

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION**

CASE NO.

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| SECURITIES AND EXCHANGE COMMISSION, |) | |
| |) | |
| Plaintiff, |) | |
| v. |) | |
| |) | |
| JEAN R. CHARBIT and |) | |
| TZEMACH DAVID NETZER KOREM, |) | |
| |) | |
| Defendants. |) | |
| | |) |

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. From no later than December 2009 through February 2010, Defendants Jean R. Charbit and Tzemach David Netzer Korem engaged in a fraudulent kickback scheme involving ZNext Mining Corporation, Inc. common stock in violation of the federal securities laws.

2. Charbit, a stock promoter, paid an illegal kickback to a purported corrupt stock broker to induce him to purchase \$300,000 worth of ZNext stock for his clients' discretionary accounts. The kickback consisted of \$3,000 in cash and \$100,000 worth of ZNext restricted stock. Korem, as ZNext's transfer agent, issued the stock certificate for the kickback. Unbeknownst to the Defendants, the corrupt broker was actually an undercover FBI agent, and the broker's middleman was actually a witness cooperating with the FBI.

3. The Defendants created this scheme in an effort to generate the appearance of market interest in ZNext, induce public purchases of its stock, and ultimately increase the stock's

trading price. In doing so, the Defendants intended to sell their own shares of ZNext at an artificially inflated price.

4. As a result of the conduct described in this Complaint, the Defendants violated Section 17(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77q(a); and Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b) and 17 C.F.R. §240.10b-5. Unless restrained and enjoined, they are reasonably likely to continue to violate the federal securities laws.

5. The Commission respectfully requests that the Court enter: (1) a permanent injunction restraining and enjoining the Defendants from violating the federal securities laws; (2) an order directing the Defendants to pay civil money penalties; and (3) an order barring the Defendants from participating in any offering of penny stock.

II. DEFENDANTS AND RELEVANT ENTITY

A. Defendants

6. Charbit is a French citizen with a residence in Miami, Florida. During the relevant time period, Charbit was involved in the promotion of ZNext’s common stock.

7. Korem is believed to reside in Los Altos, California. Korem goes by many aliases, including Mark Pedley, David Korman, Mark Wellington, and Branch Vindresser. He has a criminal record, including fraud convictions, dating back to the 1980s. Korem created a fictitious country, the Dominion of Melchizedek, which claims “ecclesiastical sovereignty” on an island in the South Pacific, and has its own Website <http://www.melchizedek.com>. It has been the subject of criminal prosecutions in several countries, including the United Kingdom, Australia, and the Philippines, and has been used to charter fictitious companies, banks, and stock exchanges. During the relevant time period (December 2009 through February 2010),

Korem drafted press releases for ZNext and served as ZNext's transfer agent through his company, First Public Securities Transfer.

B. Relevant Entity

8. ZNext is a Delaware corporation with its principal place of business in the Philippines. It purports to be an international mining company engaged in the exploration and development of new and underdeveloped mine sites. The company's common stock is quoted on the Pink Sheets under the symbol "ZNXT." It has never been registered with the Commission in any capacity.

9. ZNext's stock is a "penny stock" as defined by the Exchange Act. At all times relevant to this Complaint, the stock's shares traded at less than \$5.00 per share. In fact, during the relevant time period, the stock never traded over five cents per share.

10. During the same time period, ZNext's stock did not meet any of the exceptions to penny stock classification pursuant to Section 3(a)(51) and Rule 3a51-1 of the Exchange Act. For example, the company's stock: (1) was not registered and did not trade on a national securities exchange; (2) was not an "NMS stock," as defined in 17 C.F.R. § 242.242.600(b)(47); (3) did not have net tangible assets (i.e., total assets less intangible assets and liabilities) in excess of \$5,000,000; and (4) did not have average revenue of at least \$6,000,000 for the last three years. *See* Exchange Act, Rule 3a51-1(g).

III. JURISDICTION AND VENUE

11. The Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(d) and 77v(a), and Sections 21(d) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa.

12. This Court has personal jurisdiction over the Defendants, and venue is proper in the Southern District of Florida, because many of the Defendants' acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the Southern District of Florida. For example, Charbit has a residence, met with the cooperating witness, and delivered the \$3,000 cash kickback to him in the Southern District of Florida. Additionally, Korem sent e-mails and made telephone calls to the cooperating witness, who was located in the District. He also transmitted copies of the stock certificate constituting part of the kickback into the District. Further, Korem knew the cooperating witness was located in the District and participated in telephone meetings involving the witness while planning the details of the fraud.

13. The Defendants, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce, or of a means or instrumentality of interstate commerce, or of the mails, in connection with the conduct alleged in this Complaint.

IV. THE FRAUDULENT SCHEME

14. In December 2009, Charbit and Korem actively sought partners for a market manipulation scheme whereby they could falsely generate the appearance of market interest in ZNext stock. Specifically, in December 2009, Korem entered into discussions with the cooperating witness looking for ways to artificially increase the price of the stock. The Defendants, agreed to pay a kickback to induce purchases of ZNext's stock. The cooperating witness, acting as a middleman, indicated that he had a potential partner for their kickback plan – the undercover FBI agent posing as a corrupt stock broker.

A. The Defendants' Scheme

15. On January 6 and 7, 2010, Charbit telephoned the cooperating witness to plan the details. Under the scheme, Charbit and Korem agreed to pay a kickback of \$3,000 in cash and

\$100,000 in ZNext restricted stock to the broker in exchange for him buying \$300,000 of ZNext stock over several weeks.

16. The cooperating witness informed the Defendants the broker owed a fiduciary duty to his clients, and there would be a problem if the broker's superiors or the Commission discovered the kickback. The Defendants agreed the kickback should remain undisclosed and agreed to disguise it by issuing the stock to a third party – the broker's girlfriend. Unbeknownst to the Defendants, the broker's girlfriend was a fiction created for this operation.

17. Additionally, Charbit told the cooperating witness Korem had control over the substance of the substance and timing of ZNext's press releases. He indicated this could assist in masking the broker's trades.

B. The Defendants Deliver a Kickback of Cash and Stock

18. On January 8, 2010, Charbit met with the cooperating witness in Coral Gables, Florida. At that meeting, Charbit gave the cooperating witness \$3,000 in cash as part of the broker's kickback. Charbit also told the cooperating witness he would have Korem issue the remaining portion of the kickback as \$100,000 of ZNext restricted stock in the name of the broker's girlfriend.

19. Also at that meeting, Charbit gave the cooperating witness a draft press release for ZNext. Korem designed the press release to mask any spike in trading volume caused by the broker's stock purchase. The press release indicated ZNext would be fast-tracking its gold mining activities to take advantage of rising gold prices. Charbit agreed to issue the press release on January 14, 2010.

20. Later that day, Korem, in his position as ZNext's transfer agent, issued \$100,000 of ZNext restricted stock in the girlfriend's name. Charbit sent a copy of the stock certificate to the cooperating witness via e-mail that evening.

21. On January 14, 2010, ZNext issued a press release that was nearly identical to the one Charbit presented to the cooperating witness the previous week. With the cover for the broker's buying in place, the Defendants believed the scheme would commence.

22. On January 15, 2010, the FBI purchased 25,000 shares of ZNext stock on the open market for a total cost of \$1,000. The FBI's purchase constituted 22% of the volume for that day. The average daily trading volume for ZNext shares had been approximately 53,600 shares per day for the previous ten trading days.

23. The following day the cooperating witness told Charbit the broker's compliance officer questioned the trade and the broker was pulling out of the deal.

24. As a result, Charbit made numerous attempts to recapture the kickback. He repeatedly e-mailed and telephoned the cooperating witness demanding the return of the stock certificates he had paid as part of the kickback. Charbit's attempts to recover the kickback were unsuccessful.

COUNT I

Fraud In Violation of Section 17(a)(1) of the Securities Act

25. The Commission realleges and incorporates paragraphs 1 through 24 of its Complaint.

26. From December 2009 through February 2010, the Defendants directly and indirectly, by use of the, means or instruments of transportation or communication in interstate

commerce and by use of the mails, in the offer or sale of securities, as described in this Complaint, knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

27. By reason of the foregoing, the Defendants, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. §77q(a).

COUNT II

Fraud in Violation of Section 10(b) and Rule 10b-5 of the Exchange Act

28. The Commission realleges and incorporates paragraphs 1 through 24 of its Complaint.

29. From December 2009 through February 2010, the Defendants, directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of securities, knowingly, willfully or recklessly:

- (a) employed devices, schemes or artifices to defraud;
- (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, practices and courses of business which have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

30. By reason of the foregoing, the Defendants directly or indirectly violated and, unless enjoined, are reasonably likely to continue to violate Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine, and find that the Defendants have committed the violations of the federal securities laws alleged in this Complaint.

II.

Permanent Injunctive Relief

Issue a Permanent Injunction restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Section 17(a) of the Securities Act and Section 10(b) and Rule 10b-5 of the Exchange Act, as indicated above.

III.

Penalties

Issue an Order directing all Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d); and Section 21(d) of the Exchange Act, 15 U.S.C. § 78(d)(3).

IV.

Penny Stock Bar

Issue an Order barring the Defendants from participating in any offering of penny stock, pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), for the violations alleged in this Complaint.

V.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

VI.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

October 7, 2010

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