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FATHER AND SON SALES AGENTS PLEAD GUILTY TO DEFRAUDING CUSTOMERS

SACRAMENTO---United States Attorney McGregor W. Scott announced today that KENNETH CERVELLIN, 61, and RONALD CERVELLIN, 47, father and son from the Sacramento area, pleaded guilty today in federal court to one felony count each arising out of a scheme to defraud approximately 1,200 customers out of over \$200,000. KENNETH CERVELLIN pleaded guilty to one count of mail fraud and RONALD CERVELLIN pleaded guilty to one count of misprision of felony before United States District Judge Morrison C. England.

This case is the product of an investigation by the Federal Bureau of Investigation.

According to Assistant United States Attorney Matthew Stegman, who prosecuted the case, KENNETH and RONALD CERVELLIN own NorCal CSI, a Sacramento area company that acts as an independent sales agent for a credit card processing company named Cardservice International. Cardservice International is a nationwide corporation that electronically processes credit and debit card payments for merchants. The primary purpose of NorCal CSI is to generate new business for CSI. NorCal CSI salespeople solicit new merchants for CSI and assist the merchants in completing the merchant agreements. The credits, debits, and monthly statements for the merchants are all handled by CSI'S corporate office.

Between October of 2004 and February of 2006, KENNETH CERVELLIN defrauded approximately 1,200 customers of CSI by causing \$25 monthly electronic funds transfers ("EFT'S") to be debited from these CSI customers' bank accounts without their knowledge. KENNETH CERVELLIN initiated fraudulent \$25 debits each month against 400 to 500 of his approximate 1,200 merchants, rotating the merchants every few months to avoid arousing suspicion. In any three to four month period, most of the 1,200 clients were debited. If a merchant discovered the \$25 debit and complained, the CERVELLINS refunded the money by sending a check through the United States mail along with a false explanation, such as that the debit was a computer error. The client's manilla file was then marked with a special orange colored mark to keep track and to avoid not falsely billing that client in the future.

According to both defendants, although the fraud was perpetrated by KENNETH CERVELLIN, RONALD CERVELLIN had knowledge of the fraud, failed to report the fraud to law enforcement, and engaged in conduct designed to cover up the fraud. RONALD CERVELLIN maintained client spreadsheets used to help conceal the fraud, signed and mailed refund checks, and made false statements to the FBI agent investigating the case.

Both defendants are scheduled to be sentenced on July 5, 2007. Mail fraud carries a sentence of up to 20 years in prison and misprision of felony carries a sentence of up to 3 years in prison. However, the actual sentence will be determined at the discretion of the court after consideration of the Federal Sentencing Guidelines, which take into account a number of variables, and any applicable statutory sentencing factors.

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