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DISTRICT COURT

CLARK COUNTY, NEVADA

CMKM Diamonds, Inc. , a Nevada corporation,
Plaintiff,

Vs.

Dave Desormeau, individually; John Edwards,
individually; Does 1 through 50, and Roe
Corporations 1-50, inclusive,
Defendants.

A 538649

CASE NO. _____

DEPT. NO. XIII

COMPLAINT

Plaintiff, CMKM Diamonds, Inc. (trading symbol CMKX), hereinafter referred as Plaintiff or CMKM by and through its President and CEO, alleges for its Complaint, against Dave Desormeau, John Edwards, Does 1-50 and Roe Corporations 1-50, alleges and asserts as follows:

A. PARTIES AND JURISDICTION

1. At all times relevant hereto, Plaintiff CMKM Diamonds, Inc. is and was

1 a Nevada Corporation, doing business in Clark County, State of Nevada.

2 2. At all times relevant hereto, Defendant **Dave Desormeau** is a resident of
3 Clark County, Nevada.
4

5 3. At all time relevant hereto, Defendant **John Edwards** is a resident of
6 Clark County, Nevada.

7 4. The true names and capacities, whether individual, corporate, or
8 otherwise, or Defendants herein designated as **Does 1-50** inclusive, are unknown to the
9 Plaintiff at this time, who therefore sue said Defendants by such fictitious names.
10 Plaintiff is informed and believes that each of said Defendants is responsible in some
11 manner for the events and happenings and proximately caused the damages herein
12 alleged. Plaintiff will seek leave to amend this Complaint to allege their true names and
13 capacities as they are ascertained.
14

15 5. That the true names, identities, and capacities, whether individual, corporate,
16 associate, or otherwise, of Defendants **ROE COPORATIONS** 1 through 50, inclusive,
17 are unknown to Plaintiff, who therefore sue said Defendants by such fictitious names.
18 Plaintiffs are informed and believe, and thereon allege, that each of the Defendants
19 designated herein as **ROE CORPORATIONS** are responsible in some manner for
20 events and happenings herein referred to an caused damages proximately thereby the
21 Plaintiffs as herein alleged; that Plaintiff will ask leave of this Court to amend this
22 Complaint to insert the true names, identities, and capacities of said Defendants **ROE**
23 1 through 50, inclusive, when same have been ascertained by Plaintiffs, together with
24 appropriate charging allegations, and to join such Defendants in this action.
25

26 6. This Court has jurisdiction in this matter and this venue is proper because the
27 action relates to agreements and conduct which occurred in Clark County, Nevada.
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3 **B. PRELIMINARY STATEMENT**

4 7. Plaintiff, CMKM claimed to own thousands of acres of mineral claims in
5 the Saskatchewan Province of Canada. CMKM's core business was development of
6 those mineral claims. Press releases from CMKM suggest the claims of CMKM contain
7 rich deposits of diamonds and other minerals. The Defendants, and each of them,
8 conspired with other officers and insiders of CMKM to dilute the stock and reap huge
9 profits personally causing damage to the CMKM. Defendant **Desormeau** (also referred
10 to in public filings as company treasurer and financial systems consultant) failed to keep
11 accurate and complete accounting records of CMKM. This failure and **Desormeau's**
12 refusal to turn over CMKM records resulted in CMKM's inability to obtain audited
13 financials as required by the regulatory authorities. As a result of the actions of the
14 Defendants and other officers and insiders of CMKM the **Securities and Exchange**
15 **Commission** (hereafter **SEC**) brought an administrative proceeding against CMKM for
16 failing to file its financial records as required by statute. CMKM's stock was delisted by
17 order of the SEC following the administrative hearing. This delisting has deprived
18 CMKM of its ability to have its stock traded in the public market.
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20

21 **FACTS COMMON TO ALL DEFENDANTS**

22
23 8. From January of 2003 through August of 2004, various stock dilution
24 techniques were employed by Defendants and insiders to inflate the issued and
25 outstanding stock of CMKM by over 700,000,000,000 shares. It has taken the concerted
26 effort of a group of lawyers, accountants, financial advisors, brokers, market makers,
27 insiders, professional stock manipulators and corporate fiduciaries to successfully dilute
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1 the market with 700,000,000,000 Company shares. The investing public was unaware of
2 the insider trading, self dealing and market manipulation that was ongoing while press
3 releases presented CMKM in a positive light.
4

5 9. Press releases from CMKM suggested CMKM was buying back stock by
6 the billions when insiders such as Defendants **Edwards** and **Desormeau** and certain
7 officers and affiliates of CMKM were well aware that while a few billion shares were
8 being retired, hundreds of billions were in fact being sold through the public markets by
9 insiders. The two named Defendants were liquidating **CMKM** stock by the hundreds of
10 billions shares unknown to the general public investor. Hundreds of millions of dollars
11 were paid by shareholders to acquire stock in CMKM as a result of the positive press
12 releases issued by CMKM. Only a small portion of the proceeds from the sale of this
13 stock was used to further the legitimate business of CMKM because of the trading
14 techniques orchestrated by Defendants.
15

16 10. Many of the current shareholders have owned **CMKM** stock or its
17 predecessor's stock **CMKI** since 2000. Since the acquisition by **CMKM** of **CMKI** in
18 2002 there has not been a single page of audited financials filed with the **SEC** nor made
19 available to Company shareholders. Numerous press releases from **CMKM** since 2003
20 tell their shareholders about the efforts of **CMKM** to obtain audited financials and return
21 to trading status. There were assurances in official **CMKM** press releases that
22 experienced financial help and securities experts were working on **CMKM's** reporting
23 problems.
24

25 11. When the **SEC** filed an Order Instituting Proceeding (aka 12J proceeding)
26 in March of 2005, the shareholders became aware **CMKM** was not filing properly
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1 audited financials. An SEC 12j proceeding normally involves **CMKM**, its attorney and
2 the SEC Enforcement Division Attorneys. Estimates at the time of this SEC filing
3 placed the number of known **CMKM** shareholders in excess of 50,000. A shareholders
4 group hired counsel and asked to intervene in the 12j proceeding. The administrative
5 law judge allowed counsel to intervene on behalf of the shareholders by order signed on
6 April 12, 2005. If this judge had not allowed counsel for the shareholders a seat at the
7 table of the administrative hearing, **CMKM** and its shareholders would not have the
8 evidence to bring this suit today.
9

10
11 12. As a part of this order, counsel for the shareholders was granted limited
12 participation but both the SEC and **CMKM** were directed to forward copies of all
13 exhibits and discovery between the parties to the shareholder's attorney. A hearing was
14 scheduled for May 10, 2005. The shareholders' attorney began receiving discovery
15 matters from **CMKM** and the SEC on April 24, 2005. On May 5, 2005, counsel for
16 **CMKM** forwarded to the shareholders attorney a select number of bank statements
17 documenting transactions that had occurred during a five or six month period in 2004.
18 Information contained in these bank statements combined with stock records of **John**
19 **Edwards** and **David Desormeau**, and the handwritten notes of an auditor revealed
20 disturbing facts of massive dilution and manipulation of **CMKM** stock. These
21 documents confirmed questionable stock transactions and possible securities violations
22 being committed by officers, affiliates and insiders of **CMKM**. The documents produced
23 for this hearing by individuals working inside **CMKM** mandate that action be taken
24 against certain parties.
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1 the duties owed to Company by losing, destroying or hiding company records from
2 company officials and regulatory authorities.

3
4 16. Defendant owns two companies pertinent to this lawsuit known as **Part**
5 **Time Management, Inc.** and **Business Works, Inc.** During the relevant time periods,
6 Part Time Management, Inc. was issued approximately 16 billion shares of **CMKM** stock
7 and Business Works, Inc. was issued approximately 63 billion shares of **CMKM** stock.
8 These stock issuances were for free trading and various amounts of restricted stock. At
9 the time of this action, **Business Works, Inc.** owns a certificate of 47,145,000 shares.
10 **Part Time Management, Inc.** still owns 332,000,000 shares. All other shares have been
11 sold into the market or to third parties. **Desormeau's** company **Business Works, Inc.** is
12 the registered agent for other companies that appear to have been used to sell **CMKM**
13 stock. Other companies associated with **Desormeau** include Canadian Diamond Fields,
14 Inc., **Diamond Quality, Inc.**, **Silver Fox Capital, Inc.**, **Diamond Quality, Inc.** sold 2.5
15 billion shares of company restricted stock in September of 2003. **Silver Fox Capital,**
16 **Inc.** was issued 10 billion shares in March of 2005. Records of **CMKM** transfer agent
17 show **Business Works, Inc.** surrendering various stock certificates beginning in February
18 of 2003 and continuing through August of 2004. During this period of time **Desormeau**
19 surrendered over 150 separate stock certificates in varying amounts as large as 500
20 million shares. **Desormeau's** dilutive actions caused great harm to **CMKM** and the
21 shareholders for purely personal gain.

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23
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25 17. It was learned during the discovery process of the administrative hearing
26 that in addition to the stock issued to Defendant's companies, Defendant was paid by
27 personal checks from **CMKM** CEO \$49,500 during the months of June, July and August
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1 of 2004 for reasons unknown to the Plaintiff. It is believed that CMKM purchased a
2 vehicle for **Desormeau**. Stock was given to **Desormeau** in the name of numerous other
3 companies controlled or owned by **Desormeau**. The highly touted financial system that
4 the Defendant was to bring to CMKM was never instituted, much to the disappointment
5 of the shareholders. The system touted to the shareholders was "*to insure seamless*
6 *integration with newly enacted Securities and Exchange Commission auditing practices*
7 *for public companies*". **Press Release December 3, 2002**. This system was promised to
8 CMKM to be capable of producing daily drilling logs, field reports, core sampling data,
9 product expenditures and other features. Defendant's failure to implement such system
10 and his refusal to turn over records to CMKM was at the very least a major contributing
11 factor to the **SEC's** decision to delist CMKM thus preventing the shareholders from
12 being able to trade their stock.
13
14

15 **FACTS PARTICULAR TO JOHN EDWARDS**
16

17 18. In late 2002 or early 2003, Defendant **John Edwards** convened a meeting
18 at his office and invited many stock promoters and eventual insiders of CMKM. At such
19 meeting, Edwards agreed to raise \$100,000,000 to allow CMKM to develop the mineral
20 properties owned by CMKM in Saskatchewan, Canada. At this meeting, **John Edwards**
21 began the control of CMKM. Records produced at the administrative hearing described
22 above show that **John Edwards'** companies paid all the bills of CMKM. Company
23 management gathered prior to the institution of the SEC 12j proceeding with an auditor
24 hired by CMKM to audit the records of CMKM. **John Edwards** attended the meeting
25 with the auditor and company management. The auditor, **Neil Levine**, was well known
26 to **Edwards**. **Mr. Levine** had worked with **Edwards** in other companies and was
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1 brought to **CMKM** by **John Edwards**. **Neil Levine** accepted a six figure retainer from
2 **CMKM** but withdrew from the audit in the middle of the SEC administrative hearing thus
3 hindering the efforts of **CMKM** to present audited financials to the SEC.
4

5 19. The records confirmed that **John Edwards** was selling stock and sending
6 money to company management for various company expenses. **John Edwards**
7 maintained possession of the stock transfer ledger. According to records produced by the
8 SEC, **John Edwards** set up 32 trust accounts at **NevWest Securities** for the purpose of
9 trading **CMKM** stocks and other issues. All 32 trading accounts listed **John Edwards** as
10 the sole trustee. There were no beneficiaries identified in any of these trust accounts. A
11 handwriting expert has opined that a single individual signed several of the individuals'
12 names found throughout the account applications for these 36 trading accounts. Many of
13 the account applications stated that the assets owned by these trusts were collectively in
14 the millions of dollars. Other evidence suggests that these accounts were merely flow
15 through entities that had no real assets. They were simply vehicles for **Edwards** to
16 launder the **CMKM** stock and the stock of other issuers.
17
18

19 20. It is estimated that over 250 billion shares of **CMKM** stock were dumped
20 into the public market through the **Edwards'** accounts. The sheer volume of the trading
21 eventually drew the attention of the SEC and the NASD. The NASD filed a formal
22 complaint against **NevWest Securities** in September of 2006. The investigation by the
23 NASD confirmed over 500 transactions involving more than 250 billion shares of
24 **CMKM** stock went through the **Edwards** trust accounts. The value of the trades
25 according to the NASD complaint was over \$53,000,000. The proceeds of the stock sales
26 went to various third parties for the benefit of **John Edwards** and not to any of the
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1 named trusts. **NevWest Securities** was cited with multiple violations of the Anti-Money
2 Laundering rules and violations pertaining to their failure to file out required SARS
3 reports. (Suspicious Activity Reports) A majority of the addresses of the trusts have
4 been traced to mail drops and not actual business locations.
5

6 21. 20 companies have been identified through transfer agent records with
7 addresses in Langley, B.C. **John Edwards** has used these companies to liquidate
8 **CMKM** stock. The addresses of these Canadian companies can be traced to mail drops
9 as opposed to actual business locations. When requested to appear for a deposition by the
10 **SEC**, **Mr. Edwards** appeared with counsel and claimed his fifth amendment right against
11 self-incrimination. He refused to testify regarding his activities in **CMKM** stock.
12

13 MARKET MANIPULATION

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15 22. The facts uncovered during the investigation of those responsible for the
16 delisting of **CMKM** has shown this case to be a textbook case of market manipulation.
17 The early financiers of **CMKM**, including **John Edwards** and associates of his, are well
18 known in the market place for their fund raising activities. It is not clear if previous
19 **CMKM** management was aware of the toxic financing built in to the fund raising
20 promised by **John Edwards**. It is clear that billions of shares of **CMKM** stock has been
21 paid out to individuals that had no relation to **CMKM Diamonds, Inc.** Billions of
22 shares of stock were distributed in 2004 to people based on claimed debts of **CMKM** in
23 1998. This stock was distributed to known short sellers and firms that consistently prey
24 on thinly traded stocks like **CMKM Diamonds, Inc.** Such distributions were directed by
25 Defendants **Edwards**, **Desormeau** and others.
26

27 23. The sophistication of these so called seed money investors is frightening.
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1 The average investor and for sure the novice investor has no awareness of the control
2 over the market price that can be exerted by unscrupulous manipulators. These
3 manipulators, many who attached their talons to the **CMKM** stock, are known to the SEC
4 but the regulators simply do not have the manpower to police the corruption in the penny
5 stock market. **Does 1-50** and **Roe Corporations 1-50** are named herein because
6 discovery in this matter will expose those individuals or corporations that used market
7 forces to make themselves profits at the expense of **CMKM** and its shareholders.
8

9 24. In a sense the facts of the **CMKM** saga represent the "perfect storm" in a
10 penny stock dilution. **CMKM** has a somewhat dynamic and charismatic CEO that is
11 convincing in his story about of discovery of valuable mineral deposits. A promoter
12 (sometimes referred to in this case as a merchant banker) aligns himself with
13 management with promises of raising millions for this new company. Immediately
14 appears the known short sellers, profiteers, and toxic financing agreements. It is unclear
15 to present company management whether these individuals and their methods were
16 known to Company management at the time the early financing was procured.
17 Regardless, the grip on **CMKM** by these sophisticated manipulators resulted in a delisting
18 and almost a destruction of **CMKM**. A look at the early stock distributions in **CMKM**
19 shows recipients of stock to be people from the area known by law enforcement as the
20 "maggot mile" in Boca Raton, Florida. An area where short sellers and market
21 manipulators have access to hedge funds and finances that can control and cripple a small
22 cap company.
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26 25. Stock dilution on the **CMKM** scale cannot occur without stock brokers
27 ignoring the trading rules in place by the regulators. Market makers control the bid and
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1 the ask and virtually dictate the fortunes or losses that occur during a normal trading day.
2 The price of the stock is not guided by Company success or problems, but by sheer
3 manipulation from the key players in the market. Brokers must ignore SARS reporting
4 requirements and allow activities like the John Edwards trades for the **CMKM** story to
5 unfold. Trades are allowed "ex-clearing" and accepted in the market place as a simple
6 accommodation to the parties. It takes individuals like those that attended the initial
7 meeting of the funding group in **CMKM** who understand how to dilute a stock and make
8 fortunes in the process. It takes cooperation with every entity in the financial
9 marketplace for dilution to occur on the scale that was accomplished in **CMKM** stock.
10
11

12 26. In order for large quantity trades like those occurring in **CMKM** a
13 promoter must have lawyers, auditors, a transfer agent, and market makers who are
14 willing to bend their own ethical rules and in some cases industry standards to facilitate
15 such dilution. The naming of **Does 1-50** represents the individuals that will be pursued
16 by **CMKM** for the acts of stock manipulation, self-dealing and professional negligence.
17 The naming of **Roe Corporations 1-50** represents the companies that will be pursued by
18 **CMKM** for their involvement in this massive dilution and market manipulation.
19

20 **FIRST CLAIM FOR RELIEF**

21 **(Breach of Contract as to both Defendants)**

22
23 27. Plaintiff realleges each and every allegation contained in Paragraphs 1
24 through 26 of its Complaint and by this reference incorporates the same herein as though
25 set forth in full.

26 28. Defendant **Desormeau** made a contract with **CMKM** to provide services
27 which it wholly failed to do. Specifically, **Desormeau** promised to provide an
28

1 accounting system and that would work with Company's auditor "to insure seamless
2 integration with the newly enacted Securities and Exchange Commission auditing
3 practices for public companies". Defendant is in material breach of the contract.
4

5 29. As a direct and proximate result of the breach of contract by Defendant
6 **Desormeau**, Plaintiff has suffered general damages in excess of \$10,000.00.

7 30. As a further direct and proximate result of the breach of the contract by
8 Defendant **Desormeau**, Plaintiff has been required to retain attorneys to represent them
9 to prosecute this action and are entitled to recover its attorneys' fees and costs of suit.
10

11 31. Plaintiff realleges each and every allegation contained in Paragraphs 1
12 through 30 of its Complaint and by this reference incorporates the same herein as though
13 set forth in full.

14 32. Defendant **Edwards** made a contract with CMKM to provide services
15 which it wholly or at least partially failed to do. Specifically, **Edwards** promised to raise
16 operating capital to provide funds for drilling and other legitimate activities of CMKM.
17 Defendant **Edwards** is in material breach of the contract.
18

19 33. As a direct and proximate result of the breach of contract by Defendant
20 **Edwards**, Plaintiff has suffered general damages in excess of \$10,000.00.

21 34. As a further result of the breach of the contract by Defendant **Edwards**,
22 Plaintiff has been required to retain attorneys to represent them to prosecute this action
23 and are entitled to recover its attorneys' fees and costs of suit.
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