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9 UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

10 -oOo-

11 UNITED STATES OF AMERICA,)

12 Plaintiff,)

CRIMINAL INDICTMENT

13 vs.)

CR-S-03-0347-JCM(PAL)

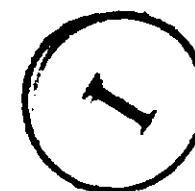
14 DANIEL CHAPMAN, JAMES FARRELL,)
15 SEAN FLANAGAN, SHAWN HACKMAN,)
and HERBERT JACOBI,)

16 Defendants.)

17
18 THE GRAND JURY CHARGES:

19 SUMMARY OF VIOLATIONS

20 1. **Count One:** Conspiracy to commit the following offenses against the United States:
21 Securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title
22 17, Code of Federal Regulations, Section 240.10b-5; Mail fraud, in violation of Title 18, United
23 States Code, Section 1341; Wire fraud, in violation of Title 18, United States Code, Section
24 1343; Money laundering, in violation of Title 18, United States Code, Section 1956(a)(1)(A)(i);
25 Money laundering, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i); Money



1 laundering, in violation of Title 18, United States Code, Section 1957; Interstate transportation of
2 stolen property, in violation of Title 18, United States Code, Section 2314; Receipt of stolen
3 property, in violation of Title 18, United States Code, Section 2315; and, Falsifying, concealing,
4 and covering up a material fact by trick, scheme and devise, and making false, fraudulent and
5 fictitious material statements and representations, in a matter within the jurisdiction of the United
6 States, in violation of Title 18, United States Code, Section 1001(a)(1)(2); all in violation of Title
7 18, United States Code, Section 371, Defendants Daniel Chapman, James Farrell, Sean Flanagan,
8 Shawn Hackman, and Herbert Jacobi;

9 2. **Count Two:** Conspiracy to Commit Money Laundering, Title 18, United States Code,
10 Section 1956(h), Defendants Daniel Chapman, Sean Flanagan, and Herbert Jacobi.

11 3. **Count Three:** Racketeering Conspiracy, Title 18, United States Code, Section 1962(d),
12 Defendants Daniel Chapman, James Farrell, Shawn Hackman, Sean Flanagan, and Herbert
13 Jacobi;

14 4. **Count Four:** Conspiracy to Defraud the United States, Title 18, United States Code,
15 Section 371, Defendants Herbert Jacobi and Sean Flanagan.

16 5. **Count Five:** Racketeering, Title 18, United States Code, Section 1962(c), Defendants
17 Daniel Chapman, James Farrell, Shawn Hackman, Sean Flanagan, and Herbert Jacobi;

18 6. **Count Six:** Securities Fraud, Title 15, United States Code, Sections 78j(b) and 78ff,
19 Defendants Daniel Chapman, Sean Flanagan, Shawn Hackman, and Herbert Jacobi;

20 7. **Count Seven:** Securities Fraud, Title 15, United States Code, Sections 78j(b) and 78ff,
21 Defendants Daniel Chapman, Sean Flanagan, Shawn Hackman, James Farrell, and Herbert
22 Jacobi;

23 8. **Count Eight:** Securities Fraud, Title 15, United States Code, Sections 78j(b) and 78ff,
24 Defendants Sean Flanagan, Shawn Hackman, Daniel Chapman, and Herbert Jacobi;

25 9. **Count Nine:** Securities Fraud, Title 15, United States Code, Sections 78j(b) and 78ff,

1 Defendants Sean Flanagan, Shawn Hackman James Farrell, and Herbert Jacobi;

2 10. **Counts Ten through Eighteen:** Wire Fraud Title 18, United States Code, Section 1343,
3 Defendants Daniel Chapman, and Sean Flanagan;

4 11. **Counts Nineteen through Twenty-seven:** Wire Fraud Title 18, United States Code,
5 Section 1343, Defendants Herbert Jacobi, Daniel Chapman, and Sean Flanagan;

6 12. **Count Twenty-eight:** Wire Fraud Title 18, United States Code, Section 1343, Defendant
7 Sean Flanagan.

8 13. **Count Twenty-nine:** Interstate Transportation of Stolen Securities Title 18, United
9 States Code, Section 2314, Defendants Sean Flanagan and Herbert Jacobi;

10 14. **Counts Thirty through Thirty-three:** Interstate Transportation of Stolen Securities Title
11 18, United States Code, Section 2314, Defendants Sean Flanagan, James Farrell, and Herbert
12 Jacobi;

13 15. **Counts Thirty-four through Forty-two:** Money Laundering, Title 18, United States
14 Code, Section 1957, Defendants Sean Flanagan and Daniel Chapman;

15 16. **Counts Forty-three through Forty-seven:** False Statement and Representation, Title 18,
16 United States Code, Section 1001, Defendant Daniel Chapman;

17 17. **Count Forty-eight:** Mail Fraud, Title 18, United States Code, Section 1341, Defendants
18 Sean Flanagan and Herbert Jacobi.

19 18. **Counts Forty-nine through Fifty:** Money Laundering, Title 18, United States Code,
20 Section 1957, Defendant Shawn Hackman;

21 19. **Count Fifty-one:** Criminal Forfeiture (Money Laundering), Title 18, United States Code,
22 Section 982(a)(1), Defendants Daniel Chapman, Sean Flanagan and Herbert Jacobi;

23 20. **Count Fifty-two:** Criminal Forfeiture (Racketeering), Title 18, United States Code,
24 Section 1963(a)(3), Defendants Sean Flanagan, James Farrell, Shawn Hackman, Daniel
25 Chapman, and Herbert Jacobi;

1 21. **Count Fifty-three:** Criminal Forfeiture (Money Laundering), Title 18, United States
2 Code, Section 982(a)(1), Defendants Daniel Chapman and Sean Flanagan;

3 22. **Count Fifty-four:** Criminal Forfeiture (Money Laundering), Title 18, United States
4 Code, Section 982(a)(1), Defendant Shawn Hackman;

5 23. **Count Fifty-five:** Forfeiture (Wire Fraud), Title 18, United States Code, Section
6 982(a)(2)(A), Defendants Daniel Chapman and Sean Flanagan;

7 24. **Count Fifty-six:** Forfeiture (Wire Fraud), Title 18, United States Code, Section
8 982(a)(2)(A), Defendants Daniel Chapman, Sean Flanagan and Herbert Jacobi;

9 25. **Count Fifty-seven:** Forfeiture (Wire Fraud), Title 18, United States Code, Section
10 982(a)(2)(A), Defendant Sean Flanagan;

11 26. **Count Fifty-eight:** Forfeiture (Mail Fraud), Title 18, United States Code, Section
12 982(a)(2)(A), Defendants Sean Flanagan and Herbert Jacobi;

13 27. **Count Fifty-nine:** Forfeiture (Securities Fraud), Title 18, United States Code, Section
14 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), Defendants Sean Flanagan,
15 Shawn Hackman, Daniel Chapman and Herbert Jacobi;

16 28. **Count Sixty:** Forfeiture (Securities Fraud), Title 18, United States Code, Section
17 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), Defendants Sean Flanagan,
18 Shawn Hackman, James Farrell, Daniel Chapman and Herbert Jacobi;

19 29. **Count Sixty-one:** Forfeiture (Securities Fraud), Title 18, United States Code, Section
20 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), Defendants Sean Flanagan,
21 Shawn Hackman, Daniel Chapman and Herbert Jacobi;

22 30. **Count Sixty-two:** Forfeiture (Securities Fraud), Title 18, United States Code, Section
23 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), Defendants Sean Flanagan,
24 Shawn Hackman, James Farrell and Herbert Jacobi.

25 31. **Count Sixty-three:** Forfeiture (Interstate Transportation of Stolen Securities), Title 18,

1 United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c),
2 Defendants Sean Flanagan and Herbert Jacobi.

3 **32. Count Sixty-four:** Forfeiture (Interstate Transportation of Stolen Securities), Title 18,
4 United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c),
5 Defendants Sean Flanagan, James Farrell and Herbert Jacobi.

6 **COUNT ONE**

7 **(Conspiracy)**

8 **INTRODUCTION**

9 Investors rely upon the integrity of securities markets to insure that they receive a fair
10 price, based upon the free operation of principles of supply and demand whenever they buy or
11 sell securities. Congress and regulatory agencies have established a comprehensive and complex
12 system of oversight and regulation to attempt to insure the fairness and integrity of these
13 markets. A monopoly in any market threatens the free operation of the principles of supply and
14 demand. A "secret" monopoly is even more sinister since there is no public recognition that
15 prices in the market place are not being established fairly according to true value.

16 In the case where promoters obtain hidden control of the entire supply of a public
17 company's securities, this is exactly what happens. A shell corporation is created using nominee
18 officers, directors and shareholders who are merely the puppets of a promoter. The securities of
19 that corporation are then registered for sale on public securities markets. However, since the
20 entire supply of the company's securities is secretly "locked up" by the promoters, it is not
21 possible for free-market trading to take place. Accordingly, when the promoters and their
22 associates, including brokerage firms acting in concert, stimulate buying demand for the
23 securities, there is no supply available to meet the created demand and stabilize prices of the
24 stocks at their true value. The promoters are able to push stock prices up arbitrarily by simply
25 restricting the supply. Once the price is at the desired level, the promoters and their associates

1 “dump” their stock holdings on the market and the effect is an immediate crash of the price of
2 the stock. The public buyers caught in the middle lose most or all of their investment.

3 These schemes hurt more than the immediate victims who bought the stock and lost their
4 money. Such fraudulent activities undermine investor confidence in the integrity of the markets
5 and thwart legitimate capital formation efforts, thereby harming other issuers of securities as
6 well.

7 **BACKGROUND**

8 From at least 1994 through mid-1999, Peter Berney, Robert Potter and others were
9 variously engaged in the business of manufacturing fraudulent public shell corporations and
10 causing their securities to be sold in public markets. Peter Berney and his associates would
11 obtain dormant private corporations from many sources, or they would incorporate them
12 themselves. They subsequently installed nominee officers and directors who were mere
13 “figureheads” and had nothing whatsoever to do with actually running the companies.

14 Peter Berney, Robert Potter and others also recruited nominees to lend their names as
15 stock purchasers. In some instances, sham public stock offerings were created claiming the
16 nominee investors had purchased their shares. In other instances, corporate records were
17 fabricated claiming that the stock was “gifted” to these nominees. In all events, a paper trail was
18 created making it appear that the nominees were the owners of the stock, when they were not.
19 Most of the nominees were not even aware of which stocks were issued in their names.

20 These nominee investors were instructed by Peter Berney and his associates to sign blank
21 stock powers and their signatures were “guaranteed” by banks. These signed stock powers were
22 attached to the stock certificates, making the certificates negotiable in bearer form, and Peter
23 Berney and his associates kept the certificates. This created what are known colloquially as “box
24 jobs” – a widely known manipulative device. The companies created in this manner included,
25 among others, Big Tex Enterprises, Inc.; Tera West Ventures, Inc.; Dream Team International,

1 Inc.; Far East Ventures, Inc.; Fashion Dynamics Corp.; Professional Mining Consultants; K-9
2 Protection, Inc.; Travel Masters, Inc.; Frozen Assets, Inc.; Mattress Showrooms, Inc.; American
3 Flintlock Company; Amexan, Inc.; Latitude Network, Inc.; Bobermco, Inc.; Sunrise Express,
4 Inc.; Custom Leathers of Las Vegas, Inc.; I.E.L.S., Inc.; Cherokee Leathers, Inc.; Austin Land
5 and Development, Inc.; and Austin Underground, Inc.

6 Peter Berney and his associates would then arrange mergers of the shells with private
7 companies. Typically they would deliver approximately 85% of the "free-trading" stock in the
8 names of the nominees with the stock powers attached, to the purchaser of the shell and retain
9 15% of the stock for themselves. After the shells were merged with other private companies,
10 Peter Berney and Robert Potter would sell stock they held. They sometimes gave the nominees
11 small amounts of cash, or stock that the nominees could sell through their own brokers, as
12 payment for the use of their names.

13 In June of 1999, Peter Berney fled the United States to avoid criminal charges, leaving
14 behind stocks of several shell corporations that he had fraudulently formed and had merged with
15 private companies, and also leaving behind several shell corporations that had not yet been
16 merged. Robert Potter and the defendants named in this Indictment, who were already engaged
17 in assisting Peter Berney with his schemes, decided to take up where Berney left off, merging the
18 shell corporations and selling the stock that was in nominee names, keeping the proceeds for
19 themselves.

20 **THE SHELL CORPORATIONS INVOLVED**

21 In June of 1999, Peter Berney had Robert Potter deliver several shell corporations to the
22 law offices of Chapman and Flanagan, Ltd. for "safekeeping" while he was out of the country.
23 These Corporations included, among others, Professional Mining Consultants, Inc., Dream Team
24 International, Inc., and K-9 Protection, Inc. The defendants sold these shell corporations and
25 kept the proceeds for their benefit. The defendants also sold, for their own benefit, other stocks

1 held in the names of Peter Berney's nominees. These were stocks of other shell corporations that
2 had been previously sold and merged by Peter Berney. These included, among others, stocks of
3 Aimrite Holdings Corp. and Progress Watch (formerly known as Travelmasters).

4 **Professional Mining Consultants, Inc.**

5 Professional Mining Consultants, Inc. ("Professional Mining") was incorporated in 1995
6 by an attorney working for Peter Berney and stock was issued in the names of several of Peter
7 Berney's nominees. In March of 1997, Professional Mining filed a notice with the United States
8 Securities and Exchange Commission ("SEC") to sell stock exempt from registration. The stock
9 was issued in the names of 31 nominees, but was actually controlled by Peter Berney and Robert
10 Potter, who put up the money for the purchases, and kept the stock themselves.

11 In April 1997, Professional Mining applied to the National Association of Securities
12 Dealers ("NASD") for approval to list its stock for trading on the over-the-counter markets. In
13 July of 1998, a Form 10SB registration statement was filed with the SEC to make Professional
14 Mining a fully reporting company. A fully reporting company is one that files periodic, public
15 reports with the SEC disclosing its operations and financial affairs. At the time this Professional
16 Mining Form 10SB was filed, the NASD had recently announced its intention to require all
17 companies listed on its over-the-counter market to be fully reporting companies, current in their
18 filings with the SEC. No disclosure was made in either the NASD filings or the SEC filings that
19 the officers and shareholders were nominees or that the stock had been "boxed" by Peter Berney
20 and Robert Potter.

21 On May 22, 2000, Chapman & Flanagan, Ltd. (a law firm comprised of attorneys
22 **DANIEL CHAPMAN** and **SEAN FLANAGAN**, with attorney **HERBERT JACOBI** of
23 counsel) filed a Form 8-K (a periodic report required for fully reporting companies) with the
24 SEC announcing the merger of Professional Mining with AudioMonster Online, a Canadian
25 corporation. Chapman & Flanagan, Ltd. received \$500,000 from the sale of the shell. The

1 purported "owners" of the company, the shareholders, received nothing from the sale of the
2 company or the transfer of their shares.

3 **Dream Team International, Inc.**

4 Dream Team International, Inc. ("Dream Team") was incorporated in December of 1994
5 by Peter Berney and stock was issued in the names of ten of Peter Berney's nominees as the
6 "founders" of the corporation. Not only were these claimed issuances fictitious, they were "back
7 dated" to make the issuances fit within the holding period required by SEC rules for the stock to
8 become "free trading". Subsequently, several of these nominees purportedly transferred their
9 stock by "gifting" to other nominees. In reality, Peter Berney and Robert Potter actually caused
10 the stock transfers.

11 On August 30, 1999, defendant **DANIEL CHAPMAN** filed a Form 10-SB with the SEC
12 to make Dream Team a fully reporting company. There was no disclosure in the Form 10-SB
13 that the officers and directors were nominees nor that the stock was "boxed" and in the
14 possession of Chapman & Flanagan, Ltd. On December 2, 1999, Chapman & Flanagan, Ltd.
15 prepared an application to the NASD to get the company's stock listed on the over-the-counter
16 market.

17 In December of 1999, Chapman & Flanagan, Ltd. received \$400,000 from the sale of the
18 Dream Team shell and forwarded \$275,000 of this money to a bank account controlled by
19 defendant **HERBERT JACOBI**. On March 15, 2000, a Form 8-K was filed with the SEC
20 announcing a merger between Dream Team and Bio Syntech, Ltd.

21 **K-9 Protection, Inc.**

22 K-9 Protection, Inc. ("K-9") was incorporated in June 1996 by one of Peter Berney's
23 associates. The company obtained trademark and service mark protection on its name and was to
24 use the name on casino/lounge/bar anti-theft systems. Shares were issued in the names of Robert
25 Potter and six of Peter Berney's nominees. There was then a successive chain of transactions by

1 which these individuals purportedly “gifted” stock to other Peter Berney nominees.

2 In October of 1998, K-9 applied to the NASD to have K-9 stocks traded on the over-the-
3 counter markets. On August 12, 1999, defendant **DANIEL CHAPMAN** filed a Form 10SB
4 with the SEC to make K-9 a fully reporting company. On February 10, 2000, defendant
5 **DANIEL CHAPMAN** filed a Form 8-K describing the acquisition of K-9 by 1st Miracle Group.
6 None of the public filings disclosed that the officers and directors and all of the shareholders
7 were nominees or that the stock was “boxed”. In March of 2000, Chapman & Flanagan, Ltd.
8 received \$200,000 from the sale of the K-9 shell, of which they forwarded \$190,000 to a bank
9 account controlled by defendant **HERBERT JACOBI**.

10 **Aimrite Holdings, Corp.**

11 Aimrite Holdings, Corp. (“Aimrite”) is a company that had once been merged with one of
12 Peter Berney’s other shells in approximately 1994. Aimrite was eventually spun off from the
13 shell company and resurrected by its owner, also a promoter. Peter Berney received shares in the
14 revived entity from its owner. These shares were issued in the names of Peter Berney’s
15 nominees.

16 Before he fled the United States, Berney had been selling Aimrite shares to an
17 institutional investor (a bank) in Amsterdam. After Berney’s departure, defendant **HERBERT**
18 **JACOBI**, assisted by defendants **SEAN FLANAGAN** and **JAMES FARRELL**, continued
19 selling stock in the names of Peter Berney’s nominees to the bank and keeping the proceeds.
20 Between October 1999 and February 2000, defendant **HERBERT JACOBI** sold 1.5 million
21 shares of Aimrite stock to this bank for \$1.125 million.

22 **Progress Watch, Corp.**

23 Travelmasters was incorporated in April of 1994. The original shareholders were Robert
24 Potter and three of Peter Berney’s nominees, who then “gifted” shares to 28 other Peter Berney
25 nominees. On July 23, 1997, a form was filed with the NASD to list Travelmasters for trading.

1 In May of 1999, Travelmasters' name was changed to Progress Watch incident to a
2 merger, but the "box" had not yet been delivered to the buyer by the time Peter Berney fled the
3 United States in June. Peter Berney instructed Robert Potter to send the shares to Switzerland,
4 including shares in Peter Berney's nominees' names that Peter Berney intended to keep.

5 Defendant **HERBERT JACOBI** concocted a scheme to convert the shares Peter Berney
6 planned to keep for himself by using "lost certificate affidavits" to get replacement certificates
7 issued, which he and Potter could then sell. Defendant **JAMES FARRELL**, a transfer agent,
8 caused the new certificates to be issued and transferred into the names of entities controlled by
9 defendant **HERBERT JACOBI**. Defendant **HERBERT JACOBI** sold the shares for in excess
10 of \$3 million. Two of Peter Berney's nominees who executed affidavits, representing half of the
11 shares sold, were paid \$7,500 each, in cash, at the law offices of Chapman & Flanagan, Ltd. The
12 other two nominees received nothing.

13 **THE CONSPIRACY AND ITS OBJECTS**

14 1. Beginning on an unknown date, but not later than in or about July 1995, and continuing
15 thereafter until on or about November 30, 2001, in the State and Federal District of Nevada, and
16 elsewhere,

17 **DANIEL CHAPMAN,**

18 **JAMES FARRELL,**

19 **SEAN FLANAGAN,**

20 **SHAWN HACKMAN, and**

21 **HERBERT JACOBI,**

22 defendants herein, did conspire and agree with each other and others known to the grand jury to
23 commit the following offenses against the United States: Securities fraud, in violation of Title
24 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations,
25 Section 240.10b-5; Mail fraud, in violation of Title 18, United States Code, Section 1341; Wire

1 fraud, in violation of Title 18, United States Code, Section 1343; Money laundering, in violation
2 of Title 18, United States Code, Section 1956(a)(1)(A)(i); Money laundering, in violation of Title
3 18, United States Code, Section 1956(a)(1)(B)(i); Money laundering, in violation of Title 18,
4 United States Code, Section 1957; Interstate transportation of stolen property, in violation of
5 Title 18, United States Code, Section 2314; Receipt of stolen property, in violation of Title 18,
6 United States Code, Section 2315; and, Falsifying, concealing, and covering up a material fact by
7 trick, scheme and devise, and making false, fraudulent and fictitious material statements and
8 representations, in a matter within the jurisdiction of the United States, in violation of Title 18,
9 United States Code, Section 1001(a)(1)(2).

10 **PURPOSE OF THE CONSPIRACY**

11 2. It was the purpose of the conspiracy for the defendants **HERBERT JACOBI, JAMES**
12 **FARRELL, SEAN FLANAGAN, SHAWN HACKMAN** and **DANIEL CHAPMAN**, using
13 personal, corporate, and trust bank accounts to do the following: (1) obtain and retain proceeds
14 from their fraudulent sales of the securities of Professional Mining, Dream Team, K-9, Aimrite,
15 and Progress Watch, and other securities to the public, and (2) to utilize some of the proceeds of
16 these fraudulent sales to further fraudulent sales to the public.

17 **MANNER AND MEANS**

18 3. The manner and means which the defendants and others used to achieve the objectives of
19 the conspiracy was through a scheme and artifice to defraud in connection with the sales of
20 securities, as follows:

21 4. It was a part of the scheme to defraud that from at least 1994 forward Peter Berney and
22 others known and unknown to the Grand Jury engaged in the business of obtaining and creating
23 shell corporations including Professional Mining, Dream Team, K-9 and Travelmasters.

24 5. It was a further part of the scheme to defraud that Peter Berney and others known and
25 unknown to the Grand Jury caused nominee officers and directors to be installed in the

1 corporations. The nominee officers were nothing more than "figureheads"; they had nothing
2 whatsoever to do with actually running the companies.

3 6. It was a further part of the scheme to defraud that the nominee officers and directors, as
4 well as other nominees recruited by Peter Berney and others, were used as purported purchasers
5 of stocks of the corporation, thereby creating a paper trail making it appear that the nominees
6 were the owners of the stock, when in fact, the true owners of the stock were Peter Berney and
7 his associates.

8 7. It was a further part of the scheme to defraud that corporate records were fabricated and
9 documents were backdated to create the illusion that securities were issued in compliance with
10 federal securities laws.

11 8. It was a further part of the scheme to defraud that the nominee investors signed blank
12 stock powers and their signatures were "guaranteed" by banks. A signature guarantee is a
13 certification by a bank that the signature on the document is the true signature of the person
14 named. These stock powers were attached to the stock certificates, making them negotiable as
15 bearer instruments. Peter Berney and his associates then kept these certificates themselves.

16 9. It was a further part of the scheme to defraud to not disclose to regulatory authorities or
17 subsequent purchasers of the stocks the fact that the officers, directors and shareholders were
18 nominees, and that the stock was secretly controlled by Peter Berney.

19 10. It was a further part of the scheme to defraud that Peter Berney and others known to the
20 Grand Jury would then arrange mergers of the shells with private companies. After the shells
21 were merged with these private companies, Peter Berney would sell stocks in these companies
22 that they held in the names of nominees and would keep the proceeds for themselves.

23 11. It was a further part of the scheme to defraud that in or about 1994, Robert Potter became
24 associated with the scheme as a nominee and as a recruiter of other nominees.

25 12. It was a further part of the scheme to defraud that in or about late 1994, Peter Berney,

1 concerned with potential exposure to criminal prosecution or civil liability arising from his illicit
2 stock trading activities, engaged defendant **HERBERT JACOBI**, then an attorney, to advise
3 him. Defendant **HERBERT JACOBI** advised Peter Berney that he had possible exposure for
4 securities violations and income tax evasion and subsequently advised Peter Berney that he had
5 to start structuring his companies differently to avoid liability.

6 13. It was a further part of the scheme to defraud that in or about July 1995, Peter Berney and
7 his chief associate had a "falling out" and negotiated a separation in which they divided their
8 remaining shell companies as well as the nominees they had recruited, and went their separate
9 ways. The division was brokered by defendant **HERBERT JACOBI**. Thereafter, Robert Potter
10 became Peter Berney's chief associate.

11 14. It was a further part of the scheme to defraud that Peter Berney engaged stock transfer
12 agents, including Alpha Tech Stock Transfer, owned and operated by defendant **JAMES**
13 **FARRELL**, to transfer stocks Peter Berney controlled, including Dream Team, Aimrite and
14 Travel Masters (Progress Watch).

15 15. It was a further part of the scheme to defraud that Peter Berney hired attorneys, including
16 defendants **SHAWN HACKMAN**, **SEAN FLANAGAN**, and **DANIEL CHAPMAN**, to issue
17 false and misleading legal opinions that the stocks of shell corporations were "freely tradable"
18 pursuant to federal securities laws, when in fact, they were not. The attorney opinion letters
19 were filed with the NASD in connection with getting the stocks approved for trading on the over-
20 the-counter markets including the stocks of K-9, Professional Mining, Dream Team, and
21 Travelmasters.

22 16. It was a further part of the scheme to defraud that in or about March 1999, Peter Berney
23 and Robert Potter funded the establishment of Chapman & Flanagan, Ltd., A Professional Legal
24 Corporation, to assist Peter Berney and Robert Potter in their illicit stock trading activities.

25 17. It was a further part of the scheme to defraud that on or about June 7, 1999, Peter Berney

1 fled the United States to avoid prosecution.

2 18. It was a further part of the scheme to defraud that, pursuant to Peter Berney's
3 instructions, corporate records and stock certificates for shell companies that Peter Berney and
4 Robert Potter controlled, including Professional Mining, Dream Team, and K-9, were delivered
5 to the law offices of Chapman & Flanagan, Ltd.

6 19. It was a further part of the scheme to defraud that Robert Potter and defendants
7 **HERBERT JACOBI, DANIEL CHAPMAN, and SEAN FLANAGAN**, assisted by defendant
8 **JAMES FARRELL**, agreed to continue Peter Berney's fraudulent securities activities and sell
9 the stock that was in Peter Berney's nominee names.

10 20. It was a further part of the scheme to defraud that Robert Potter and defendants
11 **HERBERT JACOBI, DANIEL CHAPMAN, and SEAN FLANAGAN** agreed to keep the
12 proceeds from sales of the shells and from sales of stocks in the names of Peter Berney's
13 nominees for themselves.

14 21. It was a further part of the scheme to defraud that defendant **HERBERT JACOBI**
15 caused his secretary, using the alias "Evelyn Johnson", to form Bahamian companies, namely
16 Cool Bush, Ocean Wind, and Purple Haze, and to open brokerage accounts in the names of those
17 entities to facilitate the sales of the securities involved in the scheme and to conceal defendant
18 **HERBERT JACOBI's** ownership and control of the proceeds.

19 22. It was a further part of the scheme to defraud that defendant **DANIEL CHAPMAN**, and
20 Chapman & Flanagan, Ltd., filed registration statements with the SEC to make the companies
21 fully reporting companies as required for trading on the over-the-counter market. The filings
22 were false and misleading because they (1) misrepresented the roles of the officers and directors,
23 and (2) failed to disclose the true ownership and control of all of the companies securities, which
24 were now held by Robert Potter, defendants **DANIEL CHAPMAN, SEAN FLANAGAN, and**
25 **HERBERT JACOBI**, and Chapman & Flanagan, Ltd.

1 23. It was a further part of the scheme to defraud that defendants **DANIEL CHAPMAN** and
2 **SEAN FLANAGAN** facilitated the mergers of Professional Mining, Deam Team and K-9.
3 Chapman & Flanagan, Ltd. received in excess of \$1 million from the sales of the three shell
4 corporations.

5 24. It was a further part of the scheme to defraud that the purported officers, directors and
6 shareholders of these corporations were not involved in approving or executing the mergers, and
7 that, in most instances, the nominee shareholders had no knowledge that they were even
8 shareholders in these companies.

9 25. It was a further part of the scheme to defraud that the nominee officers, directors and
10 shareholders did not receive any payment from the sales of these companies or from the sales of
11 stock registered in their names.

12 26. It was a further part of the scheme to defraud that defendant **DANIEL CHAPMAN** filed
13 Forms 8-K with the SEC reporting the mergers but concealing the true circumstances and control
14 of these companies.

15 27. It was a further part of the scheme to defraud that defendant **JAMES FARRELL**,
16 pursuant to instructions from defendants **SEAN FLANAGAN** and **HERBERT JACOBI** and
17 Chapman & Flanagan, Ltd. caused Alpha-Tech Stock Transfer to transfer stocks, including
18 stocks of Progress Watch and Dream Team, from the names of Peter Berney's nominees into the
19 names of Cool Bush, Ocean Wind, or Purple Haze, entities secretly owned and controlled by
20 defendant **HERBERT JACOBI**.

21 28. It was a further part of the scheme to defraud that defendant **SEAN FLANAGAN**
22 instructed Pacific Stock Transfer to transfer stocks of Professional Mining from the names of
23 Peter Berney's nominees into the names of Cool Bush and Ocean Wind, entities defendant
24 **SEAN FLANAGAN** knew to be secretly owned and controlled by defendant **HERBERT**
25 **JACOBI**.

1 29. It was a further part of the scheme to defraud that these stocks were deposited at
2 brokerage firms, sold, and the proceeds sent to bank accounts controlled by defendant
3 **HERBERT JACOBI**.

4 30. It was a further part of the scheme to defraud that between October 12, 1999 and
5 February 15, 2000, defendant **HERBERT JACOBI** sold 1.5 million shares of Aimrite in the
6 names of Peter Berney's nominees for \$1.125 million, which he retained for himself.

7 31. It was a further part of the scheme to defraud that defendant **JAMES FARRELL**,
8 pursuant to instructions from defendant **HERBERT JACOBI**, caused Alpha Tech Stock
9 Transfer to fraudulently issue replacement Progress Watch certificates and transfer them into the
10 name of Purple Haze, an entity secretly controlled by defendant **HERBERT JACOBI**.

11 32. It was a further part of the scheme to defraud that the Progress Watch shares were
12 deposited into brokerage accounts for the benefit of defendant **HERBERT JACOBI** and sold,
13 generating proceeds exceeding \$3 million, which defendant **HERBERT JACOBI** kept for
14 himself.

15 33. It was a further part of the scheme to defraud that two of Peter Berney's nominees, who
16 had signed lost certificate affidavits representing half of the Progress Watch shares sold by
17 defendant **HERBERT JACOBI**, were paid \$7,500 each at the law offices of Chapman &
18 Flanagan, Ltd. Defendant **SEAN FLANAGAN** paid one of these nominees personally.

19 **OVERT ACTS**

20 34. In furtherance of the conspiracy, and to effect the objects thereof, in the State and Federal
21 District of Nevada and elsewhere, the defendants did commit without limitation, the following
22 overt acts among others:

23 35. In or about June 1995, Peter Berney, Peter Berney's chief associate, and defendant
24 **HERBERT JACOBI** met at Marie Calendar's in Las Vegas, Nevada at which time Peter
25 Berney and Peter Berney's chief associate ceased their association and divided up their shell

1 corporation inventory and nominees.

2 36. On or about April 17, 1997, defendant **SHAWN HACKMAN** issued an attorney opinion
3 letter opining on the public tradability of Professional Mining securities.

4 37. On or about July 14, 1997, defendant **SHAWN HACKMAN** issued an attorney opinion
5 letter opining on the public tradability of Travelmasters securities.

6 38. On or about February 19, 1998, defendant **HERBERT JACOBI** opened a brokerage
7 account at Brockington Securities in the name of Purple Haze.

8 39. On or about March 11, 1998, defendant **HERBERT JACOBI** opened a brokerage
9 account at Brockington Securities in the name of Ocean Wind.

10 40. On or about June 1, 1998, defendant **SHAWN HACKMAN** issued an attorney opinion
11 letter opining on the public tradability of Dream Team securities.

12 41. On or about October 1, 1998, defendant **SHAWN HACKMAN** issued an attorney
13 opinion letter describing the issuance of 3 million K-9 shares to several Peter Berney nominees
14 and the successive chain by which these individuals purportedly "gifted" stock to other Peter
15 Berney nominees.

16 42. On or about April 6, 1999, defendant **HERBERT JACOBI** opened a brokerage account
17 at Brockington Securities in the name of Cool Bush.

18 43. On or about June 7, 1999, Peter Berney fled the United States.

19 44. On or about June 7, 1999, Peter Berney wire transferred \$650,000 to the Chapman &
20 Flanagan, Ltd. Client Trust Account.

21 45. On or about June 9, 1999, Chapman & Flanagan, Ltd. transferred \$650,000 from the
22 Client Trust Account to the Chapman & Flanagan, Ltd. account at Bank of America and used the
23 funds to purchase three cashier's checks: \$150,000 to defendant **DANIEL CHAPMAN**,
24 \$150,000 to defendant **SEAN FLANAGAN**, and \$350,000 to defendant **HERBERT JACOBI**.

25 46. On or about June 14, 1999, defendant **HERBERT JACOBI** deposited the \$350,000

1 cashier's check at Citibank.

2 47. In or about June 1999, Robert Potter caused corporate records of several shell
3 corporations, including Professional Mining, Dream Team and K-9 to be delivered to the offices
4 of Chapman & Flanagan, Ltd.

5 48. In or about June 1999, Peter Berney caused all of the stocks of several shell corporations,
6 including Professional Mining, Dream Team and K-9 to be delivered to the offices of Chapman
7 & Flanagan, Ltd.

8 49. On or about July 20, 1999, pursuant to instructions from Chapman & Flanagan, Ltd.,
9 defendant **JAMES FARRELL** caused Alpha Tech Stock Transfer to issue 10,000 restricted
10 shares of Progress Watch stock in the name of Chapman & Flanagan, Ltd.

11 50. On or about August 12, 1999, defendant **DANIEL CHAPMAN** filed a Form 10SB with
12 the SEC on behalf of K-9.

13 51. On or about August 30, 1999, defendant **DANIEL CHAPMAN** filed a Form 10SB with
14 the SEC on behalf of Dream Team.

15 52. On or about September 30, 1999, defendant **DANIEL CHAPMAN** filed a proxy
16 Schedule 14A with the SEC on behalf of Professional Mining.

17 53. On or about October 7, 1999, pursuant to instructions from defendant **SEAN**
18 **FLANAGAN**, defendant **JAMES FARRELL** caused Alpha Tech Stock Transfer to transfer
19 500,000 Aimrite shares out of the name of Peter Berney's nominees into the name of Bank
20 Insinger de Beaufort and to send the certificate to Canada by Federal Express.

21 54. On or about October 12, 1999, defendant **HERBERT JACOBI** received \$125,000 from
22 Bank Insinger de Beaufort.

23 55. On or about October 13, 1999, defendant **HERBERT JACOBI** received \$250,000 from
24 Bank Insinger de Beaufort.

25 56. On or about December 2, 1999, Chapman & Flanagan, Ltd. issued an attorney opinion

1 letter describing the gifting of Dream Team stock in 1995, and opining that the distribution
2 resulted in "free trading" stock.

3 57. On or about December 3, 1999, defendant **JAMES FARRELL** caused Alpha Tech Stock
4 Transfer to transfer 500,000 Aimrite shares out of the names of Peter Berney's nominees into the
5 name of Bank Insinger de Beaufort and to forward the new certificate by Federal Express to Las
6 Vegas, Nevada.

7 58. On or about December 8, 1999, Chapman & Flanagan, Ltd. received \$400,000 into its
8 bank account.

9 59. On or about December 10, 1999, Chapman & Flanagan, Ltd. transferred \$275,000 to a
10 bank account controlled by defendant **HERBERT JACOBI**.

11 60. On or about December 10, 1999, defendant **DANIEL CHAPMAN** transferred \$100,000
12 by check as payment of a "finders fee" to the finder of the buyer of Dream Team.

13 61. On or about December 13, 1999, Chapman & Flanagan, Ltd. issued an attorney opinion
14 letter regarding the transferability of Professional Mining shares.

15 62. On or about December 13, 1999, Chapman & Flanagan, Ltd. prepared a disclosure
16 statement pursuant to Rule 15c2-11 for Professional Mining.

17 63. On or about December 13, 1999, defendant **HERBERT JACOBI** received \$375,000
18 from Bank Insinger de Beaufort.

19 64. On or about January 12, 2000, pursuant to instructions from defendant **SEAN**
20 **FLANAGAN**, defendant **JAMES FARRELL** caused Alpha Tech Stock Transfer to transfer
21 375,000 Dream Team shares in the names of a Peter Berney nominee to Ocean Wind. Defendant
22 **SEAN FLANAGAN** instructed the transfer agent to send the certificates to defendant
23 **HERBERT JACOBI** in New York via Federal Express.

24 65. On or about January 14, 2000, defendant **HERBERT JACOBI** caused 375,000
25 BioSyntech (formerly Dream Team) shares to be deposited into an Ocean Wind brokerage

1 account at Merit Capital Associates.

2 66. Between on or about January 21, 2000 and on or about January 24, 2000, defendant
3 **HERBERT JACOBI** caused BioSyntech (formerly Dream Team) shares to be sold in the Ocean
4 Wind brokerage account at Merit Capital Associates for \$40,709.

5 67. On or about January 28, 2000, defendant **HERBERT JACOBI** caused \$40,709 to be
6 wire transferred from the Ocean Wind account at Merit Capital Associates to a bank account in
7 the name of Ocean Wind at Citibank.

8 68. On or about February 2, 2000, defendant **HERBERT JACOBI** caused BioSyntech
9 (formerly Dream Team) shares to be sold in the Ocean Wind brokerage account at Merit Capital
10 Associates for \$5,301.

11 69. On or about February 3, 2000, defendant **HERBERT JACOBI** caused \$5,301 to be wire
12 transferred from the Ocean Wind account at Merit Capital Associates to a bank account in the
13 name of Ocean Wind at Citibank.

14 70. Between on or about February 8, 2000 and on or about February 9, 2000, defendant
15 **HERBERT JACOBI** caused BioSyntech (formerly Dream Team) shares to be sold in the Ocean
16 Wind brokerage account at Merit Capital Associates for \$455,188.

17 71. On or about February 09, 2000, defendant **HERBERT JACOBI** caused \$455,188 to be
18 wire transferred from the Ocean Wind account at Merit Capital Associates to a bank account in
19 the name of Ocean Wind at Citibank.

20 72. On or about February 10, 2000, defendant **HERBERT JACOBI** caused BioSyntech
21 (formerly Dream Team) shares to be sold in the Ocean Wind brokerage account at Merit Capital
22 Associates for \$331,460.

23 73. On or about February 10, 2000, defendant **HERBERT JACOBI** caused \$331,460 to be
24 wire transferred from the Ocean Wind account at Merit Capital Associates to a bank account in
25 the name of Ocean Wind at Citibank.

1 74. On or about February 11, 2000, defendant **HERBERT JACOBI** caused BioSyntech
2 (formerly Dream Team) shares to be sold in the Ocean Wind brokerage account at Merit Capital
3 Associates for \$134,104.

4 75. On or about February 11, 2000, defendant **HERBERT JACOBI** caused \$134,104 to be
5 wire transferred from the Ocean Wind account at Merit Capital Associates to a bank account in
6 the name of Ocean Wind at Citibank.

7 76. On or about February 14, 2000, defendant **HERBERT JACOBI** caused BioSyntech
8 (formerly Dream Team) shares to be sold in the Ocean Wind brokerage account at Merit Capital
9 Associates for \$55,564.

10 77. On or about February 14, 2000, defendant **HERBERT JACOBI** caused \$55,564 to be
11 wire transferred from the Ocean Wind account at Merit Capital Associates to a bank account in
12 the name of Ocean Wind at Citibank.

13 78. On or about February 14, 2000, defendant **HERBERT JACOBI** caused BioSyntech
14 (formerly Dream Team) shares to be sold in the Ocean Wind brokerage account at Merit Capital
15 Associates for \$132,009.

16 79. On or about February 15, 2000, defendant **HERBERT JACOBI** caused \$132,009 to be
17 wire transferred from the Ocean Wind account at Merit Capital Associates to a bank account in
18 the name of Ocean Wind at Citibank.

19 80. On or about February 16, 2000, defendant **HERBERT JACOBI** caused BioSyntech
20 (formerly Dream Team) shares to be sold in the Ocean Wind brokerage account at Merit Capital
21 Associates for \$57,429.

22 81. On or about February 16, 2000, defendant **HERBERT JACOBI** caused \$57,429 to be
23 wire transferred from the Ocean Wind account at Merit Capital Associates to a bank account in
24 the name of Ocean Wind at Citibank.

25 82. On or about February 17, 2000, defendant **HERBERT JACOBI** caused BioSyntech

1 (formerly Dream Team) shares to be sold in the Ocean Wind brokerage account at Merit Capital
2 Associates for \$83,805.

3 83. On or about February 17, 2000, defendant **HERBERT JACOBI** caused \$83,805 to be
4 wire transferred from the Ocean Wind account at Merit Capital Associates to a bank account in
5 the name of Ocean Wind at Citibank.

6 84. On or about February 9, 2000, defendant **JAMES FARRELL** caused Alpha Tech Stock
7 Transfer to transfer 500,000 Aimrite shares out of the names of Peter Berney's nominees into the
8 name of Bank Insinger de Beaufort and to forward the new certificate by Federal Express to Las
9 Vegas, Nevada.

10 85. On or about February 15, 2000, defendant **HERBERT JACOBI** received \$375,000 from
11 Bank Insinger de Beaufort.

12 86. On or about February 28, 2000, defendant **DANIEL CHAPMAN** filed a Form 10SB
13 with the SEC on behalf of Professional Mining.

14 87. On or about March 1, 2000, Robert Potter and defendants **HERBERT JACOBI** and
15 **SEAN FLANAGAN** met at the offices of Chapman & Flanagan, Ltd.

16 88. On or about March 1, 2000, Robert Potter and defendant **HERBERT JACOBI** met with
17 representatives of 1st Miracle Group, Inc. at a restaurant at the Venetian Resort and Casino in
18 Las Vegas, Nevada.

19 89. On or about March 1, 2000, Chapman & Flanagan, Ltd. received \$100,000 from 1st
20 Miracle Group.

21 90. On or about March 3, 2000, Chapman & Flanagan, Ltd. received \$100,000 from 1st
22 Miracle Group.

23 91. On or about March 3, 2000, Chapman & Flanagan, Ltd. transferred \$190,000 to a bank
24 account controlled by defendant **HERBERT JACOBI**.

25 92. On or about March 10, 2000, defendant **HERBERT JACOBI** caused 80 million shares

1 of 1st Miracle Group, Inc. stock to be deposited into a brokerage account in the name of Ocean
2 Wind at Brockington Securities.

3 93. Between on or about March 14, 2000 and on or about March 30, 2000, defendant
4 **HERBERT JACOBI** caused shares of 1st Miracle Group to be sold in the Ocean Wind
5 brokerage account at Brockington Securities for \$4,653,226.

6 94. On or about April 3, 2000, defendant **HERBERT JACOBI** caused \$4,653,245 from the
7 Ocean Wind brokerage account at Brockington Securities to be deposited into the Ocean Wind
8 bank account at Citibank.

9 95. Between on or about March 31, 2000 and on or about April 3, 2000, defendant
10 **HERBERT JACOBI** caused shares of 1st Miracle Group to be sold in the Ocean Wind
11 brokerage account at Brockington Securities for \$436,100.

12 96. On or about April 5, 2000, defendant **HERBERT JACOBI** caused \$436,100 from the
13 Ocean Wind brokerage account at Brockington Securities to be deposited into the Ocean Wind
14 bank account at Citibank.

15 97. Between on or about April 12, 2000 and on or about April 13, 2000, defendant
16 **HERBERT JACOBI** caused shares of 1st Miracle Group to be sold in the Ocean Wind
17 brokerage account at Brockington Securities for \$771,088.

18 98. On or about April 17, 2000, defendant **HERBERT JACOBI** caused \$771,088 from the
19 Ocean Wind brokerage account at Brockington Securities to be deposited into the Ocean Wind
20 bank account at Citibank.

21 99. On or about March 28, 2000, defendant **DANIEL CHAPMAN** filed a Form 8-K with the
22 SEC describing the acquisition of K-9 by 1st Miracle Group, Inc.

23 100. On or about May 5, 2000, Chapman & Flanagan, Ltd. received \$250,000 by wire transfer
24 from Maitland & Company.

25 101. On or about May 5, 2000, Chapman & Flanagan, Ltd. wire transferred \$225,000 to a

1 bank account controlled by defendant **HERBERT JACOBI**.

2 102. On or about May 11, 2000, Chapman & Flanagan, Ltd. received \$250,000 by wire
3 transfer from St. George Capital.

4 103. On or about May 11, 2000, Chapman & Flanagan, Ltd. wire transferred \$225,000 to a
5 bank account controlled by defendant **HERBERT JACOBI**.

6 104. On or about May 12, 2000, defendant **SEAN FLANAGAN** instructed Pacific Stock
7 Transfer to transfer 792,000 shares of Professional Mining stock from the names of Robert Potter
8 and three of Peter Berney's nominees into the names of Ocean Wind and Cool Bush.

9 105. On or about May 22, 2000, \$50,000 was wire transferred to the bank account of Chapman
10 & Flanagan, Ltd. from St. George Capital.

11 106. On or about May 22, 2000, Chapman & Flanagan, Ltd. filed a Form 8-K with the S.E.C.
12 announcing the merger of Professional Mining with AudioMonster Online, a Canadian
13 corporation.

14 107. Between on or about May 26, 2000 and on or about June 7, 2000, defendant **HERBERT**
15 **JACOBI** caused AudioMonster (formerly Professional Mining) shares to be sold from the Ocean
16 Wind account at Brockington for a total of \$3,169,878.

17 108. On or about June 12, 2000, defendant **HERBERT JACOBI** deposited \$3,171,592
18 received from Brockington Securities into a bank account in the name of Ocean Wind at
19 Citibank.

20 109. Between on or about June 9, 2000, and on or about June 13, 2000 defendant **HERBERT**
21 **JACOBI** caused AudioMonster (formerly Professional Mining) shares to be sold from the Ocean
22 Wind account at Brockington for a total of \$335,586.

23 110. On or about June 19, 2000, defendant **HERBERT JACOBI** deposited \$335,586 received
24 from Brockington Securities into a bank account in the name of Ocean Wind at Citibank.

25 111. Between on or about June 15, 2000 and on or about June 21, 2000, defendant

1 **HERBERT JACOBI** caused AudioMonster (formerly Professional Mining) shares to be sold
2 from the Ocean Wind account at Brockington for a total of \$75,319.

3 112. On or about June 26, 2000, defendant **HERBERT JACOBI** deposited \$75,319 received
4 from Brockington Securities into a bank account in the name of Ocean Wind at Citibank.

5 113. Between on or about July 10, 2000, and on or about July 13, 2000 defendant **HERBERT**
6 **JACOBI** caused AudioMonster (formerly Professional Mining) shares to be sold from the Ocean
7 Wind account at Brockington for a total of \$133,396.

8 114. On or about July 17, 2000, defendant **HERBERT JACOBI** deposited \$134,247 received
9 from Brockington Securities into a bank account in the name of Ocean Wind at Citibank.

10 115. Between on or about July 14, 2000, and on or about July 18, 2000 defendant **HERBERT**
11 **JACOBI** caused AudioMonster (formerly Professional Mining) shares to be sold from the Ocean
12 Wind account at Brockington for a total of \$26,152.

13 116. On or about July 24, 2000, defendant **HERBERT JACOBI** deposited \$26,152 received
14 from Brockington Securities into a bank account in the name of Ocean Wind at Citibank.

15 117. On or about September 8, 2000, defendant **SHAWN HACKMAN** issued an attorney
16 opinion concerning the tradability of 10,000 shares of Progress Watch issued to Chapman &
17 Flanagan, Ltd. in July 1999.

18 118. Between on or about September 13, 2000, and on or about September 26, 2000 Chapman
19 & Flanagan, Ltd. sold 10,000 shares of Progress Watch at West America Securities for \$169,551.

20 119. On or about September 20, 2000, Chapman & Flanagan, Ltd. caused West America
21 Securities to wire transfer \$69,000 of proceeds from the sales of Progress Watch Securities to an
22 account at Bank of America in the name of Chapman & Flanagan, Ltd.

23 120. On or about September 26, 2000, Chapman & Flanagan, Ltd. caused West America
24 Securities to wire transfer \$100,400 of proceeds from the sales of Progress Watch Securities to
25 an account at Bank of America in the name of Chapman & Flanagan, Ltd.

1 121. Between on or about September 7, 2000 and on or about September 18, 2000, Robert
2 Potter and defendant **HERBERT JACOBI** caused four of Peter Berney's nominees to execute
3 lost certificate affidavits with respect to Progress Watch shares registered in their names.

4 122. On or about September 18, 2000, defendant **HERBERT JACOBI** sent defendant
5 **JAMES FARRELL** at Alpha Tech Stock Transfer, two lost stock certificate affidavits signed by
6 Peter Berney's nominees and instructed Alpha Tech Stock Transfer to issue replacement
7 certificates in their names.

8 123. On or about September 19, 2000, defendant **JAMES FARRELL** caused Alpha Tech
9 Stock Transfer to issue two replacement Progress Watch stock certificates representing 110,000
10 shares and sent them by Federal Express to defendant **HERBERT JACOBI** in accordance with
11 his instructions.

12 124. On or about September 20, 2000, defendant **HERBERT JACOBI** sent defendant
13 **JAMES FARRELL** at Alpha Tech Stock Transfer two lost stock certificate affidavits signed by
14 Peter Berney's nominees and instructed Alpha Tech Stock Transfer to issue replacement
15 certificates in their names.

16 125. On or about September 21, 2000, defendant **JAMES FARRELL** caused Alpha Tech
17 Stock Transfer to issue two replacement Progress Watch stock certificates representing 110,000
18 shares in the names of Peter Berney nominees pursuant to lost stock certificate affidavits and
19 sent them by Federal Express to defendant **HERBERT JACOBI** in accordance with his
20 instructions.

21 126. On or about September 20, 2000, defendant **HERBERT JACOBI** sent defendant
22 **JAMES FARRELL** at Alpha Tech Stock Transfer two replacement Progress Watch certificates
23 in the names of Peter Berney's nominees, with stock powers attached, and instructed Alpha Tech
24 to transfer the stock into the name of Purple Haze.

25 127. On or about September 21, 2000, defendant **JAMES FARRELL** caused Alpha Tech

1 Stock Transfer to transfer 110,000 shares of Progress Watch in the names of two Peter Berney
2 nominees into the name of Purple Haze and sent the certificates to defendant **HERBERT**
3 **JACOBI** by Federal Express.

4 128. On or about September 22, 2000, defendant **HERBERT JACOBI** sent defendant
5 **JAMES FARRELL** at Alpha Tech Stock Transfer two replacement Progress Watch certificates
6 in the names of Peter Berney's nominees, with stock powers attached, and instructed Alpha Tech
7 to transfer the stock into the name of Purple Haze.

8 129. On or about September 25, 2000, defendant **JAMES FARRELL** caused Alpha Tech
9 Stock Transfer to transfer 110,000 shares of Progress Watch from the names of two of Peter
10 Berney's nominees into the name of Purple Haze and sent them to defendant **HERBERT**
11 **JACOBI** by Federal Express.

12 130. On or about September 25, 2000, defendant **HERBERT JACOBI** caused 110,000 shares
13 of Progress Watch to be deposited into the Purple Haze brokerage account at Brockington
14 Securities.

15 131. On or about September 27, 2000, defendant **HERBERT JACOBI** caused 110,000 shares
16 of Progress Watch to be deposited into the Purple Haze brokerage account at Brockington
17 Securities.

18 132. In or about September 2000, defendant **SEAN FLANAGAN** handed a white envelope
19 containing 75 \$100 bills to one of Peter Berney's nominees who's Progress Watch stock had
20 been transferred to Purple Haze.

21 133. Between on or about September 26, 2000 and on or about October 12, 2000, defendant
22 **HERBERT JACOBI** caused Progress Watch shares to be sold from the Purple Haze brokerage
23 account at Brockington Securities for a total of \$1,394,671.

24 134. On or about October 16, 2000, defendant **HERBERT JACOBI** deposited a \$1,394,692
25 check from Brockington Securities into a bank account in the name of Purple Haze at Citibank.

1 135. Between on or about October 20, 2000 and on or about October 24, 2000, defendant
2 **HERBERT JACOBI** caused Progress Watch shares to be sold from the Purple Haze brokerage
3 account at Brockington Securities for a total of \$262,801.

4 136. On or about October 30, 2000, defendant **HERBERT JACOBI** deposited a \$263,699
5 check from Brockington Securities, into a bank account in the name of Purple Haze at Citibank.

6 137. Between on or about October 30, 2000 and on or about November 2, 2000, defendant
7 **HERBERT JACOBI** caused Progress Watch shares to be sold from the Purple Haze brokerage
8 account at Brockington Securities for a total of \$147,662.

9 138. On or about November 08, 2000, defendant **HERBERT JACOBI** deposited a \$147,662
10 check from Brockington Securities, into a bank account in the name of Purple Haze at Citibank.

11 139. Between on or about November 6, 2000 and on or about November 15, 2000, defendant
12 **HERBERT JACOBI** caused Progress Watch shares to be sold from the Purple Haze brokerage
13 account at Brockington Securities for a total of \$323,135.

14 140. On or about November 16, 2000, defendant **HERBERT JACOBI** deposited a \$323,135
15 check from Brockington Securities, into a bank account in the name of Purple Haze at Citibank.

16 141. Between on or about November 21, 2000 and on or about November 24, 2000, defendant
17 **HERBERT JACOBI** caused Progress Watch shares to be sold from the Purple Haze brokerage
18 account at Brockington Securities for a total of \$433,801.

19 142. On or about November 20, 2000, defendant **HERBERT JACOBI** deposited a \$434,095
20 check from Brockington Securities into a bank account in the name of Purple Haze at Citibank.

21 143. Between on or about November 28, 2000 and on or about November 30, 2000, defendant
22 **HERBERT JACOBI** caused Progress Watch shares to be sold from the Purple Haze brokerage
23 account at Brockington Securities for a total of \$200,725.

24 144. On or about December 05, 2000, defendant **HERBERT JACOBI** deposited a \$200,725
25 check from Brockington Securities into a bank account in the name of Purple Haze at Citibank.

1 145. On or about December 7, 2000, defendant **HERBERT JACOBI** caused Progress Watch
2 shares to be sold from the Purple Haze brokerage account at Brockington Securities for a total of
3 \$89,979.

4 146. On or about December 08, 2000, defendant **HERBERT JACOBI** deposited a \$89,979
5 check from Brockington Securities into a bank account in the name of Purple Haze at Citibank.

6 147. Between on or about December 13, 2000 and on or about December 15, 2000, defendant
7 **HERBERT JACOBI** caused Progress Watch shares to be sold from the Purple Haze brokerage
8 account at Brockington Securities for a total of \$162,724.

9 148. On or about December 18, 2000, defendant **HERBERT JACOBI** deposited a \$162,724
10 check from Brockington Securities into a bank account in the name of Purple Haze at Citibank.

11 149. Between on or about December 18, 2000 and on or about December 21, 2000, defendant
12 **HERBERT JACOBI** caused Progress Watch shares to be sold from the Purple Haze brokerage
13 account at Brockington Securities for a total of \$59,303.

14 150. On or about January 09, 2001, defendant **HERBERT JACOBI** deposited a \$59,664
15 check from Brockington Securities, into a bank account in the name of Purple Haze at Citibank.

16 151. On or about November 3, 2000, defendant **SEAN FLANAGAN** instructed Pacific Stock
17 Transfer to remove the restrictive legend from 675,000 Professional Mining shares in the names
18 of three of Peter Berney's nominees.

19 152. On or about November 10, 2000, defendant **SEAN FLANAGAN** instructed Pacific
20 Stock Transfer to transfer 675,000 shares of Professional Mining (AudioMonster) shares from
21 the names of three of Peter Berney's nominees into 337,000 shares in the name of Cool Bush and
22 338,000 shares in the name of Ocean Wind.

23 153. On or about November 14, 2000, defendant **HERBERT JACOBI** caused 337,000 shares
24 of AudioMonster (formerly Professional Mining) stock to be deposited into the Cool Bush
25 brokerage account at Brockington Securities.

1 154. On or about November 14, 2000, defendant **HERBERT JACOBI** caused 338,000 shares
2 of AudioMonster (formerly Professional Mining) stock to be deposited into the Ocean Wind
3 brokerage account at Brockington Securities.

4 155. Between on or about November 15, 2000 and on or about February 1, 2001, defendant
5 **HERBERT JACOBI** caused 76,300 shares of Audiomonster (formerly Professional Mining)
6 stock to be sold from the Cool Bush account at Brockington Securities for \$45,470, and the
7 proceeds to be deposited in a bank account at Citibank in the name of Cool Bush.

8 156. Between on or about January 23, 2001 and on or about January 30, 2001, defendant
9 **HERBERT JACOBI** caused 69,000 shares of Audiomonster (formerly Professional Mining)
10 stock to be transferred from the Cool Bush account to the Ocean Wind account at Brockington
11 Securities.

12 157. Between on or about January 12, 2001 and on or about January 25, 2001, defendant
13 **HERBERT JACOBI** caused 390,528 shares of AudioMonster (formerly Professional Mining)
14 stock to be sold from the Ocean Wind account at Brockington for \$111,505.

15 158. On or about January 29, 2001, defendant **HERBERT JACOBI** caused a \$111,215 check
16 received from Brockington Securities to be deposited in a bank account in the name of Ocean
17 Wind at Citibank.

18 All in violation of Title 18, United States Code, Section 371 and Section 2.

19 **COUNT TWO**

20 **(Conspiracy to Commit Money Laundering)**

21 1. Beginning on or about December 8, 1999, and continuing through on or about November
22 30, 2001, within the State and Federal District of Nevada and elsewhere,

23 **DANIEL CHAPMAN,**

24 **SEAN FLANAGAN and**

25 **HERBERT JACOBI,**

1 defendants herein, did unlawfully, willfully and knowingly combine, conspire, confederate and
2 agree together and with each other, and with others known to the Grand Jury, to commit certain
3 offenses under Title 18, United States Code, Sections 1956 and 1957, as follows:

4 a. to conduct and attempt to conduct a financial transaction affecting interstate
5 commerce, which transaction involved the proceeds of specified unlawful activity, to wit:
6 Securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title
7 17, Code of Federal Regulations, Section 240.10b-5; Mail fraud, in violation of Title 18, United
8 States Code, Section 1341; Wire fraud, in violation of Title 18, United States Code, Section
9 1343; Interstate transportation of stolen property, in violation of Title 18, United States Code,
10 Section 2314; Receipt of stolen property, in violation of Title 18, United States Code, Section
11 2315, (1) with the intent to promote the carrying on of such specified unlawful activity, and (2)
12 knowing that the transaction was designed in whole or in part to conceal and disguise the nature,
13 location, source, ownership, and control of the proceeds of said specified unlawful activity, and
14 that while conducting and attempting to conduct such financial transaction knew that the
15 property involved in the financial transaction represented the proceeds of some form of unlawful
16 activity, in violation of 18 United States Code, Section 1956(a)(1); and

17 b. knowingly to engage, attempt to engage and cause and aid and abet others in
18 engaging in monetary transactions in criminally derived property that was of a value greater than
19 \$10,000, in violation of Title 18, United States Code, Section 1957.

20 MANNER AND MEANS

21 2. The manner and means which the defendants and others used to achieve the objectives of
22 the conspiracy was through a scheme and artifice to defraud in connection with the sales of
23 securities, as described in paragraphs 4 through 33 of **COUNT ONE** of this Indictment.

24 OVERT ACTS

25 3. In furtherance of this conspiracy and to effect the objects thereof, the overt acts

1 enumerated in paragraphs 58 through 60, 64 through 83, 89 through 98, 100 through 104, 107
2 through 116, 118 through 120, 126 through 150 and 152 through 158 of **COUNT ONE** of this
3 indictment, among others, were committed in the State and Federal District of Nevada and
4 elsewhere.

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

6 **COUNT THREE**

7 **(Racketeering Conspiracy)**

8 **THE RACKETEERING ENTERPRISE**

9 1. From at least July 1995 to on or about November 30, 2001, defendants **SEAN**
10 **FLANAGAN, DANIEL CHAPMAN, SHAWN HACKMAN, HERBERT JACOBI, and**
11 **JAMES FARRELL**, Robert Potter, Alpha Tech Stock Transfer, Chapman & Flanagan, Ltd.,
12 Cool Bush, Ltd., Ocean Wind, Ltd., Purple Haze, Ltd., Professional Mining Consultants, Inc.,
13 Dream Team International, Inc., K-9 Protection, Inc., and others known and unknown to the
14 Grand Jury were members and associates of an enterprise (hereinafter "the Enterprise"), a
15 criminal organization whose members and associates engaged in securities fraud, money
16 laundering, wire fraud, mail fraud, interstate transportation of stolen securities and receipt and
17 sale of stolen securities, and which operated in the State and Federal District of Nevada and
18 elsewhere.

19 2. The Enterprise, including its leadership, members and associates, constituted an
20 "enterprise," as defined by Title 18, United States Code, Section 1961(4) that is, a group of
21 individuals associated in fact. The Enterprise constituted an ongoing organization whose
22 members functioned as a continuing unit for a common purpose of achieving the objectives of
23 the enterprise. This enterprise was engaged in, and its activities affected, interstate and foreign
24 commerce.

25 **THE RACKETEERING CONSPIRACY**

1 3. From in or about June 1999, to in or about November 2001, in the State and Federal
2 District of Nevada and elsewhere,

3 **HERBERT JACOBI,**

4 **JAMES FARRELL,**

5 **SHAWN HACKMAN,**

6 **SEAN FLANAGAN, and**

7 **DANIEL CHAPMAN,**

8 defendants herein, and others known to the Grand Jury, being persons employed by and
9 associated with the Enterprise described in paragraph 2 of this Count, which Enterprise was
10 engaged in, and the activities of which affected, interstate and foreign commerce, did unlawfully,
11 willfully and knowingly combine, conspire, confederate, and agree together and with each other
12 to conduct and participate, directly and indirectly, in the conduct of the affairs of the Enterprise
13 through a pattern of racketeering activity as defined in Title 18, United States Code, Sections
14 1961(1) and 1961(5), consisting of the racketeering acts described in **COUNT FIVE** below, in
15 violation of Title 18, United States Code, Section 1962(c).

16 **PURPOSES OF THE RACKETEERING CONSPIRACY**

17 4. The purposes of the Enterprise included enriching the members and associates of the
18 Enterprise through, among other things, engaging in fraudulent securities trading practices.

19 5. Another purpose of the racketeering conspiracy was to unlawfully convert proceeds of
20 the sales of securities owned, legitimately or otherwise, by Berney or his nominees to the benefit
21 of defendants **HERBERT JACOBI, SEAN FLANAGAN, DANIEL CHAPMAN** and others
22 known to the Grand Jury.

23 6. Another purpose of the racketeering conspiracy was to deceive the Securities and
24 Exchange Commission as to the true ownership and control of Professional Mining, Dream
25 Team, and K-9.

1 7. Another purpose of the racketeering conspiracy was to conceal defendants' **HERBERT**
2 **JACOBI's, SEAN FLANAGAN's and DANIEL CHAPMAN's** control of the supply of all of
3 the securities of Professional Mining, Dream Team and K-9.

4 8. Another purpose of the racketeering conspiracy was to conceal the identities of those who
5 profited from the illicit sales of the securities of Professional Mining, Dream Team, K-9, Aimrite
6 and Progress Watch securities.

7 **MEANS AND METHODS OF**
8 **THE RACKETEERING CONSPIRACY**

9 9. Among the means and methods by which defendants **HERBERT JACOBI, SHAWN**
10 **HACKMAN, JAMES FARRELL, SEAN FLANAGAN, and DANIEL CHAPMAN,** and
11 others known and unknown to the Grand Jury, achieved the purposes of the racketeering
12 conspiracy and conducted and participated in the affairs of the Enterprise was by a scheme and
13 artifice to defraud as described in paragraphs 4 through 33 of **COUNT ONE** above.
14 All in violation of Title 18, United States Code, Section 1962(d).

15 **COUNT FOUR**
16 **(Conspiracy to Defraud the United States)**

17 1. From in or about February 19, 1998, the exact date being unknown to the Grand Jury, and
18 continuing thereafter up to and including the date of this indictment, in the State and Federal
19 District of Nevada, and elsewhere,

20 **HERBERT JACOBI, and**
21 **SEAN FLANAGAN,**

22 defendants herein, did unlawfully, willfully, and knowingly conspire, combine, confederate, and
23 agree together, and with each other and with others known to the Grand Jury to defraud the
24 United States for the purpose of impeding, impairing, obstructing, and defeating the lawful
25 Government functions of the Internal Revenue Service of the Treasury Department in the

1 ascertainment, computation, assessment, and collection of revenue: to wit, income taxes.

2 **MANNER AND MEANS**

3 2. The manner and means which the defendants and others used to achieve the objectives of
4 the conspiracy included, among others, the following:

5 3. It was a part of the conspiracy that defendant **HERBERT JACOBI** secretly owned and
6 controlled certain Bahamian entities, namely Cool Bush, Ocean Wind, and Purple Haze, and that
7 defendant **HERBERT JACOBI** used these Bahamian entities as his nominees.

8 4. It was a part of the conspiracy that starting in or about February 19, 1998, defendant
9 **HERBERT JACOBI** caused his secretary, using the alias "Evelyn Johnson," to open brokerage
10 accounts in the name of Cool Bush, Ocean Wind, and Purple Haze, each of which was
11 purportedly solely owned and controlled by "Evelyn Johnson." These brokerage accounts were
12 in reality controlled by defendant **HERBERT JACOBI** and used by him to conceal from the
13 Internal Revenue Service his income from the sales of securities.

14 5. It was a further part of the conspiracy that defendant **HERBERT JACOBI** caused his
15 secretary, using the alias "Evelyn Johnson," to certify to brokerage firms that "Evelyn Johnson,"
16 the beneficial owner of Cool Bush, Ocean Wind, and Purple Haze, was a resident of the
17 Bahamas, and a foreign person exempt from United States taxes.

18 6. It was a further part of the conspiracy that defendant **HERBERT JACOBI** exercised
19 complete control over the brokerage accounts held in the name of Cool Bush, Ocean Wind, and
20 Purple Haze, and that he gave all instructions related to sales of securities that occurred in these
21 accounts.

22 7. It was a further part of the conspiracy that defendant **HERBERT JACOBI** opened client
23 trust bank accounts in the names of Cool Bush, Ocean Wind, and Purple Haze, into which
24 defendant **HERBERT JACOBI** transferred proceeds from sales of stock in brokerage accounts
25 held in the name of Cool Bush, Ocean Wind and Purple Haze.

1 8. It was a further part of the conspiracy that defendant **HERBERT JACOBI** and Robert
2 Potter agreed to conceal their stock sales proceeds from the Internal Revenue Service and others
3 by placing these proceeds into brokerage and bank accounts held in the name of Cool Bush,
4 Ocean Wind, and Purple Haze.

5 9. It was a further part of the conspiracy that the stock sold by defendant **HERBERT**
6 **JACOBI** in the Cool Bush, Ocean Wind and Purple Haze brokerage accounts represented his
7 and Robert Potter's proceeds from their illegal securities fraud scheme, as described in
8 paragraphs 4 through 33 of **COUNT ONE** of this Indictment.

9 10. It was a further part of the conspiracy that defendant **HERBERT JACOBI** instructed the
10 CEO of 1st Miracle Group, Inc. to issue 80,000,000 shares of stock to Ocean Wind and to mail
11 the stock certificate to defendant **HERBERT JACOBI** as partial payment for the purchase price
12 of K-9.

13 11. It was a further part of the conspiracy that defendant **SEAN FLANAGAN**, knowing that
14 Cool Bush and Ocean Wind were defendant **HERBERT JACOBI**'s nominees, and that
15 **HERBERT JACOBI** used these nominees to conceal assets from the Internal Revenue Service,
16 instructed Pacific Stock Transfer to transfer stocks of Professional Mining from the names of
17 Peter Berney's nominees into the names of Cool Bush and Ocean Wind, after which defendant
18 **SEAN FLANAGAN** caused the new stock certificates to be sent to defendant **HERBERT**
19 **JACOBI**.

20 12. It was a further part of the conspiracy that defendant **SEAN FLANAGAN**, knowing that
21 Ocean Wind was defendant **HERBERT JACOBI**'s nominee, and that **HERBERT JACOBI**
22 used Ocean Wind to conceal assets from the Internal Revenue Service, instructed Alpha Tech
23 Stock Transfer to transfer stocks of Dream Team from the names of Peter Berney's nominees
24 into the name of Ocean Wind, and to send the new stock certificates to defendant **HERBERT**
25 **JACOBI**.

1 13. It was a further part of the conspiracy that defendant **HERBERT JACOBI** instructed
2 Alpha Tech Stock Transfer to transfer Progress Watch stock certificates in the name of Peter
3 Berney's nominees into the name of Purple Haze and to send the new certificates to defendant
4 **HERBERT JACOBI**.

5 14. It was a further part of the conspiracy that defendant **HERBERT JACOBI** caused these
6 stock certificates to be deposited into brokerage accounts in the names of Cool Bush, Ocean
7 Wind, and Purple Haze and then sold, after which defendant **HERBERT JACOBI** caused the
8 proceeds of these sales to be transferred to bank accounts in the name of Cool Bush, Ocean Wind
9 and Purple Haze.

10 15. It was a further part of the conspiracy that in this manner, during the year 2000, defendant
11 **HERBERT JACOBI** directed and instructed sales of stock in excess of \$14 million in
12 brokerage accounts held in the name of Cool Bush, Ocean Wind, and Purple Haze, which
13 proceeds he then transferred to bank accounts in the name of Cool Bush, Ocean Wind, and
14 Purple Haze.

15 16. It was a further part of the conspiracy that defendant **HERBERT JACOBI** used the
16 stock sales proceeds held in accounts in the name of Cool Bush, Ocean Wind and Purple Haze
17 for his and Robert Potter's personal benefit, including personal expenditures and purchases of
18 certificates of deposit, residences, vehicles, boats and other things of value.

19 17. It was a further part of the conspiracy that defendant **HERBERT JACOBI** did not report
20 any of the more than \$14 million of stock sales in the Cool Bush, Ocean Wind and Purple Haze
21 brokerage accounts as income on his 2000 tax return.

22 **OVERT ACTS**

23 18. In furtherance of the conspiracy, and to effect the objects thereof, the overt acts
24 enumerated in paragraphs 38 through 39, 42, 64 through 83, 92 through 98, 104, 107 through
25 116, and 121 through 158 of **COUNT ONE** of this indictment, among others, were committed in

1 the State and Federal District of Nevada, and elsewhere.

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

3 **COUNT FIVE**

4 **(Racketeering)**

5 1. The allegations contained in paragraphs 1 and 2 of **COUNT THREE** of this Indictment
6 are hereby realleged and incorporated by reference herein as though fully set forth at length.

7 2. From on or about July 1995, to on or about November 30, 2001, within the State and
8 Federal District of Nevada and elsewhere,

9 **SEAN FLANAGAN,**

10 **SHAWN HACKMAN,**

11 **JAMES FARRELL,**

12 **DANIEL CHAPMAN, and**

13 **HERBERT JACOBI,**

14 defendants herein and other persons, known and unknown to the Grand Jury, being persons
15 employed by and associated with the Enterprise, which was engaged in, and the activities of
16 which affected, interstate commerce, did unlawfully, willfully and knowingly, directly and
17 indirectly, conduct, and participate in the conduct of, the affairs of that Enterprise through a
18 pattern of racketeering activity as defined by Title 18, United States Code, Sections 1961(1) and
19 1961(5), consisting of the following: Title 15 United States Code, Sections 78j(b) and 78ff, and
20 Title 17, Code of Federal Regulations, Section 240.10b-5, securities fraud; Title 18, United
21 States Code, Section 1956, money laundering; Title 18, United States Code, Section 1957,
22 money laundering; Title 18, United States Code, Section 1343, wire fraud; Title 18, United
23 States Code, Section 1341, mail fraud; Title 18, United States Code, Section 2314, interstate
24 transportation of stolen securities; and Title 18, United States Code, Section 2315, receipt and
25 sale of stolen securities.

1 **THE PATTERN OF RACKETEERING ACTIVITY**

2 3. The pattern of racketeering activity, as defined in Title 18, United States Code, Sections
3 1961(1) and 1961(5), consisted of the following acts:

4 **Racketeering Act One – Professional Mining/AudioMonster**

5 **Racketeering Act 1(a) - Fraud**

6 **in the Sale of AudioMonster/**

7 **Professional Mining Securities**

8 (1) It was part of the pattern of racketeering activity that from on or about June 7,
9 1999 to on or about November 30, 2001, in the State and Federal District of Nevada and
10 elsewhere,

11 **SEAN FLANAGAN,**

12 **SHAWN HACKMAN,**

13 **DANIEL CHAPMAN, and**

14 **HERBERT JACOBI,**

15 defendants herein, and others known to the Grand Jury, did, directly and indirectly, by the use of
16 means and instruments of transportation and communication in interstate commerce and the
17 mails, knowingly and willfully employ a device, scheme and artifice to defraud, obtain money
18 and property by means of omissions to state material facts necessary in order to make statements
19 made, in the light of the circumstances under which they were made, not misleading, and engage
20 in transactions, practices and courses of business which would and did operate as a fraud or
21 deceit upon the purchaser in the offer and sale of securities, to wit: the common stock of
22 Professional Mining, subsequently AudioMonster, as described in paragraphs 4 through 33 and
23 35 through 122 of **COUNT ONE** above, in violation of Title 15, United States Code, Sections
24 78j(b) and 78ff; Title 17, Code of Federal Regulations, Section 240.10b-5; and Title 18, United
25 States Code, Section 2: