

JAN 27, 2009

STEVEN M. LARIMORE
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S.D. OF FLA. - MIAMI

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
09-20079-CR-HUCK/O'SULLIVAN
Case No. _____

18 U.S.C. § 371
18 U.S.C. § 1343
18 U.S.C. § 1956(h)
18 U.S.C. § 2

UNITED STATES OF AMERICA

v.

JOSEPH MARSHALL FRANCIS, JR.,
a/k/a "Joe Francis,"

Defendant.

INDICTMENT

The Grand Jury charges that:

GENERAL ALLEGATIONS

At all times relevant to this Indictment:

Entities and Methods

1. Defendant **JOSEPH MARSHALL FRANCIS, JR., a/k/a/ "Joe Francis,"** and others, both known and unknown to the Grand Jury, engaged in a conspiracy to defraud the investing public through the use of stock manipulation schemes, also referred to as "pump-and-dump" schemes.

2. A pump-and-dump scheme involves the artificial manipulation of the price and trading volume of a particular stock in order to later sell that stock at an artificially inflated price. Generally, the perpetrators of a pump-and-dump scheme obtain control over a substantial portion of free trading shares of a company. Free trading shares are shares of stock that the owner can trade without restriction on a national exchange, e.g., the New York Stock Exchange or NASDAQ, or are traded

in the over-the-counter market via the Pink Sheets or Over-the-Counter Bulletin Board (“OTCBB”). To obtain the free trading shares, the perpetrators may orchestrate a reverse merger, which occurs when a privately held company with no publicly-traded stock merges with a publicly listed shell company that has no assets or revenue but has stock available for public trading. Occasionally, the perpetrators of the fraud will utilize companies that have some actual business activities to give the transaction apparent legitimacy in an effort to disguise the fraud.

3. The “pump” usually involves artificially inflating a company's stock price by engaging in coordinated trading of the stock to create the appearance of a more active market for that stock - usually by controlling both the buying and selling activity of the stock. The pump may also involve disseminating false and misleading promotional materials—unsolicited advertisements touting a particular stock and encouraging innocent investors to purchase the stock, which are often sent to millions of recipients by fax or email “blasts.”

4. After pumping up the stock price in the manner described above, the perpetrators then “dump” their shares, meaning they sell large volumes of the shares that they own and control to unsuspecting investors. The dump often occurs soon after the dissemination of the promotional materials touting the particular company. The perpetrators of a pump-and-dump scheme will often “park” their shares by depositing or transferring them into different accounts, including accounts in the names of nominees, and then to conceal their trading activity, trade the manipulated stock using the different accounts. The perpetrators then often use nominee bank accounts to conceal the source of the proceeds of the fraud.

5. The conspiracy operated out of the Costa Rican offices of RED SEA MANAGEMENT LIMITED (“RED SEA”). RED SEA is affiliated with at least two other companies, SENTRY GLOBAL SECURITIES LIMITED (“SGS”) and SENTRY GLOBAL TRUST (“SGT”) (collectively, the “Organization”).

6. RED SEA is an entity located in San Jose, Costa Rica, that purports to specialize in offshore company incorporation, offshore asset protection, and offshore investments.

7. SGS is an entity located in San Jose, Costa Rica, purported to specialize in trading micro-cap securities.

8. SGT is an entity located in San Jose, Costa Rica, purported to specialize in offshore banking and foreign investments.

9. RED SEA, SGS and SGT are co-located in office space in San Jose, Costa Rica, and the websites and various account opening documents for each entity contain links and references to one another.

10. SENTRY GLOBAL SECURITIES INC. (“SGSI”) is a Canadian entity, and TWIN OAKS CAPITAL MANAGEMENT LLC (“TWIN OAKS”) and MARKET MAVEN MANAGEMENT LLC (“MARKET MAVEN”) are Delaware entities formed by FRANCIS and used to facilitate opening bank and/or brokerage accounts. MARKET MAVEN maintained its business address at 8345 NW 66th Street, Suite 6508, Miami, Florida, which is in fact a rented mailbox.

11. CO2 Tech (“CO2 Tech”) is an entity purportedly located in London, United Kingdom, that purports to provide environmental products and services, specializing in anti-global warming technologies. CO2 Tech is publicly traded on Pink Sheets under the ticker symbol “CTTD.” CO2 Tech was a privately held company until on or about January 29, 2007, when, according to a press

release, it completed a reverse merger with a publicly traded shell company, China Energy & Carbon Black Holdings, Inc.

12. China VoIP and Digital Telecom, Inc. ("China VoIP") is an entity located in China that purportedly develops and sells computer software and hardware, specializing in network audio devices. China VoIP is publicly traded on the OTCBB under the ticker symbol "CVDT." China VoIP was formed on or about August 17, 2006, as the result of a reverse merger between Crawford Lake Mining, Inc. ("Crawford Mining"), a publicly traded company incorporated in Nevada, and Jinan Yinquan Technology Company, a Chinese registered company.

13. The United States Securities and Exchange Commission ("SEC") is an independent agency of the United States government responsible for enforcing the federal securities laws, which are designed to provide the investing public with full disclosure of all material facts regarding matters involving the offer, purchase, and sale of securities, among other things. These laws protect the investing public in the purchase of stock that is publicly distributed by maintaining fair and honest securities markets and eliminating manipulative practices that tend to distort the fair and just price of stock.

14. At all times relevant to this Indictment, the National Association of Securities Dealers ("NASD") was an industry organization representing persons and companies involved in the securities industry in the United States. It was also the primary Self-Regulatory Organization ("SRO") responsible for the regulation of its industry, with oversight from the SEC. NASD licensed individuals and admitted firms to the industry, wrote rules to govern their behavior, examined them for regulatory compliance, and was sanctioned by the SEC to discipline registered representatives and member firms that failed to comply with the federal securities laws and NASD's rules and regulations.

15. **FRANCIS** is a citizen of the United States who previously resided in San Jose, Costa Rica, but maintains a mailing address in Chattanooga, Tennessee. **FRANCIS** was employed by the Organization in Costa Rica and worked on the trading floor of RED SEA/SGS.

16. In or around May 2007, **FRANCIS**, a former member of the NASD, was barred by the NASD from association with any NASD member in any capacity for, among other things, having opened brokerage accounts on behalf of a co-conspirator foreign citizen without disclosing that the foreign citizen was the true beneficiary of the accounts.

COUNT ONE

**Conspiracy to Commit Securities Fraud and Wire Fraud
(18 U.S.C. § 371)**

1. Paragraphs 1 through 16 of the General Allegations section of this Indictment are realleged and incorporated by references as if fully set forth herein.

2. From in or around April 2006 through in or around November 2008, the exact dates being unknown to the Grand Jury, at Miami-Dade County, in the Southern District of Florida, and elsewhere, the defendant,

**JOSEPH MARSHALL FRANCIS, JR.,
a/k/a “Joe Francis,”**

and others, known and unknown to the Grand Jury, did willfully, that is with the intent to further the objects of the conspiracy, and knowingly, combine, conspire, confederate and agree with each other to commit certain offenses against the United States, that is:

a. to willfully, knowingly, and unlawfully, by the use of means and instrumentalities of interstate commerce, the mails, and the facilities of national securities exchanges, directly and indirectly, use and employ manipulative and deceptive devices and contrivances in connection with the purchase and sale of securities, and did (a) employ a device, scheme and artifice to defraud; (b) make untrue statements of material facts and omit 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) engage in acts, practices, and courses of business which would and did operate as a fraud and deceit upon others, in connection with the purchase and sale of said securities, in violation of Title 15, United States Code, Sections 78j(b) and 78ff(a), and Title 17, Code of Federal Regulations, Section 240.10b-5;

b. to knowingly and with intent to defraud devise and intend to devise a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, knowing that they were false and fraudulent when made, and transmitting and causing to be transmitted certain wire communications in interstate and foreign commerce, for the purpose of executing the scheme, in violation of Title 18, United States Code, Section 1343.

Purpose of the Conspiracy

3. It was a purpose of the conspiracy that **FRANCIS** and his co-conspirators would and did enrich themselves through the fraudulent manipulation of various stocks, including the stocks of China VOIP (CVDT) and CO2 Tech (CTTD), among others.

Manner and Means of the Conspiracy

The manner and means by which the defendant and his co-conspirators sought to accomplish the objects and purpose of the conspiracy included, among others, the following:

4. **FRANCIS** and his co-conspirators would and did recruit nominee owners and other co-conspirators to hide the true beneficial owners of the companies which would be used to further the fraudulent scheme to manipulate the stock of various companies.

5. **FRANCIS** and his co-conspirators would and did gain control and ownership of free trading shares of stock in various companies, in part, through the use of reverse mergers and through the use of false and misleading documents, including false and misleading opinion letters that facilitated the removal of trading restrictions on the shares of stock.

6. **FRANCIS** and his co-conspirators would and did conceal their control and ownership of the free trading shares of stock, in part, by concealing control of shares through the use of various nominee accounts.

7. **FRANCIS** and his co-conspirators would and did manipulate the trading volume and share price of the stock by secretly coordinating their trading of the shares of stock.

8. **FRANCIS** and his co-conspirators would and did conceal their stock trading activities through the use of nominee trading accounts, and through nominee bank accounts established by **FRANCIS** to conceal the purpose of the conspiracy.

9. **FRANCIS** and his co-conspirators would and did disseminate and cause to be disseminated, false and misleading promotional materials, including fax and email blasts, and advertising brochures, that failed to disclose material information — including that the defendant and his co-conspirators intended to sell shares of stock that they beneficially owned and controlled while

at the same time encouraging the public and innocent investors to buy shares of the manipulated stock — in order to artificially inflate the trading volume and stock price.

10. **FRANCIS** and his co-conspirators would and did sell their shares of stock at artificially inflated prices to victim investors.

11. **FRANCIS** and his co-conspirators would and did transfer and cause to be transferred, proceeds from the sale of the stock into nominee accounts under their control.

12. **FRANCIS** and his co-conspirators would and did misrepresent and conceal from the SEC and NASD their control and ownership of stock and involvement in the dissemination of false and fraudulent promotional materials.

Overt Acts

In furtherance of the conspiracy and to accomplish its objects and purpose, at least one of the co-conspirators committed and caused to be committed, in the Southern District of Florida and elsewhere, the following overt acts, among others:

1. On or about April 15, 2006, **FRANCIS** and his co-conspirators caused a brokerage account with **FRANCIS** listed as the “Manager-Member” to be opened at a brokerage firm headquartered in Birmingham, Alabama (“Brokerage Firm #1”).

2. On or about April 27, 2006, **FRANCIS** caused TWIN OAKS to be incorporated in Delaware.

3. On or about May 1, 2006, **FRANCIS** became a registered representative with a brokerage firm located in Miami, Florida (“Brokerage Firm #2”).

4. On or about May 17, 2006, **FRANCIS** caused an account to be opened with Bank of America (account number -9763), on which he is the sole signatory.

5. On or about May 22, 2006, **FRANCIS** and his co-conspirators caused the opening of an account with American International Depository and Trust (“AIDT”) in the name of MARKET MAVEN.

6. On or about August 4, 2006, **FRANCIS** caused SGSI to be incorporated in British Columbia, Canada.

7. On or about August 4, 2006, **FRANCIS** caused himself to be appointed president of SGSI.

8. On or about August 14, 2006, **FRANCIS** caused the opening of a bank account at HSBC Bank in Canada (account number -3070) in the name of SGSI, identifying himself in the account opening documents as the sole beneficial owner of SGSI, which was identified as a “trading company (investment/brokerage)” with projected annual sales of \$25,000,000 and monthly transfer and draft requirements of between \$1,500,000 and \$2,000,000, and affirming that the bank account would not be used on behalf of a third party.

9. On or about November 3, 2006, **FRANCIS** caused MARKET MAVEN to be incorporated in Delaware.

10. On or about November 27, 2006, **FRANCIS** caused the transmission, via facsimile, of a monthly compliance report containing false and fictitious information from Costa Rica to Brokerage Firm #2 in Miami, Florida.

11. On or about January 4, 2007, **FRANCIS** caused the liquidation of a position in China VOIP stock, ticker CVDT, in an account held at Brokerage Firm #2 in Miami, Florida.

12. On or about January 9, 2008, **FRANCIS** executed a signed, sworn affidavit stating that he was employed as a trader at MARKET MAVEN and had personal knowledge of the nature of all MARKET MAVEN accounts held at AIDT, or set up by AIDT for holding elsewhere.

All in violation of Title 18, United States Code, Section 371.

COUNT TWO

**Wire Fraud
(18 U.S.C. §§ 1343 and 2)**

1. Paragraphs 1 through 16 of the General Allegations section of this Indictment are realleged and incorporated by reference as if fully set forth herein.

2. From in or around April 2006 through in or around November 2008, the exact date being unknown to the Grand Jury, at Miami-Dade County, in the Southern District of Florida, and elsewhere, the defendant,

**JOSEPH MARSHALL FRANCIS, JR.,
a/k/a "Joe Francis,"**

knowingly and with intent to defraud did devise and intend to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, knowing that the pretenses, representations, and promises were false and fraudulent when made.

Purpose of the Scheme and Artifice

3. It was a purpose of the scheme and artifice that **FRANCIS** and his accomplices would and did enrich themselves through the fraudulent manipulation of various stocks, including the stocks of China VoIP (CVDT) and CO2 Tech (CTTD), among others.

Scheme and Artifice

4. Paragraphs 4 through 12 of the Manner and Means Section of Count 1 of this Indictment are re-alleged and incorporated by reference herein as a description of the scheme and artifice.

Use of the Wires

5. On or about November 27, 2006, the defendant, **FRANCIS**, for the purpose of executing the aforesaid scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, did knowingly transmit and cause to be transmitted, by means of wire communications in interstate and foreign commerce, certain writings, signs, signals, pictures, and sounds, that is, a compliance report sent, via facsimile transmission, from Costa Rica to Brokerage Firm #2 in Miami, Florida.

In violation of Title 18, United States Code, Sections 1343 and 2.

COUNT THREE

**Money Laundering Conspiracy
(18 U.S.C. § 1956(h))**

1. Paragraphs 1 through 16 of the General Allegations section of this Indictment are re-alleged and incorporated by reference as if fully set forth herein.

2. From in or around April 2006 through in or around November 2008, the exact dates being unknown to the Grand Jury, at Miami-Dade County, in the Southern District of Florida, and elsewhere, the defendant,

**JOSEPH MARSHALL FRANCIS, JR.,
a/k/a "Joe Francis,"**

and others, known and unknown to the Grand Jury, did knowingly and intentionally conspire to:

a. knowingly conduct a financial transaction involving the proceeds of specified unlawful activity, knowing that the property involved in such financial transaction represented the proceeds of some form of unlawful activity with the intent to promote the carrying on of specified unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(A)(I);

b. knowingly conduct a financial transaction involving the proceeds of specified unlawful activity, knowing that the property involved in such financial transaction represented the proceeds of some form of unlawful activity, and knowing that such transaction was designed in whole and in part to conceal and disguise the nature, the location, the source, the ownership, and the control of the proceeds of specified unlawful activity.

It is further alleged that the specified unlawful activities are fraud in the sale of securities, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5, and wire fraud, in violation of Title 18, United States code, Section 1343.

All in violation of Title 18, United States Code, Section 1956(h).

CRIMINAL FORFEITURE

(18 U.S.C. §§ 981 and 982)

1. The allegations contained in Counts One through Three of this Indictment are realleged and incorporated by reference as though fully set forth herein for the purpose of alleging forfeiture to the United States.

2. Pursuant to the provisions of Title 18, United States Code, Section 981(a)(1)(C), as made applicable by Title 28 United States Code, Section 2461, upon conviction of the violations

alleged in Count One or Count Two, the defendant shall forfeit any property, real or personal, which constitutes or is derived from proceeds traceable to such violation.

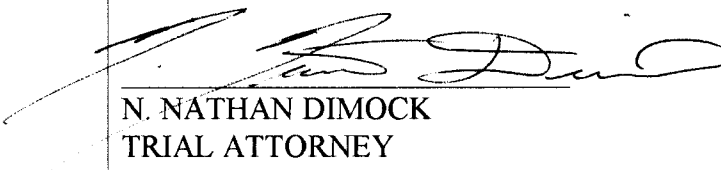
3. Pursuant to the provisions of Title 18, United States Code, Section 982 (a)(1), upon conviction of the violation alleged in Count Three, the defendant shall forfeit to the United States any property, real or personal, involved in such offense, or any property traceable to such property.

A TRUE BILL

FOREPERSON



R. ALEXANDER ACOSTA
UNITED STATES ATTORNEY



N. NATHAN DIMOCK
TRIAL ATTORNEY
CRIMINAL DIVISION, FRAUD SECTION
U.S. DEPARTMENT OF JUSTICE

UNITED STATES OF AMERICA

CASE NO. _____

vs.

CERTIFICATE OF TRIAL ATTORNEY*

JOSEPH MARSHALL FRANCIS, JR.,

Defendant.

Superseding Case Information:

Court Division: (Select One)

X Miami _____ Key West _____
_____ FTL _____ WPB _____ FTP _____

New Defendant(s) Yes _____ No _____
Number of New Defendants _____
Total number of counts _____

I do hereby certify that:

1. I have carefully considered the allegations of the indictment, the number of defendants, the number of probable witnesses and the legal complexities of the Indictment/Information attached hereto.

2. I am aware that the information supplied on this statement will be relied upon by the Judges of this Court in setting their calendars and scheduling criminal trials under the mandate of the Speedy Trial Act, Title 28 U.S.C. Section 3161.

3. Interpreter: (Yes or No) No
List language and/or dialect _____

4. This case will take 7 days for the parties to try.

5. Please check appropriate category and type of offense listed below:

| | |
|--------------------------------|-----------------------|
| (Check only one) | (Check only one) |
| I 0 to 5 days _____ | Petty _____ |
| II 6 to 10 days <u>X</u> _____ | Minor _____ |
| III 11 to 20 days _____ | Misdem. _____ |
| IV 21 to 60 days _____ | Felony <u>X</u> _____ |
| V 61 days and over _____ | |

6. Has this case been previously filed in this District Court? (Yes or No) No

If yes: Judge: _____ Case No. _____
(Attach copy of dispositive order)

Has a complaint been filed in this matter? (Yes or No) Yes

If yes: Magistrate Case No. 08-3437-JJO

Related Miscellaneous numbers: _____

Defendant(s) in federal custody as of 11/07/08


Defendant(s) in state custody as of _____

Rule 20 from the _____ District of _____

Is this a potential death penalty case? (Yes or No) No

7. Does this case originate from a matter pending in the Northern Region of the U.S. Attorney's Office prior to October 14, 2003? _____ Yes X No

8. Does this case originate from a matter pending in the Central Region of the U.S. Attorney's Office prior to September 1, 2007? _____ Yes X No


N. NATHAN DIMOCK
DOJ TRIAL ATTORNEY
Court No. A5501195

*Penalty Sheet(s) attached

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PENALTY SHEET

Defendant's Name: Joseph Marshall Francis, Jr. **Case No:** _____

Count #: 1

Conspiracy to Commit Securities Fraud and Wire Fraud

18 U. S. C. § 371

***Max Penalty:** 5 years' imprisonment

Count #: 2

Wire Fraud

18 U. S. C. § 1343

***Max Penalty:** 20 years' imprisonment

Count #: 3

Money Laundering Conspiracy

18 U. S. C. § 1956(h)

***Max Penalty:** 20 years' imprisonment

Count #:

***Max Penalty:** _____

***Refers only to possible term of incarceration, does not include possible fines, restitution, special assessments, parole terms, or forfeitures that may be applicable.**