

09-08-06 -- Sgarlat, John P. -- Guilty Plea -- News Release

Former Corporate President Pleads Guilty To Securities Fraud and Money Laundering Charges

CAMDEN – The former president of eContent, Inc., a publicly traded company, pleaded guilty today to a two-count Information, charging him for his role in one scheme to commit securities fraud and wire fraud, and his laundering of the proceeds of a second fraud scheme, U.S. Attorney Christopher J. Christie announced.

John P. Sgarlat, 55, of Harvey's Lake, Pa. and Wellington Fla., pleaded guilty before U.S. District Judge Jerome B. Simandle to one count of conspiracy to commit securities and wire fraud and one count of money laundering. On Feb. 22, 2006, Sgarlat was arrested on money laundering charges by Special Agents of the FBI and Internal Revenue Service Criminal Investigations Division. He has been free on a \$250,000 appearance bond, with a condition of 24-hour house arrest with electronic monitoring. Judge Simandle continued the current bail conditions today, and scheduled sentencing for Jan. 19, 2007.

At his plea hearing, Sgarlat admitted that between October 1999 and April 2001, he was the President of eContent, Inc., and that he remained a company shareholder after his departure as President in April 2001. eContent was a publicly-traded company, with offices in Florida, whose stock traded on the Over the Counter Electronic Bulletin Board System (OTCBB), a regulated quotation service maintained by the NASD.

Sgarlat admitted that while he was the company President he and other officers and directors of eContent misused company funds for personal expenses, which included using corporate American Express cards to pay for personal items.

Sgarlat also admitted that as President of eContent, he fraudulently issued company stock to alleged "consultants" to the company. Sgarlat further admitted that eContent took advantage of an SEC rule that allowed the company to issue free-trading stock – stock that could immediately be sold in the public markets – to individuals or entities who performed legitimate advisory or consultant services. Sgarlat admitted that company-issued stock would otherwise generally be restricted for a certain period of time, meaning it could not be sold in the public markets until the restriction expired. Sgarlat admitted that he used the exception allowing the issuance of free-trading stock to consultants, commonly referred to as a "Form S-8" registration, to issue company stock to numerous individuals and entities, and caused registration statements and consulting agreements to be filed with the SEC.

Sgarlat admitted that these individuals never performed the services for eContent that were set forth in the consulting agreements filed with the SEC. Sgarlat admitted that on one occasion, he issued stock to an individual in New Jersey, and a company related to that individual, to repay that individual for a debt that Sgarlat owed the individual from a prior business dealing. Sgarlat further admitted that he used Form S-8 to issue free-trading company stock to firms and individuals who performed securities-related services for eContent, such as fund-raising in the capital markets, or promoting or making a market in eContent stock. Sgarlat admitted that he knew that Form S-8 registrations could not be used to issue free-trading stock to individuals or entities who performed these types of services for eContent.

According to the Information, the Form S-8 stock that Sgarlat wrongfully issued had a market value of approximately \$559,000, based on its value at the time of issuance.

Sgarlat also admitted that in February 2002, he sold 435,125 shares of eContent stock to a stock promoter, who was working to promote eContent stock, at a substantial discount to the current market price of the stock. According to the government, this stock was then used in connection with illegal promotional activities with respect to the eContent stock.

In regard to Count Two of the Information, Sgarlat admitted his role in laundering the proceeds of a separate fraud scheme. Specifically, Sgarlat admitted that in approximately February 2002, he opened a bank account at a Wachovia Bank in Wellington, Florida, in the name of "Convergigon,

Inc.," which he used to pay his personal living expenses. Sgarlat admitted that he opened this account in the name of Convergition, Inc., rather than his own name, at least in part to because he owed a substantial tax obligation to the United States government at the time. Sgarlat further admitted that between February 2003 and September 2005, he solicited certain people to invest in two companies, and told these people to send money to him to be invested in these two companies. Sgarlat then deposited the money into the Convergition account at Wachovia, and spend it on his own personal expenses. According to the Government, the money involved amounted to over \$320,000, which was mailed to Sgarlat in the form of checks from individuals in New Jersey and elsewhere. Sgarlat admitted that he used the Convergition account at least in part to disguise the fact that he was spending this money on personal items.

As a part of his plea agreement, Sgarlat agreed to pay restitution to the victims of his offenses, in amounts to be determined at the time of sentencing. In addition, in connection with the money laundering charge, Sgarlat agreed to forfeit to the United States at least \$320,000 in United States currency, as well as a vehicle, certain artwork, and an autographed Tiger Woods caddie coverall from the 2001 Masters golf tournament. The vehicle, artwork, and coverall were all previously seized by the Federal Bureau of Investigation.

The one count of Information charging conspiracy to commit securities and wire fraud carries a maximum penalty of 5 years in prison and a fine of up to \$250,000, or twice the gross amount of any pecuniary gain derived from the offense, or twice the gross amount of any pecuniary loss sustained by any victims of the offense. Count Two charges money laundering which carries a maximum penalty of 20 years in prison and a fine equal to the greater of \$500,000 or twice the value of the property involved in the transactions.

In determining an actual sentence, Judge Simandle will consult the advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines in determining a sentence.

Parole has been abolished in the federal system. Defendants who are given custodial terms must serve nearly all that time.

Christie credited Special Agents with FBI's Atlantic City Resident Agency, under the direction of Special Agent in Charge Leslie G. Wiser, in Newark, and IRS-Criminal Investigation's Mays Landing Field Office, under the direction of Special Agent in Charge Patricia J. Haynes, in Newark, for investigation of the case.

The government is represented by Assistant U.S. Attorney Eric M. Schweiker, of the Criminal Division in Trenton.

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Defense Attorney: Harold B. Shapiro Esq. Vineland