

UNITED STATES DISTRICT
COURT

JUL 19 2006

Western

DISTRICT OF

U. S. DISTRICT COURT
North Carolina
W. DIST. OF N. C.

UNITED STATES OF AMERICA

CRIMINAL COMPLAINT

V.
STEFAN ZAVADSKY
(a.k.a. Boris)

Case Number:

3:06 MJ 149

(Name and Address of Defendant)

I, the undersigned complainant state that the following is true and correct to the best of my

knowledge and belief On or about 2002 to the present in Mecklenburg County, in
the Western District of North Carolina defendant(s) did,

(Track Statutory Language of Offense)

together with others, did knowingly and willfully 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 to transmit and cause to be transmitted, by means of wire, radio and television communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds which were all routed through Western Union facilities in Charlotte, Mecklenburg County, North Carolina, for the purpose of executing such scheme and artifice, and attempting to do so

in violation of Title 18 United States Code, Section(s) 371 and 2326I further state that I am a(n) Special Agent US Dept of Homeland Security and that this complaint is based on the
Official Title
following facts:

Please see the attached affidavit

Continued on the attached sheet and made a part of this complaint:

Yes ☒ No ☐

Signature of Complainant

Jason M. Gialanella
Printed Name of Complainant

Sworn to before me and signed in my presence,

Date

July 19, 2006

at

Charlotte, North Carolina
City and StateCarl Horn III, US Magistrate Judge
Name and Title of Judicial Officer

Signature of Judicial Officer

AFFIDAVIT

I, Jason M. Gialanella, declare under penalty of perjury, that the following is true and correct to the best of my knowledge and information:

1. I am a Special Agent employed by the United States Department of Homeland Security, Immigration and Customs Enforcement (ICE), Office of Investigations, Miami, Florida. Prior to May 2003, I was employed as a Special Agent by the United States Department of Commerce, Office of Export Enforcement, Office of Investigations, San Jose, California. I have been employed by these two federal agencies as a Special Agent since 2001. Prior to serving as a Special Agent, I was employed by the Immigration and Naturalization Service as a U.S. Border Patrol Agent assigned to Nogales, Arizona for approximately twelve (12) months. During the course of my federal law enforcement career, I have received recurring, specialized training at the Federal Law Enforcement Training Center in Glynco, Georgia, and I have been the case agent in numerous criminal and administrative investigations. As a Special Agent for ICE, I am authorized to investigate violations of laws of the United States and to execute warrants issued under the authority of the United States. The statements contained in this affidavit are based upon information I have collected during the course of an investigation, as well as information provided by other law enforcement officials, and based upon my experience and background as a law enforcement officer.

AFFIDAVIT FOR STEFAN ZAVADSKY

2. This affidavit is submitted in support of an application for a complaint and arrest warrant against **STEFAN ZAVADSKY**, for a violation of Title 18 United States Code, § 371 (Conspiracy) and Title 18 United States Code, § 2326 (Telemarketing Enhancement).

3. The statements set forth in this affidavit are based upon my training and experience, consultation with other experienced investigators and agents, and other sources of information developed during the course of this investigation. This affidavit is intended to show that there is probable cause for the requested arrest warrant and criminal complaint, and does not purport to set forth all of my knowledge of our investigation into this matter.

BACKGROUND

4. Since on or about April 2003, agents with the Department of Homeland Security Immigration and Customs Enforcement, the United States Postal Inspection Service, the Department of Commerce Office of Inspector General, and the North Carolina Department of Justice have been investigating a fraudulent sweepstakes scheme that targets U. S. residents, and in particular, elderly victims. The assigned agents received information from victims of the scheme and other sources that **STEFAN ZAVADSKY** and other known and unknown conspirators have engaged in a scheme to defraud U. S. residents by deceiving them into believing that they have won a large monetary prize in a sweepstakes contest which requires them to wire transfer a purported "insurance fee" in order to receive their "winnings."

5. As used in this affidavit, the following terms are defined as follows:

a. A "call center" is a business that engages in the illegal scheme. These operations are also referred to as "boiler rooms;"

b. A "pitch sheet" is a script designed to be read over the telephone to a prospective victim. The pitch sheets contain misrepresentations and false statements. The telemarketers are not required to read verbatim from the pitch sheets. The telemarketers are allowed to ad lib in order to close the deal.

c. A "rebuttal" is a prepared response to anticipated questions or objections which are often raised by prospective victims after hearing the sales pitch;

d. An "opener" describes an employee of a call center who has the initial contact with the prospective victim by telephoning the victim whose name, address, and telephone number had been supplied as a "lead;"

e. A "loader" describes the call center employee who takes over the contact with the victim after the victim has made an initial payment as a result of the pitch given by the opener. The loader, who is usually a more experienced salesperson than the opener, induces to victim to send money in various fees and insurance required to retrieve a non-existent sweepstakes prize.

f. A "reload" is a sale to a victim who previously sent money to retrieve a sweepstakes prize. The loader will usually inform the victim that the initial prize amount they were told they own had been increased due to either a clerical error or another prizewinner being disqualified.

g. A "Cedula de Residencia (Cedula)" is a national identification card with a unique number issued by the Costa Rican government to Costa Rican citizens and permanent residents.

WESTERN UNION WIRE TRANSFERS

6. Victims of this scheme are routinely instructed by the defendant and his co-conspirators to send their purported sweepstakes insurance fees to Costa Rica, or Antigua and Barbuda via Western Union wire transfers. Western Union representatives have confirmed that all Western Union wire transfers are electronically routed and processed in and through Charlotte, North Carolina prior to being sent to their ultimate destinations, including Costa Rica and Antigua and Barbuda.

THE SCHEME

7. The investigation has revealed that since early 2002 the defendant and his co-conspirators have telephoned U. S. residents from Costa Rica; in particular elderly U.S. residents, and typically have informed them that they have won second prize in a sweepstakes, purportedly about \$450,000 in cash. They tell their victims that, in order to receive the prize, they must send from one thousand to several thousand dollars for a purported refundable insurance fee, via Western Union money wire transfers, to Costa Rica or Antigua and Barbuda as payment to a non-existent insurance company in Costa Rica to insure safe delivery of the prize money. The defendant and his co-conspirators falsely tell most of their victims that "Lloyd's of London of Costa Rica" will insure their sweepstakes winnings. Investigation has shown that Lloyd's of London does not have a

Costa Rican office, nor does it insure these types of transactions. As the sweepstakes is fictitious, the defendant and his co-conspirators simply keep the victims' supposed "refundable insurance fees" without sending any "winnings" to the victim.

8. In order to induce their victims to wire money to Costa Rica the defendant and his co-conspirators often falsely represent themselves as being agents of a non-existent "United States Sweepstakes Security Commission" or the "United States Sweepstakes Security Bureau" in Washington, D.C. The defendant and his co-conspirators then falsely represent that these agencies are (1) branches of the U. S. Department of Commerce, and other federal agencies, and (2) that these agencies are charged with ensuring that sweepstakes winners receive their money.

9. If an intended victim requires proof that he/she has won a sweepstakes prize, the defendant and his co-conspirators give the victim telephone numbers that appear to be located within the United States, but which are actually in Costa Rica. The defendant and his co-conspirators will answer these telephone calls and falsely reassure the victims that they have won a sweepstakes prize. If an intended victim wants written proof of the existence of the bogus "United States Sweepstakes Security Commission," or the bogus "United States Sweepstakes Security Bureau," the defendant and his co-conspirators fax the intended victim a document setting forth a bogus history of the Sweepstakes Security Commission, onto which has been placed the authentic seal of the Bureau of Industry and Security of the Department of Commerce, including a false Washington, D.C. mailing address.

10. Once a victim sends money for the purported insurance fees for the second prize winnings, the defendant and his co-conspirators call or "re-load" their victims and falsely represent that a mistake had been made, and that the victim has actually won first prize (typically over three million dollars), but that this requires the victim to wire thousands of additional dollars for bogus refundable "fees" through Western Union to insure the safe delivery of the sweepstakes proceeds. The defendant and his co-conspirators continue to call or "re-load" their victims so long as the victims continue to wire money.

11. The investigating agents have identified eight to twelve "call centers" in Costa Rica from which the defendant and other co-conspirators have called U.S. residents in furtherance of the sweepstakes scheme.

**THE DEFENDANT AND HIS CO-CONSPIRATORS' USE OF VOICE OVER
INTERNET PROTOCOL (VoIP) TO CALL VICTIMS**

12. Investigating agents have tracked several telephone numbers that victims have identified from their caller identification devices as being used to conduct the sweepstakes scheme by the defendant and his co-conspirators, and have found those numbers were assigned to Vonage, a New Jersey based telecommunication company. Agents were able to determine that these telephone numbers were used via a Voice over Internet Protocol (VoIP) service, a telecommunications technology utilizing a computer to make telephone calls over the Internet. This technology also allows a user to disguise his calling location, making it appear the call is originating from another area code. Vonage further provided the agents with subscriber records identifying the owner

of the telephone numbers (herein after "the subscriber") that were being used to conduct the scheme. With this information agents were able to locate and identify the subscriber. The subscriber stated to agents in substance that he subleased the Vonage equipment and telephone numbers to various U.S. citizens and other non-Costa Rican nationals in San Jose, Costa Rica. The subscriber identified for the agents locations where he delivered and installed the Vonage equipment. He further provided agents with the identity of co-conspirator Michael Attilio Mangarella (MANGARELLA) as a United States citizen living in Costa Rica who subleased Vonage VoIP telephone number (215) 325-0593 starting in July, 2005. This Vonage telephone number has been identified as being used to execute the scheme by contacting a U. S. victim in North Dakota. The subscriber also identified another co-conspirator, Andreas Roman LEIMER, as the customer who has leased as many as 80 Vonage VoIP telephones.

COOPERATING WITNESSES

13. Investigating agents have interviewed two cooperating sources of information (CW#1 and CW #2) who have participated in this scheme. Both have worked in various telemarketing call centers in Costa Rica. They initially met each other in March 2003 while both were employed in a call center working the fraudulent sweepstakes scheme that was managed by MANGARELLA.

14. A great deal of the information CW#1 and CW #2 provided to investigating agents was already known to the agents through independent corroboration, which strongly confirms the accuracy of their information. A few examples of information

provided by CW #1 and CW #2 that was already known by investigating agents include, 1) the co-conspirators' use of VoIP technology; 2) the conspirators' use of Western Union to receive funds from victims; 3) the fact that the conspirators typically inform their victims that they have won \$450,000; 4) the fact that the conspirators typically reload victims by claiming that the prize was \$4,500,000; 5) the claim by conspirators that "Lloyds of London of Costa Rica" was the insurer of the fraudulent sweepstakes winnings; 6) the identity of the VoIP providers used by the call centers; 7) the criminal histories of several of the conspirators; 8) the appearance by a conspirator before a federal grand jury in the United States; and 9) aliases used by conspirators when they call victims in the United States.

15. The conspirators in the call centers knew that almost every factual assertion in the pitch was false. Many victims of the sweepstakes scheme have confirmed to agents that they were told by the conspirators that they worked for the Sweepstakes Security Commission. CW #1 and CW #2 provided copies of the exact pitches, reloads, and rebuttals given by the conspirators while working in the call centers using the fraudulent sweepstakes scheme. According to this pitch sheet the telemarketers are to tell the victims that:

My name is _____. I am calling from the Sweepstakes Security Commission in Washington, DC. We are a non-profit consumer protection agency, established by the government to monitor and control all activities of the sweepstakes and lotteries; and of course to assist recipients of awards.

16. Since the calls to victims were made from Costa Rica, the telemarketers had to understand that the above assertions were false. Thus, anyone who made calls or even worked and listened to the calls knew that the calls were false and were made to deceive and defraud consumers. Accordingly, everyone who worked at call centers that I have set forth in this affidavit had knowledge that they were participating in a fraud.

17. According to another document provided by CW #1 and CW #2, if a victim agreed to send money but failed to do so, a conspirator would call the victim and make the following false representations to the victim:

What do you mean? You remember you gave me your verbal authorization on a recorded conversation with your Federal Government to secure that policy with Lloyd's.

One, if you didn't take care of that, Lloyd's has nothing to assume other than you were expecting to receive the check without a policy on it. That would be insurance fraud, a serious crime. Luckily, the Sweepstakes Security Commission would not let the check be delivered under such circumstances. Failure to take care of your obligation therefore is called "intent to commit insurance fraud," a misdemeanor.

Two, remember that I am a Federal Agent and your agreement was recorded. You understand that there are laws in place for reasons of national security that prevent citizens from deceiving government employees of my rank. I know you are not a terrorist but we must still apply the law. This crime is called "defrauding a Federal Agent." It is a Federal misdemeanor.

18. This document makes clear to me as an agent that since none of the conspirators were federal agents, it would be clear to anyone working or present at a call center that fraudulent representations were being made.

19. Among the techniques used by the call centers operating the fraudulent sweepstakes scheme to motivate and assist the conspirators making the pitches include

posting reminders and motivational statements in their work area. An example of a posted reminder which was also provided by CW #1 and CW #2 is the following:

IF YOU HAVE THE SLIGHTEST SUSPICION THAT YOU ARE SPEAKING WITH SOMEONE SLIGHTLY INTELLIGENT, BEING RECORDED, ON A THREE WAY CALL, BEING TRACED, SPEAKING WITH LAW ENFORCEMENT, AND SO ON, DO NOT EVEN ATTEMPT TO USE IT!! THIS COULD KILL AN OFFICE

20. In my experience as a federal agent, these types of exhortations are indicative to me of fraudulent activity and I believe it would be clear to anyone working or present at a call center that fraudulent representations are being made there.

21. According to CW #1 and CW #2, the "Openers" were paid 40% of whatever they made from the initial telephone calls to victims. Once the "Runners" picked up the money from Western Union, the "Openers" were paid in cash. According to CW #2, it was not uncommon for an "Opener" to make 250 telephone calls before one victim was enticed into making the first transfer of funds to Costa Rica. It was very typical for an "Opener" to obtain \$3000 from a victim. CW #2 indicated that an average "Opener" made about 175 calls per day, or about 875 calls a week. Assuming that an "Opener" made on average \$1200 from each victim, an "Opener" could make as much as \$3600 per week in illicit earnings. By Costa Rican economic standards, a co-conspirator could live extremely well on that kind of income. The "Loaders" were paid 20% of all the loads but because the victims had already been convinced of the legitimacy of the "sweepstakes," they experienced a substantially higher rate of success than did the "Openers." Moreover, the money that a "Loader" extracted from a victim was typically in

the tens of thousands of dollars. The call center owner's profits were 50% from the "Openers" and 70% from the "Loaders." The "Runners" were paid 10%.

22. CW #1 was an entrusted employee of MANGARELLA and later was allowed to manage one of MANGARELLA's call centers. CW #1 stated that MANGARELLA would discuss various aspects of the sweepstakes scheme with him, including its origin in Costa Rica and MANGARELLA's interaction with owners of other call centers operating the fraudulent sweepstakes scheme. CW #1 stated that the genesis of this fraudulent sweepstakes scheme took place during the latter part of 2001 when a Canadian known as Carlos LNU met with MANGARELLA. MANGARELLA was working for a call center at the time selling counterfeit U.S. stamps. Originally, they started placing telephone calls to U.S. residents using cellular telephones and calling cards from Carlos' apartment in San Jose, Costa Rica.

23. CW #1 and CW #2 stated that they used the materials left behind by MANGARELLA to open call center "AF" in San Jose, Costa Rica using the same fraudulent sweepstakes scheme in September 2004. CW #1 and CW #2 moved call center "AF" to a more desirable location in October 2004, and again in January 2005.

THE DEFENDANT

24. **STEFAN ZAVADSKY** is a Canadian citizen traveling on Passport Number VK****414.

25. CW #1 identified a photograph of **STEFAN ZAVADSKY** as the co-conspirator known as "**Stefan**" or "**Boris**" who worked for Giuseppe Pileggi (PILEGGI) and

Herman Kankrini (KANKRINI) in the fraudulent sweepstakes and telemarketing scheme. CW #1 stated that **STEFAN ZAVADSKY** was used by PILEGGI to intimidate others and to act as his bodyguard.

26. CW #1 stated that he met **STEFAN ZAVADSKY** about two years ago with PILEGGI and KANKRINI. CW #1 was informed by PILEGGI and KANKRINI that **STEFAN ZAVADSKY** was brought to Costa Rica from Canada to manage PILEGGI and KANKRINI's sweepstakes phone room and to answer their 800 lines within the office. CW #1 stated that the last time he saw **STEFAN ZAVADSKY** he was with PILEGGI and KANKRINI and they told CW #1 that **STEFAN ZAVADSKY** had just bought a new Harley for over \$20,000 and they paid half the cost of the motorcycle as a bonus for his good work in managing the room.

27. Travel records for **STEFAN ZAVADSKY** reveal trips between the United States, Canada, Amsterdam, and Costa Rica.


VICTIMS

28. On September 28, 2005, an investigator from the North Carolina Attorney General's office interviewed a resident of Boone, North Carolina ("Victim 1"). Victim 1 stated in substance that he first received a telephone call on November 11, 2004, from an individual claiming to be from a sweepstakes authority. The caller informed Victim 1 that he was the winner of a \$350,000 lottery prize, and was required to pay an insurance fee through Lloyd's of London's Costa Rican office to retrieve the prize. Victim 1 was directed to wire the fee via Western Union to "A. C." in Costa Rica. After

doing so Victim 1 was again contacted and informed of a mistake and told to send another \$1,225.00 in fees via Western Union to "F. O. V." A few days after wiring the money, Victim 1 was called by someone identifying himself as a "Customs Agent" by the name of "T. R." T.R. told Victim 1 that his prize money was in Costa Rica, and an additional insurance fee of \$1,750.00 had to be sent to co-conspirator Eric Brandon Shaw in Costa Rica. After each of the wire transfers, the callers contacted Victim 1 again to verify that he had sent the money and to obtain the Western Union confirmation number for the transaction. Each of the Western Union transactions initiated by Victim 1 were electronically routed and processed by Western Union in and through Charlotte, North Carolina prior to being sent to the final destination in Costa Rica.

29. During the course of this investigation, investigating agents have identified (and continue to identify) several hundred United States residents (victims) who have been telephonically contacted by the defendant and other known and unknown co-conspirators operating this sweepstakes scheme. To date a conservative estimate of \$10 - \$15 million has been lost by U.S residents to this sweepstakes scheme.

30. Based on the foregoing, your Affiant submits that there is probable cause to believe that evidence exists for violations of Title 18 United States Code, § 371 (Conspiracy) and §2326 (Telemarketing Enhancement) by defendant **STEFAN ZAVADSKY** and other known and unknown co-conspirators.



Jason M. Gialanella
Special Agent
U.S. Immigration and Customs Enforcement

Sworn and subscribed to before me

This 19th Day of July, 2006.



United States Magistrate Judge