

2. Anderson recommended Pink Sheets-quoted Cloudtech Sensors, Inc. ("Cloudtech") stock as a great buy to dozens of his former brokerage customers, friends, and relatives (collectively, "investors").

3. Anderson's investors trusted and followed his advice, purchasing over \$3,000,000 in Cloudtech stock. Certain investors even permitted Anderson to access their brokerage accounts in order to place buy orders for Cloudtech stock.

4. While Anderson was recommending Cloudtech stock to his investors, and placing buy orders in their accounts, he was secretly selling his personal Cloudtech shares. Anderson did not disclose to investors his stock sales, or plans to make such sales.

5. Anderson realized over \$930,000 in illicit profits from his stock scalping scheme.

6. The Commission, in the interest of protecting the public from any further unscrupulous and illegal activity, brings this action against Defendant, seeking permanent injunctive relief, disgorgement of all illicit profits and benefits Defendant has received, plus accrued prejudgment interest and civil monetary penalties.

JURISDICTION AND VENUE

7. The common stock of Cloudtech, a Delaware corporation, offered and sold by Anderson, is a "security" under 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(10)].

8. The Commission brings this action under Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] to permanently enjoin Anderson from future violations of the federal securities laws.

9. This Court has jurisdiction over this action, and venue is proper, under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

10. Anderson, directly or indirectly, made use of the means or instruments of transportation and communication, and the means or instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein. Certain of the transactions, acts, practices and courses of business alleged herein took place in the District of Nevada.

DEFENDANT

11. Daryl O. Anderson, 41, is a United States citizen and resident of Henderson, Nevada. Anderson worked in the securities industry as a registered representative from February 1993 until March 2007. In August 2008, Anderson was permanently enjoined from violating Section 5 of the Securities Act [15 U.S.C. § 77(e)] in *SEC v. CMKM Diamonds, Inc., et al.*, Case No. 2:08-CV-0437-LRH-RJJ (D. Nev. 2008) (from March 2003 through May 2005, Anderson participated in an unregistered offering of CMKM Diamonds securities on behalf of a brokerage customer involved in a stock manipulation scheme).

FACTUAL ALLEGATIONS

Defendant Leaves Brokerage Firm and Starts Recommending Stocks

12. Anderson worked as a registered representative in the brokerage industry for more than 14 years. During that time, Anderson established a loyal customer base, with customers often following him from one broker-dealer to another.

13. In March 2007, Anderson ceased his association with a registered broker-dealer, and started working independently—recommending stocks to and trading accounts for investors. Anderson's investors viewed him as an "independent broker," adviser, consultant, and friend. They trusted him and followed his investment advice.

Defendant Encourages Investors to Open New Brokerage Accounts

14. From May 2007 through October 2007, Anderson convinced approximately 40 investors to open brokerage accounts at a large Commission-registered broker-dealer. Many of the accounts were opened at the broker-dealer's Las Vegas, Nevada branch.

15. Anderson helped his investors establish the accounts, and in at least 20 instances, Anderson personally submitted account opening applications for his investors to the broker-dealer, via the Internet. To open the accounts, Anderson completed account opening applications by inputting, among other things, the investor's address, phone number, date of birth, and social security number.

16. Anderson had formal, documented trading authorization in some investor accounts. In others, he was given informal permission from the investors, and the necessary account numbers and passwords, to transact in the accounts online.

The Scalping Scheme Begins

17. From March 1, 2007, through June 25, 2007, the trading volume in Cloudtech stock totaled approximately 57,000 shares, resulting from just 24 trades. Closing prices ranged from \$0.15 per share to \$1.01 per share during this period.

18. On June 26, 2007, Cloudtech opened at a price of \$0.95 per share. That same day, Anderson initiated his scalping scheme and began recommending thinly-traded Cloudtech to his investors, and purchasing Cloudtech stock in their accounts.

19. Anderson pitched Cloudtech as an up-and-coming company where an investor could double or triple his or her money quickly. Anderson's investors followed his advice.

20. Beginning shortly after noon on June 26 to the close of trading, Anderson entered purchase orders for Cloudtech stock in the accounts of four investors. The investors purchased 70,000 Cloudtech shares at prices that escalated from the opening price of \$0.95 per share to the intra-day high of \$1.75 per share.

21. The Cloudtech purchases in the four accounts accounted for 44% of the day's trading volume in the stock, and triggered an 84% price increase in Cloudtech stock.

22. While Anderson recommended Cloudtech stock and purchased shares in his investors' accounts, he secretly placed sell orders in his personal account. Between 12:47 pm and 12:48 pm, Anderson placed three sell orders: 20,000 shares with a limit price of \$1.50 per share; 10,000 shares with a limit price of \$1.75 per share; and 50,000 shares with a limit price of \$2.00 per share.

23. The limit prices on Anderson's sell orders were significantly above the market price at the time they were placed. Nevertheless, as demand from Anderson's investors drove Cloudtech's stock price higher, portions of Anderson's sell orders were executed—Anderson sold 10,000 shares at \$1.50 per share and 10,000 shares at \$1.75 per share.

24. Anderson realized \$32,500 from his secret stock sales on June 26.

Defendant Continues the Scheme and Profits at His Investors' Expense

25. From June 26, 2007 to January 4, 2008, Anderson continued to recommend Cloudtech stock to his investors, and his investors continued to trust and follow his advice.

26. Approximately 40 of Anderson's investors purchased Cloudtech stock, with approximately 23 of those investors making purchases via orders Anderson personally placed on their behalf. The investors paid a total of approximately \$3,064,751 for 1,046,715 shares of Cloudtech stock, representing 33% of the total trading volume from June 26, 2007 through January 4, 2008.

27. The purchases by Anderson's investors caused Cloudtech's stock price to surge 358%, from an opening price of \$0.95 per share on June 26, to a high of \$4.35 per share, which it reached on several occasions in late October 2007.

28. Despite his buy recommendations, Anderson knew Cloudtech was not a good investment. During the scalping scheme, he secretly sold 323,405 of his personal Cloudtech shares, realizing a profit of \$930,852.

29. Investors who trusted and followed Anderson's buy recommendations did not fare as well. After trading was halted in Cloudtech stock in January 2008, and Cloudtech consented to the deregistration of its securities in March 2008, Anderson's customers were left holding approximately 1,000,000 virtually-worthless Cloudtech shares.

FIRST CLAIM

Defendant Violated Section 17(a) of the Securities Act

30. Paragraphs 1 through 29 of this Complaint are hereby re-alleged and incorporated by reference as if set forth *verbatim*.

31. Anderson, 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, has: (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 or courses of business which operate or would operate as a fraud or deceit.

32. As part of and in furtherance of this scheme, Anderson, directly and indirectly, made representations and statements, which contained untrue statements of material fact and which 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.

33. Anderson knowingly or recklessly made the referenced misrepresentations and omissions.

34. By reason of the foregoing, Anderson has violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

SECOND CLAIM

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

35. Paragraphs 1 through 29 of this Complaint are hereby re-alleged and incorporated by reference as if set forth *verbatim*.

36. Anderson, 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 has: (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.

37. As a part of and in furtherance of his scheme, Anderson, made representations and statements, which contained untrue statements of material facts and misrepresentations of material facts, and which 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.

38. Anderson knowingly or recklessly made the referenced misrepresentations and omissions.

39. By reason of the foregoing, Anderson has violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

RELIEF REQUESTED

Plaintiff Securities and Exchange Commission respectfully requests that this Court enter a judgment:

I.

Permanently enjoining Defendant and his agents, servants, employees, attorneys and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, from violating, directly or indirectly, Securities Act Section 17(a) [15 U.S.C. § 77q(a)] and Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5];

II.

Ordering Defendant to disgorge an amount equal to the funds and benefits he obtained as a result of the violations alleged, plus prejudgment interest on that amount;

III.

Ordering civil penalties against Defendant 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)] for his securities law violations; and

IV.

Enter an Order for such further relief as this Court may deem just and proper.

Respectfully submitted,



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