



## U.S. Department of Justice

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### PRESS RELEASE

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#### INDIVIDUALS FACE CHARGES FOR FRAUD SCHEME INVOLVING SPAM EMAIL, AN INTERNET WEB SITE, AND TELEMARKETING

Marcos Daniel Jiménez, United States Attorney for the Southern District of Florida; Hector M. Pesquera, Special Agent in Charge, Federal Bureau of Investigation; and Eileen Harrington, Associate Director, Division of Marketing Practices, Federal Trade Commission, announced today that the United States Attorney's Office has filed charges against three Miami-area residents and four California men for a scheme that used spam email, an Internet web site, telemarketing sales calls, and exaggerated profit projections to lure consumers across the country into investing in worthless businesses.

Consumers, who made investments of at least \$7,000 to \$10,000, lost everything they invested. Many of the victims cashed out their retirement savings to make the investments.

Charged in an indictment were Thomas P. Norton of Aventura, his wife, Patricia M. Riley, also of Aventura, David M. Freeman of Hallandale Beach, and E. Douglas Mitchell of San Marcos, Calif. Charged in an information were Ronald W. Johnson, James V. Miles, and Gary Spink, all of California.

The indictment described two fraudulent schemes. In the first, Norton was accused of a telemarketing scheme in 1998 that sold units of \$7,000 or more in a company that purportedly was going to sell prepaid telephone services to credit-impaired households. Norton told consumers that the businesses were rapidly gaining customers, would generate large profits, and that he personally had invested in the businesses, according to the indictment. Norton failed to disclose that 45% of the investment was immediately eaten up by sales commissions, the indictment said. Consumers who invested in that business lost all of their money, according to the indictment.

In the second scheme, Norton, Freeman, and Mitchell were charged with a plot to sell investments of \$10,000 each in partnerships that would fund an electricity company in California. Consumers were provided with exaggerated profit projections and were not told that 60% of their money would

immediately be used to pay sales commissions, according to the indictment. The indictment said that, except for a dividend of about \$100, consumers who invested in that enterprise also lost all of their money. Some consumers who invested in the first telephone scheme were victimized again in the second scheme, the indictment said.

Norton and Riley were charged with criminal contempt and conspiracy to defraud the FTC. A civil lawsuit filed against Norton by the FTC resulted in a 1994 order by the late United States District Judge Lenore Nesbitt that prohibited Norton from telemarketing without first posting a \$5 million bond with the FTC, but the indictment says that Norton ignored the court order and proceeded to operate a secretive telemarketing sales room in Hallandale, where the doors were always locked and the blinds drawn, according to the indictment. Norton regularly used an alias, "Tom Riley," in his business dealings, the indictment said. Riley assisted her husband by putting her name on legal documents and by frequently changing the name of the business, the indictment charged.

Those charged in the indictment face up to 20 years in prison and fines of \$500,000. Those charged in the information face up to 5 years in prison.

Mr. Jiménez commended the investigative efforts of the Federal Bureau of Investigation and the Federal Trade Commission. The case is being prosecuted by trial attorneys Barbara T. Wells and Patrick Jasperse from the Office of Consumer Litigation, United States Department of Justice.

[Return to Press Release Page](#)

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