

FILED

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF ILLINOIS

DEC 17 2014

CLERK, U.S. DISTRICT COURT
SOUTHERN DISTRICT OF ILLINOIS
EAST ST. LOUIS OFFICE

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 vs.)
)
 WOLFGANG VALVODA,)
)
)
 Defendant.)

CRIMINAL NO. 14-30205-DRH
Title 18
United States Code,
Sections 1341 and 1349

INDICTMENT

THE GRAND JURY CHARGES:

1. Defendant **WOLFGANG VALVODA** ("**VALVODA**") did business and acted through Construct Data Publishers, a.s. ("Construct Data"), which also did business as Fair Guide, a foreign corporation with its principal place of business in Bratislava, Slovakia. **VALVODA** carried out the scheme to defraud described and charged in this indictment in concert with others including those employed by and associated with Construct Data.

The Scheme to Defraud

2. Since at least 2010 in the United States and since 2000 in Europe, **VALVODA**, acting in concert with others, using the business names Construct Data and Fair Guide, has engaged in a scheme to deceive businesses and nonprofit organizations in the United States and other countries to pay for unordered listings in an Internet directory. Those targeted by **VALVODA's** scheme include small retailers, home-based businesses, local associations, and a wide range of other entities (hereinafter "consumers") who have attended or plan to attend trade shows or exhibitions.

3. **VALVODA** caused Construct Data to send misleading mailings to targeted consumers, in the United States and elsewhere, with whom **VALVODA**, Construct Data, and Fair Guide had no preexisting relationship. Not only were there no preexisting relationships, there had been no previous contact as the mailings were not preceded by any type of telemarketing call or other attempt to sell listings in Construct Data's Internet directory, sometimes called "Fair Guide."

4. **VALVODA'S** and Construct Data's mailings were designed so that they appeared to have been sent by the organizers of the trade show or exhibition that the targeted consumer recently attended or registered to attend. The envelope specifically stated that its contents included trade show documents. Although **VALVODA** and Construct Data were based in Slovakia, the return address on the envelope was a mail drop in the United States, such as P.O. Box 4050, Naperville, IL 60567-9910.

5. Inside the envelope was a cover letter addressed to the consumer, a pre-printed form, and a business reply envelope addressed to the mail drop. In the upper right corner of the letter, under the heading "Current entry," the specific trade show or exhibition and its organizer which the consumer had attended or planned to attend was listed. The text below this stated that the consumer's "pre-registered data was listed under the above event," and that this data was "in the exhibitors directory" as shown on the enclosed form. The letter requested that the consumer "update" the listing shown on the form to ensure its accuracy, and warned of negative consequences if the listing contained errors.

6. The enclosed form instructed the consumer to confirm the accuracy of the directory listing shown by checking a box next to each part of the listing, or by correcting the information "right away in the spaces below!" The form then listed basic contact information

for the consumer such as company name, address, telephone number, and website address.

The form stated that this information "has been published to date for free under the following event," after which it listed the same trade show or exhibition referenced in the cover letter, and the entity that organized the event.

7. Having the appearance that it came directly from the organizers of the trade show or exhibition, Construct Data's form did not appear to be soliciting a contract from the consumer for new business from a nonaffiliated third party, but instead misleadingly suggested that the parties had a preexisting relationship. The form also misleadingly suggested that Construct Data's directory listing for the consumer was directly related to the consumer's participation in the trade show or exhibition listed on the form.

8. Only in fine print at the bottom of the form were consumers told that by signing and returning the form, they would be deemed to have agreed to pay "1717 USD," annually for three years, to place an "advertisement" in Construct Data's Internet directory, thus contradicting the essential message communicated by the mailing. Many consumers who received Construct Data's form did not see or read this fine print and believed from the remainder of the form that they were simply being asked to confirm and update their contact information for an existing listing related to the trade show or exhibition.

9. In numerous instances, consumers followed the form's instructions by updating their company information, believing that they were simply updating an existing directory listing, rather than agreeing to purchase an entirely new service from an unrelated third party company with which they had not previously done business. In many instances, the person who signed and returned Construct Data's form was not even authorized to enter into contracts or purchase services on the consumer's behalf.

10. Consumers who signed and returned Construct Data's form subsequently received an invoice from Construct Data seeking payment of \$1717 for the first year of the purported three-year contract. Construct Data's invoice typically arrived at least three weeks after the consumer signed and returned the form, long after Construct Data's ten-day cancellation policy had expired. The invoice directed the consumer to remit payment to Construct Data's account at Tatra Banka a.s., a Slovakian bank.

11. Upon receiving Construct Data's invoices, many consumers paid, mistakenly believing that Construct Data was the publisher of a directory with which the consumers had an existing relationship, or that Construct Data was affiliated with a trade show or exhibition the consumers had registered for or attended, or with the organizer of such an event.

12. In numerous instances, however, consumers realized that the invoice was for a new service they did not order and did not want. These consumers refused to pay the invoice and informed Construct Data in telephone calls or in writing that the listing was never ordered and should be canceled. In seeking to cancel, many consumers pointed out that they were misled to believe that they were updating an existing directory listing, and that Construct Data was affiliated with the trade show or exhibition listed on the form, or its organizer. Consumers believed that a directory listing on Construct Data's website had no value as advertising or for any other purpose, and therefore, consumers would not knowingly agree to purchase the directory listing.

13. Construct Data would respond by telling consumers that the order could not be canceled, as the ten-day cancellation period had expired. Construct Data also warned these consumers that by returning the form, they entered into a legally binding contract that Construct Data intended to enforce.

14. Consumers who persisted in refusing to pay received late payment notices and demand letters from Construct Data, some of which purported to be from the "Legal Department." Construct Data demanded payment of the original invoice plus increasing amounts of dunning fees and interest. Construct Data also threatened to initiate legal proceedings to enforce their contract. In some instances, consumers ended up paying Construct Data for the unordered listing simply to put an end to this harassment.

15. Defendant's scheme victimized at least 1,000 consumers in the United States. These United States consumers sent over \$2 million to Construct Data as a result of this scheme.

COUNT 1
Conspiracy to Commit Mail Fraud
18 U.S.C. § 1349

16. Paragraphs 1 through 15 are hereby re-alleged.

17. From in or around 2010 and continuing through on or about April 17, 2013, in Madison County and Richland County, each in the Southern District of Illinois, and elsewhere, the defendant,

WOLFGANG VALVODA,

together with others known and unknown, did unlawfully, willfully, and knowingly combine, conspire, confederate and agree among themselves to commit the offense of mail fraud in violation of Title 18, United States Code, Section 1341 by devising the scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses and representations described in this indictment, and for the purpose of executing and in order to effect the scheme, by knowingly causing to be sent and delivered by the United States Postal Service and by commercial interstate carrier, envelopes containing the fraudulent and deceptive pre-

printed form addressed to consumers, which form when signed and returned by consumers to the conspirators' mail drop was then used by the conspirators fraudulently to demand payments from the consumers; all in violation of Title 18, United States Code, Section 1349.

COUNT 2
Mail Fraud
18 U.S.C. § 1341

18. Paragraphs 1 through 15 are hereby re-alleged.

19. On or about February 27, 2012, in Madison County, in the Southern District of Illinois, the defendant,

WOLFGANG VALVODA,

acting in concert with others known and unknown, having devised the scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses and representations described in this indictment, for the purpose of executing the scheme, did knowingly cause to be sent and delivered to Victim A in East Alton, Illinois by the United States Postal Service an envelope containing a fraudulent and deceptive pre-printed form addressed to Victim A, which form was signed and returned by Victim A to the Construct Data mail drop and was then used by the defendant and his accomplices fraudulently to demand and obtain payment from Victim A in the amount of \$1827.57; all in violation of Title 18, United States Code, Section 1341.

COUNT 3
Mail Fraud
18 U.S.C. § 1341

20. Paragraphs 1 through 15 are hereby re-alleged.

21. On or about October ~~23~~, 2012, in Richland County, in the Southern District of Illinois, the defendant,

WOLFGANG VALVODA,

repackaging in concert with others known and unknown, having devised the scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses and representations as described in this indictment, for the purpose of executing the scheme, did knowingly cause to be sent and delivered to Victim B in Olney, Illinois by the United States Postal Service an envelope containing a fraudulent and deceptive pre-printed form addressed to Victim B, which form was signed and returned in the mail by Victim B to the Construct Data mail drop and was then used by the defendant and his accomplices fraudulently to demand payment from Victim B in the amount of not less than \$1717.00; all in violation of Title 18, United States Code, Section 1341.

A TRUE BILL


MICHAEL J. QUINLEY
Assistant United States Attorney


STEPHEN R. WIGGINTON
United States Attorney

Recommended Bond: Detention