

## Valley exec charged in web of fraud

**Dennis Wagner**

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The president of a Mesa telecommunications company was indicted with five others Thursday by federal grand jurors accusing him of running fraudulent schemes at other Valley businesses.

The indictment represents the first criminal prosecution in a network of white-collar enterprises tracked by enforcement agencies for years. Authorities say the sham companies ripped off investors for more than \$22 million and cost consumers and taxpayers millions more.

Angelo S. Tullo, 48, of Scottsdale, is charged with 29 counts of conspiracy, money laundering and wire fraud while at American Business Funding Inc. and advertisement HVAC Depot Inc.

Also indicted were Gene Monteleone, 47, and James Nova, 65, both of Scottsdale; John R. "Rick" Wolfe, 51, of Glendale; Margaret Molter, 35, of Mesa; and Allan Guttentag, 53, of Agoura Hills, Calif.

Authorities said HVAC and ABF were involved in a finance business known as "factoring," or selling IOUs.

It works like this: Company X has clients who owe \$100,000 for products and services. Company X needs cash immediately, so it sells the debt to investors for \$80,000. If the investors collect the full debt, they make a quick \$20,000 profit.

The indictment says HVAC and ABF sold phony debt from worthless shell companies that were controlled by Tullo, Monteleone and Nova.

Court records say defendants also used "a classic Ponzi scheme," paying early investors with money from those who followed.

Each felony count carries a maximum penalty of 20 years in prison, plus fines and asset forfeiture.

Internal Revenue Service spokesman Jim McCormick said the four-year investigation was conducted by his agency and the FBI.

### 'Brought to justice'

"A clear message was sent: White-collar crimes will not be tolerated," McCormick added. "Regardless of how sophisticated or complex the schemes, perpetrators will be brought to justice."

Tullo and Monteleone headed ABF of Scottsdale before it filed for bankruptcy protection three years ago amid criminal investigations and lawsuits. Guttentag and Wolfe also worked at ABF. Before that, Tullo and Nova oversaw HVAC, which suffered a similar demise. Molter is Tullo's personal assistant.

Tullo now serves as president, chief executive officer and chairman of Mesa-based YP Corp. Inc, a public company that also is mired in scandal and lawsuits. In an interview last week, he described himself as a specialist in turning around troubled companies and said he has been miscast as a villain by business enemies.

Responding to the indictment Friday, Tullo said, "We will vigorously defend against all charges. I was the one who informed all the investors when we found out this (fraud) was going on."

Nova declined to comment; other defendants could not be reached Friday.

The criminal indictments could affect numerous other businesses, including Tullo's publicly traded telecom business known as YP Corp. The company sells yellow page ads on the Internet. For \$29.50 each month, subscribers place ads that pop up when consumers let their fingers do the walking across computer keyboards.

Tullo said the company is debt-free and thriving.

According to court records and government reports, YP Corp. had other problems. Among them:

- The Federal Trade Commission alleged that YP Corp. defrauded hundreds of thousands of small businesses, churches and charities with a mail-marketing scam.

- YP Corp.'s chief financial officer resigned two years ago, prompting a legal fight. In court papers, she claims she quit because Tullo's legal problems were being concealed. YP Corp. accused her of plotting a corporate coup with fallen financier Charles H Keating Jr.

- A self-anointed Wall Street watchdog exposed the above and more in cyberspace, causing a public-relations mess for YP Corp.

This isn't the first time company executives had trouble with federal investigators.

## Check cashing trap

Four years ago, executives sent checks for \$3.50 to businesses, churches and charities across the country, purportedly as a gift.

But each envelope contained a fine-print contract that basically said: Cash this and you have signed up for our yellow pages directory, with the charge going onto your phone bill.

In June 2000, gun-toting agents of the Federal Trade Commission raided YP Corp. and filed court papers describing the company as "a complete scam" that "defrauded more than 200,000 businesses across the country with their deceptive mail campaign."

The case was dismissed. No fines. No admission of wrongdoing. YP Corp. was back in business two months later.

But Tullo's legal problems from ABF followed him to the new job.

Pamela Thompson, YP Corp.'s chief financial officer, says she became concerned when criminal allegations in the ABF bankruptcy were concealed from the Securities and Exchange Commission. In May 2002, she turned to Keating, YP Corp.'s in-house stock consultant.

The former savings and loan financier, whose fraud conviction was overturned, nevertheless became a 1990s symbol of America's thrift failures and political corruption.

His corporate demise cost taxpayers \$3.4 billion and left a trail of ruined investors.

Keating advised her to push for full disclosure.

Thompson said she was told to back off and warned she was being followed. Tullo scoffed and insisted that Keating was planning a takeover. He said the former Lincoln Savings & Loan chief even urged him to use YP Corp. to start up an investment bank, which Keating could run from behind the scenes.

"We wanted no part of that. . . . You could probably learn what *not* to do from him," Tullo added.

Keating could not be reached for comment.

Thompson quit her job on May 24, 2002, taking a laptop computer with her. She also went to federal investigators with the SEC, IRS, FBI and U.S. Attorney's Office.

YP Corp. immediately sued, claiming Thompson stole the computer that contained confidential files and embezzled \$30,000 to pay legal fees on a drunken-driving arrest.

Thompson swears the computer was given to her as a bonus. She says the DUI lawyer was paid by YP Corp. because she got busted driving home from a company Christmas party.

*YP Corp. vs. Thompson* fills eight volumes in Maricopa County Superior Court with more betrayal, blackmail and crookedness than a soap opera.

## Case settled, but . . .

The case was settled this month, but both sides paid a price.

Thompson said her reputation is forever tainted.

Tullo concedes that YP Corp. was exposed either as a company that had a crooked chief financial officer or, as Thompson alleged, corrupt.

"It's crazy," Tullo said. "All I want to do is run the business. And all we do is this other nonsense."

In January, the Web site known as stocklemon.com, described YP Corp. as "the dirtiest company to date" and offered to pay for an independent audit at the business.

It was the beginning of a cyberassault by California Web operator Andrew Left.

YP Corp. answered with a lawsuit and its own Web site, yp.com/stocklemonade, which says Left preys on penny stock companies, then profits from their failures.

Left admits "selling short" on stocks before savaging companies on the Internet. He says the practice is legal. "and a guy has to make a living."

After the indictments were announced Friday, Left whooped with joy.

"I've felt all this time like a lone wolf," he said. "And I knew I was telling the truth."

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