



# Department of Justice

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## U.S. Citizen Arrested in Connection with Costa Rica-based Business Opportunity Fraud Ventures

### *Operation Had Connections to Miami*

WASHINGTON – A U.S. citizen charged in connection with the operation of a series of fraudulent business opportunities was arrested yesterday in Costa Rica following his indictment by a Miami federal grand jury on Nov. 20, 2008, the Justice Department and the U.S. Postal Inspection Service announced today.

Jeffrey Pearson was arrested based on charges that he and a co-conspirator, Stephen Schultz, 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.

Authorities are searching for Stephen Schultz. Anyone with information regarding the whereabouts of Schultz should contact the U.S. Postal Inspection Service in Miami at 954-436-7200.

Beginning in May 2005, Pearson and Schultz are alleged to have fraudulently induced purchasers in the United States to buy business opportunities in USA Beverages Inc., Twin Peaks Gourmet Coffee Inc., Cards-R-Us Inc., Premier Cards Inc., The Coffee Man Inc., and Powerbrands Distributing Company. According to the indictment, the business opportunities the defendants sold cost 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, a printing company and other services in the Southern District of Florida and elsewhere.

The defendants, using aliases, employed Voice Over Internet Protocol (VoIP) phone service and virtual offices in the U.S. to handle mailings to make it appear to potential purchasers that the defendants were located in the United States. In reality, Pearson and Schultz operated out of Costa Rica to fraudulently induce potential purchasers in the United States to buy the purported business opportunities.

According to the indictment, the companies made numerous false statements to potential purchasers of the business opportunities. Among the misrepresentations alleged in the indictment are that the companies were based in and operated out of the United States; that purchasers would likely earn substantial profits; that prior purchasers of the business opportunities were earning substantial profits; that purchasers would sell a guaranteed minimum amount of merchandise, such as greeting cards and beverages; 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. Potential purchasers also were falsely told that the profits of the companies were based in part on the profits of the business opportunity purchasers, thus creating the false impression that the companies had a stake in the purchasers' success and in finding good locations.

In addition, 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 also were told that they would receive their merchandise racks, merchandise and locations promptly, even though many purchasers received nothing at all. Potential purchasers were referred to references who, according to the indictment, told false tales of their success as business opportunity owners.

The indictment alleges that Pearson, a/k/a Paul Clayton, a/k/a Tim Harris, a/k/a Ray Garrett, was a salesman for and manager of USA Beverages. Pearson, using various assumed names, operated, managed and worked as a salesman for Twin Peaks, Cards-R-Us, Premier Cards, Coffee Man and Powerbrands. He was also listed on Costa

Rican corporate documents as the president of Twin Peaks.

The indictment alleges that Schultz, a/k/a Allen Pheifer, was an employee of USA Beverages who typically discussed with potential customers the locations available for placement of the merchandise stands in their area. Schultz also worked with Twin Peaks and Cards-R-Us, according to the charges.

"Business opportunity fraud is a very serious crime. The laws are designed to protect potential purchasers from being defrauded," said Gregory G. Katsas, Assistant Attorney General for the Justice Department's Civil Division. "Fraudulent promoters typically use fake names and handpicked references. The law requires that a list of prior purchasers of business opportunities be provided by the company before entering into a contract with the prospective buyer."

"Business opportunity promoters need to realize that this type of fraud will be detected and prosecuted vigorously," said R. Alexander Acosta, U.S. Attorney for the Southern District of Florida. "This is true even if they operate from abroad, as the charges allege these defendants did."

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.

- 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 was registered as a Colorado corporation and rented office space in Denver.
- Powerbrands was registered as a Wisconsin corporation and rented office space in Glendale, Wis., and Palm Beach Gardens, Fla.

Both Pearson and Schultz were charged with conspiracy and with committing their offenses via telemarketing. Pearson also was charged with 12 counts of mail fraud and seven counts of wire fraud. Schultz also was charged with eight counts of mail fraud and three counts of wire fraud.

If convicted, Pearson and Schultz face a maximum statutory term of 10 years' imprisonment, a possible fine and mandatory restitution on the conspiracy count. They also face a maximum statutory term of imprisonment of 25 years on each of the mail and wire fraud counts, a possible fine and mandatory restitution.

"The United States Postal Inspection Service is dedicated to eliminating the use of U. S. Mail to commit fraud. This international and domestic investigation illuminates our resolve to protect the American public from investment scams," said U. S. Postal Inspector in Charge Henry Gutierrez.

The United States intends to seek the extradition of Pearson from Costa Rica.

Assistant Attorney General Katsas and U.S. Attorney Acosta commended the investigative efforts of the Postal Inspection Service. The case is being prosecuted by trial attorneys Alan Phelps and Jeffrey Steger with the U.S. Department of Justice Office of Consumer Litigation.

An indictment is merely an allegation, and every defendant is presumed innocent until proven guilty beyond a reasonable doubt.

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