



**U.S. Department of Justice**

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## **PRESS RELEASE**

FOR IMMEDIATE RELEASE

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### **EIGHT MORE INDICTED ON BUSINESS OPPORTUNITY SCAM**

R. Alexander Acosta, United States Attorney for the Southern District of Florida, and Enrique Gutierrez, Inspector in Charge, U.S. Postal Inspection Service, announced today the unsealing of an Indictment charging eight (8) individuals in connection with a fraudulent scheme to sell DVD vending machines. All eight (8) defendants were arrested today and made initial appearances in Court. Trial will be held before United States District Court Judge Jose E. Martinez. No trial date has been set yet.

The Indictment is part of Operation Biz Opp Flop, a continuing crackdown on business opportunity fraud in South Florida that is being spearheaded by the United States Attorney's Office in Miami, the United States Department of Justice's Office of Consumer Litigation in Washington, D.C., the United States Postal Inspection Service, and the Federal Trade Commission.

According to the Indictment, American Entertainment Distributors, Inc. ("AED") sold DVD vending machines to consumers for \$28,000 to \$40,000 per machine. The company promised to secure high-traffic locations for the machines, which the company touted as a more convenient way for consumers to rent movies and video games than going to a video store.

The Indictment alleges that AED provided prospective buyers with phony "references" who posed as prior satisfied prior customers. In truth, some of the references never had a machine, had been given their machine for free, or were related to a company employee.

According to the Indictment, consumers who called AED after seeing the company's television commercials or Internet advertising were given exaggerated profit projections and were falsely told that the DVD vending machines were reliable, easy to operate, and would be delivered

promptly. Furthermore, AED claimed to be a member in good standing of the Better Business Bureau of Southeast Florida, but lied to the Bureau and to consumers about how long AED had been in business.

Charged in the Indictment were **Russell G. MacArthur, Jr., James R. MacArthur, Evan J. Feig, Edmond Grigorian, Thomas R. Kling, Cesar Menendez, Michael H. Menkes**, all of South Florida, and **Karl Wagner**, of Michigan. All of the defendants were charged with conspiracy and various mail and wire fraud charges. Each conspiracy and fraud charge carries a maximum of twenty (20) years' imprisonment.

In addition, Russell G. MacArthur, Jr., who previously had been prohibited by a federal judge in Miami from any involvement in business opportunities, and his brother, James MacArthur, the president of AED, were each charged with criminal contempt. The contempt charge carries a maximum of life imprisonment.

United States Attorney Acosta stated, "This prosecution is yet another example of our efforts to protect South Florida investors from fraud. To date, we have charged more than thirty individuals for conducting similar business opportunities scams. Of these, fourteen (14) have been convicted and sixteen (16) are pending trial. By now, would be fraudsters should be on alert that this Office is will continue to prosecute these scams vigorously."

Mr. Acosta commended the investigative efforts of the United States Postal Inspection Service. The lead prosecutor on the case is Patrick Jasperse, a Trial Attorney with the United States Department of Justice's 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 [www.usdoj.gov/usao/fls](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 [www.flsd.uscourts.gov](http://www.flsd.uscourts.gov) or on <http://pacer.flsd.uscourts.gov>.

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