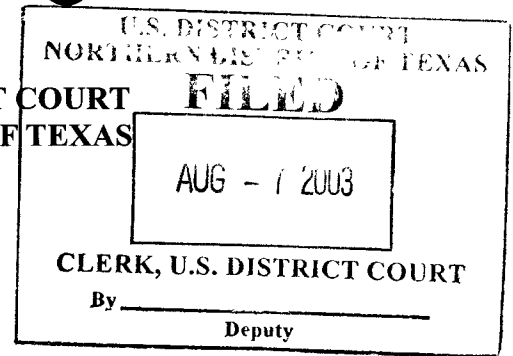


ORIGINAL

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION



SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

UNISTAR FINANCIAL SERVICE CORP.,

a Delaware corporation,

MARC A. SPARKS,

F. JEFFREY NELSON,

PHILLIP H. CLAYTON,

DINO A. ROMANO,

CYNTHIA JACKSON,

INTERMARK INVESTMENTS, INC.,

a Texas corporation,

TURNER HOLDINGS, INC.,

a Texas corporation, and

NICOLE CLAYTON CAVER,

Defendants.

Civil Action No.:

**COMPLAINT**

Plaintiff, the United States Securities and Exchange Commission ("Commission"), files this Complaint against Defendants Unistar Financial Service Corp., Marc A. Sparks, F. Jeffrey Nelson, Phillip H. Clayton, Dino A. Romano, Cynthia Jackson, Intermark Investments, Inc., Turner Holdings, Inc., and Nicole Clayton Caver and would respectfully show the Court as follows:

**SUMMARY**

1. This is a market manipulation case involving the securities of Unistar Financial Service Corporation, a Dallas-based company formerly traded on the American Stock Exchange. Marc A. Sparks, the chief executive officer of Unistar, Phillip H. Clayton, a three-time felon,

Dino A. Romano, a securities fraud recidivist, and others engaged in a scheme to profit from fraudulently inflating the value of Unistar's stock through false public statements, false Commission filings and manipulative trades.

2. Romano, Clayton and Jackson colluded to cause Unistar's stock to begin trading at \$26 per share in September 1998. Sparks, Romano, Clayton and Jackson continued to use manipulative trades, false statements and Commission filings to inflate the stock's price, which eventually reached over \$61 in July 1999 and was included in the Russell 2000 index. During this period, several of the defendants sold in excess of \$32 million worth of stock into the unsuspecting public market. Unistar's stock value eventually dropped below \$28 per share by July 20, 1999, and on July 21, 1999, the American Stock Exchange suspended trading of Unistar's securities. Unistar ultimately withdrew its listing on the American Stock Exchange, terminated the registration of its stock with the Commission and discontinued its operations.

3. The heart of the manipulation scheme was the accounting treatment used to tout the acquisition of assets in an entity named U.S. Fidelity Holding Corporation ("U.S. Fidelity"), which sold insurance-related products through subsidiaries. Unistar trumpeted its acquisition of this entity in press releases and Commission filings, which included grossly inflated audited financial statements listing the assets obtained as a result of the acquisition. Sparks, however, intentionally hid the fact that the "acquisition" was, in reality, a related party transaction and not the result of an arm's-length negotiation. Unistar recorded approximately \$75 million in acquired assets, virtually all of which was identified as "customer lists" or "goodwill," which under Generally Accepted Accounting Principles was improper in a related party transaction. The improper treatment of this acquisition caused Unistar to materially overstate its assets and stockholders' equity in the financial statements included in its 1998 and 1999 annual and

periodic reports filed with the Commission. Sparks capitalized on this falsehood by issuing false and misleading press releases and other public statements about the U.S. Fidelity acquisition, Unistar's assets, its then current earnings, its past *pro forma* revenues and its prospective revenues. Once the market was primed, Sparks, Romano, Clayton and Jackson indirectly dumped over \$32 million of Unistar securities into the market in a series of unregistered transactions.

4. The Commission, in the interest of protecting the public from further such fraudulent activities, brings this action seeking an order permanently enjoining Defendants from further violations of the federal securities laws, disgorgement of ill-gotten gains, plus prejudgment interest thereon, an order directing the repatriation of assets placed outside the Court's jurisdiction as well as officer-and-director bars and monetary penalties as allowed by law.

### **JURISDICTION AND VENUE**

5. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act of 1933 (the "Securities Act"), 15 U.S.C. § 77v(a), and Section 27 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78aa, and 28 U.S.C. §§ 1331, 1337 and 1345. Defendants have, directly and indirectly, made use of the means or instrumentalities of interstate commerce and/or the mails in connection with the transactions described in this Complaint. Venue is appropriate in this Court because certain of the acts and transactions described herein took place in the Northern District of Texas.

### **PARTIES**

6. **Unistar Financial Service Corp.** is a Delaware insurance and financial services corporation with its principal place of business in Dallas, Texas. Unistar was quoted on the

NASDAQ's Over-the-Counter Bulletin Board ("OTCBB") from August 18, 1998, through May 17, 1999, when it was listed on the American Stock Exchange ("AMEX"). Unistar withdrew its AMEX listing in November 1999 and terminated the registration of its securities with the Commission under Section 12(b) of the Exchange Act in June 2001. The company presently has no known operations and last filed a periodic report with the Commission in August 1999.

7. **Marc A. Sparks**, 45, a resident of Dallas, Texas, was the chairman of the board of directors and chief executive officer of Unistar until his October 1999 resignation. During the approximate ten months that Unistar's stock was actively traded, Sparks received over \$350,000 in salary from the company. Sparks caused 100,000 Unistar shares issued in the name of an offshore entity to be transferred to Romano, who then sold the shares for \$4.35 million. Sparks, asserting his Fifth Amendment privilege against self-incrimination, refused to testify in response to a Commission investigative subpoena.

8. **F. Jeffrey Nelson**, 46, a resident of Meridian, Texas, was the president, chief financial officer and a director of Unistar until his March 2000 resignation. During the approximate ten months that Unistar's stock was actively traded, Nelson received approximately \$350,000 in salary from the company.

9. **Phillip H. Clayton**, 55, a resident of Houston, Texas, was an undisclosed, indirect principal shareholder and control person of Unistar through numerous U.S. and foreign companies, which were beneficially owned and/or controlled by his family and his assistant, Cynthia Jackson. Clayton, asserting his Fifth Amendment privilege against self-incrimination, refused to testify in response to a Commission investigative subpoena.

10. **Dino A. Romano**, 34, a resident of Staten Island, New York, and Delray Beach, Florida, is the president and secretary of PVG, Inc., an "investment banking" consultant for

Unistar. Romano received almost \$31 million from sales of Unistar shares through Canadian brokerage accounts he controlled. Romano transferred approximately \$21 million of the proceeds to Israel and Switzerland. In 1993 Commission enforcement proceedings, Romano was enjoined from violating the general antifraud provisions, barred from acting as an officer or director of a public company, and barred by the Commission from association with any broker, dealer, investment company, investment adviser or municipal securities dealer. Romano, asserting his Fifth Amendment privilege against self-incrimination, refused to testify in response to a Commission investigative subpoena.

11. **Cynthia Jackson**, 44, a resident of El Campo, Texas, was Clayton's assistant during the relevant time period. Through corporate nominees, Jackson sold Unistar shares for \$1.1 million and transferred Unistar shares to Canadian accounts controlled by Romano. Jackson's transfers of Unistar stock benefited Clayton in that proceeds of some of the Unistar stock sales funded a later, unrelated attempted venture by Clayton.

12. **Intermark Investments, Inc.**, is a Clayton family controlled Texas corporation whose activities are handled by Jackson, the corporate secretary, on behalf of Clayton. Jackson fraudulently sold over \$1 million in Unistar stock through Intermark.

13. **Turner Holdings, Inc.**, is a private Texas corporation based in Houston and indirectly controlled by Clayton. During the relevant period, Jackson was the company's president. Jackson, at Clayton's direction, placed several manipulative trades through a Turner Holdings brokerage account in September and October 1998.

14. **Nicole Clayton Caver**, 30, a resident of Dallas, Texas, is Clayton's daughter. Caver authorized the issuance of millions of Unistar shares in the names of various nominees, which concealed her father's beneficial ownership of a controlling interest in Unistar. She is a

licensed but non-practicing Texas attorney. Caver, asserting her Fifth Amendment privilege against self-incrimination, refused to testify in response to a Commission investigative subpoena.

### **FACTUAL BACKGROUND**

15. Sparks and Nelson began their association in 1996, in connection with their ownership and management of an insurance company and insurance agencies that, by the end of 1997, operated primarily under the umbrella of two private companies they controlled: U.S. Fidelity and International Fidelity Holding Corp. (“International Fidelity”). Sparks, through a British Virgin Islands entity, provided much of the financing for U.S. Fidelity, International Fidelity and their subsidiaries and affiliates through mid-1997. From virtually the beginning of their relationship, Sparks and Nelson intended to take their companies public.

16. In 1997, Texas insurance regulators found surplus and capital deficiencies at International Fidelity’s insurance subsidiary. Sparks enlisted the aid of Clayton, a former business associate, to locate additional funding in an effort to rectify the deficiencies. In October 1997, Clayton, through his daughter, Caver, indirectly contributed stock in a publicly traded Canadian corporation to International Fidelity. In return for the contribution of stock, which was valued between \$2 and \$3 million, Caver received an option to purchase one-third of International Fidelity’s stock. Caver, however, was merely a front for her father in this transaction.

17. After his initial indirect investment in International Fidelity, Clayton became involved in Sparks and Nelson’s insurance businesses, and his involvement continued after the insurance businesses became part of Unistar. In December 1997, Clayton was instrumental in obtaining a \$1.24 million investment from two Chicago venture capitalists, who later received

Unistar stock for their investment. Clayton also helped locate insurance agencies for acquisition, participated in some meetings with Unistar management and used a company credit card.

18. In May 1998, Sparks and Clayton acquired a controlling interest in Caldera, Inc., a dormant public shell whose shares were authorized for quotation on the OTCBB, which had approximately 233,000 outstanding shares held by approximately 72 shareholders. Sparks and Clayton acquired 53,333 shares, or 24% of the outstanding shares, with \$140,000 in U.S. Fidelity funds.

19. In August 1998, Sparks, Nelson and Clayton caused Caldera to acquire International Fidelity. As a part of the acquisition, Caldera (later renamed Unistar) acquired all of the shares of International Fidelity from Sparks, Nelson and Caver in exchange for 19,777,000 newly issued Unistar shares bearing restrictive legends, which increased the total number of outstanding shares to approximately 20 million. Sparks, Nelson and Caver each signed the merger agreement. Approximately 6 million shares were issued in the names of Sparks, his family members and several British Virgin Island and other foreign entities he controlled. Pursuant to Caver's written authorization, approximately 7 million shares were issued in the names of 11 U.S. and foreign entities nominally controlled by Clayton's family members or his assistant, Jackson. Nelson received 1.2 million shares and the two Chicago venture capitalists each received 2 million shares. The remaining 1.5 million Unistar shares were issued in the names of Unistar employees, persons from whom Unistar predecessors had purchased the insurance agencies, and unidentified entities and persons.

20. On September 2, 1998, Caldera, now named Unistar, filed a Form 8-K signed by Sparks, disclosing the reverse merger between Caldera and International Fidelity and the company's new name. The Form 8-K falsely stated that Sparks, Nelson and Caver were the

beneficial owners of the newly issued 19,777,000 Unistar shares, or 98.9% of the company's outstanding stock. In fact, Clayton, along with Caver, beneficially owned and controlled 7 million Unistar shares issued in the names of the 11 domestic and foreign companies nominally controlled by his family and Jackson.

21. Sparks and Nelson in or around September 1998 transferred all of their interest in U.S. Fidelity to Rockford Partners, Ltd., a British Virgin Islands entity, in purported satisfaction of "pre-existing obligations" of approximately \$3.6 million. Employees of Consolidated Services, Ltd. ("Consolidated"), a Bermuda company that provides incorporation and other services for foreign entities, nominally controlled Rockford Partners, but Sparks beneficially owned and controlled Rockford Partners at the time of U.S. Fidelity's transfer to the entity.

22. In September 1998, one month after the reverse merger with International Fidelity, Unistar acquired U.S. Fidelity from Rockford Partners for 3,975,000 newly issued shares bearing restrictive legends, in a transaction valued at \$103 million. The stock purchase agreement, dated as of September 14, 1998, was signed by Sparks on behalf of Unistar, by Nelson on behalf of U.S. Fidelity, and by a Consolidated employee on behalf of Rockford Partners at the direction of Sparks, who continued to beneficially own and control Rockford Partners. Although Unistar valued the U.S. Fidelity acquisition at \$103 million, neither Sparks nor Nelson obtained any outside evaluation, appraisal or fairness opinion to justify the price paid for U.S. Fidelity or reconcile the fact that Sparks and Nelson had surrendered a company allegedly worth \$103 million in satisfaction of a \$3.6 million debt only a few weeks earlier.

23. Unistar announced its acquisition of U.S. Fidelity in a September 14, 1998, press release and more fully detailed the acquisition in its October 15, 1998, Form 8-K. The 8-K filing, which was signed by Sparks and reviewed by Nelson, stated that Unistar had agreed to

purchase all of U.S. Fidelity's outstanding stock from Rockford Partners in exchange for 3,975,000 Unistar shares. On March 31, 1999, when Unistar first filed financial statements reflecting the U.S. Fidelity acquisition, the company disclosed that it had rescinded the prior agreement and changed the structure of the acquisition to a purchase of U.S. Fidelity's assets "to reflect the intentions of the parties." A Consolidated employee simply signed the documents restructuring the U.S. Fidelity acquisition at Sparks' instruction. Unistar changed the structure of the U.S. Fidelity acquisition to ensure that it could record substantial goodwill, thereby inflating the company's assets.

24. Unistar, however, failed to disclose in its Forms 8-K, 10-QSB, 10-KSB, a proxy statement solicitation in April 1999, press releases, or otherwise that Sparks beneficially owned and controlled Rockford Partners at the time of Unistar's acquisition of U.S. Fidelity. At the time of Unistar's acquisition of U.S. Fidelity, Sparks was the chairman, CEO and, directly or indirectly, a 30% shareholder of Unistar, and he beneficially owned and controlled Rockford Partners. Also, Sparks and Nelson had held executive positions in U.S. Fidelity both before and after the acquisition, and had previously owned all of U.S. Fidelity prior to the transfer to Rockford Partners. Unistar, U.S. Fidelity and Rockford Partners were therefore under common control and were related parties.

25. In reporting the U.S. Fidelity acquisition, Unistar recorded approximately \$74.5 million in goodwill, which it characterized as "customer lists." Unistar applied the purchase method of accounting to the restructured U.S. Fidelity acquisition, and recorded as goodwill the difference between the carrying value of U.S. Fidelity's assets, net of certain liabilities, and the market value of the Unistar stock paid for those assets and a discount. U.S. Fidelity, however, was a related party under common control with Unistar and therefore Unistar should not have

recorded goodwill in connection with the U.S. Fidelity acquisition under Generally Accepted Accounting Principles. As a result, by including goodwill, Unistar materially overstated its assets and its stockholders' equity in its financial statements included in its 1998 Form 10-KSB and its Forms 10-QSB for the third quarter of 1998 and the first and second quarters of 1999, each of which was signed by Sparks and Nelson.

26. In July 1998, Unistar hired Romano's firm, PVG, as its "investment banking consultant." During September and October 1998, Romano, Clayton and Jackson colluded to set the price of Unistar stock at artificially high levels by making "matched" and other manipulative trades in Unistar stock. The Clayton and Jackson trades were done through a U.S. brokerage account in the name of defendant Turner Holdings, a private Texas company. Clayton controlled Turner Holdings and directed Jackson to make the Unistar trades in the Turner Holdings account.

27. On August 19, 1998, the first quote for Unistar appeared on the OTCBB at a bid price of \$1, and no ask price. There was no trading in the stock, however, until on or about September 9, 1998, five days prior to Unistar's announcement of the U.S. Fidelity acquisition, when an order to purchase 3,000 Unistar shares for \$26 was placed by a Romano controlled account. As a result of Romano's purchase, Unistar's bid price jumped to \$26 per share, giving Unistar a market capitalization of approximately \$520 million.

28. Jackson made the next two non-market maker purchases in Unistar stock on September 18, 1998, through a Turner Holdings account. On September 18, Jackson entered one order to purchase 2,700 shares at \$24.25 and, approximately 30 minutes later, entered a second order to purchase 3,000 more shares at \$26.25. These purchases were paid for with \$145,000 transferred from a U.S. Fidelity bank account. At the same time that Jackson's 3,000 share purchase order was entered, a sell order for 3,000 shares was entered in a Romano brokerage

account. Additionally, on October 8, 1998, Jackson purchased an additional 7,000 Unistar shares through the Turner Holdings account and a near simultaneous sell order of 2,000 Unistar shares was entered in a Romano account. Thus, between September 9 and October 8, 1998, the accounts of the two Romano controlled entities and the Turner Holdings account made virtually all of the non-market maker purchases of Unistar stock at prices ranging from \$24.25 to \$26. Romano also made subsequent manipulative purchases in Unistar stock designed to artificially support the stock price, including purchases made using funds supplied by Unistar.

29. On October 19, 1998, Sparks and Unistar issued a press release claiming that Unistar had unaudited pre-tax earnings of \$4 million for the period ending September 30, 1998. Similarly, during late 1998 and 1999, Unistar continually emphasized its “impressive growth rate” and made materially misleading claims about its past and anticipated future revenues. Throughout the period, Unistar claimed on its website and in other Sparks-generated promotional materials distributed to brokers and others that the company expected a “revenue run rate” of \$400 million in 1999 and \$600 million in 2000. The website and other materials, however, failed to clearly explain that this number represented gross premiums written, over half of which were not retained by the company. The revenue run rate estimates remained posted on the website at least as late as July 25, 1999, even though Unistar’s gross written premiums of \$75 million for the first six months of 1999 showed that the company was running far short of the estimated \$400 million for 1999. When the company finally filed its third quarter 1998 Form 10-QSB over four months late in March 1999, it reported a third quarter 1998 *loss* of over \$800,000.

30. In addition, Unistar in its 1998 financial statement footnotes reported unaudited *pro forma* results that referred to gross written premiums, less than half of which were retained

by Unistar, as “revenues,” thus exaggerating the company’s *pro forma* revenues. Sparks highlighted the company’s misleading 1998 *pro forma* results in a communication with Unistar’s shareholders and brokers interested in the stock.

31. The manipulative activities of Unistar, Sparks, Romano, Clayton, Jackson and Turner Holdings impacted both the price of Unistar’s stock and its trading volume. Trading by retail customers began on October 19, 1998, the same day Unistar issued its misleading press release announcing \$4 million in third quarter earnings. Between that date and July 9, 1999, when Unistar’s stock peaked at over \$61, the average daily trading volume in the stock was 14,328 shares. At its peak, Unistar had a market capitalization of over \$1.4 billion.

32. Sparks, Romano, Clayton and Jackson collaborated to exploit the market for Unistar stock by indirectly selling thousands of Unistar shares into the inflated market in a series of unregistered transactions. All 20 million Unistar shares outstanding after the reverse merger and the 3,975,000 Unistar shares issued to Rockford Partners in the U.S. Fidelity acquisition were issued with restrictive legends. However, between October 1998 and June 1999, the restrictive legends were improperly removed on approximately 2.5 million of the shares issued to various Sparks and Clayton controlled entities. Unistar’s stock transfer agent removed the restrictive legends on the 2.5 million shares pursuant to five bogus opinion letters. Each letter authorized the removal of the legends pursuant to Rule 144(k) of the Securities Act, which authorizes termination of certain of the Rule 144 restrictions for sales by non-affiliates of the issuer who have held the shares for at least one year. In fact, the shares were indirectly controlled and beneficially owned by both Sparks and Clayton, each an affiliate of Unistar, and the vast majority of the shares had not been held for at least one year, as required by the rule.

33. Of the approximate 2.5 million Unistar shares that were improperly reissued without a restrictive legend, over 725,000 shares were dumped into the inflated market, realizing approximately \$32 million between October 1998 and July 1999. Rather than selling their shares directly, Sparks, Clayton and Jackson transferred approximately 685,000 of these shares to accounts in the name of the British Virgin Island nominees controlled by Romano, who, in turn, sold the shares into the market for approximately \$31 million. Jackson sold the remaining 42,000 shares through a brokerage account in the name of Intermark, another corporation she nominally controlled at Clayton's direction, netting over \$1.1 million.

34. Romano instructed Consolidated employees to transfer approximately \$21 million from brokerage accounts of the British Virgin Islands entities to bank accounts in Israel and Switzerland. Moreover, Romano directed the transfer of \$2.35 million of stock sale proceeds to an escrow account for an unrelated Clayton acquisition; after the acquisition fell through, these funds ultimately were used to pay various obligations owed by Clayton and Sparks, for a "loan" for a Clayton family ranch and for payments to a Romano controlled entity. In addition, Jackson sent almost \$900,000 of the Unistar stock sale proceeds from the Intermark account to some of the same Israeli and Swiss accounts to which Romano transferred Unistar stock proceeds. Of the remaining money in this account, \$140,000 was sent to a Romano controlled entity.

35. On July 14, 1999, the Unistar's stock price closed at below \$56 on volume of 59,700. On July 15, 1999, Sparks tried to stem the tide by issuing another false press release stating that Unistar had "absolutely no material adverse developments in our business affairs, nor any other undisclosed news, to account for the recent unusual market decline in our stock price." Sparks knew at the time of the release that the company's financial reports and public statements had misrepresented Unistar's financial condition and prospects. Moreover, Sparks knew and

the company's affairs was poor. In October 1998, Nelson engaged an audit firm in Dallas, Texas, to audit the company's financial statements for the year ended December 31, 1998. The audit firm had many issues with Unistar and its management, including the accounting for the U.S. Fidelity acquisition and the October 19, 1998, earnings release. Over time, as the audit firm raised concerns and questions about the identity of Rockford Partners' ownership and numerous other issues, the relationship between Unistar and the audit firm deteriorated. On February 1, 1999, Nelson, with Sparks' concurrence, terminated Unistar's auditors before the audit firm issued an audit report.

38. Sparks and Nelson were aware of Unistar's obligation to file a Form 8-K to disclose the engagement and termination of Unistar's initial auditor. Unistar did not disclose in a Form 8-K or otherwise that it had engaged and later terminated the Dallas audit firm. Instead, in Unistar's third quarter 1998 Form 10-QSB and its 1998 Form 10-KSB filed March 31, 1999, it disclosed that it had engaged a different audit firm as the successor to the Canadian auditor that had reported on the public shell's December 31, 1997, financial statements. By failing to disclose that it had engaged and fired the Dallas-based audit firm, Unistar hid from investors and the Commission the difficulty the company had in obtaining an audit opinion. Further, after discharging the Dallas audit firm, Unistar retained a different audit firm to provide an audit opinion on its financial statement for the year ending December 31, 1998. Sparks supplied false and misleading information to the audit firm with respect to the U.S. Fidelity acquisition and Unistar's use and disposition of funds.

## **CAUSES OF ACTION**

### **FIRST CLAIM**

#### **Violations of Sections 5(a) and 5(c) of the Securities Act**

39. Plaintiff Commission hereby incorporates paragraphs 1 through 38 as if fully set forth herein.

40. Unistar, Sparks, Clayton, Romano, Jackson and Intermark, directly or indirectly, singly or in concert with others: (a) without a registration statement in effect as to the securities, (i) made use of the means or instruments of transportation or communication or the mails to sell such securities through the use or medium of a prospectus or otherwise, or (ii) carried or caused to be carried through the mails, or in interstate commerce, by any means or instruments of transportation, such securities for the purpose of sale or for delivery after sale; and (b) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of a prospectus or otherwise securities for which a registration statement had not been filed as to such securities.

41. By reason of the foregoing, defendants have violated and, unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

### **SECOND CLAIM**

#### **Violations of Section 17(a) of the Securities Act**

42. Plaintiff Commission hereby incorporates paragraphs 1 through 38 as if fully set forth herein.

43. Unistar, Sparks, Clayton, Romano, Jackson and Intermark, directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state material facts

necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices, and courses of business which operate or would operate as a fraud or deceit upon purchasers of securities.

44. Defendants knowingly, recklessly or negligently engaged in the conduct described in this Claim.

45. By reason of the foregoing, defendants have violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

**THIRD CLAIM**  
**Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

46. Plaintiff Commission hereby incorporates paragraphs 1 through 38 as if fully set forth herein.

47. Unistar, Sparks, Nelson, Clayton, Romano, Jackson, Intermark and Turner Holdings, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails, have: (a) employed devices, schemes and 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 light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers, and other persons.

48. Defendants knowingly or recklessly engaged in the conduct described in this Claim.

49. By reason of the foregoing, defendants have violated, and unless enjoined, will continue to violate the provisions 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.

**FOURTH CLAIM**  
**Violations of Sections 13(a) and 15(d) of the Exchange Act**  
**and Rules 12b-20, 13a-13, 15d-1, 15d-11 and 15d-13**

50. Plaintiff Commission hereby incorporates paragraphs 1 through 38 as if fully set forth herein.

51. Unistar, under Rule 12b-20, 17 C.F.R. § 240.12b-20, was required to file with the Commission true and correct annual, current and quarterly reports on Forms 10-K, 8-K and 10-Q and to include all information that may be necessary to ensure that the statements made are not, under the circumstances, materially misleading. Unistar violated Rule 12b-20 by filing false and misleading, annual, current and quarterly reports.

52. Unistar violated Sections 13(a) and 15(d) of the Exchange Act, 15 U.S.C. §§ 78m(a) and 78o(d), and Rules 13a-13, 15d-1, and 15d-13 thereunder, 17 C.F.R. §§ 240.13a-13, 240.15d-1 and 240.15d-13, by filing with the Commission periodic reports on Form 10-KSB for 1998 and on Forms 10-QSB for the third quarter 1998 and the first two quarters of 1999 that included materially false and misleading information.

53. Unistar violated Section 15(d), 15 U.S.C. § 78o(d), and Rule 15d-11 thereunder, 17 C.F.R. § 240.15d-11, by filing with the Commission a Form 8-K on September 2, 1998, that omitted material information about Unistar's true stock ownership and Clayton's role with the company and by filing a Form 8-K on October 15, 1998, that omitted material information about Sparks' beneficial ownership and control of Rockford Partners.

54. Unistar further violated Rule 15d-11 by failing to report the dismissal of the independent accountant engaged to audit its financial statements within five business days as required by the rule.

55. Sparks and Nelson knowingly or recklessly provided substantial assistance to Unistar in its violations of the foregoing statutes and rules.

56. By reason of the foregoing, Unistar, Sparks and Nelson directly or indirectly, singly or in concert with others and aiding and abetting one another, violated and, unless enjoined, will continue to violate or aid and abet the violation of the provisions of Sections 13(a) and 15(d) of the Exchange Act, 15 U.S.C. §§ 78m(a) and 78o(d), and Rules 12b-20, 13a-13, 15d-1, 15d-11 and 15d-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.13a-13, 240.15d-1, 240.15d-11 and 240.15d-13.

**FIFTH CLAIM**  
**Violations of Section 13(b)(2) of the Exchange Act**

57. Plaintiff Commission hereby incorporates paragraphs 1 through 38 as if fully set forth herein.

58. Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(A), requires companies with securities registered pursuant to Section 12 of the Exchange Act and required to report pursuant to Section 15(d) to make and to keep books, records and accounts which accurately and fairly reflect the transactions and disposition of the issuer's assets.

59. Section 13(b)(2)(B) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(B), requires that reporting companies devise and maintain a system of internal controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit the preparation of financial statements in accordance with Generally Accepted Accounting Principles.

60. Unistar's record-keeping and internal controls were deficient. Unistar failed to accurately document and record the acquisition of assets, such as the U.S. Fidelity transaction, and the payment of expenses.

61. Unistar did not have a system of internal controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit the preparation of financial statements in accordance with Generally Accepted Accounting Principles.

62. Sparks and Nelson aided and abetted Unistar's books and records violations. Nelson, as Unistar's chief financial officer, was directly responsible for Unistar's books and records, but he failed to maintain accurate and complete records. Nelson was at least reckless with regard to the U.S. Fidelity acquisition, and in maintaining systems that allowed transactions, including large funds transfers, to be insufficiently and incorrectly documented.

63. Sparks deliberately constructed transactions and records to conceal the true facts, and he caused incorrect entries to be made in the company's books relating to funds transfers.

64. Sparks and Nelson knowingly or recklessly provided substantial assistance to Unistar in its violations of the foregoing statutes and rules.

65. By reason of the foregoing, Unistar violated and Sparks and Nelson aided and abetted the violation of the accounting and financial controls provisions of Section 13(b)(2) of the Exchange Act, 15 U.S.C. § 78m(b)(2) and unless enjoined will continue to engage in or aid and abet such violations.

**SIXTH CLAIM**  
**Violations of Section 13(b)(5) of the Exchange Act**  
**and Rule 13b2-1**

66. Plaintiff Commission hereby incorporates paragraphs 1 through 38 as if fully set forth herein.

67. Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), prohibits any person from knowingly circumventing or failing to implement a system of internal accounting controls or knowingly falsifying any book, record, or account subject to Section 13(b)(2),

15 U.S.C. § 78m(b)(2). Rule 13b2-1, 17 C.F.R. § 240.13b2-1, prohibits any person from falsifying, or causing to be falsified, books, records, or accounts subject to Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(A).

68. Sparks knowingly caused the falsification of Unistar's books and records.

69. By reason of the foregoing, Sparks violated and, unless enjoined, will continue to violate Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(2), and Rule 13b2-1 thereunder, 17 C.F.R. § 240.13b2-1.

**SEVENTH CLAIM**  
**Violations of Exchange Act Rule 13b2-2**

70. Plaintiff Commission hereby incorporates paragraphs 1 through 38 as if fully set forth herein.

71. Rule 13b2-2, 17 C.F.R. § 240.13b2-2, prohibits any director or officer of an issuer from making a false or misleading statement to an accountant in connection with any audit required under the Exchange Act.

72. Sparks lied to Unistar's auditor about facts critical to the key accounting issues in Unistar's 1998 and 1999 audits.

73. By reason of the foregoing, Sparks violated and, unless enjoined, will continue to violate Rule 13b2-2, 17 C.F.R. § 240.13b2-2.

**EIGHTH CLAIM**  
**Violations of Section 14(a) of the Exchange Act**  
**and Rules 14a-3 and 14a-9**

74. Plaintiff Commission hereby incorporates paragraphs 1 through 38 as if fully set forth herein.

75. Section 14(a) of the Exchange Act, 15 U.S.C. § 78n(a), and Rule 14a-3 thereunder, 17 C.F.R. § 240.14a-3, requires Section 12 registrants to solicit proxies through a

written statement containing the information required in Schedule 14A. Rule 14a-9, 17 C.F.R. § 240.14a-9, prohibits any person soliciting proxies from making materially fraudulent or misleading representations or omissions.

76. Unistar was required to disclose the identity and holdings of any person, including any group, who is known to the company to be the beneficial owner of more than 5% of a class of the issuer's voting stock. Unistar was further required to disclose all transactions or proposed transactions between the registrant and its officers, directors, and beneficial owners of more than 5% of its shares during the prior two years.

77. Unistar failed to disclose in its proxy statement that Clayton, through his daughter and various entities, was the beneficial owner and controlling person of over 20% of Unistar's stock and failed to accurately disclose Spark's beneficial share ownership. Unistar further failed to disclose the true facts concerning numerous transactions, including the U.S. Fidelity acquisition involving its officers and 5% shareholders in its proxy statement and other filings.

78. Sparks was aware of his own share ownership and Clayton's share ownership and his role at Unistar and of the involvement of Clayton and Caver in the formation and operations of the corporation. Sparks reviewed the Unistar proxy statement and filings, and Sparks signed the letter to shareholders accompanying the proxy statement. The proxy statement failed to disclose the stock ownership and control of Clayton and Caver and the related party transactions involving Sparks.

79. By reason of the foregoing, Unistar and Sparks violated and, unless enjoined, will continue to violate Section 14(a) of the Exchange Act, 15 U.S.C. § 78n(a), and Rules 14a-3 and 14a-9 thereunder, 17 C.F.R. §§ 240.14a-3 and 240.14a-9.

**NINTH CLAIM**  
**Violations of Sections 13(d) and 16(a) of the Exchange Act**  
**and Rules 13d-1 and 16a-3**

80. Plaintiff Commission hereby incorporates paragraphs 1 through 38 as if fully set forth herein.

81. After Unistar registered its stock under Section 12 of the Exchange Act on April 30, 1999, beneficial owners of more than 5% of Unistar's common stock were required under Section 13(d) of the Exchange Act, 15 U.S.C. § 78m(d), and Rule 13d-1 thereunder, 17 C.F.R. § 240.13d-1, to file a Schedule 13D with the Commission within ten days. After April 30, 1999, Unistar officers, directors, and beneficial owners of more than 10% of its common stock were required under Section 16(a) of the Exchange Act, 15 U.S.C. § 78p(a), and Rule 16a-3 thereunder, 17 C.F.R. § 240.16a-3, to file an initial statement of their security ownership on Form 3 and to report changes in their ownership on Form 4.

82. Although Sparks filed both a Form 13D and a Form 3, his filings failed to disclose his beneficial ownership of over 6 million Unistar shares held by offshore entities that he beneficially owned and controlled.

83. Neither Clayton nor Caver filed a Form 13D, a Form 3 reflecting their indirect ownership of more than 10% of Unistar's common stock or a Form 4 disclosing the transfer and sale of Unistar shares.

84. By reason of the foregoing, Sparks, Clayton and Caver violated and, unless enjoined, will continue to violate Sections 13(d) and 16(a) of the Exchange Act, 15 U.S.C. §§ 78m(d) and 78p(a), and Rules 13d-1 and 16a-3 thereunder, 17 C.F.R. §§ 240.13d-1, 16a-3.

**TENTH CLAIM**  
**Control Person Liability**

85. Plaintiff Commission hereby incorporates paragraphs 1 through 38 as if fully set

forth herein.

86. Clayton was indirectly the company's largest or second largest shareholder. Clayton played a major behind-the-scenes role in the formation and management of Unistar, particularly its financial activities and had actual power and influence over Unistar. As such, Clayton was a "controlling person," as that term is used in Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), with respect to Unistar.

87. Clayton is liable as a "controlling person" for Unistar's violations of Sections 10(b), 14(a) and 15(d) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78n(a) and 78o(d), and Rules 10b-5, 14a-3, 14a-9, 15d-1, and 15d-11 thereunder, 17 C.F.R. §§ 240.10b-5, 240.14a-3, 240.14a-9, 240.15d-1 and 240.15d-11.

88. Unless enjoined, Clayton will continue to violate as a control person Sections 10(b), 14(a) and 15(d) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78n(a) and 78o(d), and Rules 10b-5, 14a-3, 14a-9, 15d-1, and 15d-11 thereunder, 17 C.F.R. §§ 240.10b-5, 240.14a-3, 240.14a-9, 240.15d-1 and 240.15d-11.

**ELEVENTH CLAIM**  
**Violations of Sections 15(a)(1), 15(b)(6) and 15(c) of the Exchange Act**

89. Plaintiff Commission hereby incorporates paragraphs 1 through 38 as if fully set forth herein.

90. The Commission barred Romano from associating with a broker or dealer in April 1993. Romano, acting as a broker or a dealer, violated Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1), by effecting securities transactions despite his prior bar from the securities industry. By engaging in the foregoing activities, Romano violated Section 15(b)(6) of the Exchange Act, 15 U.S.C. § 78o(b)(6)(B)(i), which provides that "[i]t shall be unlawful" to

violate a Commission bar order. In addition, Romano, by engaging in a scheme to manipulate Unistar's stock price, violated Section 15(c) of the Exchange Act, 15 U.S.C. § 78o(c).

91. Unless enjoined, Romano will continue to violate Sections 15(a)(1), 15(b)(6) and 15(c) of the Exchange Act, 15 U.S.C. §§ 78o(a)(1), 78o(b)(6) and 78o(c).

### **PRAYER FOR RELIEF**

Plaintiff Securities and Exchange Commission prays for judgment as follows:

92. Permanently enjoining Defendant Unistar Financial Service Corp. from violating Sections 5(a), 5(c) and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c) and 77q(a), Sections 10(b), 13(a), 13(b)(2), 14(a), and 15(d) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2), 78n(a) and 78p(d), and Rules 10b-5, 12b-20, 13a-13, 14a-3, 14a-9, 15d-1, 15d-11 and 15d-13 thereunder, 17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-13, 240.14a-3, 240.14a-9, 240.15d-1, 240.15d-11 and 240.15d-13;

93. Permanently enjoining Defendant Marc A. Sparks from violating Sections 5(a), 5(c) and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c) and 77q(a), Sections 10(b), 13(b)(5), 13(d), 14(a), and 16(a) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78m(b)(5), 78m(d), 78n(a) and 78p(a), and Rules 10b-5, 13b2-1, 13b2-2, 13d-1, 14a-3, 14a-9 and 16a-3 thereunder, 17 C.F.R. §§ 240.10b-5, 240.13b2-1, 240.13b2-2, 240.13d-1, 240.14a-3, 240.14a-9 and 240.16a-3, and from aiding and abetting violations of Sections 13(a), 13(b)(2), and 15(d) of the Exchange Act, 15 U.S.C. §§ 78m(a), 78m(b)(2) and 78o(d), and Rules 12b-20, 13a-13, 15d-1, 15d-11 and 15d-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.13a-13, 240.15d-1, 240.15d-11 and 240.15d-13, ordering him to make disgorgement of all monies unlawfully obtained, together with prejudgment interest, barring him from acting as a director or officer of any issuer having a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act, 15 U.S.C.

§ 78l, or required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d), ordering him to repatriate all monies and property transferred offshore and awarding a civil money penalty;

94. Permanently enjoining Defendant F. Jeffrey Nelson from violating 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, and from aiding and abetting violations of Sections 13(a), 13(b)(2), and 15(d) of the Exchange Act, 15 U.S.C. §§ 78m(a), 78m(b)(2) and 78o(d), and Rules 12b-20, 13a-13, 15d-1, 15d-11 and 15d-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.13a-13, 240.15d-1, 240.15d-11 and 240.15d-13, ordering him to make disgorgement of all monies unlawfully obtained together with prejudgment interest, barring him from acting as a director or officer of any issuer having a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d), and awarding a civil money penalty;

95. Permanently enjoining Defendant Phillip H. Clayton individually and as a control person from violating Sections 5(a), 5(c) and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c) and 77q(a), Sections 10(b), 13(d), 14(a), 15(d) and 16(a) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78m(d), 78n(a), 78o(d) and 78p(a), and Rules 10b-5, 13d-1, 14a-3, 14a-9, 15d-1, 15d-11 and 16a-3 thereunder, 17 C.F.R. §§ 240.10b-5, 240.13d-1, 240.14a-3, 240.14a-9, 240.15d-1, 240.15d-11 and 240.16a-3, ordering him to make disgorgement of all monies unlawfully obtained, together with prejudgment interest, barring him from acting as a director or officer of any issuer having a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or required to file reports pursuant to Section 15(d) of the Exchange

Act, 15 U.S.C. § 78o(d), ordering him to repatriate all monies and property transferred offshore and awarding a civil money penalty;

96. Permanently enjoining Defendant Dino A. Romano from violating Sections 5(a), 5(c) and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c) and 77q(a), Sections 10(b), 15(a)(1), 15(b)(6) and 15(c) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78o(a)(1), 78o(b)(6), and 78o(c), and Rule 10b-5 thereunder, 17 C.R.R. §§ 240.10b-5, ordering him to make disgorgement of all monies unlawfully obtained, together with prejudgment interest, ordering compliance with the Commission's April 14, 1993 order barring his association with any broker, dealer, investment company, investment adviser or municipal securities dealer, ordering him to repatriate all monies and property transferred offshore and awarding a civil money penalty;

97. Permanently enjoining Defendant Cynthia Jackson from violating Sections 5(a), 5(c) and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c) and 77q(a), and 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, and awarding a civil money penalty;

98. Permanently enjoining Defendant Intermark Investments from violating Sections 5(a), 5(c) and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c) and 77q(a), and 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, and ordering it to make disgorgement of all monies unlawfully obtained, together with prejudgment interest, and awarding a civil money penalty;

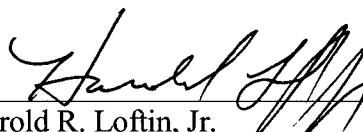
99. Permanently enjoining Defendant Turner Holdings from violating Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §§ 240.10b-5, and ordering it to make disgorgement of all monies unlawfully obtained, together with prejudgment interest, and awarding a civil money penalty;

100. Permanently enjoining Defendant Nicole Clayton Caver from violating Sections 13(d) and 16(a) of the Securities Exchange Act of 1934, 15 U.S.C. §§ 78m(d) and 78p(a), and Rules 13d-1 and 16a-3 thereunder, 17 C.F.R. §§ 240.13d-1 and 240.16a-3, and awarding a civil money penalty; and

101. Ordering such other and further relief as is just, proper and equitable.

Dated: August 7, 2003.

Respectfully submitted,



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