ALB:CPK:DEZ/TTF
F. #2011R01958

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

UNITED STATES OF AMERICA

- against -

TULLY LOVISA,
SHAUN SULLIVAN and
LORRAINE CHALAVOUTIS,

Defendants.

----------X

INDICTMENT

Cr. No. CR 18 349

(T. 18, U.S.C., §§ 981(a)(1)(C), 982(a)(1), 982(b)(1), 1341, 1343, 1349, 1621(2), 1956(a)(1), 1956(h), 1957(a), 1957(b), 2 and 3551 et seq.; T. 21, U.S.C., § 853(p); T. 28, U.S.C., § 2461(c))

AZRACK, J.

TOMLINSON, M.J.

THE GRAND JURY CHARGES:

INTRODUCTION

At times relevant to this Indictment, unless otherwise indicated:

I. The Defendants and Their Shell Companies

1. The defendants TULLY LOVISA, SHAUN SULLIVAN and LORRAINE CHALAVOUTIS, together with others, engaged in a direct-mail operation that sent fraudulent prize-promotion mailings to thousands of consumers across the United States (the "Direct-Mail Operation"). The mailings induced consumers (the "Victims") to pay a fee in exchange for a falsely promised cash prize. The defendants used a number of different company names for the purported senders of the prize-promotion mailings, including but not limited to Addleshaw Bird & Mitchell, Registered Entitlement Services, Capital Management Group, Kingsley Harper & Hatfield, National Asset Allocation and Registered Disbursement Division (collectively, the "Shell Companies").

2. The defendant TULLY LOVISA, who resided primarily in Huntington Station, New York, ran the Direct-Mail Operation while hiding his involvement. LOVISA's participation in the Direct-Mail Operation violated federal court orders. In 2010, the Federal Trade Commission ("FTC") brought an enforcement action against LOVISA in the United States District Court for the Northern District of California, alleging that he sent mailings to consumers that misled them into believing they had won large cash prizes, which they could claim by paying a fee. In December 2010 and April 2012, the federal court ordered LOVISA to stop his involvement with prize-promotion mailings. Despite these orders, LOVISA ran the Direct-Mail Operation described herein from December 2010 until July 2016 or later, and concealed his involvement by using straw owners to serve as presidents of the Shell Companies and by using aliases in emails related to the Direct-Mail Operation.

3. The defendant SHAUN SULLIVAN, who resided in several locations in Nassau County, New York, ran the Direct-Mail Operation along with the defendant TULLY LOVISA. Like LOVISA, SULLIVAN hid his involvement in the business by using straw owners and aliases.

4. The defendant LORRAINE CHALAVOUTIS, who worked primarily in Huntington, New York, provided the Direct-Mail Operation with various important operational services, including opening companies and bank accounts in the names of straw owners and paying bills for the prize-promotion mailings. As part of her duties, CHALAVOUTIS helped conceal the involvement of the defendants TULLY LOVISA and SHAUN SULLIVAN in controlling the operation, and misled others about the nature of the operation.

II. The Fraudulent Prize-Promotion Mailings Scheme

A. The Fraudulent Mailings

5. As part of the Direct-Mail Operation, the defendants TULLY LOVISA, SHAUN SULLIVAN and LORRAINE CHALAVOUTIS, together with others, caused prize-promotion mailings to be sent to the Victims, who were often elderly and vulnerable. The mailings misled the Victims to believe that they would receive large sums of money, ranging from tens of thousands to several million dollars, if they paid a relatively small fee. This was false; the Victims did not receive large sums of money. The object and purpose of the scheme was to obtain money from the Victims by means of these false and fraudulent statements and material concealments of facts in the mailings.

6. The mailings were made to appear as if they came from the Shell Companies, which the mailings represented as sophisticated businesses with employees, offices, organizational structures and official-sounding names. In fact, the Shell Companies had only straw owners – people whose names were listed in corporate records as the owners and presidents for the purpose of hiding the defendants' control of the companies – and no employees and organizational structures.

7. The mailings purported to be signed by a person with an official title, such as "Payment Agent," "Prize Director" and "Treasurer, Cash-Award Signator for the Payments Division," or by a representative of the "Notification Office" or "Cash Claim Department." In fact, none of these people and departments actually existed within the Shell Companies.

8. The mailings concealed the identities of the real senders and concealed that the defendant TULLY LOVISA had been ordered by a federal court to stop his

involvement with prize-promotion mailings as a result of an FTC enforcement action against him. The defendants all knew about the FTC enforcement action against LOVISA, and also knew of enforcement actions by the United States Postal Service to stop the prize-promotion mailings.

9. The mailings appeared to be personally addressed to individual consumers who had been specially selected. In fact, the mailings were sent to thousands of individuals whose names were on consumer lists obtained by the defendants TULLY LOVISA, SHAUN SULLIVAN and LORRAINE CHALAVOUTIS, together with others, from other individuals and corporations that sold consumer names for money.

10. The backs of the prize-promotion mailings typically contained a "Consumer Disclosure" that was up to two to three paragraphs in length. The "Consumer Disclosure" did not correct the false and misleading statements contained in the prize-promotion mailings.

11. The prize-promotion mailings directed Victims to pay a "processing" or "delivery" fee, generally $20 or $25. The mailings included pre-addressed return envelopes for Victims to send their payment by cash, checks or money orders.

B. Use of Mailboxes in the Eastern District of New York and the Netherlands

12. As part of the Direct-Mail Operation, the defendants TULLY LOVISA, SHAUN SULLIVAN and LORRAINE CHALAVOUTIS, together with others, rented and maintained private mailboxes in the Eastern District of New York to receive return mailings sent by the Victims. Co-conspirator #1, an individual whose identity is known to the Grand Jury, brought the return mailings to office locations in the Eastern District of New York. At the direction of LOVISA, SULLIVAN and CHALAVOUTIS, together with others, return

mailings sent by the Victims were opened and processed, including by putting cash payments from the Victims in a safe in LOVISA's office.

13. Some of the pre-addressed return envelopes listed addresses in the Netherlands. At the direction of the defendants TULLY LOVISA and SHAUN SULLIVAN, together with others, cash payments in return mailings sent by the Victims to the Netherlands were placed in packages and sent by private interstate carrier to John Doe #1, an individual whose identity is known to the Grand Jury, in East Rockaway, New York, who then gave the packages of cash to LOVISA and SULLIVAN.

C. Victim Payments and Lists

14. The defendants TULLY LOVISA, SHAUN SULLIVAN and LORRAINE CHALAVOUTIS, together with others, caused checks and money orders received from the Victims to be sent to payment processors and banks, which held the proceeds in accounts controlled by CHALAVOUTIS.

15. As part of the scheme, each time the Victims sent money to the Direct-Mail Operation, the defendants TULLY LOVISA, SHAUN SULLIVAN and LORRAINE CHALAVOUTIS, together with others, added the Victims' names and addresses to lists. The defendants repeatedly sent mailings to the Victims on these lists. LOVISA, SULLIVAN and CHALAVOUTIS, through co-conspirators known as "list brokers," also rented the lists to other direct mailers who sent additional mailings to the Victims. As a result, the Victims often received repeated fraudulent mailings.

16. From approximately December 2010 to July 2016, the defendants' Direct-Mail Operation received more than $30 million from the Victims. The defendants TULLY LOVISA, SHAUN SULLIVAN and LORRAINE CHALAVOUTIS, together with

others, used this money to enrich themselves and to further promote the Direct-Mail Operation. No Victim who sent a fee in response to a prize-promotion mailing from the defendants' Direct-Mail Operation received a promised cash prize, other than a $1.00 prize check.

D. LOVISA's False Compliance Report

17. On or about April 19, 2012, the United States District Court for the Northern District of California entered an order requiring the defendant TULLY LOVISA to submit a compliance report to the FTC, sworn under penalty of perjury (the "April 19, 2012 Order"). The order required LOVISA, in the compliance report, to "identify all of [his] businesses," "describe the activities of each business," and "identify all titles and roles in all business activities, including any business for which he performs services whether as an employee or otherwise and any entity in which he has any ownership interest[.]" Pursuant to the order, on or about August 1, 2013, LOVISA signed a compliance report under penalty of perjury. The compliance report was materially false because it concealed LOVISA's participation in the Direct-Mail Operation.

III. The Fraudulent House Sale Scheme

18. The April 19, 2012 Order also required the defendant TULLY LOVISA to sell a house that he owned, located on Dream Catcher Avenue in Las Vegas, Nevada (the "Dream Catcher home"), and to turn over the proceeds of the home sale to the FTC.

19. In or about July 2012, the defendant TULLY LOVISA put the Dream Catcher home on the market for sale. Unbeknownst to the FTC, LOVISA directed John Doe #2, an individual whose identity is known to the Grand Jury, to submit an offer to purchase the Dream Catcher home for $155,500, which was well below market value. To convince

the FTC to approve the sale, LOVISA directed John Doe #3, an individual whose identity is known to the Grand Jury, to make a separate offer for slightly less than $155,500. To deter other potential buyers from submitting offers, LOVISA manipulated the real estate listing for the Dream Catcher home so that it appeared the property was not actively on the market. LOVISA misled the FTC into believing that the two bids from potential buyers who were secretly acting at his direction were the only offers he could obtain. Based upon the offers LOVISA had fraudulently procured, the FTC approved the sale of the Dream Catcher home to John Doe #2. LOVISA supplied the money to John Doe #2 to purchase the Dream Catcher home. Shortly before closing, in September 2012, the purchase rights were assigned to a Panamanian company that LOVISA secretly controlled. The proceeds of the sale were given to the FTC.

20. This scheme to defraud the FTC enabled the defendant TULLY LOVISA to maintain control of the Dream Catcher home despite the federal court order. The object and purpose of the scheme was to defraud the FTC and thereby obtain money by later selling the Dream Catcher home to a third-party buyer for an amount significantly higher than $155,500.

21. The scheme continued until April 2015, when the defendant TULLY LOVISA arranged to sell the Dream Catcher home to third parties for $540,000. LOVISA caused the net proceeds of the sale, over $501,000, to be sent by interstate wire from Nevada to New York.

COUNT ONE
(Conspiracy to Commit Mail Fraud)

22. The allegations contained in paragraphs one through 17 are realleged and incorporated as if fully set forth in this paragraph.

23. In or about and between December 2010 and July 2016, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants TULLY LOVISA, SHAUN SULLIVAN and LORRAINE CHALAVOUTIS, together with others, did knowingly and intentionally conspire to devise a scheme and artifice to defraud the Victims, and to obtain money and property from the Victims by means of materially false and fraudulent pretenses, representations and promises, and for the purpose of executing such scheme and artifice, to place and cause to be placed one or more matters and things in a post office and authorized depository for mail matter, to be sent and delivered by the United States Postal Service, and to deposit and cause to be deposited one or more matters and things to be sent and delivered by private and commercial interstate carrier, and to take and receive therefrom one or more such matters and things, contrary to Title 18, United States Code, Section 1341.

(Title 18, United States Code, Sections 1349 and 3551 et seq.)

COUNTS TWO THROUGH SEVEN
(Mail Fraud)

24. The allegations contained in paragraphs one through 17 are realleged and incorporated as if fully set forth in this paragraph.

25. In or about and between December 2010 and July 2016, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants TULLY LOVISA, SHAUN SULLIVAN and LORRAINE CHALAVOUTIS,

together with others, did knowingly and intentionally devise a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, and for the purpose of executing such scheme and artifice, did place and cause to be placed one or more matters and things in a post office and authorized depository for mail matter, to be sent and delivered by the United States Postal Service, and did deposit and cause to be deposited one or more matters and things to be sent and delivered by private and commercial interstate carrier, and did take and receive therefrom such matters and things, as identified below.

Count	**Approximate Date**	**Description**
TWO	July 13, 2013	Package containing cash payments from Victims, sent from the Netherlands by private interstate carrier to East Rockaway, New York
THREE	August 8, 2013	Package containing cash payments from Victims, sent from the Netherlands by private interstate carrier to East Rockaway, New York
FOUR	November 2013	Addleshaw, Bird & Mitchell prize-promotion mailing sent by United States mail to victim L.J. in Brooklyn, New York
FIVE	November 2014	Check sent by United States mail from victim B.J. in Peoria, Arizona, to Kew Gardens, New York, in response to prize-promotion mailing from Addleshaw, Bird & Mitchell

SIX	February 2016	Anderson, Burges & Smith prize-promotion mailing sent by United States mail to victim S.H. in Riverhead, New York
SEVEN	June 2016	Check sent by United States mail from victim N.T. in Ocala, Florida, to Laurelton, New York, in response to prize-promotion mailing from Certified Distribution Specialists

(Title 18, United States Code, Sections 1341, 2 and 3551 et seq.)

COUNT EIGHT
(Conspiracy to Commit Money Laundering)

26. The allegations contained in paragraphs one through 17 are realleged and incorporated as if fully set forth in this paragraph.

27. In or about and between December 2010 and July 2016, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants TULLY LOVISA, SHAUN SULLIVAN and LORRAINE CHALAVOUTIS, together with others, did knowingly and intentionally conspire to conduct financial transactions affecting interstate and foreign commerce, including deposits, transfers and withdrawals of funds and monetary instruments, which in fact involved the proceeds of specified unlawful activity, to wit: mail fraud, in violation of Title 18, United States Code, Section 1341, knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity (a) that was of a value greater than $10,000, contrary to Title 18, United States Code, Section 1957, and (b) knowing that the transactions were designed in whole and in part to conceal and disguise the nature, location, source,

ownership and control of the proceeds of specified unlawful activity, contrary to Title 18, United States Code, Section 1956(a)(1)(B)(i).

(Title 18, United States Code, Sections 1956(h), 1956(a)(1), 1957(b) and 3551 et seq.)

COUNT NINE
(Money Laundering)

28. The allegations contained in paragraphs one through 17 are realleged and incorporated as if fully set forth in this paragraph.

29. In or about and between July 2013 and July 2016, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants TULLY LOVISA, SHAUN SULLIVAN and LORRAINE CHALAVOUTIS, together with others, did knowingly and intentionally engage in monetary transactions, to wit: transfers of funds, in and affecting interstate and foreign commerce, in criminally derived property that was of a value greater than $10,000 and that was derived from specified unlawful activity, to wit: mail fraud, in violation of Title 18, United States Code, Section 1341, knowing that the property involved in such monetary transactions represented the proceeds of some form of unlawful activity.

(Title 18, United States Code, Sections 1957(a), 1957(b), 2 and 3551 et seq.)

COUNT TEN
(Perjury)

30. The allegations contained in paragraphs one through 17 are realleged and incorporated as if fully set forth in this paragraph.

31. On or about August 1, 2013, within the Eastern District of New York and elsewhere, the defendant TULLY LOVISA did knowingly, intentionally and willfully

subscribe as true, in a declaration under penalty of perjury as permitted under Title 28, United States Code, Section 1746, to wit: the compliance report required by the April 19, 2012 Order, one or more material matters that he did not believe to be true, to wit: in the section of the report where he was required to disclose all of his ownership interests and business activities, LOVISA declared that he owned only a "construction company," and LOVISA declared that "since April 19, 2012, I have not had any ownership interest in nor have I performed services as an employee or otherwise with respect to any other business or business activity," when in fact, as LOVISA then and there well knew and believed, LOVISA had an ownership interest in, and performed services as an employee and otherwise with respect to, another business, to wit: the Direct-Mail Operation.

(Title 18, United States Code, Sections 1621(2) and 3551 et seq.)

COUNT ELEVEN
(Wire Fraud - Fraudulent House Sale Scheme)

32. The allegations contained in paragraphs two and 18 through 21 are realleged and incorporated as if fully set forth in this paragraph.

33. In or about and between April 2012 and April 2015, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendant TULLY LOVISA, together with others, devised and intended to devise a scheme and artifice to defraud the Federal Trade Commission related to the sale of the Dream Catcher home, and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, and, on or about April 28, 2015, for the purpose of executing such scheme and artifice, did transmit and cause to be transmitted, by means of

wire communication in interstate commerce, one or more writings, signs, signals, pictures and sounds, to wit: a transfer of approximately $501,904.73 from Nevada to New York.

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

COUNT TWELVE
(Money Laundering - Fraudulent House Sale Scheme)

34. The allegations contained in paragraphs two and 18 through 21 are realleged and incorporated as if fully set forth in this paragraph.

35. In or about and between May 2016 and February 2018, both dates being approximate and inclusive, within the Eastern District of New York, the defendant TULLY LOVISA, together with others, did knowingly and intentionally engage in one or more monetary transactions in and affecting interstate commerce, to wit: deposits, withdrawals and transfers of funds and monetary instruments, in criminally derived property that was of a value greater than $10,000 and that was derived from specified unlawful activity, to wit: the crime alleged in Count Eleven of this Indictment, in violation of Title 18, United States Code, Section 1343.

(Title 18, United States Code, Sections 1957(a), 1957(b), 2 and 3551 et seq.)

CRIMINAL FORFEITURE ALLEGATION
AS TO COUNTS ONE THROUGH SEVEN AND ELEVEN

36. The United States hereby gives notice to the defendants that, upon their conviction of any of the offenses charged in Counts One through Seven and Eleven, 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 offenses to forfeit any property, real or personal, constituting, or derived from, proceeds obtained directly or indirectly as a result of such offenses.

37. 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 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendants up to the value of the forfeitable property described in this forfeiture allegation.

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

CRIMINAL FORFEITURE ALLEGATION
AS TO COUNTS EIGHT, NINE AND TWELVE

38. The United States hereby gives notice to the defendants that, upon their conviction of any of the offenses charged in Counts Eight, Nine and Twelve, the government will seek forfeiture in accordance with Title 18, United States Code, Section 982(a)(1), which requires any person convicted of such offenses to forfeit any property, real or personal, involved in such offenses, or any property traceable to such property.

39. 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 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1), to seek forfeiture of any other property of the defendants up to the value of the forfeitable property described in this forfeiture allegation.

(Title 18, United States Code, Sections 982(a)(1) and 982(b)(1); Title 21, United States Code, Section 853(p))

A TRUE BILL

FOREPERSON

RICHARD P. DONOGHUE
UNITED STATES ATTORNEY
EASTERN DISTRICT OF NEW YORK

GUSTAV W. EYLER
ACTING DIRECTOR
CONSUMER PROTECTION BRANCH

F. # 2011R01958
FORM DBD-34
JUN. 85

No.

UNITED STATES DISTRICT COURT

EASTERN *District of* NEW YORK

CRIMINAL DIVISION

THE UNITED STATES OF AMERICA

vs.

TULLY LOVISA, SHAUN SULLIVAN
and LORRAINE CHALAVOUTIS,

Defendants.

INDICTMENT

(T. 18, U.S.C., §§ 981(a)(1)(C), 982(a)(1), 982(b)(1), 1341, 1343, 1349, 1956(h), 1957(a), 1957(b), 2 and 3551 et seq.; T. 21, U.S.C., § 853(p); T. 28, U.S.C., § 2461(c)).)

A true bill.

_____ *Foreperson*

Filed in open court this _____ *day,*

of _____ *A.D. 20* _____

_____ *Clerk*

Bail, $ _____

Charles P. Kelly, Assistant U.S. Attorney (631) 715-7866

INFORMATION SHEET

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

1. Title of Case: United States v. TULLY LOVISA, SHAUN SULLIVAN and LORRAINE CHALAVOUTIS

CR 18 349

2. Related Magistrate Docket Number(s): _____

AZRACK, J.
TOMLINSON, M.J.

3. Arrest Date: N/A

4. Nature of offense(s): ☒ Felony
☐ Misdemeanor

5. Related Cases - Title and Docket No(s). (Pursuant to Rule 50.3.2 of the Local E.D.N.Y. Division of Business Rules): U.S. v. Jill Castellano, 18-CR-22 (JS)

6. Projected Length of Trial: Less than 6 weeks ☒
More than 6 weeks ☐

7. County in which crime was allegedly committed: Nassau/Suffolk
(Pursuant to Rule 50.1(d) of the Local E.D.N.Y. Division of Business Rules)

8. Was any aspect of the investigation, inquiry and prosecution giving rise to the case pending or initiated before March 10, 2012.[1] ☒ Yes ☐ No

9. Has this indictment/information been ordered sealed? ☒ Yes ☐ No

10. Have arrest warrants been ordered? ☒ Yes ☐ No

11. Is there a capital count included in the indictment? ☐ Yes ☒ No

RICHARD P. DONOGHUE
United States Attorney

By: _____
Charles P. Kelly
Assistant U.S. Attorney
(631) 715-7866

[1] Judge Brodie will not accept cases that were initiated before March 10, 2012.

Rev. 10/04/12

TO: Clerk's Office
UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

APPLICATION FOR LEAVE
TO FILE DOCUMENT UNDER SEAL

****

United States CR 18 349
Docket Number

Tully v. Louisa,
Shaun Sullivan
Lorraine Chalavoutis
****

A) If pursuant to a prior Court Order:
Docket Number of Case in Which Entered: _____
Judge/Magistrate Judge: _____
Date Entered: _____

B) If a new application, the statute, regulation, or other legal basis that authorizes filing under seal

ORACK, J.

TOMLINSON, M.J.

SUBMITTED BY: Plaintiff ___ Defendant ___ DOJ X
Name: Charles P. Kelly
Firm Name: US Attorneys office
Address: 100 Federal Plaza
Central Islip, NY 11722
Phone Number: 631-715-7866
E-Mail Address: Charles.Kelly@usdoj.gov

INDICATE UPON THE PUBLIC DOCKET SHEET: YES ___ NO X
If yes, state description of document to be entered on docket sheet:

ORDERED SEALED AND PLACED IN THE CLERK'S OFFICE, AND MAY NOT BE UNSEALED UNLESS ORDERED BY THE COURT.

DATED: 7/10/18 Central Islip, NEW YORK

s/ Anne Y. Shields

U.S. DISTRICT JUDGE/U.S. MAGISTRATE JUDGE

RECEIVED IN CLERK'S OFFICE _____
DATE

MANDATORY CERTIFICATION OF SERVICE:
A.) ___ A copy of this application either has been or will be promptly served upon all parties to this action, **B.)** ___ Service is excused by 31 U.S.C. 3730(b), or by the following other statute or regulation: _____; or **C.)** ____ This is a criminal document submitted, and flight public safety, or security are significant concerns. (Check one)

_____ _____
DATE SIGNATURE