



Department of Justice

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Six Charged With Business Opportunity Fraud

WASHINGTON – Six defendants were charged today for their participation in various fraudulent business opportunity schemes, the Justice Department and the U.S. Postal Inspection Service announced today. The charges form part of the government’s continued crackdown on business opportunity fraud in South Florida.

Five different business opportunity schemes are the targets of these criminal prosecutions. Enticed by the promise of a “turnkey business,” over 2,300 consumers nationwide lost over \$62 million in purchasing these fraudulent business opportunities.

A summary of the six prosecutions announced follows:

U.S. v. Shevin Goodman, Case No. 07-20871-CR-Seitz; U.S. v. Cary Krugly, Case No. 07-20868-CR-King.

Shevin Goodman and Cary Krugly were each charged by Information for their involvement in Debit Corporation of America, Inc. (“DCA”), a Miami corporation that sold business opportunities from approximately January 2003 to January 2004. Goodman was charged with one count of criminal contempt of court under Title 18, United States Code, Section 401, and one count of conspiracy to commit mail fraud under Title 18, United States Code, Section 371. Krugly was charged with one count of conspiracy to commit mail fraud. Goodman was an organizer and leader of DCA, while Krugly participated in the scheme and served as an undisclosed owner.

According to the charges, DCA purported to sell prepaid MasterCard® sales systems, along with assistance in establishing, maintaining, and operating a prepaid MasterCard® business. For a purchase price of roughly \$15,000, potential DCA purchasers were told that they would receive three “Debit Card Sales Systems,” plus assistance operating a prepaid debit card business opportunity. According to DCA, a business opportunity purchaser would earn substantial profits from the commissions generated when members of the public purchased prepaid debit cards from the distributor’s display racks.

The criminal contempt charge against Goodman is based on his violation of an order entered by the United States District Court for the Southern District of Florida in May 2002, in a consumer fraud civil case filed by the Federal Trade Commission. The order banned Goodman from participating in the sale of business opportunities.

These defendants and others fraudulently induced over four hundred consumers to invest more than \$6 million in DCA business opportunities.

If convicted, Goodman faces a maximum statutory term of up to life imprisonment, a possible fine, and mandatory restitution on the criminal contempt count. Goodman and Krugly face a maximum statutory term of imprisonment of five years on the mail fraud conspiracy count, a possible fine, and mandatory restitution. U.S. v. Paul Stephen Pemberton, Case No. 07-60264-CR-Cohn.

Paul Pemberton was charged by Information with one count of conspiracy to commit mail fraud under Title 18, United States Code, Section 1349. Pemberton was an organizer and leader of TransNet Wireless Corp., a Florida corporation which became operational in about June 2004. TransNet’s principal place of business was located in Plantation, Florida.

According to the Information, TransNet purported to sell Internet kiosks, along with assistance in establishing, maintaining, and operating an Internet kiosk business. For a purchase price of roughly \$14,000, potential TransNet purchasers were told that they would receive an Internet kiosk/“wi-fi” base station, plus assistance operating the

business opportunity. According to TransNet, a business opportunity purchaser would earn substantial profits from the commissions generated when members of the public used the purchasers' Internet kiosk and from national advertisements placed on the kiosks once a certain base number of units were in operation.

Pemberton and his co-conspirators fraudulently induced over 800 consumers to invest in excess of \$18 million in TransNet business opportunities.

If convicted, Pemberton faces a maximum statutory term of imprisonment of twenty years, a fine, and mandatory restitution.

U.S. v. Brian D. Gordon, Case No. 07-20867-CR-Zloch.

Brian D. Gordon was charged by Information with two counts of conspiracy to commit mail fraud under Title 18, United States Code, Section 1349. Gordon was engaged in the practice of certified public accounting and was the president and sole employee of Brian D. Gordon, CPA, PA. Gordon operated the CPA firm in North Miami, Florida, and in Hialeah, Florida.

Gordon was in the business of providing business opportunity companies with false financial statements. He placed independent auditor's opinion letters in front of certain false financial statements stating that the Gordon CPA Firm had performed an audit. In such opinion letters, Gordon attested to the fairness of the accompanying financial statement. With Gordon's knowledge, the business opportunity company then provided the false financial statement and independent auditor's opinion letter to prospective customers.

The firms for which Gordon provided false financial statements and opinion letters included Pantheon Holdings, Inc., of Miami, Florida, and American Entertainment Distributors, Inc. ("AED"), of Hollywood, Florida. Pantheon fraudulently sold Internet kiosk business opportunities to the public, and AED fraudulently sold DVD rental machine business opportunities to the public. To date, twelve other individuals have been convicted in connection with their participation in Pantheon. Eleven other individuals have been convicted in connection with their participation in AED.

Gordon's false financial statements and opinion letters provided Pantheon and AED with an aura of legitimacy and helped convince potential purchasers to rely on the accuracy of its financial statements. Pantheon fraudulently induced more than 700 consumers to invest more than \$18 million in Internet kiosk business opportunities, and AED fraudulently induced more than 400 consumers to invest nearly \$20 million in DVD rental business opportunities.

If convicted, Gordon faces a maximum statutory term of imprisonment of twenty years, a possible fine, and mandatory restitution, on each of the two counts.

U.S. v. Michael DeAngelis, Case No. 07-20870-CR-Martinez.

Michael DeAngelis was charged by Information with one count of conspiracy to commit mail fraud under Title 18, United States Code, Section 1349, in connection with Pantheon Holdings Inc.

Pantheon purported to sell Internet kiosks, along with assistance in establishing, maintaining, and operating an Internet kiosk business. DeAngelis and his co-conspirators told business opportunity purchasers that they would earn substantial profits when members of the public used the kiosk to access the Internet for a fee, and from revenue generated by advertisements that Pantheon would place on the kiosks.

Pantheon salespeople provided potential purchasers with the names of references, including DeAngelis, who falsely claimed to have purchased and had success operating Pantheon kiosks and who vouched for the support and assistance that Pantheon provided.

If convicted, DeAngelis faces a maximum statutory term of imprisonment of twenty years on the mail fraud conspiracy count, a fine, and mandatory restitution.

U.S. v. Martin Hudson, Case No. 07-20869-CR-Cohn.

Martin Hudson was charged by Information with one count of conspiracy to commit mail fraud under Title 18, United States Code, Section 371, in connection with Tel2Net Corp., a Florida corporation incorporated in or around

December 2003. Tel2Net's principal place of business was in Miami, Florida.

Tel2Net engaged in the sale of Internet kiosk business opportunities. For a minimum purchase price of approximately \$12,000, potential purchasers were told they would receive an Internet kiosk and assistance in running an Internet kiosk business. Potential purchasers were told that after being placed in various locations, members of the public would pay a fee to access the Internet, use a WiFi "hotspot," send electronic greeting cards, and take advantage of other services the kiosk supplied. According to Tel 2 Net, a business opportunity purchaser, known as a "distributor," would earn substantial profits from the fees generated when members of the public used the distributor's kiosks.

Martin Hudson, doing business as CPL Locating Services, Inc., ("CPL Locating") was a so-called "outside locator" hired to find locations for Tel 2 Net business opportunity purchasers to place their Internet kiosks. Tel 2 Net salespeople told potential purchasers to contact Hudson, who would describe the services CPL Locating would provide. Upon receiving calls from potential purchasers, Martin Hudson falsely stated that he had gone through the area where the potential purchasers were located before Tel 2 Net had advertised the business opportunity in that area. He stated that he had randomly selected business locations and spoke to them about the potential for placing Tel 2 Net kiosks in their locations. He falsely stated that he had a database of many locations ready to accept kiosks in the potential purchaser's geographic area. He further falsely stated that kiosks would be placed in high-traffic, high profit locations.

Tel 2 Net fraudulently induced more than 80 consumers to invest more than \$1 million in the kiosk opportunity. To date, four other individuals have been convicted in connection with their participation in Tel2Net.

If convicted, Hudson faces a maximum statutory term of imprisonment of five years on the mail fraud conspiracy count, a fine, and mandatory restitution.

The cases are being prosecuted by Justice Department attorneys Jill Furman, Marietta Geckos, Richard Goldberg and Joel Schwartz from the Civil Division's Office of Consumer Litigation.

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