



# Department of Justice

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## TWO CHARGED IN PAYPHONE COMPENSATION FRAUD SCHEME

Madison, Wis. - John W. Vaudreuil, United States Attorney for the Western District of Wisconsin, announced that a federal grand jury sitting in Madison returned an indictment today charging Jeff Frost, 53, Brookfield, Wis., and Colin Nordstrom, 48, Coon Valley, Wis., with conspiracy to commit wire fraud, wire fraud, conspiracy to commit money laundering, and criminal asset forfeiture. Nordstrom is also charged with making a false statement to federal agents and false declarations under oath to a federal grand jury.

If convicted, both defendants face maximum penalties of 20 years in federal prison, a \$250,000 fine, and five years of supervised release for the wire fraud, conspiracy to commit wire fraud, and conspiracy to commit money laundering counts. Nordstrom faces additional maximum penalties of five years in prison, a \$250,000 fine, and three years of supervised release for the false statement, and false declaration charges.

According to the indictment, Frost and Nordstrom devised and participated in a scheme to fraudulently obtain dial around compensation fees by programming payphones to autodial toll-free telephone numbers. Per FCC regulations, payphone owners were paid \$.494 per every toll-free call placed from their payphone. This fee is typically called "dial around compensation," and is paid by the toll-free subscriber.

The indictment alleges that the defendants caused employees at their payphone company to test dial the toll-free numbers to see which numbers had an automated answering system that allowed for options that placed the call into what the defendants referred to as "automated hell." The defendants kept a list which identified the "automated hell" numbers, as well as the options needed to get into "automated hell," and how much time the caller spent in each stage of the options. The payphones were programmed to place the toll-free call, to choose the appropriate options in the automated messaging system to stay connected long enough to ensure that the payphone would obtain the dial around compensation fee, and to then hang up.

The payphones were also programmed to redial the toll-free numbers in a repeated fashion, and to call specific toll-free numbers at specific times every day for months at a time. According to the indictment, the scheme generated over \$1.2 million in fraudulently obtained dial around compensation fees from 2004 to 2007.

Nordstrom is charged with lying in January 2011 to Special Agents from the General Service Administration, Office of Inspector General, and Internal Revenue Service, Criminal Investigation Division, about his knowledge and involvement in the dial around compensation fraud scheme. The indictment also alleges that on March 23, 2011, Nordstrom lied under oath to a federal grand jury sitting in Madison, with respect to his involvement in the scheme and his discussions about the case with his coconspirators.

The charges against Frost and Nordstrom are the result of an investigation conducted by the General Services Administration, Office of Inspector General, and the Internal Revenue Service, Criminal Investigation Division. The prosecution of this case has been assigned to Assistant U.S. Attorney Daniel J. Graber.

You are advised that a charge is merely an accusation and that a defendant is presumed innocent until and unless proven guilty.

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