

The United States Attorney's Office

Southern District of Florida

Press Release

JURY CONVICTS TWO DEFENDANTS IN DVD VENDING MACHINE SCAM

October 20, 2006

FOR IMMEDIATE RELEASE

R. Alexander Acosta, United States Attorney for the Southern District of Florida, and Henry Gutierrez, Inspector in Charge, Miami Division, United States Postal Inspection Service, announced today that a jury convicted **Edmond Grigorian** and **Cesar Menendez** after a two-week trial before United States District Court Judge Jose E. Martinez, in Miami, Florida. The defendants were convicted of fraud charges in connection with a scheme to sell a business opportunity involving DVD vending machines.

Grigorian was convicted of two counts of mail fraud, three counts of wire fraud, and one count of conspiracy. Menendez was convicted of two counts of mail fraud, two counts of wire fraud, and one count of conspiracy. Each offense carries a maximum statutory term of imprisonment of twenty (20) years, a possible fine, and mandatory restitution. Following the return of the jury's verdicts, the two defendants were remanded into custody pending their sentencing, which is scheduled for January 4, 2007, before Judge Martinez.

Grigorian and Menendez worked for American Entertainment Distributors, Inc. ("AED"), a Hollywood, Florida-based company which sold about \$19 million of the DVD vending machine business opportunities to more than 400 consumers across the United States. AED was in business from November 2003 until September 2004, when the Postal Inspection Service executed a search warrant and the Federal Trade Commission obtained a court order that shut down the business.

Evidence introduced during the trial showed that AED sold the DVD vending machine business opportunity by using baseless and wildly exaggerated profit projections. In addition, AED falsely promised to secure good locations for the machines, falsely claimed that the machines were reliable and easy to operate, falsely promised to provide long-term customer service, and referred prospective buyers to phony references. Undercover tapes introduced during the trial showed that both defendants knew that they were using false information to lure people into the deal. Most of the consumers paid \$36,500 to AED for the machine and the promised services.

Seven other defendants were previously convicted in the scam. Judge Martinez sentenced AED's president, James R. MacArthur, to 10 years and 1 month in prison and ordered MacArthur to pay \$12 million in restitution. MacArthur's brother, Russell G. MacArthur, Jr., who is charged with setting up AED despite a federal court order that prohibited him from any involvement in the sale of such business opportunities, fled shortly after being indicted in August 2005. Russell MacArthur was arrested in July in Costa Rica and remains in custody there, pending extradition to the United States.

The AED prosecution is part of an ongoing crackdown on business opportunity fraud in South

Florida that is being carried out by the United States Department of Justice, the United States Attorney's Office in Miami, the United States Postal Inspection Service, and the Federal Trade Commission.

Mr. Acosta commended the investigative efforts of the United States Postal Inspection Service. The case is being prosecuted by Patrick Jasperse and Douglas Stearn, Trial Attorneys, United States Department of Justice, Office of Consumer Litigation.

A copy of this press release may be found on the website of the United States Attorney's Office for the Southern District of Florida at <http://www.usdoj.gov/usao/fls>. Related court documents and information may be found on the website of the District Court for the Southern District of Florida at <http://www.flsd.uscourts.gov> or on <http://pacer.flsd.uscourts.gov>.

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