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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION, :
 :
 : **Plaintiff,** :
 :
 : **- against -** :
 :
 : **WATERMARK FINANCIAL SERVICES GROUP, INC.,** : **COMPLAINT**
 : **WATERMARK M-ONE HOLDINGS, INC.,** :
 : **M-ONE FINANCIAL SERVICES, LLC,** :
 : **WATERMARK CAPITAL GROUP, LLC,** :
 : **GUY W. GANE, JR., and** :
 : **LORENZO ALTADONNA,** : **08 Civ. ()**
 :
 : **Defendants, and** :
 :
 : **GUY W. GANE, III,** :
 : **JENNA GANE, and** :
 : **DENKON, INC.,** :
 : **Relief Defendants.** :
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Plaintiff Securities and Exchange Commission (the “Commission”) for its Complaint against defendants Watermark Financial Services Group, Inc. (“Watermark Financial”), Watermark M-One Holdings, Inc. (“Watermark Holdings”), M-One Financial Services, LLC (“M-One”), Watermark Capital Group, LLC (“Watermark Capital”), Guy W. Gane, Jr. (“Gane”) and Lorenzo Altadonna (“Altadonna”) (collectively, the “Defendants”), and relief defendants

Guy W. Gane, III, Jenna Gane, and Denkon, Inc. (collectively, the "Relief Defendants"), alleges as follows:

SUMMARY

1. This civil enforcement action arises out of an ongoing offering fraud and Ponzi scheme orchestrated by Gane and his company, M-One. From at least May 2005, Gane and Altadonna, a registered representative associated until recently with a registered broker-dealer, and others, raised approximately \$5.7 million in fraudulent, unregistered securities transactions. They generated approximately \$5.1 million by selling "convertible debentures" issued by Watermark Financial and Watermark Holdings (collectively, "Watermark") (or by M-One for the benefit of Watermark) to approximately 90 unsophisticated investors, a number of whom were senior citizens or near retirement age. Gane and Altadonna raised an additional \$580,000 by selling promissory notes issued by Watermark Holdings and Watermark Capital that provided for monthly rates of return from 1% to 3.5% (12% to 42% annually). Neither securities offering was registered with the Commission.

2. Gane is a principal of each of the issuing entities and was not associated with a registered broker-dealer when he sold some of the debentures. Gane and Altadonna told investors that the money they invested would be used to purchase or develop real estate. In reality, Gane operated a Ponzi scheme by: (a) using new investor funds to pay back earlier investors; (b) misappropriating the investors' funds by distributing them to himself, his family members, and others; and (c) transferring a substantial portion of investor funds to Denkon, Inc., an entity located in Palm Beach Gardens, Florida, for no apparent consideration.

3. Most of the Watermark debentures do not become due until sometime this year. With respect to those debentures that have matured to date, Gane and Altadonna have repaid the

investors using new investor funds or induced the investors to reinvest their funds in another debenture to defer repayment, or have made assurances that payment was forthcoming. In at least one instance, money raised through the sales of the promissory notes was used to pay back an investor in the debentures.

VIOLATIONS

4. By virtue of the conduct alleged herein, the Defendants, directly or indirectly, singly or in concert, have engaged in transactions, acts, practices, and courses of business that constitute violations of Sections 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 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5]. In addition, Watermark, M-One, Gane, and Altadonna, directly or indirectly, singly or in concert, have engaged in transactions, acts, practices, and courses of business that constitute violations of Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77 e(a) and 77e(c)] and Gane, directly or indirectly, singly or in concert, has engaged in transactions, acts, practices, and courses of business that constitute violations of Section 15(a) of the Exchange Act [15 U.S.C § 78o(a)].

JURISDICTION AND VENUE

5. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(3)] seeking to temporarily restrain, and preliminarily and permanently enjoin the Defendants from engaging in the transactions, acts, practices, and courses of business alleged herein. The Commission also seeks a final judgment ordering the Defendants jointly and severally to disgorge their ill-gotten gains and to pay prejudgment interest; ordering the Relief Defendants to disgorge their ill-gotten gains, plus prejudgment interest; and ordering the

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)(1) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

6. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa].

7. Venue is proper the Western District of New York under Section 22(a) of the Securities Act [15 U.S.C. § 77v] because the defendants may be found in or are inhabitants of this district and offerings and sales of securities took place in this district. Venue is proper in the Western District of New York under Section 27 of the Exchange Act because certain of the transactions, acts, practices, and courses of business constituting the violations alleged in this Complaint occurred in this district, and the defendants may be found in this district, or are inhabitants of this district, or transact business in this district.

8. Defendants, directly or indirectly, singly or in concert, have made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

DEFENDANTS

9. **Watermark Financial** is a Nevada corporation formed in February 2006 with its principal place of business at 2425 Sweet Home Road, Amherst, New York 14228. Gane was its president. Its incorporation status has been in default since March 1, 2007. Watermark Financial was the issuer of some of the debentures sold in the fraudulent scheme.

10. **Watermark Holdings** is a Delaware corporation with its principal place of business at 2425 Sweet Home Road, Amherst, New York, 14228. Gane is its president.

Watermark Holdings was the issuer of some of the debentures and promissory notes sold in the fraudulent scheme.

11. **Watermark Capital** is a Delaware limited liability company with its principal place of business at 2425 Sweet Home Road, Amherst, New York 14228. Gane is its president. Watermark Capital was the issuer of some of the promissory notes sold in the fraudulent scheme.

12. **M-One** is a limited liability company with its principal place of business at 2425 Sweet Home Road, Amherst, New York 14228. Gane is its president. According to some of the Watermark debentures, Watermark Holdings is M-One's parent company. Some of the debentures also recite that M-One issued them "for the benefit of" Watermark Financial. M-One also paid the expenses of the broker-dealer branch office that operated from M-One's offices in Amherst, New York.

13. **Guy W. Gane, Jr.**, age 53, resides in Niagara Falls, New York. Gane is the president and principal of the Watermark and M-One entities. Gane holds Series 1 and 7 securities licenses. From the M-One offices in Amherst, NY, Gane operated a broker-dealer branch office from July 2007 through January 2008, although he was not a registered representative at that broker-dealer. Previously, Gane was a registered representative associated with and operated branches of a series of registered broker-dealers out of his M-One offices in Amherst, NY from October 2002 to April 2007. Since April 2007, Gane has not been a registered representative associated with any broker-dealer but from July 2007 through January 2008, he sold Watermark debentures. Gane himself raised approximately \$1.5 million through his fraudulent sales of Watermark debentures.

14. **Lorenzo Altadonna**, age 33, resides in North Tonawanda, New York. Altadonna holds Series 6 and 63 licenses. From June 2002 to April 2007 and from July 2007 to January

2008, Altadonna was a registered representative associated with the series of registered broker-dealers that had branch offices at the M-One offices in Amherst, New York. On January 25, 2008, Altadonna terminated his association with the last in that series of registered broker-dealers and since that time has not been a registered representative associated with any broker-dealer. Altadonna himself raised approximately \$870,000 through his fraudulent sales of Watermark debentures and an additional \$580,000 through his fraudulent sales of promissory notes.

RELIEF DEFENDANTS

15. **Guy W. Gane, III**, age 28, is Gane's son and resides in North Tonawanda, New York.

16. **Jenna Gane**, age 23, is Gane's daughter and resides in North Tonawanda, New York.

17. **Denkon, Inc.** is a Florida corporation with its principal place of business in Palm Beach Gardens, Florida.

FACTS

The Watermark Debentures Offering

18. From at least May 2005 to January 2008, Gane and Altadonna, along with three other registered representatives, solicited approximately 90 Buffalo-area investors, a number of whom are senior citizens, to invest at least \$5.1 million in "convertible debentures" issued by Watermark Financial and Watermark Holdings, or by M-One for the benefit of Watermark.

19. Under the terms of the Watermark debentures, Watermark promised investors a fixed 10% annual return on the principal amount of the investment. The debentures generally had a one- or two-year maturity, at which time Watermark promised to pay investors their

principal plus accrued interest. Purchasers also had the option to convert all or part of the face value of the debentures and accrued interest into shares of Watermark common stock at the investors' discretion on or before the debentures' maturity dates.

20. In an effort to locate potential investors for the fraudulent Watermark debentures offering, Gane and Altadonna, and other registered representatives, associated themselves with various broker-dealers registered with the Commission. After building a customer relationship with certain investors by selling them annuities and mutual funds, they offered and sold these investors the Watermark debentures. They also induced some investors to liquidate other investments in order to purchase the debentures by representing that Watermark would pay a higher, fixed return, usually 10% per year, and any fees associated with surrender of the investments.

21. Gane and Altadonna also directed a number of investors who had their assets in individual retirement accounts to open new accounts with a third-party administrator (the "Administrator") and custodian of self-directed IRAs. At their direction, the investors transferred their IRA assets to the new accounts at the Administrator and then invested in the Watermark debentures through those accounts. These customers received quarterly account statements from the Administrator reflecting the value of their investments in the Watermark debentures. Watermark generally paid the fees incurred by the investors relating to the accounts they opened with the Administrator, such as account opening or maintenance fees.

The Fraudulent Misrepresentations and Dissipation of Proceeds

22. Although the debenture documents do not state on their face how the proceeds of the offering would be used, Gane and Altadonna told investors that Watermark would use the offering proceeds to purchase or develop real estate. Watermark, however, did not use investor funds for that purpose.

23. According to bank records, approximately \$5.1 million of investors' funds were deposited into bank accounts controlled by Gane. Gane also transferred \$216,000 in investor funds to five companies in the Buffalo, NY area.

24. Rather than invest the proceeds of the debentures in real estate, Gane dissipated the investors' funds by: (a) using as much as \$756,279 of investor funds to pay the principal and/or interest due to other investors; (b) making or directing \$2.86 million in payments to himself, his family members and others associated with Watermark and/or M-One, including using the funds to pay his personal expenses; (c) making \$535,000 in cash transfers to Denkon, Inc., an entity that does not appear to be part of any real estate investment; and (d) transferring approximately \$1.97 million of investors' funds to third parties for general operating expenses.

25. The \$2.86 million that Gane transferred to himself, his family members, and others connected with him or Watermark or M-One is summarized below:

- Guy W. Gane, Jr.: \$986,248
- Lorenzo Altadonna: \$152,251
- Guy W. Gane, III (Gane's son): \$18,720
- Jenna Gane (Gane's daughter): \$15,712
- Others: \$1,692,535

26. Although Gane's children, Guy W. Gane, III, and Jenna Gane, received proceeds of the fraud, they did not provide bona fide services or other valuable consideration in exchange for the payments to them.

27. Gane also misappropriated the approximately \$1.97 million of investors' funds that he transferred to third parties who appear to have provided services or other valuable consideration. For example, Gane spent at least \$321,185 on travel and meals and paid approximately \$79,628 in payments to a landscaper.

28. Gane also made transfers totaling approximately \$535,000 to Denkon, Inc., which appears to be a motorcycle parts company located in Palm Beach Gardens, Florida. Denkon does not appear to have provided any services or other valuable consideration in exchange for the payments to it.

The Promissory Notes Offering

29. With the various 2008 maturity dates of the Watermark debentures looming, Altadonna raised at least \$580,000 in December 2007 and January 2008 by selling to at least four investors short-term promissory notes issued by Watermark Holdings and Watermark Capital. The interest rates on the notes varied from 1% to 3.5% per month (12% to 42% annually). Gane signed the promissory notes as president of Watermark Capital. At least two of these notes were sold to persons who reside outside New York State.

30. In at least one instance, funds raised through the promissory notes offering were used to pay back an investor in the Watermark debentures. A church located in North Tonawanda, New York had invested \$200,000 in Watermark debentures that matured in December 2007. When the church sought to cash out of the investment upon maturity, Gane convinced the church to remain invested in the debentures by promising a monthly interest payment and assuring that the church could liquidate the investment at any time. When the church requested a return of its principal and interest in January 2008, Altadonna raised the cash by inducing a different investor to invest \$200,000 in the promissory notes. Altadonna told the

new investor that its funds would be used to invest in real estate or an unspecified business, but instead used the proceeds to pay the church.

31. Gane and Altadonna knew or were reckless in not knowing that they were conducting a Ponzi scheme and that the proceeds of the sales of the debentures and the notes were not being used for real estate investment.

The Fraudulent Scheme Is Ongoing

32. The fraud is ongoing. Within the last few weeks, an investor whose Watermark debenture became due reinvested her funds in a new debenture. Even more recently, Gane and Altadonna continued to make misrepresentations to investors by telling them that their funds were located in Greece and that Gane and Altadonna were having problems accessing the funds because of a bank strike in Greece. The Commission's review of relevant records reveals no asset transfers to Greece.

The Sales of the Watermark Debentures Were Not Registered

33. Gane, Altadonna, and the other registered representatives sold the Watermark debentures to approximately 90 investors, a number of whom are senior citizens. Gane, Altadonna, and the other registered representatives did not provide investors – who did not have sufficient assets to qualify as accredited investors – with any offering materials other than the debenture contracts. From May 2005 to the present, the Watermark debenture offering scheme has raised at least \$5.1 million. Watermark did not register the Watermark debentures offering with the Commission at any time.

Gane Was Not Registered or Associated with a Broker-Dealer

34. From July 2007, the debenture sales were made out of a broker-dealer branch office that Gane's company, M-One, operated and financed and that Gane set up in the same

Amherst, New York, building that housed his other companies. Gane was engaged in soliciting purchases of, and effecting transactions in, Watermark debentures and received compensation based on those transactions, and paid the expenses and commissions of a sales force to promote those transactions. From April 2007 to the present, Gane was neither registered as a broker or dealer nor was he an associated person acting under the supervision of a registered broker or dealer.

FIRST CLAIM FOR RELIEF
Violations of Section 17(a) of the Securities Act

35. The Commission realleges and incorporates paragraphs 1 through 34 by reference as if fully set forth herein.

36. The Watermark debentures and the notes are securities within the meaning of Section 2(1) of the Securities Act [15 U.S.C. § 77b(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

37. The Defendants, directly or indirectly, singly or in concert, in the offer and sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce, or by use of the mails, (a) have employed, are employing, or are about to employ, devices, schemes, or artifices to defraud; (b) have made untrue statements of material fact, or have omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) have engaged, are engaging, or are about to engage in transactions, practices, or courses of business which operate, operated, or would operate as a fraud or deceit upon the purchasers of securities.

38. By reason of the foregoing, the Defendants, singly or in concert, directly or indirectly, have violated, are violating, and unless enjoined will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF

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

39. The Commission realleges and incorporates paragraphs 1 through 34 by reference as if fully set forth herein.

40. The Defendants directly or indirectly, singly or in concert, in connection with the purchase and sale of securities, by use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange: (a) have employed, are employing, or are about to employ, devices, schemes, or artifices to defraud; (b) have made, are making, or are about to make untrue statements of material fact, or have omitted, are omitting, or are about to omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) have engaged, are engaging, or are about to engage in acts, practices, or courses of business which operate, operated, or would operate as a fraud or deceit upon other persons.

41. By reason of the foregoing, the Defendants, singly or in concert, directly or indirectly, have violated, are violating, and unless enjoined will again 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].

THIRD CLAIM FOR RELIEF

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

42. The Commission realleges and incorporates paragraphs 1 through 34 by reference as if fully set forth herein.

43. From at least May 2005 to January 2008, Watermark, M-One, Gane, and Altadonna, directly or indirectly, singly or in concert, offered and sold Watermark debentures to investors when no registration statement was filed with the Commission or in effect as to such securities.

44. In offering and selling the Watermark debentures, Watermark, M-One, Gane, and Altadonna, directly or indirectly, singly or in concert, have made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, to offer and sell securities through the use or medium of a prospectus or otherwise, or have carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities for the purpose of sale or for delivery after sale, when no registration statement has been filed or was in effect as to such securities and when no exemption from registration was applicable.

45. By reason of the foregoing, Watermark, M-One, Gane, and Altadonna have violated, are violating, and unless enjoined will again violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

FOURTH CLAIM FOR RELIEF
Violations of Section 15(a) of the Exchange Act

46. The Commission realleges and incorporates paragraphs 1 through 34 by reference as if fully set forth herein.

47. From at least May 2005 to January 2008, Gane was engaged in soliciting purchases of, and effecting transactions in, Watermark debentures and received compensation based on those transactions, and paid the expenses and commissions of a sales force to promote those transactions. From April 2007 to the present, Gane was neither registered as a broker or dealer nor was he an associated person acting under the supervision of a registered broker or dealer.

48. Gane, by use of the mails or the means or instrumentalities of interstate commerce, while acting as a broker and while engaged in the business of effecting transactions in securities for the accounts of others otherwise than through a national securities exchange,

effected transactions in, or induced or attempted to induce the purchase or sale of securities (other than an exempted security or commercial paper, banker's acceptance, or commercial bills) without registering as a broker or dealer in accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)].

49. By reason of the foregoing, Gane has violated, is violating, and unless enjoined, will again violate Section 15(a) of the Exchange Act [15 U.S.C. § 78(o)(a)].

FIFTH CLAIM FOR RELIEF
(Relief Defendants)

50. The Commission realleges and incorporates paragraphs 1 through 34 by reference as if fully set forth herein.

51. Relief Defendants Guy W. Gane, III, Jenna Gane, and Denkon, Inc. each were recipients, without consideration, of proceeds of the fraudulent and illegal sales of securities alleged above. Each of these Relief Defendants profited from such receipt or from the fraudulent and illegal sales of securities alleged above by obtaining illegal proceeds under circumstances in which it is not just, equitable, or conscionable for them to retain the illegal proceeds. Consequently, each of them has been named as a Relief Defendant for the amount of proceeds by which each has been unjustly enriched as a result of the fraudulent scheme or illegal sales transactions.

52. By reason of the foregoing, Guy W. Gane, III, Jenna Gane, and Denkon, Inc. should disgorge their ill-gotten gains, plus prejudgment interest.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court grant the following relief:

I.

An Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining:

- (1) Watermark, M-One, Watermark Capital, Gane and Altadonna, and their agents, servants, employees, and attorneys and all persons in active concert or participation with them, who receive actual notice of the injunction by personal service or otherwise, and each of them, from future 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 [17 C.F.R. § 240.10b-5];
- (2) Watermark, M-One, Gane, and Altadonna, and their agents, servants, employees, and attorneys and all persons in active concert or participation with them, who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77 e(a) and 77e(c)]; and
- (3) Gane and his agents, servants, employees and attorneys and all persons in active concert or participation with them, who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

II.

An Order freezing the assets of the Defendants and the Relief Defendants, pending further Order of the Court.

III.

An Order directing the Defendants and the Relief Defendants to file with this Court and serve upon the Commission, within three (3) business days, or within such extension of time as the Commission staff agrees in writing or as otherwise ordered by the Court, a verified written accounting, signed by each of them under penalty of perjury.

IV.

An Order permitting expedited discovery.

V.

An Order enjoining and restraining each of the Defendants and Relief Defendants and any person or entity acting at their direction or on their behalf, from destroying, altering, concealing, or otherwise interfering with the access of the Commission to relevant documents, books and records.

VI.

A Final Judgment ordering the Defendants and Relief Defendants to disgorge their ill-gotten gains, plus prejudgment interest.

VII.

A Final Judgment ordering the 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)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

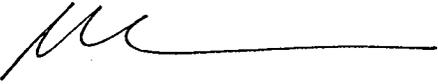
VIII.

Such other and further relief as this Court deems just and proper.

Dated: New York, New York

May 14, 2008

By: _____


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