

1 STEVEN W. MYHRE  
Acting United States Attorney

2 CARYN D. MARK  
3 JOHN P. SCULLY  
Trial Attorneys  
4 United States Department of Justice  
Tax Division  
5 P.O. Box 972  
Washington, DC 20044

6 Attorneys for Plaintiff

<input checked="" type="checkbox"/> FILED	<input type="checkbox"/> RECEIVED
<input type="checkbox"/> ENTERED	<input type="checkbox"/> SERVED ON
COUNSEL/PARTIES OF RECORD	
APR 11 2007	
CLERK US DISTRICT COURT DISTRICT OF NEVADA	
BY: _____	DEPUTY

8 UNITED STATES DISTRICT COURT  
9 DISTRICT OF NEVADA

10 UNITED STATES OF AMERICA,	}
11 Plaintiff,	
12 v.	
13 JOSEPH R. FRANCIS	
14 Defendant.	}

3:07-cr-0026-BES-RAM

VIOLATIONS:

COUNTS 1 - 2: 26 U.S.C. § 7201  
(Tax Evasion)

INDICTMENT

17 THE GRAND JURY CHARGES THAT:

INTRODUCTION

19 At all times relevant to this indictment:

- 20 1. Defendant JOSEPH R. FRANCIS was a legal resident of Incline Village, Nevada.
- 21 2. Mantra Films, Inc. (Mantra Films) was a corporation incorporated on November 25,
- 22 1998, in Oklahoma and headquartered in Santa Monica, California. Mantra Films produced,
- 23 marketed, sold, and distributed videotapes and DVDs under the *Girls Gone Wild* brand name.
- 24 Mantra Films elected to be treated as an S Corporation for tax purposes. In general, an S
- 25 Corporation does not pay any income tax. Instead, the corporation's income or losses are divided
- 26 among and passed through to its shareholders. The shareholders must then report the income or
- 27 loss on their own individual income tax returns.

1 3. Sands Media, Inc. (Sands Media) was a corporation incorporated on January 16, 2001,  
2 in Nevada and headquartered in Incline Village, Nevada. Sands Media performed marketing,  
3 media buying and other promotional services on behalf of Mantra Films. Sands Media elected to  
4 be treated as an S Corporation for tax purposes.

5 4. Defendant JOSEPH R. FRANCIS was the President, Chief Executive Officer and sole  
6 shareholder of Mantra Films and Sands Media.

7 5. Asia Pacific Mutual Insurance Company (Asia Pacific) purported to be a business  
8 insurance company located in the Republic of Vanuatu.

9 6. Rothwell Limited was a Cayman Islands, B.W.I., International Business Corporation  
10 (I.B.C.) which had a bank account at the Bermuda Commercial Bank Limited in Hamilton,  
11 Bermuda.

12 COUNT ONE

13 (Tax Evasion)

14 6. The Grand Jury realleges and incorporates the factual allegations contained in  
15 paragraphs 1-6 above;

16 7. Beginning in or about January 2001 and continuing through at least September 8, 2005,  
17 within the District of Nevada, and elsewhere, Defendant JOSEPH R. FRANCIS, a legal resident of  
18 Incline Village, Nevada, did willfully attempt to evade and defeat a portion of the income tax due  
19 and owing by him to the United States of America for the calendar year 2002, by committing and  
20 causing to be committed affirmative acts of evasion, including but not limited to the following:

21 8. On or about January 16, 2001, causing Sands Media to be incorporated in Nevada;

22 9. On or about April 18, 2001, causing a bank account in the name of Sands Media to be  
23 opened at Wells Fargo Bank, Incline Village, Nevada;

24 10. In or about July 2001, causing an investment brokerage account to be opened with  
25 Morgan Stanley, Irvine, California, in the name of Rothwell Limited, utilizing nominee signatories  
26 to conceal his beneficial ownership of this brokerage account;

27 11. On or about November 19, 2001, causing Rothwell Limited to open a bank account at  
28 the Bermuda Commercial Bank Limited in Hamilton, Bermuda, utilizing nominee signatories to

1 conceal his beneficial ownership of this bank account;

2 12. On or about November 16, 2002, causing Mantra Films to purchase a purported \$2  
3 million dollar business insurance policy from Asia Pacific and causing Sands Media to purchase a  
4 purported \$3 million business insurance policy from Asia Pacific;

5 13. On or about March 10, 2003, causing false 2002 Mantra Films and Sands Media books  
6 and records to be provided to the return preparer for use in preparing the 2002 U.S. Income Tax  
7 Returns for an S Corporation, Forms 1120S, for both Mantra Films and Sands Media;

8 14. On or about April 11, 2003, preparing and causing to be prepared, signing, and filing  
9 and causing to be filed with the Internal Revenue Service (I.R.S.) a false and fraudulent 2002 U.S.  
10 Income Tax Return for an S Corporation, Form 1120S, for Mantra Films, which overstated  
11 deductions, including but not limited to the following:

12 A. A total of \$1,002,141.50 for the construction of a residence in Punta Mita,  
13 Mexico, as false footage and professional service expenses; and

14 B. A \$333,333.33 false insurance expense;

15 15. On or about March 25, 2003, preparing and causing to be prepared, signing, and filing  
16 and causing to be filed with the I.R.S. a false and fraudulent 2002 U.S. Income Tax Return for an  
17 S Corporation, Form 1120S, for Sands Media, which overstated deductions, including but not  
18 limited to the following:

19 A. A total of \$3,784,390 for the construction of a residence in Punta Mita,  
20 Mexico, as a false consulting services expense;

21 B. A \$500,000 false insurance expense; and

22 C. A \$10,411,020 false consulting services expense;

23 16. On or about April 15, 2003, preparing and causing to be prepared, signing, and filing  
24 and causing to be filed with the I.R.S., a false and fraudulent 2002 U.S. Individual Income Tax  
25 Return, Form 1040, that understated his true income and tax due and owing for the tax year 2002,  
26 by reporting his taxable income as \$13,972,415 and his tax due and owing as \$3,547,620, when in  
27 truth and fact, he then and there well knew and believed that he had omitted additional income;

28

1 17. In or about 2002, in order to make use of the unreported income for his personal  
2 benefit, transferring or causing to be transferred the following amounts, including but not limited  
3 to:

4 A. \$2,649,920.50 from the Rothwell Limited bank account in Bermuda to the  
5 Rothwell Limited brokerage account in Irvine, California. The  
6 accumulated funds earned \$136,518 in interest income, which Defendant  
7 JOSEPH R. FRANCIS failed to report as income on his 2002 U.S.  
8 Individual Income Tax Return, Form 1040;

9 B. \$1,054,980 from Rothwell Limited and Hallmark Trust to Casablanca de  
10 Punta Mita, S.A. de C.V., a Mexican corporation, for the purchase of a  
11 residential building lot in Punta Mita, Mexico;

12 18. Otherwise concealing and attempting to conceal from all proper officers of the United  
13 States of America his true and correct income.

14 All in violation of Title 26, United States Code, Section 7201.

15  
16 COUNT TWO

17 (Tax Evasion)

18 19. The Grand Jury realleges and incorporates the factual allegations contained in  
19 paragraphs 1-6 above;

20 20. Beginning in or about January 2001 and continuing through at least September 8,  
21 2005, within the District of Nevada, and elsewhere, Defendant JOSEPH R. FRANCIS, a legal  
22 resident of Incline Village, Nevada, did willfully attempt to evade and defeat a portion of the  
23 income tax due and owing by him to the United States of America for the calendar year 2003, by  
24 committing and causing to be committed affirmative acts of evasion, including but not limited to  
25 the following:  
26  
27  
28

1 21. On or about January 16, 2001, causing Sands Media to be incorporated in Nevada;

2 22. On or about April 18, 2001, causing a bank account in the name of Sands Media to be  
3 opened at Wells Fargo Bank, Incline Village, Nevada;

4 23. In or about July 2001, causing an investment brokerage account to be opened with  
5 Morgan Stanley, Irvine, California, in the name of Rothwell Limited, utilizing nominee  
6 signatories to conceal his beneficial ownership of this brokerage account;

7 24. On or about November 19, 2001, causing Rothwell Limited to open a bank account at  
8 the Bermuda Commercial Bank Limited in Hamilton, Bermuda, utilizing nominee signatories to  
9 conceal his beneficial ownership of this bank account;

10 25. On or about November 16, 2002, causing Mantra Films to purchase a purported \$2  
11 million dollar business insurance policy from Asia Pacific and causing Sands Media to purchase a  
12 purported \$3 million business insurance policy from Asia Pacific;

13 26. On or about March 5, 2004, causing false 2003 Mantra Films and Sands Media books  
14 and records to be provided to the return preparer for preparation of the 2003 U.S. Income Tax  
15 Returns for an S Corporation, Forms 1120S, for both Mantra Films and Sands Media;

16 27. On or about March 21, 2004, preparing and causing to be prepared, signing, and filing  
17 and causing to be filed with the I.R.S. a false and fraudulent 2003 U.S. Income Tax Return for an  
18 S Corporation, Form 1120S, for Mantra Films, which overstated deductions, including but not  
19 limited to the following:  
20

21 A. A total of \$50,000 for the construction of a residence in Punta Mita,  
22 Mexico, as a false footage expense; and

23 B. A \$1,666,666.67 false insurance expense;

24 28. On or about March 21, 2004, preparing and causing to be prepared, signing, and filing  
25 and causing to be filed with the I.R.S. a false and fraudulent 2003 U.S. Income Tax Return for an  
26 S Corporation, Form 1120S, for Sands Media, which overstated deductions, including but not  
27 limited to the following:  
28

1           A.     A total of \$427,269 in payments for the construction of a residence in Punta  
2                   Mita, Mexico, as a false professional fees expense; and

3           B.     A \$2,500,000 false insurance expense;

4           29. On or about April 15, 2004, preparing and causing to be prepared, signing, and filing  
5 and causing to be filed with the I.R.S., a false and fraudulent 2003 U.S. Individual Income Tax  
6 Return, Form 1040, that understated his true income and tax due and owing for the tax year 2003,  
7 by reporting his taxable income as \$1,168,282 and his tax due and owing as \$351,727, when in  
8 truth and fact, he then and there well knew and believed that he had omitted additional income;

9           30. In or about 2003, in order to make use of the unreported income for his personal  
10 benefit, transferring or causing to be transferred the following amounts, including but not limited  
11 to:

12           A.     \$12,798,860 from the Rothwell Limited bank account in Bermuda to the  
13                   Rothwell Limited brokerage account in Irvine, California. The  
14                   accumulated funds earned \$562,883 in interest income, which Defendant  
15                   JOSEPH R. FRANCIS failed to report as income on his 2003 U.S.  
16                   Individual Income Tax Return, Form 1040;

17           B.     A total of \$1,023,023.65 to be transferred from the Rothwell Limited  
18                   brokerage account, in Irvine, California, for the purchase of a residential  
19                   building lot in Punta Mita, Mexico, which was adjacent to his residence in  
20                   Punta Mita, Mexico.

21           31. Otherwise concealing and attempting to conceal from all proper officers of the United  
22 States of America his true and correct income.

23           All in violation of Title 26, United States Code, Section 7201.  
24  
25  
26  
27  
28

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Dated this \_\_\_\_ day of April, 2007.

A TRUE BILL.

        / S /          
FOREPERSON

STEVEN W. MYHRE  
Acting United States Attorney

        Caryn D. Mark          
CARYN D. MARK  
JOHN P. SCULLY  
Trial Attorneys  
United States Department of Justice