

Two Individuals Plead Guilty in Connection with Costa Rica-based Business Opportunity Fraud Ventures

Operation Had Connections to Colorado, Florida, New Mexico, Nevada and Pennsylvania

WASHINGTON –Two individuals pleaded guilty today to conspiracy to commit mail and wire fraud for their roles in business opportunity fraud schemes, the Department of Justice and the U.S. Postal Inspection Service announced today.

Silvio Carrano and Gregory Britt Fleming were arrested following their indictment by a Miami federal grand jury on March 9, 2010, based on charges that they and their co-conspirators sold vending machine, beverage and greeting card business opportunities, including fraudulent promises of assistance in establishing, maintaining and operating such businesses. The charges are part of the government's continued nationwide crackdown on business opportunity fraud.

"Business opportunity fraud imposes significant financial hardship on innocent, hardworking victims," said Tony West, Assistant Attorney General for the Justice Department's Civil Division. "The Department of Justice will continue to aggressively prosecute those who defraud Americans in an effort to make a quick buck."

"Business opportunity schemers need to realize that this type of fraud will be prosecuted vigorously. This is true even if they operate from outside of the United States," said Wifredo A. Ferrer, U.S. Attorney for the Southern District of Florida. "International law enforcement cooperation eliminates safe havens for those who cheat American citizens from overseas."

Two others involved in this scheme have been arrested and pleaded guilty. On June 29, 2010, Donald Williams pleaded guilty to conspiracy to commit mail and wire fraud. On Oct. 27, 2010, he was sentenced to 78 months in prison. On Jan. 18, 2011, Patrick Williams pleaded guilty to conspiracy to commit mail and wire fraud, 10 counts of mail fraud and three counts of wire fraud. Patrick Williams is scheduled to be sentenced on March 30, 2011.

According to court documents, beginning in June 2004, Carrano, Patrick Williams, Donald Williams, Fleming and their co-conspirators fraudulently induced purchasers in the United States to buy business opportunities in Apex Management Group Inc., USA Beverages Inc., Twin Peaks Gourmet Coffee Inc., Cards-R-Us Inc., Premier Cards Inc., The Coffee Man Inc. and Nation West Distribution Company. The defendants sold business opportunities costing thousands of dollars each, and most purchasers paid at least \$10,000. Each company operated for several months, and after one company closed, the next opened. The various companies used bank accounts, office space and other services in the Southern District of Florida and elsewhere.

The defendants, using aliases, participated in a conspiracy that used various means to make it appear to potential purchasers that the businesses were located entirely in the United States. In reality, Carrano, Patrick Williams, Donald Williams and Fleming operated out of Costa Rica to fraudulently induce potential purchasers in the United States to buy the purported business opportunities, according to court documents.

Carrano and Fleming admitted that the companies made numerous false statements to potential purchasers of the business opportunities. Potential purchasers were falsely told they would likely earn substantial profits; that prior purchasers of the business opportunities were earning meaningful profits; and that the business opportunity worked with locators familiar with the potential purchaser's area who would secure or had already secured high-traffic locations for the potential purchaser's merchandise stands.

According to court documents, the companies employed various types of sales representatives, including "fronters," "closers" and references. A fronter spoke to potential purchasers when the prospective purchasers initially contacted the company in response to an advertisement. A closer subsequently spoke to potential purchasers to close deals. References spoke to potential purchasers about the financial success they purportedly had experienced since purchasing one of the business opportunities.

Carrano admitted that, using aliases, he worked as a fronter and reference for USA Beverages; a fronter and reference for Twin Peaks; a fronter and reference for Cards-R-Us; a reference for Premier Cards; and a reference for The Coffee Man. He was also listed on a corporate document as the treasurer of USA Beverages. Fleming admitted that he worked for USA Beverages and Nation West.

Each of the companies was registered as a corporation and rented office space to make it appear to potential purchasers that its operations were fully in the United States. Apex was registered as a Florida corporation and rented office space in Ft. Lauderdale, Fla., while USA Beverages was registered as a Florida and New Mexico corporation and rented office space in Las Cruces, N.M. Twin Peaks was registered as a Florida and Colorado corporation and rented office space in Fort Collins, Colo. Cards-R-Us was registered as a Nevada corporation and rented office space in Reno, Nev. Premier Cards was registered as a Colorado and Pennsylvania corporation and rented office space in Philadelphia. The Coffee Man and Nation West were both registered as a Colorado corporation and rented office space in Denver. These locations made it appear to potential purchasers that the businesses were located entirely in the United States when in fact they were not.

"Telemarketing fraud is not limited to operations in the United States. This international and domestic investigation illustrates the Postal Inspection Service's resolve to protect the American public from business opportunity scams," said Henry Gutierrez, U. S. Postal Inspector in Charge in Miami.

Sentencing has been scheduled for April 20, 2011.

Assistant Attorney General West and U.S. Attorney Ferrer commended the investigative efforts of the Postal Inspection Service, and thanked the Federal Trade Commission which previously brought a related civil suit and made a criminal referral. The case is being prosecuted by trial attorneys Jeffrey Steger and Alan Phelps with the Civil Division's Office of Consumer Protection Litigation.