

# ACCOMPLISHMENTS OF THE TORONTO STRATEGIC PARTNERSHIP



2000 — 2007



Competition Bureau  
Canada

Bureau de la concurrence  
Canada

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## **Accomplishments of the Toronto Strategic Partnership February 2000 – September 2007**

### **I. Nature and Extent of Cross-Border Fraud**

The 1990s saw heightened attention to the burgeoning problem of cross-border fraud. In response to that challenge, in 1997, Canada and the United States created a Binational Working Group to examine the serious and growing problem of cross-border telemarketing fraud.<sup>1</sup> Since then the problem of cross-border fraud has grown dramatically. Rapid advances in global trade and information technology appear to have increased the speed with which cross-border crimes are committed. With the advent of the Internet, the introduction of Voice Over Internet Protocol phone systems, and cheaper long distance phone rates, it has become increasingly easy for scam artists in one country to target consumers in another. No longer limited to telemarketing and with new tools at their disposal, scam artists are taking advantage of the full panoply of methods by which to communicate with consumers. With perpetrators using classified advertising, telephones, direct mail, and the Internet, the problem truly is more appropriately referred to as Mass Marketing Fraud.

The Binational Working Group's Five-Year Report on Mass-Marketing Fraud noted substantial increases from 1997 to 2002 in the areas of fraudulent lottery schemes, loan offers, and fraudulent low-interest credit card offers. Data, gathered since the issuance of the Five-Year Report, confirms the continued growth in cross-border fraud. For example, in Calendar Year (CY) 2000, the FTC received 8,306 complaints from U.S. consumers against companies operating in Canada. By CY 2006, that number had grown to 24,573. Complaint data over the last decade also show that two categories represent the great majority of complaints: 1) advance fee loans and 2) prizes and sweepstakes.

Complaint data, however, tells only part of the story.<sup>2</sup> For example, the FTC's 2004 survey of 2,500 randomly chosen consumers found that nearly 25 million adults – 11.2 percent of the adult population – were victims of fraud during the year studied. The most frequently reported type of consumer fraud was advance-fee loan scams, in which consumers pay a fee for a “guaranteed” loan or credit card. Four and a half million consumers – 2.1 percent of the U.S. adult population – paid advance fees but did not receive the promised loan or card. In fact, some consumers reported that more than once during the last year they paid fees to get loans or credit cards they did not get.

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<sup>1</sup> *Binational Working Group on Cross-Border Telemarketing Fraud, United States-Canada Cooperation Against Cross-Border Telemarketing Fraud: Report to President Bill Clinton and Prime Minister Jean Chrétien* (November 1997).

<sup>2</sup> As the August 2004 FTC Fraud Survey, *Consumer Fraud in the United States: An FTC Survey*, noted, only “an estimated 8.4% of consumers complained to ‘an official source’ – a local, state or federal government agency or a Better Business Bureau.” Thus, the complaint data reflects only a small fraction of the total amount of fraudulent activity.

Most of those perpetrating these advance fee loan frauds are located in the Greater Toronto Area where they engage in two distinct types of fraud. There are the larger, more traditional boiler room operations that cold-call telemarket nonexistent credit cards, and there are a large number of smaller operations that advertise the availability of loans and request a fee before loan proceeds can be paid to the consumer. These smaller scammers tend to operate out of a large number of small sales rooms that open and close in rapid succession, hoping to avoid detection. While they initially used traditional classified advertising to reach their potential victims, these operations have recently turned to marketing through web sites on the Internet.

Regardless of the means by which it is perpetrated, what is clear is that Mass Marketing Fraud harms consumers in both countries. U.S. and Canadian citizens have lost billions of dollars to these frauds. Even where a fraudulent enterprise is located in Canada and only targets consumers in the United States, Canadian citizens also are affected as the perpetrators often are criminals who regularly commit other crimes in Canada. In at least one instance, a search of a fraudulent Canadian-based telemarketing operation found machine guns and drugs, for example, that presumably were used for illegal activity in Canada.

Early on the Binational Working Group recognized the value of forging strategic partnerships between U.S. and Canadian law enforcement partners to confront the challenges of cross-border Mass Marketing Fraud. The Toronto Strategic Partnership, forged in the wake of a telemarketing fraud conference held in Toronto in February 2000, was one of a number of such partnerships created to address these very real problems affecting U.S. and Canadian consumers. This report describes the Toronto Strategic Partnership and its members and summarizes its most significant accomplishments from its inception in February 2000 through September 2007.

## **II. Partnership as a Means of Combating the Problem of Cross-Border Fraud**

Because the effects of Mass Marketing Frauds are geographically dispersed, they are not solely the responsibility of any one law enforcement agency or even any one country. Both Canadian and U.S. law enforcement have a significant interest in halting such scams and punishing the perpetrators. Moreover, records and other key pieces of evidence are frequently located in more than one country. Thus, not surprisingly, the 1997 Binational Working Group recommended that regional task forces be encouraged to cooperate across the border and, to the maximum extent possible, share available legal tools to fight U.S. – Canadian cross-border Mass Marketing Fraud.

The Toronto Strategic Partnership was formed in February 2000, with its member agencies adopting a Memorandum of Understanding in May 2000. At its inception, the Partnership included the Toronto Police Service, the Ontario Ministry of Consumer and Commercial Relations (now the Ministry of Government Services), the Competition Bureau Canada, the U.S. Postal Inspection Service and the U.S. Federal Trade Commission. Although other Partners have joined or dropped out over the years, this critical core group has remained. Important new additions include the Ontario Provincial Police, the Royal Canadian Mounted Police and the United Kingdom's Office of Fair Trading.

The Partnership's success depends on the ability and willingness of the Partners to work together and on accumulated trust at both an individual and institutional level. Moving ahead effectively requires a commitment of resources from all levels of each Partnership agency, from the investigators, through their managers, to the heads of the agencies. All members of the Partnership have been fortunate to enjoy full support from top managers.

The Toronto Strategic Partnership is efficiently designed and as a result has enjoyed success in addressing both large, well-organized scams, as well as the smaller, more fragmented operations. Each type collectively costs consumers millions of dollars. The Partnership has brought a number of cases against sizable operations, while executing large numbers of arrests and issuing warrants with respect to the smaller, more transitory operations. The Partnership's efforts have included bringing both civil and criminal cases against the malefactors, as well as conducting consumer education, undertaking efforts to encourage newspapers to review questionable advertisements before printing them, and other initiatives.

Partnership members have worked together on all Partnership initiatives. For example, the U.S. Federal Trade Commission has helped with investigations, interviewed consumers, and flown witnesses to Canada. The Postal Inspection Service has obtained statements from consumer victims and gathered data from Commercial Mail Receiving Agencies and electronic money transfer services to support Canadian law enforcement actions. Postal Inspectors have worked with United States Attorneys' Offices to facilitate grand jury investigations to recover evidence in the United States and to seek mail and wire fraud indictments.

All Partners share information within the confines of the laws and regulations that apply. Importantly, the U.S. SAFE WEB Act, which was signed into law in December 2006, gives the FTC new and expanded powers that will allow it to cooperate more fully with foreign law enforcement authorities in the area of cross-border fraud and other practices harmful to consumers that are increasingly global in nature, including spam, spyware, misleading health and safety advertising, privacy and security breaches, and telemarketing fraud. Specifically, the U.S. SAFE WEB Act gives the FTC enhanced authority in four key areas that are essential to cross-border enforcement cooperation: (i) information sharing; (ii) investigative assistance; (iii) confidentiality of information from foreign sources; and (iv) enforcement relationships. It also contains new provisions that will affect how the FTC investigates and litigates both domestic and cross-border matters.

### **The Toronto Police Service Fraud Squad**

At the core of the Partnership are the investigators and staff housed at the Toronto Police Service. Although the Toronto Police Service Fraud Squad's Mass Marketing Unit is headed up by the Toronto Police Service, it includes staff working on assignment from many of the different Partnership agencies. All Partners have worked closely with this core group. From the inception of the Partnership, the Fraud Squad has closed boiler rooms, conducted searches, arrested malefactors, and assisted in prosecutions. At least 656 people have been arrested, and 515 search warrants have been executed. Dozens of boiler rooms also have been closed, and tens of thousands of dollars have been returned to victims.

## **The Ontario Ministry of Government Services**

The Ontario Ministry of Government Services (MGS) has provided support to the Partnership by providing investigative leads, surveillance support, and database searches to unravel the potential links between various businesses and individuals operating scams or frauds in Ontario. MGS recently added a full time investigator to enhance their contribution to the Partnership.

## **The Federal Trade Commission**

The Federal Trade Commission has brought 19 major consumer fraud cases in federal courts in the U.S. in connection with its work with the Partnership. Each of these cases has resulted in an injunction against false claims and an attempt to locate and return money to victims. Most of these cases have been pursued by the FTC's Midwest Region, although one case was filed by staff in the FTC's Washington, D.C. headquarters, and two were filed by the FTC's East Central Region. The FTC also has brought a number of cases with other Canadian Partnerships; this report is limited to those cases conducted in conjunction with the Toronto Strategic Partnership.

## **The U.S. Postal Inspection Service**

The U.S. Postal Inspection Service has been the lead criminal investigative agency in the U.S. for Partnership cases. Not all investigations are public. To date, however, criminal charges have been announced in 15 cases that have resulted in 17 convictions. The respective grand jury indictments charged mail and wire fraud schemes with defrauding 191,000 victims of over \$58 million. Postal Inspectors have initiated grand jury investigations in four judicial districts. The majority of the criminal cases have been brought in the Middle District of Pennsylvania and the Southern District of Illinois, whose U.S. Attorney's Offices have worked closely with the Partnership.

## **The Competition Bureau Canada**

The Competition Bureau Canada has played an important role in all Partnership activities, including committing full-time staff to the Partnership. In particular, the Competition Bureau has been the lead criminal investigative agency in nine cases.

## **The Ontario Provincial Police**

The Ontario Provincial Police (OPP) proved an invaluable resource when it established Phonebusters National Call Centre in North Bay, Ontario. The support and intelligence provided by Phonebusters has been a key to the success of the Partnership. In addition to Phonebusters, the OPP has long provided invaluable leadership to the Partnership, including committing full-time staff to the Partnership. The OPP, for example, was the lead agency for Project Northern

Rackets, which involved more than 100 police officers from four different police services, who spent a year investigating a scam operating out of boiler rooms located in four cities across central Ontario.

### **The Royal Canadian Mounted Police/U.K.'s Office of Fair Trading/York Regional Police Service**

The RCMP has contributed full-time staff and has been a very important contributor to the Partnership. As the Partnership's newest member, the U.K.'s Office of Fair Trading has committed to obtain witness statements from U.K. victims of cross-border fraud and to fly those victims to Canada to testify at Partnership trials. Though no longer a formal member of the Partnership, the York Regional Police Service has also contributed full-time staff and has assisted the Partnership.

### **III. Accomplishments of the Toronto Strategic Partnership**

Although much remains to be done, the Toronto Strategic Partnership has been highly successful in combating cross-border fraud. It has been a laboratory for learning to work effectively across national borders, and the lessons learned have been applied around the world. Accordingly, members of the Toronto Strategic Partnership concluded that it would be useful to compile available data and highlight cumulative accomplishments.

#### **Awards**

The work of the Partnership has been recognized by awards in both the U.S. and in Canada. In 2001 the Toronto Strategic Partnership received the Ontario Government Amethyst Award for Outstanding Achievement. The same year it received the Consumer Agency Achievement Award from the U.S. National Association of Consumer Agency Administrators. In 2002 the Toronto Strategic Partnership received the Award for Innovative Management from the Institute of Public Administration in Canada (IPAC).

#### **Case Statistics<sup>3</sup>**

During the Partnership's first seven years:

- 656 people have been arrested and charged in Canada
- 515 search warrants have been executed in Canada

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<sup>3</sup> Different agencies, located in different countries and reporting to different management structures, track their accomplishments in different ways. Most fundamentally, the various Partners tend to compile different statistics from a single Partnership investigation. The Toronto Police Service, for example, keeps track of the number of individuals it has arrested and charged, whereas the FTC tracks the number of cases it has filed and the amounts recovered for U.S. victims. Other agencies organize their efforts around the enterprise that is targeted.

- 15 criminal cases have been brought in the United States
- 17 people have been convicted of criminal charges in the United States
- 38 significant cases have been brought by Partnership members against large fraudulent enterprises

With respect to the specific cases brought by Partnership members as detailed later in this report:<sup>4</sup>

- nearly 2 million consumers were victimized (1,872,883)
- consumers were defrauded out of at least \$384 million (\$384,851,632)

Many of these scams lasted at least three years and would have continued in operation but for the legal action taken by the Partnership. We estimate that consumers would have lost another \$100 million if these scams had continued in operation for another year.

### **Law Enforcement “Sweeps”**

To have maximum impact, the Partnership has brought a number of similar law enforcement actions at the same time. Efficiencies abound with this approach; evidence in one case is often helpful in several others. Announcing the cases as a package or “sweep” also draws more media attention, which in turn aids consumer education and fraud prevention efforts. Partnership law enforcement sweeps include:

- **Operation Protection Deception** On October 30, 2000, Partnership members held a press conference in Toronto to announce cases against credit card loss protection frauds, and to educate consumers about protections already afforded credit card users.<sup>5</sup>

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<sup>4</sup> The statistics on the numbers of victims and total losses are likely conservative. Only those cases for which there is reliable victim or loss numbers are included. In all closed cases where the FTC has been involved there is reliable information on the number of victims and the sums of money lost. Where the case is ongoing, the best current estimate of total victims and total losses has been provided based on publicly available information. These statistics do not capture the sizable monies fraudulently obtained where consumers have gotten their money back through their credit card companies or by pressing for and receiving refunds on their own behalf. Some records reflect sums in Canadian dollars, others in U.S. dollars. The relative values of these currencies have changed over time, and it has not been possible to reconcile these differences.

<sup>5</sup> <http://www.ftc.gov/opa/2000/10/creditadvis.shtm>

- **Operation Northern Rackets** In April 2002, Partnership members held a press conference to announce a joint law enforcement action against sales rooms located in four different cities in central Ontario North of Toronto.
- **Advance Fee Fraud** On November 16, 2004, Partnership members held a press conference in Washington, DC to announce recent law enforcement actions and to discuss other efforts to address these issues.

### **Consumer Education Efforts**

All members of the Partnership have undertaken extensive efforts to educate consumers to combat fraud. For example, the Competition Bureau chairs the Fraud Prevention Forum, a concerned group of private sector firms, consumer and volunteer groups, and government and law enforcement agencies committed to fighting fraud aimed at consumers and businesses. Partnership members also jointly released a consumer alert on advance fee loan frauds and sent letters to 28 state press associations urging them to inform their members that ads that guarantee loans, even to consumers with poor credit histories, may be fraudulent.

### **Combined List of Significant Cases**

It is not possible to detail each and every law enforcement action the Partnership has undertaken. However, we have included summaries of 38 cases that are illustrative of the work of the Partnership. In each of the summarized cases, the scam operated across the U.S. - Canadian border, and one or more Partners took some type of action with the assistance of other Partnership members. These are not intended to be definitive records of the listed cases. Where press releases or other information about these cases is available on a web site, we have included the hyperlink.

## **IV. Future Challenges for the Partnership**

The trends from consumer complaint data suggests that cross-border Mass Marketing Fraud will continue to grow and challenge law enforcement. Experience teaches that cross-border fraudsters quickly adapt to law enforcement initiatives, and new fraudulent schemes develop virtually overnight. There has been a recent rapid rise in counterfeit check frauds where consumers are directed to wire the proceeds to Canada, for example.

The Toronto Strategic Partnership's established infrastructure for sharing information, working together, bringing collective law enforcement actions, and conducting consumer education and outreach is effectively designed to confront whatever type of fraud may evolve. Its continued effectiveness, however, depends the continued commitment of each of its member agencies. Our hope is that we can continue to work together for the benefit of the citizens of Canada and the United States and that the lessons we learn can be applied to other cross-border Mass Marketing Fraud challenges around the globe.



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## **1st Beneficial Credit Services**

**Number of Corporations and Business Names Involved:** Six

**Number of Individuals Involved:** Two

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers called U.S. consumers and offered guaranteed Visa or MasterCard credit cards with substantial credit limits for a \$199 advance fee. Consumers never received the promised credit cards.

**Estimated Number Of Victims:** 36,700

**Estimated Total Net Sales:** \$6,400,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** None

**U.S. Civil Action:** FTC filed civil complaint on August 14, 2002, in the N.D. Ohio.  
<http://www.ftc.gov/opa/2002/09/opnocredit.htm>

Settlement announced September 22, 2003. Defendants banned from selling credit cards and paid \$190,000 in restitution.

**U.S. Criminal Action:** None

## **3R Bancorp**

**Number of Corporations and Business Names Involved:** Seventeen

**Number of Individuals Involved:** Four

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers targeted U.S. consumers and offered Visa or MasterCard credit cards with substantial credit limits for \$149 advance fee. The telemarketers coerced consumers into providing their checking account information, then debited consumers' accounts for the amount of the fee. Consumers never received the promised credit cards. Defendants also violated the National Do Not Call Registry by calling consumers who registered their telephone numbers and failed to pay the required annual fee to access the registered telephone numbers. Some of the defendants were located in Sudbury, Ontario.

**Estimated Number Of Victims:** 9,250

**Estimated Total Net Sales:** \$1,850,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** None

**U.S. Civil Action:** FTC filed civil complaint on November 5, 2004, in the N.D. Ill. The court issued an ex parte temporary restraining order with asset freeze and appointment of a receiver. <http://www.ftc.gov/opa/2004/11/3rbancorp.htm>.

Stipulated final order entered in May 2006 requiring defendants to pay full redress of \$1.85 million to victims. <http://www.ftc.gov/opa/2006/05/3rbancorp.htm>

**U.S. Criminal Action:** None

## **Britania Group**

**Number of Corporations and Business Names Involved:** Four

**Number of Individuals Involved:** Six

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers falsely told U.S. consumers that they had been “approved for a loan” even though no other financial institution would approve them due to their poor credit risk. Victims complained that they never received a loan or a refund of their money.

**Estimated Number Of Victims:** 47

**Dollar Amount of Loan Offerings to Victims:** \$2,087,000

**Dollar Amount Lost By Victims:** \$91,339.01

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** Investigators executed seven Criminal Code search warrants on June 7, 2000. Members of the Toronto Strategic Partnership assisted with arrests and processing of all six accused. One defendant received 18 months of conditional sentence and house arrest and forfeited \$3,600 seized at the time of search warrant execution. Another received two years of probation with conditions and paid \$18,000 in restitution to the FTC for repatriation to the American victims. A third defendant pleaded guilty under the Loan Brokers Act of Ontario on May 17, 2002, and received one year of probation and ordered to pay restitution of \$7,500. Three others pleaded guilty to one count under the Loan Brokers Act of Ontario and received one year of probation and ordered to pay restitution.

**U.S. Civil Action:** None

**U.S. Criminal Action:** None

## **Cell Specific Cancer Therapy**

**Number of Corporations and Business Names Involved:** Two

**Number of Individuals Involved:** Two

### **BACKGROUND**

**Nature of Scam:** Health Fraud. Defendants falsely claimed on their Internet Website and elsewhere that they could treat cancer by using a “Zoetron” electromagnetic device to kill cancer cells. Defendants charged consumers \$15,000 for several weeks of “treatments” with the electromagnetic device. Consumers were required to travel at their own expense to Tijuana, Mexico and elsewhere, for these treatments. The corporations were located in Canada.

**Estimated Number Of Victims:** 850

**Estimated Total Net Sales:** \$7,650,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On August 2, 2005, the Competition Bureau announced criminal charges against individuals from Toronto, Ontario and Penticton, British Columbia, for making false or misleading claims regarding the efficacy of their alleged cancer treatment.

The Competition Bureau alleged that the accused preyed upon cancer victims and/or their families, by making unsubstantiated representations on their Website, at seminars, in alternative health care magazine articles and advertisements, direct mailings, and telephone communications. It alleged that the two principals operated their out-patient cancer clinics in Santo Domingo, Dominican Republic; Tijuana, Mexico; Lausanne, Switzerland; and Mijas Costa, Spain, at various times from August 1996 to February 2003.

The Competition Bureau further alleged that the defendants claimed to have treated over 850 people worldwide, while charging as much as \$15,000 to \$20,000 for the alleged treatment. This did not include substantial additional expenses incurred by victims and their families, including international travel and accommodation.

Two individuals have been charged with 10 counts each under the Competition Act for knowingly or recklessly making representations to the public that were false or misleading in a material respect and one count each under the Criminal Code for defrauding the public of money exceeding \$5,000.

[www.competitionbureau.gc.ca/internet/index.cfm?itemID=1928&lg=e](http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=1928&lg=e)

**U.S. Civil Action:** FTC filed a civil complaint on February 20, 2003, in the N.D. Ill. The court issued an ex parte temporary restraining order with asset freeze.  
<http://www.ftc.gov/opa/2003/02/csct.shtm>

On February 5, 2004, the FTC announced a settlement with a permanent injunction.

**U.S. Criminal Action:** None

## **Centrex**

**Number of Corporations and Business Names Involved:** Forty-three

**Number of Individuals Involved:** Three

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers told U.S. consumers that they had been “approved for a loan” even though no other financial institution would approve them due to their poor credit risk. Telemarketers told victims to send their “insurance payment” using U.S. Money Orders to initiate the process. Victims never received the promised loan or refund of their insurance payment.

**Estimated Number Of Victims:** 1,200

**Dollar Amount of Loan Offerings to Victims:** \$24,900,000

**Dollar Amount Lost By Victims:** \$597,192.15

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** Investigators executed 15 Criminal Code search warrants on February 16, 2001. Members of the Toronto Strategic Partnership assisted with arrests and the processing of the three accused. The three accused were charged with Fraud Over \$5,000. One individual pleaded guilty under the Loan Brokers Act of Ontario on April 28, 2003, and sentenced to one year of probation and ordered to pay restitution of \$500. He also forfeited the funds seized in his vehicle. A second individual pleaded guilty to Fraud Over \$5,000 on May 15, 2003, and sentenced to one year of probation, 12 months of conditional sentence, and ordered to pay restitution of \$4,701.65. The third individual pleaded guilty to Fraud Over \$5,000 on May 15, 2003, and sentenced to 12 months of conditional sentence, two years of probation, and ordered to pay restitution of \$3,198. All restitution payments were to be paid to American victims.

**U.S. Civil Action:** None

**U.S. Criminal Action:** None



## **Centurion, et al.**

**Number of Corporations and Business Names Involved:** Twenty-six

**Number of Individuals Involved:** Eight

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers targeted U.S. consumers and offered Visa or MasterCard credit cards with substantial credit limits for \$249 advance fee. Consumers who provided their bank account information to the defendants did not receive a major credit card but instead received an application for either a “stored value card” or “cash card” that had no line of credit associated with it and could only be used if the consumer first loaded funds onto the card.

**Estimated Number Of Victims:** 122,200

**Estimated Total Gross Sales:** \$30,400,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On September 26, 2005, the Toronto Strategic Partnership executed search warrants at three Toronto telemarketing locations and four individuals were arrested and charged with Fraud Over \$5,000. Subsequently, three additional individuals were arrested and charged with Fraud Over \$5,000.

[www.competitionbureau.gc.ca/internet/index.cfm?itemID=1949&lg=e](http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=1949&lg=e)

Also on September 26, 2005, the Alberta Partnership Against Cross Border Fraud executed a search warrant at a telemarketing location, seized 25 computers, and 11 individuals were detained, interviewed, and released. Charges are pending in Calgary.

[http://www.gov.calgary.ab.ca/citybeat/public/2005/09/release.20050927\\_141328\\_9398\\_0](http://www.gov.calgary.ab.ca/citybeat/public/2005/09/release.20050927_141328_9398_0)

**U.S. Civil Action:** FTC filed civil complaint on September 21, 2005, in the N.D. Ill. The court issued a temporary restraining order with asset freeze.

<http://www.ftc.gov/opa/2005/09/pacificlibertycenturion.htm>.

FTC filed amended civil complaint on December 15, 2005, in the N.D. Ill.

<http://www.ftc.gov/opa/2006/01/fyi0601.shtm>

On April 25, 2007, the court barred three defendants from engaging in similar illegal conduct in the future, as well as from calling consumers whose telephone numbers are on the National Do Not Call Registry for telemarketers.

<http://www.ftc.gov/opa/2007/05/centurion.shtm>

On May 25, 2007, the court ordered the corporate defendants and Robert Houttuin to pay \$10 million in consumer redress and barred them from cross-border telemarketing and violating the Commission's Telemarketing Sales Rule (TSR).

<http://www.ftc.gov/opa/2007/07/centurion.shtm>

Case is currently in litigation against remaining defendants.

**U.S. Criminal Action:** None

## **Consumer Alliance - BioSource**

**Number of Corporations and Business Names Involved:** Five

**Number of Individuals Involved:** Seven

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers contacted predominately elderly U.S. women and falsely claimed that they were affiliated with, or calling from, Visa, MasterCard, or on behalf of the consumers' credit card issuers; consumers could be held fully liable for any unauthorized charges made on their credit cards if they did not purchase credit card protection; and consumers would only have to pay a small fee for the service - typically \$2.99 or \$3.49 - instead of the \$299 to \$349 the defendants actually charged. The telemarketers purposely misrepresented their affiliation with a credit card issuer, and tricked consumers into divulging their credit card numbers by stating that they already knew the numbers but needed verification, and then used the information to bill the consumer's credit card without authorization. In addition, in other calls, the telemarketers promised U.S. consumers a credit card with a low interest rate, or a low interest rate on the consumer's existing credit card, in exchange for a \$349 or \$399 fee. Those consumers only received a list of banks to which they could apply for credit cards. Defendants operated call centers in Toronto, Collingwood, Walkerton, Barrie, and Owen Sound, Ontario.

**Estimated Number Of Victims:** 64,000

**Estimated Total Net Sales:** \$4,000,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On April 16, 2002, the Ontario Provincial Police - Anti-Rackets Section announced arrests of and charges against four individuals and three corporations, and issued an arrest warrant for a fifth individual in connection with this telemarketing scheme. Three search warrants were executed in Collingwood. Five individuals were charged. On May 3, 2003, the Ontario Provincial Police - Anti-Rackets Section announced a criminal plea agreement, including a total fine of \$550,000 (CND), from two individuals and one corporation.

**U.S. Civil Action:** FTC filed civil complaint on May 4, 2002, in the N.D. Ill. The court issued an ex parte temporary restraining order with asset freeze.

<http://www.ftc.gov/opa/2002/04/consumeralliance.htm>

The FTC successfully obtained a judgment on liability from the court, and on June 1, 2004, announced a stipulated order for permanent injunction against all defendants prohibiting the alleged misconduct. <http://www.ftc.gov/opa/2004/06/consumeralliance.htm>

**U.S. Criminal Action:** The U.S. Postal Inspection Service conducted a criminal investigation. A criminal complaint was filed against three individuals on August 17, 2004, as part of “Operation Roaming Charge,” an extensive multi-national enforcement operation directed at telemarketing fraud schemes. The criminal complaint alleged that the defendants made as many as 1.8 million telephone calls from Canada to the U.S. resulting in 37,000 successful sales. In a 22-count complaint, the defendants were charged with two counts of conspiracy, five counts of mail fraud, 13 counts of wire fraud, one count of using a false and fictitious address, and one count of bank fraud. Nine of the 22 counts are punishable by terms of imprisonment not to exceed five years. The remaining 13 counts are each punishable by a term of imprisonment not to exceed 20 years. Each count is punishable by a fine not to exceed \$250,000. One defendant was arrested in the U.S. on November 28, 2004, and on December 7, 2004, the United States Attorney for the Southern District of Illinois indicted him on charges related to the criminal complaint. On September 1, 2005, he pleaded guilty and on December 1, 2005, he was sentenced to nine years in prison and ordered to pay restitution of \$2,987.

## **Datacom Marketing, et al.**

**Number of Corporations and Business Names Involved:** Three

**Number of Individuals Involved:** Seven

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers contacted U.S. businesses falsely implying that someone in the company had authorized a listing in defendants' business directory and claiming that they were calling simply to verify information. In fact, there was no authorization. Some consumers thought they were merely verifying their listing in the local Yellow Pages. After shipping a directory, the defendants sent an invoice, typically for \$399, using a mail drop in Nashua, New Hampshire, as their "U.S. Mailing Address." Many consumers who received the directories found them to be useless and reported that listings were often missing, incomplete, or inaccurate. Businesses that did not pay were harassed by the defendants and, if that failed, the defendants turned over the accounts to a third-party collection agency, which continued to harass the businesses. Defendants operated call centers in Toronto and Montreal and typically targeted small businesses and not-for-profit companies.

**Estimated Number Of Victims:** 375,000

**Estimated Total Gross Sales:** \$150,000,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On May 26, 2006, the Competition Bureau announced charges against five individuals. The individuals were charged with 19 criminal charges each under the Competition Act and the following Criminal Code charges: one count each for Fraud Over \$5,000 and two counts each for Conspiracy to Commit an Indictable Offence. Additionally, three corporations were charged with criminal charges under the Competition Act for their involvement in deceptive telemarketing activities over a 10-year period. The Competition Bureau received over 150 complaints, many of which were forwarded by Phonebusters, the Canadian Anti-Fraud Call Centre. Assistance was provided by the Toronto Strategic Partnership and the Service de Police de la Ville de Montréal.

[www.competitionbureau.gc.ca/internet/index.cfm?itemID=2095&lg=e](http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=2095&lg=e)

**U.S. Civil Action:** FTC filed civil complaint on May 9, 2006, in the N.D. Ill. The court issued a temporary restraining order with asset freeze.

<http://www.ftc.gov/opa/2006/05/datacom.htm>.

The FTC filed an amended complaint on November 21, 2006, adding an additional individual defendant.

<http://www.ftc.gov/opa/2006/11/fyi0676.shtm>

On September 10, 2007, the court entered a Stipulated Final Order in which two corporate defendants and three individual defendants agreed to pay \$505,000 to settle charges that they scammed U.S. businesses into paying for business directories and listings that had never been ordered. In addition, the FTC will return checks worth about \$470,000 that were sent to the telemarketers and seized as part of the law enforcement action. Also, the telemarketers will not be able to collect on invoices worth about \$560,000 that they had already sent before their operations were halted by the temporary restraining order requested by the FTC. The court found two additional individual defendants in default.

<http://www.ftc.gov/opa/2007/09/datacom.shtm>

The case is currently in litigation against a remaining individual defendant.

**U.S. Criminal Action:** None

## **Dunscom International**

**Number of Corporations and Business Names Involved:** Two

**Number of Individuals Involved:** Two

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers falsely told U.S. consumers that they had been “approved for a loan” even though no other financial institution would approve them due to their poor credit risk. Not one victim ever received a loan nor their money refunded.

**Estimated Number Of Victims:** 53

**Dollar Amount of Loan Offerings to Victims:** \$600,000

**Dollar Amount Lost By Victims:** \$50,415

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On October 3, 2002, investigators executed three Criminal Code Search Warrants on this file. Two individuals were arrested and eight charges were laid against them: two counts of Possession of Property Obtained By Crime, two counts of Fraud Over \$5,000, and four counts of Attempt Fraud Under \$5,000. One defendant pleaded guilty to Fraud Over \$5,000 and served 137 days in jail, was ordered to pay restitution of \$6,713 for victim repatriation, and was given probation with conditions for 18 months. Charges against the other individual were withdrawn.

**U.S. Civil Action:** None

**U.S. Criminal Action:** None

## **Express Marketing Services**

**Number of Corporations and Business Names Involved:** Seventeen

**Number of Individuals Involved:** Six

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers falsely told U.S. consumers that they had a very good chance of winning the Canadian lottery by investing in defendants' lottery scheme. The telemarketers also told many consumers that it is legal for U.S. consumers to buy Canadian lottery tickets and that some consumers had already won a large prize and should send them money to redeem their winnings. In fact, it is unlawful for U.S. consumers to buy Canadian lottery tickets. Consumers who sent money to redeem large prizes never received them.

**Estimated Number Of Victims:** 500,000

**Estimated Total Gross Sales:** \$19,000,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On October 3, 2002, a case was filed in Ontario Supreme Court on behalf of the FTC by Borden Ladner Gervais (subsequently Bennett Jones Summer 2003). The Canadian Court issued a Mareva and Anton Pillar order against all defendants in the FTC action and others. On October 13, 2003, the Ontario Superior Court of Justice dissolved the Mareva order.

On March 15, 2004, the Divisional Panel of Ontario Superior Court of Justice granted application by US-DOJ for leave to appeal dissolution of the Mareva order.

On March 24, 2005, the appeal was dismissed.

**U.S. Civil Action:** FTC filed civil complaint on September 30, 2002, in the N.D. Ill. The court granted a preliminary injunction on December 12, 2002.

<http://www.ftc.gov/opa/2002/12/ems.htm>

On July 29, 2004, the District Court ordered defendants, two individuals and the five corporations they owned and controlled, to pay \$19 million in consumer redress and ordered a permanent halt to the scam.

<http://www.ftc.gov/opa/2004/07/worldetal.htm>

**U.S. Criminal Action:** None



## **First Capital Consumers Group**

**Number of Corporations and Business Names Involved:** Eleven

**Number of Individuals Involved:** Five

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers contacted U.S. consumers and falsely claimed they could provide them MasterCard or Visa credit cards with substantial credit limits and low interest rates for a one-time fee ranging from \$189 to \$219. Consumers who agreed to have the fee electronically debited from their bank accounts never received the credit cards. The Toronto-based company operated eight telemarketing boiler rooms in Canada.

**Estimated Number Of Victims:** 40,000

**Estimated Total Net Sales:** \$8,270,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On October 22, 2002, the Competition Bureau announced criminal charges against four individuals in the largest criminal deceptive telemarketing operation investigated by the Competition Bureau and the Toronto Strategic Partnership. Charges included one count each under the Competition Act for making a false or misleading representation in a material respect; and the following Criminal Code charges: one count each for Fraud Over \$5,000; one count each for Possession of Property Obtained by Crime; and two counts each for Conspiracy to Commit an Indictable Offence. In December 2003, these charges were stayed against all of the accused subject to the extradition hearings in a case brought by the United States Attorney's Office for the Southern District of Illinois. On May 9, 2005, three individuals were committed to custody in Toronto awaiting extradition to the U.S. The extradition order was appealed by the accused. On September 29, 2006, the Ontario Court of Appeal dismissed their appeal of the extradition order.

<http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=463&lg=e>

**U.S. Civil Action:** FTC filed civil complaint on October 17, 2002, in the N.D. Ill. The court issued a temporary restraining order with asset freeze. [www.ftc.gov/opa/2002/10/firstcap.htm](http://www.ftc.gov/opa/2002/10/firstcap.htm)

On December 30, 2002, the FTC filed an amended complaint in the case adding a U.S.-based individual defendant to the case. The FTC alleged that he had assisted and facilitated the scheme by providing fulfillment services; sending packets of materials to consumers which they received instead of the promised credit cards. <http://www.ftc.gov/opa/2002/12/fyi0268.shtm>

On December 2, 2003, the court entered an order against two Canadian corporations and the four owners of First Capital that includes two bans and a monetary judgment of \$8.27 million. The FTC settled with one defendant on February 4, 2004. He paid \$250,000 in consumer redress and is permanently barred from engaging in, participating in, or assisting others in the telemarketing of any product or service to any consumer in the U.S. He also is permanently barred from selling credit-related products, programs, or services to U.S. consumers.

<http://www.ftc.gov/opa/2004/02/fyi0409.htm>

On July 28, 2004, a U.S. district court judge entered a final judgment with the U.S.-based defendant. He was required to transfer two houses and various bank accounts, altogether worth an estimated \$1.8 million, to the FTC. He also is banned from telemarketing and selling credit services, assisting others in these activities, violating the Telemarketing Sales Rule, and providing misleading purchasing information to consumers.

<http://www.ftc.gov/opa/2004/08/firstcapital.htm>

**U.S. Criminal Action:** The U.S. Postal Inspection Service conducted a criminal investigation of First Capital and three individuals that led to a 24-count indictment being returned against the three Toronto residents on September 22, 2004, as part of “Operation Roaming Charge,” an extensive multi-national enforcement operation directed at telemarketing fraud schemes. The three were charged with mail fraud, wire fraud, and conspiracy. The three defendants attempted to process approximately 95,000 debits against U.S. bank accounts and made an estimated 1.75 million telephone calls to the U.S. in an attempt to defraud U.S. consumers. Extradition proceedings were initiated in late 2003 and are pending in the Province of Ontario. Each of the 24 counts is punishable by a term of imprisonment not to exceed five years and a fine not to exceed \$250,000.

[www.usdoj.gov/opa/pr/2004/October/04\\_crm\\_680.htm](http://www.usdoj.gov/opa/pr/2004/October/04_crm_680.htm)

On November 14, 2002, the U.S. Postal Inspection Service in Baltimore executed search warrants on the U.S.-based defendant and seized all his business records and computers. On November 22, 2002, the U.S. Postal Inspection Service executed search and seizure warrants against 13 bank accounts and three homes owned or controlled individually or jointly by him. The United States Attorney’s Office in Baltimore filed a civil forfeiture complaint against the bank accounts in January 2003 and against the properties in March 2003. The forfeiture actions were dismissed after the FTC settlement was finalized so the assets could be distributed by the FTC to redress the First Capital victims.

## **First Federal Benefit, LLC**

**Number of Corporations and Business Names Involved:** Three

**Number of Individuals Involved:** One

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers targeted U.S. consumers and offered Visa or MasterCard credit cards with substantial credit limits for an advance fee ranging from \$175 to \$199. Consumers never received the promised credit cards.

**Estimated Number Of Victims:** 40,000

**Estimated Total Net Sales:** \$8,200,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** None

**U.S. Civil Action:** FTC filed civil complaint on November 2, 2002, in the N.D. Ill. The court issued an ex parte temporary restraining order with asset freeze.

<http://www.ftc.gov/opa/2002/12/firstfederal.htm>.

On February 5, 2007, the court entered a final order requiring defendants to pay \$8.4 million in redress.

**U.S. Criminal Action:** The U.S. Postal Inspection Service and the United States Attorney for the Middle District of Pennsylvania have opened a criminal investigation and presented evidence to a grand jury sitting in Harrisburg, Pennsylvania. The public investigation and prosecution is ongoing.

## **FSA Group, Inc.**

**Number of Corporations and Business Names Involved:** Eleven

**Number of Individuals Involved:** Five

### **BACKGROUND**

**Nature of Scam:** Weight Loss Advertising. Canadian marketers targeted U.S. consumers to purchase seaweed-based weight-loss patches called “Hydro-Gel Slim Patch” and “Slenderstrip,” which they falsely claimed would cause users to lose substantial amounts of weight rapidly without reducing caloric intake or increasing exercise.

**Estimated Number Of Victims:** 200,000

**Estimated Total Sales:** \$6,750,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** None.

**U.S. Civil Action:** FTC filed civil complaint on December 9, 2003, in W.D.N.Y. The court issued an ex parte temporary restraining order with asset freeze.

<http://www.ftc.gov/opa/2003/12/weightlosscases.htm>

On October 14, 2004, a stipulated final order was announced which prohibits the FSA defendants from misrepresenting the efficacy of any weight loss products or failing to possess reliable scientific evidence to substantiate such efficacy claims; and selling, renting, or disclosing the names of purchasers of Hydro-Gel Slim Patch and Slenderstrip, or any other information about those customers. The settlement required the FSA defendants to pay \$72,422 for consumer redress. <http://www.ftc.gov/opa/2004/10/fsagroup.htm>

On September 15, 2005, the court entered a stipulated order with the U.K.-based Kingston defendants that bans them from manufacturing, promoting, selling, or distributing any dietary supplement, food, drug, or weight-loss product, or assisting others to do so. The order further prohibits defendants from making any misrepresentations about the health benefits or efficacy of any health-related service or program or failing to possess reliable scientific evidence to support such benefit or efficacy claims. The order also requires the defendants to give the FTC a list of people who bought Hydro-Slim Patch and Slenderstrip, and prohibits them from disclosing their mailing lists to others, except as required by law. They were also required to pay \$150,000 in consumer redress.

<http://www.ftc.gov/opa/2005/09/hydrogel.htm>

**U.S. Criminal Action:** None

## **Gains International Marketing, Inc.**

**Number of Corporations and Business Names Involved:** Eleven

**Number of Individuals Involved:** Three

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers induced elderly consumers into paying \$39 to almost \$600 for shares or tickets in Canadian lottery. Telemarketers falsely claimed that consumers' chances of winning the lottery were very good and related stories of U.S. consumers who played through their firm and won. Telemarketers also falsely claimed that they were sponsored by, affiliated with, or registered with the Canadian government to sell the lottery tickets. They also told consumers that it is legal to buy and sell foreign lottery tickets, when, in fact, buying and selling foreign lottery tickets is illegal in the U.S.

**Estimated Number Of Victims:** 84,000

**Estimated Total Net Sales:** \$4,800,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** None

**U.S. Civil Action:** FTC filed civil complaint on November 18, 2000, in the N.D. Ill. The court issued an ex parte temporary restraining order with asset freeze.

<http://www.ftc.gov/opa/2000/12/gains2.htm>

On April 16, 2002, the court entered a permanent injunction and final order that required defendants to pay \$4.2 million in consumer redress.

On January 26, 2006, one individual was found in contempt of the prior court order and was permanently banned from telemarketing into the U.S., ordered to pay an additional \$612,482.25 in consumer redress, and ordered to release all funds currently held in a known credit union account in Canada.

**U.S. Criminal Action:** None

## **Goodlife**

**Number of Corporations and Business Names Involved:** Eight

**Number of Individuals Involved:** Ten

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers told U.S. consumers that they had been “approved for a loan” even though no other financial institution would approve them due to their poor credit risk. Consumers never received the promised loans or refunds of their money.

**Estimated Number Of Victims:** 479

**Dollar Amount of Loan Offerings to Victims:** \$7,224,900

**Dollar Amount Lost By Victims:** \$276,340.17

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** Ontario Ministry of Government Services (“MGS”) executed four Criminal Code search warrants and closed the “boiler room” with ten accused on March 3, 1999. Members of the Toronto Strategic Partnership assisted with the execution of the warrants. MGS laid charges and made disclosures and the case went to trial, where all accused persons were found guilty. The two major players were sentenced to house arrest for one year and probation for two years and ordered to pay restitution of \$20,000. Total restitution paid by all ten accused was \$26,800.

**U.S. Civil Action:** None

**U.S. Criminal Action:** None

## **Hanson Publications, Inc.**

**Number of Corporations and Business Names Involved:** Nine

**Number of Individuals Involved:** Seven

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers used false and misleading sales techniques to induce U.S. and Canadian businesses to accept delivery of and pay for business directories and office supplies they did not order and did not want, usually at prices many times the cost of similar items purchased from legitimate suppliers. The telemarketers led potential clients to believe that their organization had an established business relationship with the telemarketing firms and that products had been ordered, or that the purpose of the call was to confirm business information for accuracy or product delivery. Consumers' losses ranged from several hundred dollars to thousands of dollars per consumer. It was not uncommon for the telemarketers to continue to target customers repeatedly, essentially getting them to pay sums of money several times.

**Estimated Number of Victims:** 150,000

**Estimated Total Sales:** \$70,000,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On November 15, 2002, the Competition Bureau laid criminal charges against seven companies and eight individuals engaged in telemarketing business directories, credit card supplies, and office toner supplies.

<http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=468&lg=e>

On June 29, 2004, the Competition Bureau announced guilty pleas and fines totaling \$100,000 against four corporations. Two individuals received ten-month conditional sentences comprised of six months of house arrest and four months of curfew. In addition, their sentences included one year of probation and 75 hours of community services. Four company managers received fines of: \$20,000; \$10,000; \$10,000, and \$5000. Three of them were also sentenced to 50 hours of community service and one year of probation. All companies and individuals received a ten-year prohibition order banning them from selling business directories and non-durable office supplies.

[www.competitionbureau.gc.ca/internet/index.cfm?itemID=263&lg=e](http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=263&lg=e)

**U.S. Civil Action:** FTC filed civil complaint on November 8, 2002, in the N.D. Ohio. The court granted a temporary restraining order with asset freeze.

<http://www.ftc.gov/opa/2002/11/handson.htm>

On January 7, 2004, a stipulated final order was entered that bans several defendants from selling directories or non-durable office supplies. The settlement required the defendants to pay \$839,000 for consumer redress. <http://www.ftc.gov/opa/2004/01/hansonpubs.htm>

On May 24, 2004, another individual was banned from telemarketing directories or non-durable office supplies. The stipulated final order also requires him to post a \$500,000 bond if he wishes to telemarket other products or sell directories or non-durable office supplies through means other than telemarketing. <http://www.ftc.gov/opa/2004/05/hanson.htm>

**U.S. Criminal Action:** None



## **Heartland Credit Union**

**Number of Corporations and Business Names Involved:** Ten

**Number of Individuals Involved:** Two

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers told U.S. consumers that they had been “approved for a loan” even though no other financial institution would approve them due to their poor credit risk. Not one victim ever received a loan or a refund of money paid.

**Estimated Number Of Victims:** 200

**Dollar Amount of Loan Offerings to Victims:** \$5,200,000

**Dollar Amount Lost By Victims:** \$216,040.15

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** Investigators executed three Criminal Code search warrants on June 10, 2004. Members of the Toronto Strategic Partnership assisted with arrests and the processing of the two accused. York Regional Police also assisted in this case. Durham Emergency Task Force were utilized to make a safe entry into a residence because there were grounds to believe that one individual was in possession of a gun. A loaded handgun was located. Ammunition was also seized, as was a target poster of a police officer with bullet holes in it. Drugs were seized, as was credit card data and stolen merchandise. All material goods seized were later returned to the retailers.

One defendant pleaded guilty to the Fraud Over \$5,000 charges and was sentenced to nine months in jail and probation. All money seized from his residence (over \$5,000 CDN) was used for restitution. Defendant still faces charges of Possession of a Restricted Weapon and Unsafe Storage of Ammo. There were 30 charges under the Criminal Code in this matter.

**U.S. Civil Action:** None

**U.S. Criminal Action:** None

## **Hi-Tech Trading Strategic Metals**

**Number of Corporations and Business Names Involved:** None

**Number of Individuals Involved:** Nine

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers targeted U.S. consumers to sell fictitious investments in “strategic metals.” The telemarketers were located in Ontario, Canada. All of the victims had been previously victimized by other Canadian and Caribbean telemarketers selling investments in “strategic metals.”

**Estimated Number Of Victims:** 93

**Estimated Total Net Sales:** \$1,000,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** In December 2002, DOJ-Canada approved an order to proceed and forwarded the case to the Regional Crown in Toronto for review and necessary action. In January 2005, the Regional Crown in Toronto authorized the arrest of four of the subjects. The fifth subject could not be located so his arrest could not be authorized. On March 8, 2005, three individuals were arrested on extradition warrants in Toronto by the Toronto Police Fugitive Squad with the assistance of the Toronto Strategic Partnership. On March 10, 2005, another individual voluntarily surrendered himself to the Toronto Police. On March 30, 2005, still another individual voluntarily surrendered to the Toronto Police. Investigative assistance was provided by the Toronto Strategic Partnership and the Royal Canadian Mounted Police, Commercial Crimes Section, Newmarket, Ontario.

**U.S. Civil Action:** None

**U.S. Criminal Action:** In 1997, three Canadians entered guilty pleas for their roles in Hi-Tech Trading. One defendant received a 18-month prison term and paid \$70,000 in restitution. The two other defendants each received 12 months of probation and paid \$11,000 each. In December 1997, a Grand Jury in the Middle District of Pennsylvania returned a multiple-count mail and wire fraud indictment charging six additional Canadians in the telemarketing scam. One voluntarily surrendered himself to U.S. Postal Inspectors in 1998 and served a three-month prison sentence. In July 2001, U.S.-DOJ approved and submitted a formal request to DOJ-Canada seeking the arrest and extradition of the five remaining defendants. In 2005, the five defendants were arrested in Canada based on the extradition request. In January 2006, one of the defendants waived extradition, pleaded guilty, and was sentenced to five years of probation,

fined \$2,000, and paid \$54,000 in restitution. In November 2006, two additional defendants waived extradition and surrendered themselves from Canada to the U.S. Both received six-month jail sentences and each made a restitution payment of \$34,000.

## **ICON Cheque Cashing Services, Inc.**

**Number of Corporations and Business Names Involved:** Dozens

**Number of Individuals Involved:** Ten

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers located in Toronto targeted U.S. consumers and offered guaranteed loans regardless of credit history. Ads for loans were placed in U.S. newspapers that instructed consumers to call a toll-free telephone number to apply for a loan. Consumers who called the telephone number were routed to Toronto boiler rooms where the “loan application” was taken by telephone. Within a day or two after submitting their applications the victims were told that their “loan” was approved, but they must purchase “loan insurance.” Victims were directed to send postal money orders to one of seventeen Ontario mail drops payable to fictitious Canadian insurance companies. Consumers never received the promised loans or refunds of money paid.

**Estimated Number Of Victims:** 4,000

**Estimated Total Net Sales:** \$4,000,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** In August and October 2005, eight of the ten defendants were arrested in Canada by the Toronto Strategic Partnership and the Toronto Police Service Fugitive Squad. The PhoneBusters National Call Centre and Consumer Sentinel received over 2,000 complaints valued at \$2.1 million from victims of the over 100 fraudulent entities that cashed remittances at a check cashing outlet.

**U.S. Civil Action:** None

**U.S. Criminal Action:** On April 11, 2001, ten Canadian nationals were indicted in the Middle District of Pennsylvania in a 51-count conspiracy, mail fraud, and wire fraud indictment. On April 20, 2002, one individual was arrested by U.S. Immigration agents when he crossed the border at Niagara Falls, New York. On October 3, 2002, a superseding indictment was returned against him. He was convicted in April 2003 of 15 counts of criminal conspiracy, wire fraud, and mail fraud following a six-day trial. He was sentenced on January 29, 2004, to ten years in prison and ordered to pay over \$145,464 in restitution.

On August 9, 2006, another individual waived extradition and pled guilty to one count of conspiracy to commit mail and wire fraud. Three other defendants waived extradition and pleaded guilty. Each was sentenced to five years of probation and collectively ordered to pay \$68,296 in restitution.

## **Landmark Financial**

**Number of Corporations and Business Names Involved:** Seven

**Number of Individuals Involved:** Three

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Defendants placed ads in U.S. publications promising loans regardless of credit history for an advance fee ranging from \$100 to more than \$1,100. Consumers never received the promised loans.

**Estimated Number Of Victims:** NA

**Estimated Total Gross Sales:** \$18,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On June 23, 2004, the accused were charged with numerous fraud and gun-possession charges. On September 26, 2005, the Crown Attorney stayed the fraud-related charges, proceeding on the gun-related charges. On September 19, 2006, a “Notice of Recommencement of Proceedings” was filed by the Crown Attorney. On September 21, 2006, one individual was served with a criminal summons, along with a Notice of Recommencement, with a court date of September 26, 2006. On September 22, 2006, another individual was served with a criminal summons, along with a Notice of Recommencement, with a court date of September 26, 2006. The charges were stayed.

**U.S. Civil Action:** None

**U.S. Criminal Action:** One individual was arrested in Tennessee on December 23, 2005, and is currently in the United States facing charges. There is an extradition request in progress for two other individuals.

## **Lexcan International Corp.**

**Number of Corporations and Business Names Involved:** Five

**Number of Individuals Involved:** Two

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers located in Toronto contacted U.S. and Canadian businesses, not-for-profit organizations, and government agencies and misled them to believe that they had an existing business relationship with the defendants and were obligated to purchase toner products. Consumers complained that defendants sent them invoices for toner products at prices up to four times what they paid their regular supplier for similar products.

**Estimated Number of Victims:** 4,000

**Estimated Total Sales:** \$7,000,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On September 23, 2003, the Competition Bureau laid criminal charges against two companies and two individuals engaged in telemarketing office toner supplies. <http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=318&lg=e>

On March 30, 2007, one individual pleaded guilty on behalf of himself and two corporations to 11 charges under the telemarketing provisions of the Competition Act, as well as related charges under the Criminal Code. The individual defendant received a 18-month conditional sentence and fined \$50,000. The corporate defendants were fined \$1.5 million. Both the individual and the corporations are prohibited from engaging in any form of telemarketing for a period of ten years. Seventy-eight thousand dollars worth of seized cheques will be returned to victims in Canada and the United States. The other individual, who worked as the office manager, pleaded guilty to a deceptive telemarketing charge during an earlier proceeding. <http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=2295&lg=e>

**U.S. Civil Action:** None

**U.S. Criminal Action:** None

## **Lighthouse Alliance & Mid-State Financial**

**Number of Corporations and Business Names Involved:** Thirteen

**Number of Individuals Involved:** One

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers told U.S. consumers that they had been “approved for a loan” even though no other financial institution would approve them due to their poor credit risk. Every victim complained that they never received a loan.

**Estimated Number Of Victims:** 121

**Dollar Amount of Loan Offerings to Victims:** \$912,000.00

**Dollar Amount Lost By Victims:** \$93,562.00

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** Durham Regional Police officers and MGS investigators arrested an individual picking up an American victim’s money from a mail box location in Pickering, Ontario. Durham Regional Police charged this person with Possession of Counterfeit Monies, Possession of Stolen Credit Cards, Possession Under \$5,000 (stolen identification), and Possession Over \$5,000 (victim’s U.S. Money Orders). On May 5, 2004, this individual pleaded guilty to Fraud Over \$5,000 and was sentenced to one year of house arrest and ordered to pay \$93,562 in restitution, directing those funds to the FTC for repatriation to American victims.

**U.S. Civil Action:** None

**U.S. Criminal Action:** None

## **MedPlan**

**Number of Corporations and Business Names Involved:** Thirty-four

**Number of Individuals Involved:** Six

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers targeted elderly U.S. consumers with promises of large discounts on prescription drugs and medical services. Telemarketers coerced consumers into divulging their credit card or bank account numbers by claiming to be calling from insurance companies or government agencies. They also misrepresented that consumers would receive a free-trial period before being charged the \$349 enrollment fee. Consumers were often billed the enrollment fee without authorization. In another scam targeting U.S. consumers, telemarketers deceived consumers by telling them that their company was affiliated with credit card issuers or banks and that consumers needed to buy “credit card loss protection” to avoid being liable for unauthorized charges on their credit cards. The defendants charged consumers \$249, often without authorization.

**Estimated Number Of Victims:** 100,000

**Estimated Total Net Sales:** \$14,000,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On February 20, 2003, the Competition Bureau announced that criminal charges had been laid against seven individuals engaged in an Ontario-based telemarketing operation targeting U.S. residents, primarily seniors. Charges under the Competition Act and the Criminal Code were laid against them. The Competition Bureau received assistance from the Toronto Strategic Partnership in the investigation. The Competition Bureau received more than 500 complaints from other law enforcement agencies, including the PhoneBusters National Call Centre.

<http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=508&lg=e>

On March 9, 2004, the Competition Bureau announced a guilty plea had been accepted from one corporation, which included a fine of \$125,000 and a four-year prohibition banning it from engaging or participating in or assisting others in any activity involving the sale or offering for sale of health-care discount programs. Other corporations and directors are also subject to the prohibition order.

[www.competitionbureau.gc.ca/internet/index.cfm?itemID=272&lg=e](http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=272&lg=e)



**U.S. Civil Action:** FTC filed civil complaint on February 10, 2003, in the N.D. Ill. The court issued an ex parte temporary restraining order with asset freeze.

<http://www.ftc.gov/opa/2003/02/medplan.htm>

A stipulated final order for permanent injunction was entered by the court on July 21, 2006. The order required defendants to pay \$200,000 in consumer redress.

<http://www.ftc.gov/opa/2006/07/medplan2.htm>

**U.S. Criminal Action:** None

**Michele Buha**

**Number of Corporations and Business Names Involved:** Two

**Number of Individuals Involved:** One

**BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers placed ads promising pre-approved loans for an advance fee. Consumers who paid the fee never received the promised loan.

**Estimated Number Of Victims:** Six

**Dollar Amount of Loan Offerings to Victims:** \$145,000

**Dollar Amount Lost By Victims:** \$5,825

**SUMMARY OF ENFORCEMENT:**

**Action in Canada:** The individual was arrested and charged with Fraud Over \$5,000. On May 12, 2005, she pleaded guilty to Fraud Over \$5,000 and was sentenced to five months in jail and ordered to pay full restitution of \$5,825.

**U.S. Civil Action:** None

**U.S. Criminal Action:** None

## **Mile High Management**

**Number of Corporations and Business Names Involved:** Twenty-eight

**Number of Individuals Involved:** Twelve

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers told U.S. consumers that they had been “approved for a loan” even though no other financial institution would approve them due to their poor credit risk. Not one victim received the promised loan.

**Estimated Number Of Victims:** 1,305

**Dollar Amount of Loan Offerings to Victims:** \$13,000,000

**Dollar Amount Lost By Victims:** \$1,181,863.33

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** MGS executed 43 Criminal Code search warrants on the mail box locations that had been rented under false names with stolen identification by a group of telemarketers and seized over \$67,000 for victim repatriation.

In September 2004, one individual pleaded guilty to Fraud Over \$5,000 and was given a one year conditional sentence and ordered to pay \$10,000 in restitution. In September 2004, a second individual pleaded guilty to Possession of a Prohibited/Restricted Weapon and was sentenced to two years less one day in jail. He was placed on probation for two years.

**U.S. Civil Action:** None

**U.S. Criminal Action:** None

## **Millenium (sic) Consulting**

**Number of Corporations and Business Names Involved:** Four

**Number of Individuals Involved:** Two

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers falsely told elderly U.S. consumers that, due to a Social Security Administration computer failure, consumers' personal information had been erased from the system and consumers had to provide their bank account and routing information to remedy the problem. Consumers who were reluctant to provide the information were threatened with delays or complete loss of their Social Security benefit payments. The telemarketers also promised to enroll consumers in a Medicare insurance program that provided discounts on medication purchases and eyeglasses for a \$299 fee. The \$299 fee was debited from consumers' bank accounts, but consumers received nothing in return.

**Estimated Number Of Victims:** 3,300

**Estimated Total Gross Sales:** \$623,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On September 10, 2004, three Criminal Code search warrants were executed in the Toronto area by the Toronto Strategic Partnership and an individual was arrested and charged with Fraud Over \$5,000.

**U.S. Civil Action:** FTC filed civil complaint on November 9, 2004, in the N.D. Ill. The court issued an ex parte temporary restraining order with asset freeze.  
<http://www.ftc.gov/opa/2004/11/millineum.htm>

On July 22, 2005, a final order was entered that permanently banned defendants from telemarketing or assisting others to telemarket and from making any deceptive claims. It also bars them from fraudulently obtaining or attempting to obtain consumers' financial institution account information and from using or selling confidential consumer account information that they fraudulently obtained. Accounts with companies that processed the defendants' debits were turned over to the FTC for consumer redress. <http://www.ftc.gov/opa/2005/08/millenium.htm>

**U.S. Criminal Action:** The U.S. Postal Inspection Service conducted a criminal investigation that resulted in one individual being indicted in the Eastern District of Wisconsin on August 23, 2005. He was arrested on October 12, 2005. He pleaded guilty and on May 23, 2007, began serving a five-year jail sentence.

## **National Supply Centre**

**Number of Corporations and Business Names Involved:** Four

**Number of Individuals Involved:** Two

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers located in Toronto, Ontario contacted businesses, not-for-profit organizations, churches, schools and government agencies across Canada and convinced them to pay exorbitant prices for refilled and re-manufactured cartridges by creating the impression that they were representing the victims' regular suppliers of toner and/or ink-jet cartridges, and by making false statements regarding price increases and discounts that created the illusion of cost savings.

**Estimated Number of Victims:** 4,500

**Estimated Total Sales:** \$4,021,542

### **SUMMARY OF ENFORCEMENT:**

**Action In Canada:** On May 25, 2006, the Competition Bureau announced that criminal charges had been laid against two individuals and four corporations/business names that were engaged in deceptive telemarketing of office toner supplies.

<http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=2094&lg=e>

On August 20, 2007, the Competition Bureau announced that one individual pleaded guilty to contraventions of the telemarketing provisions of the Competition Act, on behalf of himself and one corporation. The individual received a 15-month conditional sentence and the corporation was fined \$804,308. Both the individual and the corporation are prohibited from engaging in any form of telemarketing for a period of ten years. Charges are outstanding against one other individual and one other corporate entity.

<http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=2416&lg=e>

**U.S. Civil Action:** None

**U.S. Criminal Action:** None

## **Oxford Metal Merchants**

**Number of Corporations and Business Names Involved:** One

**Number of Individuals Involved:** Ten

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers in Ontario targeted U.S. consumers selling fictitious investments in “strategic metals.”

**Estimated Number Of Victims:** 172

**Estimated Total Net Sales:** \$720,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** In January 2005, the Regional Crown in Toronto authorized the arrest of five of the subjects. On February 3, 2005, three were arrested on extradition warrants in Toronto by the Toronto Police Fugitive Squad, with the assistance of the Toronto Strategic Partnership. The other two defendants later surrendered to the Toronto Police.

**U.S. Civil Action:** None

**U.S. Criminal Action:** In December 1997, a grand jury in the Middle District of Pennsylvania returned two multiple-count mail and wire fraud indictments charging 15 Canadians in the telemarketing scam. Three voluntarily surrendered themselves to U.S. Postal Inspectors in 1999 and 2000, pleaded guilty, and were sentenced. In March 2002, U.S.-DOJ approved and submitted a formal request to DOJ-Canada seeking the arrest and extradition of nine of the defendants. On August 29, 2005, one surrendered himself in Toronto, pleaded guilty, and was sentenced to five years of probation, paid a \$1,000 fine, and \$9,608 in restitution. On August 27, 2005, another pleaded guilty and was sentenced to five years of probation, fined \$2,000, and ordered to pay \$7,000 in restitution. On July 25, 2005, a third pleaded guilty and was sentenced to five years of probation, fined \$2,000, and ordered to pay \$4,368 in restitution. On December 28, 2005, a fourth pleaded guilty and was sentenced to three years of probation and ordered to pay \$1,108 in restitution. On August 11, 2006, a fifth was sentenced to one year of probation and paid \$15,906 in restitution.

## **Pacific Liberty, et al.**

**Number of Corporations and Business Names Involved:** Twenty-six

**Number of Individuals Involved:** Four

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers placed calls to U.S. consumers promising Visa or MasterCard credit cards and free gifts such as cell phones for an advance fee of \$319. The fee was debited from consumers' bank accounts but consumers never received the promised credit cards or "complimentary" gifts. In another scheme, telemarketers called consumers offering brand-name personal computers if they agreed to have a fee debited from their bank accounts. Consumers never received the promised computers. Instead, consumers received certificates supposedly redeemable for off-brand computers which required payment of additional fees.

**Estimated Number Of Victims:** 37,953

**Estimated Total Gross Sales:** \$9,090,062

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On September 27, 2005, the Competition Bureau announced criminal charges had been laid under the Competition Act and the Criminal Code against two directors of a number of Toronto-area corporations for allegedly victimizing U.S. citizens through various telemarketing scams. Seven search warrants were executed on September 22, 2005, by the Competition Bureau and members of the Toronto Strategic Partnership in relation to these charges. Two individuals were charged with one count each under the Competition Act, Section 52.1(3) Deceptive Telemarketing, and one count each under the Criminal Code, Section 380(1)(a) Fraud Over \$5,000.

[www.competitionbureau.gc.ca/internet/index.cfm?itemID=1949&lg=e](http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=1949&lg=e) .

On May 25, 2007, both individuals pleaded guilty to the Competition Act charges. On September 5, 2007, one was sentenced to a one-year jail sentence, two years of probation, and ten years of prohibition. The other was sentenced to six-months conditional sentence, one year of probation, and ten years of prohibition. The Criminal Code charges were dropped.

<http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=2439&lg=e>

**U.S. Civil Action:** FTC filed civil complaint on September 19, 2005, in the N.D. Ill. The court issued a temporary restraining order with asset freeze.

<http://www.ftc.gov/opa/2005/09/pacificlibertycenturion.htm>

Case is currently in litigation.

**U.S. Criminal Action:** None



## **Pinacle**

**Number of Corporations and Business Names Involved:** Four

**Number of Individuals Involved:** One

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers used deceptive sales techniques to induce businesses to pay false invoices, typically \$389.99, for a listing in a business directory. The invoices falsely claimed consumers had placed an order for the directory. Consumers who called to cancel were told that the defendants had a tape recording of the order and that the recording is a “binding oral contract” that could not be canceled. In many instances, consumers who refused to pay the invoices were referred to defendants’ in-house collections department, which harassed them with telephone calls, dunning notices, threats to initiate legal action, and damage to their credit ratings. In some cases, the in-house collections department employees masqueraded as lawyers retained by the defendants to force consumers to pay their invoices.

**Estimated Number Of Victims:** 8,000

**Estimated Total Net Sales:** \$3,000,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On April 22, 2004, the Niagara Regional Police Service, in a joint investigation with the Toronto Strategic Partnership, executed Criminal Code search warrants at the offices, at a residence, and on a vehicle. Two companies were charged with one count each of Fraud Over \$5,000 and Attempt Fraud. An individual was charged with two counts of Fraud Over \$5,000 and two counts of Attempt Fraud. He subsequently fled Canada for Mexico.

**U.S. Civil Action:** FTC filed civil complaint on July 19, 2004, in the N.D. Ill. The court issued an ex parte temporary restraining order with asset freeze.

<http://www.ftc.gov/opa/2004/07/pinnacle.htm>

On May 19, 2005, the court entered a final judgment that permanently bans defendants from the business directory business, bars deceptive or misleading claims, bars the defendants from attempting to collect payment for listings in any business directory, and bars them from selling

or sharing their “customer” lists. The order also required defendants to relinquish \$2,931,568 in ill-gotten gains, including \$55,083.76 that had previously been deposited into the Court’s Registry.

<http://www.ftc.gov/opa/2005/06/pinnacle.htm>

**U.S. Criminal Action:** The U.S. Postal Inspection Service conducted a criminal investigation. A criminal complaint was filed on September 3, 2004, as part of “Operation Roaming Charge,” an extensive multi-national enforcement operation directed at telemarketing fraud schemes. The defendant was expelled from Mexico by Mexican immigration officials and was arrested on June 10, 2005, in Newark, New Jersey after a flight from Cancun, Mexico. On June 21, 2005, the United States Attorney for the Southern District of Illinois indicted him on charges related to the business directory scam. He was charged with conspiracy, 20 counts of wire fraud, four counts of mail fraud, one count of use of a false and fictitious name in furtherance of mail fraud, two counts of mailing or transmitting threatening communications, and one count of making harassing telephone calls. On May 16, 2006, he pleaded guilty to 21 counts of mail fraud, four counts of wire fraud, and one count of conspiracy. On November 2, 2006, he was sentenced to a term of 151 months imprisonment and ordered to pay \$2,931,568 in restitution and a special assessment of \$2,500. He was also sentenced to five years of supervised release at the conclusion of his incarceration.

[www.usdoj.gov/usao/ils/press/2006/May/05162006\\_Croteauplea.pdf](http://www.usdoj.gov/usao/ils/press/2006/May/05162006_Croteauplea.pdf)

## **Prime One Benefits**

**Number of Corporations and Business Names Involved:** Twenty-three

**Number of Individuals Involved:** Three

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers targeted U.S. consumers, often the elderly or university students, and falsely promised Visa or MasterCard credit cards with substantial limits and low interest rates for an advance fee ranging from \$159 to \$236. Consumers who paid the fee never received the promised credit cards.

**Estimated Number Of Victims:** 62,500

**Estimated Total Net Sales:** \$8,100,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** None

**U.S. Civil Action:** FTC filed civil complaint on November 8, 2004, in the N.D. Ill. The court entered an ex parte temporary restraining order with asset freeze.

<http://www.ftc.gov/opa/2004/11/toronto.htm>

On August 10, 2006, the FTC announced a settlement with one individual and one corporation. On March 8, 2007, the court entered a final judgment of \$8.1 million against the remaining defendants.

<http://www.ftc.gov/opa/2007/03/primeone.shtm>

**U.S. Criminal Action:** None

## **Quantum International**

**Number of Corporations and Business Names Involved:** Three

**Number of Individuals Involved:** One

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers falsely claimed that consumers could receive a loan if they paid an upfront fee ranging from \$100 to \$1,500. Consumers who paid the fee never received the promised loans.

**Estimated Number Of Victims:** 300

**Dollar Amount of Loan Offerings to Victims:** \$4,000,000

**Total Dollar Amount Lost By Victims:** \$226,514.56

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** Six search warrants were executed on the rented “offices,” a vehicle, and a residence. Toronto Police Fraud Squad obtained a warrant on January 6, 2000, and the accused was arrested on June 20, 2001. On April 5, 2002, the individual was found guilty of Fraud Over \$ 5,000 and sentenced to nine-and-a-half months’ time served plus 18 months of probation and ordered to forfeit \$81,182.04.

**U.S. Civil Action:** None

**U.S. Criminal Action:** None

**Sean Patrick O'Keefe**

**Number of Corporations and Business Names Involved:** Two

**Number of Individuals Involved:** One

**BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers located in Ontario contacted mostly elderly U.S. consumers and told them they had won a multi-million dollar cash prize. The telemarketers falsely claimed to be government lottery officials and U.S. Customs and Internal Revenue Service agents. Victims were told they had to pre-pay Customs fees and taxes before receiving their prize. Consumers never received the promised prizes.

**Estimated Number Of Victims:** Seven

**Estimated Total Net Sales:** \$235,000

**SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On January 17, 2002, an individual was arrested in Toronto by the Toronto Strategic Partnership.

**U.S. Civil Action:** None

**U.S. Criminal Action:** On December 1, 2003, the individual was indicted, arrested, and convicted in the Western District of Pennsylvania. On April 16, 2004, he was sentenced to five months' imprisonment, followed by house arrest for five months and three years' supervised release and ordered to pay \$90,000 in restitution and a \$3,000 fine.

## **Statewide Agency & Safeguard Insurance Company**

**Number of Corporations and Business Names Involved:** Four

**Number of Individuals Involved:** Eight

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers told U.S. consumers that they had been “approved for a loan” even though no other financial institution would approve them due to their poor credit risk. Consumers never received the promised loans or refund of money paid.

**Estimated Number Of Victims:** 100

**Dollar Amount of Loan Offerings to Victims:** \$500,000

**Dollar Amount Lost by Victims:** \$525,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** Members of the Toronto Strategic Partnership executed four Criminal Code search warrants on the mail box rental locations and “boiler room.” Charges were stayed in Canada so that the U.S. could proceed with extradition hearings on the accused.

**U.S. Civil Action:** None

**U.S Criminal Action:** On April 11, 2002, the accused were indicted in Harrisburg, Pennsylvania on various charges of fraud against the American public. This case was incorporated into the ICON Cheque Cashing Services, Inc. indictment.

## **Trader's International Trade Directory**

**Number of Corporations and Business Names Involved:** Twelve

**Number of Individuals Involved:** Five

### **BACKGROUND**

**Nature of Scam:** Invoice Directory scam. Defendants mailed bogus invoices to U.S. businesses and municipalities and hotels and resorts in the U.S. and more than 25 other countries. Defendants sent invoices to businesses for ads purportedly placed in business and travel directories. Defendants deceived consumers into paying the invoices by cutting actual ads that U.S. businesses had placed in legitimate publications such as the *Thomas Register of American Manufacturers*, the *Hotel & Travel Index*, and the *Official Meeting Facilities Guide* and pasting them on their invoices. In many instances, consumers paid the bogus bills, which ranged in amount from a few hundred dollars to several thousand dollars, not realizing that the listings, advertising, office supplies, and consulting services were never ordered or received.

**Estimated Number Of Victims:** 10,000

**Estimated Total Gross Sales:** \$10,000,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** In May 2006, the Toronto Strategic Partnership arrested three individuals and charged them with Fraud Over \$5,000 in connection with the scheme. The Toronto Strategic Partnership announced on August 24, 2006, that it had arrested another defendant and charged him criminally in Canada under the Criminal Code with Fraud Over \$5,000, Attempt to Defeat Justice, and Misleading Representations under the Competition Act.  
[www.torontopolice.on.ca/newsreleases/pdfs/10559.pdf#search=%22Michael%20Petreikis%22](http://www.torontopolice.on.ca/newsreleases/pdfs/10559.pdf#search=%22Michael%20Petreikis%22)

On October 12, 2006, one defendant pleaded guilty to Fraud Over \$5,000, Attempt to Defeat Justice under the Criminal Code, and False and Misleading Representations under the Competition Act. He agreed to a four-year jail sentence for each of the three charges, to be served concurrently. In addition, he agreed to a \$2 million free-standing restitution order and a

forfeiture of approximately \$38,000 cash and computers that were seized during the execution of a search warrant in May 2006. Charges against four other individuals were withdrawn.

<http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=2221&lg=e>

**U.S. Civil Action:** FTC filed civil complaint on October 4, 2006, in the N.D. Ill. The court entered an *ex parte* temporary restraining order with asset freeze. On October 20, 2006, a stipulated preliminary injunction was entered by the court against some defendants. The court also extended the October 4, 2006, temporary restraining order against other defendants.

<http://www.ftc.gov/opa/2006/10/iitd.htm>

On March 21, 2007, the district court entered a stipulated order for permanent injunction and final judgment as to one corporate and one individual defendant.

<http://www.ftc.gov/opa/2007/03/ontario.htm>

**U.S. Criminal Action:** One defendant pleaded guilty in the U.S. on October 22, 1999 to one count of making false statements and was sentenced to nine months in prison and three years of probation. This 1999 conviction involved essentially the same type of practices that are alleged in the current FTC complaint. He is currently wanted by the U.S. Marshall's for a probation violation in the State of Minnesota regarding this sentence.



## **TSI Service Corp**

**Number of Corporations and Business Names Involved:** Two

**Number of Individuals Involved:** Two

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers targeted U.S. consumers to pitch fraudulent credit card protection packages. Telemarketers misled consumers into purchasing credit card protection packages by falsely claiming that consumers could be liable for unlimited unauthorized charges placed on their credit cards. In fact, federal law limits a consumer's liability for unauthorized charges to \$50, and most credit card issuers do not hold consumers responsible for even that amount.

**Estimated Number Of Victims:** 24,000

**Estimated Total Net Sales:** \$4,800,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** None

**U.S. Civil Action:** FTC filed civil complaint on October 30, 2000, in the W.D.N.Y.  
<http://www.ftc.gov/opa/2000/10/protectdecpt.htm>

On March 14, 2002, the court entered a default judgment for \$4.86 million that bars defendants from telemarketing in the U.S.

**U.S. Criminal Action:** None

## **Universal Direct Marketing**

**Number of Corporations and Business Names Involved:** One

**Number of Individuals Involved:** Ten

### **BACKGROUND**

**Nature of Scam:** Advance Fee Loans. Defendants targeted U.S. consumers with poor credit histories. Defendants placed ads in U.S. newspapers offering loans for an advance fee ranging from \$269 to \$469 that had to be paid by courier services and Western Union. Consumers who paid the fee never received the promised loans.

**Estimated Number Of Victims:** NA

**Estimated Total Gross Sales:** \$50,000

### **SUMMARY OF ENFORCEMENT:**

**Action In Canada:** A search warrant was executed and all of the accused were arrested inside the business premises and charged accordingly. On January 24, 2003, one individual was found guilty and received a conditional sentence, ordered not to be involved in any telemarketing, given a curfew of 1800-700hrs for first 6 months with exception for emergency of self or children, and ordered to pay restitution of \$70,000. Another was found guilty, received 12-month conditional sentence, was ordered not to engage in telemarketing, to have no contact with the other defendant, to remain in residence except for employment/medical appointments, and to pay restitution of \$35,000.

**U.S. Civil Action:** None

**U.S. Criminal Action:** None

## **U.S. Credit Services**

**Number of Corporations and Business Names Involved:** Four

**Number of Individuals Involved:** Three

### **BACKGROUND**

**Nature of Scam:** Telemarketing. Telemarketers targeted U.S. consumers and offered them pre-approved Visa or MasterCard credit cards with substantial credit limits and low interest rates for an advance fee of \$199. Consumers did not receive the promised credit cards.

**Estimated Number Of Victims:** 6,500

**Estimated Total Net Sales:** \$1,300,000

### **SUMMARY OF ENFORCEMENT:**

**Action in Canada:** On September 26, 2001, the Toronto Strategic Partnership announced that the defendants were arrested and charged with Fraud Over \$5,000. A search warrant was executed on the business premises.

At the Canadian preliminary hearing held October 27-30, 2003, the court agreed to accept witness testimony by telephone. After the preliminary hearing two individuals were committed for trial and the charges against the third were withdrawn. One individual subsequently pleaded guilty. The case against the final defendant proceeded to trial. In Spring 2005, a Superior Court Justice ruled that virtually all of the documents and information that was seized in the search warrant that was executed at the business offices of the corporations could not be used as evidence at the trial. This ruling made it almost impossible for the prosecution to successfully win the case. Therefore, a decision was made to withdraw the charges.

**U.S. Civil Action:** FTC filed civil complaint on May 28, 2002, in the N.D. Ill. The court issued an ex parte temporary restraining order with asset freeze.

<http://www.ftc.gov/opa/2002/06/crossborder.htm>

A settlement in this case was announced on June 2, 2003, that required the defendants to pay \$1.3 million in restitution and included a permanent injunction.  
<http://www.ftc.gov/opa/2002/06/crossborder.htm>

**U.S. Criminal Action:** None