



Department of Justice

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Madison, Wis. - John W. Vaudreuil, United States Attorney for the Western District of Wisconsin, announced that Jeff Frost, 54, Brookfield, Wis., was sentenced today by U.S. District Judge Conley to 54 months in prison for money laundering relating to a wire fraud scheme involving payphones. Frost pleaded guilty to the charge on February 21, 2012.

The charge against Frost stemmed from a federal grand jury investigation that focused on whether Frost, August Schober, and Colin Nordstrom (through their company Mid America Payphones) were participating 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 payphones.

Frost's payphones were being programmed to place toll-free calls, and 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 scheme generated over \$1 million in fraudulently obtained dial around compensation fees from 2004 to 2007. Frost reinvested the fraud proceeds back into his company in order to keep it alive because of declining business caused by the increased use of cell phones.

At today's sentencing, Judge Conley rejected Frost's argument that Frost was not the mastermind behind the scheme. Judge Conley reminded Frost that Frost was the person who came up with the idea for the dial around scheme, solicited co-workers to participate in the scheme, and ordered the co-workers on what tasks they should perform to execute the scheme. The judge also noted that Frost's scheme involved 49 victim companies and losses in excess of \$1,000,000 over a 4-year time span. Finally, the judge noted that Frost deserved a 54-month sentence because he recruited others into the scheme -- two of whom Judge Conley had already sentenced to prison -- Colin Nordstrom for 3 months and August Schober for 12 months.

The case came to the attention of law enforcement after an employee at the

General Services Administration (GSA) call center noticed an unusually large volume of calls being made to the GSA toll free number coming from payphones located in Western Wisconsin.

The charges against Frost were the result of an investigation conducted by the General Services Administration, Office of Inspector General, and the Internal Revenue Service, Criminal Investigation Division.

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