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Diversification Helps Spammer Make Fortune

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Christopher Smith's neighbors didn't know exactly what he did for a living. But they knew well that he liked to collect expensive cars and set off fireworks at all hours.

At an age when most of his peers could barely afford a new car, Smith was amassing a collection that would include BMWs, Hummers, a Ferrari, a Jaguar and a Lamborghini. And when other 20-somethings were trying to save for down payments on modest starter homes, Smith paid $1.1 million for a house in a more affluent suburb.

Smith got all that through his successes in massive unsolicited e-mail marketing, authorities say. The Spamhaus Project, an anti-spam group, considered him one of the world's worst offenders.

He was just 25 when the feds in May shut down his flagship company, Xpress Pharmacy Direct, and seized $1.8 million in luxury cars, two homes and $1.3 million in cash held by Smith and associates.

But even then, prosecutors say, he refused to give up.

They say he tried to relaunch his online pharmacy from an offshore haven - the Dominican Republic - intending to build his business back up to $4.1 million in sales by its second month, right where it was before.

Brian McWilliams, author of "Spam Kings," said young people like Smith aren't unusual in the fast-buck world of spammers.

"A lot of them are guys who haven't had success anywhere else in life but they find this easy money to be made in the spam trade," he said. "They don't want to give it up."

Authorities were waiting when Smith flew back to Minneapolis in late June.

Smith remains free on bail as he awaits another hearing Thursday on contempt-of-court charges for which prosecutors are seeking six months in jail. He also faces a grand jury investigation of his e-mail businesses, which could lead to more charges and potentially longer sentences.

The high school dropout, operating under the nickname Rizler, got his start in the late 1990s, selling police radar and laser jammers. Along the way he added cable TV descramblers and other products.

After Time Warner Cable got an injunction in 2002 putting Smith out of the descrambler business, he diversified and generated more than $18 million in sales from drugs online, including the often-abused narcotic painkiller Vicodin,

without obtaining proper prescriptions, federal prosecutors say.

Smith's former neighbors in a hilly, heavily wooded part of Burnsville were glad to see him go after he moved to pricier, more secluded digs in Prior Lake over the winter.

Sue Parson said things began to get out of hand in May 2004. When her husband complained about loud fireworks, she said, Smith's response was: "Too bad. We can set them off if we want to." Not long after one complaint, someone set off fireworks at the foot of the Parsons' driveway early one morning, she said.

Neighbors didn't know exactly what Smith did for a living. Parson said he told one person he had a lawn service, another that he was "into computers" and yet another that he was "into pharmaceuticals."

"There were these Hummers outside, the limos outside," she said. "It was like, 'Where do these people get their money from?'"

Just four days after a federal judge put Xpress Pharmacy Direct into receivership, Smith made what prosecutors say was a brazen play to stay in business.

Smith took off for the Dominican Republic and went to work setting up a new online pharmacy and call center, where prosecutors say he hoped he'd be safe from extradition and out of the reach of the U.S. Drug Enforcement Administration.

Former employees, his wife and even his girlfriend brought or sent Smith "substantial sums of cash" there, and one former employee passed him a disk with data on more than 100,000 Xpress Pharmacy customers, court documents and testimony allege.

Smith even managed to withdraw some money from an account that was supposed to be frozen. He also launched two new Web sites, the documents allege.
In the Dominican Republic, Smith was a guest of Creaghan Harry, a man the government described as another notorious spammer.

According to the court documents, Harry, who runs a call center there, earned more than $2 million from Smith for telemarketing.

Harry said the call center he manages, Santo Domingo-based Americas Best Worldwide, was just one of many that took orders for Smith. He said it had no other connection with Smith's new business.

"We basically got pulled in to this because Chris Smith decided to come down here," Harry told The Associated Press. "But we are not his company or even his call center. Taking pharmaceutical orders is only a small part of our business."

Harry acknowledged that Smith had stayed in his Santo Domingo apartment for a week in early June, but then left for a beach resort in Boca Chica, outside Santo Domingo, where he took up scuba diving. He then went to the eastern island resort town of Punta Cana, Harry said.

"It just seemed Chris was on vacation," he said.

Though Smith mentioned over a few lunches in Santo Domingo that he planned to start up a new business, he didn't offer details, Harry said.

Whether it was a business trip or vacation, it ended with Smith going straight to jail when he returned to Minnesota.

Authorities arrested him on a contempt-of-court warrant and said in court last month that they plan to seek unspecified criminal charges against him. Assistant U.S. Attorney Nicole Engisch told U.S. District Judge Michael Davis a grand jury has been hearing evidence against Smith and others she did not name. She said she did not know when indictments

might come down, nor did she say what the charges might be.

Smith and his stepfather declined to comment on his legal troubles as he left the courthouse the next day after his release on $50,000 bail. Prosecutors also declined to comment on the case, citing the ongoing investigation.

Smith's father, Scott Smith, declined to comment for this story after initially agreeing to talk. In an earlier interview with the Star Tribune, he portrayed his son as a business genius who dropped out of high school because he was bored.

"That spamming stuff they talk about, sometimes Chris may have been a middleman helping other business people, but he never broke the law. I'm sure of it," Scott Smith told the newspaper.

As Smith sat in Davis' courtroom, wearing orange jail garb and flashing an occasional forlorn smile at his father and wife, high-profile local defense lawyer Joe Friedberg conceded that Smith had violated the judge's May 20 injunction by taking $2,000 from a frozen account.

But Friedberg contends the government hasn't proven that anything else Smith did in the Dominican Republic was illegal.

As Davis freed Smith on bail, he put him on home monitoring and ordered him to surrender his passports.

And Davis admonished Smith: Stay away from computers and don't set up any more Web sites.

By STEVE KARNOWSKI
Associated Press

Security

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