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The Honorable Paula L. McCandlis

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Western District of Washington
By Emily Nero
Deputy Clerk

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UNITED STATES OF AMERICA,

Plaintiff

v.

KEENAN A. GRACEY a/k/a KEENEN A.
GRACEY,

Defendant.

CASE NO. **MJ18-524**

COMPLAINT for VIOLATION

Title 18 U.S.C. § 1343

BEFORE, the Honorable Paula L. McCandlis, United States Magistrate Judge,
U.S. Courthouse, Seattle, Washington.

The undersigned complainant, being duly sworn, states:

COUNT ONE
(Wire Fraud)

A. The Scheme to Defraud

1. Beginning no later than in or about June 2016, and continuing until about
May 2018, at Clyde Hill, within the Western District of Washington, and elsewhere,
KEENAN A. GRACEY, a/k/a KEENEN A. GRACEY ("GRACEY"), devised and
intended to devise a scheme and artifice to defraud, and to obtain money and property by
means of materially false and fraudulent pretenses, representations and promises.

1 2. The essence of the scheme and artifice to defraud was for GRACEY to
2 falsely represent himself as a wealthy businessman who could offer investors special
3 access to “pre-IPO” stock in a soon-to-be-formed company, which, GRACEY promised,
4 would produce returns of up to 60 times the original investment when the company
5 conducted an initial public offering. GRACEY collected millions of dollars from victims
6 by purporting to “sell” them this stock, when in fact GRACEY did not own or have
7 access to any such stock and had no authority to sell it.

8 **B. Manner and Means**

9 GRACEY operated in the following manner, and employed the following means,
10 to accomplish his scheme and artifice to defraud:

11 3. GRACEY falsely presented himself to potential investors as a successful
12 businessman from an extremely wealthy English family. GRACEY told investors that
13 GRACEY’s great-grandfather was the “lord commander of the British empire” and a co-
14 founder of both the General Dynamics Corporation and Lloyd’s of London. GRACEY
15 falsely told investors GRACEY had graduated from the London School of Economics;
16 had earned a Master’s Degree in finance from Oxford University; and had become a
17 successful businessman with hundreds of millions of dollars in investments.

18 4. GRACEY used deceptive means to create the appearance that he was
19 indeed a wealthy investor. GRACEY rented multi-million dollar estates in Beverly Hills,
20 and San Diego, California; and Clyde Hill and Newcastle, Washington. GRACEY
21 entertained potential investors at these estates and represented himself as the owner.
22 Similarly, GRACEY rented luxury automobiles and told investors that he was the owner
23 of those cars. GRACEY falsified a bank statement to make it appear that he had
24 hundreds of millions of dollars of cash on hand, and showed the bank statement to
25 potential investors as evidence of his own wealth.

26 5. GRACEY identified people (referenced hereafter as “victims”) with money
27 to invest and/or relationships with others who had money to invest. GRACEY offered
28 the victims what GRACEY characterized as a “once in a lifetime” business opportunity.

1 GRACEY said this opportunity involved purchasing “pre-IPO” shares in a company that,
2 GRACEY represented, had planned an initial public offering (“IPO”). GRACEY said
3 that, at the time of the IPO, the investors would be able to sell their shares at a profit of
4 50 to 60 times the initial investment. Initially (during 2016 and part of 2017), GRACEY
5 described the company as virtual reality startup, and claimed to sit on the company’s
6 board of directors.

7 6. Beginning in the fall of 2017, GRACEY told victims that the “pre-IPO”
8 shares he was offering were shares in a new business entity that would be formed by the
9 merger of three government contracting companies. GRACEY identified the merging
10 companies as “DXC,” “KeyPoint,” and “Vencore,” and the new entity to be formed as
11 “Perspecta.” GRACEY provided victims with a copy of a DXC-created presentation,
12 which is available on DXC’s website, describing the planned transaction and its
13 anticipated business benefits. GRACEY provided some potential victims with phony
14 share purchase agreements, which purported to convey the Perspecta shares to the buyer.

15 7. While it was true that DXC, KeyPoint, and Vencore were legitimate
16 businesses planning a merger, GRACEY had no connection to any of these companies.
17 GRACEY did not own any securities related to Perspecta, DXC, KeyPoint, or Vencore,
18 and therefore could not convey any of the securities that he purported to offer for sale.

19 8. GRACEY collected millions of dollars in “investments” from victims who
20 believed they were purchasing the pre-IPO securities described by GRACEY. In some
21 cases, at GRACEY’s direction, victims provided the money to GRACEY by interstate
22 wire transmission, including transmissions originating in Washington. In other cases,
23 GRACEY requested that the investors provide GRACEY with the investment money in
24 cash.

25 9. When some of the victims became suspicious of GRACEY and demanded
26 that GRACEY return their investment principal, GRACEY attempted to lull the investors
27 by providing false reasons why he could not return the money. For example, GRACEY
28 told victims that returning the money would constitute securities fraud or would

1 otherwise raise suspicions from the government. When victims persisted in demanding
2 their money back, GRACEY prepared and executed loan agreements in which he
3 promised to repay the money. When GRACEY signed these agreements, GRACEY had
4 no intention of making the promised payments.

5 **C. Execution of the Scheme to Defraud**

6 10. On or about December 30, 2017 at Bellevue, within the Western District of
7 Washington, and elsewhere, for the purpose of executing and attempting to execute this
8 scheme and artifice to defraud, KEENAN GRACEY, and others known and unknown to
9 the complainant, did knowingly transmit and cause to be transmitted by wire
10 communication in interstate and foreign commerce, writings, signs, signals, pictures and
11 sounds, in that KEENAN GRACEY caused Victim 1 to initiate an interstate wire
12 transmission in the form of an \$80,000 wire transfer originating in Washington and
13 terminating in California.

14 All in violation of Title 18, United States Code, Section 1343 and Section 2.

15 ***

16 And the complainant states that this Complaint is based on the following
17 information:

18 I, Special Agent Milas Howe, being first duly sworn on oath, depose and say:

19 **AFFIANT BACKGROUND AND SCOPE OF AFFIDAVIT**

20 1. I am a Special Agent with the Federal Bureau of Investigation (FBI),
21 assigned to the White Collar Crime Squad of the Seattle, Washington Headquarters Field
22 Office. I have worked with the FBI since May 2017. I am responsible for investigating
23 violations of federal statutes governing various types of white collar crime, including
24 wire fraud, mail fraud, bank fraud, securities fraud, money laundering, and theft of
25 government and public money. Prior to working for the FBI, I spent over ten years in the
26 accounting industry working as both an internal and external auditor. I am a licensed
27

1 Certified Public Accountant, Certified Fraud Examiner, and Certified Information
2 Systems Auditor.

3 2. The FBI has been investigating allegations that KEENAN GRACEY a/k/a
4 KEENEN GRACEY (“GRACEY”) defrauded investors out of millions of dollars
5 between 2016 and 2018. This matter came to the FBI’s attention through a referral from
6 the Securities and Exchange Commission (“SEC”). My investigation has included
7 witness interviews, the review of documents, including financial records, email and text
8 communications and other documents, and of materials prepared and obtained by the
9 SEC in its investigation of GRACEY. The information set forth in this Affidavit is not
10 intended to detail each and every fact and circumstance of the investigation or all
11 information known to me or the investigative participants. Rather, this Affidavit is
12 intended to present the facts relevant to the issue of whether probable cause exists to
13 believe that GRACEY committed the crime alleged above.

14 **EVIDENCE OF THE CRIMINAL OFFENSE**

15 **A. The SEC Action**

16 3. On May 10, 2018, the SEC filed a complaint in the Central District of
17 California alleging that GRACEY engaged in securities fraud in violation of the
18 Securities Act of 1933 and the Securities Exchange Act of 1934. *See* Central District of
19 California Cause No. CV18-3872AB (the “SEC Action”).

20 4. The SEC’s Complaint alleged that GRACEY falsely portrayed himself as a
21 wealthy investor with special access to “pre-IPO” shares of a company to be formed
22 under the name “Perspecta, Inc.” The SEC Complaint alleged that GRACEY had taken
23 over \$2 million from investors, purportedly in exchange for the Perspecta shares. In fact,
24 the Complaint alleged, GRACEY was not a wealthy investor; had no relationship with
25 Perspecta or any of its affiliate companies; and did not own any of its stock. In a Motion
26 for a Temporary Restraining Order accompanying the Complaint, the SEC alleged that
27 “in short, Gracey under the guise of having access to valuable pre-IPO shares, is simply
28 stealing money from investors.” SEC Action Dkt. 6 at 1.

1 5. On May 10, 2018, United States District Judge Andre Birotte issued a
2 temporary restraining order that, *inter alia*, enjoined GRACEY from selling securities,
3 imposed a freeze on Gracey's assets, and ordered GRACEY to produce a full accounting
4 of the use of investor funds. SEC Action Dkt. 4. On May 23, 2018, Judge Birotte
5 entered a preliminary injunction extending the term of this relief. SEC Action Dkt. 13.
6 On September 27, 2018, Judge Birotte granted the SEC's Motion for Default Judgment.
7 SEC Action Dkt. 23. Judge Birotte ordered a permanent injunction prohibiting GRACEY
8 from selling securities. *Id.* Judge Birotte also ordered GRACEY to disgorge \$4,403,500,
9 finding that the "SEC submitted evidence that Gracey had obtained \$4,403,500 through
10 his wrongful conduct." *Id.* Finally, Judge Birotte ordered an additional civil penalty of
11 \$4,403,500. *Id.*

12 **B. Witness Statements**

13 6. I have reviewed SEC records memorializing the interviews of
14 approximately 25 victims conducted by the SEC. I have also reviewed the sworn
15 statements of four victims that were filed in the SEC Action. In addition, I have
16 interviewed some of the same victims interviewed by the SEC.

17 7. These victims generally related highly similar experiences with GRACEY.
18 In general, the victims recounted that GRACEY presented himself to them as a wealthy
19 investor from an extremely wealthy British family. GRACEY told victims that his
20 relatives had founded major companies such as Lloyd's of London and General
21 Dynamics. The victims said that GRACEY drove expensive cars, to include brands such
22 as Bentley, Ferrari, Maybach and Rolls Royce. GRACEY invited them to visit him at
23 estates in Clyde Hill and Newcastle, Washington, and Beverly Hills and San Diego,
24 California. GRACEY represented himself as the owner of these estates. Some victims
25 reported that GRACEY showed them images of a bank statement purportedly showing
26 that GRACEY had hundreds of millions of dollars in the bank.

27 8. The victims recounted that GRACEY offered to sell them what GRACEY
28 characterized as "pre-IPO" shares in a company that, GRACEY said, would be

1 conducting an initial public offering (“IPO”) in the near future. The victims recounted
2 that GRACEY told them GRACEY had special access to the pre-IPO shares as a result of
3 his or his family’s connection with the company.

4 9. Victims who dealt with GRACEY in 2016 and early 2017 reported that
5 GRACEY described the company as a virtual reality company. However, victims
6 reported that, beginning in 2017, GRACEY identified the company as a newly-formed
7 government-contracting company that would be created through the merger of three
8 existing companies known as DXC Technology Company (“DXC”), KeyPoint
9 Government Solutions (“KeyPoint”) and Vencore, Inc. (“Vencore”). Victims recounted
10 that GRACEY told them his family had a large holding in the parent company of
11 KeyPoint and Vencore. As a result, GRACEY told victims, GRACEY had purchased a
12 large stake in the new entity, which would be called “Perspecta.” GRACEY offered to
13 sell the victims “pre-IPO” shares of Perspecta stock for \$1 per share. GRACEY told the
14 victims they would be able to redeem their shares for \$50 or \$60 after the IPO.

15 10. Victims reported making payments to GRACEY in amounts ranging from
16 thousands of dollars to hundreds of thousands of dollars based on GRACEY’s
17 representations that they were purchasing stock in the company GRACEY described.
18 Some victims stated that, at GRACEY’s direction, they made these payments to
19 GRACEY in cash. Others reported paying via wire transfer. Some victims reported that
20 GRACEY provided them with stock purchase agreements purporting to memorialize the
21 transactions, while others reported receiving no paperwork. Victims reported that
22 GRACEY told them that a nondisclosure agreement prevented him from sharing
23 extensive information about the company.

24 **C. Documents Provided by Victims**

25 11. ***Emails:*** Many of the victims provided the FBI and/or the SEC with
26 documents corroborating their statements. Included among these were messages the
27 victims received from GRACEY’s email account, which has an address of
28

1 | tijor24@googlemail.com. Many of the email messages discuss GRACEY's supposed
2 | sale of pre-IPO stock to victims. Following are a few examples of the emails:

- 3 | • A February 17, 2017, email to a victim (referenced hereafter as "Victim
4 | 2") from GRACEY's account states that "my great grandfather was the
5 | lord commander of the British empire" and "co-founded General
6 | Dynamics." GRACEY stated that "the current secretary of defense, Jim
7 | Mattis, was on the board and worked directly for and with my
8 | grandfather." Further, the "CEO of DXC corporation used to work for
9 | my father and grandfather at Missy's in London." The email states that
10 | GRACEY had "purchased \$100 million of [pre-IPO Perspecta] stock on
11 | margin to be sold to accredited and non-accredited investors above and
12 | beyond the legal limit of my \$150 million." Financial records show that
13 | Victim 2 transferred \$25,000 to GRACEY on February 20, 2018.
- 14 | • A January 27, 2017, email from GRACEY's email account to another
15 | victim (referenced hereafter as "Victim 3") states that the email "serves
16 | as documentation for an agreement between Keenan Gracey and
17 | [Victim 3]. The two named individuals have made an agreement that
18 | [Victim 3] will pay \$100,000 (U.S. currency) to buy Series A stock at
19 | \$1 share, in a private company with NDA chartered code name
20 | NewCorp that intends to go public with an IPO, in 2018 through an
21 | accredited investment consortium." Bank records show that Victim 3
22 | transferred \$100,000 to GRACEY between December 6, 2017 and
23 | January 12, 2018.
- 24 | • In a December 30, 2017, email to the victim identified above as Victim
25 | 1, GRACEY responded to concerns that Victim 1's attorney had raised
26 | about the proposed stock sales. In response to a question by the
27 | attorney about why no offering materials had been provided, GRACEY
28 | stated that he could not provide a private placement memorandum for
the proposed stock sale because "it is protected by an internal NDA for
accredited investors only." GRACEY's email states that Victim 1's
attorney was providing "misinformation" and "adding to the confusion."
It continued that "my family and I specialize in this and have done for
generations. This is what we do. . . I can assure you that everything we
touch is handled in a completely legal manner." Bank records show that
Victim 1 and his family members provided GRACEY with
approximately \$575,000 between December 30, 2017 and May 15,
2018.

1 12. **Text Messages:** Victims also provided copies of text messages they had
2 received from GRACEY. Following are a few examples of these messages:

- 3
- 4 • A message from GRACEY to a victim (referenced hereafter as “Victim
5 4”) states that “we have \$150 million invested into the private
6 companies (but actually own them fully through veritas capital which
7 my grandfather owns) at \$1 per share. When this goes public it will be
8 worth \$60 per share upon opening. That’s 60x return. This is what we
9 do babe and it’s what I specialize in as well. I care about you, and I feel
10 and know I could have done better for us so if you’re interested in me
11 getting you in I’ll add you to my end of the investment.” Bank records
12 show that Victim 4 transferred \$34,000 to GRACEY between February
13 16, 2018 and March 2, 2018.
 - 14 • In a message to a victim (referenced hereafter as “Victim 5”), GRACEY
15 states that “I think you will recall that as I explained this will be a 5
16 company merger, including DXC delisting from the stock market.” In
17 other messages with Victim 5, GRACEY attached photos of a Beverly
18 Hills estate as well as high-end sports cars, explaining that “I’ve
19 attached . . . two videos of my family’s estate here so you can
20 understand the surrounding of the area and how most of my neighbors
21 are billionaires.” Bank records show that Victim 5 transferred \$20,000
22 to GRACEY on October 23, 2017.
 - 23 • In another text message, GRACEY and another victim (referenced
24 hereafter as “Victim 6”) discuss Victim 6 providing \$500,000 to
25 GRACEY. GRACEY suggests that Victim 6 “confidently approach
26 others you trust,” and asks the Victim 6 to “let me know how things
27 progress towards the \$1 mill and \$2 mill mark.” Bank records show
28 Victim 6 and his friends and family transferred \$745,000 to GRACEY
between January 11, 2018 and March 26, 2018.

13. **Other Records:** In addition to the email and text messages, victims also
provided numerous other records corroborating their statements. For example, victims
provided copies of “Share Purchase Agreements” between GRACEY and the victims
purporting to memorialize the sale of stock by GRACEY to the victims. The Share
Purchase Agreements state that GRACEY “is the owner of record of an aggregate of
Series A shares in a private company with NDA chartered name NewCorp, which is the

1 product of the merger of parts of DXC, Vencore, Keypoint, and any other businesses
2 involved (the 'Corporation') that intends to go public with an IPO in 2018.”

3 14. Some victims provided copies of a presentation they received from
4 GRACEY describing the benefits of the proposed merger between DXC, Vencore and
5 KeyPoint. This document was publicly available on DXC's investor relations page.

6 15. Victims also provided documents they received from GRACEY that
7 GRACEY used to evidence GRACEY's supposed wealth. For example, victims
8 provided the government with a photograph GRACEY gave them purportedly depicting a
9 stock certificate reflecting GRACEY's ownership of 65 million shares of Vencore stock.
10 Victims also produced photographs GRACEY sent them of what appeared to be
11 GRACEY's JP Morgan Chase Bank checking account statement. One victim provided a
12 version of this statement reflecting a cash balance of \$741,009,998 at the end of March
13 2018. Another version provided by a different victim reflects a cash balance of
14 \$117,001,770 for the same account at the same time. I have reviewed records provided
15 by JP Morgan Chase for GRACEY's checking account for this period. According to
16 those records, the actual account balance as of March 30, 2018 was \$7,500.01.

17 **D. Evidence that GRACEY's Solicitations Were Fraudulent**

18 16. I have also reviewed extensive evidence establishing that GRACEY's
19 investor solicitations were fraudulent. I have reviewed sworn statements of
20 representatives from DXC, KeyPoint and Vencore—the companies involved in the
21 Perspecta merger. Each representative stated that he or she reviewed his or her respective
22 company's relevant business records and determined that neither GRACEY nor his father
23 had any ownership interest in, or other affiliation with his or her respective company. In
24 addition, the statement from the DXC representative states that, as of April 30, 2018,
25 Perspecta had not issued any stock—making GRACEY's claim of owning hundreds of
26 millions of shares impossible.

1 17. I have also investigated GRACEY's claim to be a member of a British
2 family with extensive financial holdings. Public records establish that GRACEY is
3 actually a Canadian citizen who has lived in the United States since at least 2006.

4 18. An SEC attorney interviewed GRACEY's wife. GRACEY's wife reported
5 that she met GRACEY in 2011 and married him in 2014. GRACEY's wife told the SEC
6 attorney that GRACEY had presented himself to her as a professional athlete from the
7 United Kingdom who was new to the United States. GRACEY told her that he was
8 "involved in stocks" and had a "trust fund." GRACEY's wife reported that, in early
9 2015, she learned that GRACEY had been lying about his identity; that GRACEY was
10 Canadian, rather than British; and that GRACEY's father works for Boeing and lives in
11 Bellevue, Washington. GRACEY's wife moved out in February or March 2015.

12 19. I have also reviewed evidence showing that GRACEY's statements about
13 his own wealth were false. For example, as discussed above, GRACEY invited investors
14 to an estate at 75 Beverly Park Lane in Beverly Hills, which GRACEY represented to be
15 his own, or owned by his family. Based on internet research, this is an 8-bedroom estate
16 on a five-acre lot, complete with on-site vineyards, a gym, and mini-spa. This house is
17 currently listed for sale for \$47,500,000. The listing indicates that the property has been
18 for sale since November 2017, meaning that it was listed for sale during the period
19 GRACEY claimed to own the home. An SEC attorney interviewed the property manager
20 of this estate. According to the manager, the estate is owned by an individual unrelated
21 to GRACEY. The property manager stated that GRACEY rented the estate for \$7,500
22 per day between January and April 2018. I have also reviewed property records for the
23 Clyde Hill, Washington property that GRACEY purported to own, and determined that
24 GRACEY rented this property as well.

25 20. I have also reviewed material relating to the luxury cars driven by
26 GRACEY. An SEC attorney interviewed a representative of California Exotic Car
27 Rentals in La Jolla, California. The representative stated that, beginning in April 2017,
28 GRACEY rented four luxury vehicles: a Bentley, two Ferraris, and a Lamborghini. Each

1 of these vehicles typically rents for \$1,800 per day, though GRACEY negotiated a
2 monthly rate for at least one of the cars. The representative stated that, when GRACEY
3 became delinquent on his rental payments, he said that his cash was tied up on an
4 upcoming IPO for a company called "Perspecta."

5 **E. Review of Bank Records**

6 21. I have also reviewed bank and other financial records showing transactions
7 relating to GRACEY. The most active bank account controlled by GRACEY appears to
8 be a Wells Fargo account with an account number ending in the digits 1901 (the "1901
9 Account"). While the FBI's analysis of the 1901 Account is not yet complete, a review
10 of the records substantiates victim statements that they wired tens of thousands or
11 hundreds of thousands of dollars to GRACEY at a time. To date, I have identified over
12 \$3.4 million in wire transfers from known victims. In addition, I have identified over
13 \$300,000 in cash deposits between April 2016 and September 2018.

14 22. As one example, Victim 1 provided wire transfer records showing that on
15 December 30, 2017 Victim 1 initiated an \$80,000 wire transfer from Victim 1's Bellevue,
16 Washington Wells Fargo branch. The records provided by Victim 1 show that the wire
17 was directed to GRACEY's 1901 Account at a Wells Fargo branch in Rancho Santa Fe,
18 California. The records for the 1901 Account show that GRACEY received an \$80,000
19 wire on January 2, 2018, which was the next business day after December 30. This is one
20 example of many interstate wire transfer transmissions that GRACEY caused in
21 furtherance of his fraud, and is the basis of the wire fraud violation alleged above.

22 //

23 //

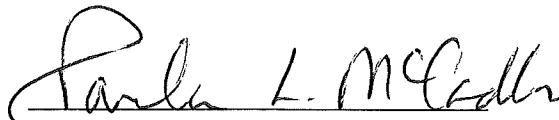
1 23. Based on the above facts, I respectfully submit that there is probable cause
2 to believe that KEENAN GRACEY did knowingly and intentionally commit the crime of
3 wire fraud, in violation of Title 18, United States Code, Section 1343.

4
5 

6 MILAS HOWE
7 Complainant
8 Special Agent, Federal Bureau of
Investigation

9 The above-named agent provided a sworn statement attesting to the truth of the
10 contents of the forgoing affidavit on November 9, 2018. The Court hereby finds that
11 there is probable cause to believe the Defendant committed the offense set forth in the
12 Complaint.

13 Dated: November 9, 2018.

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16 

17 PAULA L. MCCANDLIS
18 United States Magistrate Judge