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JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Thursday, January 14, 2010

British Citizen Pleads Guilty in Connection with Costa Rica-based Business Opportunity Fraud Ventures

WASHINGTON – On Jan. 13, 2010, Dilraj Mathauda entered a guilty plea in federal district court in Miami to one count of an indictment pending against him, charging conspiracy to commit mail and wire fraud, the Justice Department and the U.S. Postal Inspection Service announced today.

Mathauda was arrested following his indictment by a Miami federal grand jury on June 9, 2009, based on charges that he and his co-conspirators purported to sell beverage and greeting card business opportunities, including assistance in establishing, maintaining and operating such businesses. The charges form part of the government's continued nationwide crackdown on business opportunity fraud.

Mathauda worked for USA Beverages Inc. and Omega Business Systems Incorporated. Beginning in 2005, USA Beverages sold business opportunities to own and operate coffee beverage display racks. USA Beverages rented office space in Las Cruces, N.M., and otherwise made it appear to potential purchasers that USA Beverages' operations were fully within the United States. However, USA Beverages actually operated from Costa Rica. Omega was a Wisconsin and Florida corporation.

In 2007 and early 2008, Omega sold business opportunities to own and operate greeting card display racks. Omega rented office space in Madison, Wis., and otherwise made it appear to potential purchasers that Omega's operations were fully within the United States. However, Omega actually operated from Costa Rica.

To fraudulently induce others to purchase the business opportunities, Dilraj Mathauda and his co-conspirators made, and caused others to make, numerous false statements to potential purchasers of the business opportunities. Potential purchasers were falsely told that the companies were established years earlier, had a significant number of distributors across the country, and had a track record of success. Potential purchasers were referred to references who told false tales of their success as business opportunity owners. Through these and other misrepresentations, purchasers of the business opportunities were led to believe that they would likely earn substantial profits.

"Business opportunity fraud causes significant financial hardship for victims who are trying to start a business and earn a living," said Tony West, Assistant Attorney General for the Department of Justice's Civil Division. "The Justice Department is committed to uncovering and vigorously prosecuting business opportunity fraud."

Mathauda faces a maximum sentence of 25 years in prison, a possible fine and mandatory restitution.

"This guilty plea demonstrates that individuals living outside of the United States will not be allowed to use technology to commit fraud on the American public. This investigation illustrates our resolve to protect American consumers from business scams, wherever they occur," said U.S. Postal Inspector in Charge, Henry Gutierrez, based in Miami.

"The Postal Inspection Service remains vigilant in investigating and rooting out business opportunity fraud. Consumers must be aware that false references and empty promises of assistance locating display racks and merchandise are extremely common in this type of scam," said U.S. Postal Inspector in Charge Pete Zegarac, based in Phoenix. "These companies took over the corporate identities of businesses established long ago – so even claims of being in business for many years must be viewed with caution."

Assistant Attorney General West commended the investigative efforts of the Postal Inspection Service, as well as the Federal Trade Commission, which previously brought a related civil suit and made a criminal referral. This matter is being prosecuted by trial attorneys in the Justice Department's Office of Consumer Litigation.

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Civil Division

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