Annual report* or
8800 Blue Ridge Blvd Suite 206 Kansas City, Mo. 64138	Address for **Haug Construction, Inc**.(see firms of interest) per La. Secretary of State data
8800 Blue Ridge Blvd Suite 100 Kansas City, Mo. 64138	Address for **MATZO L.L.C**. & **Kansas City Consultants, L.L.C** *per Mo. Secretary of State search*
3145 Broadway Street Kansas City, Missouri 64111	Address for **D & A Agency Services Inc**. and **Rodger H. Templin** organizer & registered agent for **WILMAT, L.L.C**. *per Mo. Secretary of State search*
8 Victory Lane Ste, 120 Liberty, Missouri 64068	Current address for **Haug Construction** *per Mo. Secretary of State search*
118 East Nodaway, Oregon, Mo. 64473	Address for 1) **Oregon Farmers Mutual Telephone** per 2003 Annual report filed with MPSC and 2) Haug Construction Inc. per Mo. 1999 Annual Registration Report
610 S Washington	Address for Robert D. Williams, president of Haug

Oregon, Mo. 64473	Construction Inc. per Mo. 1999 Annual Registration Report
260 W 1st St. PO Box 398 Peculiar, Mo. 64078	Address for Cass County Telephone Company Limited Partnership per Kansas Secretary of State search
192 West Broadway P.O. Box 526 Peculiar, Mo. 64078	-Address for Tiger Telephone, Inc. (see Firms of Interests) *per Mo. 2004 Secretary of State Annual Registration Report*
192 West Broadway P.O. Box 562 Peculiar, Mo. 64078	Address for LEC Long Distance, Inc. (see Firms of Interests) per Mo. 2003 Secretary of State Annual Registration Report
192 West Broadway P.O. Box 647 Peculiar, Mo. 64078	Address for Local Exchange Company L.L.C. and InfoAccess, Inc. per DR # 13, March 3, 2004 answers, Cass County Telephone Company Limited Partnership Agreement of Limited Partnership, pg. 4. CONFIDENTIAL
192 West Broadway Peculiar, Mo. 64078	-Address for Telecom Operator Services, Inc. *per Mo. Secretary of State 1996 Annual report*
818 Guenevere Ballwin, Missouri 63011	Address for **LEC Long Distance Inc**. *per Mo. Secretary of State search*
301 Brookline Street Hawthorne, New York 10532	Address for **Daniel Martino** as CEO and principle executive office for **QUALITEL, Inc**. *per NY Department of State search*
160-40 25 Drive Flushing, New York 11358	Address for **Cohen Partnership, LP.** and its registered agent, **Benjamin Cohen** . *per NY Department of State search*
59 E. Broadway New York, New York 10002	Address for **Lexicom, Inc**. . *per DR # 13, March 3, 2004 answers, Cass County Telephone Company Limited Partnership Agreement of Limited Partnership, pg. 4.* **CONFIDENTIAL**
1501 Broadway New York, New York	Address for **Harvest Advertising, Inc.** *per DR # 14, March 3, 2004 responses pg. 3and per US Eastern NY District Court Superceding Indictment 03-304 (S-3) (CBA) DR # 14, March 3, 2004 responses pg. 6*
144 East 39th Street New York, New York	Early address for **Mical Properties, Inc. and LEXITRANS** *per DR # 14, March 3, 2004 responses pg. 2-3*
144 East 39th Street FL 2 New York, New York 100160914	Address for **Info Access, Inc. and FSE** *per Kansas Secretary of State search*
444 Madison Avenue, Suite 212	Address for Lexicom Inc. *per Application for*

New York, New York 10022	*authority to engage in Business in the state of Kansas as a Foreign Limited Partnership per KCC Application filing to sell GTE properties to Cass County Telephone Company LLP*
485 Madison Avenue 15th Floor New York, New York 10022	Address for **Klein, Zelman, Rothermel & Dichter, LLP** to receive mail process for **QUALITEL, Inc**. *per NY Department of State search*
666 Third Avenue New York, New York	Later address for **Mical Properties, Inc.** *per DR # 14, March 3, 2004 responses pg. 2*
645 Bronx River Road Yonkers, NY 10704	Address for Elia Fiata *per DR # 13, March 3, 2004 answers, Cass County Telephone Company Limited Partnership Agreement of Limited Partnership, pg. 4.* **CONFIDENTIAL**

ATTACHMENT 7

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS

ENTIRETY.

Attachment 8

Federal Indictment in United States Eastern District Court of New York

EOC:AMG:EK
F#2003R00446

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
- - - - - - - - - - - - - - - - - - X

UNITED STATES OF AMERICA

- against -

SALVATORE LOCASCIO,
also known as "Tore,"
RICHARD MARTINO,
ZEF MUSTAFA,
NORMAN CHANES,
DANIEL MARTINO,
ANDREW CAMPOS,
also known as
"Andrew Campo,"
THOMAS PUGLIESE,
LAWRENCE NADELL,
YITZHAK LEVY,
also known as
"Isaac Levy,"
KENNETH SCHAEFFER and
USP&C, INC.,

Defendants.

- - - - - - - - - - - - - - - - - - X

S U P E R S E D I N G
I N D I C T M E N T

Cr. No. 03-304(S-4)(CBA)
(T. 18, U.S.C., §§ 371, 981(a)(1)(c), 982, 1343, 1956(a)(1)(A)(i), 1956(a)(1)(B)(i), 1956(h), 1962(c), 1962(d), 1963, 2 and 3551 et seq.; T. 21, U.S.C., § 853; T. 28, U.S.C. § 2461)

THE GRAND JURY CHARGES:

INTRODUCTION

At all times relevant to this Superseding Indictment, unless otherwise indicated:

I. The Enterprise

A. The Gambino Family

1. The members and associates of the Gambino Organized Crime Family of La Cosa Nostra (the "Gambino family")

constituted an "enterprise," as that term is defined by Title 18, United States Code, Section 1961(4), that is, a group of individuals associated in fact, which engaged in, and the activities of which affected, interstate commerce. The Gambino family was an organized criminal group that operated in the Eastern District of New York and elsewhere, and which constituted a continuing unit for the common purpose of achieving its objectives.

2. The Gambino family operated through groups of individuals headed by "captains," who were also referred to as "skippers," "capos," "caporegimes" and "capodecinas." These groups, which were referred to as "crews," "regimes" and "decinas," consisted of "made" members of the Gambino family, who were also referred to as "soldiers," "friends of ours," and "wise-guys," and associates of the Gambino family.

3. Each captain was responsible for supervising the criminal activities of his crew and providing crew members and associates with support and protection. In return, the captain received a share of the criminal proceeds obtained by the crew's members and associates.

4. Above the captains were the three highest ranking members of the Gambino family. The head of the Gambino family was known as the "boss." He was assisted by an "underboss" and a counselor who was known as the "consigliere."

With the assistance of the underboss and the consigliere, the boss was responsible for setting policy and resolving disputes between members of the Gambino family and members of other criminal organizations, among other things. In return for its protection and support, and for the purpose of promoting the ongoing criminal activities of the crews, the administration received a portion of the criminal proceeds from the crews.

B. The Purposes, Methods and Means of the Enterprise

5. The principal purpose of the enterprise was to generate money for its members and associates through crime, including mail fraud, wire fraud, credit card fraud, money laundering and other crimes.

II. The Defendants

6. The defendant SALVATORE LOCASCIO, also known as "Tore," was a captain in the Gambino family. He was the son of Frank LoCascio, a former underboss and consigliere of the Gambino family. After Frank LoCascio's conviction on racketeering charges in approximately April 1992, LOCASCIO took over the management of Frank LoCascio's criminal interests on behalf of the Gambino family.

7. The defendant RICHARD MARTINO was a soldier in the Gambino family. RICHARD MARTINO was a member of defendant SALVATORE LOCASCIO's crew, and shared the proceeds of his illegal activities with LOCASCIO.

8. The defendant ZEF MUSTAFA was an associate of the Gambino family. In the late 1980s and early 1990s, MUSTAFA was in the crew of Frank LoCascio and served, among other things, as his driver. After Frank LoCascio was convicted and incarcerated in approximately April 1992, MUSTAFA was assigned to the crew of defendant LOCASCIO.

9. The defendant NORMAN CHANES was an associate of the Gambino family. In the early 1990s, the defendant RICHARD MARTINO and CHANES formed a partnership through which they separately and together controlled corporations engaged in the adult entertainment industry, including the audiotext businesses, more commonly known as "900 number" businesses. These companies billed consumers for telephone services including "phone sex" lines and psychic readings, among others. Beginning in approximately 1996, RICHARD MARTINO and CHANES expanded their activities to include the provision of adult entertainment over the internet. At all times relevant to this Superseding Indictment, CHANES and RICHARD MARTINO used RICHARD MARTINO's position in the Gambino family to resolve disputes and further the interests of their joint businesses.

10. The defendant DANIEL MARTINO was the older brother of the defendant RICHARD MARTINO and an associate of the Gambino family.

11. The defendants ANDREW CAMPOS and THOMAS PUGLIESE were associates of the Gambino family.

12. The defendants LAWRENCE NADELL, YITZHAK LEVY and KENNETH SCHAEFFER worked for defendant RICHARD MARTINO at Mical Properties, Inc., described below.

13. The defendant USP&C, INC. ("USP&C") was a telephone billing aggregator, that is, as described in greater detail below, a company that aggregated charges on behalf of various clients and placed them on the telephone bills of consumers pursuant to contracts with local telephone companies. USP&C was secretly controlled by defendants RICHARD MARTINO, CHANES and DANIEL MARTINO.

III. Certain Companies

14. Defendant RICHARD MARTINO was the president and owner of Mical Properties, Inc. ("Mical"), a New York corporation which maintained an office at 144 East 39th Street, and later at 666 Third Avenue, New York, New York. In or about 1999, Mical began to operate under the names "Telcom Online, Inc.," and "Telecom Online, Inc." ("Telcom"). Mical was principally engaged in operating various "1-900" and "1-800" adult entertainment telephone services. MARTINO also secretly controlled other companies, including Lexitrans, Inc., ("Lexitrans"), which provided web hosting services on the internet; and Dynamic Telecommunications, Inc. ("Dynamic"), and Westford

Telecommunications, Inc. ("Westford"), both of which used the same mail drop address in Westwood, New Jersey.

15. Defendant THOMAS PUGLIESE was the nominal president and owner of Fairfax Telecommunications Inc. ("Fairfax"), which received proceeds from USP&C as set forth below; and Invesco Telecommunications Inc. ("Invesco"), which did business under the name "Southwest Region Bill," as set forth below. Fairfax and Invesco were secretly controlled by defendants RICHARD MARTINO, NORMAN CHANES and DANIEL MARTINO.

16. Defendant NORMAN CHANES was the president and owner of Harvest Advertising, Inc. ("Harvest"), a New York corporation, which maintained an office at 1501 Broadway, New York, New York. Harvest was engaged in the business of placing advertising on television, in magazines and on the internet, among other things.

17. Defendants SALVATORE LOCASCIO and ZEF MUSTAFA were 50% and 25% owners, respectively, of Creative Program Communications, Inc. ("Creative"). Creative was a shell company whose principal purpose was to serve as a vehicle for defendants LOCASCIO and MUSTAFA to receive proceeds from defendant RICHARD MARTINO's criminal activities and to disguise the criminal source and nature of those proceeds.

IV. The USP&C Telephone Cramming Fraud Scheme

A. The Telephone Billing and Collection Industry

18. Local telephone companies, also called Local Exchange Carriers ("LECs"), permitted third parties to include charges for telecommunications services ordered by consumers on the consumers' local telephone bills. To facilitate the inclusion of their charges on consumers' local telephone bills, such third-party service providers contracted with telephone billing aggregators. Telephone billing aggregators acted as intermediaries between the third-party service providers and the LECs. These aggregators received the billing information from the service providers, which were the aggregators' clients, and submitted the billing information to the appropriate LEC for inclusion on the consumer's monthly local telephone bill. The telephone billing aggregators did this pursuant to "Billing and Collection Agreements" with the LECs.

19. Once the consumers paid their telephone bills, the billing aggregators collected the payments for their clients' services from the LECs. The billing aggregators then passed those payments back to their service-provider clients, and charged a fee for their billing and collection services.

20. Before the LECs would accept charges for inclusion on their phone bills, they typically required the billing aggregators to provide them with copies of the

advertising material and descriptions of the services and programs offered by the clients whose charges were to be included on consumers' telephone bills. In addition, the entries on telephone bills that described the services for which the consumer was being charged ("Bill Phrases") were subject to approval by the LEC and were generally required to be clear and concise descriptions of the service actually offered by the client and purchased by the consumer. The LECs imposed these requirements on the billing aggregators, among other reasons, in an effort to combat the placement of unauthorized charges on their customers' local telephone bills - a fraudulent practice commonly known in the telecommunications industry as "cramming."

B. The Scheme to Defraud

21. In or about and between approximately 1996 and 2002, the defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, ANDREW CAMPOS, THOMAS PUGLIESE, LAWRENCE NADELL, YITZHAK LEVY, KENNETH SCHAEFFER and USP&C (the "Cramming Scheme Defendants"), together with others, knowingly and intentionally devised and executed a scheme to defraud consumers by causing USP&C to place unauthorized charges on local telephone bills of victims within the Eastern District of New York and elsewhere, and collecting payment on those unauthorized charges (the "Cramming Scheme").

22. To execute the Cramming Scheme, defendants RICHARD MARTINO and NORMAN CHANES, together with employees of Harvest and others acting at their direction, produced advertisements offering free samples of adult entertainment services, such as psychic hotlines, dating services, and sexually oriented talk-lines, over various "1-800" telephone numbers. Harvest placed these advertisements in various media, including adult magazines. These advertisements induced victims within the Eastern District of New York and elsewhere in the United States to call the various "1-800" telephone numbers by promising free samples of the entertainment services described.

23. Victims who called the "1-800" telephone numbers advertised in this manner by Harvest heard pre-recorded "front-end programs," which varied over time and across the various "1-800" telephone numbers. Each was designed so that when a victim called the "1-800" telephone number and expressed a desire to obtain the free sample of the entertainment service advertised, the front-end program triggered a recurring monthly charge on the victim's local telephone bill for a voice-mail service without the knowledge, consent or authorization of the victim. The Bill Phrases for the monthly charges that appeared on the victim's local telephone bills were designed to appear to be innocuous standard telephone charges and to conceal the fact that the charges were triggered by the calls to the "1-800" adult

entertainment telephone lines.

24. In order to conceal the fraudulent nature of the "1-800" telephone numbers and related front-end programs used in the Cramming Scheme, the defendants RICHARD MARTINO and NORMAN CHANES and others acting at their direction prepared and caused to be prepared two sets of advertisements, front-end programs and related materials. One set was referred to as the "marketing" materials, and consisted of the actual advertisements, front-end programs and related materials offering the free samples of entertainment services that were used to defraud the victims in the manner described above.

25. The second set was referred to as the "approval" materials, and consisted of advertisements, front-end programs and related materials offering various voice-mail services. Unlike the "marketing" version, the "approval" versions of the front-end programs appeared properly to seek the consumer's authorization to charge a recurring monthly fee for a voice-mail service, whose features were fully described.

26. The "approval" materials were not actively marketed to the public, but rather were presented to LECs, regulatory and law enforcement agencies and complaining customers in order to conceal the existence and fraudulent nature of the "marketing" materials actually used to generate the unauthorized charges. The Bill Phrases for the unauthorized charges

corresponded to the names of the voice-mail services contained in the "approval" materials. In this manner, when USP&C faced inquiries concerning the business practices of its clients or the nature of the monthly recurring charges from LECs, regulatory or law enforcement agencies or complaining customers, USP&C presented the "approval" materials rather than the "marketing" materials that actually triggered the charge.

27. Defendants RICHARD MARTINO, NORMAN CHANES and DANIEL MARTINO, together with others, caused the formation of Overland Data Center ("Overland"), located in Overland Park, Kansas, and secretly controlled it for the purpose of receiving and processing consumers' calls to the various "1-800" telephone numbers used in the Cramming Scheme. Overland operated telephone lines and voice response units ("VRUs"), which processed the consumers' calls and played the front-end programs. At the direction of RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, LAWRENCE NADELL, YITZHAK LEVY and KENNETH SCHAEFFER, Overland employees programmed the VRUs to play the front-end programs and thereby trigger the unauthorized charges on the consumers' telephone bills. Overland's finances were managed by DANIEL MARTINO through FSE Consulting, of which DANIEL MARTINO was president. Through this position, DANIEL MARTINO assisted RICHARD MARTINO and CHANES in exercising secret control over Overland and other companies.

28. Defendants RICHARD MARTINO and NORMAN CHANES, together with employees of Harvest acting under their direction, created scripts for both the "approval" and "marketing" versions of the front-end programs, and retained voice-professionals to make recordings of the scripts. The recordings were then provided to employees of Mical, where, at the direction of defendants RICHARD MARTINO, LAWRENCE NADELL, YITZHAK LEVY, KENNETH SCHAEFFER and others, they were transmitted to Overland for use in the front-end programs.

29. Defendants RICHARD MARTINO, NORMAN CHANES and DANIEL MARTINO, together with others, caused the formation of USP&C and secretly controlled it for the purpose of placing the unauthorized charges generated by the fraudulent front-end programs onto the victims' local telephone bills.

30. Defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO and CAMPOS, together with others, caused the formation of various companies, including ASP Communications, Inc. ("ASP"), Benchmark Communications ("Benchmark"), Lunar Tel, Inc. ("Lunar"), Spring Telcom, Inc. ("Spring"), Special Comtel, Ltd. ("Special Comtel"), Enhanced Phone Services ("Enhanced Phone"), Messenger Com ("Messenger") and Voice Delivery Service Inc. ("Voice Delivery") (collectively, the "Campos Companies"). Each of the Campos Companies purported to be an independent company operated by ANDREW CAMPOS that was engaged in the

business of offering "1-800" telephone services. In fact, the Campos Companies were shell companies whose purpose was to disguise the fact that the "1-800" telephone services used in the Cramming Scheme were controlled by RICHARD MARTINO, CHANES and DANIEL MARTINO. The Campos Companies had no employees or physical office space other than rented mailboxes around the country.

31. Each of the Campos Companies registered multiple "1-800" telephone services under multiple fictitious business names with USP&C and various LECs. Each such business name was referred to as a "sub-CIC," which is an industry term that refers to an entity that is permitted to place charges on local telephone bills through a registered "CIC." USP&C was registered as a "CIC."

32. Defendants RICHARD MARTINO and NORMAN CHANES caused the Campos Companies to enter into contracts with USP&C to provide billing and collection services for the "1-800" telephone numbers used in the Cramming Scheme, and further caused the Campos Companies to submit the "approval" version of the materials to USP&C and the LECs, rather than the "marketing" versions that were used to defraud the Cramming Scheme's victims. Because the Campos Companies were shell companies devoid of employees or physical office space, all of USP&C's dealings with the Campos Companies were conducted through defendants RICHARD

MARTINO and CHANES, and, at their direction, through defendants LAWRENCE NADELL, YITZHAK LEVY, KENNETH SCHAEFFER and other employees of Mical.

33. The Cramming Scheme Defendants caused unauthorized recurring monthly charges to be included on millions of victims' local telephone bills throughout the Eastern District of New York and elsewhere in the United States, and generated between approximately $50,000 and $600,000 in gross revenue per day between 1997 and 2001. In total, the Cramming Scheme generated more than $500 million in gross revenues.

C. Victim Complaints and Refunds

34. A large portion of the Cramming Scheme's victims complained to the LECs and to USP&C about the unauthorized charges appearing on their local telephone bills. Defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, together with others, caused a "call center" affiliated with USP&C to be established to handle the large volume of victim complaints internally, to prevent the LECs from learning the actual extent of customers complaining that the charges were unauthorized.

35. Telephone operators at the call center were directed initially to attempt to persuade victims that the charges were in fact authorized and to induce customers to agree to pay the charges. If a victim was adamant that the charges had

not been authorized and refused to pay, the operators were next directed to offer a partial refund, but to offer a full refund only if the victim would not accept a partial refund.

36. The purpose of offering full refunds to customers who demanded them was to reduce the likelihood that victims would complain directly to the LECs or to regulatory agencies. The call center operators were further instructed that if victims asked them to provide the telephone number that triggered the charge on the USP&C page of their local telephone bill, the operators were to provide a "1-800" number that connected to the "approval" version of the front-end program, instead of the "1-800" telephone number that was connected to the "marketing" front-end program that the customer had actually called.

37. During the course of the Cramming Scheme, USP&C on average refunded approximately 50% of the unauthorized charges to complaining customers. From time to time, various LECs canceled the billing privileges of the sub-CICs that generated these high refund levels. On such occasions, the defendants RICHARD MARTINO and NORMAN CHANES, together with others, would cause the Campos Companies and other similar shell companies under their control to begin soliciting victims and billing under new sub-CICs with new "1-800" telephone numbers for the purpose of continuing and perpetuating the Cramming Scheme. In

approximately 2001, because of complaints from various LECS and regulatory agencies about the Campos Companies, defendants RICHARD MARTINO, CHANES and PUGLIESE caused new shell companies to replace the Campos Companies as clients of USP&C. PUGLIESE was the nominal owner and president of several of these new shell companies. Like the Campos Companies, these new shell companies were secretly controlled by RICHARD MARTINO, CHANES and DANIEL MARTINO.

38. In one instance, Southwestern Bell – a LEC – cut off USP&C's rights to insert a USP&C bill page in Southwestern Bell's local telephone bills in response to high levels of customer complaints. In order to continue passing on fraudulent charges to Southwestern Bell's customers, USP&C switched to a "direct" billing format, in which they mailed bills directly to victims instead of inserting charges into a LEC's local telephone bill.

39. In order to deceive Southwestern Bell's customers into believing that the direct-billed charges were legitimate and were for costs arising from their local phone service, defendants RICHARD MARTINO, NORMAN CHANES and DANIEL MARTINO caused the design of a bill page and mailing envelope that were intended to resemble Southwestern Bell's telephone bill. These bills were sent out on behalf of an entity called "Southwest Region Bill," which was a fictitious name for Invesco,

a company registered to defendant THOMAS PUGLIESE as president. The Southwest Region Bill telephone bills strongly resembled Southwestern Bell's bill formats, in that (a) the Southwest Region Bill invoice used a nearly identical typeface and font size to the Southwestern Bell invoice; (b) the placement of items on the Southwest Region Bill invoice such as account summaries, current charges, total amounts due and due dates were very similar to those used by Southwestern Bell; and (c) the Southwest Region Bill invoice also copied the light blue stripe down the left margin of the Southwestern Bell invoice in a nearly identical color and size. The Southwest Region Bill invoice also stated that if recipients did not pay the charges assessed on that bill, the company would "begin procedures to cancel all service to you," thereby suggesting that the recipient's telephone service would be shut off.

40. The "Southwest Region Bill" invoices were mailed out by USP&C at the direction of RICHARD MARTINO, NORMAN CHANES and DANIEL MARTINO, and various Mical employees under their control. Numerous victims were defrauded into paying the invoiced charges. Numerous other recipient of these bills, however, complained to regulators and to Southwestern Bell, and these entities rapidly took legal action to induce USP&C to stop mailing the fraudulent invoices.

V. The "Free Tour" Internet Fraud Scheme

A. The Internet Joint Venture

41. The Crescent Publishing Group, Inc. ("Crescent"), was a publisher of adult entertainment magazines, including *Playgirl*, *High Society*, *Climax* and *Live Young Girls*. Crescent maintained an office in midtown Manhattan.

42. In or about September 1996, the defendants RICHARD MARTINO and NORMAN CHANES, together with others, caused Lexitrans and Crescent to enter into an unwritten joint venture agreement (the "Joint Venture"). The purpose of the Joint Venture was to operate adult entertainment websites featuring content from magazines published by Crescent, including *Playgirl* (playgirl.com), *High Society* (highsociety.com), *Climax* (climaxmag.com) and *Live Young Girls* (ygal.com) (collectively, the "Websites"). The Joint Venture obtained money by charging the credit and debit cards of victims who had visited the Websites, including victims residing in Brooklyn, New York and in Nassau County, New York.

43. Using Lexitrans, Harvest, Mical, Dynamic, Westford and Crescent, the defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, LAWRENCE NADELL and YITZHAK LEVY, together with others, performed various functions for the Joint Venture, including the following tasks. RICHARD MARTINO and CHANES, through Mical and Harvest, designed the Websites.

Defendant YITZHAK LEVY assisted in overseeing the technical operations of the Websites from Mical. Crescent provided content for the Websites and implemented art and editorial changes provided by Harvest and Mical to Crescent. Lexitrans hosted the Websites on servers located in Kansas. Employees of Harvest, Dynamic and Westford provided marketing and advertising services for the purpose of directing internet traffic to the Websites. RICHARD MARTINO and CHANES, together with Bruce Chew, the President of Crescent, made all final decisions regarding the design and operation of the Websites.

B. Credit Card Processing

44. Visa U.S.A., Inc. ("Visa") was a membership corporation composed of more than 12,000 financial institutions. The members of Visa consisted of "issuing banks" and "merchant banks." "Issuing banks" were financial institutions that issued Visa credit and debit cards to consumers. "Merchant banks" were financial institutions that offered agreements permitting merchants to accept and process Visa cards for payment for goods and services. Within this system, Crescent and its affiliated corporations, at the direction of the defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, LAWRENCE NADELL and others, opened merchant accounts at merchant banks, including Humboldt Bank and First Financial Bank, for the purpose of processing Visa cards as payment for the cost of membership on the Websites. Crescent

pooled funds from these merchant bank accounts into the accounts of Multimedia Forum, Inc., ("Multimedia") a Crescent affiliate, at a branch of North Fork Bank located on Long Island, New York and within the Eastern District of New York, and from there sent the funds to other accounts controlled by Crescent, as well as accounts controlled by Lexitrans, Dynamic and Westford, and others.

C. The Scheme To Defraud

45. The defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, LAWRENCE NADELL and YITZHAK LEVY, also known as "Isaac Levy" (collectively, the "Joint Venture Defendants") and others caused the Websites to present themselves as legitimate adult entertainment sites. In fact, however, the Joint Venture Defendants designed and operated the Websites to defraud the public by fraudulently obtaining visitors' credit and debit card information and then billing the victims' cards without the victims' knowledge or consent (the "Internet Scheme").

46. The Internet Scheme was centered around purportedly "free tours" of the Websites. While the Joint Venture Defendants and others, through the Websites, represented that visitors to the Websites could take a "free tour" of each Website without being billed, in actuality the Joint Venture Defendants, together with others, designed and operated the Websites so that victims would be billed without their knowledge

or consent.

47. On the first screen of the "free tour," the Joint Venture Defendants and others caused the Websites to obtain credit or debit card information by representing that this information would be used as proof of the visitors' age and that visitors' cards would "NOT BE BILLED". In fact, the Joint Venture Defendants intentionally caused the Websites to bill visitors' cards without the visitors' knowledge, consent or authorization, as a result of visiting the purportedly "free tour."

48. The Joint Venture Defendants and others also used various means to prevent visitors from leaving the Websites. These means included automatically sending visitors who attempted to leave the "free tours" directly to another free tour controlled by the defendants, multiple times consecutively; disabling the "go back" button on visitors' browsers and failing to include an "exit" or "home" button within the "free tour" itself. These technological mechanisms were intended to increase the likelihood that visitors would inadvertently trigger charges to their credit cards by proceeding through the "free tour."

49. Through the Websites, the Joint Venture Defendants, together with others, billed and caused to be billed the credit and debit cards of thousands of victims in the United States, Europe and Asia, without their authorization, at a

recurring monthly rate of up to $90 each, for an approximate total amount of more than $230 million.

D. Victim Complaints and Refunds

50. The Joint Venture Defendants, together with others, caused the Websites to defraud visitors through the "free tour" even though, as the Joint Venture Defendants knew, Crescent and its affiliated companies received numerous complaints from victims stating that they did not intend to join the Websites and had been billed without prior notice or consent. Despite the large number of such complaints, the Joint Venture Defendants, together with others, refused to alter the design of the Websites because they knew that this would reduce the number of visitors who became enrolled as members of the Websites, and would therefore reduce the defendants' profits.

51. The Joint Venture Defendants, together with others, knew that Crescent and its affiliated companies incurred extremely high "chargeback" rates virtually from the inception of the Joint Venture. A "chargeback" generally occurs when a consumer disputes a charge and the issuing bank credits the consumer's account and debits the merchant account in the corresponding amount. During 1999, as the Joint Venture Defendants knew, Crescent's chargeback rate was more than 10%, the third highest rate among the millions of merchants participating in the Visa program within the United States.

52. The Joint Venture Defendants, together with others, systematically abandoned their "merchant accounts" and opened new ones on a continuous, rolling basis, in order to conceal from Visa that the high level of chargebacks was continuing. The Joint Venture Defendants concealed from Visa and consumers the fact that these corporations and merchant accounts were all controlled by Crescent. This enabled the Joint Venture Defendants to avoid the imposition of fines and penalties and temporarily avoid being excluded from the Visa program.

53. In an effort to reduce the number of chargebacks and thereby avoid Visa's fees and maintain credit card processing privileges, the Joint Venture Defendants attempted to handle more victim complaints internally at Crescent and its affiliates rather than leaving victims to resolve the dispute with their issuing bank. In addition, the Joint Venture Defendants caused Crescent and its affiliates to provide refunds only when expressly requested by the consumer and otherwise merely canceled the consumer's membership account. In all, based on combined chargebacks and refunds, the Joint Venture Defendants caused Crescent to return an average of one out of every three dollars in revenue during 1999, which permitted the scheme to continue.

54. In or about July 1999, for the purpose of continuing the Internet Scheme as chargeback problems mounted,

Crescent created Luna, S.A., a new corporation with merchant accounts at South Bank & Trust Co., Ltd., a Montserrat bank doing business in Guatemala. At this offshore bank, the Joint Venture Defendants, together with others, continued their practice of rolling merchant accounts.

55. Due to the high level of chargebacks, in or about April 2000, Visa terminated the rights of Crescent, Crescent's President and Crescent's Chief Financial Officer to participate in the Visa program in the United States. Subsequently, the Joint Venture Defendants continued their credit card processing operations offshore. When the excessive chargeback rates continued and Visa discovered the defendants' maneuver, in September 2000, Visa barred Crescent, Crescent's President and Crescent's Chief Financial Officer from participating in the global Visa program. Notwithstanding this ban, Crescent took steps to continue operating the Websites through nominees.

VI. Disposition of the Schemes' Proceeds

A. Disposition Of The Cramming Scheme's Proceeds

56. During the course of its operation, the Cramming Scheme induced millions of victims throughout the United States to place telephone calls to the "1-800" telephone numbers operated by Overland. Overland transmitted the billing information for the unauthorized charges to USP&C for submission

to the LECs for inclusion on the victims' local telephone bills. USP&C collected the payments for the unauthorized charges from the LECs, and in turn paid the bulk of the proceeds to the Campos Companies and, after approximately January 2001, to the shell companies that replaced the Campos Companies, net of expenses and refunds to complaining victims. These companies in turn paid the proceeds to Overland and to Fairfax. Overland in turn paid the vast bulk of the proceeds to Mical, and, after approximately mid-2000, to Telcom. Overland also paid some of the proceeds to a company called Local Exchange Company L.L.C., also known as "LEC L.L.C." LEC L.L.C. was owned in part, both directly and indirectly through trusts, by defendants SALVATORE LOCASCIO, RICHARD MARTINO, ZEF MUSTAFA, NORMAN CHANES and DANIEL MARTINO. Fairfax paid the proceeds to Baseline Telecommunications, Inc. ("Baseline"), Dynamic, Mical and Harvest. Dynamic, in turn, paid a portion of its proceeds to Mical and Harvest.

B. Disposition of the Internet Scheme's Proceeds

57. Pursuant to the Joint Venture, Crescent deducted certain costs from the Websites' total revenue, including millions of dollars paid to Harvest and other companies, and then provided 50% of the remaining net profits to Lexitrans, Dynamic and Westford through Multimedia's bank account at North Fork Bank, within the Eastern District of New York, as directed by the defendants RICHARD MARTINO, NORMAN CHANES and

DANIEL MARTINO. Lexitrans, Dynamic and Westford in turn sent millions of dollars of these illegal proceeds to Mical, both directly and through various companies controlled by RICHARD MARTINO, CHANES and DANIEL MARTINO, including Dynamic and Overland. Multimedia also paid some of the proceeds to a company called Local Exchange Carriers LLC, through a series of intermediate companies controlled by RICHARD MARTINO and CHANES. Local Exchange Carriers, LLC was owned in part, both directly and indirectly through trusts, by defendants LOCASCIO, RICHARD MARTINO, MUSTAFA, CHANES, DANIEL MARTINO and CAMPOS.

C. Payments to Creative

58. From approximately 1996 through 2002, inclusive, defendants RICHARD MARTINO, NORMAN CHANES and DANIEL MARTINO funneled more than $40 million in proceeds of the Cramming Scheme and the Internet Scheme from Mical, and later Telcom, to Creative. The proceeds funneled to Creative were transferred in fulfillment of RICHARD MARTINO's obligation as a member of organized crime to share illicit proceeds with persons above him in the Gambino family.

COUNT ONE
(Racketeering)

59. The allegations contained in paragraphs 1 through 58 are realleged and incorporated as if fully set forth in this paragraph.

60. In or about and between 1996 and 2002, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants SALVATORE LOCASCIO, also known as "Tore," RICHARD MARTINO, NORMAN CHANES, ZEF MUSTAFA, DANIEL MARTINO, ANDREW CAMPOS, also known as "Andrew Campo," and THOMAS PUGLIESE, together with others, being persons employed by and associated with the Gambino family, an enterprise which engaged in, and the activities of which affected, interstate commerce, knowingly and intentionally conducted and participated, directly and indirectly, in the conduct of the affairs of the enterprise through a pattern of racketeering activity, as defined in Title 18, United States Code, Sections 1961(1) and 1961(5), consisting of the racketeering acts set forth below.

Racketeering Acts One Through Twenty-Five
(Wire Fraud - Cramming Scheme)

61. The allegations contained in paragraphs 1 through 58 are realleged and incorporated as if fully set forth in this paragraph.

62. In or about and between 1996 and 2002, both dates being approximate and inclusive, the defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, ANDREW CAMPOS, also known as "Andrew Campo," and THOMAS PUGLIESE, together with others, knowingly and intentionally devised a scheme and artifice to defraud users of the "1-800" adult entertainment telephone services involved in the Cramming Scheme and others, and to obtain money and property from them by means of materially false and fraudulent pretenses, representations and promises.

63. For the purpose of executing the scheme and artifice, the defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, ANDREW CAMPOS and THOMAS PUGLIESE, together with others, transmitted and caused to be transmitted by means of wire communication in interstate and foreign commerce, signs, signals and sounds, to wit: the telephone calls set forth below, in violation of Title 18, United States Code, Sections 1343 and 2:

RA	Approximate Date of Call	Description of Call
1	January 29, 1997	Call from 516-277-2524 to an 800 number terminating in Overland Park, Kansas
2	February 12, 1997	Call from 864-306-9894 to an 800 number terminating in Overland Park, Kansas
3	April 14, 1997	Call from 417-887-3354 to an 800 number terminating in Overland Park, Kansas

RA	Approximate Date of Call	Description of Call
4	June 19, 1997	Call from 815-741-0005 to an 800 number terminating in Overland Park, Kansas
5	July 21, 1997	Call from 914-632-7363 to an 800 number terminating in Overland Park, Kansas
6	September 6, 1997	Call from 209-867-4347 to an 800 number terminating in Overland Park, Kansas
7	September 10, 1997	Call from 208-939-4121 to an 800 number terminating in Overland Park, Kansas
8	October 2, 1997	Call from 512-499-8081 to an 800 number terminating in Overland Park, Kansas
9	December 28, 1997	Call from 515-792-7709 to an 800 number terminating in Overland Park, Kansas
10	January 27, 1998	Call from 802-442-2650 to an 800 number terminating in Overland Park, Kansas
11	February 11, 1998	Call from 972-758-7872 to an 800 number terminating in Overland Park, Kansas
12	February 16, 1998	Call from 303-841-2381 to an 800 number terminating in Overland Park, Kansas
13	March 2, 1998	Call from 208-398-7445 to an 800 number terminating in Overland Park, Kansas
14	March 3, 1998	Call from 516-325-0185 to an 800 number terminating in Overland Park, Kansas
15	March 6, 1998	Call from 808-974-6230 to an 800 number terminating in Overland Park, Kansas

RA	Approximate Date of Call	Description of Call
16	April 15, 1998	Call from 660-665-7624 to an 800 number terminating in Overland Park, Kansas
17	June 6, 1998	Call from 213-380-9123 to an 800 number terminating in Overland Park, Kansas
18	August 17, 1998	Call from 516-922-1229 to an 800 number terminating in Overland Park, Kansas
19	March 31, 1999	Call from 508-853-3071 to an 800 number terminating in Overland Park, Kansas
20	May 1, 1999	Call from 570-489-7231 to an 800 number terminating in Overland Park, Kansas
21	September 16, 1999	Call from 713-473-4296 to an 800 number terminating in Overland Park, Kansas
22	October 11, 1999	Call from 409-265-3755 to an 800 number terminating in Overland Park, Kansas
23	January 9, 2000	Call from 405-691-8071 to an 800 number terminating in Overland Park, Kansas
24	January 10, 2000	Call from 817-926-7207 to an 800 number terminating in Overland Park, Kansas
25	December 20, 2000	Call from 281-312-4238 to an 800 number terminating in Overland Park, Kansas

Attachment 8

Original document did not include a Page 31.

RA numbers are sequentially listed within this document.

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RA	Approximate Date of Internet Connection	Visitor	Visitor's Location
26	February 28, 1999	Visitor #1	Florida
27	March 3, 1999	Visitor #2	Alabama
28	March 16, 1999	Visitor #3	New York
29	March 20, 1999	Visitor #4	Pennsylvania
30	March 26, 1999	Visitor #5	Mississippi
31	April 27, 1999	Visitor #6	New York
32	May 2, 1999	Visitor #7	Vermont
33	June 16, 1999	Visitor #8	New York
34	July 1, 1999	Visitor #9	Idaho
35	July 1, 1999	Visitor #10	Minnesota
36	July 1, 1999	Visitor #11	New York
37	July 16, 1999	Visitor #12	Maryland
38	August 6, 1999	Visitor #13	Pennsylvania
39	September 1, 1999	Visitor #14	Washington
40	November 29, 1999	Visitor #15	Oregon

<u>Racketeering Act Forty-One</u>
(Money Laundering Conspiracy)

67. The allegations contained in paragraphs 1 through 58 are realleged and incorporated as if fully set forth in this paragraph.

68. In or about and between 1996 and 2002, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants SALVATORE LOCASCIO, also known as "Tore," RICHARD MARTINO, ZEF MUSTAFA,

NORMAN CHANES, DANIEL MARTINO, ANDREW CAMPOS, also known as "Andrew Campo," and THOMAS PUGLIESE, together with others, did knowingly and intentionally conspire to conduct financial transactions affecting interstate and foreign commerce, which in fact involved the proceeds of specified unlawful activity, to wit: mail fraud, in violation of Title 18, United States Code, Section 1341, wire fraud, in violation of Title 18, United States Code, Section 1343, and credit card fraud, in violation of Title 18, United States Code, Section 1029(a)(5), knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity (a) with the intent to promote the carrying on of the specified unlawful activity, and (b) knowing that the transactions were designed in whole and in part to conceal and disguise the nature, the location, the source, the ownership and the control of the proceeds of the specified unlawful activity, in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i) and 1956(a)(1)(B)(i), all in violation of Title 18, United States Code, Section 1956(h).

Racketeering Acts Forty-Two through Eighty
(Money Laundering)

69. The allegations contained in paragraphs 1 through 58 are realleged and incorporated as if fully set forth in this paragraph.

70. On or about the dates specified below, within the Eastern District of New York and elsewhere, the defendants

listed below, together with others, did knowingly and intentionally conduct financial transactions, to wit: the transfers of funds caused by the deposit of the checks and wire-transfers set forth below, which in fact involved the proceeds of specified unlawful activity, to wit: mail fraud, in violation of Title 18, United States Code, Section 1341, wire fraud, in violation of Title 18, United States Code, Section 1343, and credit card fraud, in violation of Title 18, United States Code, Section 1029(a)(5), knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity (a) with the intent to promote the carrying on of the specified unlawful activity, and (b) knowing that the transactions were designed in whole and in part to conceal and disguise the nature, the location, the source, the ownership and the control of the proceeds of the specified unlawful activity, in violation of Title 18, United States Code, Sections 1956 (a)(1)(A)(i), 1956(a)(1)(B)(i) and 2.

RA	Approximate Date	Financial Transaction	Approximate Amount	Defendants
42	January 30, 1998	Wire Transfer from USP&C to ASP	$888,406.20	RICHARD MARTINO, CHANES and CAMPOS
43	February 3, 1998	Check from ASP to Fairfax	$1,094,033.36	RICHARD MARTINO, CHANES, CAMPOS and PUGLIESE
44	June 22, 1998	Wire transfer from USP&C to Special Comtel	$1,087,419.61	RICHARD MARTINO, CHANES and CAMPOS
45	August 25, 1998	Wire Transfer from USP&C to Special Comtel	$1,094,652.88	RICHARD MARTINO, CHANES and CAMPOS

RA	Approximate Date	Financial Transaction	Approximate Amount	Defendants
46	August 25, 1998	Wire Transfer from USP&C to Voice Delivery	$2,013,724.20	RICHARD MARTINO, CHANES and CAMPOS
47	August 28, 1998	Check from Lunar to Fairfax	$1,007,188.00	RICHARD MARTINO, CHANES, DANIEL MARTINO and CAMPOS
48	October 14, 1998	Check from Voice Delivery to Fairfax	$1,248,168.00	RICHARD MARTINO, CHANES, CAMPOS and PUGLIESE
49	October 20, 1998	Check from Voice Delivery to Overland	$853,371.64	RICHARD MARTINO, CHANES, DANIEL MARTINO and CAMPOS
50	December 22, 1998	Check from Mical to Creative	$2,000,000.00	LOCASCIO, RICHARD MARTINO, MUSTAFA and CHANES
51	December 22, 1998	Check from Mical to Creative	$3,000,000.00	LOCASCIO, RICHARD MARTINO, MUSTAFA and CHANES
52	March 17, 1999	Check from Overland to Mical	$1,000,000.00	RICHARD MARTINO, CHANES and DANIEL MARTINO
53	March 17, 1999	Check from Overland to Mical	$1,000,000.00	RICHARD MARTINO, CHANES and DANIEL MARTINO
54	March 17, 1999	Check from Overland to Mical	$1,000,000.00	RICHARD MARTINO, CHANES and DANIEL MARTINO
55	March 17, 1999	Check from Overland to Mical	$682,956.45	RICHARD MARTINO, CHANES and DANIEL MARTINO
56	April 1, 1999	Check from Multimedia to Lexitrans	$930,323.10	RICHARD MARTINO, CHANES and DANIEL MARTINO
57	April 7, 1999	Check from Overland to Mical	$270,935.80	RICHARD MARTINO, CHANES and DANIEL MARTINO
58	April 7, 1999	Check from Overland to Mical	$1,000,000.00	RICHARD MARTINO, CHANES and DANIEL MARTINO
59	April 7, 1999	Check from Overland to Mical	$1,000,000.00	RICHARD MARTINO, CHANES and DANIEL MARTINO

RA	Approximate Date	Financial Transaction	Approximate Amount	Defendants
60	April 12, 1999	Check from Fairfax to Harvest	$327,322.67	RICHARD MARTINO, CHANES and PUGLIESE
61	April 15, 1999	Check from Dynamic to Mical	$482,173.00	RICHARD MARTINO, CHANES and DANIEL MARTINO
62	April 15, 1999	Check from Dynamic to Mical	$1,060,000.00	RICHARD MARTINO, CHANES and DANIEL MARTINO
63	April 15, 1999	Check from Dynamic to Mical	$378,287.00	RICHARD MARTINO, CHANES and DANIEL MARTINO
64	April 22, 1999	Check from Mical to Creative	$4,100,000.00	LOCASCIO, RICHARD MARTINO, MUSTAFA and CHANES
65	April 22, 1999	Check from Mical to Creative	$3,886,090.35	LOCASCIO, RICHARD MARTINO, MUSTAFA and CHANES
66	April 23, 1999	Check from Spring to Overland	$350,000.00	RICHARD MARTINO, CHANES, DANIEL MARTINO and CAMPOS
67	April 30, 1999	Check from Overland to Mical	$1,000,000.00	RICHARD MARTINO, CHANES and DANIEL MARTINO
68	April 30, 1999	Check from Overland to Mical	$550,000.00	RICHARD MARTINO, CHANES and DANIEL MARTINO
69	June 2, 1999	Check From Multimedia to Westford	$2,190,441.20	RICHARD MARTINO, CHANES and DANIEL MARTINO
70	July 7, 1999	Check From Multimedia to Westford	$2,291,863.46	RICHARD MARTINO, CHANES and DANIEL MARTINO
71	October 4, 1999	Check From Multimedia to Westford	$1,506,217.97	RICHARD MARTINO, CHANES and DANIEL MARTINO
72	November 3, 1999	Check From Multimedia to Westford	$1,703,363.27	RICHARD MARTINO, CHANES and DANIEL MARTINO
73	December 23, 1999	Check from Mical to Creative	$1,757,454.37	LOCASCIO, RICHARD MARTINO, MUSTAFA and CHANES

RA	Approximate Date	Financial Transaction	Approximate Amount	Defendants
74	December 23, 1999	Check from Mical to Creative	$3,000,000.00	LOCASCIO, RICHARD MARTINO, MUSTAFA and CHANES
75	December 23, 1999	Check from Mical to Creative	$3,000,000.00	LOCASCIO, RICHARD MARTINO, MUSTAFA and CHANES
76	February 4, 2000	Check From Multimedia to Westford	$1,211,241.86	RICHARD MARTINO, CHANES and DANIEL MARTINO
77	July 13, 2000	Check from Telcom to Creative	$2,156,336.69	LOCASCIO, RICHARD MARTINO, MUSTAFA and CHANES
78	July 14, 2000	Check from Telcom to Creative	$2,000,000.00	LOCASCIO, RICHARD MARTINO, MUSTAFA and CHANES
79	December 15, 2000	Check from Overland to LEC L.L.C.	$970,000.00	LOCASCIO, RICHARD MARTINO, MUSTAFA, CHANES and DANIEL MARTINO
80	December 18, 2000	Check from Lunar to Fairfax	$1,119,349.00	RICHARD MARTINO, CHANES, CAMPOS and PUGLIESE

(Title 18, United States Code, Sections 1962(c), 1963 and 3551 et seq.)

COUNT TWO
(Racketeering Conspiracy)

71. The allegations contained in paragraphs 1 through 58 are realleged and incorporated as if fully set forth in this paragraph.

72. In or about and between 1996 and 2002, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants SALVATORE

LOCASCIO, also known as "Tore," RICHARD MARTINO, NORMAN CHANES, ZEF MUSTAFA, DANIEL MARTINO, ANDREW CAMPOS, also known as "Andrew Campo," and THOMAS PUGLIESE, together with others, being persons employed by and associated with the Gambino family, an enterprise which engaged in, and the activities of which affected, interstate commerce, knowingly and intentionally conspired to violate Title 18, United States Code, Section 1962(c), that is, to conduct and participate, directly and indirectly, in the conduct of the affairs of the enterprise through a pattern of racketeering activity, as defined in Title 18, United States Code, Sections 1961(1) and 1961(5).

73. The pattern of racketeering activity through which the above-named defendants, together with others, agreed to conduct the affairs of the Gambino family consists of the acts set forth in paragraphs 61 through 70 of Count One, as Racketeering Acts 1 through 80, which are realleged and incorporated as if fully set forth in this paragraph. Each defendant agreed that a conspirator would commit at least two of these acts of racketeering in the conduct of the affairs of the enterprise.

(Title 18, United States Code, Sections 1962(d), 1963 and 3551 et seq.)

COUNT THREE
(Mail and Wire Fraud Conspiracy - Cramming Scheme)

74. The allegations contained in paragraphs 1 through 58 are realleged and incorporated as if fully set forth in this paragraph.

75. In or about and between 1996 and 2002, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, ANDREW CAMPOS, also known as "Andrew Campo," THOMAS PUGLIESE, LAWRENCE NADELL, YITZHAK LEVY, also known as "Isaac Levy," KENNETH SCHAEFFER and USP&C, together with others, did knowingly and intentionally conspire to devise a scheme and artifice to defraud users of the "1-800" adult entertainment telephone numbers involved in the Cramming Scheme and others, and to obtain money and property from them by means of materially false and fraudulent pretenses, representations and promises, and for the purpose of executing such scheme and artifice, (a) to cause mail matter to be delivered by the United States Postal Service, in violation of Title 18, United States Code, Section 1341, and (b) to transmit and cause to be transmitted, by means of wire communication in interstate and foreign commerce, writings, signs, signals and sounds, in violation of Title 18, United States Code, Section 1343.

76. In furtherance of the conspiracy and to effect its objectives, the defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, ANDREW CAMPOS, THOMAS PUGLIESE, LAWRENCE NADELL, YITZHAK LEVY, and USP&C, together with others, committed and caused to be committed, among others, the following:

OVERT ACTS

a. On or about June 9, 1997, LEVY wrote a memorandum concerning "sub-cic and programs information."

b. On or about October 23, 1997, NADELL and others attended a meeting concerning voice mail subscriptions.

c. In or about late 1997 or early 1998, RICHARD MARTINO instructed an employee of USP&C not to disclose to some of USP&C's attorneys that the Campos Companies were using "entertainment" scripts to market the "1-800" numbers to consumers.

d. On or about February 5, 1998, RICHARD MARTINO, CHANES, NADELL and LEVY, together with others, attended a meeting concerning LEC approvals.

e. On or about March 30, 1998, SCHAEFFER sent an e-mail concerning bank accounts of various companies.

f. On or about January 28, 1999, RICHARD MARTINO and NADELL, together with others, attended a meeting concerning USP&C's operations.

g. On or about May 12, 1999, CAMPOS opened a rented mailbox facility in Kentwood, Michigan.

h. In or about June 1999, RICHARD MARTINO, CHANES and DANIEL MARTINO caused the telephone bill of a consumer in Brooklyn, New York to be charged a monthly fee.

i. In or about August 1999, RICHARD MARTINO, CHANES and DANIEL MARTINO caused the telephone bill of a consumer in Brooklyn, New York to be charged a monthly fee.

j. On or about January 13, 2000, DANIEL MARTINO participated in a conference telephone call concerning USP&C's finances.

k. On or about January 14, 2000, DANIEL MARTINO sent an e-mail concerning Southwest Region Bill.

l. On or about February 1, 2000, PUGLIESE signed a "Master Services Agreement" on behalf of "Invesco Telecommunications, Inc. d/b/a Southwest."

(Title 18, United States Code, Sections 371 and 3551 et seq.)

COUNTS FOUR THROUGH SIX
(Wire Fraud - Cramming Scheme)

77. The allegations contained in paragraphs 1 through 58 are realleged and incorporated as if fully set forth in this paragraph.

78. On or about the dates set forth below, the defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, ANDREW

CAMPOS, also known as "Andrew Campo," THOMAS PUGLIESE, LAWRENCE NADELL, YITZHAK LEVY, also known as "Isaac Levy," KENNETH SCHAEFFER and USP&C, together with others, knowingly and intentionally devised a scheme and artifice to defraud users of the "1-800" adult entertainment telephone services involved in the Cramming Scheme and others, and to obtain money and property from said victims by means of materially false and fraudulent pretenses, representations, and promises.

79. For the purpose of executing the scheme and artifice, the defendants RICHARD MARTINO, NORMAN CHANES, ANDREW CAMPOS, THOMAS PUGLIESE, LAWRENCE NADELL, YITZHAK LEVY, KENNETH SCHAEFFER and USP&C, together with others, transmitted and caused to be transmitted by means of wire communication in interstate and foreign commerce, signs, signals and sounds, to wit: the telephone calls set forth below.

Count	Approximate Date of Call	Description of Call
FOUR	January 29, 1997	Call from 516-277-2524 to an 800 number terminating in Overland Park, Kansas
FIVE	March 3, 1998	Call from 516-325-0185 to an 800 number terminating in Overland Park, Kansas
SIX	August 17, 1998	Call from 516-922-1229 to an 800 number terminating in Overland Park, Kansas

(Title 18, United States Code, Sections 1343, 2 and 3551 <u>et seq</u>.)

COUNT SEVEN
(Mail and Wire Fraud Conspiracy - Internet Scheme)

80. The allegations contained in paragraphs 1 through 58 are realleged and incorporated as if fully set forth in this paragraph.

81. In or about and between August 1996 and December 2000, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, LAWRENCE NADELL and YITZHAK LEVY, also known as "Isaac Levy," together with others, did knowingly and intentionally conspire to devise a scheme and artifice to defraud visitors to the Websites, and to obtain money and property from those visitors by means of materially false and fraudulent pretenses, representations and promises, and for the purpose of executing such scheme and artifice, (a) to cause mail matter to be delivered by the United States Postal Service, in violation of Title 18, United States Code, Section 1341, and (b) to transmit and cause to be transmitted, by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds, in violation of Title 18, United States Code, Section 1343.

82. In furtherance of the conspiracy and to effect its objectives, the defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, LAWRENCE NADELL and YITZHAK LEVY, together with others, committed and caused to be committed, among others, the

following:

OVERT ACTS

a. On or about March 10, 1999, RICHARD MARTINO, CHANES, DANIEL MARTINO, NADELL and LEVY transmitted and caused to be transmitted the Joint Venture Website ygal.com by means of wire communication from Lexitrans's servers in Kansas to a computer located in Freeport, New York.

b. On or about March 10, 1999, RICHARD MARTINO, CHANES, DANIEL MARTINO, NADELL and LEVY caused the credit card of a victim in Freeport, New York to be billed $49.99 for the Joint Venture Website ygal.com.

c. On or about March 16, 1999, RICHARD MARTINO, CHANES, DANIEL MARTINO, NADELL and LEVY caused the credit card of a victim in Merrick, New York to be billed $49.99 for the Joint Venture Website highsociety.com.

d. On or about April 27, 1999, RICHARD MARTINO, CHANES, DANIEL MARTINO, NADELL and LEVY caused the credit card of a victim in Brooklyn, New York to be billed $49.99 for the Joint Venture Website highsociety.com.

e. On or about August 19, 1999, RICHARD MARTINO, CHANES, DANIEL MARTINO, NADELL and LEVY, together with others, attended a meeting at the offices of Mical concerning the Joint Venture.

f. On or about January 19, 2000, RICHARD MARTINO and others attended a meeting concerning the Joint Venture.

(Title 18, United States Code, Sections 371 and 3551 et seq.)

COUNTS EIGHT THROUGH ELEVEN
(Wire Fraud - Internet Scheme)

83. The allegations contained in paragraphs 1 through 58 are realleged and incorporated as if fully set forth in this paragraph.

84. In or about and between August 1996 and December 2000, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, LAWRENCE NADELL and YITZHAK LEVY, also known as "Isaac Levy," together with others, did knowingly and intentionally devise a scheme and artifice to defraud visitors to the Websites, and to obtain money and property from those visitors by means of materially false and fraudulent pretenses, representations and promises.

85. For the purpose of executing the scheme and artifice, the defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, LAWRENCE NADELL and YITZHAK LEVY, also known as "Isaac Levy," together with others, transmitted and caused to be transmitted, by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds, to wit: internet connections established between servers owned

and operated by Lexitrans in the state of Kansas and the following individuals, whose identities are known to the grand jury, on or about the dates specified below:

Count	Approximate Date of Internet Connection	Visitor	Visitor's Location
EIGHT	March 16, 1999	Visitor #3	Eastern District of New York
NINE	April 27, 1999	Visitor #6	Eastern District of New York
TEN	June 16, 1999	Visitor #8	Eastern District of New York
ELEVEN	July 1, 1999	Visitor #11	Eastern District of New York

(Title 18, United States Code, Sections 1343, 2 and 3551 et seq.)

COUNT TWELVE
(Money Laundering Conspiracy)

86. The allegations contained in paragraphs 1 through 58 are realleged and incorporated as if fully set forth in this paragraph.

87. In or about and between 1996 and 2002, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants SALVATORE LOCASCIO, also known as "Tore," RICHARD MARTINO, ZEF MUSTAFA, NORMAN CHANES, DANIEL MARTINO, ANDREW CAMPOS, also known as "Andrew Campo," and THOMAS PUGLIESE, together with others, did knowingly and intentionally conspire to conduct financial

transactions affecting interstate and foreign commerce, which in fact involved the proceeds of specified unlawful activity, to wit: mail fraud, in violation of Title 18, United States Code, Section 1341, wire fraud, in violation of Title 18, United States Code, Section 1343, and credit card fraud, in violation of Title 18, United States Code, Section 1029(a)(5), knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity (a) with the intent to promote the carrying on of the specified unlawful activity, and (b) knowing that the transactions were designed in whole and in part to conceal and disguise the nature, the location, the source, the ownership and the control of the proceeds of the specified unlawful activity, in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i) and 1956(a)(1)(B)(i).

88. In furtherance of the conspiracy and to effect its objectives, the defendants SALVATORE LOCASCIO, also known as "Tore," RICHARD MARTINO, ZEF MUSTAFA, NORMAN CHANES, DANIEL MARTINO, ANDREW CAMPOS, also known as "Andrew Campo," and THOMAS PUGLIESE, together with others, committed and caused to be committed, among others, the following:

OVERT ACT

a. On or about January 8, 1999, DANIEL MARTINO caused the Joint Venture to write a check in the amount of $905,070.85 to Dynamic.

(Title 18, United States Code, Sections 1956(h) and 3551 et seq.)

COUNTS THIRTEEN THROUGH SEVENTEEN
(Money Laundering)

89. The allegations contained in paragraphs 1 through 58 are realleged and incorporated as if fully set forth in this paragraph.

90. On or about the dates specified below, within the Eastern District of New York and elsewhere, the defendants RICHARD MARTINO, NORMAN CHANES and DANIEL MARTINO, together with others, did knowingly and intentionally conduct financial transactions, to wit: the transfers of funds caused by the deposit of the checks set forth below, which in fact involved the proceeds of specified unlawful activity, to wit: mail fraud, in violation of Title 18, United States Code, Section 1341, wire fraud, in violation of Title 18, United States Code, Section 1343, and credit card fraud, in violation of Title 18, United States Code, Section 1029(a)(5), knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity (a) with the intent to promote the carrying on of the specified unlawful activity, and

(b) knowing that the transactions were designed in whole and in part to conceal and disguise the nature, the location, the source, the ownership and the control of the proceeds of the specified unlawful activity, in violation of Title 18, United States Code, Sections 1956 (a)(1)(A)(i) and (a)(1)(B)(i) and 2.

Count	Approximate Date	Financial Transaction	Approximate Amount
THIRTEEN	June 2, 1999	Check From Multimedia to Westford	$2,190,441.20
FOURTEEN	July 7, 1999	Check From Multimedia to Westford	$2,291,863.48
FIFTEEN	October 4, 1999	Check From Multimedia to Westford	$1,606,217.97
SIXTEEN	November 3, 1999	Check From Multimedia to Westford	$1,703,363.27
SEVENTEEN	February 4, 2000	Check From Multimedia to Westford	$1,211,241.86

(Title 18, United States Code, Sections 1956(a)(1)(A)(i), 1956 (a)(1)(B)(i), 2 and 3551 et seq.)

ADDITIONAL ALLEGATIONS AS TO COUNTS ONE THROUGH ELEVEN

91. The allegations contained in Counts One through Eleven are hereby realleged and incorporated as if fully set forth in this paragraph, and the additional allegations below are incorporated by reference into Counts One through Eleven.

92. Based on (a) acts and omissions committed, aided, abetted, counseled, commanded, induced, procured, and willfully caused by the defendant, and (b) all reasonably foreseeable acts and omissions of others in furtherance of a criminal plan, scheme, endeavor, and enterprise undertaken by the

defendant in concert with others; all of which occurred during the commission of the offenses of conviction, in preparation for those offenses, and in the course of attempting to avoid detection or responsibility for those offenses, the following conduct occurred (U.S.S.G. § 1B1.3(a)(1)):

a. The greater of the actual loss and the intended loss was more than $400,000,000 (U.S.S.G. § 2B1.1(b)(1)(N) (Nov. 1, 2002)).

b. The offenses involved schemes to defraud 50 or more victims (U.S.S.G. § 2B1.1(b)(2)(B)).

c. The offenses involved a violation of a prior, specific judicial or administrative order, injunction, decree or process (U.S.S.G. § 2B1.1(b)(7)(C)).

d. The offenses involved sophisticated means (U.S.S.G. § 2B1.1(b)(8)(C)).

e. The defendants SALVATORE LOCASCIO, ZEF MUSTAFA, RICHARD MARTINO, NORMAN CHANES and DANIEL MARTINO each derived more than $1,000,000 in gross receipts from one or more financial institutions as a result of the offenses (U.S.S.G. § 2B1.1(b)(12)(A)).

93. The defendants SALVATORE LOCASCIO, RICHARD MARTINO, NORMAN CHANES and DANIEL MARTINO were organizers and leaders of criminal activity that involved five or more participants and was otherwise extensive (U.S.S.G. § 3B1.1(a)).

94. The defendant LAWRENCE NADELL was a manager and supervisor of criminal activity that involved five or more participants and was otherwise extensive (U.S.S.G. § 3B1.1(b)).

95. The defendants RICHARD MARTINO, NORMAN CHANES, DANIEL MARTINO, LAWRENCE NADELL and KENNETH SCHAEFFER willfully obstructed and impeded, and attempted to obstruct and impede, the administration of justice during the course of the investigation and prosecution of the instant offense of conviction, which obstructive conduct related to any offense of conviction, any conduct referred to in paragraphs 1 through 58 above, or a closely related offense (U.S.S.G. § 3C1.1).

ADDITIONAL ALLEGATION AS TO COUNTS
ONE, TWO, AND TWELVE THROUGH SEVENTEEN

96. The allegations contained in Counts One, Two, and Twelve through Seventeen are hereby realleged and incorporated as if fully set forth in this paragraph, and the additional allegations below are incorporated by reference into Counts One, Two, and Twelve through Seventeen.

97. The offenses involved sophisticated laundering (U.S.S.G. § 2S1.1(b)(3)).

CRIMINAL FORFEITURE ALLEGATION ONE
(Counts One and Two)
(Racketeering and Racketeering Conspiracy)

98. The United States hereby gives notice to the defendants charged in Counts One and Two that, upon their conviction of such offenses the government will seek forfeiture

in accordance with Title 18, United States Code, Section 1963, which requires any person convicted of such offenses to forfeit any property:

a. such defendants have acquired an interest in and maintained in violation of Title 18, United States Code, Section 1962, which interests are subject to forfeiture to the United States pursuant to Title 18, United States Code, Section 1963(a)(1);

b. such defendants have an interest in, security of, claims against, and property and contractual rights which afford a source of influence over, the enterprise named and described herein which the defendants established, operated, controlled, conducted, and participated in the conduct of, in violation of Title 18, United States Code, Section 1962, which interests, securities, claims, and rights are subject to forfeiture to the United States pursuant to Title 18, United States Code, Section 1963(a)(2). The interests subject to forfeiture under Section 1963(a)(2) include, but are not limited to, the defendants' interest in Local Exchange Company, L.L.C., also known as "LEC L.L.C.";

c. constituting and derived from proceeds obtained, directly and indirectly, from racketeering activity, in violation of Title 18, United States Code, Section 1962, which property is subject to forfeiture to the United States pursuant to Title 18, United States Code, Section § 1963(a)(3).

99. The value of the forfeitable property is a sum of money equal to $730 million in United States currency, for which the defendants are jointly and severally liable, including but not limited to, all funds on deposit in a certificate of deposit at Chase Manhattan Bank, now known as JP Morgan Chase, number 937-6083578-19, which matured on or about June 3, 2003, and which as of March 7, 2003, had an approximate value of $679,719.70.

100. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

a. cannot be located upon the exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third party;

c. has been placed beyond the jurisdiction of the court;

d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 1963(m), to seek forfeiture of any other property of such defendants up to the value of the forfeitable property described in subparagraphs 94(a) through (e) above, including but not limited to the following:

a. all right, title and interest in the premises and real property located at One Tara Way, Tuckahoe, New York 10707;

b. all right, title and interest in the premises and real property located at 495 Ox Pasture Road, Southampton, New York 11968;

c. all right, title and interest in the premises and real property located at 299 Dune Road, Southampton, New York 11932;

d. all right, title and interest in the premises and real property located at 320 Central Park West, Apt. 11F, New York, New York 10025;

e. all right, title and interest in the premises and real property located at 279 Central Park West, Apt. 18B, New York, New York 10024;

f. all right, title and interest in the premises and real property located at Lot 27, City: Harrison; Subdivision: Purchase Estates Inc., Country Club at Purchase; Recorder's Map Reference: Map 26094;

g. all right, title and interest in the premises and real property located at 9778 Bent Grass Bend, Naples, Florida 34108;

h. all right, title and interest in the premises and real property located at 2 Timmons Road, Scarsdale, New York 10583;

i. all right, title and interest in the premises and real property located at 608 East 187th Street, Bronx, New York 10458;

j. all right, title and interest in the premises and real property located at 2361 Hoffman Street, Bronx, New York 10458;

k. funds representing the net proceeds of the sale of Riviera Colony Shopping Plaza, also known as Am South Plaza, located at Section 18, Township 50 South, Range 26 East, Collier County Florida, Lot 1, Block 1, Rivera Colony, Plat Book 8, Pages 17 and 18, on deposit in the interest bearing equity account maintained by the Clerk of the United States District Court for the Eastern District of New York pursuant to a Stipulation and Order, dated January 9, 2004, and which as January 9, 2004, had an approximate value of $1,096.904.68;

l. all right, title and interest in the premises and real property located at 2928 Indigobush Way, Naples, Florida 34105;

m. all right, title and interest in the premises and real property located at 16 Bonmar Road, Pelham Manor, New York 10803;

n. all right, title and interest in the premises and real property located at 1520 Gulf Boulevard, Belleair Shores, Florida 34634;

o. all right, title and interest in the premises and real property located at 9 Apple Court, Eastchester, New York 10709;

p. all right, title and interest in the premises and real property located at 2384 Hoffman Street, Bronx, New York 10458;

q. all right, title and interest in the premises and real property located at 2376 Hoffman Street, Bronx, New York 10458; and

r. all right, title and interest in the premises and real property located at 301 Brookline Street Hawthorne, New York 10532.

(Title 18, United States Code, Section 1963)

<u>CRIMINAL FORFEITURE ALLEGATION TWO</u>
(Count Three - Cramming Scheme)
(Conspiracy to Commit Mail and Wire Fraud)

101. The United States hereby gives notice to the defendants charged in Count Three that, upon their conviction of such offense the government will seek forfeiture in accordance with Title 18, United States Code, Section 981(a)(1)(C) and Title

28, United States Code, Section 2461(c), which require any person convicted of such offense to forfeit any property constituting or derived from proceeds obtained directly or indirectly as a result of such offense, or traceable thereto.

102. The value of the forfeitable property is a sum of money equal to $500 million in United States currency, for which the defendants are jointly and severally liable, including but not limited to all funds on deposit in a certificate of deposit at Chase Manhattan Bank, now known as JP Morgan Chase, number 937-6083578-19, which matured on or about June 3, 2003, and which as of March 7, 2003 had an approximate value of $679,719.70.

103. If any of the above-described forfeitable property, as a result of any act or omission of the defendant(s):

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred or sold to, or deposited with, a third party;

(c) has been placed beyond the jurisdiction of the court;

(d) has been substantially diminished in value; or

(e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c) to seek forfeiture of any other property of such defendant(s) up to the value of the forfeitable property described in subparagraphs 97(a) through (e) above, including but not limited to the following:

a. all right, title and interest in the premises and real property located at One Tara Way, Tuckahoe, New York 10707;

b. all right, title and interest in the premises and real property located at 495 Ox Pasture Road, Southhampton, New York 11968;

c. all right, title and interest in the premises and real property located at 299 Dune Road, Southhampton, New York 11932;

d. all right, title and interest in the premises and real property located at 320 Central Park West, Apt. 11F, New York, New York 10025;

e. all right, title and interest in the premises and real property located at 279 Central Park West, Apt. 18B, New York, New York 10024;

f. all right, title and interest in the premises and real property located at Lot 27, City: Harrison; Subdivision: Purchase Estates Inc., Country Club at Purchase; Recorder's Map Reference: Map 26094;

g. all right, title and interest in the premises and real property located at 6 Raintree Court, Holmdel, New Jersey 07733;

h. all right, title and interest in the premises and real property located at 5160 Bridleway Circle Boca Raton, Florida 33496;

i. all right, title and interest in the premises and real property located at 9 Apple Court, Eastchester, New York 10709;

j. all right, title and interest in the premises and real property located at 2384 Hoffman Street, Bronx, New York 10458;

k. all right, title and interest in the premises and real property located at 2376 Hoffman Street, Bronx, New York 10458; and

l. all right, title and interest in the premises and real property located at 301 Brookline Street Hawthorne, New York 10532.

(Title 28, United States Code, Section 2461(c), Title 18, United States Code, Section 981(a)(1)(C), and Title 21, United States Code, Section 853(p))

<u>CRIMINAL FORFEITURE ALLEGATION THREE</u>
(Count Seven - Internet Scheme)
(Conspiracy to Commit Mail and Wire Fraud)

104. The United States hereby gives notice to the defendants charged in Count Seven that, upon their conviction of such offense the government will seek forfeiture in accordance with Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), which require any person convicted of such offense to forfeit any property constituting or derived from proceeds obtained directly or indirectly as a result of such offense, or traceable thereto.

105. The value of the forfeitable property is a sum of money equal to $230 million in United States currency, for which the defendants are jointly and severally liable, including but not limited to all funds on deposit in a certificate of deposit at Chase Manhattan Bank, now known as JP Morgan Chase,