

EC:TF
F. #2004R01040

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

UNITED STATES OF AMERICA

I N D I C T M E N T

- against -

STEVEN INGRASSIA,
SLAVA VOLMAN,
NICHOLAS ANTONELLI,
JEFFREY BASSIN,
CARL CUNZIO,
JOHN FLANAGAN,
OTTO KOZAK,
ROBERT KOZAK and
PATRICK MCFADDEN,

Cr. No. _____
(T. 15, U.S.C.,
§§ 78j(b) and 78ff;
T. 18, U.S.C., §§
371, 982(a)(1), 982(b),
1956(h),
1956(a)(1)(A)(i),
1956(a)(1)(B)(i),
2 and 3551 et seq.)

Defendants.

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THE GRAND JURY CHARGES:

INTRODUCTION

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

I. The Brokerage Firm

1. Donald & Co. Securities Inc. ("Donald & Co.") was a broker-dealer of securities registered with the United States Securities and Exchange Commission ("SEC") and the National Association of Securities Dealers ("NASD"). Donald & Co.'s principal office was located in Tinton Falls, New Jersey.

2. In or about September 1998, the defendants STEVEN INGRASSIA and SLAVA VOLMAN, together with others with whom they had previously worked at another broker-dealer, joined Donald &

Co. Initially, the group worked in Donald & Co.'s branch office located in New York, New York.

3. In or about May 1999, the defendants STEVEN INGRASSIA and SLAVA VOLMAN, together with others, entered into a written agreement with Donald & Co. to open a branch office of the firm in Garden City, New York (the "Garden City Branch"). The Garden City Branch was located at 990 Stewart Avenue, Garden City, New York.

4. The Garden City Branch was subsequently registered with the NASD as an "office of supervisory jurisdiction," which permitted it to engage in public offerings and private placements of securities, and to act as a "market maker" in securities. A market maker facilitates trading in a security by setting price quotations and holding itself out as prepared to buy and sell certain quantities of the security for its own account. The Garden City Branch acted as a market maker in various securities. It also offered a variety of brokerage services to retail customers.

5. The defendants STEVEN INGRASSIA and SLAVA VOLMAN, together with others, contributed capital for the creation of the Garden City Branch, as well as for a proprietary trading account for the Garden City Branch in the name of Odyssey Capital LLC.

6. The Garden City Branch employed stock brokers, also referred to as "registered representatives," who purchased

and sold securities for the firm's customers. The branch also employed traders, who purchased and sold securities for the firm's own accounts and assisted the firm in making markets in securities. The defendants STEVEN INGRASSIA and SLAVA VOLMAN, together with others, managed the Garden City Branch, and they exercised supervisory responsibility over the branch's staff, including its registered representatives.

7. On or about July 24, 2002, Donald & Co. ceased operations because of insufficient capital, and the Garden City Branch was forced to cease operations.

II. The Defendants

A. Principals

8. The defendant STEVEN INGRASSIA was a registered representative at Donald & Co. from approximately September 1998 through July 2002. In addition, INGRASSIA was an undisclosed principal of the Garden City Branch.

9. The defendant SLAVA VOLMAN was a registered representative at Donald & Co. from approximately September 1998 through July 2002. In addition, VOLMAN was an undisclosed principal of the Garden City Branch.

B. Registered Representatives

10. The defendant NICHOLAS ANTONELLI was a registered representative at Donald & Co. from approximately October 2000 through July 2002.

11. The defendant JEFFREY BASSIN was a registered representative at Donald & Co. from approximately September 1998 through July 2002.

12. The defendant CARL CUNZIO was a registered representative at Donald & Co. from approximately October 2000 through July 2002.

13. The defendant JOHN FLANAGAN was a registered representative at Donald & Co. from approximately October 2001 through July 2002.

14. The defendant OTTO KOZAK was a registered representative at Donald & Co. from approximately February 1999 through December 2001.

15. The defendant ROBERT KOZAK was a registered representative at Donald & Co. from approximately February 1999 through December 2001.

16. The defendant PATRICK MCFADDEN was a registered representative at Donald & Co. from approximately January 2002 through May 2002.

III. The Fraudulent Scheme

17. From approximately May 1999 through July 2002, the defendants STEVEN INGRASSIA, SLAVA VOLMAN, NICHOLAS ANTONELLI, JEFFREY BASSIN, CARL CUNZIO, JOHN FLANAGAN, OTTO KOZAK, ROBERT KOZAK and PATRICK MCFADDEN, together with others, devised and carried out a scheme to manipulate the market price

of stocks that traded on the NASDAQ Small Capitalization stock market and Over-the-Counter Bulletin Board market ("NASDAQ OTC Bulletin Board"), and engaged in other deceptive sales practices with respect to retail customers.

18. The defendants STEVEN INGRASSIA and SLAVA VOLMAN, together with others, arranged for the Garden City Branch to acquire control over large blocks of stock and stock warrants of various companies (the "House Stocks") through, among other means, private placements, as compensation under consulting agreements, and through purchases in the open market.

19. The House Stocks included, among others, the following stocks:

a. Elec Communications ("Elec"), a telecommunications company whose main office was located in New Rochelle, New York. Elec's shares were registered with the SEC, and its stock was traded on the NASDAQ OTC Bulletin Board under the symbol "ELEC."

b. The Classica Group, Inc. ("Classica"), a company whose main office was located in Lakeland, New Jersey. Classica initially marketed itself as an importer and producer of specialty cheeses and Italian foods. It also marketed microwave technology purportedly capable of killing bacteria in food items. Classica's shares were registered with the SEC, and its stock was traded on the NASDAQ OTC Bulletin Board under the symbol "TCGI."

20. The defendants STEVEN INGRASSIA, SLAVA VOLMAN, NICHOLAS ANTONELLI, JEFFREY BASSIN, CARL CUNZIO, JOHN FLANAGAN, OTTO KOZAK, ROBERT KOZAK and PATRICK MCFADDEN, together with others, sought to inflate artificially and to maintain artificially the price of the House Stocks. The defendants, together with others, engaged in, and caused others to engage in, a number of manipulative and deceptive acts and practices, including, but not limited to (a) making materially false and fraudulent representations to retail clients in order to induce those clients to purchase House Stocks; (b) using high pressure and deceptive sales tactics; (c) making unauthorized trades in client accounts; (d) refusing to execute customer sale orders of House Stocks; (e) executing customer sale orders of House Stocks only if the sales could be "crossed," or matched with a purchase of the same stock by another client; and (f) paying and accepting excessive, undisclosed commissions and payoffs for inducing customers to purchase House Stocks.

21. None of these manipulative and deceptive acts and practices and unlawful sales techniques was disclosed to customers at the time of their purchases of House Stocks or thereafter because disclosure would have revealed the undesirability of the House Stocks and would have jeopardized the success of the fraudulent scheme.

IV. Laundering of Fraud Proceeds

22. The defendants STEVEN INGRASSIA, SLAVA VOLMAN, JEFFREY BASSIN, CARL CUNZIO, JOHN FLANAGAN, OTTO KOZAK and ROBERT KOZAK, together with others, laundered the proceeds of the securities fraud scheme with the intent to promote their fraudulent scheme and to conceal and disguise the nature, location, source, ownership and control of such proceeds.

23. The defendants STEVEN INGRASSIA and SLAVA VOLMAN, together with others, laundered money by accumulating profits from the fraudulent scheme in accounts in the name of Odyssey Capital, including accounts at Chase Manhattan Bank, and then using the profits to promote the fraudulent scheme by, for example, purchasing additional securities to sell to customers and hiring additional personnel to promote the securities.

24. The defendants STEVEN INGRASSIA, SLAVA VOLMAN, JEFFREY BASSIN, CARL CUNZIO, JOHN FLANAGAN, OTTO KOZAK and ROBERT KOZAK, together with others, also laundered money by accumulating profits from the fraudulent scheme in accounts at Donald & Co. in their own names and in the names of nominees, such as friends and relatives, and then transferring the proceeds in these accounts to other accounts.

COUNT ONE

(Conspiracy to Commit Securities Fraud)

25. The allegations contained in paragraphs 1 through 24 are repeated and incorporated as if fully set forth in this

paragraph.

26. In or about and between May 1999 and July 2002, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants STEVEN INGRASSIA, SLAVA VOLMAN, NICHOLAS ANTONELLI, JEFFREY BASSIN, CARL CUNZIO, JOHN FLANAGAN, OTTO KOZAK, ROBERT KOZAK and PATRICK MCFADDEN, together with others, did knowingly and willfully conspire to use and employ manipulative and deceptive devices and contrivances, directly and indirectly, in violation of Rule 10b-5 of the Rules and Regulations of the United States Securities and Exchange Commission (Title 17, Code of Federal Regulations, Section 240.10b-5), and, directly and indirectly, to (a) employ devices, schemes, and artifices to defraud; (b) make untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engage in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the investing public, in connection with purchases and sales of the House Stocks and other securities, and by use of the instrumentalities of interstate commerce and the mails, in violation of Title 15, United States Code, Sections 78j(b) and 78ff.

27. In furtherance of the conspiracy, and to effect its objectives, within the Eastern District of New York and

elsewhere, the defendants, together with their co-conspirators, committed and caused to be committed, among others, the following:

OVERT ACTS

_____ a. In or about May 1999, the defendants STEVEN INGRASSIA and SLAVA VOLMAN, together with others, executed an agreement with Donald & Co. to create the Garden City Branch.

b. On or about March 21, 2000, the defendant STEVEN INGRASSIA made false and misleading statements to a Donald & Co. customer concerning Classica's stock.

c. On or about April 14, 2000, the defendant JEFFREY BASSIN refused to execute an order to sell approximately 5,000 shares of Elec stock in the account of a Donald & Co. customer.

d. On or about July 14, 2000, the defendant ROBERT KOZAK made false and misleading statements to a Donald & Co. customer concerning Elec's stock.

_____ e. On or about June 8, 2001, the defendant NICHOLAS ANTONELLI made false and misleading statements to a Donald & Co. customer concerning Classica's stock.

f. On or about July 20, 2001, the defendant OTTO KOZAK made false and misleading statements to a Donald & Co. customer concerning Classica's stock.

g. On or about October 11, 2001, the defendant CARL CUNZIO made false and misleading statements to a Donald & Co. customer concerning Classica's stock.

h. On or about November 8, 2001, the defendant JOHN FLANAGAN caused a purchase of approximately 10,000 shares of Classica stock to be made in the account of a Donald & Co. customer.

i. On or about April 29, 2002, the defendant PATRICK McFADDEN caused a sale of approximately 10,000 shares of Classica stock to be made in the account of a Donald & Co. customer.

j. On or about June 11, 2002, the defendant SLAVA VOLMAN caused a purchase of approximately 1,000 shares of Classica stock to be made in the account of a Donald & Co. customer.

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

COUNT TWO
(Securities Fraud - Elec)

28. The allegations contained in paragraphs 1 through 24 and 27 are repeated and incorporated as if fully set forth in this paragraph.

29. In or about and between January 2000 and July 2002, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants STEVEN

INGRASSIA, SLAVA VOLMAN, NICHOLAS ANTONELLI, JEFFREY BASSIN, CARL CUNZIO, JOHN FLANAGAN, OTTO KOZAK, ROBERT KOZAK and PATRICK MCFADDEN, together with others, did knowingly and willfully use and employ manipulative and deceptive devices and contrivances, directly and indirectly, in violation of Rule 10b-5 of the Rules and Regulations of the United States Securities and Exchange Commission (Title 17, Code of Federal Regulations, Section 240.10b-5), in that the defendants, together with others, did knowingly and willfully, directly and indirectly, (a) employ devices, schemes, and artifices to defraud; (b) make untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engage in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the investing public, in connection with purchases and sales of the securities of Elec, and by use of the instrumentalities of interstate commerce and the mails.

(Title 15, United States Code, Sections 78j(b) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

COUNT THREE
(Securities Fraud - Classica)

30. The allegations contained in paragraphs 1 through 24 and 27 are repeated and incorporated as if fully set forth in this paragraph.

31. In or about and between January 2000 and July 2002, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants STEVEN INGRASSIA, SLAVA VOLMAN, NICHOLAS ANTONELLI, JEFFREY BASSIN, CARL CUNZIO, JOHN FLANAGAN, OTTO KOZAK, ROBERT KOZAK and PATRICK MCFADDEN, together with others, did knowingly and willfully use and employ manipulative and deceptive devices and contrivances, directly and indirectly, in violation of Rule 10b-5 of the Rules and Regulations of the United States Securities and Exchange Commission (Title 17, Code of Federal Regulations, Section 240.10b-5), in that the defendants, together with others, did knowingly and willfully, directly and indirectly, (a) employ devices, schemes, and artifices to defraud; (b) make untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engage in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the investing public, in connection with purchases and sales of the securities of Classica, and by use of the instrumentalities of interstate commerce and the mails.

(Title 15, United States Code, Sections 78j(b) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

COUNT FOUR
(Money Laundering Conspiracy)

32. The allegations contained in paragraphs 1 through 24, 26, 27, 29 and 31 are realleged and incorporated as if fully set forth in this paragraph.

33. In or about and between May 1999 and July 2002, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants STEVEN INGRASSIA, SLAVA VOLMAN, JEFFREY BASSIN, CARL CUNZIO, JOHN FLANAGAN, OTTO KOZAK and ROBERT KOZAK, together with others, did knowingly and intentionally conspire to conduct and attempt to conduct financial transactions affecting interstate and foreign commerce which in fact involved the proceeds of specified unlawful activity, to wit: securities fraud, knowing that the property involved in such financial transactions represented proceeds of some form of unlawful activity, (a) with the intent to promote the carrying on of the specified unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(A)(i), and (b) knowing that the transactions were designed in whole or in part to conceal and disguise the nature, location, source, ownership and control of such proceeds, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

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

COUNTS FIVE THROUGH THIRTEEN
(Money Laundering)

34. The allegations contained in paragraphs 1 through 24, 26, 27, 29 and 31 are realleged and incorporated as if fully set forth in this paragraph.

35. On or about the dates set forth below, within the Eastern District of New York and elsewhere, defendants STEVEN INGRASSIA and SLAVA VOLMAN, together with others, knowing that the property involved in financial transactions represented the proceeds of some form of unlawful activity, did knowingly and intentionally conduct and attempt to conduct financial transactions affecting interstate and foreign commerce which in fact involved the proceeds of specified unlawful activity, to wit, securities fraud, (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 such proceeds, in that the defendants transferred and caused to be transferred funds by check from Odyssey Capital's Chase Manhattan accounts in Carle Place, New York, in the approximate amounts listed below:

COUNT	DATE	AMOUNT	RECIPIENT BANK
5	1/3/00	\$200,000	Summit Bank
6	1/25/00	\$30,000	Fleet Bank
7	2/1/00	\$250,000	Fleet Bank

COUNT	DATE	AMOUNT	RECIPIENT BANK
8	3/21/00	\$63,000	Summit Bank
9	3/31/00	\$85,000	Summit Bank
10	4/11/00	\$250,000	Summit Bank
11	4/24/00	\$149,000	Summit Bank
12	6/20/00	\$115,000	Summit Bank
13	7/11/00	\$113,000	Summit Bank

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

FIRST CRIMINAL FORFEITURE ALLEGATION
(Counts One, Two and Three)

36. The allegations contained in paragraphs 1 through 24, 27, 27, 29 and 31 are realleged and incorporated as if fully set forth in this paragraph.

37. The United States hereby gives notice to the defendants charged in Counts One through Three that, upon their conviction of such the offenses, 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), of any property constituting or derived from proceeds obtained directly or indirectly as a result of such offenses.

38. 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 28, United States Code, Section 2461(c) to seek forfeiture of any other property of such defendant up to the value of the forfeitable property described in this forfeiture allegation.

(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)

SECOND CRIMINAL FORFEITURE ALLEGATION
(Counts Four through Thirteen)

39. The allegations contained in paragraphs 1 through 24, 26, 27, 29, 31, 33 and 35 are realleged and incorporated as if fully set forth in this paragraph.

40. The United States hereby gives notice to the defendants charged in Counts Four through Thirteen that, upon their conviction for such offenses, the government will seek forfeiture in accordance with Title 18, United States Code, Section 982, of all property involved in the offense 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 defendants' conviction of Counts Four through Twelve of this indictment.

41. 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), to seek forfeiture of any other property of such defendant(s) up to the value of the forfeitable property described in this forfeiture allegation, including, but not limited to, the following:

(a) all right, title and interest to the real property located at 9 Captain's Walk, Bayshore, New York, in the name of defendant STEVEN INGRASSIA;

(b) all right, title and interest to the Carver motorboat bearing Vehicle Identification Number CDRR4051C303, in the name of defendant STEVEN INGRASSIA.

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

A TRUE BILL

FOREPERSON

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