



U.S. Department of Justice

Richard P. Donoghue
United States Attorney
Eastern District of New York

271 Cadman Plaza East
Brooklyn, New York 11201

FOR IMMEDIATE RELEASE

November 7, 2019

Contact:

John Marzulli
United States Attorney's Office
(718) 254-6323

PRESS RELEASE

**AVENTURA TECHNOLOGIES, INC. AND ITS SENIOR MANAGEMENT CHARGED
WITH FRAUD, MONEY LAUNDERING AND ILLEGAL IMPORTATION OF
EQUIPMENT MANUFACTURED IN CHINA**

***The Long Island Company Supplied Chinese-Made Surveillance Equipment to U.S.
Government and Private Customers While Falsely Claiming its Products Were
"Made in U.S.A."***

A criminal complaint was unsealed today in federal court in Brooklyn charging surveillance and security equipment company Aventura Technologies, Inc. (Aventura), located in Commack, New York, and seven current and former employees with selling Chinese-made equipment with known cybersecurity vulnerability to government and private customers while falsely representing that the equipment was made in the United States and concealing that the products were manufactured in the People's Republic of China (PRC). Aventura has generated more than \$88 million in sales revenue since November 2010, and the charged scheme has been ongoing since 2006.

In addition to Aventura, the individual defendants charged in the complaint are Jack Cabasso, Aventura's Managing Director and de facto owner and operator; Frances Cabasso, his wife and Aventura's purported owner and Chief Executive Officer; senior executives Jonathan Lasker, Christine Lavonne Lazarus and Eduard Matulik; current employee Wayne Marino; and recently retired employee Alan Schwartz.

Four of the individual defendants are also charged with defrauding the U.S. government by falsely claiming that Frances Cabasso was the owner and operator of the company in order to obtain access to valuable government contracts reserved for women-owned businesses when, in fact, Aventura was actually controlled by her husband, Jack Cabasso. The Cabassos are also charged with laundering the monetary proceeds of these fraudulent schemes.

Six of the defendants were arrested this morning and are scheduled to be arraigned this afternoon before United States Magistrate Judge Ramon E. Reyes, Jr. Law enforcement agents executed search warrants at Aventura's headquarters in Commack, New

York, and at the home of Jack and Frances Cabasso in Northport, New York. The government has also seized the Cabassos' 70-foot luxury yacht, and has frozen approximately \$3 million in 12 financial accounts that contain proceeds from the defendants' unlawful conduct.

Richard P. Donoghue, United States Attorney for the Eastern District of New York; William F. Sweeney, Jr., Assistant Director-in-Charge, Federal Bureau of Investigation, New York Field Office (FBI); Joseph P. Dattoria, Special Agent-in-Charge, U.S. General Services Administration, Office of Inspector General (GSA-OIG); Leigh-Alistair Barzey, Special Agent-in-Charge, Defense Criminal Investigative Service, Northeast Field Office (DCIS); J. Russell George, Treasury Inspector General for Tax Administration (TIGTA); Troy Miller, Director of Field Operations, U.S. Customs and Border Protection, New York Field Office (CBP); Jonathan D. Larsen, Special Agent-in-Charge, Internal Revenue Service, Criminal Investigation, New York (IRS-CI); Jason T. Hein, Special Agent-in-Charge, U.S. Air Force Office of Special Investigations, Office of Procurement Fraud Investigations, Detachment Six (AFOSI); Leo Lamont, Special Agent-in-Charge, Naval Criminal Investigative Service (NCIS); and Teri L. Donaldson, Inspector General, U.S. Department of Energy, Office of Inspector General (DOE-OIG), announced the charges.

“As alleged, the defendants falsely claimed for years that their surveillance and security equipment was manufactured on Long Island, padding their pockets with money from lucrative contracts without regard for the risk to our country's national security posed by secretly peddling made-in-China electronics with known cyber vulnerabilities,” stated United States Attorney Donoghue. “With today's arrests, the defendants' brazen deceptions and fraud schemes have been exposed, and they will face serious consequences for slapping phony ‘Made in the U.S.A.’ labels on products that our armed forces and other sensitive government facilities depended upon.” Mr. Donoghue expressed his appreciation to U.S. Army Criminal Investigation Command's Major Procurement Fraud Unit for their work on the case.

“Greed is at the heart of this scheme, a reprehensible motive when the subjects in this case allegedly put into question the security of men and women who don uniforms each day to protect our nation,” stated FBI Assistant Director-in-Charge Sweeney. “There is no mistaking the cyber vulnerabilities created when this company sold electronic surveillance products made in the PRC, and then using those items in our government agencies and the branches of our armed forces. I cannot stress enough that we will do everything we can to search out and stop any other company willing to cut corners and pocket profits that endanger the lives of Americans, and make this country less safe.”

“The laws in place regulating government contracts ensure both the taxpayer and government receive quality goods and services at competitive prices. In addition, they provide a fair opportunity and level playing field for all businesses seeking government contracts. The General Services Administration's Office of Inspector General will continue to work closely with our law enforcement partners to aggressively investigate allegations of fraud against the United States Government,” stated GSA-OIG Special Agent-in-Charge Dattoria.

“The arrests and other enforcement operations that occurred today were the direct result of a joint investigative effort,” stated DCIS Special Agent-in-Charge Barzey. “The introduction of counterfeit parts and materials into the U.S. Defense Department's supply chain

poses a significant risk and impacts America's military readiness and our national security. The DCIS is committed to working with its law enforcement partners and the U.S. Attorney's Office, Eastern District of New York, to ensure that individuals and companies who engage in fraudulent activity, at the expense of the U.S. military, are investigated and prosecuted."

"TIGTA's mission includes investigating allegations of waste, fraud or abuse involving the Internal Revenue Service (IRS)," stated TIGTA Inspector General George. "Mr. Cabasso and his co-conspirators secured products from outside of the U.S. while purporting that these products were made in America. They then sold these products to the U.S. Government, including the IRS and other Government agencies. TIGTA is committed to investigating and working with our law enforcement partners to root out this type of fraud from the Government contracting and procurement process. I want to thank U.S. Attorney Donoghue for the steadfast support that he and his talented prosecutors gave to this investigation."

"U.S. Customs and Border Protection provided the critical link to an ongoing investigation that resulted in the takedown of an elaborate criminal enterprise," stated CBP Director of Field Operations Miller. "This case serves as a great example of collaborative law enforcement efforts to uncover and dismantle criminal enterprises that seek to defraud the United States government for personal gain while jeopardizing our national defense and causing economic harm to their competitors."

"In today's global economy, 'Made in the USA' is too sacred of a mark to fraudulently use for one's self interest," stated IRS-CI Special Agent-in-Charge Larsen. "IRS-Criminal Investigation works diligently with our law enforcement partners to uncover con artists devising elaborate schemes to become independently wealthy. These allegations have serious national security implications that go beyond shameless attempts at personal enrichment."

"Product substitution is a serious crime that puts our men and women in uniform at greater risk," stated NCIS Special Agent-in-Charge Lamont. "Our Sailors, Marines, and other armed services personnel deserve to have equipment that meets the highest standards for safety and performance, which will not fail them when it matters most. Substandard and counterfeit parts simply cannot be depended upon. Investigating product substitution and mitigating risks to the Department of the Navy supply chain is a top priority for the Naval Criminal Investigative Service. NCIS has a cadre of Special Agents trained in all aspects of economic crime, tirelessly fighting fraud in the procurement process."

"Ensuring the integrity of the US Air Force procurement process and the quality of the products provided to our warfighters is a top investigative priority of the Air Force Office of Special Investigations," stated AFOSI Special Agent-in-Charge Hein. "Those who seek to conduct business with the Air Force must be candid and truthful. AFOSI will aggressively investigate those who attempt to defraud the Air Force, and will work with our law enforcement partners to identify and prosecute those who would take advantage of the USAF and its interests. The victims are not just our men and women in uniform, but every American taxpayer."

"The Department of Energy's Office of Inspector General remains committed to ensuring the integrity and security of the Department's vendors, especially given the serious nature of the Department's mission," stated DOE Inspector General Donaldson. "We take

allegations of conspiracy against the U.S. Government very seriously and will aggressively investigate these matters to protect the Department and the American taxpayers. We appreciate the collaborative efforts of the DOJ and our other law enforcement partners.”

The Country of Origin Fraud and Unlawful Importation Scheme

As charged in the criminal complaint and in court documents filed today,¹ for over a decade Aventura lied to its customers, including the U.S. military, the federal government and private customers in the United States and abroad. Under federal government procurement laws and regulations a product’s country of origin can impact a procurement officer’s decision to purchase a product. A product’s country of origin also matters to some private sector customers. In addition, all products imported into the United States must be marked with their country of origin. Over the past decade, Aventura made upwards of \$88 million, including over \$20 million in federal government contracts, while claiming that it was manufacturing its products at its headquarters in Commack. In fact, Aventura does not manufacture anything in the United States. Instead, since at least 2006, Aventura has been importing products primarily from the PRC, then reselling them as American-made or manufactured in a small number of other countries.

Notably, Aventura imported networked security products from PRC manufacturers with known cybersecurity vulnerabilities, and resold them to U.S. military and other government installations while claiming that they were American-made. Aventura similarly deceived private customers in the United States and abroad who paid a premium for what they believed to be American-made goods. As a result, Aventura not only defrauded its customers, but also exposed them to serious, known cybersecurity risks, and created a channel by which hostile foreign governments could have accessed some of the government’s most sensitive facilities.

For this conduct, Aventura and the seven individual defendants are charged with unlawful importation and conspiracy to commit wire and bank fraud.

In the course of its investigation, the government intercepted and covertly marked numerous shipments from PRC sources to Aventura’s Commack headquarters. In some cases, cameras shipped from the PRC were pre-marked with Aventura’s logo and the phrase “Made in USA,” accompanied by an American flag. In many instances, the items were later resold to government agencies to whom the defendants falsely represented that the products were American-made.

For example, in March 2019 the U.S. Navy ordered from Aventura a \$13,500 laser-enhanced night vision camera that was specified as American-made on Aventura’s U.S. General Services Administration (GSA) price list. (In fact, no item on Aventura’s GSA price list is listed as being made in the PRC.) In April 2019, at a shipping facility in Jamaica, Queens, a

¹ As the introductory phrase signifies, the entirety of the text of the complaint and the description of the complaint set forth herein, constitute only allegations and every fact described should be treated as an allegation.

team led by CBP officers intercepted a shipment from a PRC manufacturer (“PRC Manufacturer-3”) to Aventura that contained a camera matching the Navy’s order and surreptitiously marked it for later identification using a method that would not be apparent to a casual observer.² Two weeks later, that same camera was delivered to Naval Submarine Base New London in Groton, Connecticut.

In another instance, in September 2018, the Department of Energy (DOE) ordered approximately \$156,000 worth of networked automated turnstiles from Aventura, to be installed at a facility in Tennessee. Aventura’s GSA price list described the turnstiles as American-made. In January 2019, turnstiles matching DOE’s order were intercepted in a shipment from a PRC manufacturer and marked by CBP; one month later, they arrived at the DOE facility in Tennessee. The crates shipped by Aventura to the DOE appeared identical to those that the CBP-led team had inspected, except that the shipping labels from the PRC directing the crates to Aventura had been peeled off, leaving behind visible traces of paper and glue. A special agent with the DOE-OIG placed a call to Lazarus regarding the turnstile shipment in May 2015. During the call, Lazarus falsely stated that the turnstiles were “U.S. made [in] New York.”

As a third example, in 2018, Aventura sold the U.S. Air Force 25 body cameras for use by Air Force security personnel at an Air Force base. Aventura was contractually required to provide goods from a limited set of countries that did not include the PRC. In August 2018, however, an Air Force service member observed Chinese characters on the built-in screen of one of the body cameras. The body camera was sent for analysis to a specialist, who downloaded its firmware and found numerous indications that the camera was manufactured in PRC. The camera contained multiple preloaded images that were apparently designed to display on the built-in screen—including the U.S. Air Force logo, the logo of the PRC Ministry of Public Security and the logo of PRC Manufacturer-1. All three logos had been saved to the camera’s firmware using the same software, on a computer that was set to a time zone in the PRC—indicating that the camera’s manufacturer in the PRC had been aware that the U.S. Air Force was a likely end user of the camera.

The defendants, working with counterparts in the PRC, took extraordinary steps to conceal this scheme. In November 2018, Jack Cabasso exchanged emails with an employee of a PRC manufacturer of surveillance equipment (PRC Manufacturer-2), identifying the need to “hide” the name of PRC Manufacturer-2 from Aventura’s customers. Cabasso wrote that Schwartz was “putting together a list” of steps to be taken. One week later, Cabasso stressed the need to take steps so that “they cannot trace” the product to PRC Manufacturer-2, adding, “The housings are a problem since you publish them on your website but nothing we can do about that.” Cabasso added that “the biggest problem” was that PRC Manufacturer-2’s initials were marked on its circuit boards, and said that he had “lost several potential customers” because of similar practices by another PRC manufacturer (PRC Manufacturer-1). The employee responded that the company’s initials would be removed from all circuit boards shipped to Aventura. Lasker was copied on all of the emails in this sequence.

² The numerals used to identify the manufacturers in this press release correspond to the way they are referred to in the criminal complaint.

Similarly, in December 2018, Jack Cabasso and Marino exchanged emails with employees of another PRC-based digital video equipment manufacturer (PRC Manufacturer-4). Marino complained to the employees that “communication from the server to the client contains [PRC Manufacturer-4’s name] visible in clear text. This should be changed.” When one of the employees wrote that this could not be changed, Cabasso responded: “WE CANNOT HAVE CUSTOMERS ABLE TO SEE” PRC Manufacturer-4’s name, later adding, “we also sent a sample to a customer and he found [PRC Manufacturer-4]. . . branding in the [operating system] which is a problem.” Schwartz and Lasker, among others, were included on these communications.

On or about November 23, 2016, Jack Cabasso sent an email to a GSA representative accusing 12 other GSA contractors of selling products to the U.S. Government that were manufactured by a PRC manufacturer of surveillance equipment (PRC Manufacturer-1). Cabasso asserted that this was a “big problem” and “doesn’t get any worse,” because PRC Manufacturer-1 was “actually the Communist Chinese Government and ha[d] ‘significant’ cybersecurity issues aside from” compliance with U.S. laws specifying country-of-origin requirements for government purchases. Cabasso stated that PRC Manufacturer-1 “will acknowledge they manufacture no products outside of China,” and appended an article about the removal of cameras manufactured by PRC Manufacturer-1 from the U.S. Embassy in Afghanistan.

Notably, Aventura was importing security equipment from PRC Manufacturer-1 while Jack Cabasso was complaining to GSA about other contractors’ supposed dealings with the company. For example, bank records show that Aventura wired funds to PRC Manufacturer-1 in the PRC on or about October 31, 2016 and November 29, 2016. And, law enforcement records show that on or about December 13, 2016, Aventura imported from PRC Manufacturer-1 in PRC an approximately 1,800-pound shipment of goods manifested as “digital video.”

In November 2018, Jack Cabasso and Matulik communicated with a potential distributor in Qatar, who asked for assurance that Aventura’s cameras were American made. Cabasso responded: “I believe Ed confirmed that they are made in the Aventura factory here in New York and [anyone] may visit at any time.” Cabasso attached what purported to be a photograph of Aventura’s assembly line, depicting a row of seated individuals in blue lab coats and protective hairnets working at laboratory benches—a photograph that also appears on Aventura’s website. In reality, this photograph first appeared in a trade publication article recounting a reporter’s visit to PRC Manufacturer-1’s manufacturing facility in Hangzhou, PRC, and it depicts PRC Manufacturer-1’s assembly line, not Aventura’s.

The Scheme to Misrepresent Aventura as a Woman-Owned Small Business

Jack and Frances Cabasso, along with Lasker and Lazarus, falsely represented on numerous occasions that Frances Cabasso was the chief executive of Aventura. In fact, the true chief executive officer of Aventura was Jack Cabasso, and Frances Cabasso played a minimal role at the company. This misrepresentation gave Aventura access to government contracts that were set aside for women-owned small businesses, a category that is legally defined to include only those businesses owned by women, where management and daily operations are also controlled by one or more women.

In order to win these set-asides, the defendants represented to the public that Frances Cabasso controlled Aventura. Aventura's website and its GSA webpage identify Aventura as a woman-owned business, and the defendants repeatedly certified to the GSA and stated to government procurement officers that Aventura is a woman-owned business. For example, on or about January 13, 2014, a GSA employee emailed Frances Cabasso to "verify if Aventura Technologies, Inc. is a Woman-Owned business." She replied: "Yes we are still a certified women-owned business." Aventura has won numerous contracts from the federal government on the strength of its status as a woman-owned business.

As Jack Cabasso repeatedly admitted, he was the true chief executive officer of Aventura. In 2017, Jack Cabasso emailed an Air Force procurement officer, stating in part, "I am the Managing Director of Aventura Technologies and the senior most person within the organization." Similarly, in a 2018 deposition, Cabasso said that his job responsibilities were to "oversee all operations of the company." By contrast, Frances Cabasso has worked as a bookkeeper at an unrelated accounting firm since 2011 and is rarely present at Aventura's offices. At times, emails sent to Frances Cabasso's email address appear to have been auto-forwarded to Jack Cabasso who sometimes signed his responses in Frances's name. The defendants joked about the fact that Frances Cabasso did not work at Aventura. For example, in an instant message exchange on December 5, 2016 between Jack Cabasso and Lazarus, both defendants discussed moving another employee into "Fran's" office—the office of the purported owner of the company—putting the name "Fran's" in quotation marks.

The Money Laundering Scheme

Jack and Frances Cabasso siphoned Aventura's illegal profits out of the company through a network of shell companies and intermediaries. The funds were then directed to investments owned by the Cabassos or controlled for their benefit.

Between 2016 and 2018, Aventura transferred approximately \$2 million to an attorney escrow account belonging to a Long Island, New York-based law firm (Law Firm-1), some of which appears to have been intended to conceal the source of the funds. For example, on or about May 24, 2016, Aventura transferred \$450,000 to Law Firm-1. On the same day, Law Firm-1 paid a total of \$435,000 towards the purchase of a new home for a relative of Jack and Frances Cabasso.

Similarly, in early 2018, Aventura transferred \$675,000 to Law Firm-1. Those funds were loaned out to a separate company for use in purchasing a house. When that company

repaid the loan to Law Firm-1, the proceeds, totaling approximately \$682,000, were transferred to Frances Cabasso.

In addition to the transactions through Law Firm-1, Aventura has transferred at least \$2.75 million to shell companies owned by Frances Cabasso. Those funds were then transferred to a number of accounts, including Frances Cabasso's personal bank account and the business account of a lawyer retained by Jack Cabasso. Some of these funds were returned to Aventura's bank accounts, in transactions having no discernible economic purpose.

In addition to these and other transfers, Aventura has made approximately \$1 million in payments since 2013 related to the Cabassos' 70-foot luxury yacht, known as the *Tranquilo*, which is moored in the gated community where the Cabassos reside. Although Aventura is the purported owner of the *Tranquilo*, the yacht appears to have no connection with Aventura's corporate business, and its rental income flows to the Cabassos, not to Aventura.

The defendants are presumed innocent unless and until proven guilty. If convicted, the defendants each face up to 20 years' imprisonment on each charge in the complaint.

The government's case is being handled by the Office's National Security and Cybercrime Section. Assistant United States Attorneys Ian C. Richardson, Alexander Mindlin, Kayla Bensing and Claire Kedeshian are in charge of the prosecution.

The FBI has established an email hotline for potential victims. If you have information regarding Aventura's crimes or believe that you may be a victim, please send an email to NY-AventuraVictims@fbi.gov

The Defendants:

AVENTURA TECHNOLOGIES, INC.
Commack, New York

FRANCES CABASSO
Age: 59
Northport, New York

JACK CABASSO
Age: 61
Northport, New York

JONATHAN LASKER
Age: 34
Port Jefferson Station, New York

CHRISTINE LAVONNE LAZARUS
Age: 45
Shirley, New York

WAYNE MARINO
Age: 39
Rocky Point, New York

EDUARD MATULIK
Age: 42
North Massapequa, New York

ALAN SCHWARTZ
Age: 70
Smithtown, New York

E.D.N.Y. Docket No. 19-MJ-1035