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BETHESDA MAN PLEADS GUILTY IN \$4 MILLION PAYPHONE FRAUD SCHEME

Programmed 165 Payphones to Robotically Place Repeated Calls to Toll-Free
Numbers
to Fraudulently Obtain At Least \$4 Million in "Dial Around Compensation"
Payments

Greenbelt, Maryland - Nicolas Kantartzis, age 62, of Bethesda, Maryland, pleaded guilty today to wire fraud in connection with a six year scheme to fraudulently obtain payments from over 200 victims, including federal government agencies, a homeless shelter, banks and airlines, for toll-free phone calls placed from his payphones.

The guilty plea was announced by United States Attorney for the District of Maryland Rod J. Rosenstein; Inspector General Brian D. Miller of the General Services Administration - Office of Inspector General; and Special Agent in Charge Richard A. McFeely of the Federal Bureau of Investigation.

"For more than six years, Nicolas Kantartzis stole millions of dollars in fraudulent profits by programming payphones he controlled to dial hundreds of toll-free numbers," said U.S. Attorney Rod J. Rosenstein. "There were no actual callers, but owners of the toll-free numbers, including many government agencies, were required by law to pay Mr. Kantartzis 49 cents for each sham call."

GSA Inspector General Brian Miller said, "By auto-dialing, this fraudster exploited a public service and essentially, 'dialed for taxpayer dollars.'"

According to his plea agreement, Kantartzis and Federal Telephone Corporation Inc. (FTCI), a company he owned and operated, controlled approximately 165 payphones located at businesses and on the streets in Montgomery and Prince George's Counties, Maryland and in the District of Columbia, including locations in Kensington, Silver Spring, Gaithersburg, Hyattsville and Rockville, Maryland.

Federal regulations require that each owner of a toll-free phone number pay the owner of a payphone \$.494 for each completed toll-free call placed from his payphone. This payment is commonly called "dial around compensation."

From January 2005 to July 2011, Kantartzis used a computer service to program his payphones to robotically place repeated phone calls to toll-free numbers to obtain the \$.494 dial around compensation fee for each phone call. He programmed toll-free calls to between 200 and 250 victims, including the U.S. General Services Administration, the U.S. Department of Labor, the U.S. Department of Education and the Internal Revenue Service, as well as Dell Computer, the District of Columbia Homeless Shelter Hotline, financial institutions and airlines. Kantartzis fraudulently received at least \$4 million in dial around compensation paid by victims of his scheme.

Kantartzis programmed his payphones to call toll-free numbers in a repeating pattern, consisting of blocks of 10 calls within three minutes followed by five hours of no toll-free calls. These calls typically lasted only a few seconds. For example, in January 2008 Kantartzis programmed his payphone located at Super Dollar on Georgia Avenue in Washington, D.C. to make 2,669 outgoing calls, of which 1,688 (63%) were to toll-free numbers. Of the 1,688 toll-free calls, 93% lasted 10 seconds or less. Surveillance at some of the Kantartzis' programmed phones showed that no user was physically placing a call at the payphone at the time the calls were made and in fact, calls were made after the business was closed and locked.

As part of his plea agreement, Kantartzis has agreed to forfeit to the United States all payphones owned by him and FTCI, \$2,886,158 held in investment and bank accounts, and funds received in the future as a result of the fraud scheme.

Kantartzis faces a maximum penalty of 20 years in prison and a \$250,000 fine. Chief U.S. District Judge Deborah K. Chasanow scheduled sentencing for January 4, 2012 at 2:00 p.m.

United States Attorney Rod J. Rosenstein commended the GSA and FBI for their work in the investigation. Mr. Rosenstein thanked Assistant United States Attorney Christen A. Sproule, who is prosecuting the case.

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