

The United States Attorney's Office

Southern District of Florida

Press Release

TWO MORE BUSINESS OPPORTUNITY SALESMEN SENTENCED IN DVD VENDING MACHINE SCAM

January 5, 2007

FOR IMMEDIATE RELEASE

R. Alexander Acosta, United States Attorney for the Southern District of Florida, and Henry Gutierrez, Inspector in Charge, Miami Division, United States Postal Inspection Service, announced today that two more salesmen were sentenced to prison in connection with a DVD vending machine scam that defrauded more than 400 consumers throughout the United States of \$19 million.

United States District Court Judge Jose E. Martinez today sentenced **Cesar Menendez** to eight years in prison and **Michael Menkes** to three years and five months in prison. In addition, Menendez was ordered to pay \$2.1 million and Menkes \$1.4 million in restitution to the victims.

Menendez and Menkes were sales representatives at American Entertainment Distributors, Inc. ("AED"), a company based in Hollywood, Florida, which fraudulently sold a "business opportunity" involving DVD vending machines.

AED used wildly exaggerated profit projections, falsely promised to secure good locations for the machines, falsely claimed that the machines were reliable and easy to use, exaggerated the company's longevity, and used phony references. AED's customers thought they were buying a pre-packaged business that would be easy to operate, but many of them never received machines or locations. Other victims received machines that frequently broke and never turned a profit.

Menendez was convicted of two counts of mail fraud, two counts of wire fraud, and one count of conspiracy after a two-week jury trial in October. Menkes pled guilty in September to one count of conspiracy.

The AED prosecution is part of a crackdown by the U.S. Attorney's Office, Department of Justice, Postal Inspection Service, and Federal Trade Commission on business opportunity fraud that during the last two years has resulted in forty-six convictions. Cases against six other individuals are pending.

Menendez and Menkes are two of nine defendants who have been convicted in connection with their work at AED. On Thursday Judge Martinez sentenced another salesman, Edmond Grigorian, to nine years in prison. Last year, AED's president, James MacArthur, was sentenced to ten years in prison.

Mr. Acosta commended the investigative efforts of the United States Postal Inspection Service. This case is being prosecuted by Patrick Jasperse and Douglas Stearn, Trial Attorneys, United States Department of Justice, Office of Consumer Litigation.

A copy of this press release may be found on the website of the United States Attorney's Office for the Southern District of Florida at <http://www.usdoj.gov/usao/fls>. Related court documents and information may be found on the website of the District Court for the Southern District of Florida at <http://www.flsd.uscourts.gov> or on <http://pacer.flsd.uscourts.gov>.

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