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11 **UNITED STATES DISTRICT COURT**
12 **DISTRICT OF NEVADA**

13 SECURITIES AND EXCHANGE
14 COMMISSION,

15 Plaintiff,

16 vs.

17 CMKM DIAMONDS, INC., URBAN
18 CASAVANT, JOHN EDWARDS,
19 GINGER GUTIERREZ, JAMES
20 KINNEY, ANTHONY TOMASSO,
21 KATHLEEN TOMASSO, 1ST
22 GLOBAL STOCK TRANSFER LLC,
HELEN BAGLEY, NEVWEST
23 SECURITIES CORPORATION,
DARYL ANDERSON, SERGEY
24 RUMYANTSEV, ANTHONY
SANTOS, and BRIAN DVORAK,

25 Defendants.
26

Case No.

COMPLAINT

1 Plaintiff Securities and Exchange Commission (“Commission”) alleges as
2 follows:

3 **JURISDICTION AND VENUE**

4 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
5 20(d)(1), and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C.
6 §§ 77t(b), 77t(d)(1), & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27 of
7 the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
8 78u(d)(3)(A), 78u(e), & 78aa. Defendants have, directly or indirectly, made use of
9 the means or instrumentalities of interstate commerce, of the mails, or of the
10 facilities of a national securities exchange, in connection with the transactions,
11 acts, practices, and courses of business alleged in this complaint.

12 2. Venue is proper in this district pursuant to Section 22(a) of the
13 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
14 § 78aa, because certain of the transactions, acts, practices, and courses of conduct
15 constituting violations of the federal securities laws occurred within this district.

16 **SUMMARY**

17 3. This matter involves a massive and complex scheme to improperly
18 issue and sell stock of CMKM Diamonds, Inc., purportedly a diamond and gold
19 mining company, in an unregistered distribution, and to manipulate CMKM’s
20 stock price and volume through false statements from January 2003 through May
21 2005.

22 4. With the assistance of several individuals and entities, CMKM
23 fraudulently issued hundreds of billions of shares of purportedly unrestricted stock
24 to John Edwards, the scheme’s mastermind, and his associates, as well as to the
25 family and associates of Urban Casavant, the company’s chief executive officer
26 and sole active director. The combination of false information about the company
27 and substantial trading volume, facilitated by sales in an unregistered distribution,
28 induced investors to buy CMKM stock. Edwards, Casavant, and their nominees

1 and associates sold their shares into the public markets for at least \$64.2 million in
2 profit, much of which was paid to Casavant to support his extravagant lifestyle. In
3 aggregate, Edwards made about \$26.4 million, Casavant made about \$31.5 million,
4 and Casavant's nominees made about \$6.3 million.

5 5. The scheme began when several private Canadian companies
6 controlled by Casavant entered into a reverse merger with a public shell owned by
7 Edwards. Over a twenty-month period, CMKM improperly issued up to 622
8 billion shares of purportedly unrestricted stock based on both written
9 authorizations and attorney opinion letters. These authorizations and opinions
10 were often facially inadequate, suspect, and inconsistent. Nonetheless, CMKM's
11 transfer agent, which was owned and run by Helen Bagley, issued sheaves of
12 unlegended stock certificates. Edwards and others then deposited the certificates
13 with various broker-dealers, including NevWest Securities Corporation, and sold
14 the shares into the market. Promptly after selling CMKM stock, Edwards and the
15 others wired the proceeds to a series of bank accounts, provided large sums to
16 Casavant, and used the money for various purposes including paying gambling
17 debts, investing in real estate, and generating more shareholder interest.

18 6. Casavant generated investor interest in CMKM by using false press
19 releases, Internet chat boards, and "funny car" race events across the country. To
20 divert attention from their own dumping of CMKM shares, Casavant persuaded
21 CMKM's investors that the reported high trading volume in CMKM stock
22 reflected extensive "naked short selling" rather than ordinary stock dilution. This
23 promotion was extremely successful, and about 40,000 investors purchased
24 CMKM stock during the period of the fraud. In reality, Casavant ran the company
25 from his house in Las Vegas, and CMKM had no meaningful operations other than
26 issuing and promoting its own stock.

27 7. During the period, CMKM's stock price varied from \$0.0001 to
28 \$0.001, with volume sometimes exceeding two billion shares per day.

1 8. On March 3, 2005, the Commission ordered a 10-day trading
2 suspension pursuant to Section 12(k) of the Exchange Act. Shortly thereafter, the
3 Commission instituted an administrative proceeding to revoke the registration of
4 CMKM's stock pursuant to Section 12(j) of the Exchange Act based on the
5 company's failure to file periodic reports.

6 9. Even after the Commission took these steps, the individuals behind
7 the CMKM fraud continued to sell stock. They only stopped selling CMKM's
8 stock the day after an evidentiary hearing was held in the administrative
9 proceeding, at which point substantial negative information about CMKM became
10 public.

11 10. In October 2005, the Commission revoked the registration of
12 CMKM's stock, effectively ending public trading in the stock.

13 11. The defendants, by engaging in the conduct described in this
14 complaint, have all violated the registration provisions of the federal securities
15 laws. In addition, CMKM and Casavant violated the antifraud and various
16 reporting, record keeping, and internal controls provisions.

17 12. By this complaint, the Commission seeks a permanent injunction
18 against all defendants. The Commission also seeks an accounting, disgorgement
19 with prejudgment interest, and civil penalties against Casavant, Edwards, Ginger
20 Gutierrez and James Kinney (Casavant's nominees), Anthony Tomasso and
21 Kathleen Tomasso (Edwards' nominees), 1st Global Stock Transfer LLC and
22 Bagley (CMKM's transfer agent), NevWest, Daryl Anderson, Sergey Rumyantsev
23 and Anthony Santos (Edwards' stockbroker), and Brian Dvorak (CMKM's
24 lawyer). In addition, the Commission seeks a penny stock bar against Casavant,
25 Edwards, Gutierrez, Kinney, Anthony Tomasso, Kathleen Tomasso, Bagley,
26 Anderson, Rumyantsev, Santos, and Dvorak. Finally, the Commission seeks an
27 order prohibiting Casavant from acting as an officer or director of any public
28 company.

THE DEFENDANTS

A. The Issuer

13. CMKM Diamonds, Inc. was at all relevant times a Nevada corporation based in Las Vegas that purported to acquire and develop mining properties in North and South America. CMKM's common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and was quoted on the Pink Sheets until the Commission ordered deregistration on October 28, 2005. In March 2007, one shareholder became CMKM's sole officer and director. The company, which is now headquartered in Tyler, Texas, currently has no operations and essentially no assets.

B. The Scheme Masterminds

14. Urban Casavant, age 51, is a Canadian citizen who resided in Las Vegas during the relevant period. At all relevant times, Casavant served as the CEO and chairman of the board of CMKM. He resigned all of his positions at CMKM in March 2007. Casavant currently lives in Canada. In October 2004, the Saskatchewan Financial Services Commission issued a cease-and-desist order to Casavant in connection with CMKM.

15. John Edwards, age 65, is a British citizen who resided in Las Vegas during the relevant period. Edwards conducts his business activities through several dozen corporate entities and trusts over which he has exclusive control (the "Edwards Entities"), as well as through certain nominees. Using approximately 34 different brokerage accounts at NevWest, Edwards sold almost 260 billion shares of CMKM stock from March 2003 through May 2005, generating proceeds in excess of \$53.3 million.

C. The Nominees

16. Ginger Gutierrez, age 37, at all relevant times lived in Las Vegas. Gutierrez sold substantial quantities of CMKM stock and transferred a large percentage of the proceeds to Casavant-controlled accounts. Gutierrez also acted

1 as Casavant's personal assistant and secretary, particularly in connection with
2 CMKM and its stock promotion activities.

3 17. James Kinney, age 37, at all relevant times lived in Las Vegas.
4 Kinney sold substantial quantities of CMKM stock and transferred a large
5 percentage of the proceeds to Casavant-controlled accounts on his own and
6 through Part-Time Management, Inc., a shell corporation he jointly controlled with
7 Gutierrez.

8 18. Kathleen Tomasso, age 56, is a resident of Boca Raton, Florida. She
9 acted as a nominee for Edwards, and sold CMKM stock on his behalf. She is
10 married to Anthony Tomasso.

11 19. Anthony Tomasso, age 68, is a resident of Boca Raton, Florida. He
12 acted as a nominee for Edwards, and sold CMKM stock on his behalf. He is
13 married to Kathleen Tomasso.

14 **D. The Transfer Agent**

15 20. 1st Global Stock Transfer LLC, a Nevada corporation with its
16 principal place of business in Las Vegas, has been registered as a transfer agent
17 with the Commission since October 2001. 1st Global has served as CMKM's
18 transfer agent since 2002. It is owned and operated by Helen Bagley.

19 21. Helen Bagley, age 61, resides in Las Vegas. Bagley owns and
20 operates 1st Global.

21 **E. The Stockbrokers**

22 22. NevWest Securities Corporation, a Nevada corporation located in Las
23 Vegas, was the broker-dealer that Edwards used to sell his shares of CMKM.
24 NevWest registered with the Commission in October 1999. As of July 16, 2007,
25 NevWest deregistered with the Commission, and currently has no operations.

26 23. Daryl Anderson, age 39, resided in Las Vegas at all relevant times,
27 and now lives in Laguna Beach, California. Anderson served as Edwards'

28

1 registered representative at NevWest. Anderson stopped working as a broker in
2 March 2007.

3 24. Sergey Rumyantsev, age 37, is a Russian citizen living in Las Vegas.
4 He served as NevWest's CEO and head trader. He holds Series 4, 7, 24, 27, 53,
5 and 55 licenses.

6 25. Anthony Santos, age 42, a resident of Las Vegas, is an attorney
7 licensed in Connecticut who served as NevWest's executive vice president, chief
8 compliance officer, and general counsel. He holds Series 7 and 24 licenses.

9 **F. The Attorney**

10 26. Brian Dvorak, age 52, resided in Las Vegas at all relevant times. As
11 CMKM's attorney, Dvorak prepared hundreds of bogus opinion letters supporting
12 the issuance of purportedly unrestricted CMKM stock. During the relevant period,
13 Dvorak also operated the website www.144opinionletters.com. Dvorak now
14 resides in Boulder, Colorado. In October 2007, Dvorak filed for bankruptcy under
15 Chapter 7 of the Bankruptcy Code. Dvorak is licensed to practice law in Nevada.

16 **THE SCHEME**

17 **A. Background**

18 27. From 1998 to 2001, CMKM was a Delaware corporation
19 headquartered in Ontario, Canada. In late 2001 or early 2002, Edwards acquired
20 the then-empty corporate shell, reincorporated it, and listed "Ian McIntyre" as its
21 president and director in Nevada and Commission filings. The Commission
22 believes, and on that basis alleges, that "Ian McIntyre" is an alias used by Edwards.

23 28. In 2001, Casavant controlled five private Canadian companies that
24 held largely untested mineral claims in Saskatchewan, Canada. On or about
25 November 25, 2002, Edwards and Casavant agreed to a reverse merger in which
26 CMKM acquired the mineral claims, purportedly in exchange for \$2,000,000 and
27 2.8 billion shares of common stock. Casavant became the sole director of CMKM,
28 as well as its president and CEO. CMKM announced, however, that "McIntyre"

1 would continue to act as director on “post-merger matters” until January 15, 2003.
2 Immediately after the merger, the company increased its number of authorized
3 shares from 500 million to 10.5 billion, and as of about December 4, 2002, CMKM
4 retained 1st Global as its transfer agent.

5 29. CMKM did not maintain any meaningful books and records. The
6 company never completed a general ledger. Nor did CMKM keep accurate
7 documentation of its debts, assets, liabilities, or stock sales. CMKM failed to
8 maintain any system of accounting controls. Casavant was CMKM’s only
9 functional officer and director. Casavant failed to implement any system of
10 accounting controls, which resulted in CMKM’s failure to record assets, liabilities,
11 expenditures, or related-party transactions.

12 **B. Stock Issuances**

13 **1. Edwards’ Relationship with Helen Bagley and 1st Global**

14 30. Bagley met Edwards in the mid-1990s. 1st Global, which Bagley
15 owns and operates, served as the transfer agent for multiple companies, including
16 CMKM, in which Edwards has actively traded stock. Bagley received about
17 \$200,000 from Edwards in a purported loan. Bagley regularly followed Edwards’
18 directives, discussed CMKM stock with him, and issued unrestricted CMKM stock
19 certificates at his instruction.

20 31. In addition to suspicious payments from Edwards, Bagley directly and
21 indirectly through her son received payments in excess of \$344,000 from Kathleen
22 and Anthony Tomasso (“the Tomassos”) during 2003 and 2004. The Tomassos,
23 who sold billions of shares of CMKM stock, were nominees for Edwards, through
24 an intermediary.

25 32. CMKM stock issuances and transfers represented more than 50% of
26 1st Global’s business in the relevant period.

1 **2. CMKM's Stock Issuances**

2 33. From December 2002 through September 2004, on approximately 60
3 separate occasions, 1st Global issued a total of more than 589.7 billion shares of
4 CMKM stock in certificate form without a restrictive legend to the Edwards
5 Entities, Edwards' nominees, Casavant's nominees, and others.

6 34. A restrictive legend is a statement placed upon a stock certificate
7 stating, among other things, that the stock is not registered with the Commission
8 pursuant to Section 5 of the Securities Act and that an ownership interest in the
9 stock represented by that certificate cannot be sold or transferred absent
10 registration or the existence of a valid exemption from registration. The presence
11 of a restrictive legend on a stock certificate forecloses future sale or distribution of
12 that stock certificate until the issuer's transfer agent removes the legend by
13 reissuing the certificate without the legend being present. The absence of the
14 restrictive legend on the stock certificate creates the impression that the stock it
15 represents is the subject of a registration statement with the Commission or exempt
16 from such registration.

17 35. To accommodate these issuances, from November 2002 through
18 August 2004, CMKM increased its number of authorized shares five times, from
19 10.5 billion to 800 billion shares. The purportedly unrestricted CMKM stock
20 issuances were based on obviously incomplete and suspicious and, in some cases,
21 forged documentation. Although Bagley insisted on having certain supporting
22 documentation, usually a board authorization and an attorney opinion letter, in
23 order to issue unlegended stock certificates, Bagley either knew, or recklessly
24 ignored red flags suggesting, that these documents were facially incomplete and
25 suspicious.

26 36. For instance, Bagley repeatedly issued substantial quantities of stock
27 certificates without restrictive legends in late 2002 and 2003 purportedly based on
28 forged attorney opinion letters. The forged letters list an office address that the

1 attorney did not occupy until months after the letters were purportedly written and
2 the shares issued. Accordingly, it was temporally impossible for Bagley to have
3 issued the shares when she says she did, based on the letters she claims to have
4 relied on. Bagley either issued unlegended shares on the dates she claimed without
5 opinion letters and later papered her files with forged letters, or Bagley actually
6 issued the shares later in 2003 and back-dated her records.

7 37. Bagley accepted attorney opinion letters that did not identify the
8 names of the recipients of the purportedly unrestricted stock, specify how many
9 shares each was to receive, or correctly list the company's name.

10 38. Other opinion letters related to the sale of previously issued CMKM
11 shares under Rule 144 promulgated under the Securities Act, but Bagley used the
12 letters to support new issuances of purportedly unrestricted stock. One opinion
13 letter, identical except for the date, was used for three separate new issuances, in
14 July, August, and September 2003. In two of these issuances, the names in the
15 legal opinion do not match completely the names under which the shares were
16 issued.

17 39. Some examples of fraudulent stock issuances are:

- 18 a. In January 2003, CMKM issued more than 2.7 billion shares of
19 purportedly unrestricted stock to 29 separate entities controlled by
20 Edwards, pursuant to board minutes signed by Casavant. The minutes
21 offer no explanation for the issuances, which were issued without a
22 restrictive stock legend pursuant to a temporally impossible, facially
23 incomplete, and forged attorney opinion letter.
- 24 b. In February 2003, CMKM issued 68 million purportedly unrestricted
25 shares to an associate of Edwards "for the extension of the existing
26 forbearance agreement contract" pursuant to board minutes signed by
27 "Ian McIntyre, Trustee." By this time, however, "Ian McIntyre"
28 supposedly had relinquished all his roles at CMKM. At no time was

1 "Ian McIntyre" listed as a control person for CMKM, and thus
2 authorized to sign issuance instructions, in the documentation from
3 the company in Bagley's files.

- 4 c. Also in February 2003, the company issued 202 million purportedly
5 unrestricted shares "relating to the 1999 financing" pursuant to board
6 minutes signed by "Ian McIntyre, Trustee." These shares were issued
7 to six individuals or entities linked to Edwards, at least two of whom
8 had no involvement with CMKM or its predecessors in 1999. Based
9 on another temporally impossible, incomplete, and forged attorney
10 opinion letter, Bagley issued the stock certificates without a restrictive
11 legend.
- 12 d. In August 2003, CMKM issued 4 billion purportedly unrestricted
13 shares to 25 entities controlled by Edwards (2 billion shares) and to
14 three Casavant nominees (2 billion shares). These shares were issued
15 without explanation pursuant to board minutes signed by Casavant
16 and supported by a forged opinion letter purportedly written by an
17 attorney who was ineligible to practice law at that time. Moreover,
18 the names listed in the letter did not completely match the names to
19 whom Bagley issued certificates.
- 20 e. In March 2004, based on Edwards' handwritten instructions to
21 Dvorak, CMKM issued 75 billion shares of purportedly unrestricted
22 stock to sixteen of the Edwards Entities and Gutierrez.
- 23 f. In August and September 2004, CMKM issued more than 233.7
24 billion purportedly unrestricted shares to approximately 258
25 individuals or entities who allegedly invested in the company in 2001
26 but did not then receive certificates, including the Edwards Entities,
27 Gutierrez, Kinney, and others. The board resolutions, which were
28 signed by Casavant, and the opinion letters, which were prepared and

1 signed by both Dvorak and another lawyer, acknowledge in most
2 instances that the company had remembered to issue the underlying
3 shares themselves earlier in 2004, but now also recalled that the
4 investors were entitled to a dividend reflecting a 2-for-1 stock split
5 that took place in 2003.

6 40. Although Casavant orchestrated some of these and other fraudulent
7 stock issuances, Edwards initiated others without Casavant's knowledge or
8 consent. Some of the documents supporting the issuances bear the signature "Ian
9 McIntyre." Bagley had never met "Ian McIntyre," and she accepted board
10 authorizations with his signature even though her own files indicated that he
11 played no formal role at CMKM. In addition, the "Ian McIntyre" issuances were
12 supported by forged attorney opinion letters.

13 **3. Dvorak Prepares Baseless and False Attorney Opinion**
14 **Letters**

15 41. Beginning in December 2003, Casavant retained Dvorak as corporate
16 counsel for CMKM, primarily to prepare board resolutions and attorney opinion
17 letters authorizing the issuance of purportedly unrestricted stock. Over a ten-
18 month period, Dvorak wrote at least 464 opinion letters, the vast majority of which
19 contained baseless or fabricated justifications for the issuance of unrestricted
20 CMKM stock. Armed with these letters, in 2004, CMKM issued more than 606
21 billion unrestricted shares to the Edwards Entities, Casavant's nominees, and
22 others.

23 42. The majority of Dvorak's letters opined essentially that shares may be
24 issued or deemed unrestricted because the shares actually should have been issued
25 more than two years earlier. Dvorak had no reliable evidence upon which to base
26 this opinion. Dvorak knew that he needed back-up documentation to verify the
27 facts upon which his opinion letters were based. Dvorak nevertheless prepared
28 almost all of his letters based solely on oral representations from CMKM insiders;

1 abbreviated board resolutions (some of which Dvorak also drafted); and summary
2 spreadsheets listing the name of the recipient, the number of shares, and
3 information about past issuances. Dvorak also prepared opinion letters based on
4 Edwards' handwritten instructions, although he knew from past experience that
5 Edwards sold corporate shells for stock, falsified documents, and dumped stock
6 into the market. At the time that Dvorak issued the opinion letters, Dvorak
7 suspected that Edwards was giving Casavant money. Dvorak also knew that
8 Edwards had no formal role at CMKM, that Casavant accused Edwards of
9 directing Bagley to issue unauthorized shares, and that Edwards exerted undue
10 pressure on Casavant.

11 43. Dvorak knew that there was no back-up documentation for most of his
12 letters. The oral representations that Dvorak relied on were equally unreliable and
13 factually impossible. For example, Dvorak wrote letters stating that entities had
14 purchased CMKM shares before those entities were even formed.

15 44. Dvorak was paid \$350 per letter. Dvorak received at least \$495,000
16 from Casavant and his nominees during 2004.

17 **C. Public Disclosures and Stock Promotion Activities**

18 45. In July 2003, at Edwards' suggestion, Casavant filed with the
19 Commission a Form 15 removing CMKM from the reporting requirements of
20 Section 12(g) of the Exchange Act because CMKM allegedly had fewer than 300
21 shareholders of record. This filing was false because the company then had more
22 than 600 shareholders of record. From July 2003 to February 2005, CMKM made
23 no filings with the Commission, did not publicly disclose how many of its shares
24 were outstanding, and instructed 1st Global not to release this information. As
25 functionally the only officer and director of CMKM, Casavant was responsible for
26 ensuring that CMKM complied with its reporting obligations.

27 46. Instead, throughout this period, the company issued numerous false
28 and misleading press releases. For example, in December 2002, CMKM issued a

1 press release claiming that the company “was sponsoring a representative office in
2 Antwerp, Belgium” to promote “the Casavant diamond brand” but did not disclose
3 that the company had not yet found a single diamond. In early January 2003,
4 CMKM asked shareholders to hold their shares in certificate form “indefinitely” to
5 help the company “combat naked short selling.” In February 2003, CMKM
6 announced that its “ancient Chinese jade collection,” previously valued by the
7 company at more than \$50 million, had been appraised by a noted expert in such
8 objects. This expert, however, never had any involvement with CMKM and never
9 appraised any such collection. CMKM’s press releases in early 2004 described the
10 company’s efforts to implement “core drilling” on its mineral claims. These bulletins
11 culminated with a March 2004 release announcing a “kimberlite ore discovery.”
12 Kimberlite is the ore in which diamonds are usually found. “The new kimberlite
13 discovery” was named “the Carolyn Pipe” after Casavant’s wife. However, two and
14 a half months later, the public learned that this kimberlite ore had first been
15 discovered in 1996.

16 47. CMKM and Casavant also propped up interest in the company’s
17 stock—while selling into the market—through a variety of Internet activities
18 designed to foster shareholder interest and excitement. The company had its own
19 website, as well as websites for its racing team and to sell promotional items
20 emblazoned with catch phrases such as: “SOON! CMKX.net”, “I’m a CMKX.net
21 Boardaholic”, “To DA Moon! CMKX.net.” In addition, at least eight active
22 Internet message boards focused on CMKM and its activities. Casavant was
23 “interviewed” for a widely distributed webcast in mid-October 2004. In that
24 interview, Casavant misrepresented that CMKM was “ahead of schedule” in
25 preparing periodic reports, even though it had not even begun compiling a general
26 ledger, and that CMKM was “ahead of schedule” and “drilling 24/7” up in Canada.

27 48. Perhaps Casavant’s most effective tool to promote CMKM was
28 “CMKXtreme,” a team of motorbike, truck, and “funny car” racers. Coordinated

1 by Gutierrez and Kinney, the CMKXtreme-sponsored race team traveled across the
2 country to a series of monthly races. Casavant's goal for CMKXtreme was to
3 promote CMKM's stock. The racecars that CMKXtreme sponsored advertised
4 "CMKX," CMKM's stock symbol. Likewise, "Got CMKX?" was posted on
5 trucks, banners, billboards, and crew-member shirts. Hundreds of CMKM
6 shareholders attended the races and visited the CMKM-sponsored tent, where they
7 could study a map of CMKM's alleged mineral claims, watch a video loop of
8 CMKM's purported drilling work, and meet and greet Casavant and his family.

9 49. The press releases, Internet hype, and racing promotions were
10 successful in attracting and maintaining a loyal shareholder base for CMKM for
11 almost two years. The sustained demand for CMKM stock fueled by the constant
12 promotional efforts allowed the defendants to continue selling newly issued stock
13 to the public. About 40,000 people purchased CMKM stock in market transactions
14 during the fraud, particularly after June 2004 when CMKXtreme became
15 extremely popular.

16 **D. Edwards Sells CMKM Stock**

17 **1. Edwards Deposits and Liquidates CMKM Stock Through**
18 **NevWest Securities Corporation**

19 50. Beginning in September 2002, Edwards opened at least 36 brokerage
20 accounts at NevWest, a full service retail broker-dealer in Las Vegas. The vast
21 majority of these accounts consisted of trusts and corporations that had ties to
22 Edwards and over which Edwards exercised complete control. Edwards used his
23 personal social security number for about 30 of the accounts. The address
24 Edwards used for almost all of his accounts matched the address used by CMKM
25 on its Commission filings from December 2001 through September 2002.

26 51. All of Edwards' accounts and trades were handled by one of
27 NevWest's registered representatives, Daryl Anderson. Beginning in February
28 2003, Edwards visited NevWest's offices approximately weekly to hand-deliver

1 CMKM stock certificates to Anderson. These certificates were often sequentially
2 numbered and recently issued. In total, Edwards deposited 597 CMKM stock
3 certificates at NevWest, totaling more than 261 billion shares. Edwards acquired
4 at least 14.2 billion shares directly from CMKM, and acquired at least 51.9 billion
5 shares from entities that received their shares directly from CMKM. Edwards also
6 acquired shares from Casavant's nominees and family members.

7 52. Upon receiving the stock certificates, NevWest contacted 1st Global
8 to verify that the certificates were "validly issued" and unrestricted. Bagley or her
9 son vouched for all of Edwards' stock certificates, and NevWest deposited all of
10 them into his accounts. Edwards then gave Anderson price limit orders to sell the
11 stock. Occasionally Anderson used his discretion to decide which of Edwards'
12 accounts to empty of CMKM stock. Edwards sold his CMKM shares within two
13 weeks to three months after depositing them.

14 53. From March 2003 through May 11, 2005, Edwards sold
15 259,890,832,854 shares of CMKM stock in 569 separate transactions at NevWest,
16 generating proceeds of more than \$53.3 million. By August 2004, Edwards' shares
17 made up more than 20% of the total number of authorized shares of CMKM. By
18 May 2005, Edwards had sold more than 32% of CMKM's total authorized shares
19 through NevWest.

20 54. NevWest primarily sold the CMKM stock to one other broker-dealer
21 until mid-October 2004, when that broker-dealer informed NevWest that it would
22 no longer trade CMKM shares because the Saskatchewan Financial Services
23 Commission, a Canadian regulator, had issued a cease-and-desist order regarding
24 CMKM stock. NevWest then found a new buyer and continued selling CMKM
25 stock. Online investors were the primary purchasers of Edwards' shares.

26 55. NevWest charged Edwards a 5% commission rate, in contrast to the 3-
27 4% rate it usually charged, and Edwards' trades generated more than \$2,575,000 in
28 commissions for the firm. Over the entire period of the fraud, Edwards'

1 commissions on the CMKM trades amounted to 35.7% of NevWest's total
2 revenue. In one quarter, Edwards' CMKM trades amounted to 66.2% of
3 NevWest's total revenues. Pursuant to his contractual arrangement with NevWest,
4 Anderson received approximately 90% of the commissions he generated, and thus
5 earned approximately \$2,300,000 for handling Edwards' trades in CMKM stock.

6 56. Until late 2004, Edwards wired the proceeds of his CMKM sales "as
7 they became available" primarily to two bank accounts whose names did not match
8 the names on NevWest's brokerage accounts. One of the entities that controlled
9 several of these accounts listed "Ian McIntyre" as its registered agent. NevWest
10 was aware that "Ian McIntyre" had ties to both this entity and to CMKM, but never
11 sufficiently inquired about the connection. After another regulator raised concerns
12 about the third-party wires in late 2004, Anthony Santos, Anderson's supervisor,
13 advised Edwards to open corresponding bank accounts for each Edwards Entity in
14 order to avoid "confusion."

15 57. In 2004, Santos and Sergey Rummyantsev, NevWest's president and
16 head trader, began to have concerns about Edwards' trading activities. Anderson,
17 Santos, and Rummyantsev all considered CMKM to be a questionable issuer about
18 which reliable information was not publicly available. Anderson, Santos, and
19 Rummyantsev all knew that Edwards had previously been involved with CMKM,
20 and had all reviewed CMKM's past Commission filings, which listed the same
21 address that Edwards used to open most of his NevWest accounts. Edwards
22 provided NevWest with vague oral explanations for his activities, declined to
23 identify his "clients," and told NevWest that he was not an affiliate of CMKM and
24 that no proceeds from his sales were returned to the company or its affiliates.
25 Anderson, Santos, and Rummyantsev never (1) asked Edwards to describe his
26 current involvement with CMKM beyond whether he was an affiliate; (2)
27 attempted to contact the company itself to ask about Edwards; (3) asked Edwards
28 for more information about his sources of CMKM stock, such as the names of the

1 sellers, or the price Edwards paid for the shares; (4) inquired why Edwards' shares
2 were unrestricted; (5) obtained any information about Edwards' unidentified
3 "clients," such as their names or how Edwards came to represent them; or (6) had
4 any contact with anyone other than Edwards in connection with Edwards'
5 accounts. Edwards provided NevWest with a short letter from his counsel opining
6 without explanation that Edwards' trading practices were legal. Even months after
7 inquiries from another regulator, after the Commission requested NevWest's
8 records related to Edwards, and after the Commission suspended trading in
9 CMKM's stock and initiated deregistration proceedings, NevWest allowed
10 Edwards to sell as much CMKM stock as he wished.

11 **2. Edwards Profits From the Sales of CMKM Stock by Others**

12 58. Using the tactics described above, Edwards also arranged the issuance
13 of purportedly unrestricted CMKM stock to nominees who, through intermediaries,
14 returned a portion of the sales proceeds to Edwards. Specifically, Edwards and
15 Bagley apparently coordinated the issuances of about 77.3 billion shares of
16 unrestricted CMKM stock to five entities near Boca Raton, Florida. The five
17 entities were owned by the Tomassos. The Tomassos sold some of the CMKM
18 stock promptly upon receipt, generating proceeds of at least \$6.5 million. The
19 Tomassos then wired more than \$2.2 million to Edwards, \$344,000 to Bagley and
20 her son, and substantial sums to other Edwards associates. The Tomassos kept
21 approximately \$648,500 for themselves. Bagley knew about this scheme.

22 **3. Edwards Spends and Distributes the Proceeds of His Stock**
23 **Sales**

24 59. Edwards accumulated more than \$53.1 million from his CMKM-
25 related trading. While Edwards invested some of those proceeds in real estate
26 throughout the country, much of his profits went back to Casavant and Casavant's
27 alter-ego, CMKM. Casavant directly and indirectly received more than \$26.7
28 million from Edwards. Of that, \$10 million was based on a sham transaction

1 between CMKM and St. George Metals, Inc., another public shell controlled by
2 Edwards.

3 60. Edwards noted on many of his checks to Casavant that the payments
4 were for "stock purchase CMKX."

5 **E. Casavant's Nominees Sell CMKM Stock**

6 61. Casavant also profited by issuing CMKM stock to, among others,
7 Gutierrez and Kinney. Gutierrez and Kinney sold the shares and returned the
8 proceeds to Casavant, his family members, or entities he controlled.

9 62. During the relevant period, Casavant relied heavily on Gutierrez.
10 Gutierrez served as Casavant's secretary and personal assistant, and was involved
11 in CMKM's affairs from the outset. Gutierrez (1) acted as CMKM's investor
12 relations contact in 2003 (along with Kinney); (2) regularly delivered documents
13 such as stock certificates, opinion letters, and shareholder lists to and from Bagley;
14 (3) delivered documents to Edwards' office or met him at 1st Global's offices;
15 (4) periodically drafted CMKM's press releases for Casavant's review;
16 (5) maintained the limited records that CMKM kept; (6) compiled the list of
17 shareholders to receive additional unrestricted stock as "dividends" in September
18 2004; (7) had signatory authority on many of Casavant's and CMKM's bank
19 accounts, wrote checks, and wired money on Casavant's behalf; and (8) oversaw
20 CMKM's promotional activities at the stock car races.

21 63. From 2003 through 2005, Gutierrez sold almost 18 billion shares of
22 unrestricted CMKM stock in her own name. Dvorak prepared opinion letters
23 allowing much of that stock to be purportedly unrestricted based on the premise
24 that Gutierrez had provided services for the shares in 2001, but Gutierrez did not
25 meet Casavant until 2002. Gutierrez generated about \$3.1 million from her sale of
26 CMKM shares. Although Gutierrez kept some of the money as compensation for
27 the services she provided to Casavant and CMKM, she gave Casavant
28 approximately \$1.1 million.

1 64. Kinney acted as Casavant's intermediary, running errands and
2 arranging promotional opportunities. Kinney (along with Gutierrez) served as
3 CMKM's investor relations contact in 2003. From 2003 through 2005, Kinney
4 sold about 61.4 billion shares of purportedly unrestricted CMKM stock. Like
5 Gutierrez, Kinney received many of these shares based on opinion letters from
6 Dvorak saying that Kinney had provided services in 2001. Kinney actually met
7 Casavant through Gutierrez in 2002. Kinney made more than \$6.7 million from
8 the sale of these CMKM shares and transferred about \$3.4 million of those funds
9 back to Casavant.

10 65. Gutierrez and Kinney also sold CMKM stock through a private
11 corporate shell, Part-Time Management, Inc., which Casavant had given them. In
12 2004, Part-Time Management sold approximately 9 billion shares of unrestricted
13 stock based largely on another apparently inaccurate Dvorak opinion letter. Part-
14 Time Management made more than \$1.9 million from selling these shares, of
15 which about \$1.2 million was returned to Casavant.

16 **F. Subsequent Events**

17 66. At all relevant times, CMKM maintained virtually no corporate books
18 or records, such as a general ledger, bank account records, or documents accurately
19 reflecting related party transactions. Likewise, CMKM implemented and
20 maintained no discernable internal controls.

21 67. After receiving inquiries from the Commission, CMKM
22 acknowledged in February 2005 that its Form 15 was false, and that the company
23 was therefore delinquent in filing periodic reports as required by Section 13(a) of
24 the Exchange Act, and Rules 13a-1 and 13a-13 thereunder. In March 2005, the
25 Commission instituted proceedings to deregister the company's stock pursuant to
26 Section 12(j) of the Exchange Act. The company opposed the Commission's
27 action. In an evidentiary hearing in May 2005, the truth about much of CMKM's
28 activities became public. The administrative law judge concluded that

1 deregistration was appropriate. The Commission issued its final order
2 deregistering the company's stock in October 2005.

3 68. In March 2007, Casavant resigned all of his roles at CMKM and
4 appointed a shareholder to take his place. The company currently has no
5 operations or assets of significant value.

6 **FIRST CLAIM FOR RELIEF**

7 **FRAUD IN CONNECTION WITH THE**
8 **PURCHASE OR SALE OF SECURITIES**

9 **Violations of Section 10(b) of the Exchange Act**

10 **and Rule 10b-5 thereunder**

11 **(Against CMKM and Casavant)**

12 69. The Commission realleges and incorporates by reference ¶¶ 1 through
13 68 above.

14 70. CMKM and Casavant, and each of them, by engaging in the conduct
15 described above, directly or indirectly, in connection with the purchase or sale of a
16 security, by the use of means or instrumentalities of interstate commerce, of the
17 mails, or of the facilities of a national securities exchange, with scienter:

- 18 a. employed devices, schemes, or artifices to defraud;
- 19 b. made untrue statements of a material fact or omitted to state a material
20 fact necessary in order to make the statements made, in the light of the
21 circumstances under which they were made, not misleading; or
- 22 c. engaged in acts, practices, or courses of business which operated or
23 would operate as a fraud or deceit upon other persons.

24 71. By engaging in the conduct described above, CMKM and Casavant
25 violated, and unless restrained and enjoined will continue to violate, Section 10(b)
26 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R.
27 § 240.10b-5.

28

1 **SECOND CLAIM FOR RELIEF**

2 **UNREGISTERED OFFER AND SALE OF SECURITIES**

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

4 **(Against All Defendants)**

5 72. The Commission realleges and incorporates by reference ¶¶ 1 through
6 68 above.

7 73. All of the defendants, and each of them, by engaging in the conduct
8 described above, directly or indirectly, made use of means or instruments of
9 transportation or communication in interstate commerce or of the mails, to offer to
10 sell or to sell securities, or to carry or cause such securities to be carried through
11 the mails or in interstate commerce for the purpose of sale or for delivery after
12 sale.

13 74. No registration statement has been filed with the Commission or has
14 been in effect with respect to any of the offerings alleged herein.

15 75. By engaging in the conduct described above, all of the defendants
16 violated, and unless restrained and enjoined will continue to violate, Sections 5(a)
17 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

18 **THIRD CLAIM FOR RELIEF**

19 **VIOLATIONS OF COMMISSION PERIODIC**

20 **REPORTING REQUIREMENTS**

21 **Violations of Section 13(a) of the Exchange Act**

22 **and Rules 13a-1 and 13a-13 thereunder**

23 **(Against Casavant)**

24 76. The Commission realleges and incorporates by reference ¶¶ 1 through
25 68 above.

26 77. CMKM violated Section 13(a) of the Exchange Act and Rules 13a-1
27 and 13a-13 thereunder, by failing to file annual reports on Form 10-KSB for the
28 fiscal years ended December 31, 2002, December 31, 2003, and December 31,

1 2004 and by failing to file quarterly reports on Form 10-QSB for the quarters
2 ending March 31, 2003, June 30, 2003, September 30, 2003, March 31, 2004,
3 June 30, 2004, September 30, 2004, March 31, 2005, and June 30, 2005.

4 78. Casavant knowingly provided substantial assistance to CMKM's
5 violation of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13
6 thereunder.

7 79. By engaging in the conduct described above and pursuant to Section
8 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), Casavant aided and abetted
9 CMKM's violations, and unless restrained and enjoined will continue to aid and
10 abet violations, of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and
11 Rules 13a-1 and 13a-13 thereunder, 17 C.F.R. §§ 240.13a-1 and 240.13a-13.

12 **FOURTH CLAIM FOR RELIEF**

13 **RECORD KEEPING VIOLATIONS**

14 **Violations of Section 13(b)(2)(A) of the Exchange Act**

15 **and Violations of Rules 13b2-1 thereunder**

16 **(Against CMKM and Casavant)**

17 80. The Commission realleges and incorporates by reference ¶¶ 1 through
18 68 above.

19 81. CMKM violated Section 13(b)(2)(A) of the Exchange Act by failing
20 to make or keep books, records and accounts which, in reasonable detail,
21 accurately and fairly reflected its transactions and the disposition of its assets.

22 82. Casavant knowingly provided substantial assistance to CMKM's
23 violation of Section 13(b)(2)(A) of the Exchange Act.

24 83. By engaging in the conduct described above and pursuant to
25 Section 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), Casavant aided and abetted
26 CMKM's violations, and unless restrained and enjoined will continue to aid and
27 abet violations, of Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C.
28 § 78m(b)(2)(A).

1 84. By engaging in the conduct described above, Casavant violated
2 Exchange Act Rule 13b2-1 by, directly or indirectly, falsifying or causing to be
3 falsified CMKM's books, records, and accounts subject to Section 13(b)(2)(A) of
4 the Exchange Act. Unless restrained and enjoined, Casavant will continue to
5 violate Rule 13b2-1, 17 C.F.R. § 240.13b2-1.

6 **FIFTH CLAIM FOR RELIEF**

7 **INTERNAL CONTROLS VIOLATIONS**

8 **Violations of Section 13(b)(2)(B) of the Exchange Act**

9 **(Against CMKM and Casavant)**

10 85. The Commission realleges and incorporates by reference ¶¶ 1 through
11 68 above.

12 86. CMKM violated Section 13(b)(2)(B) of the Exchange Act by failing
13 to devise and maintain a system of internal accounting controls sufficient to
14 provide reasonable assurances that (i) transactions are executed in accordance with
15 management's general or specific authorization; (ii) transactions are recorded as
16 necessary (I) to permit preparation of financial statements in conformity with
17 generally accepted accounting principles or any other criteria applicable to such
18 statements, and (II) to maintain accountability for assets; (iii) access to assets is
19 permitted only in accordance with management's general or specific authorization;
20 and (iv) the recorded accountability for assets is compared with the existing assets
21 at reasonable intervals and appropriate action is taken with respect to any
22 differences.

23 87. Casavant knowingly provided substantial assistance to CMKM's
24 violation of Section 13(b)(2)(B) of the Exchange Act.

25 88. By engaging in the conduct described above and pursuant to Section
26 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), Casavant aided and abetted
27 CMKM's violations, and unless restrained and enjoined will continue to aid and
28

1 abet violations, of Section 13(b)(2)(B) of the Exchange Act, 15 U.S.C.
2 § 78m(b)(2)(B).

3 **PRAYER FOR RELIEF**

4 WHEREFORE, the Commission respectfully requests that the Court:

5 I.

6 Issue findings of fact and conclusions of law that the defendants committed
7 the alleged violations.

8 II.

9 Issue judgments, in a form consistent with Rule 65(d) of the Federal Rules
10 of Civil Procedure, permanently enjoining CMKM, Casavant, Edwards, Gutierrez,
11 Kinney, Anthony Tomasso, Kathleen Tomasso, 1st Global, Bagley, NevWest,
12 Anderson, Rummyantsev, Santos, and Dvorak, and their officers, agents, servants,
13 employees and attorneys, and those persons in active concert or participation with
14 any of them, who receive actual notice of the order by personal service or
15 otherwise, and each of them, from violating Sections 5(a) and 5(c) of the Securities
16 Act, 15 U.S.C. §§ 77e(a) and 77e(c).

17 III.

18 Issue judgments, in a form consistent with Rule 65(d) of the Federal Rules
19 of Civil Procedure, permanently enjoining CMKM and Casavant, and their
20 officers, agents, servants, employees and attorneys, and those persons in active
21 concert or participation with any of them, who receive actual notice of the order by
22 personal service or otherwise, and each of them, from violating Section 10(b) of
23 the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R.
24 § 240.10b-5.

25 IV.

26 Issue a judgment, in a form consistent with Rule 65(d) of the Federal Rules
27 of Civil Procedure, permanently enjoining CMKM and its officers, agents,
28 servants, employees and attorneys, and those persons in active concert or

1 participation with any of them, who receive actual notice of the order by personal
2 service or otherwise, and each of them, from violating Sections 13(b)(2)(A) and
3 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B).

4 V.

5 Issue a judgment, in a form consistent with Rule 65(d) of the Federal Rules
6 of Civil Procedure, permanently enjoining Casavant and his officers, agents,
7 servants, employees and attorneys, and those persons in active concert or
8 participation with any of them, who receive actual notice of the order by personal
9 service or otherwise, and each of them, from aiding and abetting violations of
10 Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act, 15 U.S.C.
11 §§ 78m(a), 78m(b)(2)(A), and 78m(b)(2)(B), and Rules 13a-1, 13a-13, and 13b2-1
12 thereunder, 17 C.F.R. §§ 240.13a-1, 240.13a-13, and from violating Rule 13b2-1
13 thereunder, 17 C.F.R. §§ 240.13b2-1.

14 VI.

15 Enter an order, pursuant to Section 20(e) of the Securities Act, 15 U.S.C.
16 § 77t(e), and/or Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2),
17 prohibiting Casavant from acting as an officer or director of any issuer that has a
18 class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C.
19 § 78l, or that is required to file reports pursuant to Section 15(d) of the Exchange
20 Act, 15 U.S.C. § 78o(d).

21 VII.

22 Order Casavant, Edwards, Gutierrez, Kinney, Anthony Tomasso, Kathleen
23 Tomasso, 1st Global, Bagley, NevWest, Anderson, Rummyantsev, Santos, and
24 Dvorak to account for and to disgorge all ill-gotten gains from their illegal
25 conduct, together with prejudgment interest thereon.

26 VIII.

27 Order Casavant, Edwards, Gutierrez, Kinney, Anthony Tomasso, Kathleen
28 Tomasso, 1st Global, Bagley, NevWest, Anderson, Rummyantsev, Santos, and

1 Dvorak to pay civil penalties under Section 20(d) of the Securities Act, 15 U.S.C.
2 § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

3 IX.

4 Issue judgments, in a form consistent with Rule 65(d) of the Federal Rules
5 of Civil Procedure, permanently barring Casavant, Edwards, Gutierrez, Kinney,
6 Anthony Tomasso, Kathleen Tomasso, Bagley, Anderson, Rumyantsev, Santos,
7 and Dvorak from participation in any offering of penny stock, including engaging
8 in activities with a broker, dealer, or issuer for purposes of issuing, trading, or
9 inducing or attempting to induce the purchase or sale of any penny stock under
10 Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d)(6) of the
11 Exchange Act, 15 U.S.C. § 78u(d)(6).

12 X.

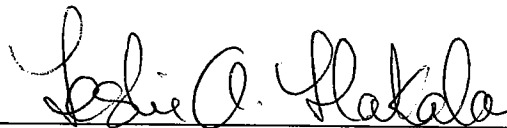
13 Retain jurisdiction of this action in accordance with the principles of equity
14 and the Federal Rules of Civil Procedure in order to implement and carry out the
15 terms of all orders and decrees that may be entered, or to entertain any suitable
16 application or motion for additional relief within the jurisdiction of this Court.

17 XI.

18 Grant such other and further relief as this Court may determine to be
19 just and necessary.

20
21 DATED: April 7, 2008

Respectfully submitted,

22
23 

24 LESLIE A. HAKALA
25 Attorney for Plaintiff
26 Securities and Exchange Commission
27
28