

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO.

<b>SECURITIES AND EXCHANGE COMMISSION,</b>	)
	)
<b>Plaintiff,</b>	)
<b>v.</b>	)
	)
<b>BARRY J. GRAHAM</b>	)
<b>FRED DAVIS CLARK, JR., A/K/A DAVE CLARK</b>	)
<b>CRISTAL R. COLEMAN, A/K/A CRISTAL CLARK</b>	)
<b>DAVID W. SCHWARZ</b>	)
<b>RICKY LYNN STOKES</b>	)
	)
<b>Defendants.</b>	)

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**COMPLAINT**

Plaintiff Securities and Exchange Commission alleges as follows:

**I. INTRODUCTION**

1. The Commission brings this action to enjoin Defendants Fred Davis Clark, Jr., Cristal R. Coleman, Barry J. Graham, and Ricky Lynn Stokes from selling unregistered securities and defrauding investors in violation of the registration and anti-fraud provisions of the federal securities laws. The Commission also seeks to enjoin Defendant David W. Schwarz from defrauding investors in violation of the federal securities laws.

2. From no later than November 2004 until at least July 2008, the Defendants, directly and through Cay Clubs Resorts and Marinas ("Cay Clubs" or the "Company"), raised more than \$300 million from approximately 1,400 investors through the offer and sale of units in purported five-star luxury resorts at 17 locations nationwide.

3. Clark, Cay Clubs' President and CEO; Coleman, a managing member and registered agent of certain affiliated entities; Graham, the Director of Sales; and Stokes, the

Director of Investor Relations, made numerous material misrepresentations and omissions to investors through conversations and marketing and offering materials. Among other things, the four falsely claimed that leaseback agreements that were part of the purchase provided investors a guaranteed 15 percent return on their investments.

4. These claims were false. Cay Clubs did not pay the guaranteed returns to all investors and beginning in mid-2006, failed to pay them to any investors. Even as Cay Clubs failed to produce profits, Clark, Coleman, Graham, and Stokes continued to lure investors with the false promise of a guaranteed return on the leaseback agreements.

5. Clark, Coleman, Graham, and Stokes also told investors: Cay Clubs would renovate and upgrade real estate properties into a network of five-star destination resorts; the real estate properties provided instant equity because they were undervalued; and Cay Clubs' properties had historically appreciated by up to 300 percent.

6. These claims were also false. The Defendants did not renovate the properties into five-star resorts, the properties were not undervalued, and the appreciation rates were bogus. In truth, Clark, Coleman, Graham, and Stokes engaged in a scheme to flip the units amongst themselves in order to artificially increase their values and create the false appearance of appreciation and demand.

7. Cay Clubs was not the successful business Clark, Coleman, Graham, and Stokes claimed it was. By April 2005, in Ponzi scheme fashion, Clark and Schwarz, Cay Clubs' CFO, started using new investor funds to pay leaseback returns to earlier investors.

8. Clark, Coleman, and Schwarz also misappropriated more than \$33 million either as exorbitant salaries and commissions or to fund personal expenses and business ventures.

9. As a result of this conduct, Clark, Coleman, Graham, and Stokes violated Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77e(a) and (c) and 77q(a)]; and Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b) and 17 C.F.R. § 240]. Additionally, Graham and Stokes violated Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)], and Schwarz violated Section 17(a)(1) and 17(a)(3) of the Securities Act and Section 10(b) and Rule 10b-5(a) and (c) of the Exchange Act [15 U.S.C. §§ 77q(a)(1) and (3); 15 U.S.C. § 78j(b) and 17 C.F.R. § 240].

10. The Commission requests that the Court enter orders: (1) permanently enjoining the Defendants from violating the federal securities laws; (2) directing each Defendant to submit a sworn accounting and disgorge all profits or proceeds they each received as a result of the acts and/or courses of conduct complained of, with prejudgment interest; (3) directing Clark, Coleman, and Stokes to pay civil money penalties; and (4) directing the repatriation of funds diverted to offshore accounts.

## **II. DEFENDANTS AND RELEVANT ENTITIES**

### **A. Defendants**

11. Clark, age 54, resides in Grand Cayman, Cayman Islands. From no later than July 2004 until at least January 2009, and during all times relevant to this Complaint, Clark resided in Key Largo, Florida. Clark founded Cay Clubs with Schwarz in about July 2004. From July 2004 until September 2009, Clark was Cay Clubs’ President and CEO, had authority over the Company’s investment offering and use of funds, and managed the Company from his home in Key Largo. In addition, from approximately July 2004 until September 2009, he owned two-thirds of the more than 100 entities that comprised Cay Clubs. Clark is currently co-chairman of the CMZ Group, Ltd., a Cayman Island entity that includes a Caribbean pawn shop network and

spirits business, among other ventures. Clark has never been registered with the Commission in any capacity.

12. Schwarz, age 56, resides in Orlando, Florida. From July 2004 until at least September 2007, he was Cay Clubs' CFO and Vice President of Operations, and had signatory authority over Cay Clubs' bank accounts. From July 2004 until at least September 2007, Schwarz was a one-third owner, officer, and director of the more than 100 companies that comprised Cay Clubs.

13. Coleman, age 39, is married to Clark and resides with him in Grand Cayman. From no later than July 2004 until at least January 2009, and during all times relevant to this Complaint, Coleman resided in Key Largo, Florida. From July 2004 until September 2008, she served as manager, managing member, and the registered agent for many of the entities that comprised Cay Clubs. Coleman also served as a sales agent and had signatory authority over Cay Clubs' bank accounts.

14. Graham, age 57, resides in Marathon, Florida. From no later than August 2005 until October 2007, he was Cay Clubs' Director of Sales. In 1984, Graham pleaded no contest to a third-degree felony for selling unregistered securities in Florida and was sentenced to five years' incarceration and five years' probation. Graham has never been registered with the Commission in any capacity.

15. Stokes, age 53, resides in Fort Myers, Florida. From September 2005 until at least January 2008, he was Cay Clubs' Director of Investor Relations and one of Cay Clubs' highest-producing sales agents. In approximately October 2007, Stokes replaced Graham as Cay Clubs' Director of Sales and held this position until at least mid-2008. Stokes has never been registered with the Commission in any capacity.

**B. Relevant Entities**

16. Cay Clubs was formed by Schwarz and Clark in July 2004 as a purported real estate development company. It was not incorporated in any state. It was comprised of approximately 100 entities Clark, Coleman, and Schwarz controlled. Coleman and Schwarz had signatory authority over Cay Clubs' more than 150 bank accounts. Cay Clubs collapsed in approximately July 2008.

**III. JURISDICTION AND VENUE**

17. The Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d) and 77v(a)] and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa].

18. This Court has personal jurisdiction over the Defendants, and venue is proper in the Southern District of Florida because many of the Defendants' acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the Southern District of Florida. Cay Clubs' principal place of business was in Key Largo, Florida and Clark managed Cay Clubs' operations from there. In addition, Graham resides in Marathon, Florida, and throughout the relevant period Clark and Coleman resided in Key Largo, Florida.

19. In connection with the conduct alleged in this Complaint, the Defendants, directly and indirectly, singly or in concert with others, have made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation and communication in interstate commerce, and the mails.

#### **IV. THE DEFENDANTS' FRAUDULENT SCHEMES**

##### **A. Cay Clubs' Purported Business**

20. From no later than July 2004 until at least July 2008, Cay Clubs operated as a real estate development company. The Company operated through a web of approximately 100 entities Clark, Coleman, and Schwarz controlled. Graham and Stokes sold units to investors and managed a network of hundreds of Cay Clubs sales agents.

21. Cay Clubs was purportedly in the business of renovating aged and abandoned condominium projects at 17 locations, located primarily in the Florida Keys, Central Florida, and Las Vegas, Nevada into luxury "five-star" resorts with lavish amenities. Cay Clubs acquired condominium units at decaying or abandoned properties through joint ventures or development agreements with the property owners. According to Cay Clubs' marketing materials, the Company would finance the purchase of the properties, renovation of the units, and development of the luxury resorts with funds raised from investors through the sale of units, which ranged in price from \$300,000 to more than \$1 million, and a required membership fee ranging from \$5,000 to \$35,000 per unit.

22. In 2008, Cay Clubs abandoned its operations and many investors' properties went into foreclosure.

##### **B. The Cay Clubs Investment Opportunity**

23. Clark, Coleman, Graham, and Stokes offered investors the opportunity to purchase undervalued condominium units and obtain an immediate 15 percent return through a two-year leaseback agreement with Cay Clubs. These Defendants also promised investors their investments would appreciate after Cay Clubs renovated the units and converted the properties

into luxury resorts, and that they would share in future profits Cay Clubs' rental program generated.

### 1. The Leaseback Agreement

24. Pursuant to the leaseback agreement investors leased their units back to Cay Clubs for two years. At least 95 percent of investors executed leaseback agreements.

25. Clark, Coleman, Graham, Stokes, and Cay Clubs' sales agents distributed the leaseback agreements to potential investors simultaneously with the unit purchase agreements, and investors entered into these agreements contemporaneously upon the closing of each unit.

26. The leaseback agreement was the key feature of the Cay Clubs investment. Some of Cay Clubs' marketing materials stated the leaseback agreement was voluntary. However, the leaseback payment was a critical selling point and a critical factor for investors to invest in Cay Clubs properties, which were for investment purposes and not for use as investor residences.

27. Clark, Coleman, Graham, Stokes, and Cay Clubs' sales agents provided prospective investors with charts that showed the leaseback payments would provide a 15 percent return and could exceed investors' carrying costs during their first two years of ownership.

28. Cay Clubs' marketing materials told investors the "immediate income" of the leaseback would be "paid at the closing table," and the leaseback was the "fixed income phase" of the offering "to fund our continued development process while providing you with an immediate return on your investment."

29. To further attract investors into signing leaseback agreements, Clark, Coleman, Graham, Stokes, and Cay Clubs' sales agents provided investors with a list of preferred lenders who provided 100 percent financing and typically issued 30-year fixed term mortgages to those who executed leaseback agreements.

30. Graham and Stokes distributed materials to prospective investors that included information about the preferred lenders. Together with Coleman, they told investors they could use the leaseback payment to not only cover the carrying costs of an individual unit, but also to invest with Cay Clubs multiple times.

31. As a prerequisite to participation in the leaseback program, the Defendants required investors to pay a mandatory membership fee per unit ranging from \$5,000 to \$35,000.

32. Clark, Coleman, Graham, Stokes, and Cay Clubs' sales agents negotiated the leaseback agreement with investors simultaneously with the unit purchase agreement.

33. Pursuant to the lease attached to the leaseback agreement, the investors conveyed their units to Cay Clubs for two years. This period began upon the closing of the unit.

34. As discussed in the ensuing paragraphs, during the two-year leaseback period investors were materially restricted from using their units and relied on Cay Clubs to generate investment profits.

35. Clark and Schwarz, directly or through Cay Clubs, retained control over the common elements of the resort properties during the two years so the unit owners did not own an interest in the common elements as is typical in traditional condominium developments.

36. Clark and Schwarz, through Cay Clubs, also controlled investors' access to the units during the leaseback period by requiring owners to obtain prior authorization from the company to stay in their units. In addition, investors could only stay in the units a maximum of 14 days each year.

37. Clark and Schwarz, through Cay Clubs, had some control in the event an investor wanted to sell his or her unit. Specifically, Cay Clubs had a "right of first refusal" if the investor sold the unit.

38. According to the purchase contract Cay Clubs entered with investors, investors lacked control over the interior of their units during the leaseback period. They could not repair or replace any portion of the unit, common elements, fixtures, or the furniture.

39. Clark and Schwarz, through Cay Clubs and affiliated companies, also controlled the Master and Condominium Association for each property, and the condominium boards.

40. The lease agreement attached to the leaseback agreement also prohibited investors from terminating the lease with Cay Clubs during the two-year period.

41. Purchasers relied on Cay Clubs to make all significant efforts concerning the renovation of the units as well as the conversion of the properties into luxury resorts. The leaseback agreements provided that Cay Clubs would renovate the condominium units with approximately \$30,000 of upgrades, including furniture packages, new flooring, appliances and home electronics.

42. Cay Clubs maintained some control over the profitability of the investment even after the leaseback period expired. For example, the Company retained exclusive control over developing the property amenities.

43. Furthermore, Cay Clubs had the right to retain control of the condominium associations at each location for an extended period of time after the leaseback period expired.

## **2. The Rental Program**

44. Clark, Coleman, Graham, Stokes, and Cay Clubs' sales agents touted Cay Clubs' rental program as a future source of income that would begin after the two-year leaseback agreement expired.

45. According to Cay Clubs' marketing materials and rental agreement, Cay Clubs would place the units in a rotational rental pool and share the proceeds with investors, typically

with 65 percent paid to the unit owner and 35 percent retained by Cay Clubs, purportedly for management fees.

46. Cay Clubs' rental agreement represented the Company would provide the unit owner with an accounting of funds, but was not obligated to segregate the funds per unit or investor.

47. Clark, Coleman, Graham and Stokes, on behalf of Cay Clubs, marketed the rental program as part of the initial offering, but investors did not execute the rental agreements until after the leaseback period.

48. The Defendants were unable to rent the units on a regular basis and did not generate significant revenue for the Company or unit owners, and Cay Clubs ceased operations in approximately July 2008.

### **C. Solicitation Of Investors**

49. From no later than August 2004 until at least January 2008, Cay Clubs, through Clark, Coleman, and Stokes, advertised the Cay Clubs investment opportunity nationwide through the Company's website, billboards, magazines, seminars, podcasts, presentations, tours of Cay Clubs' purported development locations, and a network of hundreds of sales agents. Graham participated in Cay Clubs' marketing efforts from no later than August 2004 until at least October 2007.

50. From no later than November 2004 until at least September 2007, Cay Clubs, through Clark, Coleman, and Schwarz, used the sales agents to solicit investors in exchange for commissions based on each unit or membership they sold to investors. Clark and Coleman continued using these sales agents until at least January 2008.

51. From August 2004 until October 2007, Clark, Stokes, and Graham managed these sales agents. Clark and Stokes continued to manage them until at least January 2008.

52. Clark and Graham trained the sales agents.

53. Clark and Schwarz, through Cay Clubs, paid the sales agents more than \$15 million in commissions.

54. Clark, Coleman, Graham, and Stokes also solicited investors directly – Clark from no later than August 2004 until at least July 2008; Graham from no later than August 2004 until at least October 2007; and Stokes from no later than November 2004 until at least January 30, 2008. During these times, Clark, Graham, Stokes, and Cay Clubs' sales agents advised potential investors about the merits of the Cay Clubs investment, distributed Cay Clubs' marketing materials, directed potential investors to send their contributions to Clark, and provided investors with the documents necessary for purchasing.

55. Beginning no later than 2005, Clark, Coleman, Graham, and Stokes used Cay Clubs corporate planes to solicit investors. They solicited the potential investors during flights to Cay Clubs property locations and once at the locations. For example, in February 2005 Clark and Coleman solicited a group of celebrities and professional athletes during a flight to Las Vegas, Nevada. From no later than January 2005 until at least January 2007, Stokes solicited current and former airline pilots by flying them to various Cay Clubs properties.

56. In exchange for selling the investments, Clark and Schwarz, through Cay Clubs, paid Graham and Stokes for the units and memberships they sold. Specifically, from August 2004 until October 2007, Graham received commissions totaling \$6.5 million for selling investment contracts. From August 2004 until mid-2008, Stokes received commissions totaling \$6.2 million for selling the contracts.

57. Neither Graham nor Stokes is or was registered with the Commission as a broker, dealer, or in any other capacity.

58. From August 2004 until mid-2008, Cay Clubs, through Clark and Schwarz, paid Coleman a salary of about \$1.8 million.

**D. Fraudulent Misrepresentations And Omissions To Potential Investors**

59. In connection with Cay Clubs' unregistered offering, Clark, Coleman, Graham, and Stokes made numerous misrepresentations and omissions, including: (1) the leaseback program guaranteed a 15 percent return; (2) the value appreciation of Cay Clubs' units; (3) the source of investor returns; (4) the rental and conversion of the properties; (5) the use of investor funds; and (6) failing to disclose material information about Clark and Graham's backgrounds.

**1. False Statements About Guaranteed Returns**

60. Cay Clubs promised investors the leaseback agreement would immediately pay 15 percent of their purchase price to cover their mortgage, taxes and association fees for the two-year leaseback period.

61. Coleman directly and Clark, Graham, and Stokes, directly and through the sales agents they trained and managed, distributed the leaseback agreement and marketing materials to potential investors that promised the 15 percent return.

62. Cay Clubs' marketing materials promised potential investors this guaranteed return "at the closing table" and described the leaseback program as the "fixed income" portion of the investment opportunity.

63. Stokes wrote letters to potential investors in which he stated the leaseback payments were "guaranteed" and Cay Clubs was a "very stable financially healthy company worth BILLIONS."

64. These representations were false.

65. Beginning no later than April 2005, Cay Clubs failed to generate income necessary to pay the 15 percent returns to investors. By mid-2006, the Company was operating at a loss. Clark and Coleman controlled Cay Clubs' bank accounts and therefore knew Cay Clubs lacked the ability to pay the returns they guaranteed. Thus, Clark and Coleman knew there was no reasonable basis for the representations they made to potential investors.

66. Clark and Coleman continued soliciting investors even after receiving numerous complaints from investors who were relying on the guaranteed leaseback payments to service their debt and association fees.

67. Graham and Stokes attended management meetings with Schwarz and Clark where the failure to pay the leaseback returns to investors was discussed. However, Graham continued to tout the guaranteed leaseback returns to solicit investors until October 2007, and Stokes continued touting the leaseback returns until at least January 30, 2008.

## **2. False Statements About Unit Appreciation**

68. Clark, Coleman, Graham, and Stokes touted Clark and Cay Clubs' ability to identify undervalued units and distributed to investors an "Appreciation Analysis" purporting to show double and triple-digit appreciation of Cay Clubs' units based on recent sales.

69. These representations were false. In truth, Clark, Coleman, Graham, and Stokes participated in a scheme to artificially inflate the values of the units by selling them back and forth to each other. This created the false impression the units had appreciated. For example, the chart listed the sale of unit 1114B at Cay Clubs' Clearwater location as selling in December 2004 for a 200 percent return. In truth, on November 17, 2004, DC 703, a company Clark, Coleman, and Schwarz controlled bought this unit for \$490,000. Approximately one month later, Clark,

Coleman, and Schwarz, through DC 703, sold the unit to Coleman for \$859,900. Clark, Coleman, and Schwarz failed to disclose on the Appreciation Analysis chart that Coleman was the actual purchaser of the unit. Coleman subsequently sold the unit for more than \$1.2 million to a Cay Clubs investor and received a \$38,000 commission on the transaction.

70. Clark, Coleman, and Schwarz, through DC 703, purchased another unit at the Clearwater location for \$390,000 in November 2004, and resold it to Coleman one month later for \$629,900. While the Appreciation Analysis chart reflected the sale and touted the appreciation of the unit, it did not disclose the appreciation was due solely to an orchestrated insider transaction.

71. Graham also purchased units from DC 703 to artificially inflate the value of the Cay Clubs units. Specifically, in July, August, and December 2004, Clark, Coleman, and Schwarz, through DC 703, sold four Cay Clubs units in Clearwater to Coleman and Graham for more than 200 percent of their market values to make it appear as if the units had appreciated enormously in a short period of time. These transactions appeared on the Appreciation Analysis chart Clark, Coleman, Graham, and Cay Clubs' sales agents distributed to potential investors. Clark, Coleman, and Graham failed to disclose the true nature of the transactions to potential investors.

72. The Appreciation Analysis chart also touted two July 2005 sales at the Clearwater location for more than 30 percent profits. In truth, DC 703 sold these units to Stokes. However, Clark, Coleman, and Stokes failed to disclose the true nature of the transactions to investors when distributing the Appreciation Analysis chart.

73. The majority of the Clearwater units depicted in the Appreciation Analysis chart were the subject of these undisclosed insider transactions, which occurred in at least July, August, November, and December 2004 and July 2005.

74. These fraudulent sales led to inflated appraisal values for other units sold to investors, and created a false sense of profitability and urgency about the Cay Clubs investment scheme.

75. Additionally, the Appreciation Analysis chart touted three unit sales that never occurred. Specifically, the chart stated units 521B, 623B, and 1030A at the Clearwater location sold for more than 200 percent of their purchase prices in December 2004. However, according to the county property appraiser's website, DC 703 never sold these units.

### **3. False Statements About The Source Of Investor Returns**

76. From April 2005 until at least January 30, 2008, Clark and Coleman told investors the funds Cay Clubs sent them were investment returns. In addition, from no later than April 2005 until at least September 2007, Schwarz sent investors their purported investment return checks with a notation they were leaseback payments.

77. The representations were false. Beginning in April 2005, Cay Clubs lacked funds to pay investors their investment returns on the leaseback agreement. Therefore, Schwarz began using new investors' contributions to pay earlier investors their purported returns in Ponzi scheme fashion.

78. From April 2005 until September 2007, Schwarz, through Cay Clubs, used approximately \$82.5 million of investor contributions to pay earlier investors their purported returns.

79. Clark, Coleman, and Schwarz knew the funds sent to investors were not investment returns because they controlled Cay Clubs' bank accounts.

#### **4. False Statements About Resort Development**

80. Clark, Coleman, Graham, and Stokes told potential investors Cay Clubs would renovate the units and transform the properties into five-star resorts that would generate profits through future rental of the units.

81. There was no reasonable basis for these statements. Cay Clubs never had a viable rental program that would produce the rental income the Company marketed. Ultimately, the Company renovated only a few of the Clearwater and Las Vegas units, and never converted a single property into a luxury resort.

82. When Clark, Coleman, Graham, and Stokes made these representations, they knew Cay Clubs had completed very few unit renovations and had failed to develop any property into a resort. Thus, they knew there was no reasonable basis for these statements.

83. Clark, Coleman, Graham, and Stokes touted the rental profits on the Clearwater property. However, they knew the property was not zoned for nightly rentals and Cay Clubs never obtained the necessary city zoning change to permit such use. Thus, they knew Cay Clubs could not rent the units, but continued to falsely tout rental profits when they solicited investors.

#### **5. False Statements About The Use Of Investor Funds**

84. Clark, Coleman, Graham, Stokes, and Cay Clubs' sales agents told investors their contributions would be used to renovate the units and convert the properties into five-star resorts.

85. This was false. Clark, Coleman, and Schwarz diverted tens of millions of investor funds to unrelated projects and to finance their lavish lifestyles, including the purchase of homes, vehicles, planes, watercrafts, and club memberships.

86. Clark, Coleman, and Schwarz used at least one-third of investor contributions to pay themselves, Graham, Stokes, and Cay Clubs' sales agents. Thus, Clark and Coleman knew there was no reasonable basis for their representations to potential investors.

87. Clark, Coleman, and Schwarz also used investor contributions toward making the following payments: (1) more than \$54 million in salaries to employees, which included \$1.8 million to Coleman; (2) \$9.3 million to the joint accounts of Clark's personal assistant, Coleman, and Schwarz; (3) \$3.3 million to pay Clark's American Express bill; (4) \$5.6 million to Schwarz; (5) \$6.4 million to Graham as sales commissions; (6) \$6.2 million to Stokes as sales commissions; (7) approximately \$1.5 million to unrelated ventures, including gold mines, coal refining machinery, and a rum distillery; and (8) more than \$700,000 to Clark's family members.

88. From approximately January 2008 until March 2011, Clark diverted additional investor contributions to offshore accounts. Specifically, he transferred approximately \$2 million to accounts in the Bahamas and Cayman Islands to fund personal business ventures in precious metals, rum distilling, pawn shops, and further payments to his relatives. Clark failed to disclose these payments to investors and instead continued soliciting potential investors until at least July 2008.

#### **6. Omissions Concerning Clark And Graham's Backgrounds**

89. Clark touted his real estate expertise to potential investors, but failed to disclose he was subject to a multi-million dollar judgment levied against him for a failed real estate venture.

90. Similarly, Graham touted his market savvy to potential investors, yet concealed from investors his felony conviction and jail sentence for securities fraud.

**COUNT I**

**Defendants Violated Section 5(a) and 5(c) of the Securities Act**

**(Against Clark, Coleman, Graham, and Stokes)**

91. The Commission repeats and realleges paragraphs 1-2, 20-43, and 49-51 of this Complaint as if fully restated herein.

92. No registration statement was filed or in effect with the Commission pursuant to the Securities Act and no exemption from registration existed with respect to the securities and transactions described in this Complaint.

93. Clark, Coleman, Graham, and Stokes directly or indirectly have: (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise; (b) carried securities or caused such securities to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; and (c) 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 any prospectus or otherwise, without a registration statement having been filed or being in effect with the Commission as to such securities.

94. By reason of the foregoing, Defendants Clark, Coleman, Graham, and Stokes directly or indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

**COUNT II**

**Defendants Violated Section 17(a)(1) of the Securities Act**

**(Against All Defendants)**

95. The Commission repeats and realleges paragraphs 1 through 90 of this Complaint as if fully restated herein.

96. Clark, Coleman, Schwarz, Graham, and Stokes directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails in connection with the offer or sale of securities, has knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

97. By reason of the foregoing, the Defendants directly or indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)].

**COUNT III**

**Defendants Violated Section 17(a)(2) and (3) of the Securities Act**

**(Against Clark, Coleman, Graham, and Stokes)**

98. The Commission repeats and realleges paragraphs 1 through 90 of this Complaint.

99. Clark, Coleman, Graham, and Stokes directly or indirectly, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce, or of the mails: (a) obtained money or property by means of untrue statements of material fact or by 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 (b) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

100. By reason of the foregoing, the Defendants directly or indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and (3)].

**COUNT IV**

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

**(Against All Defendants)**

101. The Commission repeats and realleges paragraphs 1 through 90 of this Complaint as if fully stated herein.

102. Clark, Coleman, Schwarz, Graham, and Stokes directly or indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails in connection with the purchase or sale of securities, knowingly, willfully 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 have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

103. By reason of the foregoing, the Defendants directly or indirectly violated, and, unless enjoined, are reasonably likely to 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].

**COUNT V**

**Defendants Violated Section 15(a)(1) of Exchange Act**

**(Against Graham and Stokes)**

104. The Commission repeats and realleges paragraphs 1, 14-15, 20, 24-32, 50-57, 61, 63, 68, 80, and 82-83 of this Complaint as if fully restated herein.

105. Graham and Stokes directly or indirectly, by use of the means and instrumentalities of interstate commerce, while acting as a broker or dealer engaged in the business of effecting transactions in securities for the accounts of others, effected transactions in securities, or induced or attempted to induce the purchase and sale of securities, without registering as a broker-dealer in accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)].

106. By reason of the foregoing, Defendants Graham and Stokes directly or indirectly violated, and, unless enjoined, are reasonably likely to violate Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)].

**RELIEF REQUESTED**

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

**I.**

**Declaratory Relief**

Declare, determine, and find that Defendants Clark, Schwarz, Coleman, Graham, and Stokes have committed the violations of the federal securities laws alleged in this Complaint.

II.

**Permanent Injunctive Relief**

Issue a Permanent Injunction restraining and enjoining: Defendants Clark, Coleman, Graham, and Stokes from violating Sections 5(a), 5(c) and 17(a) of the Securities Act and Section 10(b) and Rule 10b-5 of the Exchange Act; Defendants Graham and Stokes from violating Section 15(a)(1) of the Exchange Act; and Defendant Schwarz from violating Sections 5(a), 5(c), and 17(a)(1) and (3) of the Securities Act and Section 10(b) and Rule 10b-5(a) and (c) of the Exchange Act.

III.

**Sworn Accounting and Disgorgement**

Issue an Order directing Defendants Clark, Schwarz, Coleman, Graham, and Stokes to provide a sworn accounting of all proceeds received and disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

IV.

**Repatriation Order**

Issue an Order directing the Defendants to repatriate any funds held at any bank or other financial institution not subject to the jurisdiction of the Court.

V.

**Penalties**

Issue an Order directing Defendants Clark, Coleman, and Stokes 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. § 78(d)(3)].

VI.

**Further Relief**

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

VII.

**Retention of Jurisdiction**

Further, the Commission respectfully requests that 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.

Respectfully submitted,

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By:



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