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FILED
U.S. DISTRICT COURT
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DISTRICT OF UTAH
SEAL

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

vs.

DAVOR KOVACEVIC, ZLATE
BALULOVSKI and RYAN LEE
MOWER,

Defendants.

INDICTMENT

VIOLATIONS:

COUNTS 1-7: 18 U.S.C. § 1343
(Wire Fraud)

COUNTS 8-10: 18 U.S.C. § 1957
(Money Laundering)

Case: 2:19-cr-00391
Assigned To : Benson, Dee
Assign. Date : 10/24/2019
Description:

The Grand Jury charges:

BACKGROUND

At all times relevant to this Indictment:

1. FedEx Ground Package System, Inc., more commonly known as FedEx Ground ("FXG"), was a package transportation and delivery company headquartered in Pennsylvania. FXG operated throughout the United States, including Utah. It was a subsidiary of FedEx Corp., headquartered in Tennessee.

2. To move packages across the country, FXG operated approximately thirty-nine hubs, or distribution centers, across the United States.

3. One of FXG's hubs was located in North Salt Lake, Davis County, Utah.

4. As part of its business model, FXG contracted with local trucking companies, known as contract service providers ("CSPs"), to transport packages on behalf of FXG.

5. Defendant DAVOR KOVACEVIC ("KOVACEVIC") was a resident of Salt Lake County, Utah.

6. Defendant ZLATE BALULOVSKI ("BALULOVSKI") was a resident of Salt Lake County, Utah.

7. KOVACEVIC and BALULOVSKI owned, operated, and controlled several trucking companies incorporated in the State of Utah that were FXG CSPs including D&Z Trucking Inc., Romkat Transportation, and V&M Logistics, Inc.

8. Defendant RYAN LEE MOWER ("MOWER") was a resident of Davis County, Utah.

9. MOWER was the Senior Linehaul Manager at the North Salt Lake FXG hub. He was FXG's highest-ranking employee in Utah from at least 2008 to October 2019. His primary responsibilities included overseeing the FXG CSPs and ensuring each complied with FXG policies and regulations.

SCHEME AND ARTIFICE TO DEFRAUD

10. The main object of the scheme and artifice to defraud FXG by KOVACEVIC, BALULOVSKI, and MOWER was to exploit MOWER's position within

FXG in order to unfairly grow, give undue preferential treatment to, so as to make KOVACEVIC's and BALULOVSKI's businesses as lucrative as possible thereby enriching KOVACEVIC, BALULOVSKI, and MOWER.

11. Sometime around April 10, 2012, KOVACEVIC and BALULOVSKI began paying MOWER bribes. In exchange, KOVACEVIC and BALULOVSKI asked for and received favors, preferential treatment, and assistance in defrauding FXG.

12. FXG has a strict no bribery policy in order to promote a culture of honesty and integrity. As part of the CSP agreement, FXG reserves the right to terminate a CSP's contract if the CSP engages in bribery or corruption.

13. When KOVACEVIC and BALULOVSKI signed the contract with FXG, they agreed to conduct all business activities with honesty and integrity, and to comply with all federal, state, and local laws. They also agreed that FXG could terminate the contract if either KOVACEVIC or BALULOVSKI or their companies violated any of these provisions in the contract.

14. MOWER understood that accepting bribes would result in FXG terminating his employment.

15. Since at least April 10, 2012, KOVACEVIC, BALULOVSKI, and MOWER hid their corrupt relationship from FXG.

16. In return for money, KOVACEVIC and BALULOVSKI exploited MOWER's position at FXG to fraudulently grow and maintain their businesses in several ways.

Fraudulently Obtaining New Assigned Runs

17. First, KOVACEVIC and BALULOVSKI used MOWER's position to game FXG's process governing the awarding of new runs to FXG CSPs.

18. A run is an overland trucking route between two or more places, typically hubs, between which FXG needs packages transported by a CSP. Some runs exist only for a day. Others are permanent due to the steady flow of packages between locations. A permanent run is called an assigned run. As demand grows, FXG creates additional assigned runs. Once created, FXG notifies CSPs that the assigned run is available for any CSP interested to apply so the newly created run maybe assigned to a CSP.

19. The primary way a CSP grows its business with FXG is by obtaining more runs. In every CSP contract, FXG and the CSP agree upon established rules and procedures by which a new run will be awarded. This allows every CSP to expect the same process every time FXG makes a new assigned run available.

20. Typically, the truck of a CSP that has the most points receives the assigned run. Trucks that run assigned or unassigned runs earn points for each day. Trucks can also earn points for positive safety inspections and during peak season. As such, the awarding of an assigned run should be based on merit.

21. MOWER's responsibility as Senior Linehaul Manager was to announce and award new assigned runs according to the process agreed upon by FXG and the CSPs as well as ensure the fairness and integrity of the process.

22. It was part of the scheme and artifice to defraud that in 2015, KOVACEVIC's and BALULOVSKI's company D&Z Trucking was running two unauthorized assigned runs from Salt Lake City, Utah to Omaha, Nebraska. In 2016, KOVACEVIC and BALULOVSKI paid MOWER \$40,000 (\$20,000 per run) in bribe payments for MOWER to not post the runs, which would have allowed other trucking companies to bid or compete for the runs. Instead, MOWER awarded the runs directly to D&Z as assigned (permanent) runs, bypassing the normal posting and competition.

23. It was further part of the scheme and artifice to defraud that in 2018, D&Z was running two unauthorized assigned runs – one from Salt Lake City, Utah to Fort Worth, Texas and one from Salt Lake City, Utah to Pershing County, Nevada. KOVACEVIC and BALULOVSKI paid MOWER \$40,000 (\$20,000 per run) in bribe payments for MOWER to not post the runs, which would have allowed other trucking companies to bid or compete for the runs. Instead, MOWER awarded the runs directly to D&Z as assigned (permanent) runs, bypassing the normal posting and competition.

24. Without MOWER's assistance, KOVACEVIC and BALULOVSKI would not have been able to obtain as many routes as they did.

Boosting Miles and Ghost Routes

25. Using MOWER's position, KOVACEVIC, BALULOVSKI, and MOWER falsified mileage reports so that FXG paid KOVACEVIC's and BALULOVSKI's companies more than they were entitled.

26. A CSP earns money by completing runs for FXG. The total weekly mileage of the runs completed by a CSP is multiplied by a dollar amount per mile. Thus, the more miles driven, the more money earned.

27. MOWER would regularly inflate, or boost, the number of weekly miles driven by one or more of KOVACEVIC's and BALULOVSKI's companies and submit the boosted numbers to FXG, causing FXG to overpay KOVACEVIC's and BALULOVSKI's companies.

28. In addition KOVACEVIC's and BALULOVSKI's trucking companies received payments from FedEx Ground for "ghost routes" or runs that were never actually run by one of their trucking companies. In return for the boosted miles and payments for ghost routes, MOWER received bribes and kickbacks equaling one-third of the extra settlement payments that KOVACEVIC and BALULOVSKI should not have received from FedEx Ground.

29. As part of the scheme and artifice to defraud, on April 6, 2018, MOWER sent the following text message to KOVACEVIC:

"135598 is running the standard (1090 miles) from Shaw to salt. I just switched the dispatch to the alternate (1504) miles. 414 extra. Also, I just modified 141519 dispatch to show Eric to Memphis to salt. They are running 2050 miles, but dispatch will show 3235 total for this trip. 1185 extra. So, that's 3649 miles this week."

On the same date, KOVACEVIC replied "Sweet, thanks bro!"

30. As part of the scheme and artifice to defraud, on April 22, 2018, MOWER sent the following text message to BALULOVSKI:

“135131 was dispatched 841-7256-841 after not showing up for bliss run. 916 miles. I think this one should be 100% for me since your operation failed me this morning.”

On the same date, BALULOVSKI replied “Ok.”

Results of the Fraud

31. By fraudulently obtaining assigned runs, actively obscuring business ownership and growth, and falsely reporting miles to gain unearned income, KOVACEVIC’s and BALULOVSKI’s companies received approximately \$21,373,873 in FXG net revenue over the past approximately seven and a half years. During that same period, KOVACEVIC and BALULOVSKI paid MOWER approximately \$165,000 in bribe payments.

COUNTS 1-7

18 U.S.C. §§ 1343 and 2
(Wire Fraud)

32. The allegations in the preceding paragraphs are incorporated by this reference as though fully set forth herein.

33. On or about the dates listed below, in the District of Utah and elsewhere, **DAVOR KOVACEVIC, ZLATE BALULOVSKI, and RYAN LEE MOWER**, defendants herein, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, and for the purpose of executing said scheme and artifice to defraud, did cause to be transmitted in interstate commerce by means of wire communication certain writings, signs and signals, each such use of wire communication being a separate count of this Indictment; all in violation of 18 U.S.C. §§ 1343 and 2.

<u>Count</u>	<u>Date</u>	<u>Interstate Wire Transaction</u>
1	4/22/15	\$3,000 check from D&Z Trucking Inc.'s Wells Fargo Bank account ending in 8873 to MOWER and deposited into MOWER's America First Credit Union account ending in 9511.
2	6/3/16	MOWER deposited a \$40,000 cashier's check he received from KOVACEVIC and BALULOVSKI into his America First Credit Union account ending in 2511.
3	8/4/16	MOWER deposited a \$15,330 cashier's check he received from KOVACEVIC and BALULOVSKI into his America First Credit Union loan ending in 9511.
4	3/31/18	\$1,500 check from Romkat Transportation Inc.'s Wells Fargo Bank account ending in 2045 to MOWER and deposited into MOWER's America First Credit Union Money Market account ending in 9511.
5	5/1/18	\$2,000 check from V&M Logistics Inc.'s Wells Fargo Bank account ending in 7688 to MOWER and deposited into MOWER's American First Credit Union Money Market account ending in 9511.
6	4/6/18	Text message from MOWER to KOVACEVIC
7	4/22/18	Text message from MOWER to BALULOVSKI

COUNTS 8-10

18 U.S.C. §§ 1957 and 2
(Money Laundering)

34. The allegations in the preceding paragraphs are incorporated by reference as though fully set forth herein.

35. On or about the dates set forth below, in the Central Division of the District of Utah, and elsewhere,

DAVOR KOVACEVIC and ZLATE BALULOVSKI,

defendants herein, did knowingly engage and attempt to engage in the following monetary transactions by, through, and to a financial institution, affecting interstate and

foreign commerce, in criminally derived property of a value greater than \$10,000, that is the withdrawal, transfer, exchange of U.S. currency, and deposit of funds, such property having been derived from a specified unlawful activity, that is, the proceeds of Wire Fraud in violation of 18 U.S.C. § 1343; all in violation of Title 18 U.S.C. §§ 1957 and 2:

<u>Count</u>	<u>Defendant</u>	<u>Date</u>	<u>Monetary Transaction</u>
8	KOVACEVIC, BALULOVSKI	3/30/2017	\$38,861.18 check deposit from V&M Logistics, Inc. account #7688 to Plaza Cycle for the purchase of two 2017 Polaris Rzrs
9	BALULOVSKI	12/28/2018	\$21,579 check from AFCU account #2388-9 to Auto Source of Draper for the purchase of a 2016 Mercedes Benz E-Class.
10	KOVACEVIC, BALULOVSKI	1/31/18	\$23,400 check deposit from V&M Logistics, Inc. account #7688 to Brandon Pack for the down payment for the purchase of two residential swimming pools.

NOTICE OF INTENT TO SEEK FORFEITURE

Pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c), upon conviction of any offense in violation of 18 U.S.C. § 1343, the defendants shall forfeit to the United States of America any property, real or personal, that constitutes or is derived from proceeds traceable to the scheme to defraud including, but not limited to:

- Real property located at:
 - 6964 W Goblin Valley CV, West Jordan, UT;
 - 2220 E Murray Holladay Road #15, Holladay, UT;
 - 2220 E Murray Holladay Road #80, Holladay, UT;
 - 6777 W Grevillea Lane, West Jordan UT;
 - 7618 S Calendula Lane, West Jordan, UT;
 - 6838 W Mesa Arch Drive, West Jordan, UT;

- 881 E Maple View #21, SLC, UT;
- 248 E Winslow Ave #3B, South Salt Lake, UT;
- A money judgment equal to the value of any property, real or personal, constituting or derived from proceeds traceable to the scheme to defraud and not available for forfeiture as a result of any act or omission of the defendant(s) for one or more of the reasons listed in 21 U.S.C. § 853(p); and
- Substitute property as allowed by 28 U.S.C. § 2461(c) and 21 U.S.C. § 853(p).

Pursuant to 18 U.S.C. § 982(a)(1), upon conviction of any offense in violation of 18 U.S.C. § 1957, the defendants shall forfeit to the United States of America any property, real or personal, involved in such violations, and any property traceable to such property including, but not limited to:

- Real property located at:
 - 6964 W Goblin Valley CV, West Jordan, UT;
 - 6838 W Mesa Arch Drive, West Jordan, UT;
- A money judgment equal to the value of all property involved in the money laundering and any property traceable to such property and not available for forfeiture as a result of any act or omission of the defendant(s) for one or more of the reasons listed in 21 U.S.C. § 853(p); and

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- Substitute property as allowed by 18 U.S.C. § 982(b) and 21 U.S.C. § 853(p).

A TRUE BILL:

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FOREPERSON OF THE GRAND JURY

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