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8 UNITED STATES DISTRICT COURT
9 DISTRICT OF NEVADA

10 UNITED STATES OF AMERICA,)
11 Plaintiff,)
12 v.)
13 JOSEPH R. FRANCIS)
14 Defendant.)
15

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.
- 28

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:
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27
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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.
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22 31. Otherwise concealing and attempting to conceal from all proper officers of the United
23 States of America his true and correct income.

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