



founded to develop and commercialize an energy efficient technology that Williams and AHP had licensed from the U.S. Environmental Protection Agency (“EPA”). In addition to the funds raised for Energy Operations and AHP, Williams raised smaller amounts from Investor A in connection with an investment to develop an island off the coast of Panama (“Bona Island”) and for Namasta Investments, LLC (“Namasta”), which Williams claimed was an investment to gain access to a large bank account in the Netherlands that would ultimately secure additional funding for AHP.

2. Williams told Investor A that all of the money he had raised from Investor A would exclusively be used for these four investments. In reality, however, Williams misappropriated more than \$3.1 million from Investor A. Williams used \$1.8 million of the funds he misappropriated from Investor A to pay for a variety of personal expenses, including payments to his domestic partner and to pay for his daughter’s wedding. In addition, Williams diverted over \$1.3 million of Investor A’s investment funds to pay for several projects unrelated to the investments described above.

3. Defendant Williams, as a result of the conduct described in this Complaint, has engaged in, and unless restrained and enjoined by this Court, will in the future engage in transactions, acts and practices, and courses of business that violate the antifraud provisions of Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

4. The Commission brings this action pursuant to the enforcement authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

## **JURISDICTION AND VENUE**

5. The Court has jurisdiction over this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Section 21 of the Exchange Act [15 U.S.C. § 78u]. Defendant Williams, directly or indirectly, has made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the acts, practices and courses of business alleged in this Complaint.

6. Venue is proper in this Court pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the acts, practices and courses of business constituting the violations alleged in this Complaint occurred within the jurisdiction of the United States District Court for the Western District of Missouri.

## **DEFENDANT**

7. John Clifford Williams is 64 years old and resides in Gresham, Oregon. He founded and has complete control over Energy Operations Trust. Williams also founded, held the position of chairman and is the majority owner of American Hydraulic Power.

## **OTHER RELEVANT ENTITIES**

8. Energy Operations Trust is an Ohio business trust formed in 2009 by Williams through another entity Williams controls named Renewable Utility Development, LLC. Williams established Energy Operations Trust for the purpose of offering investment units which entitled investors to receive revenues derived from certain mineral rights concessions Williams had purportedly acquired for gold and manganese mines located in Central America.

9. American Hydraulic, LLC is a Michigan limited liability company founded by Williams in 2012. Before it ceased operations, AHP rented office space in Troy, Michigan. According to its no longer active website, American Hydraulic Power was established to develop and commercialize a hydraulic power train technology that it had licensed from the EPA.

## **FACTS**

### **Williams' Securities Offerings**

10. Williams first met and befriended Investor A in or about 2004. Thereafter, Williams began soliciting Investor A to invest in several projects that he promoted.

11. According to Williams' résumé and AHP's website, Williams has been involved in promoting start-up companies and other projects over at least the last decade.

12. Although the early investments Williams promoted to Investor A turned out to be unsuccessful, Williams continued to solicit and raise funds from Investor A.

13. Between February 2009 and May 2014, the time period at issue in this case, Williams raised funds from Investor A in connection with Energy Operations and AHP along with two smaller investments in Bona Island and Namasta.

14. Starting in or about February 2009, Williams contacted Investor A and solicited Investor A to purchase units in Energy Operations, an entity Williams established in or about July 2009 as an Ohio business trust to help secure certain concessions Williams claimed he had obtained to extract gold and manganese from mines located in Panama and Peru.

15. Williams exclusively controlled Energy Operations through another entity he established named Renewable Utility Development, which served as the trustee for Energy Operations.

16. Williams engaged a well-respected law firm located in Kansas City, Missouri to draft the escrow agreement and certain offering documents for Energy Operations.

17. In addition, Williams retained the services of a large Kansas City, Missouri bank to serve as the escrow agent for Energy Operations.

18. Investor A believed that Williams' engagement of a respected law firm to draft offering documents and a large local bank to serve as escrow custodian demonstrated the

legitimacy of Energy Operations and gave Investor A comfort in the decision to invest through Williams.

19. In order to satisfy certain concerns of Investor A about the legitimacy of Energy Operations, Williams also forwarded Investor A several email communications between Williams and the attorney he hired to draft the offering documents for Energy Operations. Williams also facilitated a conversation between Investor A and the attorney for Energy Operations on at least one occasion.

20. As part of the decision to invest in Energy Operations, Investor A reviewed the executive summary and other documents and information prepared by Williams, which provided details about the expected mineral yield, maps identifying the location of the mines, and photos of the mines.

21. In addition, Investor A travelled with Williams to Panama to visit certain of the mines purportedly controlled by Energy Operations. After Investor A's visit to Panama, Williams solicited Investor A to make additional equity investments in Energy Operations.

22. Williams made additional trips to Panama with other consultants.

23. Unbeknownst to Investor A, all of the trips to Panama, including all travel expenses for Williams, the consultants and Investor A, were paid for with Investor A's investment funds.

24. Williams stated that Investor A was one of several investors in Energy Operations. In reality, Investor A was the sole investor. If Investor A had known that Williams was unable to obtain any other investors in Energy Operations, Investor A would not have invested.

25. Investor A never authorized Williams to use investment funds to pay for travel expenses or to pay himself a salary in connection with the investment in Energy Operations.

Williams never disclosed to Investor A that he used Investor A's funds to pay for his travel expenses and for the travel expenses of consultants and others involved in Energy Operations.

26. Over time, Investor A expressed concerns to Williams about the failure of Energy Operations to generate revenue through the mines. In response to Investor A's concerns, Williams repeatedly stated that Energy Operations was a victim of bureaucratic and other entanglements which delayed production from the mines.

27. Williams raised at least \$2,603,850 from Investor A for Energy Operations and led Investor A to believe that all of those funds would be used by Energy Operations for business expenses.

28. Starting in or about April 2011, Williams solicited Investor A to make an equity investment in AHP. Williams informed Investor A that AHP was a start-up company that he founded and wanted to capitalize in order to develop a technology that AHP would license from the EPA.

29. Williams informed Investor A that the technology licensed from the EPA would allow for large commercial vehicles such as buses and trucks to store energy generated by hydraulic braking systems. Williams further stated to Investor A that the stored energy would allow vehicles to run more efficiently by storing energy instead of relying alone on hydrocarbon-powered engines.

30. Williams provided Investor A with numerous documents describing the EPA technology along with business plans he had developed for AHP.

31. Investor A agreed to invest in AHP and understood from Williams that much of the initial investment would be used to pay certain start-up costs such as the EPA licensing fees and attorney's fees.

32. Investor A did not authorize Williams to use Investor A's investment funds to pay himself a salary in connection with AHP.

33. Williams officially incorporated AHP in 2012 and AHP quickly entered into an agreement with a multinational automotive engineering firm to develop and commercialize the hydraulic braking technology. Williams agreed to raise additional capital to pay for the costs of developing the hydraulic braking system and told Investor A that he had multiple other investors willing to invest in AHP. In reality, the only investor Williams secured for AHP was Investor A.

34. In January 2013, Williams filed a Form D with the Commission on behalf of AHP indicating that AHP planned to conduct an equity and debt securities offering utilizing the exemption from registration available under Commission Rule 506. Rule 506 permits companies to raise investment funds without registering the securities offering as long as they meet certain requirements.

35. Although Williams paid the EPA to license the technology, he did not fulfill his financial obligations to the engineering firm, and, despite attempting to enlist a private equity firm to help raise capital and filing a Form D with the Commission, Williams failed to obtain any additional investors for AHP.

36. Based on Williams' verbal representations and numerous emails touting AHP's business opportunities, Investor A continued to make additional equity investments in AHP, ultimately investing \$5,500,000 between April 2011 and February 2013. Williams told Investor A that he would use Investor A's funds to pay additional start-up costs including payments to the engineering firm engaged by AHP.

37. Despite this fact, AHP quickly ran out of money, stopped paying the engineering firm, and ceased all operations in early 2014.

38. Williams offered several other investments to Investor A over the course of their association, but Investor A ultimately declined to make the investments. However, in or about February 2014, Williams successfully solicited Investor A to make a small \$5,000 investment in Bona Island, which Williams described to Investor A as a concession to develop an island in the Pacific Ocean near the Panama Canal. Although Williams asked Investor A to invest additional funds in Bona Island, Investor A refused to increase the investment.

39. Based on Williams' representations, Investor A also agreed to invest \$36,000 in Namasta based on Williams' claim that Namasta would provide additional funding for AHP. Williams asked Investor A to invest additional funds in Namasta, but Investor A refused to increase the investment.

40. Williams gave Investor A several promissory notes to give Investor A comfort in the event that the investments failed to generate returns. In addition, Williams further acknowledged Investor A's investments in writing in February 2013 and May 2014.

#### **Misappropriation of Investor Funds**

41. Between February 2009 and May 2014, Williams raised \$8,144,850 from Investor A for the investments in Energy Operations, AHP, Bona Island, and Namasta.

42. Instead of using Investor A's funds as Williams claimed for the above-described investments, however, Williams misappropriated and diverted at least \$3,148,308, which accounted for more than 38% of the total funds raised by Williams.

43. Williams used funds from Investor A to pay numerous personal expenses, including paying at least \$10,000 for his daughter's wedding, paying at least \$67,500 to his domestic partner for household expenses and other financial obligations, and transferring approximately \$32,000 of investor funds to bank accounts that he shared with his daughters.

44. Since February 2009, Williams also withdrew at least \$150,000 of Investor A's funds in cash and used at least \$437,500 of Investor A's money to pay for other personal expenses such as credit card bills, restaurant and grocery bills, healthcare expenses, holiday gifts, and entertainment expenses.

45. Unbeknownst to Investor A, Williams relied on Investor A's funds to pay for his domestic and international travel, including first class flights and luxury accommodations. Between February 2009 and May 2014, Williams misappropriated at least \$340,245.93 of Investor A's funds for international and domestic travel.

46. In addition to using Investor A's funds to support his lifestyle, Williams diverted Investor A's investment money to fund certain other projects that Williams had promoted in the Democratic Republic of the Congo, Central America, and elsewhere.

47. Despite never having received permission to use Investor A's funds for these projects and never having informed Investor A of these uses, Williams transferred \$389,000 of Investor A's funds to a California-based water engineering firm and used \$100,000 of Investor A's funds to invest in a fraudulent scheme that was halted by the Commission in 2013.

48. Williams also diverted an additional \$271,000 of Investor A's money (beyond the \$36,000 Investor A authorized) to Namasta.

### **COUNT ONE**

#### ***For Violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]***

49. The Commission realleges and incorporates by reference paragraphs 1 through 48.

50. Williams, acting intentionally, knowingly or recklessly, by use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, in the offer or sale of securities: (a) has employed or is employing devices, schemes, or

artifices to defraud; (b) has obtained money or property by means of material misstatement or omission; or (c) has engaged or is engaging in transactions, practices, or courses of business which operated as a fraud or deceit upon the purchasers of such securities.

51. By engaging in the conduct described above, Williams has violated, and unless restrained and enjoined, will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

## **COUNT TWO**

### ***For Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]***

52. The Commission realleges and incorporates by reference paragraphs 1 through 48.

53. Williams, directly or indirectly, acting intentionally, knowingly or recklessly, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce or of the mails: (a) used or employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or 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, or courses of business which operated or would operate as a fraud and deceit upon other persons.

54. By engaging in the conduct described above, Williams has violated, and unless restrained and enjoined, will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

## **RELIEF REQUESTED**

**WHEREFORE**, the Commission respectfully requests that the Court:

### **I.**

Permanently enjoin Defendant Williams from, directly or indirectly, violating or aiding and abetting violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

### **II.**

Order Defendant Williams to disgorge all ill-gotten gains he received as a result of the violations alleged in this Complaint, plus prejudgment interest;

### **III.**

Order Defendant William to pay civil penalties pursuant to Section 20 of the Securities Act [15 U.S.C. § 77t] and Section 21 of the Exchange Act [15 U.S.C. § 78u];

### **IV.**

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable applications or motions for additional relief within the Court's jurisdiction;

### **V.**

Grant such other and further relief as the Court deems necessary and appropriate.

## **JURY DEMAND**

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiff demands that this case be tried to a jury on all issues so triable.

Dated: October 20, 2015

Respectfully Submitted,  
**UNITED STATES SECURITIES AND EXCHANGE  
COMMISSION**

/s/ Alyssa A. Qualls

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JS 44 (Rev 09/10)

**UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF MISSOURI****CIVIL COVER SHEET**

This automated JS-44 conforms generally to the manual JS-44 approved by the Judicial Conference of the United States in September 1974. The data is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. The information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is authorized for use only in the Western District of Missouri.

**The completed cover sheet must be saved as a pdf document and filed as an attachment to the Complaint or Notice of Removal.**

**Plaintiff(s):**

First Listed Plaintiff:  
United States Securities and Exchange Commission ;  
**County of Residence:** Outside This District

**Defendant(s):**

First Listed Defendant:  
John Clifford Williams ;  
**County of Residence:** Outside This District

**County Where Claim For Relief Arose:** Jackson County

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**Basis of Jurisdiction:** 1. U.S. Government Plaintiff

**Citizenship of Principal Parties (Diversity Cases Only)**

**Plaintiff:** N/A

**Defendant:** N/A

**Origin:** 1. Original Proceeding

**Nature of Suit:** 850 Securities, Commodities, Exchanges

**Cause of Action:** 5 U.S.C. §§ 77v(a), 77u(e) and 78aa Violations of the federal securities laws, including misappropriation of funds and material misrepresentations.

**Requested in Complaint**

**Class Action:** Not filed as a Class Action

**Monetary Demand (in Thousands):**

**Jury Demand:** Yes

**Related Cases:** Is NOT a refiling of a previously dismissed action

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**Signature:** Alyssa A. Qualls

**Date:** October 20, 2015

If any of this information is incorrect, please close this window and go back to the Civil Cover Sheet Input form to make the correction and generate the updated JS44. Once corrected, print this form, sign and date it, and submit it with your new civil action.