

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA

UNITED STATES OF AMERICA : 1:09CR235-1
 :
 v. :
 :
 BRENDAN CANNELL : FACTUAL BASIS

NOW COMES the United States of America, by and through Anna Mills Wagoner, United States Attorney for the Middle District of North Carolina, and as a factual basis under Rule 11, Fed. R. Crim. P., states the following:

BRENDAN CANNELL engaged in a scheme to steal identities from DMV offices, then obtain credit cards in those identities sent to post office boxes also rented under stolen identities, resulting in a known loss of over \$18,000. At the time of the scheme, CANNELL was on a deferred prosecution agreement out of Orange County for identity theft.

CANNELL is a 21-year-old resident of Chapel Hill, NC. On October 23, 2008, CANNELL was seen by a homeowner repeatedly looking in a residential mailbox in Chapel Hill. When the mail was delivered to the homeowner, he found a credit card in his wife's name. The next day, CANNELL came to the mailbox again. The homeowner asked what he was looking for, and CANNELL said he was looking for credit cards. The homeowner asked CANNELL for the name on the credit cards. CANNELL replied, "Laura." Laura is the name of the resident's wife, and she did not solicit the

credit card that was delivered. CANNELL told the man he found the information about "Laura" on the internet. Police were called and arrested CANNELL for identity theft. He received a deferred prosecution. The resident and his wife had moved to Chapel Hill from San Francisco, California, and each had obtained new drivers' licenses at the DMV office in Carrboro in late August-early September, 2008.

On March 31, 2009, Chapel Hill police responded to the UPS Store at 1289 N. Fordham Blvd. The manager told police that on March 16, 2009, a young white male with blond hair had opened a rental mailbox in the name of Matthew Dobbins, presenting an NC driver's license and USAA car insurance card as identification. U.S. Postal Service Form 1583, Application for Delivery of Mail Through Agent, was completed by the man, including the signature block under a warning of prosecution for false statements. The manager noticed mail arriving to the box addressed to several different names, apparently from credit card companies and the NC DMV. A notice was placed in the box asking the man claiming to be Dobbins to answer inquiries about the mail being received. When the man came to the UPS Store, the manager told him he would need to make copies of the envelopes being received. The manager told police that the suspect's face turned red and he began acting 'very suspicious.'" After the encounter with the UPS Store manager, the man only came to the UPS Store after regular

business hours to claim the mail. On one occasion, UPS Store employees saw the man wait in his car for a half hour until the store closed. The employees noted that the car was a gray convertible, NC registration number YSR-8514. Police found that this was registered to CANNELL's father.

Police found the real Matthew Dobbins and determined that he had not opened the mailbox account with the UPS Store. Dobbins said that the NC DMV had recently contacted him to say that someone applied for a duplicate copy of his license, to be sent to 510 Meadowmont Lane, Suite 373, Chapel Hill; this is the address of another UPS Store. Further investigation revealed that CANNELL drove his father's car, and that his description matched that observed by the UPS Store manager. Based on this information, and knowledge of CANNELL's October arrest for identity theft, police sought and obtained a search warrant for CANNELL's residence on Basnight Lane, Chapel Hill, on March 31, 2009. Police seized numerous credit card billing statements, declination letters, and NC driver's licenses in the names of people other than CANNELL. Also taken in the search was CANNELL'S computer and a key ring with several keys. CANNELL was arrested and released on bond.

Police found the paperwork associated with renting the postal box at the UPS Store on Meadowmont Lane, where someone attempted to have a duplicate license for Matthew Dobbins sent.

This box was rented using an NC driver's license of Adam J. Brusoe, and a USAA insurance card in the same name. On the PS Form 1583, twelve other names were listed as allowing the receipt of mail to the box.

Carrboro police found a related case of fraud involving victim Kathryn Bowman. Someone used a University of North Carolina computer to access an American Express website and apply for a card in Bowman's name and the address of the postal box on Meadowmont Drive associated with CANNELL. The card was obtained and used to charge \$541.39, and then reported lost/stolen. The card was replaced, and an additional \$918.53 was charged to Bowman's account. Bowman told police that she never ordered the American Express card, and that someone tried to open a Bank of America credit card in her name as well. Bowman said she had moved from Ohio to North Carolina, obtaining a new driver's license in Carrboro in July, 2008.

On April 6, 2009, Carrboro police met with CANNELL, his attorney Julian Mack, and CANNELL's mother, in a non-custodial interview. CANNELL admitted his involvement in the Bowman case, and disclosed the scheme used to carry out the fraud. CANNELL said he had set up a video camera with telephoto lens on a tripod, in a hidden location, aimed at the lock on the back door of the Carrboro DMV office. CANNELL said he waited for employees to use the back door, and then photographed the key being

inserted into the lock. Using photographs of the key, along with documentation from the lock manufacturer, CANNELL was able to decode the key depths. He obtained matching blanks and had a locksmith cut the keys based on his decoding of the key cut depths. The keys worked. Using the keys, CANNELL entered the Carrboro DMV office at night and placed USB key-logging devices on the computer terminals used by persons applying for driver's licenses. He would periodically return to remove the keylogging devices and replace them with new ones.

Ten days after CANNELL disclosed how he broke into the Carrboro DMV office, NC DMV Examiner Anne Hayes saw a 2000 Honda S2000, later identified as CANNELL's vehicle, parked near the DMV office on South Roxboro Road, Durham. Hayes saw no one in the car, but did see a video camera mounted inside the car, aimed at the rear entrance of the DMV. This information was relayed to Carrboro police, and they went to CANNELL'S residence to serve state warrants for crimes related to the identify theft involving Kathryn Bowman. When police arrived, they saw CANNELL receiving a package from the mail from Lakeshore Technology Service of Holland, Michigan. This company manufactures keylogger devices.

CANNELL was arrested, and while being transported he spontaneously stated that he could not quit the criminal activity because it was an "addiction." He also said there were items related to the activity in his home, his car, and at his parents'

home. Search warrants for the locations were obtained and executed.

At CANNELL'S residence, police found a list of NC DMV offices with hand-drawn sketches of keyholes. At CANNELL'S parents' home, police found books on lock-picking, documents in the names of other people, a counterfeit license in CANNELL'S name, an American Express card in Kathryn Bowman's name, and computers. A forensic analysis of the computers has not yet been completed, but a preliminary examination showed the following items on the computers:

- instructions for making C-4 explosives
- an application to register as an ammonium nitrate fertilizer retailer, and other documents related to the acquisition of explosives-materials
- latitude-longitude coordinates for the following locations
 - Fort Bragg - to include housing and water supply (Mott Lake)
 - Anniston Army Depot in Alabama
 - Armory Arms, a gun store in Durham
 - A letter, outlining plans to "[s]urreptitiously acquire weapons from a local gun shop. Hold up a bank to acquire starting capital. Purchase automobile, begin creating new identities. Use their credit to acquire loans, then abandon the

identities and keep the money. Use it to train in the following: bypassing locks and security systems, forging documents, combat and defense. At college, learn all about electronics. Imitate a law enforcement agency to gain access to restricted weapons. Recruit a team and begin performing various heists (banks, armored cars, etc.) using every technological advantage I can afford." The letter goes on to outline a plan to use explosives and technology to blackmail authorities.

- A list of 138 identities, to include name, address, Social Security number, date of birth, phone number, and email address. This list includes five known victims of CANNELL'S fraud.

More victims of CANNELL'S fraud scheme were found. Yang Zhao and his wife moved from New York to North Carolina, obtaining new drivers's licenses at the Carrboro DMV office on July 8, 2008. Investigators found that someone opened credit card accounts with Bank of America, Citibank and Wachovia in Yang Zhao's identity, sent to a UPS Store mailbox in Carrboro, with a total loss of \$16,567.40 for the three accounts. Additionally, two checking accounts were opened with Zhao's identity and the Carrboro UPS Store address at Suntrust Bank. The UPS Store box was rented by CANNELL in the name of Michael Smith, using an altered NC driver's license bearing that name and CANNELL'S photograph. The second form of ID used to open the rental PO box

was a USAA car insurance card. Investigators found mail addressed to Zhao and Smith in that rented box.

This the 9th day of September, 2009.

Respectfully submitted,

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