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F. #2011R01958

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★ JUL 23 2019 ★

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
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LONG ISLAND OFFICE

UNITED STATES OF AMERICA

SUPERSEDING
INDICTMENT

- against -

LORRAINE CHALAVOUTIS,

Defendant.

Cr. No. 18-349 (S-1)(JS)(AKT)
(T. 18, U.S.C., §§ 981(a)(1)(C),
982(a)(1), 982(b)(1), 1028A(a)(1),
1028A(b), 1028A(c)(5), 1341, 1349,
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))

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THE GRAND JURY CHARGES:

INTRODUCTION

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

I. The Defendant, Her Co-Conspirators, and Their Shell Companies

1. The defendant LORRAINE CHALAVOUTIS, together with co-conspirators Tully Lovisa, Shaun Sullivan and 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. CHALAVOUTIS, Lovisa and Sullivan 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. Tully Lovisa and Shaun Sullivan ran the Direct-Mail Operation.

They paid the defendant LORRAINE CHALAVOUTIS, who worked primarily in Huntington, New York, to provide the Direct-Mail Operation with various important operational services from in or about December 2010 to in or about July 2016. As part of her duties, CHALAVOUTIS helped conceal the involvement of Lovisa and Sullivan by using straw owners – people whose names were listed in corporate records as the owners and presidents for the purpose of hiding the conspirators’ control of the companies – to form the Shell Companies and open accounts with banks and payment processors in the names of the Shell Companies with the straw owners as signators (the “Accounts”). CHALAVOUTIS controlled the Accounts, which she used to launder the money received from the victims, transferring the money from the Accounts to Lovisa, Sullivan and others involved in the Direct-Mail Operation, including herself.

II. The Fraudulent Prize-Promotion Mailings Scheme

A. The Fraudulent Mailings

3. As part of the Direct-Mail Operation, Tully Lovisa, Shaun Sullivan, and the defendant 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.

4. 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 no employees or business activities.

5. 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.

6. The mailings concealed the identities of the real senders and concealed that a federal court had ordered Tully Lovisa to stop his involvement with prize-promotion mailings as a result of a Federal Trade Commission ("FTC") enforcement action brought against him in 2010. The defendant LORRAINE CHALAVOUTIS 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.

7. 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 Tully Lovisa, Shaun Sullivan and the defendant LORRAINE CHALAVOUTIS, together with others, from individuals and corporations that sold consumer names for money.

8. 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.

9. 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. Victim Payments

10. As part of the Direct Mail Operation, Tully Lovisa, Shaun Sullivan, and the defendant 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.

11. Tully Lovisa, Shaun Sullivan, and the defendant 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 the Accounts controlled by CHALAVOUTIS.

12. As part of the scheme, each time the Victims sent money to the Direct-Mail Operation, Tully Lovisa, Shaun Sullivan and the defendant 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.

13. From approximately December 2010 to July 2016, the Direct-Mail Operation received more than \$30 million from the Victims. Tully Lovisa, Shaun Sullivan,

and the defendant 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 the promised large sums of money.

COUNT ONE
(Conspiracy to Commit Mail Fraud)

14. The allegations contained in paragraphs one through 13 are realleged and incorporated as if fully set forth in this paragraph.

15. 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 defendant 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 FIVE
(Mail Fraud)

16. The allegations contained in paragraphs one through 13 are realleged and incorporated as if fully set forth in this paragraph.

17. 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 defendant 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	November 2013	Addleshaw, Bird & Mitchell prize-promotion mailing sent by United States mail to victim L.J. in Brooklyn, New York
THREE	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
FOUR	February 2016	Anderson, Burges & Smith prize-promotion mailing sent by United States mail to victim S.H. in Riverhead, New York
FIVE	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 SIX
(Aggravated Identity Theft)

18. The allegations contained in paragraphs one through 13 are realleged and incorporated as if fully set forth in this paragraph.

19. On or about May 1, 2015, within the Eastern District of New York and elsewhere, the defendant LORRAINE CHALAVOUTIS, together with others, during and in relation to the crime charged in Count One, did knowingly and intentionally transfer, possess and use, without lawful authority, one or more means of identification of another person, to wit: Jane Doe, an individual whose identity is known to the Grand Jury, knowing that the means of identification belonged to another person.

(Title 18, United States Code, Sections 1028A(a)(1), 1028A(b), 1028A(c)(5), 2 and 3551 et seq.)

COUNT SEVEN
(Aggravated Identity Theft)

20. The allegations contained in paragraphs one through 13 are realleged and incorporated as if fully set forth in this paragraph.

21. On or about March 31, 2016, within the Eastern District of New York and elsewhere, the defendant LORRAINE CHALAVOUTIS, together with others, during and in relation to the crime charged in Count One, did knowingly and intentionally transfer, possess and use, without lawful authority, one or more means of identification of another

person, to wit: Jane Doe, knowing that the means of identification belonged to another person.

(Title 18, United States Code, Sections 1028A(a)(1), 1028A(b), 1028A(c)(5), 2 and 3551 et seq.)

COUNT EIGHT
(Conspiracy to Commit Money Laundering)

22. The allegations contained in paragraphs one through 13 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 defendant 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)

24. The allegations contained in paragraphs one through 13 are realleged and incorporated as if fully set forth in this paragraph.

25. 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 defendant 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.)

CRIMINAL FORFEITURE ALLEGATION
AS TO COUNTS ONE THROUGH FIVE

26. The United States hereby gives notice to the defendant that, upon her conviction of any of the offenses charged in Counts One through Five, 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.

27. 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 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant 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 AND NINE**

28. The United States hereby gives notice to the defendant that, upon her conviction of either of the offenses charged in Counts Eight and Nine, 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.

29. 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

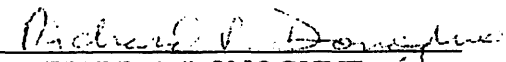
(e) has been commingled with other property which cannot be divided without difficulty;

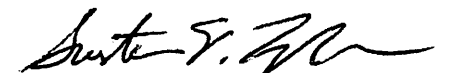
it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1), to seek forfeiture of any other property of the defendant up to the value of the forfeitable property described in this forfeiture allegation.

(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
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.

LORRAINE CHALAVOUTIS,

Defendants.

SUPERSEDING INDICTMENT

(T. 18, U.S.C., §§ 981(a)(1)(C), 982(a)(1), 982(b)(1), 1028A(a)(1), 1028A(b), 1028A(c)(5), 1341, 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

Patricia Jatorna

Foreperson

Filed in open court this _____ day.

of _____ A.D. 20 _____

Clerk

Bail, \$ _____

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