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JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Wednesday, April 7, 2010

Stephen Schultz Sentenced in Connection with Costa Rica-Based Business Opportunity Fraud Ventures

WASHINGTON – On April 7, 2010, defendant Stephen Schultz was sentenced in connection with a series of Costa Rica-based business opportunity fraud ventures, the Justice Department and the U.S. Postal Inspection Service announced today. Schultz was sentenced by United States District Court Judge Paul C. Huck in Miami to a term of 86 months in prison and a term of five years of supervised release. A hearing to determine the amount of restitution owed by Schultz will be scheduled within 90 days.

On Jan. 21, 2010, Schultz entered a guilty plea in federal district court in Miami to 12 counts of an indictment pending against him. Schultz pleaded guilty to one count of conspiracy to commit mail and wire fraud, eight counts of mail fraud and three counts of wire fraud.

Schultz was arrested on Dec. 12, 2008, in Costa Rica following his indictment by a federal grand jury in Miami on Nov. 20, 2008. The indictment charged that he and a co-conspirator, Jeffrey Pearson, 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. Following his arrest in Costa Rica on the charges in the indictment, Schultz was extradited to the United States.

Schultz worked for USA Beverages Inc., Twin Peaks Gourmet Coffee Inc., and Cards-R-Us Inc. Beginning in 2005, USA Beverages sold business opportunities to own and operate coffee beverage display racks. USA Beverages rented office space in Las Cruces, N.M., and otherwise made it appear to potential purchasers that USA Beverages' operations were fully within the United States. However, USA Beverages actually operated from Costa Rica.

After USA Beverages, Schultz worked for Twin Peaks Gourmet Coffee Inc., which was a Florida and Colorado corporation. Twin Peaks sold business opportunities to own and operate coffee beverage sale display racks. Twin Peaks rented office space in Fort Collins, Colo., to make it appear to potential purchasers that Twin Peaks' operations were fully within the United States. However, Twin Peaks was actually operated from Costa Rica.

Schultz also worked for Cards-R-Us Inc., which was a Nevada corporation that sold business opportunities to own and operate greeting card sale display racks. Cards-R-Us rented office space in Reno, Nev., to make it appear to potential purchasers that Cards-R-Us' operations were fully within the United States. However, Cards-R-Us was actually operated from Costa Rica.

To fraudulently induce others to purchase the business opportunities, Schultz and his co-conspirators made, and caused others to make, numerous false statements to potential purchasers of the business opportunities. 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 were referred to references who told false tales of their success as business opportunity owners. In pleading guilty Schultz admitted that although the calls from potential investors in the United States to these references appeared to be domestic numbers, the calls generally were routed to Costa Rica. Through these and other misrepresentations, purchasers of the business opportunities were led to believe that they would likely earn substantial profits.

"Business opportunity fraud takes advantage of people trying to start their own business and make a living, or supplement their other income, but provides significant financial hardship instead of a new source of funds. Financial frauds as these operating from outside the United States are particularly insidious, but not beyond the reach of United States law," said Tony West, Assistant Attorney General

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for the Department of Justice's Civil Division. "The Justice Department is committed to uncovering and vigorously prosecuting individuals who steal from our citizens using telephones and false promises of financial success."

Assistant Attorney General West commended the investigative efforts of the Postal Inspection Service, especially the offices based in Miami and Phoenix. Assistant Attorney General West also commended the Federal Trade Commission, which previously brought a related civil suit and made a criminal referral. This matter is being prosecuted by trial attorneys in the Justice Department's Office of Consumer Litigation.

10-375

Civil Division

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