

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.:

SECURITIES AND EXCHANGE	:
COMMISSION,	:
	:
Plaintiff,	:
	:
v.	:
	:
FIRST RESOURCE GROUP LLC and	:
DAVID H. STERN,	:
	:
Defendants.	:

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

INTRODUCTION

1. From December 2008 through at least May 2010, First Resource Group LLC and its principal David H. Stern engaged in a scheme in which they fraudulently touted the stock of two thinly-traded microcap companies, sold each company's stock at the same time they were touting it, and manipulated the market for each stock.

2. First Resource signed contracts with two stock promoters agreeing to solicit investors to buy stock of TrinityCare Senior Living, Inc. and Cytta Corporation. Pursuant to these contracts, First Resource received shares of each company's stock as compensation for soliciting investors. Stern and First Resource used telemarketers to contact investors. The investors solicited by the telemarketers were registered representatives at broker-dealers. While the First Resource telemarketers were recommending to these investors that they purchase

TrinityCare and Cytta stock, Stern was selling First Resource's shares of the two stocks. Neither Stern nor First Resources disclosed First Resource's stock sales to the investors being solicited.

3. Further, Stern also manipulated the markets for TrinityCare and Cytta's stock. He purchased small amounts of each stock at prices above the market to raise the market price and create the false appearance of legitimate trading activity. The manipulation was designed to induce investors to purchase the stocks. Stern took advantage of the manipulated stock prices and sold large amounts of First Resource's holdings of the two stocks at the fraudulently elevated prices. Stern transferred the proceeds of these stock sales from First Resource's brokerage accounts to his personal account.

4. Through their conduct, Stern and First Resource violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a); Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78j(b) and 78o(a); and Exchange Act Rule 10b-5, 17 C.F.R. § 240.10b-5. Unless restrained and enjoined, the Defendants are reasonably likely to engage in future violations of the federal securities laws.

DEFENDANTS

5. **First Resource** is a Florida limited liability company Stern organized in September 2008. Its principal place of business is Fort Lauderdale, Florida. First Resource has never been registered with the Commission in any capacity and has not registered any offering of securities under the Securities Act, or registered a class of securities under the Exchange Act. Its business was promoting penny stocks.

6. **Stern**, 48, resides in Tamarac, Florida. Stern was First Resource's sole manager during the relevant time period. Stern was not associated with a registered broker, or dealer during the relevant period.

JURISDICTION AND VENUE

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

8. This Court has personal jurisdiction over the Defendants and venue is proper in the Southern District of Florida because the Defendants' acts, transactions, practices, and courses of conduct giving rise to the violations alleged in this Complaint occurred in the Southern District of Florida. In addition, First Resource's principal place of business during the relevant period was in the Southern District of Florida, and Stern resides in the Southern District of Florida.

9. The Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, transactions, practices, and courses of conduct set forth in this Complaint.

FACTS

I. Stern and First Resource Used Telemarketers to Cold Call Investors and Tout TrinityCare and Cytta Stock

10. First Resource signed agreements to promote TrinityCare and Cytta's stock. Pursuant to these contracts, First Resource received 150,000 shares of TrinityCare stock and 200,000 shares of Cytta stock. At the same time that First Resource telemarketers, acting at Stern's direction, were recommending investors purchase TrinityCare and Cytta stock, Stern was selling First Resource's shares. Stern transferred the proceeds, approximately \$169,000, from First Resource's brokerage accounts to his personal bank account.

11. From December 2008 through at least May 2010, Stern and First Resource paid telemarketers to cold-call investors and solicit them to purchase shares of TrinityCare and Cytta stock, both penny stocks.

12. First Resource's telemarketing operation was located at the company's only office, in Fort Lauderdale. Stern hired and trained First Resource's telemarketers. He gave the telemarketers information about TrinityCare and the telemarketers used that information to prepare sales scripts to pitch the stock to potential investors. Stern reviewed the draft scripts, made edits, and approved the scripts before the telemarketers were allowed to use them. Stern gave the telemarketers a computer database list of registered representatives at broker-dealers to cold call and pitch the stocks to. First Resource compensated its telemarketers with a small base salary plus 6% commissions on any stock investors they solicited purchased.

13. Once an investor agreed to purchase one of the stocks, the telemarketer who solicited that investor gave Stern the investor's name, the brokerage firm where the investor's account was held, and the number of shares to be purchased. Stern monitored trading in TrinityCare and Cytta on his computer. After he verified a purchase by the solicited investor, First Resource paid the telemarketer the 6% sales commission.

II. Stern and First Resource Recommended TrinityCare and Cytta Stock By Means of Material Misrepresentations to Investors

TrinityCare

14. From June 2009 through at least May 2010, First Resource's telemarketers made material misrepresentations about TrinityCare's rapid revenue growth and a projected increase in the company's stock price. When they solicited investors, First Resource telemarketers' claimed TrinityCare stock "is going to be \$5-7 in 6-12 months" and the company "is going to be a half-a-billion dollar company in five years or roughly a \$40 stock." Stern directed the telemarketers to

make these claims - which appeared in the sales scripts Stern helped to create - to potential investors verbatim. In addition to the telemarketers' misrepresentations, Stern disseminated a research report on TrinityCare stating that, for the year ending December 31, 2009, TrinityCare would show a profit on revenues exceeding \$7.2 million. First Resource's telemarketers and the research report also claimed TrinityCare expected to add at least four newly constructed senior living facilities. Telemarketers' scripts falsely stated TrinityCare had secured \$50 million in financing commitments to construct these new facilities and that the financing was "90% backed by HUD," the U.S. Department of Housing and Urban Development.

15. However, as Stern and First Resource knew, were severely reckless in not knowing, or should have known, there was no reasonable basis for any of these claims. Stern knew, was severely reckless in not knowing, or should have known, that TrinityCare had lost money for the previous two years and had no realistic prospects of revenues. Stern knew, was severely reckless in not knowing, or should have known, that TrinityCare had not obtained financing for the new senior living facilities, which were the source of the company's projected revenue growth. Stern also knew, was severely reckless in not knowing, or should have known, that TrinityCare was only at the "pre-application" stage to obtain HUD financing for the new facilities. Because of the company's poor business prospects, and because during the relevant time period TrinityCare's stock traded at between \$0.41 and \$1.95, First Resource and Stern had no reasonable basis to project the stock price would grow to between \$5 and \$7 a share in the following year.

16. In addition, Stern was manipulating the market for, and selling First Resource's holdings of TrinityCare stock for his personal financial benefit, while First Resource telemarketers, with his knowledge, were making these misrepresentations to investors.

Cytta

17. First Resource and Stern also made material misrepresentations regarding Cytta's projected sales figures when they touted its stock from December 2008 through April 2009. Stern disseminated to investors a research report on Cytta touting Cytta's "[s]ales projections for 2010-2014 should exceed \$500 million with a pre-tax net of over \$400 million."

18. However, these statements were false because, as Stern and First Resource knew, were severely reckless in not knowing, or should have known, the company had had no profits since its inception in 1997. Further, in the year ended December 31, 2008, Cytta had revenues of only \$35,000 and net losses of \$70,000. Moreover, according to its Form 10-Q filed on February 23, 2009, the company's auditors' expressed doubts the company could continue as a going concern.

19. In addition, Stern was manipulating the market for, and selling First Resource's holdings of Cytta stock for his personal financial benefit, while he and First Resource were making these misrepresentations to investors.

**III. Stern and First Resource Scalped Investors To Whom They Recommended
TrinityCare and Cytta Stocks**

20. At the same time First Resource, Stern and First Resource's telemarketers were recommending TrinityCare and Cytta stock, Stern and First Resource were selling the shares promoters had paid the company. Stern and First Resource did not disclose their sales to the investors they solicited to buy the stock, a practice known as "scalping."

21. In June 2009, First Resource received 150,000 TrinityCare shares from a promoter in exchange for promoting TrinityCare. From June 2009 to May 2010, while First Resource's telemarketers were recommending TrinityCare stock to potential investors, Stern and

First Resource sold approximately 92,000 of those shares, in approximately 84 different transactions, for proceeds of approximately \$100,000.

22. For example, on October 5, 2009, a First Resource telemarketer solicited an investor to purchase 5,000 shares of TrinityCare. On that same day, Stern sold 2,300 shares from First Resource's brokerage account.

23. First Resource received 200,000 Cytta shares in December 2008 from another promoter in exchange for promoting Cytta. Between December 2008 and April 2009, while First Resource's telemarketers were recommending Cytta stock to potential investors, First Resource sold 32,150 of those shares, in approximately 11 different transactions, for proceeds of approximately \$69,000.

24. For example, on April 17, 2009, a First Resource telemarketer solicited a purchase of 250 shares of Cytta stock at \$2.23. On that same day, Stern sold 3,450 shares of Cytta from First Resource's account.

25. First Resource, Stern, and the telemarketers did not disclose that First Resource was selling TrinityCare or Cytta shares while recommending the purchase of those stocks to investors. Nor did the research reports First Resource and Stern disseminated about TrinityCare and Cytta disclose that Stern and First Resource were selling their shares.

IV. Stern Manipulated the Markets For Trinity Care and Cytta Stock

26. From December 2008 through at least May 2010, First Resource and Stern manipulated the markets for TrinityCare and Cytta stock to create the false appearance the markets for the stocks were liquid and active to induce investors to buy the stocks. Stern and First Resource also manipulated the markets in TrinityCare and Cytta stock to facilitate First

Resource's sales of its own TrinityCare and Cytta stock. Stern took advantage of the higher, manipulated price and sold large amounts of First Resource's shares.

27. To boost or support the stocks' price, Stern systematically submitted bids for small amounts of TrinityCare or Cytta stock at prices higher than the stock's then-existing price. On numerous occasions, Stern placed the daily high bid for the stock.

28. For example, on several days in February 2010, he made numerous purchases of small quantities of TrinityCare to bid up the price and to create the false impression of trading activity to induce registered representatives to purchase TrinityCare shares and allow him to sell larger amounts of the stock at a higher price. The following table summarizes Stern's manipulative trading in TrinityCare in February 2010:

Transactions in TrinityCare					
Trade Date	Purchases	Sales	Volume	Open Bid	High Bid
2/5/2010	100 at \$1.00	2,000 at \$0.55 - \$1.00	7,100	\$0.55	\$1.00
2/8/2010	100 at \$1.00	1,000 at \$0.55	1,100	\$0.55	\$1.00
2/12/2010	100 at \$1.00	1,900 at \$0.65	2,000	\$0.65	\$1.00
2/16/2010	100 at \$0.95	4,900 at \$0.65	5,000	\$0.65	\$1.00
2/19/2010	100 at \$1.00	2,900 at \$0.65	3,000	\$0.65	\$1.00
2/22/2010	100 at \$1.00	2,900 at \$0.65	3,000	\$0.65	\$1.00
2/23/2010	351 at \$0.90 - \$0.93	2,100 at \$0.65	2,662	\$0.65	\$0.95
2/24/2010	119 at \$0.70		2,719	\$0.96	\$0.96
2/26/2010		5,370 at \$0.65	9,750	\$0.98	\$0.98
	Tot. Purchases 1,070	Tot. Sales 23,070			

29. Stern's manipulation continued. During the summer of 2009, this trading increased TrinityCare's stock price from \$1.55 a share on June 17, 2009 to \$1.95 on July 10, 2009. After the manipulation ended, TrinityCare's share price dropped to \$0.41 a share.

30. Similarly, Stern made numerous purchases of small quantities of Cytta stock to drive up the stock's price and create the false impression of trading activity to induce investors to purchase Cytta shares. Stern then took advantage of the manipulated price and sold larger amounts of First Resource's Cytta stock.

31. Stern's manipulation had a significant effect on the market for Cytta's stock. From December 2008 to April 2009, when Stern was manipulating the stock, Cytta's stock traded around \$3 a share. By the end of April 2009, when First Resource and Stern stopped manipulating Cytta's stock (and First Resource's telemarketers stopped touting it), Cytta stock became almost worthless. Cytta's stock price peaked in January 2009 at \$3.25 per share, but dropped to \$0.04 per share in April 2009.

32. In a number of instances, Stern bought small amounts of Cytta stock at a price above the market price to boost or support the stock's price. Then, later that same day, Stern took advantage of the manipulated price and sold a much larger number of Cytta shares.

33. From December 2008 through at least May 2010, First Resource and Stern profited by more than \$169,000 from sales of TrinityCare and Cytta shares Stern made while he fraudulently touted these companies, scalped investors, and manipulated the markets in the two stocks.

COUNT I

VIOLATIONS OF SECTION 17(a)(1) OF THE SECURITIES ACT

34. The Commission repeats and realleges paragraphs 1 through 33 of its Complaint.

35. From December 2008 through at least May 2010, First Resource and Stern 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 or recklessly employed devices, schemes or artifices to defraud.

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

COUNT II

**VIOLATIONS OF SECTIONS 17(a)(2) AND 17(a)(3)
OF THE SECURITIES ACT**

37. The Commission repeats and realleges paragraphs 1 through 33 of its Complaint.

38. From December 2008 through at least May 2010, First Resource and Stern, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities: (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or (b) engaged in transactions, practices and courses of business which operated as a fraud or deceit upon purchasers and prospective purchasers of such securities.

39. By reason of the foregoing, First Resource and Stern, directly or indirectly violated, and, unless enjoined are reasonably likely to violate, Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(2) and 77q(a)(3).

COUNT III

**VIOLATIONS OF SECTION 10(b) AND RULE 10b-5
OF THE EXCHANGE ACT**

40. The Commission repeats and realleges paragraphs 1 through 33 of its Complaint.

41. From December 2008 through at least May 2010, First Resource and Stern, 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 or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and omitting 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 operated as a fraud upon the purchasers of such securities.

42. By reason of the foregoing, First Resource and Stern, directly or indirectly violated, and, unless enjoined are reasonable likely to violate Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

COUNT IV

VIOLATIONS OF SECTION 15(a) OF THE EXCHANGE ACT

43. The Commission repeats and realleges Paragraphs 1 through 33 of this complaint. From December 2008 through at least May 2010, First Resource and Stern, while acting as or associated with a broker or dealer, effected transactions in, or induced or attempted to induce the purchase or sale of, securities while they were not registered with the Commission as a broker or dealer or when they were not associated with an entity registered with the Commission as a broker-dealer.

44. By reason of the foregoing, First Resource and Stern directly or indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

Declaratory Relief

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

Permanent Injunctive Relief

Issue a Permanent Injunction, restraining and enjoining First Resource and Stern, 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 Sections 10(b) and 15(a) of the Exchange Act and Exchange Act Rule 10b-5.

Disgorgement and Prejudgment Interest

Issue an Order requiring each Defendant to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

Civil Money Penalties

Issue an Order directing each Defendant 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. § 78u(d).

Penny Stock Bar

Issue an Order pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(6), barring Defendant Stern from participating in an offering of penny stock, including engaging in activities with a broker, dealer, or issuer for purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock.

Further Relief

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


Retention of Jurisdiction

Further, the Commission respectfully requests 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.

Dated: January 26, 2012

Respectfully submitted,

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