

[Affidavit 3-1-05]

**AFFIDAVIT OF INVESTIGATOR
BARBARA A. BLAKE**

Polk County)
) **ss:**
State of Iowa)

I, Barbara A. Blake, being duly sworn on oath, state as follows:

1. I am an investigator in the Consumer Protection Division of the Office of the Iowa Attorney General, and I have served in that capacity since 1990. Telemarketing fraud and deceptive prize mailings have been areas of major concentration during my tenure as a Consumer Protection Investigator, and I have received training relating to these subject areas from state and federal law enforcement agencies on numerous occasions.

2. In the last few years, most of the worst telemarketing fraud has been directed to U.S. residents from other countries, particularly Canada. These schemes have included prize-related frauds and advance-fee credit scams. In the typical prize-related telemarketing fraud, victims are deceived into believing they won large cash prizes to induce them to wire large sums of money to get the prize released to them. In the typical advance-fee credit telemarketing scheme, people with poor credit are told they can obtain a credit card or loan for an advance fee; such an advance fee is barred by state and federal law,¹ and in any event the promised credit card or loan is never provided after the illegal fee is paid.

3. There are major challenges involved in trying to obtain refunds, injunctive relief, or other remedies against telemarketing fraud boilerrooms outside U.S. borders. However, fraudulent telemarketers in other countries often rely upon the cooperation or active

¹ Iowa Code §§ 535C.2A & 714.16(2)(f), and 16 CFR Part 310.

participation of various U.S.-based businesses. For example, such telemarketers may depend upon U.S. businesses to assist in locating or communicating with potential victims, or transacting money transfers.

4. The Consumer Protection Division attempts to combat fraudulent telemarketers in other countries by depriving them of the supportive U.S.-based infrastructure they need to operate effectively. This approach is reflected in the Federal Trade Commission's Telemarketing Sales Rule ("TSR"), which prohibits a person from providing substantial assistance or support to a telemarketer when that person knows or consciously avoids knowing that the telemarketer is engaging in certain deceptive or abusive practices. (*See* 16 CFR Part 310 et seq.)

5. As part of this effort to address those who improperly facilitate telemarketing fraud, the Consumer Protection Division has investigated segments of the list management and brokering industry ("list industry"). The list industry involves the compilation, rental and sale of lists of names and other information regarding potential customers.

6. In November of 2003 our office was alerted to the fact that a large volume of suspicious mail (then approximately 12,000 letters) was accumulating at a commercial mail box in Clive, Iowa. Our office, in cooperation with the United States Postal Inspection Service, investigated and determined that Richard Panas of South Carolina had arranged for the mail drop. Panas, acting through his list-handling businesses RP Associates and Leisure International, had sent out a massive volume of mail solicitations to consumers in the U.S. and Canada, using the Clive mail box as the address to which the consumers were asked to respond. The Attorney General ultimately determined: that the solicitations were deceptive attempts to induce the predominantly elderly recipients to send a check for between \$10.00 and \$20.00 in pursuit of a sweepstake prize; that the solicitations were used to compile a valuable list of consumers

susceptible to virtually any prize-related marketing scheme; and that some consumers who had responded to such mail solicitations from Panas were later contacted by fraudulent telemarketers from Canada using the same promotional name that appeared on the earlier Panas mailing (e.g., "American Direct") and were cheated out of large sums of money.

7. In December 2003 the Attorney General obtained a court order impounding the mail at the Clive mail drop Panas had arranged. This action was followed by a consumer fraud lawsuit against Panas and his list businesses in February of 2004, which was in turn followed by an April 2004 consent judgment enjoining Panas and his businesses from further mailing and/or list-building efforts directed to or involving Iowans. (Iowa District Court for Polk County, No. CE 47852). The judgment also required Panas to pay \$75,000.00 to the State of Iowa (no consumer refunds were ordered, because all of the consumer letters containing checks had been successfully intercepted and returned to the consumers).

8. Walter Karl, Inc. and Walter Karl Interactive (together, "Walter Karl") became the focus of a Civil Investigative Demand as a result of the Consumer Protection Division's efforts to track down the source of fraudulent-appearing prize mailings received by an elderly Iowan in late 2003 and early 2004. The 80 year old consumer was receiving a significant volume of mailings like the two attached to this Affidavit as Attachments 1 and 2. I recognized these mailings as screening mailings used to locate individuals vulnerable to prize-oriented schemes, particularly telemarketing schemes.

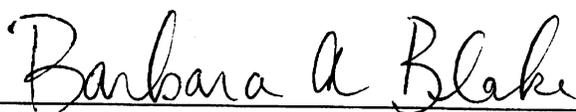
9. The mailings attached as Attachments 1 and 2 are examples of sweepstakes mailings that our investigation traced to Granite Wholesalers and Skypoint, entities believed to be located in Australia and Canada. When I entered "Granite Wholesalers" into an Internet search engine one of the links was the website of Walter Karl, a major U.S. list broker. The

website advertised a Granite Wholesalers list of 118,966 names characterized as "avid sweepstakes players." When I entered "Skypoint" into an Internet search engine one of the links was to Walter Karl's website. The website advertised a Skypoint list of 108,894 names characterized as "sweepstakes enthusiasts."

10. I then examined other list offerings on Walter Karl's website, and found lists being advertised with the following descriptions, among others:

- "cash hungry individuals"
- "hard core sweeps fanatics"
- "opportunity seekers who aspire to hit it BIG in sweepstakes"
- "hot prospects for any promotional mailing"
- "sweepstakes contestants ...over the age of 40, with household income of approximately \$25,000 ... RECOMMENDED ... [for] all promotional telemarketing offers"
- "highly responsive promotional buyers from a sweepstakes offer with a \$100,000 grand prize"
- "credit seeking individuals ... looking ... for ways to regain a good credit standing"
- "impulsive buyers ... primarily mature"
- "highly impulsive consumers ... sure to respond to all of your low-end offers"
- "highly motivated and eager for good fortune to come their way."

11. I have read the Application To Enforce in this matter, have investigated the facts alleged in paragraphs 1 through 9, and I believe such statements of fact to be true.



BARBARA A. BLAKE
Investigator, Consumer Protection Division

Signed and sworn to before the undersigned Notary Public by Barbara A. Blake on this
1st day of March, 2005.



Janice M. Bloes
Notary Public in and for the
State of Iowa

FINAL NOTICE: PORTFOLIO TRANSFER PROCESS

ATTN: //MR HUGHES [REDACTED]

The total established and confirmed amount is ***\$875,000.00*** - and the name of MR HUGHES [REDACTED] appears on file. Financial and Entry Procedures ready for dispatch. {More Titlements Noted on Actual Report}

| ENTRY ELIGIBILITY FOR FULL AWARD | \$- CLASS -\$ | PAYMENT | POSITION |
|----------------------------------|---------------|----------|----------|
| MR HUGHES [REDACTED] | \$<15,000> | VERIFIED | ACTIVE |
| MR HUGHES [REDACTED] | \$<25,000> | VERIFIED | ACTIVE |
| MR HUGHES [REDACTED] | \$<35,000> | VERIFIED | ACTIVE |
| MR HUGHES [REDACTED] | \$<18,000> | VERIFIED | ACTIVE |
| MR HUGHES [REDACTED] | \$<55,000> | VERIFIED | ACTIVE |
| MR HUGHES [REDACTED] | \$<35,000> | VERIFIED | ACTIVE |
| MR HUGHES [REDACTED] | \$<30,000> | VERIFIED | ACTIVE |
| MR HUGHES [REDACTED] | \$<10,000> | VERIFIED | ACTIVE |
| MR HUGHES [REDACTED] | \$<45,000> | VERIFIED | ACTIVE |
| MR HUGHES [REDACTED] | \$<12,000> | VERIFIED | ACTIVE |
| MR HUGHES [REDACTED] | \$<50,000> | VERIFIED | ACTIVE |

ATTN: //MR HUGHES [REDACTED]



AFTER RESEARCHING MASS AMOUNTS OF DATA, WE ARE MAKING IT KNOWN TO YOU, THAT YOU ARE ELIGIBLE FOR ENTRY FOR THE FOLLOWING AWARDS AND CASH PAYMENTS, TOTALING MORE THAN \$875,000.00 IN REPORT. LET IT BE A MATTER OF RECORD, THE FOLLOWING ENTRY PROCEDURAL INFORMATION CAN BE EXPEDITED TO YOU WITH THE TOTAL DISCLOSURE OF MONIES AND PRIZES LISTED.

IT IS NOW YOUR RIGHT TO HAVE COMPLETE ENTRY PROCEDURES REPORT FOR THE FULL AMOUNT. FURTHERMORE, IT IS PERMISSIBLE TO HAVE YOUR NAME VISIBLY PLACED IN PROPER SEQUENCE. NOTE: MR HUGHES [REDACTED] YOU ARE ELIGIBLE FOR ENTRY OF REPORTED AWARDS. VIEW ON PRIZE PRINTOUT, MORE ELIGIBLE AWARDS ON FILE IN ACTUAL REPORT PLEASE ACT IMMEDIATELY, COMPLETE THE RESPONSE FORM ON PAGE TWO OF THESE DOCUMENTS.

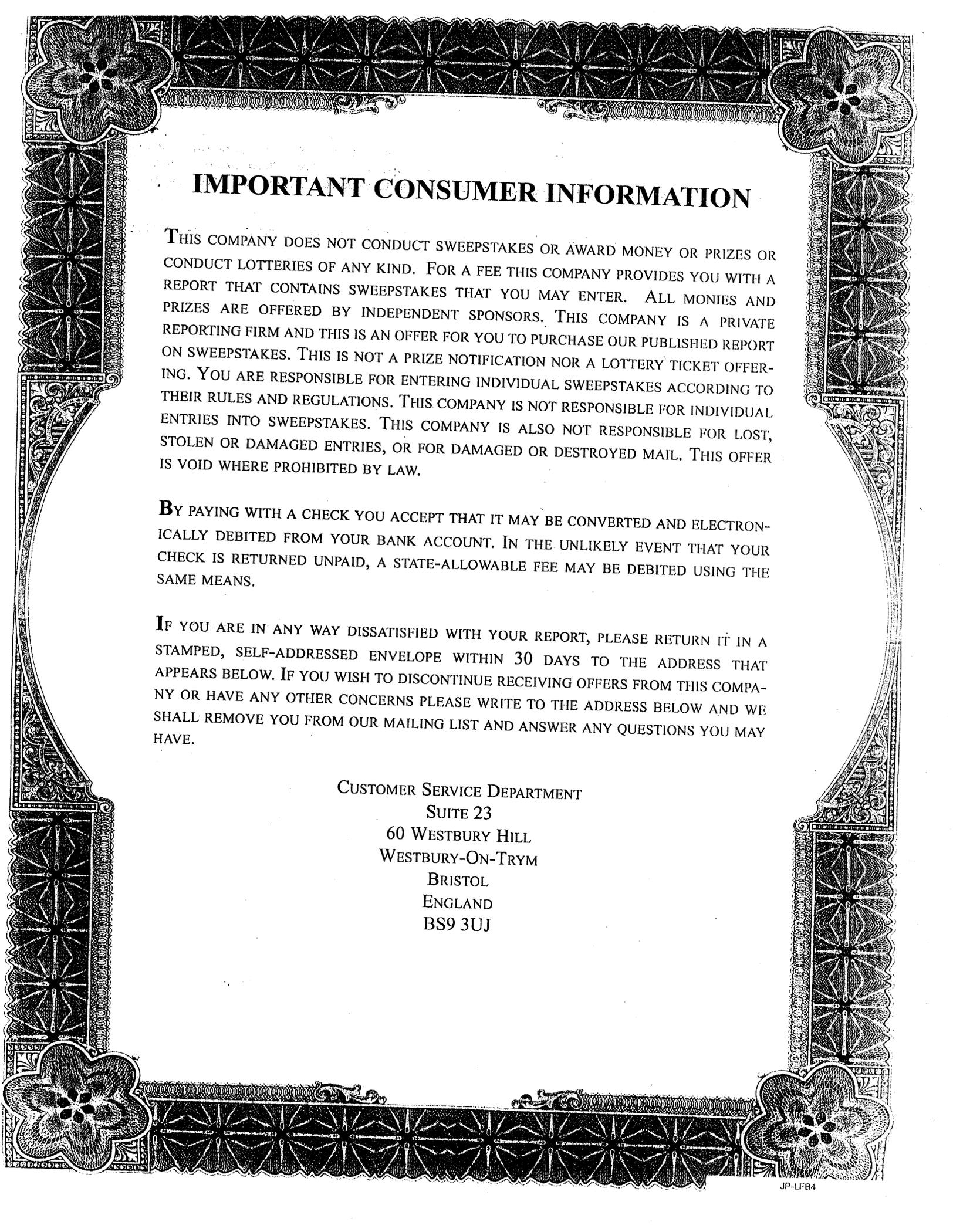
AUTHORIZED // >PRINTOUT

NON-TRANSFERABLE DOCUMENTS/ RECEIVER FINAL NOTICE:

0557386695 B3HJE
MR HUGHES [REDACTED]
22632 [REDACTED] AVE
[REDACTED], IA [REDACTED]-8691



Determination/ P.T.P.



IMPORTANT CONSUMER INFORMATION

THIS COMPANY DOES NOT CONDUCT SWEEPSTAKES OR AWARD MONEY OR PRIZES OR CONDUCT LOTTERIES OF ANY KIND. FOR A FEE THIS COMPANY PROVIDES YOU WITH A REPORT THAT CONTAINS SWEEPSTAKES THAT YOU MAY ENTER. ALL MONIES AND PRIZES ARE OFFERED BY INDEPENDENT SPONSORS. THIS COMPANY IS A PRIVATE REPORTING FIRM AND THIS IS AN OFFER FOR YOU TO PURCHASE OUR PUBLISHED REPORT ON SWEEPSTAKES. THIS IS NOT A PRIZE NOTIFICATION NOR A LOTTERY TICKET OFFERING. YOU ARE RESPONSIBLE FOR ENTERING INDIVIDUAL SWEEPSTAKES ACCORDING TO THEIR RULES AND REGULATIONS. THIS COMPANY IS NOT RESPONSIBLE FOR INDIVIDUAL ENTRIES INTO SWEEPSTAKES. THIS COMPANY IS ALSO NOT RESPONSIBLE FOR LOST, STOLEN OR DAMAGED ENTRIES, OR FOR DAMAGED OR DESTROYED MAIL. THIS OFFER IS VOID WHERE PROHIBITED BY LAW.

BY PAYING WITH A CHECK YOU ACCEPT THAT IT MAY BE CONVERTED AND ELECTRONICALLY DEBITED FROM YOUR BANK ACCOUNT. IN THE UNLIKELY EVENT THAT YOUR CHECK IS RETURNED UNPAID, A STATE-ALLOWABLE FEE MAY BE DEBITED USING THE SAME MEANS.

IF YOU ARE IN ANY WAY DISSATISFIED WITH YOUR REPORT, PLEASE RETURN IT IN A STAMPED, SELF-ADDRESSED ENVELOPE WITHIN 30 DAYS TO THE ADDRESS THAT APPEARS BELOW. IF YOU WISH TO DISCONTINUE RECEIVING OFFERS FROM THIS COMPANY OR HAVE ANY OTHER CONCERNS PLEASE WRITE TO THE ADDRESS BELOW AND WE SHALL REMOVE YOU FROM OUR MAILING LIST AND ANSWER ANY QUESTIONS YOU MAY HAVE.

CUSTOMER SERVICE DEPARTMENT
SUITE 23
60 WESTBURY HILL
WESTBURY-ON-TRYM
BRISTOL
ENGLAND
BS9 3UJ

Our Offices have confirmed that you, MR HUGHES [REDACTED], are cleared for full receipt of Entry Report Procedures regarding the total value on report. ***\$875,000.00*** But be aware that you cannot collect any monies or prizes without adherence to required Entry Procedures as defined by independent sponsor of each sweepstakes. P.T.P. is a complier of Sweepstakes entry procedures and does not conduct or operate any sweepstakes. P.T.P. will therefore provide you with the necessary report of participation information and requirements for the verified and confirmed Amount of \$875,000.00 win value opportunity as filed in report. (NOTE: This Amount can be reduced if Prize Payouts reported are rewarded to other participants prior to your response entry.)

Heres what you must do to substantiate your name as verified, for report of win value \\\ \$875,000.00 USD.

1. Complete form below for complete Report and Entry Procedures.
2. Send this form with issuance fee immediately to: P.T.P. - USE SECURITY ENVELOPE ENCLOSED

Act Now!. We at P.T.P. do not want to see you miss out on any monies or prizes which you are eligible to acquire through necessary reported information.

ACTION REQUESTED IMMEDIATELY!!!!

ATTN: //MR HUGHES [REDACTED]

FINAL ///

PLEASE FORWARD IMMEDIATELY!



Director of Determination/
P.T.P.



FINAL NOTICE: PORTFOLIO TRANSFER CERTIFICATE

0000-2SK

PLEASE SEND ME MY VERIFIED \$875,000.00 WIN VALUE OPPORTUNITY AS FILED IN PORTFOLIO. I HAVE ENCLOSED THE REQUIRED TRANSFER FEE OF \$24.99 FOR SAFE DELIVERY OF ALL MY PROCEDURAL DOCUMENTATION ON THE \$875,000.00 WIN SLATED. PLEASE MAKE ALL CHECKS OR MONEY ORDERS PAYABLE TO: PORTFOLIO TRANSFER PROCESS. SUITE 4, 14 CLIFTON DOWN ROAD, CLIFTON VILLAGE, BRISTOL BS8 4BS, UNITED KINGDOM

I HAVE INCLUDED MY TRANSFER FEE AND PAID BY THE FOLLOWING METHOD:

- CASH
- CHECK
- MONEY ORDER

PLEASE FORWARD IMMEDIATELY!

REQUIRED FEE SHOULD BE MADE PAYABLE TO: PORTFOLIO TRANSFER PROCESS (P.T.P.)

0557386695 B3HJE
MR HUGHES [REDACTED]
22632 [REDACTED] AVE
[REDACTED], IA [REDACTED]-8691

Please Sign Here: MR HUGHES [REDACTED]

AMERICAN LIFE REPORTS

DIRECT SWEEPSTAKES REPORT RELEASE

DATE ISSUED: 026

December 5, 2003

AUTHORIZED RELEASE TO THE ORDER OF:

MR HUGHES

REPORTED AMOUNT SLATED:

1,995,550.00

One Million Nine Hundred Ninety-Five Thousand Five Hundred

NON-NEGOTIABLE



DATED POST DISPATCH > RELEASE REPORT:

0559570684 C3HJC

MR HUGHES

22632 AVE

, IA 52801-8691



001 4159 32267999 0000000000000000AF

PER

Amel

AMERICAN LIFE REPORTS

FORM 000000

PLEASE READ ON RECEIPT. IMPORTANT

THIS IS A SECURE DISPATCH

Dear HUGHES

WITHOUT DELAY. Please read this communication completely. This is an authorized secure dispatch for Report opportunity.

You are being notified today by American Life Reports where under specific dispatch this secure mail letter was confirmed and released as verified on <December 5, 2003> at <9:24 am>. Please Continue...

This Secure Dispatch has been sent via United States Postal Service in a secure envelope, Issued To-You in reference to an Authorized and Verified Report of entry procedures with the aggregate of \$1,995,550.00 - \$ ONE MILLION NINE HUNDRED NINETY-FIVE THOUSAND FIVE HUNDRED AND FIFTY DOLLARS TOTAL IN U.S. CASH AND PRIZES. MR HUGHES, This is confirmed for your Win Opportunity.

Please Do Not Delay on this Matter. REPEAT: DO NOT DELAY. INSTANT Processing will occur immediately once we have received your authorization notice. This must be formalized quickly and without delay, deadlines in effect, responses received after such deadlines will not be eligible.

Please be assured that the full amount of your reported Win Opportunity has been verified and confirmed. The Report is listed as... and will be held and allotted in Report for you, your reference analog... (be held down for personal files) American Life Reports duly request... (please complete the form on the next page, a complete print... regarding the details of \$1,995,550.00 - \$ ONE MILLION NINE HUNDRED NINETY-FIVE THOUSAND FIVE HUNDRED AND FIFTY DOLLARS TOTAL. MR HUGHES, this...)

American Life Reports is... a private and non-governmental data processing service. We are a private and non-governmental data processing service. Opportunities for you, which are... entry procedures and Win PRIZES***. All PRIZES are to be paid... 1,995,550.00 U.S.-**CASH & American Life Reports does not... sweepstakes sponsors, as prizes only.

PLEASE PROCEED TO THE AUTHORIZED FORM OF RELEASE LOCATED ON PAGE 2 OF THIS LETTER DOCUMENT. MR HUGHES Please complete and return the form at once as this is a Time Sensitive and Non-Transferable Document. Once our offices receive your authorization form your Win determination >Totalling Over \$1.9 MILLION DOLLARS< Report of entry procedure will be released immediately.

We are anxiously awaiting your response. Please accept our best regards on this matter, and please be reminded that we cannot proceed without your completed authorization form and required issuance fee.

Dated And Acknowledged

O.K



Amel

Director of American Life Reports

THIS IS A SECURE DISPATCH

IMPORTANT CONSUMER INFORMATION

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CUSTOMER SERVICE DEPARTMENT
SUITE 23
60 WESTBURY HILL
WESTBURY-ON-TRYM
BRISTOL
ENGLAND
BS9 3UJ

VERIFIED IN FULL REPORT FOR:

THIS IS A SECURE DISPATCH
ISSUED BY THE OFFICE OF DETERMINATION:

MR HUGHES [REDACTED]
22632 [REDACTED] AVE
[REDACTED], IA [REDACTED]-8691

3044 Bloor St. W. Suite 1280
Toronto ON M8X 2Y8
CANADA

PLEASE COMPLETE IN-FULL. <IMPORTANT> SECURE DISPATCH ONLY CASH AND PRIZES GUARANTEED

Receiver Name
MR HUGHES [REDACTED]
ID Number Filed
0559570684 C3HJC

Amount in Full For Eligible Sweepstakes Entries Listed in Report Confirmed
***** \$1,995,550.00 *****

Response Requested Within
7 Days

Delivery By
HAND DELIVERY

Ansel

FORM 777 000 WN ALR

NUMBER FILED:

048 331

KEEP DOCUMENTS SECURE

Executive Director, AMERICAN LIFE REPORTS



DISPATCH FROM: AMERICAN LIFE REPORTS
REQUESTED: AMERICAN LIFE REPORTS
FOR YOUR NAME AND ADDRESS
22632 [REDACTED] AVE, [REDACTED], IA [REDACTED]-8691
ADDRESS RESIDING AT PLEASE VERIFY BELOW

AUTHORIZATION FORM BELOW
MR HUGHES [REDACTED]

AMERICAN LIFE REPORTS

As Identified for Record on this Day and Date

December 5, 2003

AMERICAN LIFE REPORTS
HAVE THE PLEASURE OF CONTACTING

MR HUGHES [REDACTED]
22632 [REDACTED] AVE
[REDACTED], IA [REDACTED]-8691

LETTER OF FORMAL DELIVERY
AS AUTHORIZED BY DIRECTIVE OF

RELEASE & ISSUANCE FORM

COMPLETE THIS SECTION TO RECEIVE AMERICAN LIFE REPORTS OF SWEEPSTAKES
DESIGNATED FOR EVERY POTENTIAL CASH AND PRIZE AVAILABLE TO BE WON

| IDENTIFIED | CONFIRMED PRIZE OPPORTUNITIES AMOUNT | RESPONSE REQUESTED ON OR BEFORE | INTERNAL KEY |
|----------------------|--------------------------------------|---------------------------------|--------------|
| MR HUGHES [REDACTED] | \$1,995,550.00 | 7 DAYS | A.L.R. |

DISPATCH ORGANIZATION name, address, city, state and ZIP code
3044 Bloor St. W. Suite 1280
Toronto ON M8X 2Y8
CANADA

DAY: **<Thursday>** TIME: **3:30 P.M.>** Receiver IDENTIFICATION/File Number: **0559570684 C3HJC**

Attention: MR HUGHES [REDACTED]

Regarding this announcement concerning the report of sweepstakes verified available for your entry and confirming the combined GRAND TOTAL amount of EVERY potential award to be won at ***\$1,995,550.00*** (ONE Million, NINE-Hundred NINETY-FIVE Thousand, FIVE-Hundred and FIFTY U.S. Dollars.) in identified ***CASH AND PRIZES*** our offices hereby request your reply by mail

MR HUGHES [REDACTED]
Note: Please enclose the administrative fee of \$19.99 (Made Payable to A.L.R.) required for this report and delivery services to you. Make sure to correct any errors to your name and/or address below to verify delivery accuracy and identification. Please do not delay this conveyance as time sensitive. A.S.C. Offices are prepared to attend to your order diligently. Concluding this formal announcement we hereby execute authorization and extend our salutations to you.

Ansel

RECEIVER NAME/ADDRESS AREA:

MR HUGHES [REDACTED]
22632 [REDACTED] AVE
[REDACTED], IA [REDACTED]-8691

As Signed: *A.L.R. Offices*, Executive, Administrator

Please Sign Here: _____

Date: _____

() Please check here to verify name and address as correct. (If incorrect in any way, make changes on the reverse side and print clearly.)
Enclose ADMINISTRATIVE FEE required: \$19.99

Please indicate enclosure payment choice: () CHECK () MONEY ORDER () CASH MAKE \$19.99 PAYMENT TO: "A.L.R."

THIS IS A SECURE DISPATCH