

**SEC target Brown pleads guilty**

2010-02-18 14:34 ET - Street Wire

Also Street Wire (U-\*SEC) U.S. Securities and Exchange Commission

Also Street Wire (U-AAGH) Asia Global Holdings Corp

Also Street Wire (U-GHTI) GH3 International Inc

by Mike Caswell

Matthew Brown, operator of the penny stock website Investors Hub, has pleaded guilty to criminal securities fraud and money laundering charges. He entered the plea in a brief appearance before Delaware Judge Joseph Farnan on Wednesday, Feb. 17, 2010. In exchange for the guilty plea, prosecutors will recommend a reduced sentence for Mr. Brown, 26, who faced a maximum of 50 years in jail and fines of \$1-million or more. (All figures are in U.S. dollars.)

Prosecutors claim that Mr. Brown and six others manipulated four pink sheets companies, including Ontario-based Playstar Corp., which purported to be developing a proprietary text message system for cellphones. Police arrested Mr. Brown on May 26, 2009, and he pleaded not guilty on June 24, 2009.

Mr. Brown is free on a \$50,000 bond pending his sentencing hearing, which has not yet been scheduled. He is the first of his co-conspirators to plead guilty. Another, Florida resident Gerard D'Amaro, is scheduled to change his plea to guilty March 11, 2010.

**Brown's indictment**

Prosecutors unsealed an eight-count indictment against Mr. Brown on May 21, 2009, in the District of Delaware. The portions that he has pleaded guilty to described the pump-and-dumps of two stocks, GH3 International Inc. and Asia Global Holdings Inc. They also stated that Mr. Brown helped launder proceeds from the Asia Global pump-and-dump.

With GH3, prosecutors claimed that Mr. Brown and others misused Rule 504 offerings to obtain hundreds of millions of shares of the company. Rule 504 normally only applies to accredited investors. Then, in December, 2006, they manipulated the stock with prearranged trades that were timed to coincide with misleading news releases and posts on Investors Hub. The news releases claimed that the company had revenue of \$2.1-million and \$3-million in 2005 and 2006, and predicted that its revenue would exceed \$6-million in 2007.

The indictment claimed that Mr. Brown and the others sold shares of GH3 during the manipulation, although it did not state how many. It said that they transferred \$693,000 in proceeds from the scheme to various bank and trading accounts they held. The indictment also noted that Mr. Brown paid a driver \$10,000 to take \$146,000 in cash from California to Delaware.

The allegations in the Asia Global promotion were similar. Prosecutors claimed that Mr. Brown and the others issued millions of shares to non-qualified investors, and then co-ordinated manipulative trades with false and misleading news releases. The company purported to have the rights to the show "Who Wants to be a Millionaire" in China.

Ahead of the promotion, Mr. Brown received several communications through his America Online instant message program about the timing of the company's news releases. The indictment quoted several of the messages, including one dated Nov. 1, 2006, which stated, "u have all the prs [press releases] right, except the first one, which im going to work on tomorrow for sure, we need a plan on line up of events and i need to see the damn prs to see which rumor to spread and how to start the damn thing ... ." Another, dated Aug. 14, 2006, stated, "I got the entire world on aagh, lol, willys room, panettas room, ihub."

As the company issued misleading news, Mr. Brown and others directed the buying and selling of 26.2 million of Asia Global's shares, the indictment stated. One of the news releases, dated Aug. 29, 2006, stated that the company's net income for the second quarter increased 370 per cent over the second quarter of 2005.

The charges that Mr. Brown pleaded guilty to also included helping one of his co-conspirators, Pawel Dynkowski, set up an offshore bank account to hold money from the Asia Global pump-and-dump. According

**U.S. Securities and Exchange Commission**

Symbol	*SEC
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Shares Issued	n/a
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Close	n/a
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to the indictment, he travelled to Costa Rica with Mr. Dynkowski on Oct. 21, 2006, to open an account that would be hidden from the U.S. Securities and Exchange Commission. After the men finished the trip, Mr. Dynkowski confirmed in an instant message that his "set up is now 100% sec safe."

While Mr. Brown has pleaded guilty, the cases against most of his co-conspirators remain outstanding. They are Joseph Mangiapane, 43, of California; Pawel Dynkowski, 24, of Delaware; Marc Riviello, 50, of California; Jacob Canceli, 50, of California; Gerard D'Amaro, 38, of Florida; and Angelo "Bill" Panetta, 48, of California. They have all pleaded not guilty, except Mr. Dynkowski, who has not yet entered a plea.

### **Brown's plea agreement**

Prosecutors filed a memorandum setting out a plea agreement with Mr. Brown on Feb. 17, 2010, in court. The memorandum states that the government will agree to a reduction in Mr. Brown's sentence provided he does not do anything inconsistent with accepting responsibility for his actions.

It is ultimately the judge's decision to determine what Mr. Brown's sentence will be, as prosecutors can only make recommendations. Whatever the judge decides, Mr. Brown has agreed that he will not appeal his sentence unless it unreasonably exceeds the sentencing guidelines.

The agreement also contains several asset forfeiture conditions. Among them are orders that Mr. Brown will provide a full accounting of his proceeds from the crime, and will agree to forfeit his interests in any property traceable to the proceeds of crime. Mr. Brown has also agreed to voluntarily enter the inmate financial responsibility program. This means that while in jail, the Bureau of Prisons will collect a portion of his prison salary and apply it to the payment of his debt.

### **SEC case**

In addition to the criminal charges, Mr. Brown and his co-conspirators are facing a civil suit from the SEC. That case, filed on May 21, 2009, alleges that the men made \$6.2-million pumping and dumping Playstar, GH3 International, Asia Global and Xtreme Motorsports of California Inc.

The SEC belatedly halted GH3 on Dec. 24, 2009, stating that publicly available information on the company was questionable.

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Now its time to go after Janice Shell and her "employers".

Posted by enforcement@sec.gov @ 2010-02-18 14:39

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"Mr. Brown, 26, who faced a maximum of 50 years in jail and fines of \$1-million or more."

The little arrogant snot should get the maximum.

Posted by frankie fillet @ 2010-02-18 14:43

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Pretty unlikely he will get anything close to the maximum. Might get a couple years and a bit of a fine. The guy might be a bit of a scumbag caught up in the mix but 50 years in the slammer doesn't do anybody any good. He isn't a serial killer.

Posted by Richard @ 2010-02-18 14:59

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"He isn't a serial killer"

He's no different than a bank robber.

Posted by frankie fillet @ 2010-02-18 15:01

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That maybe true but bank robbers get less than ten years unless it is done with a weapon and is violent. Brown is just a 26 yr old kid. Do you remember when you were 26yrs old? Probably not... If they gave him a year or two he wouldn't be doing it again. Bank robbers are not serial killers that's why the punishment is different.

Do you understand?

Posted by Richard @ 2010-02-18 15:11

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I understand Matt Brown is a perverted little fraudster who knew exactly what he was doing while pumping and dumping millions of illegal shares. He should get at least 15 years in prison for his crimes against the investing public. His criminal activity hurt a lot of individual investors.

Do you work for IHUB by any chance?

Posted by frankie fillet @ 2010-02-18 15:30

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Matty obviously cut a deal to rat out others.

MeThinks the Hubsters are all history.

Posted by I smell a RAT @ 2010-02-18 15:38

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Isn't it strange how Janice Shell is moderator of the IHUB message board discussing Matt Brown's criminal case. Gee....I wonder why? LOL

Posted by scion @ 2010-02-18 15:41

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Frankie - just telling you like it is.

I think you might be caught up in this game too much. A bit too far right wing I suspect. Policing might be the ticket for you. I hear they are all out of touch too.

Posted by Richard @ 2010-02-18 17:45

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For more information on Matt Brown, J. Mangiapane, Jr., Marc Riviello, et al. see also:  
<http://rubiconlitigation.com/>

Posted by Rubicon Financial Litigation @ 2010-02-19 00:58

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Matt Brown has already provided a lot of information to the SEC about Janice and the others. Do you really think he would keep his mouth shut?

Posted by frankie fillet @ 2010-02-19 03:05

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Richard, I think you are an IHUB operative, why else would anyone want to defend Matt Brown's criminal activity?

Posted by frankie fillet @ 2010-02-19 03:07

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Matt is doing the perp walk and they can't find Urbie.

When will this drama end!

Posted by Eye Sky @ 2010-02-19 10:05

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