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Internet Sports Bookmakers Plead Guilty; Will Forfeit $3.3 Million in Criminal Earnings

Madison, Wisconsin -- Grant C. Johnson, United States Attorney for the Western District of Wisconsin, announced today that Duane Pede, age 52, of Amherst Junction, Wisconsin, and Jeff D'Ambrosia, age 42, of Henderson, Nevada, pleaded guilty to gambling and tax charges in United States District Court in Madison. A foreign corporation, Gold Medal Sports, which operated on the Island of Curacao in the Dutch Netherland Antilles, also entered a guilty plea to racketeering and a criminal forfeiture count today.

The corporation has agreed to forfeit more than $3.3 million in criminal earnings, and Pede and D'Ambrosia will pay over $1.4 million in back taxes. The guilty pleas cap the initial phase of a three-year undercover and financial investigation into illegal offshore sports bookmaking and sports handicapping telemarketing services.

Pede and D'Ambrosia pleaded guilty to an information that charged both men with violating the Wire Wagering Act. The maximum penalty for this charge is two years in prison, a $250,000 fine, and a one-year term of supervised release. Pede and D'Ambrosia each pleaded guilty to filing a false 1998 federal income tax return. The maximum penalty for this offense is three years in prison, a $250,000 fine, and a three-year term of supervised release.

As part of the plea agreement, Pede and D'Ambrosia agreed to: (1) cooperate with authorities; (2) pay the maximum fine allowable under the U.S. Sentencing Guidelines; and (3) pay $1,429,565 in back taxes to the Internal Revenue Service.

Gold Medal Sports pleaded guilty to one count of racketeering and one count of criminal asset forfeiture. As part of the plea agreement, the corporation agreed to: (1) forfeit $3,336,087 in criminal earnings; and (2) publish a disclaimer in the USA Today regarding its lack of inside information in its sports handicapping services.

United States District Judge Barbara B. Crabb scheduled sentencing for the three defendants for February 26, 2002, at 1:00 pm.

According to the first information, Pede and D'Ambrosia were engaged in the business of wagering and sports betting through an entity called Gold Medal Sports Book, located in Curacao, N.V., from August 1996 to April 2000. Gold Medal Sports took sports wagers from customers in the United States over the telephone lines and the Internet. Pede and D'Ambrosia had Gold Medal Sports mail brochures to U.S. residents advertising its sports book services and soliciting U.S. residents to place sports wagers over the phone from the United States to Curacao. The publishing of these brochures was done by a publishing company also owned by Pede and D'Ambrosia.

The Gold Medal Sports advertising brochures would often be mailed out in conjunction with the mailing of information for one of the four handicapper services also owned and operated by Pede and D'Ambrosia → Jeff Allen Sports, Mike Wynn Sports, Razor Sharp Sports or Dan Pastorini Sports. All of these mailings came out of Stevens Point, Wisconsin.

The information alleges that Gold Medal Sports handled phone and Internet sports bets from U.S. customers in excess of $33,000,000 for 1996, $167,000,000 for 1997, $119,000,000 for 1998, $78,000,000 in 1999, and $5,700,000 in the first quarter of 2000. The information specifically alleges that on October 27, 1999, an Internal Revenue Service, Criminal Investigation Division (IRS-CID) undercover agent placed a sports wager over the phone from Beloit, Wisconsin to Gold Medal Sports in Curacao, for $1,000 on the Green Bay Packers to beat the Seattle Seahawks by more than five points on Monday Night Football on November 1, 1999. This violates the Wire Wagering Act, which makes it a felony to operate a gambling business and accept sports wagers over the phone lines or Internet from customers in the United States.

The information also charges both defendants with filing a false 1998 federal income tax return. According to the information, the returns were false because the defendants failed to inform the Internal Revenue Service that they had foreign bank accounts.

The second information charges Pede and D'Ambrosia's company, Gold Medal Sports, with gambling, money laundering, mail fraud and racketeering. According to the second information, Gold Medal Sports through its majority stock owners, Duane Pede and Jeff D'Ambrosia, conducted the affairs of a racketeering enterprise using a combination of foreign and domestic corporations all of which were owned and controlled, in part, by Pede and D'Ambrosia.

The information alleges that Pede and D'Ambrosia owned Sports Spectrum LLC, which was a limited liability corporation made up of two companies → NSN Inc and The Scoreboard Inc. D'Ambrosia was the majority stockholder of NSN, Inc. Pede was the controlling owner of The Scoreboard, Inc. According to the information, Sports Spectrum was incorporated on July 20, 1995, and had offices located in Las Vegas, Nevada (where D'Ambrosia worked) and Nelsonville, Wisconsin (where Pede worked). Sports Spectrum LLC was engaged in a variety of operations including: (1) providing up-to-the-minute betting lines for sporting events over the phone for a fee; (2) providing up-to-the-minute scores on sporting events over the phone for a fee; (3) selling guaranteed winning picks on sporting events over the phone for a fee using one of four handicapper services called Jeff Allen Sports, Mike Wynn Sports, Razor Sharp Sports, and Dan Pastorini Sports; (4) sports betting and online casino gambling through one of two sports

books → Gold Medal Sports and Seven Palms Casino; and (5) providing access to the Internet through a company called Sports Spectrum Internet Services.

The second information further alleged that the racketeering enterprise supported and promoted the illegal activities of Gold Medal Sports by 1) combining the direct mailing program of the handicapping services with Gold Medal mailings; 2) using their publishing company to do all the print and mail work for all of the related entities; 3) having Sports Spectrum telemarketers refer handicapping customers to Gold Medal for betting; and 4) sharing accounting staff, computer staff, database support staff, and managers.

According to the second information, the gambling charges stem from Wire Wagering Act violations dealing with sports bets placed by undercover IRS-CID agents over the phone and Internet in Wisconsin with Gold Medal Sports in Curacao. The money laundering charges stem from twenty-one identified wire transfers or check disbursements, made in excess of $10,000, with Gold Medal betting funds. The identified money laundering transactions total in excess of $3,200,000 over a three-year time span.

The final set of charges in the second information relate to mail fraud counts. According to the information, Pede and D'Ambrosia's company, Sports Spectrum, solicited customers through false advertising to call one of four sports handicapper services (Jeff Allen Sports, Mike Wynn Sports, Razor Sharp Sports, and Dan Pastorini Sports) for the purpose of receiving "guaranteed" winning picks on upcoming sporting events. Once a customer called one of the four handicapper services, phone salesmen or "touters" would make and use false pretenses, statements and representations in an attempt to sell weekly or monthly "winning" pick packages to the customer.

According to the second information, of the four sports handicapper services operated by Sports Spectrum, two of them were totally fictitious, that is, sports handicappers Mike Wynn and Sam Sharp were not real persons. The ultimate picks for Mike Wynn and Sam Sharp were decided by Duane Pede or Jeff D'Ambrosia. Further, the second information alleges that sports handicapping service Dan Pastorini Sports was a front. Dan Pastorini was paid by Sports Spectrum to pose for pictures and make some radio appearances. Pastorini was not involved in any sports handicapping whatsoever, and did not make any of the picks or obtain any of the information attributable to him in the advertising and phone scripts. Jeff D'Ambrosia made the picks for Dan Pastorini Sports.

The second information alleged that Sports Spectrum engaged in false, deceptive and misleading advertising to customers by engaging in a direct mailing program that included letters and brochures from the four sports handicapping services. The direct mailing program also included mailing out game schedule/scoring booklets that contained advertisements for the four sports handicapping services. These letters and ads in the schedule/scoring booklets contained false, deceptive and misleading information in that: (1) they depicted fictitious people (Mike Wynn and Sam Sharp) and attributed to these people equally fictitious backgrounds, histories, and information obtained from inside sources; (2) they falsely depicted Dan Pastorini as a source of information for winning picks because of his network of contacts in the NFL and sporting world; and (3) they falsely claimed that Wynn, Sharp and Pastorini had "inside information," "inside contacts," "contacts at the stadium," "confirmed unpublished injury information," "direct from

the locker room information" "privileged team information," and that "my crew of scouts has relayed pertinent information," which allowed them to make "guaranteed" winning picks on upcoming sporting events.

The second information further alleged that as part of the direct mailing program, copies of brochures for Gold Medal Sports were included in solicitation letters or scoring booklets. On other occasions, Gold Medal Sports used the Sports Spectrum mailing list to send brochures directly to Sports Spectrum customers in Gold Medal Sports envelopes. These brochures advertised how to set up an account at Gold Medal Sports, the toll-free phone number to call, how to send in money, the minimum and maximum bet amounts, the betting rules and regulations, the types of acceptable bets and timing of those bets, and how to get winnings back without reports being filed with any government institutions.

Michael Chertoff, Assistant Attorney General for the Criminal Division, United States Department of Justice, said, "This prosecution reflects the Justice Department's continued commitment to vigorously investigate and prosecute illegal offshore sports betting operations. Those individuals that continue to target bettors in the United States to place wagers over the phone or internet will be pursued to the fullest extent under the law."

United States Attorney Johnson commented that "The Department of Justice has a history of aggressively prosecuting these types of cases."

The first such prosecution occurred in 1998 in the Southern District of New York with a case against Jay Cohen, part-owner of World Sports Exchange, who operated an offshore sports book in Antigua. A jury convicted Cohen of violating the Wire Wagering Act in February 1999. The conviction was affirmed by the Second Circuit Court of Appeals on July 31, 2001.

In January 2000, federal prosecutors in St. Louis, Missouri charged Marc Meghrouni and Scott Shaver, owners of Paradise Casino, who operated an offshore sports book in Curacao, with violating the Wire Wagering Act, as well as tax fraud. Additionally, Paradise Casino was charged with money laundering relating to the spending of betting funds in the United States. Meghrouni, Shaver and Paradise pled guilty to all of the charges and agreed to forfeit a one million dollar condominium, and a 1995 Lamborghini.

United States Attorney Johnson also said that "Bettors need to know it is against the law to place sports bets with offshore sports books."

Johnson praised the combined efforts of four law enforcement agencies in working together to make the case. The charges against Pede, D'Ambrosia and Gold Medal were the result of an investigation conducted by agents with the Internal Revenue Service, Criminal Investigation Division; United States Postal Inspection Service; the Federal Bureau of Investigation; and the State of Wisconsin Department of Justice, Division of Criminal Investigation, Gaming Enforcement Bureau.

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