

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- - - - - X

UNITED STATES OF AMERICA :

-v- : **INDICTMENT**

C. GREGORY EARLS, :

03 Cr. _____

Defendant. :

- - - - - X

COUNT ONE

(Securities Fraud)

The Grand Jury charges:

Background

Relevant Entities

1. At all times relevant to this Indictment, U.S. Technologies, Inc. ("U.S. Technologies"), was a corporation organized under the laws of the State of Delaware. From at least in or about 1998 through in or about 1999, U.S. Technologies was headquartered in Atlanta, Georgia. In or about 1999, U.S. Technologies relocated its headquarters from Atlanta, Georgia, to Washington, DC. U.S. Technologies' business consisted of prison outsourcing and investing in technology companies. At times relevant to this Indictment, U.S. Technologies' common stock was listed on the Over-the-Counter "Bulletin Board" market, an electronic listing of bid and asked quotations of over-the-counter stocks, under the symbol "USXX."

2. From on or about June 22, 1998 until its dissolution in or about March 2002, USV Partners, LLC ("USV Partners") was a limited liability corporation organized under the laws of the State of Delaware. USV Partners was a single

purpose entity that existed solely to capitalize U.S. Technologies by purchasing preferred stock and warrants issued by U.S. Technologies.

3. At all times relevant to this Indictment, USV Management, LLC ("USV Management") was a limited liability corporation organized under the laws of the State of Delaware with its principal place of business located in Washington, DC. USV Management served as the managing entity of USV Partners.

4. At all times relevant to this Indictment, U.S. Viewing Corporation ("U.S. Viewing") was a corporation organized under the laws of the District of Columbia with its principal place of business located in Washington, DC.

C. Gregory Earls

5. At all times relevant to this Indictment, C. GREGORY EARLS, the defendant, was a resident of the District of Columbia. As set forth below, at various times relevant to this Indictment, EARLS held the following positions at U.S. Technologies, USV Management, and US Viewing:

a. from in or about February 1999, up to and including on or about March 24, 2003, EARLS served as a Director of U.S. Technologies, and from in or about June 2002 through on or about March 24, 2003, EARLS has served as the sole Director of U.S. Technologies;

b. from in or about February 1999, up to and including on or about March 24, 2003, EARLS served as the Chairman of the Board of Directors of U.S. Technologies;

c. from in or about February 1999, up to and including on or about March 24, 2003, EARLS served as the Chief Executive Officer of U.S. Technologies;

d. at all times relevant to this Indictment, EARLS served as the sole officer and member of USV Management, whose sole purpose was to manage USV Partners; and

e. at all times relevant to this Indictment, EARLS also served as the president of U.S. Viewing.

6. At all times relevant to this Indictment, C. GREGORY EARLS, the defendant, as the manager of USV Partners, owed fiduciary and other duties of trust and confidence to act in the best interests of USV Partners and its members.

7. At all times relevant to this Indictment, the personal address of C. GREGORY EARLS, the defendant, was the mailing address for USV Partners, USV Management, and U.S. Viewing.

8. From in or about February 1999 through in or about March 2003, C. GREGORY EARLS, the defendant, exercised control over the affairs of U.S. Technologies, including by controlling its bank accounts.

9. From in or about February 1999 through in or about March 2003, C. GREGORY EARLS, the defendant, exercised control over the affairs of USV Partners and U.S. Viewing, including by controlling their bank accounts.

Summary of Fraudulent Conduct

10. As discussed below, C. GREGORY EARLS, the

defendant, engaged in a scheme to defraud investors of USV Partners, a company that he controlled, by falsely representing that the company would use funds raised from investors to capitalize U.S. Technologies, a company of which he was Chairman and CEO.

11. From in or about June 1998 through on or about August 31, 2002, C. GREGORY EARLS, the defendant, raised more than \$20 million for USV Partners from over 100 investors residing across the United States by making materially false statements and misleading omissions, including by exaggerating the size of his own investment in USV Partners, fabricating the involvement of a prominent individual known for his business acumen (the "Prominent Individual"), and inflating the value of a U.S. Technologies asset by millions of dollars.

12. C. GREGORY EARLS, the defendant, executed the fraudulent scheme by diverting investor funds from USV Partners into the accounts of U.S. Viewing, another company that he controlled. EARLS then transferred the misappropriated funds from U.S. Viewing to his personal accounts and the accounts of various other entities that he controlled. Of the more than \$20 million that EARLS raised through USV Partners, EARLS misappropriated approximately \$13.8 million and used those funds for various undisclosed purposes, including to fund an educational trust for his children, to repay investors from other failed ventures, and to make deposits in his personal accounts.

USV Partners Operating Agreement

13. From in or about June 1998 through in or about March 2002, an Operating Agreement for USV Partners dated July 2, 1998 (the "USV Partners Operating Agreement") governed the relationship among and between USV Partners and the manager of USV Partners, C. GREGORY EARLS, the defendant. The USV Partners Operating Agreement provided, among other things, that:

a. USV Partners existed for the sole purpose of purchasing preferred stock and warrants issued by U.S. Technologies;

b. EARLS was required to capitalize USV Partners by investing \$50,000;

c. EARLS, in his capacity as the manager of USV Partners through USV Management, was authorized to accept investment contributions made by investors in USV Partners and hold the stock certificates of U.S. Technologies that USV Partners had purchased on behalf of its investors in the name of USV Partners;

d. EARLS, as the manager of USV Partners, through USV Management was authorized to pay for professional legal and accounting services rendered to USV Partners without permission from the investors;

e. EARLS, as the manager of USV Partners, was prohibited from making loans to any entity or person without the express written authorization of all of the members of USV Partners; and

f. EARLS, as the manager of USV Partners, was expressly prohibited from receiving any management fee.

**Material Misrepresentations And
Misleading Omissions To Investors In USV Partners**

14. To induce them to invest in USV Partners, C. GREGORY EARLS, the defendant, made a series of material false representations and misleading omissions to potential investors in USV Partners.

15. From in or about June 1998 through in or about September 2002, C. GREGORY EARLS, the defendant, falsely represented to investors that USV Partners existed to capitalize U.S. Technologies by purchasing preferred stock and warrants issued by U.S. Technologies when, in truth and in fact, as EARLS well knew, most of the funds that EARLS raised were not used for that purpose, but were instead diverted to his personal accounts and the accounts of other entities that he controlled.

16. From in or about July 1998 through in or about August 2001, C. GREGORY EARLS, the defendant, falsely represented to investors that he and his family were the largest investors in USV Partners. In truth and in fact, as EARLS well knew, he was not the largest investor in USV Partners. Indeed, contrary to EARLS' representations to investors, another investor in USV Partners ("Victim 1"), who invested a total of approximately \$4.4 million in 17 separate wire transfers from his bank in New York, New York in the period from in or about July 1998 through in or about August 2001, was the largest investor in USV Partners. Moreover, as explained more fully below in Paragraphs 27 through 28, some

of the funds that EARLS invested in USV Partners under his own name or the names of his various family members or entities under his control consisted, in part, of funds that he had misappropriated from other investors in USV Partners.

17. From in or about July 1998 through in or about August 2001, C. GREGORY EARLS, the defendant, falsely represented to Victim 1 that he would match each investment by Victim 1 in USV Partners "dollar-for-dollar," when contrary to his representation to Victim 1, in truth and in fact, as EARLS well knew, he did not and never intended to match Victim 1's investment in USV Partners dollar-for-dollar.

18. At times relevant to this Indictment, in order to lend USV Partners greater credibility with potential investors, C. GREGORY EARLS, the defendant, falsely represented to investors that the Prominent Individual was an investor in USV Partners. In truth and in fact, as EARLS well knew, the Prominent Individual never invested in USV Partners, U.S. Technologies, or any other entity controlled by EARLS.

19. At times relevant to this Indictment, C. GREGORY EARLS, the defendant, also falsely represented to investors the value of U.S. Technologies' investment in a particular Internet company (the "Portfolio Company"), falsely inflating the value of the investment by millions of dollars and thereby creating the false impression among investors that their investment in USV Partners was secure and increasing in value. As set forth below, EARLS told several variations of the same lie to victim investors:

a.in or about March 2001, EARLS represented to Victim 1 that U.S. Technologies had an interest in the Portfolio Company worth over \$30 million;

b.in or about late 2001, EARLS advised another investor ("Victim 2") that U.S. Technologies held a 47% interest in the Portfolio Company that was worth approximately more than \$40 million; and

c.in or about February 2002, EARLS advised another investor ("Victim 3"), who invested directly in U.S. Technologies, that U.S. Technologies had a warrant to acquire stock in the Portfolio Company that was worth approximately \$28 million.

20.At all times relevant to the Indictment, as C. GREGORY EARLS, the defendant, well knew, in truth and in fact, the value of U.S. Technologies investment in the Portfolio Company never exceeded approximately \$1.2 million.

Earls' Diversion Of Investor Funds

21. From USV Partners' inception in or about June 1998, up to and including in or about September 2002, C. GREGORY EARLS, the defendant, repeatedly directed transfers of funds from USV Partners to various entities that he controlled, including U.S. Viewing. In fact, most of the funds received by USV Partners from its investors were transferred to U.S. Viewing, and, in truth and in fact, as EARLS well knew, were not used to purchase preferred shares or warrants in U.S. Technologies. EARLS typically diverted the funds of investors in USV Partners by first transferring the funds to U.S. Viewing, and then repeatedly transferring the funds to and from his personal bank accounts, an educational trust for his children, or bank accounts held by various entities that he controlled.

22. In the period from USV Partners' inception in or about June 1998 through on or about August 31, 2002, C. GREGORY EARLS, the defendant, directed the transfer of more than \$13.8 million to U.S. Viewing from USV Partners. During this same time period, USV Partners transferred only approximately \$8.8 million to U.S. Technologies, only part of which was used to purchase preferred stock or warrants. For example, from in or about June 2001 through in or about December 2001, approximately \$1.3 million in transfers from USV Partners to U.S. Technologies was recorded in the books and records of U.S. Technologies as loans from USV Partners, not equity investments.

False Legal And Accounting Expenditures

23. From in or about June 1998 through on or about August 31, 2002, C. GREGORY EARLS, the defendant, directed an employee (the "Employee"), who was responsible for maintaining the books and records of EARLS' entities, personal accounts, USV Partners, U.S. Viewing, and U.S. Technologies, to transfer approximately \$9.1 million to U.S. Viewing from USV Partners and to record the transfers in the USV Partners ledgers under an expense category labeled "legal and accounting fees," despite the fact that, in truth and in fact, as EARLS well knew, U.S. Viewing did not provide any professional legal and accounting services to or for USV Partners or any other entity. Indeed, during the period of time that USV Partners allegedly paid U.S. Viewing approximately \$9.1 million in legal and accounting fees, in truth and in fact, as EARLS well knew, USV Partners had spent less than approximately \$200,000 on actual legal and accounting expenditures.

24. From in or about 1998 through in or about 2001, at the end of each calendar year, the millions that had been transferred to U.S. Viewing under the "legal and accounting fees" category were reclassified in the books and records of USV Partners as money owed to USV Partners by U.S. Viewing despite the fact that, in truth and in fact, as C. GREGORY EARLS, the defendant, well knew, these transfers were not loans but misappropriations from USV Partners. Moreover, in truth and in fact, as EARLS well knew, he was prohibited from making any such loan to U.S. Viewing without the consent of all the members of

USV Partners, which consent he had never solicited nor received.

Payment of Prohibited Management Fee

25. From in or about June 1998 through on or about August 31, 2002, C. GREGORY EARLS, the defendant, misappropriated an additional approximately \$4.7 million by causing USV Partners to pay a "management fee" of approximately \$4.7 million to U.S. Viewing, despite the fact that, in truth and in fact, as EARLS well knew, he was expressly prohibited from receiving or paying any management fees under the terms of the USV Partners Operating Agreement.

Use Of Misappropriated Funds

26. From in or about June 1998 through in or about September 2002, C. GREGORY EARLS, the defendant, transferred funds that had been misappropriated from USV Partners to the following accounts: approximately \$4.3 million to his personal accounts; approximately \$3.2 million to entities which he had operated prior to organizing USV Partners; and approximately \$1.2 million to the Earls Children Irrevocable Trust.

Transfer Of Stolen Funds Into USV Partners

27. From in or about June 1998 through in or about September 2002, C. GREGORY EARLS, the defendant, transferred from U.S. Viewing to USV Partners funds that had originally been diverted from USV Partners, and directed the Employee to record the transfers as a personal investment in USV Partners, or loans by EARLS or his family's partnership to USV Partners. In truth and in fact, as EARLS well knew, those investments and loans

consisted of funds that EARLS had previously diverted from other investors and did not belong to him or his family.

28. The first investment in USV Partners by C. GREGORY EARLS, the defendant, in or about July 1998, was comprised of funds that EARLS misappropriated from other investors in USV Partners. In truth and in fact, as EARLS well knew, under the terms of the USV Partners Operating Agreement, he was required to capitalize USV Partners by investing \$50,000 in the name of the "Earls Family Limited Partnership." Instead, EARLS misappropriated approximately \$50,000 from other USV Partners' investors and invested those funds in USV Partners in the name of the Earls Family Limited Partnership. EARLS diverted approximately \$50,000 of USV Partners' investor funds to U.S. Viewing, then transferred those funds to the Earls Family Limited Partnership and then transferred those misappropriated funds back to USV Partners. EARLS recorded the transfer of the \$50,000 back to USV Partners as the initial investment that he was required to make in the name of the Earls Family Limited Partnership under the terms of the USV Partners Operating Agreement.

Loans To U.S. Technologies

29. From in or about June 1998 through on or about August 31, 2002, C. GREGORY EARLS, the defendant, transferred to U.S. Technologies funds from U.S. Viewing that had been misappropriated from USV Partners, but directed the Employee, who maintained the ledgers of U.S. Technologies, to record the transfers as personal loans from EARLS to U.S. Technologies. In

truth and in fact, as EARLS well knew, he was not loaning U.S. Technologies his money, nor was he authorized to loan U.S. Technologies any money from USV Partners without the express consent of the investors, which in any event he never sought. Indeed, during that same period, EARLS withdrew at least approximately \$1.2 million from U.S. Technologies' bank accounts and transferred those funds to his personal accounts in satisfaction of his purported loans.

30. As described in Paragraph 26 above, from in or about June 1998 through on or about August 31, 2002, C. GREGORY EARLS, the defendant, transferred approximately \$3.2 million from U.S. Viewing that had been misappropriated from USV Partners into bank accounts held by entities that he had operated prior to organizing USV Partners. EARLS then directed the Employee to execute payments from these entities' accounts to payoff former investors.

Unauthorized Equity Interests In USV Partners

31. At times relevant to this Indictment, C. GREGORY EARLS, the defendant, in addition to misappropriating funds from USV Partners in order to return funds to investors from his prior ventures, at times converted the profits due these investors into an equivalent financial interest in USV Partners. EARLS thus recorded equity interests in USV Partners on behalf of investors who never contributed any funds, and did so without ever seeking authorization from the actual investors of USV Partners.

**Earls Failed To Acquire
U.S. Technologies Stock On Behalf Of USV Partners**

32. At times relevant to this Indictment, C. GREGORY EARLS, the defendant, failed to acquire the necessary stock in U.S. Technologies in the name of USV Partners. From in or about June 1998 through in or about the spring of 2002, EARLS had raised over \$20 million from investors in USV Partners, but, in truth and in fact, as EARLS well knew, he had failed to acquire approximately 50 million shares of U.S. Technologies common stock on behalf of USV Partners.

Statutory Allegation

33. From in or about June 1998 through March 2003, in the Southern District of New York and elsewhere, C. GREGORY EARLS, the defendant, and others known and unknown, unlawfully, willfully, and knowingly, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails and facilities of national securities exchanges, directly and indirectly, did: (a) employ devices, schemes and artifices to defraud; (b) made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices, and courses of business which operated and would operate as a fraud and deceit upon investors in USV Partners.

(Title 15, United States Code, Sections 78j(b) and 78ff;
Title 17, Code of Federal Regulations, Section 240.10b-5;

and Title 18, United States Code, Section 2.)

COUNTS TWO THROUGH EIGHTEEN

(Wire Fraud)

The Grand Jury further charges:

34. The allegations set forth in Paragraphs 1 through 32 of this Indictment are repeated and realleged as if set forth fully herein.

35. From in or about July 1998 through in or about August 2001, Victim 1 caused to be transferred by wire from bank accounts in New York, New York, a total of approximately \$4.4 million in 17 separate wire transfers to USV Partners.

36. On or about the dates set forth below, in the Southern District of New York, C. GREGORY EARLS, the defendant, unlawfully, wilfully, and knowingly, having devised and intended to devise a scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, would and did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, EARLS caused the amounts set forth below in Counts Two through Eighteen to be wire transferred from bank accounts in New York, New York to a bank account held in the name of USV Partners in Washington, DC:

COUNT	DATE	AMOUNT
TWO	July 14, 1998	\$500,000

THREE	February 24, 1999	\$16,510
FOUR	April 8, 1999	\$171,500
FIVE	June 30, 1999	\$245,000
SIX	July 13, 1999	\$290,000
SEVEN	November 10, 1999	\$300,000
EIGHT	December 16, 1999	\$190,000
NINE	August 3, 2000	\$150,000
TEN	December 15, 2000	\$97,500
ELEVEN	January 5, 2001	\$238,000
TWELVE	February 14, 2001	\$196,000
THIRTEEN	February 27, 2001	\$500,000
FOURTEEN	March 5, 2001	\$200,000
FIFTEEN	March 7, 2001	\$350,000
SIXTEEN	July 6, 2001	\$475,800
SEVENTEEN	August 2, 2001	\$354,000
EIGHTEEN	August 27, 2001	\$434,100

(Title 18, United States Code, Sections 1343 and 2.)

COUNTS NINETEEN AND TWENTY

(Mail Fraud)

The Grand Jury further alleges:

37. The allegations set forth in Paragraphs 1 through 32 of this Indictment are repeated and realleged as if set forth fully herein.

38. As set forth in Paragraph 2 above, in or about March 2002 USV Partners dissolved. Under the terms of the USV Partners Operating Agreement, at the time of the dissolution of USV Partners, C. GREGORY EARLS, the defendant, was required to transfer all of the shares issued by U.S. Technologies that had been acquired in the name of USV Partners to each investor in proportion to the investor's investment in USV Partners. As of the time of the dissolution, however, EARLS could not transfer all of the U.S. Technologies stock that was due to each investor,

because USV Partners had not acquired sufficient stock to cover all of the investors.

39. In or about September 2002, to conceal his failure to acquire the necessary stock in U.S. Technologies on behalf of USV Partners, C. GREGORY EARLS, the defendant, contacted a USV Partners investor ("Victim 4"), who had received her U.S. Technologies stock certificates and who had previously approached EARLS about selling them. EARLS advised Victim 4 that he had a third-party buyer interested in purchasing her stock certificates. Victim 4 agreed to sell her stock certificates to the third party. In fact, EARLS, and not a third party, purchased Victim 4's stock certificates in order to distribute them to other investors in USV Partners who had not yet received their U.S. Technologies stock certificates.

40. C. GREGORY EARLS, the defendant, made three payments to Victim 4: (1) on or about September 5, 2002, EARLS wired approximately \$25,000 to her bank account; (2) on or about September 26, 2002, EARLS sent her a check for approximately \$25,000; and (3) on or about November 8, 2002, EARLS sent her a check for approximately \$70,561.50, which was later returned for insufficient funds.

41. On or about the dates set forth below, in the Southern District of New York, C. GREGORY EARLS, the defendant, unlawfully, wilfully, and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses,

representations, and promises, for the purpose of executing such scheme and artifice to defraud and attempting so to do, did deposit and cause to be deposited matters and things to be sent and delivered by private and commercial interstate carrier, and knowingly would and did cause to be delivered by mail and such carrier according to the direction thereon such matters and things, to wit, EARLS delivered payments totaling approximately \$95,561.50 to Victim 4's offices located in New York, New York, by the carriers and in the approximate amounts set forth below:

COUNT	TYPE OF CARRIER	DATE	AMOUNT
NINETEEN	REGULAR MAIL	September 26, 2002	\$25,000
TWENTY	FEDERAL EXPRESS	November 8, 2002	\$70,561.50

(Title 18, United States Code, Sections 1341 and 2.)

COUNT TWENTY-ONE

(Wire Fraud)

The Grand Jury further alleges:

42. The allegations set forth in Paragraphs 1 through 32 and 38 through 40 of this Indictment are repeated and realleged as if set forth fully herein.

43. On or about September 5, 2002, in the Southern District of New York, C. GREGORY EARLS, the defendant, unlawfully, wilfully, and knowingly, having devised and intended to devise a scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, would and did transmit and cause to be transmitted by means of wire communication in interstate

and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, EARLS caused a wire in the amount of approximately \$25,000 to be sent from a bank account held by U.S. Technologies located in Washington, DC to Victim 4's bank account located in New York, New York.

(Title 18, United States Code, Sections 1343 and 2.)

COUNT TWENTY-TWO

(Wire Fraud)

44. The allegations set forth in Paragraphs 1 through 8 of this Indictment are repeated and realleged as if set forth fully herein.

45. In or about September 2001, C. GREGORY EARLS, the defendant, agreed to serve as the manager of a round of financing for an internet company (the "Internet Company"). EARLS' responsibilities consisted of collecting investor funds and forwarding them to the Internet Company. As described more fully below, in breach of his responsibilities, EARLS defrauded investors in both the Internet Company and U.S. Technologies by making materially false representations and misleading omissions, and by misappropriating approximately \$1.3 million from the Internet Company, and an additional approximately \$1.3 million from U.S. Technologies.

46. In or about September 2001, C. GREGORY EARLS, the defendant, began to collect funds from investors in the Internet Company,

directing investors to wire their investment contributions to a U.S. Technologies bank account located in Washington, DC. Pursuant to EARLS' directions, investors sent approximately \$4 million to that bank account.

47. In or about October 2001, representatives of the Internet Company requested that C. GREGORY EARLS, the defendant, transfer all funds raised on behalf of the Internet Company to its bank account, located in Long Island City, New York. At that time, EARLS sent only approximately \$2.5 million of the approximately \$4 million that he was supposed to transfer to the Internet Company's bank account. EARLS claimed that there was a problem at U.S. Technologies' bank involving a wire from an investor for the remaining approximately \$1.5 million, which would be corrected shortly, at which time he would cause the bank to forward the approximately \$1.5 million balance to the Internet Company.

48. To cover the approximately \$1.5 million shortfall, on or about October 26, 2001, C. GREGORY EARLS, the defendant, solicited an additional investment in the Internet Company from another individual (the "Internet Company Victim"). The Internet Company Victim agreed to invest approximately \$1.3 million in the Internet Company, and wired approximately \$1.3 million to U.S. Technologies' bank account. Based on EARLS' false representations, the Internet Company Victim understood that he was purchasing an equity interest in the Internet Company. At the time of the Internet Company Victim's investment, EARLS

executed a put agreement with the Internet Company Victim that committed EARLS to repay personally the approximately \$1.3 million on demand.

49. On or about October 26, 2001, EARLS forwarded the Internet Company Victim's approximately \$1.3 million, together with an additional approximately \$200,000 from another source, to the Internet Company to cover the approximately \$1.5 million shortfall. EARLS never disclosed to the Internet Company that the funds represented an equity investment by the Internet Company Victim, or that he had received at least approximately \$5.3 million for investment in the Internet Company, rather than the approximately \$4 million that he had forwarded to the Internet Company.

50. In or about November 2001, the Internet Company Victim learned that he was not recorded as an investor in the Internet Company. Accordingly, at that time, the Internet Company Victim exercised his put, demanding repayment of approximately \$1.3 million from C. GREGORY EARLS, the defendant.

51. In or about November 2001, C. GREGORY EARLS, the defendant, executed a personal promissory note and agreed to repay the Internet Company Victim approximately \$1.3 million. EARLS never made payment on the promissory note.

52. In or about November 2001, C. GREGORY EARLS, the defendant, directed the Employee to record in the financial records of U.S. Technologies that he was assuming an approximately \$1.3 million debt owed by U.S. Technologies to the

Internet Company Victim, and that U.S. Technologies therefore personally owed him approximately \$1.3 million. U.S. Technologies, however, was never obligated to repay the Internet Company Victim, and the Board of Directors of U.S. Technologies never authorized the assumption of any "debt" involving the Internet Company. Nevertheless, from in or about November 2001 through at least in or about April 2002, EARLS has caused U.S. Technologies to issue stock and transfer cash to him in order to repay this "debt." As set forth above, EARLS has not repaid the Internet Company Victim.

53. On or about October 2, 2001, in the Southern District of New York, C. GREGORY EARLS, the defendant, unlawfully, wilfully, and knowingly, having devised and intended to devise a scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, would and did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, EARLS caused an investor in the Internet Company to transfer by wire approximately \$250,000 from a bank account in New York, New York to a bank account held in the name of U.S. Technologies in Washington, DC.

(Title 18, United States Code, Sections 1343 and 2.)

FOREPERSON

JAMES B. COMEY
United States Attorney
