

\*\*\*THE SECURITIES AND EXCHANGE COMMISSION (SEC), A QUASI-JUDICIAL GOVERNMENTAL AGENCY, WAS CREATED PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934. THE SEC IS MANDATED BY LAW TO OVERSEE THE SECURITIES MARKETS, TO ENFORCE THE FEDERAL SECURITIES LAWS, AND TO PROTECT INVESTORS. BUT THE SEC HAS NOT ONLY FAILED TO PERFORM ITS MANDATED/FIDUCIARY DUTIES, IT HAS ACTUALLY BECOME A PERPETRATOR AGAINST THE VERY INVESTORS WHOM BY LAW IT IS MANDATED TO PROTECT AS EVIDENCED BY ITS INACTION/NEGLIGENCE IN REGARDS TO FILING COMPLAINTS AGAINST THE PERPETRATORS WHO ILLEGALLY NAKED SHORT SELL (NSS) THE STOCK OF COMPANIES SUCH AS CMKM DIAMONDS., INC. (CMKM), AND THEN ITS DEREGISTERING THOSE SAME COMPANIES TO PROTECT THE PERPETRATORS SO THEY DON'T HAVE TO COVER THEIR ILLEGAL NAKED SHORT POSITIONS; AND THEN IT ATTEMPTS TO HIDE ITS COMPLICITY IN THE COLLUSION AND TO FURTHER AID AND ABET THE PERPETRATORS BY CREATING WORTHLESS LAWS, SUCH AS REGULATION SHO, THAT ARE RIFE WITH LOOPHOLES. FURTHERMORE, BECAUSE THESE ARE NOT ISOLATED INCIDENTS, BUT APPEAR TO BE AN ONGOING AND COORDINATED EFFORT TO VIOLATE SECURITIES AND OTHER LAWS, THE SEC AND THE PERPETRATORS VIOLATE THE RACKETEER INFLUENCED AND CORRUPT ORGANIZATION (RICO) ACT.

\*\*\*BRIEF HISTORY OF THE SEC'S COMPLICITY IN ILLEGAL NSS BY DAVID PATCH

As early as 1980's [sic] the SEC and SRO's [sic] were aware of organized crime infiltration on Wall Street. Starting with the Genovese family and Alphonse Malangone the penny stock market became a haven for fraud. The family had control of Brokerage Hanover Sterling and engaged in the illegal marketing of securities. The Mob short sales were represented through Falcon Trading Group and Sovereign Equity Management Corp. In 1995 Hanover Sterling went belly up and due to inadequate capital to cover naked short positions caused the collapse of Clearing Firm Adler Coleman. The NASD banned short seller John Fiero in early 2000 based on his illegal shorting practices.

Between 1996 and 2001 the SEC and FBI were tracking illegal money laundering through Canada. Working through Pacific International the authorities determined that the major crime families were trading naked short through Canada because Canada had no affirmative determination laws. The fails were entering the US

Markets and creating fails at the receiving brokers on publicly traded US companies.

In 1998 The SEC proposed short sale reforms through a concept release. The SEC received over 3000 comment letters (by the Commissions admission) regarding the abuses of naked short selling and short sale abuses in general. The Concept release went nowhere.

In 2001 the NASD presented to the SEC a proposal to modify Rule 3370. The proposal was to “eliminate a loophole” associated with the naked shorting through Canada. The SEC ignored the proposal until November 2003 when the SEC approved the closure of this loophole – Effective date April 2004. Better than 2 years after the NASD attempted to address fraud and address money laundering issues.

By October 2003, with extreme pressure from investors and issuers, the SEC proposed Regulation SHO. By now, fails to deliver in the markets had reached unhealthy levels as Wall Street and regulators ignored compliance with and enforcement of present short sale laws. The rule was approved in June 2004 with a stipulation; the grandfather clause.

The grandfather clause was the brainchild of the Securities Industry And Financial Markets Association (SIFMA).

The GF clause excused much of the past abuses by clients and member firms citing the need to maintain market stability and efficiency.

<http://www.sec.gov/comments/s7-08-08/s70808-231.pdf>

\*\*\*PROFESSOR LESLIE BONI; WHITE PAPER ON STRATEGIC FAILS

Professor Leslie Boni proves the illegal NSS in the stock market was done strategically and with the full knowledge of the SEC thereby making them accomplices.

<http://investigatetheseccom/drupal-5.5/?q=node/191>

\*\*\*OPERATION UPTICK

Operation Uptick was a 10-month investigation that proved Mafia crime families were colluding with major brokers to illegally NSS securities and launder the money offshore.

<http://money.cnn.com/2000/06/14/companies/fraud/>

In the case of Eagletech Communications, the perpetrators were found guilty of RICO charges in US District Court. But instead of pursuing the perpetrators, the SEC, as is its MO, deregisters the victim of the crime, Eagletech.

<http://www.billgroover.com/rico/rico.pdf>

\*\*\*SOME OF THE PROMOTERS OF CMKM MIGHT HAVE BEEN INVOLVED IN OPERATION UPTICK WITHOUT THEIR KNOWLEDGE

\*\*\*FAQ Session #5: October 15, 2007 (CMKM website)

Q) I was reading the Eagletech RICO lawsuit and noticed the term "Operation Uptick". Apparently it was a huge FBI investigation into illegal security transactions. It states that Eagletech was not unique and this same activity chapped to dozens of other companies. The investigation as I understand it is over so should be free to be discussed. Was CMKM involved in "Operation Uptick"?

A) The Company's attorney has had many discussions with Eagle Tech's CEO Rod Young. We have followed Eagle Tech's case with great interest. There is nothing in any of the records we have examined that indicates CMKM was a part of Operation Uptick. It would not surprise us to learn that some of the individuals responsible for promoting CMKM were involved in Operation Uptick without their knowledge. It is clear to us from the trading records that we find the same people pumping and dumping other stocks as well as CMKM.

[http://www.cmkmdiamondsinc.com/faq\\_index.html](http://www.cmkmdiamondsinc.com/faq_index.html)

\*\*\*ON NOVEMBER 13TH 2001, EAGLETECH SUES THE PERPETRATORS DESPITE THE SEC'S HAVING ALL THE EVIDENCE SHOWING THE FRAUD THAT WAS PROVEN IN US DISTRICT COURT. IN FACT, EAGLETECH USED INFORMATION FROM THE SEC FOR ITS CIVIL CASE THAT IT OBTAINED FROM ITS FOIA REQUEST. EAGLETECH WAS ONE OF TWO HUNDRED COMPANIES THAT WERE FOUND VICTIMS OF THESE CRIMES IN OPERATION UPTICK SHOWING THE SIZE OF THE FRAUD AND SHOWING THE SEC KNEW RICO VIOLATIONS WERE BEING COMMITTED BY SOME OF THE BIGGEST NAMES ON WALL STREET. THE SEC WAS ONCE AGAIN NEGLIGENT.

Eagletech Communications Sues 40 - Financial Firms, Market Makers, Brokers, & Individuals Charging Fraud & Conspiracy -

Common Law Fraud, Civil Conspiracy, Conversion and Violation of the Rico Act Are Alleged in a Scheme to Manipulate the Company's Stock.

"Most companies that have suffered this fate, are so financially weakened by the organized attacks on their stock, that they have little choice but to turn their companies over to these people, who after the takeover offer jobs and new funding, usually the same funding they once denied the company," stated Rod Young, Co-founder, President and CEO of Eagletech. "We are the exception. We will not accept this brand of financial terrorism. We will rebuild this company!"

<http://www.eagletech1.com/prn1113.html>

**\*\*\*ROD YOUNG, EAGLETECH CEO, IMPLICATES THE SEC IN AIDING AND ABETTING THE PERPETRATORS WHO HAVE BEEN/ARE STILL ILLEGALLY NSS THE STOCK MARKET.**

In an August of 2004 luncheon meeting with a potential witness in Eagletech's civil case a member of the CIA showed up unannounced to me wanting details of the involvement of Jonathan Curshen and his Costa Rican Offshore asset protection company Red Sea Management in the demise of Eagletech. I was encouraged to write a criminal referral to the U.S. Secret Service who is charged with investigating counterfeiting of corporate securities under 18-USC-514. I authored 15 pages with 100 pages of evidence implicating the SEC and the DTCC as accessories to the crime. That referral was hand delivered to the Secret Service in Washington DC as a courtesy by the agent.

<http://www.faulkingtruth.com/Articles/Investing101/1050.html>

**\*\*\*BUD BURRELL, CONSULTANT FOR JOHN O'QUINN, ONE OF EAGLTECH'S ATTORNEYS AND ONE OF THE MOST FAMOUS CLASS ACTION ATTORNEYS IN HISTORY, COMMENTS.**

In comments to the U.S. Securities and Exchange Commission, C. Austin Burrell, who is providing litigation support and research for the law firms, said that StockGate is more massive than anyone may have imagined. "Illegal Naked Short Selling has stripped hundreds of billions, if not TRILLIONS, of dollars from American investors," and have resulted in over 7,000 public companies having been "shorted out of existence over the past six years." Burrell said some experts believe as much as \$3.5 trillion to \$4 trillion has been lost to this practice.

<http://www.rgm.com/articles/financialwire.html>

\*\*\*DAVE PATCH-SEC COMMUNICATION

Dear Mr. Patch:

Your March 31, 2005, letter to Congressman John F. Tierney, was sent to the Chairman by Congressman Tierney via letter dated June 20, 2005. The correspondence was forwarded to the Division of Market Regulation for a response.

In your letter, you expressed your concerns regarding abusive naked short selling. On April 11, 2005, which was after you sent your letter to Congressman Tierney, the staff of the Division of Market Regulation posted on the Commission's website a document entitled "Key Points About Regulation SHO." This document is available at <http://www.sec.gov/spotlight/keyregshoissues.htm>.

This document provides a detailed response to many of the concerns expressed in your letter. For example, it appears from your letter that you misunderstand "grandfathering" under Regulation SHO. Regulation SHO does not require the close-out of fails to deliver that existed before a stock became a threshold security (known as "grandfathered" securities) because the Commission was concerned about creating volatility through short squeezes if existing positions had to be closed out quickly.

Dave Patch comments on the email:

"This is an e-mail I received 7/27/05 from the SEC in response to an inquiry by Congressman John Tierney. Note that the SEC has admitted here that the intent of the grandfather clause was to prevent short squeezes. That is outside of the jurisdictional authorities of the SEC and could be considered aiding and abetting fraud."

<http://www.thesanitycheck.com/portals/0/WallofLetters/Letter016.pdf>

\*\*\*SEC COMMISSIONER PAUL S. ATKINS ADMITS THE SIZE OF THE FRAUD IN THE OTC MARKET ALONE IS SO LARGE IT COULD CAUSE A MASSIVE MELT DOWN OF THE MARKETS IF THEY FOLLOWED THE LAW

Speech by SEC Commissioner:

Remarks Before the 34th Annual SIFMA Operations Conference

by

Commissioner Paul S. Atkins

U.S. Securities and Exchange Commission

Kissimmee, Florida

April 30, 2007

"Other recent rule makings by the SEC can be neatly described by a single, four letter word that is the source of many nightmares for securities operations professionals — the word is "FAIL." Fail is an especially appropriate word to describe the substance of one of these rule makings, and the process and theory of others. The first rule making is the pending proposal to amend Regulation SHO, and thus relates to the noun form of the word "fail" — as in a "fail to deliver." I am happy to report that the amendments under consideration by the Commission would, if adopted, help reduce the number of aged fails to deliver. These amendments would eliminate the now-notorious "grandfather" exception from Reg. SHO and would limit the scope of the options market maker exception."

"I can't leave the topic of "fails" without touching on one more highly important issue currently facing the Commission. This goes back to the meaning of "fail" as a noun. The SEC has recently been involved in a very proactive (some might even say prudential) exercise with respect to the issue of fails in the OTC derivatives markets. In response to reports of widespread documentation problems in those markets, the SEC has joined forces with other regulators, most notably the Federal Reserve Board and Britain's FSA, to encourage OTC market participants to clean up years of incomplete and inaccurate trade documentation. The need to act was clear. From all reports, the backlog of unconfirmed trades, which essentially are fails, and the widespread and unchecked use of novations in the credit derivatives markets had crippled risk management efforts and set the stage for a massive meltdown in certain default scenarios. Given the multi-trillion dollar aggregate notional amounts of the contracts involved, it was easy to see that the OTC derivatives dealers and their counter parties had created an operational problem similar in scope to the late 1960's back-office crisis on Wall Street.

In September 2005, the Federal Reserve Board and other regulators including the SEC called together 14 major OTC derivatives dealers to address these operational issues."

<http://www.sec.gov/news/speech/2007/spch043007psa.htm>

\*\*\*IN AN APRIL 15TH 2003 LETTER, BUD BURRELL EXPLAINS TO ALBERTO GONZALES, THEN WHITE HOUSE GENERAL

COUNSEL, ABOUT THE MASSIVE FRAUD, TRILLIONS PER YEAR, THAT HAS BEEN PERPETRATED ON INVESTORS BY THE SEC, THE DEPOSITORY TRUST AND CLEARING CORPORATION, AND THE FEDERAL RESERVE BANK.

April 15, 2003

Mr. Albert Gonzalez, Esq.  
White House General Counsel  
1600 Pennsylvania Ave NW  
Washington, DC 20500

Dear Mr. Gonzalez,

I copied you on a letter I wrote to Harvey Pitt when he was still SEC Chairman regarding a family of securities market manipulations surrounding illegal short selling. A copy of this communication is attached for your convenience. Last week, William Donaldson, the new SEC Chairman, announced he was looking into these frauds to the Senate, along with abuses of hedge funds.

Over the past three years, I have studied this area more extensively than I probably would have liked to. Beginning last June, I began to give litigation support to the John O'Quinn law firm in Houston (O'Quinn, Laminack and Pirtle), working with Wes Christian, Esq., of Christian, Smith, Wukoson and Jewell. I think my findings in this area have to be of concern to the White House, and in particular, to the President.

The cases I studied have led me to the conclusion that an enormous number of domestic hedge funds and offshore entities have engaged in a systematic conspiracy to defraud US investors in equity securities of an absolutely staggering amount of money, the largest fraud ever perpetrated in world history.

Depending on which expert you speak to, somewhere between \$8 and \$17 Trillion dollars have been lost or, in many cases, stolen. I am convinced that some significant percentage of these losses went into the hands of parties perpetrating a massive and sophisticated securities fraud unprecedented in American history. Much of this occurred as a result of aggressive and inappropriate interpretation of 1993 administrative rule changes permitting exceptions to the short sale rules of the SEC and NASD, particularly by entities that did not have any duty to comply with US law.

As the leader of a 65 lawyer team, Wes Christian has uncovered more than 1200 hedge fund and offshore accounts working through

more than 150 broker-dealers and market makers in a joint cooperative effort to strip small and medium size public companies of their value. In doing so, they have stripped the NASD of its credibility, and investors of literally hundreds of billions of dollars and their confidence in US equity markets.

This scandal threatens to destroy the very fabric of fundamental investor confidence in all public markets. Worse, these manipulations have decimated the small public company arena as a legitimate sector for corporate development and funding. This segment was the source in the 1970's of little companies trading for pennies that became Intel, Microsoft, Apple, and others.

Much more importantly, this sector was the one responsible for ALL new job creation and technology development for the last thirty years. That is now DEAD.

<http://www.sec.gov/rules/proposed/s72303/caburrell010504.txt>

\*\*\*DR. SUSANNE TRIMBATH, FORMER EMPLOYEE OF THE DEPOSITORY TRUST CORPORATION, FORMER SENIOR RESEARCH ECONOMIST AT THE MILKEN INSTITUTE, AND A CONSULTANT FOR CMKM, IS QUOTED BY MATT TAIBBI IN HIS ROLLING STONE OCTOBER 10th, 2009 ARTICLE/EXPOSE', "WALL STREET'S NAKED SWINDLE," IN REFERENCE TO MASSIVE FRAUD WHICH CORROBORATES THE TRILLIONS PER YEAR ASSERTED MY BUD BURRELL.

"I personally went to senior management at DTC in 1993 and presented them with this issue," she recalls. "And their attitude was, 'We spill more than that.'" In other words, the problem represented such a small percentage of the assets handled annually by the DTC — as much as \$1.8 quadrillion in any given year, roughly 30 times the GDP of the entire planet — that it wasn't worth worrying about.

It wasn't until 10 years later, when Trimbath had a chance meeting with a lawyer representing a company that had been battered by short-sellers, that she realized someone outside the DTC had seized control of a financial weapon of mass destruction. "It was like someone figured out how to aim and fire the Death Star in Star Wars," she says. What they "figured out," Trimbath realized, was an early version of the naked-shorting scam that would help take down Bear and Lehman.

<http://www.democracyfornewhampshire.com/node/view/6936>

\*\*\*IN SAID ARTICLE, SUSAN TRIMBATH IS ALSO QUOTED PERTAINING TO ELECTIONS FRAUD

Trimbath was one of the first people to notice the problem. In 1993, she was approached by a group of corporate transfer agents who had a complaint. Transfer agents are the people who keep track of who owns shares in corporations, for the purposes of voting in corporate elections. "What the transfer agents saw, when corporate votes came up, was that they were getting more votes than there were shares," says Trimbath. In other words, transfer agents representing a corporation that had, say, 1 million shares outstanding would report a vote on new board members in which 1.3 million votes were cast—a seeming impossibility.

Analyzing the problem, Trimbath came to an ugly conclusion: The fact that short-sellers do not have to deliver their shares made it possible for two people at once to think they own a stock. Evil Hedge Fund X borrows 100 shares from Unwitting Schmuck A, and sells them to Unwitting Schmuck B, who never actually receives that stock: In this scenario, both Schmucks will appear to have full voting rights. "There's no accounting for share ownership around short sales," Trimbath says. "And because of that, there are multiple owners assigned to one share."

Trimbath's observation would prove prophetic. In 2005, a trade group called the Securities Transfer Association analyzed 341 shareholder votes taken that year—and found evidence of over-voting in every single one. Experts in the field complain that the system makes corporate-election fraud a comically simple thing to achieve: In a process known as "empty voting," anyone can influence any corporate election simply by borrowing great masses of shares shortly before an important merger or board election, exercising their voting rights, then returning the shares right after the vote is over. hilariously, because you're only borrowing the shares and not buying them, you can effectively "buy" a corporate election for free.

<http://www.democracyfornewhampshire.com/node/view/6936>

THE DIRECTORS OF THE DEPOSITORY TRUST AND CLEARING CORPORATION (DTCC) REPRESENT A VIRTUAL LITANY OF CONFLICT, MOST OF THEM RICO DEFENDANTS IN SEVERAL LAWSUITS, INCLUDING THE LARGEST CLASS ACTION SUIT IN HISTORY WITH JOHN O'QUINN AS THE LEAD ATTORNEY. THAT LAWSUIT HAS RECEIVED NO COVERAGE FROM THE MAINSTREAM MEDIA. BERNIE MADOFF'S FIRM WAS ON THE BOARD OF DIRECTORS OF THE DTCC AND DONATED TO SIFMA. BERNIE MADOFF WAS A FORMER CHAIRMAN OF NASDAQ. THE INFAMOUS MARKET MAKER EXEMPTION, WHICH FACILITATES ILLEGAL NSS, WAS NAMED THE "MADOFF

EXEMPTION.”

Excerpts from the article, "DTCC Chief Spokesperson Denies Existence of Lawsuit."

Burrell noted that the 65-lawyer team presided over by lead lawyers Wes Christian and John O'Quinn has uncovered more than 1,200 hedge fund and offshore accounts working through more than 150 broker-dealers and market makers in a joint cooperative effort to strip small and medium size public companies of their value.

In an era when corporate governance is the primary interest for the SEC and state regulators, the DTCC is hardly a role model. Its 21 directors represent a virtual litany of conflict:

They include Bradley Abelow, Managing Director, Goldman Sachs (NYSE: GS); Jonathan E. Beyman, Chief Information Officer, Lehman Brothers (NYSE: LEH); Frank J. Bisignano, Chief Administrative Officer and Senior Executive Vice President, Citigroup / Solomon Smith Barney's Corporate Investment Bank (NYSE: C); Michael C. Bodson, Managing Director, Morgan Stanley (NYSE: MWD); Gary Bullock, Global Head of Logistics, Infrastructure, UBS Investment Bank (NYSE: UBS); Stephen P. Casper, Managing Director and Chief Operating Officer, Fischer Francis Trees & Watts, Inc.; Jill M. Considine, Chairman, President & Chief Executive Officer, The Depository Trust & Clearing Corporation (DTCC);

Also, Paul F. Costello, President, Business Services Group, Wachovia Securities (NYSE: WB); John W. Cummings, Senior Vice President & Head of Global Technology & Services, Merrill Lynch & Co. (NYSE: MER); Donald F. Donahue, Chief Operating Officer, The Depository Trust & Clearing Corporation (DTCC); Norman Eaker, General Partner, Edward Jones; George Hrabovsky, President, Alliance Global Investors Service; Catherine R. Kinney, President and Co-Chief Operating Officer, New York Stock Exchange; Thomas J. McCrossan, Executive Vice President, State Street Corporation (NYSE: STT); Eileen K. Murray, Managing Director, Credit Suisse First Boston (NYSE: CSR); James P. Palermo, Vice Chairman, Mellon Financial Corporation (NYSE: MEL); Thomas J. Perna, Senior Executive Vice President, Financial Companies Services Sector of The Bank of New York (NYSE: BNY); Ronald Purpora, Chief Executive Officer, Garban LLC; Douglas Shulman, President, Regulatory Services and Operations, NASD; and Thompson M. Swayne, Executive Vice President, JPMorgan Chase (NYSE: JPM).

The Stock Borrow Program was purportedly set up to facilitate expedited clearance of stock trades. Somewhere along the line, the

DTCC became aware that if it could lend a single share an unlimited number of times, it could collect a fee each time, according to Burrell. "There are numerous cases of a single share being lent ten or many more times," giving rise to the complaint that the DTCC has been electronically counterfeiting just as was done via printed certificates before the Crash.

"Such re-hypothecation has in effect made the potential float' in a single company's shares virtually unlimited and the term 'float' meaningless. Shares could be electronically created/counterfeited/kited without a registration statement being filed, and without the underlying company having any knowledge such shares are being sold or even in existence." Burrell said the Christian/O'Quinn lawsuits will seek to show that the "counterfeiting/creation of unregistered shares is a specific violation of the Securities Act of 1933, barring the 'Sale of Unregistered Securities'."

<http://www.rgm.com/articles/financialwire.html>

ANOTHER EXAMPLE OF INACTION/NEGLIGENCE IS THE FAILURE OF THE NEW YORK FEDERAL RESERVE BANK UNDER TIMOTHY GEITHNER TO STOP MASSIVE ILLEGAL NSS OF US TREASURY BONDS

Excerpts from the article, "SENATE SHOULD QUIZ GEITHNER ON FED'S ROLE IN BOND SCAM."

The senate confirmation hearing for Treasury Secretary Timothy Geithner's may want to ask about a failure to act that is costing the U.S. a lot more than the amount he evaded on taxes.

The Federal Reserve Bank of New York, which he has led since 2003, conducts the operations on Wall Street of the Federal Reserve Bank in Washington, the country's central bank. The New York Fed under Geithner's presidency has failed to stop massive naked short selling of U.S. Treasury bonds that threatens the stability of the market and sale of the bonds.

The economist who has done the key work on this issue is Dr. Susanne Trim bath, who heads STP Advisory Services in Omaha, Nebraska. She previously worked for the Depository Trust Co, a subsidiary of Depository Trust and Clearing Corp, the U.S. clearing house for stocks and bonds.

Dr. Trim bath said, "In fall of 2008, about two trillion dollars in Treasury bonds were sold but undelivered for six weeks, more than 20 percent of the daily trading volume, up from 8.6 percent in the

first five months of 2008." It was a spike from 1.2 percent in the first five months of 2007.

"There was excess demand for the Treasuries," she said. "Rather than allow this to push the price up, the Federal Reserve Bank of New York and the DTCC allowed failures to deliver to depress the price." This affects the value of bonds held by individuals, funds and major investors such as China.

The latest figures on failures to deliver are \$600-800 billion. Dr. Trimbath said, "The numbers look better now because the Fed threw two trillion at the market, which was used to cover these fails."

She said that Geithner failed to heed the warnings of economists at the New York Fed who in 2002 and again in 2005 analyzed failures to deliver of Treasuries and recommended fines for the brokers responsible. A New York Fed white paper in April 2006 called for stricter enforcement of delivery and penalties for violations. The Bond Market Association opposed reforms, and again Geithner failed to act.

<http://www.albionmonitor.com/0901a/copyright/geithnerbonds.html>