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FIVE PERSONS ARRESTED IN SECURITIES FRAUD CASE

Investors Lost Over \$60 Million in Stock Scheme

LAS VEGAS - - Five persons, including three Las Vegas and a lawyer licensed to practice in Nevada, have been arrested and charged with federal conspiracy and securities fraud crimes for issuing and selling hundreds of billions of shares of unregistered stock, announced Greg Brower, United States Attorney for the District of Nevada.

Helen Bagley, 62; Ginger Gutierrez, 37; and James Kinney, 39, all of Las Vegas; and Brian Dvorak, 54, of Boulder City, Colorado, were arrested on September 16 and September 17 in their respective cities of residence. Another defendant was arrested in England earlier this month and the U.S. Department of Justice has requested his extradition. A sixth defendant remains at large. Defendants Bagley, Gutierrez, and Kinney made initial appearances on Thursday, September 17, 2009, before U.S. Magistrate Judge George W. Foley, Jr. and were released pending trial. Defendant Dvorak appeared on September 17, 2009, before a U.S. Magistrate Judge in Denver, Colorado, and was released pending trial.

The defendants are charged in a Superseding Indictment, which was returned by the Federal Grand Jury in Las Vegas on May 27, 2009, but remained sealed until Thursday, September 17, 2009. All of the defendants are charged with one count of Conspiracy to Sell Unregistered Securities, to Make False Statements to the Security and Exchange Commission (SEC), to Desist From Filing Periodic Reports, and to Commit Securities Fraud; two counts of Securities Fraud; and one count of Conspiracy to Commit Securities Fraud. Defendants Gutierrez, Kinney, and two others are also charged with Conspiracy to Commit Money Laundering.

The Superseding Indictment alleges that from about September 2001 to March 2009, the defendants conspired to sell unregistered stock and stock certificates of CMKM Diamonds, Inc.(CMKM) by using the mails, wire services, over the counter stock exchanges, and other means of interstate commerce. The defendants also are alleged to have used manipulative and deceptive devices to sell CMKM stock and stock certificates.

The scheme allegedly began in September 2001 when one of the conspirators gained control of a publicly traded corporate shell, then known as Cyber Mark. Incorporated in Delaware, Cyber Mark had at one time been a software company. However, by 2001 the business was defunct and

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had no appreciable assets or revenue. This corporate shell nonetheless remained registered with the U.S. Securities and Exchange Commission ("SEC") and eligible to publicly trade its stock. In April 2002, Cyber Mark reorganized as a Nevada corporation and filed Articles of Conversion with the Secretary of State of Nevada absorbing the earlier Delaware corporation. At the time of its incorporation in Nevada, this corporate shell was authorized to issue up to five hundred million shares of common stock of which over three hundred million had been issued and were outstanding.

In November 2002, Cyber Mark entered into an agreement to purchase mining claims or interests held by five companies owned or controlled by Casavant and his family, ostensibly in exchange for two million dollars and approximately three billion shares of Cyber Mark restricted common stock notwithstanding that this corporate shell had no appreciable assets, revenue or value. Cyber Mark contemporaneously filed an Amendment to its Articles of Incorporation increasing its authorized common shares to ten billion four hundred ninety-seven million. Although Cyber Mark did not merge with Casavant's companies, Casavant became director, president and chief executive officer of Cyber Mark. On December 3, 2002, Cyber Mark changed its corporate name to Casavant Mining Kimberlite International. In February 2004, the company took the name CMKM Diamonds, Inc.

As a publicly traded corporation, CMKM was required to file quarterly and annual reports with the SEC. These reporting requirements are intended to provide the investing public with current and accurate information to enable investors to make informed decisions. However, CMKM did not file quarterly reports between October 2002 and June 2005, nor did it file annual reports for calendar years 2002, 2003 and 2004. By evading statutory and regulatory reporting requirements in this manner, the conspirators concealed information regarding CMKM's assets, liabilities, operations, revenues, and shares from both government regulators and the investing public. Having effectively cast a cloak of secrecy over the corporation, the conspirators increased CMKM's authorized shares from ten billion four hundred ninety-seven million to an estimated eight hundred billion shares through a series of amendments to CMKM's Articles of Incorporation between December 2002 and August 2004.

Bagley, doing business as 1st Global Stock Transfer LLC, thereafter issued hundreds of billions of shares of CMKM stock to the conspirators' nominees, alter-egos associates and straw-purchasers. Most of these shares of CMKM stock were not registered with the SEC and the share certificates should have borne restrictive legends declaring that the shares were unregistered and could not be sold to the public. However, as part of the conspiracy, Dvorak issued opinion letters falsely and fraudulently invoking an exemption from the rules and regulations that restricting the sale of unregistered stock. Specifically, the conspirators invoked SEC Rule 144(k) by falsely representing that the nominees and straw-purchasers had purchased or earned billions of shares of CMKM stock more than two years earlier and that those shares had mistakenly not been issued at that time. In this manner, the conspirators fraudulently issued hundreds of billions of unregistered shares of CMKM stock without restrictive legends. Bagley issued sheaves of unlegended stock certificates representing hundreds of billions of shares of CMKM stock to nominees, alter-egos, associates and straw-purchasers.

Despite issuing approximately eight hundred billion (800,000,000,000) shares of stock,

CMKM remained a hollow shell. Although purporting to be an international diamond exploration and mining company, CMKM did not conduct substantive mining operations and did not produce any diamonds. Although CMKM was not engaged in any productive mining activities or business of any kind (other than issuing its own stock), the conspirators created a market and stoked demand for CMKM stock. To create the appearance of an active and established market for CMKM stock, and to disguise the fact that they were the primary sellers of CMKM stock, the conspirators surreptitiously traded in CMKM stock through multiple nominees, alter-egos, associates and straw-purchasers. The volume of the trading activity generated by the conspirators sparked investor interest in CMKM. The conspirators spurred interest in CMKM's stock by sponsoring motor sports racing teams and Internet promotions. Further, in the void created by CMKM's failure to file periodic reports, the conspirators sowed misinformation regarding CMKM's activities and spurred speculation regarding the company's prospects and value through false and misleading press releases and market manipulation.

Fueled by the fraudulent promotions and a seemingly endless supply of CMKM stock, the conspirators sold hundreds of billions of CMKM stock to the investing public. Although CMKM shares usually traded at less than a penny per share, the sub-penny price was offset by the astounding volume of shares traded. Indeed, records reflect that during the course of the fraudulent scheme approximately 40,000 investors purchased CMKM stock in market transactions and that trading volume frequently exceeded one billion shares—and sometimes two billion shares—per day. In March 2005, the SEC suspended CMKM's trading status, and in October 2005, the SEC ordered CMKM deregistered. The indictment alleges that before the scheme was brought to an end, the defendants realized more than sixty million dollars through the fraudulent sale of CMKM stock. Kinney, Gutierrez and two others are charged with conspiracy to launder the proceeds of the criminal scheme.

If convicted, the defendants face up to 5 years in prison for conspiracy to commit securities offenses as charged in Count One; up to 10 years in prison for securities fraud in violation of 15 U.S.C. § 78j, as charged in Count Two; up to 25 years in prison for committing, or for conspiring to commit, securities fraud in violation of 18 U.S.C. § 1348, as charged in Counts Three and Four; and up to 20 years in prison for conspiracy to commit money laundering, as charged in Count Five. Defendants are also subject to potential fines and the indictment seeks the forfeiture of up to \$60 million from the defendants if they are convicted.

This case is being investigated by the FBI and IRS Criminal Investigation. The SEC also previously brought civil enforcement actions in this matter. The criminal case is being prosecuted by Assistant U.S. Attorneys Timothy S. Vasquez and Michael Chu.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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