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Southern District of New York*

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**PAYMENT PROCESSING INTERMEDIARY FOR ONLINE POKER
COMPANIES PLEADS GUILTY IN MANHATTAN FEDERAL COURT
TO BANK FRAUD, MONEY LAUNDERING, AND GAMBLING OFFENSES**

*Defendant Arranged U.S. Payment Processing for the Three Largest
Internet Poker Companies -- PokerStars, Full Tilt Poker, and
Absolute Poker*

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that BRADLEY FRANZEN, the President of a Costa Rica-based company that arranged U.S. payment processing for internet poker and other companies, pled guilty today to a three-count Superseding Information charging him with bank fraud, money laundering, and illegal gambling offenses. FRANZEN was charged, along with 10 other defendants, in connection with a scheme to deceive U.S. banks and financial institutions and trick them into processing billions of dollars in payments on behalf of PokerStars, Full Tilt Poker, and Absolute Poker (the "Poker Companies"). FRANZEN pled guilty before U.S. Magistrate Judge KEVIN NATHANIEL FOX in Manhattan federal court.

According to the Superseding Information filed today in Manhattan federal court, the Indictment in which FRANZEN was initially charged, other documents previously filed in the case, and statements made in court:

In late 2006, Congress enacted the Unlawful Internet Gambling Enforcement Act ("UIGEA"), making it a crime to "knowingly accept" most forms of payment "in connection with the participation of another person in unlawful Internet gambling." Because virtually all U.S. banks and credit card issuers were unwilling to process their payments, the Poker Companies -- all of which are based offshore -- allegedly used fraudulent methods to avoid these restrictions, and to receive billions of dollars from U.S. residents who gambled on the Poker Companies' websites.

The Poker Companies relied on highly compensated payment processors to deceive U.S. banks about the nature of the financial transactions they were processing. The payment processors, with the knowledge of the Poker Companies, covered up those lies through the creation of phony corporations and websites. In order to find payment processors, the Poker Companies relied on self-described "middle men," such as FRANZEN, who matched the Poker Companies with payment processors who could obtain access to the U.S. banking system.

FRANZEN operated a Costa Rica-based business that linked internet gambling and other merchants with payment processors who opened bank accounts with U.S. financial institutions to collect funds from U.S. customers. He knew that processing payments for the Poker Companies required the transactions to be disguised so that they would appear unrelated to gambling. This included making false statements to the banks about the nature of the processing. FRANZEN established and helped maintain payment processing channels with the U.S. banks for each of the three Poker Companies.

For example, in the summer of 2009, FRANZEN worked with payment processors in Nevada to arrange for a processing channel through which payments collected from U.S. residents on behalf of the Poker Companies would be disguised as payments to a fictitious business called "Green2YourGreen." According to its phony website, "Green2YourGreen" sold environmentally-friendly household products, and the Poker Companies used it to process approximately \$15.2 million in payments from U.S. gamblers. FRANZEN's co-conspirators, with the knowledge of FRANZEN, opened multiple bank accounts in the United States by falsely representing to bank officials that the accounts were for the phony Green2YourGreen business.

According to his plea allocution and the Superseding Information, FRANZEN admitted that in early 2011 he had been asked to help Full Tilt Poker deal with a \$60 million shortfall created by the company's inability to find a payment processor to process transactions involving U.S. player accounts. The company was facing the shortfall because it continued to credit funds to player accounts despite being unable to actually debit (or "pull") funds from customers.

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FRANZEN, 41, of Illinois and Costa Rica, faces a maximum sentence of 30 years in prison, and will be required to forfeit the proceeds of his crimes. His sentencing has not yet been scheduled.

Charges against FRANZEN's co-conspirators, ISAI SCHEINBERG, PAUL TATE, RAYMOND BITAR, NELSON BURTNICK, BRENT BECKLEY, SCOTT TOM, CHAD ELIE, IRA RUBIN, RYAN LANG, and JOHN CAMPOS, remain pending and are merely accusations. They are presumed innocent unless and until proven guilty.

Mr. BHARARA thanked the FBI for its outstanding work in the investigation, which he noted is ongoing. Mr. BHARARA also recognized the assistance of Immigration and Customs Enforcement's New York and New Jersey offices, and the Washington State Gambling Commission.

This matter is being handled by the Office's Complex Frauds and Asset Forfeiture Units. Assistant U.S. Attorneys ARLO DEVLIN-BROWN and NICOLE FRIEDLANDER are in charge of the criminal case, and Assistant U. S. Attorneys SHARON COHEN LEVIN, MICHAEL LOCKARD, and JASON COWLEY are in charge of the civil money laundering and forfeiture actions.

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