



**U.S. Department of Justice**

*United States Attorney  
Southern District of New York*

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*The Silvio J. Mollo Building  
One Saint Andrew's Plaza  
New York, New York 10007*

July 17, 2007

John K. Carroll, Esq.  
Warren L. Feldman, Esq.  
Clifford Chance US LLP  
31 West 52<sup>nd</sup> Street  
New York, NY 10019-6131

**Re: NETeller plc – Deferred Prosecution Agreement**

Dear Gentlemen:

Pursuant to our discussions and written exchanges, the United States Attorney's Office for the Southern District of New York ("this Office") and the defendant NETeller plc ("NETeller"), pursuant to authority granted by its Board of Directors in the form of a Board Resolution (a copy of which is attached hereto as Exhibit A), hereby enter into this Deferred Prosecution Agreement (the "Agreement").<sup>1</sup>

**The Criminal Information**

1. NETeller will consent to the filing of a one-count Information (the "Information") in the United States District Court for the Southern District of New York (the "Court") charging NETeller with participating in a conspiracy, in violation of Title 18, United States Code, Section 371, to: (i) use the wires to transmit in interstate and foreign commerce bets and wagers and wagering information for persons engaged in the business of betting and wagering, in violation of Title 18, United States Code, Section 1084; (ii) conduct illegal gambling businesses, in violation of Title 18, United States Code, Section 1955; (iii) conduct international monetary transactions for purposes of promoting illegal gambling, in violation of Title 18, United States Code, Section 1956(a)(2)(A); and (iv) conduct an unlicensed money transmitting business, in violation of Title 18, United States Code, Section 1960. A copy of the Information is attached hereto as Exhibit B.

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<sup>1</sup> The term "NETeller" includes all subsidiary companies, including the following: NETeller (UK) Ltd., NT Services Ltd., and Cardload Inc.

### **Acceptance of Responsibility for Violation of Law**

2. As set forth in detail in the Statement of Admitted Facts, attached hereto as Exhibit C, NETeller admits that NETeller and its predecessors, through the conduct of certain officers and directors, knowingly operated in the United States a money transmitting business that was unlicensed in the United States and knowingly promoted illegal internet gambling by using the wires and other means to transmit, in interstate and foreign commerce, bets and wagers from customers in the United States to numerous internet gambling businesses located outside of the United States, and payments to customers in the United States from numerous internet gambling businesses located outside of the United States.

3. In a report, dated July 9, 2007 (the "NETeller Financial Report"), NETeller has described the financial condition of NETeller as of March 31, 2007. Pursuant to this Agreement, NETeller represents that the Financial Report is accurate and contains no material misrepresentations. NETeller agrees that it will pay a total of \$136,000,000 to the United States as part of this Agreement, as disgorgement of certain profits received by NETeller from the activities described in the Statement of Admitted Facts, all of which will be forfeited to the United States pursuant to a civil forfeiture complaint filed against NETeller in the United States District Court for the Southern District of New York. NETeller and this Office agree that NETeller funds seized to date by this Office (approximately \$55-\$60 million) shall be applied to satisfy a portion of NETeller's forfeiture obligation under this paragraph. NETeller agrees that it will satisfy the remaining portion of its forfeiture obligation with a payment of \$40 million to be paid on or before October 15, 2007, and the remaining balance (approximately \$31-\$36 million) to be paid on or before January 17, 2008. In the event that NETeller fails to make these payments on a timely basis, this Office, in its sole discretion, can treat the failure to pay as a violation of the terms of this Agreement.

4. NETeller agrees that no portion of the \$136,000,000 that NETeller has agreed to pay to the United States under the terms of this Agreement is deductible on any Federal or State tax or information return. NETeller further agrees that it will not file or assist anyone in filing a petition for remission or mitigation with the Department of Justice concerning the funds that NETeller has agreed to pay to the United States under the terms of this Agreement.

### **Permanent Restrictions And Controls On NETeller's Online Payment Services**

5. This Office recognizes that NETeller has implemented certain restrictions on its business operations in order to prevent member accounts at NETeller from being used to conduct illegal transactions between internet gambling merchants and persons located in the United States ("U.S. Gambling Transactions"). In a report, dated June 4, 2007 (the "NETeller Controls Report"), NETeller has described and enumerated procedures and controls that it has implemented, or intends to implement, to prevent its services from being used to conduct U.S. Gambling Transactions. Pursuant to this Agreement, NETeller agrees to implement fully the procedures and controls described and enumerated in the NETeller Controls Report. Pursuant to this Agreement, NETeller

also agrees to maintain the following permanent restrictions: (i) NETeller will not participate in illegal gambling transactions involving persons located in the United States; (ii) NETeller will maintain procedures and controls designed to prevent its services from being used to conduct U.S. Gambling Transactions; and (iii) NETeller agrees to monitor regularly the effectiveness of its procedures and controls designed to prevent its services from being used to conduct U.S. Gambling Transactions, and NETeller will revise and update its procedures and controls as necessary to achieve that purpose.

6. NETeller has retained, at its own expense, the services of a forensic accounting firm approved by this Office to monitor, beginning on June 4, 2007, NETeller's compliance with the NETeller Controls Report. NETeller agrees to continue to retain, at its own expense, the services of a forensic accounting firm approved by this Office (the "Monitor") to monitor NETeller's compliance with the NETeller Controls Report as follows: (i) NETeller will retain the Monitor to provide to this Office reports assessing NETeller's compliance with the NETeller Controls Report (the "Compliance Reports"); (ii) the first of the Compliance Reports will be provided to this Office on or about December 4, 2007, and subsequent reports will be provided at such other time on or before December 4, 2008, as designated by this Office; (iii) where any one of the Compliance Reports identifies a defect in NETeller's internal controls regarding the preclusion of U.S. Gambling Transactions, NETeller shall have sixty calendar days to cure the defect from the date that the Compliance Report is provided to this Office or such longer time as is reasonably necessary to cure the defect, and NETeller shall retain the Monitor to assess NETeller's cure of such defect and to provide a supplementary report describing its assessment of the efficacy of the cure to this Office within fifteen calendar days of completing such assessment; (iv) consistent with its obligations under law, NETeller shall, on a timely basis, provide the Monitor with or access to any information, documents, or other records, including electronic records, as are reasonably necessary for the Monitor to prepare and provide the Compliance Reports to this Office; and (v) consistent with its obligations under law, NETeller shall use its best efforts to make available to the Monitor, on a timely basis, such employees as are reasonably necessary to assist and provide information to the Monitor to provide the Compliance Reports to this Office. However, if the Monitor requests access to any information, document, or other record that NETeller reasonably believes to be protected by the attorney client privilege or work product doctrine, NETeller shall in good faith consider that request, and shall consider whether providing access would assist the Monitor in performing its duties under the Agreement. It shall be a condition of the Monitor's retention that the Monitor is independent of NETeller and that no attorney-client relationship shall be formed between them.

#### **Distribution of Funds to NETeller's U.S. Customers**

7. NETeller acknowledges that it currently holds approximately \$94 million (the "Funds") in trust for customers who are registered with NETeller as residents of the United States and currently have positive balances in their NETeller accounts ("U.S. Customers"). Pursuant to this Agreement, NETeller will return, at its own expense, the Funds in the proper amount and to the proper recipient using the principles and process for the return of the Funds to U.S. Customers, as

proposed and described by NETeller in a report, dated May 10, 2007 (the "NETeller Distribution Plan").

### Cooperation

8. NETeller acknowledges and understands that the cooperation it has provided to date with the criminal investigation by this Office, and its pledge of continuing cooperation, are important and material factors underlying this Office's decision to enter into this Agreement, and, therefore, NETeller agrees to cooperate fully and actively with this Office, the Federal Bureau of Investigation ("FBI"), and with any other agency of the government designated by this Office ("Designated Agencies") regarding any matter relating to this Office's investigation about which NETeller has knowledge or information.

9. Consistent with its obligations under law, including foreign data privacy and confidentiality laws, NETeller agrees that its continuing cooperation with this Office's investigation shall include, but not be limited to, the following:

(a). Completely and truthfully disclosing to this Office and the FBI all information in its possession about which this Office and the FBI may inquire, including but not limited to all information about activities of NETeller and present and former employees and agents of NETeller;

(b). Volunteering and providing to this Office any information and documents that come to NETeller's attention that may be relevant to this Office's investigation;

(c). Assembling, organizing, and providing in responsive and prompt fashion, and, upon this Office's request, expedited fashion, all documents, records, information, and other evidence in NETeller's possession, custody, or control as may be requested by this Office or the FBI;

(d). Using its reasonable best efforts to make available its present and former employees and directors to provide information and/or testimony as requested by this Office and the FBI, including sworn testimony before a grand jury or in court proceedings, as well as interviews with law enforcement authorities, and to identify witnesses who, to NETeller's knowledge and information, may have material information concerning this Office's investigation, including but not limited to the conduct set forth in the Information and the Statement of Admitted Facts;

(e). Providing testimony or information necessary to identify or establish the original location, authenticity, or other basis for admission into evidence of documents or physical evidence in any criminal or other proceeding as requested by this Office or the FBI, including but not limited to information and testimony concerning the conduct set forth in the Information and the Statement of Admitted Facts;

(f). With respect to any information, testimony, documents, records or physical evidence provided by NETeller to this Office or a grand jury, NETeller consents to any and all disclosures of such materials to such Designated Agencies as this Office, in its sole discretion, deems appropriate. With respect to any such materials that constitute “matters occurring before the grand jury” within the meaning of Rule 6(e) of the Federal Rules of Criminal Procedure, NETeller further consents to: (i) any order sought by this Office permitting such disclosures; and (ii) this Office’s ex parte or in camera application for such orders; and

(g). With respect to any information, testimony, documents, records, or physical evidence requested by this Office or the FBI that is in the custody or control of NETeller and is located outside of the United States, NETeller will use its best efforts to ensure that NETeller promptly meets all requirements under bank secrecy laws, data privacy laws, and any other applicable confidentiality laws, in any jurisdiction to permit disclosure by NETeller to this Office or the FBI of any information, testimony, documents, records, or physical evidence requested by this Office or the FBI, including using its best efforts to secure the assistance of any foreign government in responding to any request for assistance submitted to any foreign government by this Office pursuant to any applicable mutual legal assistance treaty, memorandum of understanding, or otherwise.

10. NETeller agrees that its obligations to cooperate will continue even after the dismissal of the Information, and NETeller will continue to fulfill the cooperation obligations set forth in this Agreement in connection with any investigation, criminal prosecution or civil proceeding brought by this Office or by or against the FBI or the United States relating to or arising out of the conduct set forth in the Information and the Statement of Admitted Facts and relating in any way to this Office’s investigation. NETeller’s obligation to cooperate is not intended to apply in the event that a prosecution against NETeller by this Office is pursued and not deferred.

### **Deferral of Prosecution**

11. In consideration of NETeller’s entry into this Agreement and its commitment to: (a) accept and acknowledge responsibility for its conduct; (b) cooperate with this Office and the FBI; (c) make the payment specified in this Agreement; (d) comply with Federal criminal laws; and (e) otherwise comply with all of the terms of this Agreement, this Office shall recommend to the Court that prosecution of NETeller on the Information be deferred for the period of two years from the date of the signing of this Agreement. NETeller shall expressly waive indictment and all rights to a speedy trial pursuant to the Sixth Amendment of the United States Constitution, Title 18, United States Code, Section 3161, Federal Rule of Criminal Procedure 48(b), and any applicable Local Rules of the United States District Court for the Southern District of New York for the period during which this Agreement is in effect.

12. It is understood that this Office cannot, and does not, agree not to prosecute NETeller for criminal tax violations. However, if NETeller fully complies with the understandings specified in this Agreement, no testimony or other information given by NETeller (or any other

information directly or indirectly derived therefrom) will be used against NETeller in any criminal tax prosecution. In addition, this Office agrees that, if NETeller is in compliance with all of its obligations under this Agreement, this Office will, at the expiration of the period of deferral (including any extensions thereof), seek dismissal without prejudice as to NETeller of the Information filed against NETeller pursuant to paragraphs 1 and 11 of this Agreement. Except in the event of a violation by NETeller of any term of this Agreement, this Office will bring no additional charges against NETeller, except for criminal tax violations, relating to its operation of an unlicensed money transmitting business in the United States and its provision of payment services to internet gambling businesses, as described in the Statement of Admitted Facts. This Agreement does not provide any protection against prosecution for any crimes except as set forth above and does not apply to any individual or entity other than NETeller. NETeller and this Office understand that the Agreement to defer prosecution of NETeller must be approved by the Court, in accordance with 18 U.S.C. § 3161(h)(2). Should the Court decline to approve the Agreement to defer prosecution for any reason, both this Office and NETeller are released from any obligation imposed upon them by this Agreement, and this Agreement shall be null and void.

13. It is further understood that should this Office in its sole discretion determine that NETeller has, after the date of the execution of this Agreement: (a) given false, incomplete or misleading information, (b) committed any crime, or (c) otherwise violated any provision of this Agreement, NETeller shall, in this Office's sole discretion, thereafter be subject to prosecution for any federal criminal violation of which this Office has knowledge, including but not limited to a prosecution based on the Information or the conduct described therein. Any such prosecution may be premised on any information provided at any time by or on behalf of NETeller to this Office or the FBI. Any such prosecutions that are not time-barred by the applicable statute of limitations on the date of this Agreement may be commenced against NETeller within the applicable period governing the statute of limitations. In addition, NETeller agrees to toll, and exclude from any calculation of time, the running of the criminal statute of limitations for the length of this Agreement starting from the date of the execution of this Agreement and including any extension of the period of deferral of prosecution pursuant to paragraph 15, below. By this Agreement, NETeller expressly intends to and hereby does waive its rights in the foregoing respects, including any right to make a claim premised on the statute of limitations, as well as any constitutional, statutory, or other claim concerning pre-indictment delay. Such waivers are knowing, voluntary, and in express reliance on the advice of NETeller's counsel.

14. It is further agreed that in the event that this Office, in its sole discretion, determines that NETeller has violated any provision of this Agreement, including NETeller's failure to meet its obligations under this Agreement: (a) all statements made by or on behalf of NETeller to this Office and the FBI, including but not limited to the Statement of Admitted Facts, or any testimony given by NETeller or by any agent of NETeller before a grand jury, or elsewhere, whether before or after the date of this Agreement, or any leads from such statements or testimony, shall be admissible in evidence in any and all criminal proceedings hereinafter brought by this Office against NETeller; and (b) NETeller shall not assert any claim under the United States Constitution, Rule 11(f) of the Federal Rules of Criminal Procedure, Rule 410 of the Federal Rules of Evidence,

or any other federal rule, that statements made by or on behalf of NETeller before or after the date of this Agreement, or any leads derived therefrom, should be suppressed or otherwise excluded from evidence. It is the intent of this Agreement to waive any and all rights in the foregoing respects.

15. NETeller agrees that, in the event that this Office determines during the period of deferral of prosecution described in paragraph 11 above (or any extensions thereof) that NETeller has violated any provision of this Agreement, a one-year extension of the period of deferral of prosecution may be imposed in the sole discretion of this Office, and, in the event of additional violations, such additional one-year extensions as appropriate, but in no event shall the total term of the deferral-of-prosecution period of this Agreement exceed five years.

16. NETeller, having truthfully admitted to the facts in the Statement of Admitted Facts, agrees that it shall not, through its attorneys, agents, or employees, make any statement, in litigation or otherwise, contradicting the Statement of Admitted Facts or its representations in this Agreement. Consistent with this provision, NETeller may raise defenses and/or assert affirmative claims in any civil proceedings brought by private parties as long as doing so does not contradict the Statement of Admitted Facts or such representations. Any such contradictory statement by NETeller, its present or future attorneys, agents, or employees shall constitute a violation of this Agreement and NETeller thereafter shall be subject to prosecution as specified in paragraphs 11 through 14, above, or the deferral-of-prosecution period shall be extended pursuant to paragraph 15, above. The decision as to whether any such contradictory statement will be imputed to NETeller for the purpose of determining whether NETeller has violated this Agreement shall be at the sole discretion of this Office. Upon this Office's notifying NETeller of any such contradictory statement, NETeller may avoid a finding of violation of this Agreement by repudiating such statement both to the recipient of such statement and to this Office within 48 hours after receipt of notice by this Office. NETeller consents to the public release by this Office, in its sole discretion, of any such repudiation.

#### **This Office's Discretion**

17. NETeller agrees that it is within this Office's sole discretion to choose, in the event of a violation, the remedies contained in paragraphs 3, 13, and 14 above, or instead to choose to extend the period of deferral of prosecution pursuant to paragraph 15. NETeller understands and agrees that the exercise of this Office's discretion under this Agreement is unreviewable by any court. Should this Office determine that NETeller has violated this Agreement, this Office shall provide notice to NETeller of that determination and provide NETeller with an opportunity to make a presentation to this Office to demonstrate that no violation occurred, or, to the extent applicable, that the violation should not result in the exercise of those remedies or in an extension of the period of deferral of prosecution.

#### **Limits Of This Agreement**

18. It is understood that this Agreement is binding on this Office but specifically does not bind any other Federal agencies, any state or local law enforcement agencies, any licensing

authorities, or any regulatory authorities. However, if requested by NETeller or its attorneys, this Office will bring to the attention of any such agencies, including but not limited to any regulators, this Agreement, the cooperation of NETeller, and its compliance with its obligations under this Agreement.

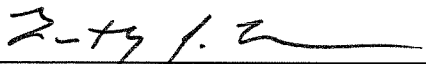
**Public Filing**

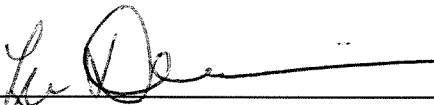
19. NETeller and this Office agree that, upon filing of the Information in accordance with paragraph 1 and 11 hereof, this Agreement (including the Statement of Admitted Facts and the other attachments hereto) shall be filed publicly in the proceedings in the United States District Court for the Southern District of New York.

**Integration Clause**

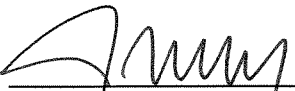
20. This Agreement sets forth all the terms of the Deferred Prosecution Agreement between NETeller and this Office. No modifications or additions to this Agreement shall be valid unless they are in writing and signed by this Office, NETeller's attorneys, and a duly authorized representative of NETeller.

MICHAEL J. GARCIA  
United States Attorney  
Southern District of New York

By:   
TIMOTHY J. TREANOR  
CHRISTOPHER P. CONNIFF  
Assistant United States Attorneys

  
LEV L. DASSIN  
Chief, Criminal Division

Accepted and agreed to:

  
Clifford Chance US LLP  
JOHN K. CARROLL, ESQ.  
WARREN L. FELDMAN, ESQ.


  
NETeller plc, by RONALD MARTIN  
Chief Executive Officer and Director

EXHIBIT A

**NETeller Plc**  
**Company No.109535**  
**(the “Company”)**

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**Extract of Minutes of Meeting No. 16/07**  
**of the Board of Directors of the Company**  
**held by telephone**  
**on the Isle of Man**  
**on**  
**18 July 2007**

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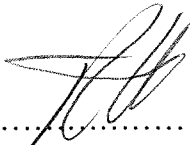
I certify that the following is a true extract from the minutes of the meeting of Directors of the Company held on 18 July 2007 and that the meeting was held in accordance with the Company’s Articles of Association:

**“5. USAO Deferred Prosecution Agreement**

- 5.1 The Chairman noted that the Company had been engaged in discussions with the United States Attorney’s Office for the Southern District of New York (“USAO”) in connection with the investigation being conducted by the USAO into the Company’s operations in the United States, and reminded the Meeting that throughout such discussion period the Company had been advised by its US Lawyers, Clifford Chance LLP (“CC”).
- 5.2 In order to resolve such discussions it is proposed that the Company enter into a Deferred Prosecution Agreement with the USAO (“DPA”), and the Chairman reminded the Meeting that CC had previously advised the Board of the Company’s rights, possible defences, and the consequences of entering into a DPA.
- 5.3 Accordingly, the Chairman tabled a draft DPA together with the attached Statement of Admitted Facts and Information and proposed that the Board consider approving the DPA for execution and to be entered into by the Company.
- 5.4 The Chairman asked each Director to confirm that that they had each read and understood the DPA, the Statement of Admitted Facts and the Information. Each Director verbally confirmed that they had done so, as did the Chairman. After discussion, it was resolved that:
- i) the DPA be approved to be entered into by the Company substantially in the form tabled;
  - ii) any Director be authorised to execute the DPA in triplicate, and to take all and any other actions as may be necessary or appropriate to carry out and give effect to the DPA; and

iii) CC be authorised:

- a. to execute, on the Company's behalf, a waiver of indictment and a waiver of speedy trial;
- b. to appear on behalf of the Company to enter a plea of "Not Guilty" in a court hearing scheduled for 11am New York time on 18 July 2007; and
- c. pursuant to the confirmed instructions of any Director, to take such other steps, and to execute any such other document as may be necessary to give effect to the DPA."



.....  
Ron Martin  
Director

Date: 18 July 2007

EXHIBIT B

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

- - - - -x

UNITED STATES OF AMERICA :

-v- :

INFORMATION TST

NETELLER PLC, :

S2 07 Cr. 0597 (PKC)

Defendant. :

- - - - -x

**COUNT ONE**  
(Conspiracy)

The United States Attorney charges:

**Background**

1. At all times relevant to this Information, NETELLER PLC, the defendant, was a public company incorporated and based in the Isle of Man. On or about April 8, 2004, NETELLER PLC offered its shares to the public, and on April 14, 2004, NETELLER PLC was admitted to trade on the Alternative Investment Market ("AIM") of the London Stock Exchange. At its peak in September 2005, NETELLER PLC had a market capitalization of approximately \$2 billion. NETELLER PLC is the successor in interest to NETeller Inc., a company incorporated in Alberta, Canada. NETELLER PLC was and is the parent to various subsidiaries, including NETeller (UK) Ltd., NT Service Ltd., and Cardload Inc.

2. At all times relevant to this Information, NETELLER PLC and its predecessors were in the business of

providing payment services to merchants who offered their services through the internet and to the general public through the internet, including individuals throughout the United States. The majority of the merchants who used the internet payment services of NETELLER PLC and its predecessors were internet gambling businesses that illegally offered gambling services, including sports betting, casino, and poker services, to the public in the United States.

### **The NETeller Business**

3. In or about 1999, Stephen Eric Lawrence and John David Lefebvre, co-conspirators not named as defendants herein, began developing the internet payment system that was used by NETELLER PLC and its predecessors to provide internet payment services to the public. From the beginning, it was the intention of Lawrence and Lefebvre to provide internet payment services to internet gambling businesses and to customers who wished to wager with such businesses. Lawrence and Lefebvre each served NETELLER PLC and its predecessors in a variety of senior management positions. For example, Lawrence served as Chief Executive Officer of NETeller Inc. until December 2002, and he served as Chairman of the Board of Directors of NETELLER PLC until May 2006 and as a Member of the Board until October 14, 2006. Lefebvre served as President of NETeller Inc. until 2002, and he served as

a Non-Executive Member of the Board of Directors of NETELLER PLC until December 2005.

4. In July 2000, NETeller Inc. began transferring funds using bank wires and other means between customers located in the United States, including in the Southern District of New York, and internet gambling businesses located outside of the United States. In February 2001, NETeller Inc. began permitting individual customers, including customers in the United States, to transfer money directly to other individual customers, including customers outside of the United States.

5. Between 2000 and 2003, NETeller Inc. processed transactions for customers located in the United States totaling the following approximate amounts: 2000 - \$13.3 million; 2001 - \$117.6 million; 2002 - \$326 million; and 2003 - \$1.167 billion. Between 2000 and 2003, NETeller Inc. generated gross revenues from processing transactions for customers located in the United States in the following approximate amounts: 2000 - \$289,000; 2001 - \$2.1 million; 2002 - \$7.1 million; and 2003 - \$30.7 million.

6. On or about April 4, 2004, NETeller Inc. sold its business, including the assets, to NETeller Ltd., a company incorporated in the Isle of Man, and to its subsidiary, NT Services Ltd., a company incorporated in Alberta, Canada. On or

about April 1, 2004, NETeller Ltd. re-registered as a public company with the name NETELLER PLC.

7. Between 2004 and 2006, NETELLER PLC processed transactions for customers throughout the world totaling the following approximate amounts: 2004 - \$3.4 billion; 2005 - \$7.3 billion; and 2006 - more than \$10 billion. Between 2004 and 2006, NETELLER PLC generated gross revenues from processing transactions for customers located in the United States in the following approximate amounts: 2004 - \$64 million; 2005 - \$123 million; and 2006 - \$169 million.

#### **Payment Transferring Mechanisms**

8. At all times relevant to this Information, the principle users of the internet payment services provided by NETELLER PLC and its predecessors were customers located in the United States, including customers in the Southern District of New York, who used the payment services of NETELLER PLC and its predecessors to fund wagering accounts at internet gambling businesses located outside of the United States.

9. At all times relevant to this Information, customers with accounts at NETELLER PLC could deposit funds into their accounts at NETELLER PLC in a variety of different ways, including by electronic check, bank wire, credit card, and cash deposit at branches of a commercial bank located in the United States. Customers with accounts at NETELLER PLC could also

withdraw funds from their accounts at NETELLER PLC in a variety of different ways, including by electronic check, bank check, wire transfer, or with a NETeller ATM card.

10. At all times relevant to this Information, NETELLER PLC conducted financial transactions in the United States through nominee companies that it controlled but were in fact owned by Stephen Eric Lawrence and/or John David Lefebvre, including JSL Systems Corp. and F Cash Inc., both Delaware corporations. NETELLER PLC conducted its payment processing operations in the United States through nominee companies, at least in part, so that NETELLER PLC could avoid the jurisdiction of law enforcement and the courts in the United States.

11. At no time did NETELLER PLC or its subsidiaries or predecessors obtain a license from any state governmental authority or register with the federal government to operate a money transmitting business in the United States.

#### **Statutory Allegations**

12. From at least in or about June 1999, up through and including in or about January 2007, in the Southern District of New York and elsewhere, NETELLER PLC, the defendant, and its co-conspirators, unlawfully, willfully, and knowingly did combine, conspire, confederate, and agree together and with each other to commit offenses against the United States, to wit,

violations of Title 18, United States Code, Sections 1084, 1955, 1956(a)(2), and 1960.

**Objects of the Conspiracy**

13. It was a part and an object of said conspiracy that NETELLER PLC, the defendant, and others known and unknown, being engaged in the business of betting and wagering, unlawfully, willfully, and knowingly would and did use a wire communication facility for the transmission in interstate and foreign commerce of bets, wagers, and information assisting in the placing of bets and wagers on sporting events and contests, and for the transmission of wire communications which did entitle the recipient to receive money and credit as a result of bets and wagers, and for information assisting in the placing of bets and wagers, in violation of Title 18, United States Code, Section 1084.

14. It was further a part and an object of said conspiracy that NETELLER PLC, the defendant, and others known and unknown, unlawfully, willfully and knowingly would and did conduct, finance, manage, supervise, direct, and own all and part of various illegal gambling businesses, namely, internet gambling companies doing business in New York, in violation of New York State Penal Law, Article 225, in violation of Title 18, United States Code, Section 1955.

15. It was further a part and an object of the conspiracy that NETELLER PLC, the defendant, and others known and unknown, unlawfully, willfully and knowingly would and did transport, transmit, and transfer monetary instruments and funds from a place in the United States to and through a place outside the United States and to a place in the United States from and through a place outside the United States with the intent to promote the carrying on of specified unlawful activity, to wit, the operation of illegal gambling businesses, in violation of Title 18, United States Code, Section 1955, the illegal transmission of wagers and gambling information, in violation of Title 18, United States Code, Section 1084, and the commission of gambling offenses, in violation of New York State Penal Law, Article 225, in violation of Title 18, United States Code, Section 1956.

16. It was further a part and an object of the conspiracy, from in or about October 2001 up through and including in or about January 2007, that NETELLER PLC, the defendant, and others known and unknown, unlawfully, willfully and knowingly would and did conduct, control, manage, supervise, direct, and own all and part of an unlicensed money transmitting business that transferred funds within the United States and to locations abroad on behalf of the public by means of wire, check, draft, facsimile, and courier, which funds were known to NETELLER

PLC to have been derived from a criminal offense and were intended to be used to promote and support unlawful activity, to wit, illegal internet gambling, and thereby affected interstate and foreign commerce, in violation of Title 18, United States Code, Section 1960.

**Means and Methods of the Conspiracy**

17. Among the means and methods by which NETELLER PLC, the defendant, and its co-conspirators would and did carry out the conspiracy were the following:

a. NETELLER PLC opened merchant accounts at NETELLER PLC for numerous internet gambling businesses located outside of the United States, in part, so that the internet gambling businesses could provide real-money gambling services, including sports betting, casino, and poker services, to customers located in the United States.

b. NETELLER PLC opened member accounts at NETELLER PLC for numerous individuals located in the United States, in part, so that the individual customers could wager real money with the internet gambling businesses who had merchant accounts at NETELLER PLC.

c. NETELLER PLC transferred billions of dollars, comprised primarily of funds to be used to wager or funds representing gambling winnings, between individuals located in the United States and internet gambling businesses located

outside of the United States by means of electronic check, wire transfer, bank check, and credit card.

d. NETELLER PLC disguised its participation in financial transactions within the United States by conducting its operations through nominee companies that were controlled by NETELLER PLC but were owned by Stephen Eric Lawrence and/or John David Lefebvre.

#### Overt Acts

18. In furtherance of said conspiracy and to effect the illegal objects thereof, NETELLER PLC, the defendant, and its co-conspirators, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. In June 1999, Stephen Eric Lawrence and John David Lefebvre began working together to develop online payment services for internet gambling businesses and for customers who wished to wager with such businesses.

b. Beginning in or about July 2000, and continuing up to in or about December 2003, Lawrence, Lefebvre, and others, offered online payment services through NETeller Inc. to various internet gambling businesses located outside of the United States so that these businesses could access customers located in the United States, including customers located in the Southern District of New York.

c. Beginning in or about January 2004, and continuing up to in or about January 2007, Lawrence, Lefebvre, and others offered online payment services through NETELLER PLC to various internet gambling businesses located outside of the United States so that these businesses could access customers located in the United States, including customers located in the Southern District of New York.

d. From in or about April 2004, and continuing up to in or about January 2007, NETELLER PLC transferred by means of wire transfer and otherwise billions of dollars from customers located in the United States, including customers located in the Southern District of New York, to various internet gambling businesses located outside of the United States.

(Title 18, United States Code, Section 371.)

**FORFEITURE ALLEGATION**

19. As the result of committing the gambling, money laundering, and unlicensed money transmitting offenses alleged in Count One of this Information, defendant NETELLER PLC shall forfeit to the United States pursuant to 18 U.S.C. §§ 981(a)(1)(C), 982 and 1955(d) and 28 U.S.C. § 2461, all property, real and personal, involved in the money laundering and unlicensed money transmitting offenses and any property, including money used in the gambling offenses, and all property, real and personal, that constitutes or is derived from proceeds

traceable to the violations of 18 U.S.C. §§ 371, 1084, 1955, 1956, and 1960, including but not limited to, at least \$1 billion dollars in United States currency.

Substitute Asset Provision

a. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

(1) cannot be located upon the exercise of due diligence;

(2) has been transferred or sold to, or deposited with, a third person;

(3) has been placed beyond the jurisdiction of the Court;

(4) has been substantially diminished in value; or

(5) has been commingled with other property which cannot be subdivided without difficulty; it is the intent of the United States, pursuant to 21 U.S.C. § 853(p) and 18 U.S.C. § 982(b), to seek forfeiture of any other property of said defendant up to the value of the above forfeitable property.

(Title 18, United States Code, Sections 371, 981, 982, 1084, 1955, 1956, 1960 and Title 28, United States Code, Section 2461(c)).

A handwritten signature in black ink that reads "Michael Garcia". The signature is written in a cursive style with a horizontal line underneath the name.

MICHAEL J. GARCIA  
United States Attorney

Form No. USA-33s-274 (Ed. 9-25-58)

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**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

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**UNITED STATES OF AMERICA**

**- v -**

**NETELLER PLC,**

**Defendant.**

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**INFORMATION**

S2 07 Cr. 0597 (PKC)

Title 18, United States Code, Section 371

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**MICHAEL J. GARCIA**  
United States Attorney.

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EXHIBIT C

## STATEMENT OF ADMITTED FACTS

1. The party entering into the Deferred Prosecution Agreement and admitting to this Statement of Admitted Facts, as set forth herein, is NETeller plc.

### Corporate Structure

2. In 1999, NETeller Inc. was founded by Stephen Eric Lawrence, John David Lefebvre, and others to provide internet money transfer services to customers located in, among other places, the United States, and to merchants, including internet gambling operators, located outside of the United States. In May 2000, NETeller Inc. was incorporated in Alberta, Canada. On December 31, 2003, NETeller Ltd., a company incorporated in the Isle of Man, and its subsidiary, NT Services Ltd. ("NT Services"), a company incorporated in Alberta, Canada, purchased the business, including the assets, such as the intellectual property, from NETeller Inc.
3. On April 1, 2004, NETeller Ltd. re-registered as a public limited company with the name NETeller plc ("NETeller"). NETeller plc is and was the parent to various subsidiaries, including NETeller (UK) Ltd., NT Services, and Cardload Inc. ("Cardload"), which are collectively known as the NETeller Group. On April 8, 2004, NETeller plc offered its shares to the public. On April 14, 2004, NETeller plc was admitted to trade on the Alternative Investment Market ("AIM") of the London Stock Exchange ("LSE"). At its peak in September 2005, the market capitalization of NETeller plc was approximately \$2 billion.

### NETeller's Business

4. In July 2000, NETeller Inc. began transferring funds using bank wires and other means between customers located in the United States and internet merchants, primarily internet gambling operators, located outside of the United States. The dominant users of NETeller Inc.'s money transfer services were United States customers, including customers in the Southern District of New York, who used NETeller Inc.'s systems to fund customer accounts with internet gambling businesses located outside of the United States. These internet gambling businesses provided to United States customers through the internet real-money gambling services, such as sports betting, casino, and poker games, in violation of various state and federal laws in the United States. In February 2001, NETeller Inc. began permitting individual customers, including customers in the United States, to conduct peer-to-peer money transfers with other individual customers, including customers both inside and outside of the United States.
5. In 2000, NETeller Inc. processed approximately \$13.3 million in transactions for customers located in the United States, and NETeller Inc.'s gross revenue generated from those transactions was approximately \$289,000. In 2001, NETeller Inc. processed approximately \$117.6 million in transactions for customers located in the United States, and NETeller

Inc.'s gross revenue generated from those transactions was approximately \$2.1 million. In 2002, NETeller Inc. processed approximately \$326 million in transactions for customers located in the United States, and NETeller Inc.'s gross revenue generated from those transactions was approximately \$7.1 million. In 2003, NETeller Inc. processed approximately \$1.167 billion in transactions for customers located in the United States, and NETeller Inc.'s gross revenue generated from those transactions was approximately \$30.7 million.

6. By December 2003, NETeller Inc. offered its money transfer services to over 1,000 merchants and over 600,000 customers. At that time, the majority of NETeller Inc.'s individual customers were located in the United States, including in the Southern District of New York, and the majority of NETeller Inc.'s merchant customers were internet gambling operators located outside of the United States.
7. At the time of NETeller plc's initial public offering ("IPO") in April 2004, the NETeller Group had approximately 680,000 customer accounts, of which approximately 88% belonged to North American residents, the majority of which were residents of the United States. At the time of its IPO, NETeller plc estimated that the NETeller Group derived approximately 95% of its revenues from processing money transfers for the internet gambling market, and NETeller plc stated that the NETeller Group intended to focus its growth on money transfer services for the internet gambling market.
8. In 2004, the NETeller Group processed approximately \$3.4 billion in transactions for customers throughout the world and generated gross revenues of approximately \$64 million from transactions initiated in the United States. In 2005, the NETeller Group processed approximately \$7.3 billion in transactions for customers throughout the world and generated gross revenues of approximately \$123 million from transactions initiated in the United States. In 2006, the NETeller Group processed more than \$10 billion in transactions for customers throughout the world and generated gross revenues of approximately \$169 million from transactions initiated in the United States.
9. By December 2006, the NETeller Group provided money transfer services to approximately 490,000 active United States customers, and the majority of the NETeller Group's money transfers were between customers located in the United States, including in the Southern District of New York, and internet gambling operators located outside of the United States. Also by December 2006, the NETeller Group had opened accounts for approximately 3,000 merchants, of which almost half were internet gambling operators.

#### Licensing and Regulation

10. In October 2004, NETeller (UK) Ltd., a subsidiary of NETeller plc, was authorized by the Financial Services Authority to operate as a regulated "e-money" issuer. At no time did

NETeller plc or its subsidiaries obtain a license from any state government or register with the federal government to operate a money transmittal business in the United States.

### NETeller's Money Processing Mechanisms

11. Until January 2007, NETeller customers located in the United States were able to transfer funds to and from their NETeller accounts in various ways. These funds comprised, among other things, funds that were used to place bets or wagers with internet gambling businesses and payments to customers that represented the proceeds of betting and wagering with internet gambling businesses. As set forth below, NETeller took various steps to prevent NETeller from being physically present in the United States and to prevent the NETeller name from being associated with financial transactions between NETeller and its customers in the United States.
12. NETeller's customers located in the United States were able to transfer funds to their NETeller accounts in any of the following ways:
  - a) Electronic Check: NETeller customers were able to authorize NETeller to transfer funds from their checking accounts to their NETeller accounts by using electronic checks. When NETeller received a customer authorization, it would direct an Originating Depository Financial Institution ("ODFI") to transfer funds from the customer's checking account to an automated clearing house ("ACH") processor (the "ACH Processor"). The ACH Processor, via the ODFI, would then transfer such funds to NETeller. Until December 2005, the ACH Processor would transfer funds to NETeller in the following way: 1) the ACH Processor would transfer funds to a United States bank account held in the name JSL Systems Corp., a company incorporated in Delaware ("JSL US"); 2) JSL US would keep the portion of the funds it estimated as necessary to cover NETeller customer withdrawals, and would then transfer the remainder of the funds by bank check to a Canadian bank account held in the name of JSL Systems Corp., a company incorporated in Alberta, Canada ("JSL Canada"); and 3) JSL Canada would then transfer the funds by bank check to a NETeller bank account. At all relevant times, JSL US and JSL Canada were owned by Stephen Eric Lawrence and/or John David Lefebvre and were controlled by NETeller. NETeller used JSL US and JSL Canada to facilitate the transfer of funds by electronic check to and from customers in the United States, in part, to prevent NETeller from being physically present in the United States and to prevent the NETeller name from being associated with electronic check transactions between NETeller and its customers in the United States. In December 2005, NETeller stopped using JSL US to transfer funds. Thereafter, the ACH Processor would transfer funds to NETeller in the following way: 1) the ACH Processor would transfer funds by bank wire from the United States to Canadian bank accounts held by JSL Canada or by Cardload; and 2) JSL Canada or Cardload would then transfer the funds by bank check to a NETeller bank account. NETeller used JSL Canada and

Cardload to facilitate the transfer of funds by electronic check to and from customers in the United States, in part, to prevent the NETeller name from being associated with electronic check transactions between NETeller and its customers in the United States.

- b) Wire Transfer: NETeller customers were able to deposit funds from their personal bank accounts to their NETeller accounts by means of bank wire. Such customers transferred funds by bank wire to a Canadian bank account held in the name of NT Services. NT Services would, in turn, wire the funds to a NETeller bank account. NETeller used NT Services to facilitate the transfer of money by bank wire from customers in the United States, in part, to prevent the NETeller name from being associated with bank wire transactions to NETeller from its customers in the United States.
  - c) Credit Card: NETeller customers were able to use credit cards to fund their NETeller accounts if the credit card issuing company would permit gambling-related transactions. Many credit card issuing and processing companies, particularly companies operating in the United States, refused to process credit card transactions bearing the “7995” transaction code assigned to gambling transactions. At times, NETeller encouraged credit card processing companies to use transaction codes other than the “7995” code assigned to gambling transactions, in part, to maximize the number of credit card transactions that would be successfully executed with NETeller. When a credit card transaction with NETeller was successfully executed, the credit card issuing company would advance funds directly to a NETeller bank account.
  - d) Cash Deposit: Until December 2005, NETeller customers were able to fund their NETeller accounts by depositing cash at branches of a commercial bank in the United States into an account held by FCash Inc., a company incorporated in Delaware (“FCash US”). FCash US would then issue a check to a Canadian bank account held in the name of FCash Inc., a company incorporated in Alberta, Canada (“FCash Canada”). FCash Canada would then wire the funds to a NETeller bank account. At all relevant times, FCash US and FCash Canada were owned by Stephen Eric Lawrence and/or John David Lefebvre and were controlled by NETeller. NETeller used FCash US and FCash Canada to facilitate cash deposits to NETeller from customers in the United States, in part, to prevent NETeller from being physically present in the United States and to prevent the NETeller name from being associated with cash deposits to NETeller from its customers in the United States.
13. NETeller customers located in the United States were able to withdraw funds from their NETeller accounts by electronic check, bank check, wire transfer, or with a NETeller ATM card. These funds comprised, among other things, winnings from bets or wagers placed through websites operated by internet gambling businesses. Until December 2005, United

States customers could withdraw money from their NETeller accounts through an electronic check or a bank check drawn against an account held at a commercial bank in the United States in the name of JSL US. If the JSL US account contained sufficient funds to cover a withdrawal, NETeller would either issue a bank check directly from the JSL US account to the NETeller account holder, or NETeller would issue an electronic check from the JSL US account that was cleared through an ACH Processor. If the JSL US account did not contain sufficient funds to cover a withdrawal, NETeller would wire funds from one of its bank accounts to a JSL Canada bank account in Canada, and then JSL Canada would issue a check to JSL US. Once the funds cleared the JSL US account, NETeller would either issue a bank check from the JSL US account directly to the NETeller account holder, or NETeller would issue an electronic check from the JSL US account that was cleared through an ACH Processor. In December 2005, NETeller stopped using JSL US to transfer funds into and out of the United States. Thereafter, NETeller transferred funds to its customers via ACH Processors from bank accounts held outside of the United States. United States customers could also request a wire transfer to withdraw money from their NETeller accounts. The wire transfer would be sent from a NETeller bank account directly to the NETeller account holder. United States customers could also withdraw money from their NETeller accounts using a NETeller ATM card, which would draw the requisite funds from a NETeller bank account. NETeller ATM cards were issued by a third-party company in the United States that was not owned or controlled by NETeller.

#### The Legality of NETeller's Business

14. In connection with the activities set forth above, NETeller plc and its predecessors, through certain employees and directors, understood that the services it provided to customers located in the United States in the form of unlicensed money transmitting services and transferring funds to and from internet gambling operators located outside of the United States violated various laws in the United States. Indeed, in its IPO prospectus, NETeller plc stated in substance the following: that criminal laws exist in the United States that prohibit persons from promoting certain forms of gambling; that criminal laws exist in the United States that prohibit the transmission of funds that are known to have been derived from criminal activity or are intended to promote criminal activity; and that there can be no assurance that the government of the United States will not try to prosecute the NETeller under existing or future federal laws. More specifically, NETeller plc and its predecessors, through certain employees and directors, agreed to participate in violations of the Wire Act (18 U.S.C. § 1084), the prohibition of illegal gambling businesses statute (18 U.S.C. § 1955), the laundering of monetary instruments statute (18 U.S.C. § 1956), and the prohibition of unlicensed money transmitting businesses statute (18 U.S.C. § 1960), all in violation of 18 U.S.C. § 371.
15. Notwithstanding paragraph 14 above, after the passage of the Unlawful Internet Gambling Enforcement Act (the "Act") in October 2006, NETeller determined that it would have to withdraw from the United States market within 270 days of passage of the Act. NETeller

took steps to prepare for an orderly withdrawal from the United States market, including changing its information technology platform to turn off functionality for all United States customer accounts and routing additional funds to repay its United States customers to accounts held by its United States-based ACH Processors. NETeller continued to serve the United States market until mid-January 2007, when the United States Government arrested Stephen Eric Lawrence and John David Lefebvre and seized approximately \$55-\$60 million of NETeller funds.

16. Shortly after the arrests of Stephen Eric Lawrence and John David Lefebvre, NETeller stopped offering its services to customers located in the United States and began cooperating with the investigation of the Office of the United States Attorney for the Southern District of New York.