

To President Barack Obama
January 20, 2009

Dear President Obama,

CMKM Diamonds would like to congratulate you on your resounding and historic victory and inauguration as our 44th President of the United States. As a personal longtime supporter of your efforts, I have complete faith that you have the nation's best interests at heart, and that you are sincere in your promise to usher in a new era of responsibility and accountability for our country. It is this belief that compelled me to write this letter, which is supported by documents which can be seen at the website listed below. I apologize in advance for its length, but this was an extremely complex scam, and, I believe, a very important issue.

CMKM Diamonds and its shareholders respectfully ask that our government act responsibly in seeking justice in one of the largest singular frauds ever perpetrated in our financial markets. Although CMKM Diamonds, Inc. (trading as CMKX) was delisted over three years ago, the company's current management and its shareholders still await the filing of criminal charges against the numerous individuals who defrauded over 50,000 shareholders of an estimated \$250 million. We also ask that the federal agencies whose job it is to protect those 50,000 shareholders accept the responsibility for their failures, and support CMKM's current management in their efforts to find restitution for the company and its shareholders.

Over the past few months, the SEC and other financial regulatory agencies have been under considerable criticism for their failures to protect shareholders from massive fraud in scams such as the \$50 billion Ponzi scheme run by former NASDAQ Chairman Bernard L. Madoff. While the SEC's mishandling of the Madoff scheme has garnered widespread media coverage and criticism from Congress and SEC Chairman Christopher Cox, the CMKM Diamonds tragedy has been largely ignored.

From late 2003 until the company was delisted in late 2005, criminals in control of CMKM Diamonds, Inc. sold over 703 billion shares of stock to unsuspecting shareholders in the largest penny stock fraud in history. It was the most shares ever sold in a single company. Corporate insiders were aided and abetted in their crimes by high-powered attorneys, accountants, transfer agents, major banking institutions, brokerage houses, and clearing firms. It occurred right under the noses of the SEC and NASD (now FINRA), both agencies ignoring dozens of blatant warning

signs, allowing the scam to go on far longer than it should have. This fraud represents one of the most egregious miscarriages of justice ever in our financial markets.

The company's stock was promoted to mostly blue-collar, Main Street investors on huge billboards with "Got CMKX?" written across them, company sponsored NHRA race cars, and lavish parties thrown with shareholders' money. Many CMKX shareholders lost everything, enticed by former CEO Urban Casavant's false promises to create a "million millionaires" and by stories of gold, diamonds, uranium, and even platinum mines. Homes were lost, marriages ruined, and lives destroyed. Casavant even convinced dozens of our soldiers stationed in Afghanistan and Iraq to invest in CMKX, giving them false hope of providing for their families while they were defending our country. One investor (a retired New York firefighter who was at the World Trade Center on 9/11), who lost everything, put over \$200,000 of his own money into CMKX in hopes of using the return on his investment to open a retreat for the widows of firefighters who perished on 9/11.

Documents clearly show that a SEC investigation into CMKX was well underway as early as May of 2004, while the fraud was still underway, and before hundreds of billions of shares were sold to investors. While the Saskatchewan Financial Services Commission first halted Canadian trading in the company on October 26, 2004, CMKX continued to trade in the U.S. for another full year. Incredibly, some individuals involved in the scam continued to fraudulently sell stock for years after the company's stock was revoked.

A letter signed by an SEC staff attorney and faxed to CMKX transfer agent Helen Bagley on May 26, 2004 requested documents from 1st Global Transfer pertaining to purported mastermind John Edwards, CEO Urban Casavant and others involved in the CMKX scam. A file from Bagley's office notated "These were copies SEC made" clearly shows that the SEC knew about the fraud before the stock ran up 1000% in price, only to drop back down to its original price, costing shareholders tens of millions of dollars in a matter of days. On March 26, 2008, a copy of the SEC fax to 1st Global and an accompanying letter detailing possible negligence in the SEC's handling of the CMKX fraud was supplied to SEC Inspector General David Kotz and to the General Accounting Office.

By design, the scheme was complex and widespread. The SEC investigation would eventually encompass 200,000 pages of documents and delve into the involvement of dozens of individuals, trading accounts,

banking institutions, and other fraudulent companies. CMKX laundered their money through no less than 35 bank accounts, and Edwards, alone, had 36 trading accounts and dozens of fraudulent companies set up to hide the money trail. Understaffed and underfunded, the SEC investigation would not reach a conclusion for years.

To the SEC's credit, they eventually filed civil complaints against John Edwards, Urban Casavant, corporate attorney Brian Dvorak, eight other individuals, as well as three corporate entities in April of 2008, a full two years after CMKX was delisted. Many of those involved, however, including CFO David DeSormeau, (ex-SEC attorney) attorney D. Roger Glenn (who wrote opinion letters allowing over 300 billion shares of stock to be dumped into the market), and co-conspirators John Edward Dohnau, Michael Williams, and Rendal Williams, plus a cast of numerous other associates, have not been charged at all for their part in this massive fraud.

Independent of and parallel to the SEC's investigation, a Task Force consisting of the Las Vegas Divisions of the Department of Justice, the FBI, and the IRS's Criminal Investigation Division, with the co-operation of the SEC, conducted its own major investigation into this massive fraud. In September of 2006, a member of the FBI team said "I don't want to say dates because it's very complicated, but I'd like to say that we're weeks away from completing our investigation and issuing indictments". To date, the combined efforts of the DOJ, FBI, and IRS have yet to produce a single criminal charge filed against any individual or entity involved in robbing 50,000 CMKX shareholders. Many of the criminals have already fled the country, while others are involved in new scams with the intent of robbing other investors.

Let me repeat that: To date, the combined efforts of the DOJ, FBI, and IRS have yet to produce a single criminal charge filed against any individual or entity involved in robbing 50,000 CMKX shareholders.

It is not just the regulatory and criminal agencies who have failed to protect investors in this and other major financial scams over the past decade. While you, along with Senator Hillary Clinton, Senator John McCain, current SEC Chairman Christopher Cox, and numerous other members of Congress have all addressed the role that manipulative short selling (commonly called "naked short selling") has played in the meltdown of our financial markets, it is important to not overlook the broader issue of fails to deliver. Smaller companies such as CMKX (many of which are themselves scams) are often prey. Brokers create a "piling on" effect by

selling millions or even billions of shares of stock with no intent to ever purchase those shares on the open market. In the case of CMKX, while management and their cohorts were already flooding the market with hundreds of billions of unregistered and illegal shares, there is strong evidence to suggest that brokers not only aided and abetted the criminals in their schemes, but eventually began to directly defraud shareholders themselves by selling even more shares than were actually issued. Until brokers are forced to open their trading records, it is impossible to say how many billions, or even hundreds of billions of shares were sold and never delivered to shareholders' accounts.

A single brokerage firm, NevWest Securities, utilizing clearing firm Computer Clearing Services (now owned by Penson Worldwide, Inc.) helped John Edwards trade over 250 billion shares of CMKX stock totaling over \$53 million. Almost two years after the fact, the NASD (now FINRA) charged NevWest with "failing to file Suspicious Activity Reports ('SAR'), or cease trading in multiple accounts owned and controlled" by Edwards. In the 28-page complaint, the NASD also charged NevWest with failing to "adequately perform due diligence, file SARs, or cease effecting wire transfers involving \$43 million through 139 separate wires from at least 28 of the accounts John Edwards had opened at NevWest to various bank accounts". In what has become the norm in securities fraud cases, NevWest received little more than a slap on the wrist for their part in the scam, eventually paying a token fine of just \$100,000 "without admitting or denying the allegations of the Complaint".

More troubling still are the phone records from NevWest, which show that they contacted the SEC each time Edwards came in with CMKX certs to sell, many of which were clearly forged and fraudulent, some even "signed" by an individual who had been deceased for months. Instead of taking action to halt the obvious fraud against innocent shareholders, the SEC and NASD (FINRA) ignored the evidence and dozens of other red flags, allowing the scheme to continue unabated, costing unsuspecting buyers of CMKX stock hundreds of millions of dollars.

In another series of violations ignored by federal regulators, on May 6, 2005, clearing firm Jefferies and Co. sent a letter to both the NASD (FINRA) and the SEC admitting they had traded 111 billion shares of CMKX outside the system, or "ex-clearing". Jefferies said that they made a "business and operational risk decision to allow a limited number of broker-dealer customers" who were long sellers of CMKX to settle trades outside the clearing system. In the month of July, 2005 alone, Jefferies did 80 transactions involving CMKX through ex-clearing. Shortly afterwards,

Jefferies and Co. announced record revenues and earnings for the quarter ending September, 2005. The NASD, then under the leadership of Mary Shapiro, waited a full year after receiving the letter to charge broker NevWest with trading violations, and never filed a single charge against Jefferies or any other broker.

Clearing firms and brokers weren't the only ones who ignored red flags that should have triggered the filing of Suspicious Activity Reports. Several Nevada banks, most prominently Silver State Bank and Wells Fargo Bank, allowed CMKM Diamonds and related fraudulent companies to run hundreds of millions of dollars through dozens of accounts while seemingly turning a blind eye to blatant irregularities. Casavant wrote multi-million dollars checks to himself and family members out of company accounts at Silver State Bank on a regular basis, many of them on temporary checks that he didn't even bother to number, while Edwards opened dozens of fraudulent accounts at both Wells Fargo and Silver State, and often wrote multi-million dollar checks on accounts opened just days earlier.

Among the transactions executed by Silver State Bank:

- Wire transfers totaling hundreds of thousands of dollars were executed with only the notation "transferring to Personal Acct. per cust. transfer via phone".
- Checks from various accounts set up as shell companies and controlled by Casavant and Edwards written out only to "CASH"...including one for \$350,000.
- Multi-million dollar wire transfers between Edwards and Casavant run through dozens of accounts they controlled there.
- Millions of dollars written out of company accounts to Casavant and his wife Carolyn, and several family members, often on temporary checks.

CMKM Diamonds, Inc. was officially revoked as a publicly-traded company on October 28, 2005, but the saga doesn't end there. New management has filed numerous lawsuits against those who defrauded the company and its shareholders, and has repeatedly offered to provide assistance and information to any regulatory or criminal agency who requests it. A book written about the saga called "The Naked Truth: Investing in the Stock Play of a Lifetime" has been distributed to several

federal and criminal agencies, and the media has written a handful of stories about the scam. Still, 50,000 Main Street shareholders fight for justice, feeling not only betrayed by the company that they invested their hard-earned money in, but failed by federal regulators and a system that should have protected them.

It is not, however, too late for our government agencies to find redemption in this tragic miscarriage of justice. In the case of CMKM Diamonds, the four agencies that expended considerable time, effort, manpower, and money to investigate this massive fraud have a golden opportunity to show the country that they are serious about cleaning up the stock market. By immediately issuing indictments against those who defrauded tens of thousands of innocent investors in the largest penny stock fraud in our nation's history, our criminal agencies can send a clear message to anyone who would attempt to manipulate our financial system with criminal intent.

Furthermore, the SEC and FINRA need to follow up on their earlier charges by taking clear and decisive action against not just the criminals themselves, but against anyone else who helped to perpetrate this massive fraud. While better regulations and stronger enforcement of existing laws might serve to deter some criminal activity, the only truly effective way to clean up our financial system is to enact swift and harsh punishment against the criminals themselves, whether they be at the corporate level, attorneys, accountants, transfer agents, brokers, market makers, clearing firms, or, as in the case of CMKX, all of the above. Put the criminals behind bars, or they will find ways to commit more crimes involving new victims.

New management in CMKM Diamonds, Inc. has taken strong action in their efforts to recoup money stolen from the company and its shareholders, but it should not be up to a handful of dedicated individuals to right this monumental wrong alone. While our government hands out hundreds of billions of dollars to bailout our major financial institutions, individual victims of financial fraud are left with little or no recourse whatsoever. The Securities Investor Protection Corporation (SIPC) is available to help those who lose their money when brokerage firms fail. What safeguards are in place to help those who have been victimized by fraud that could and should have been prevented had our federal regulators not been asleep at the wheel?

I respectfully request, in fact I'm pleading with anyone who has compassion for their fellow citizens, to join us in our fight for justice in this

case. You, Mr. President, are in that position of power. Please make the call now. Instruct the DOJ/FBI/IRS Task Force to act immediately so that these criminals do not escape justice, and so that others will be protected from further fraud by this group of hardened criminals. The current management of CMKM Diamonds, Inc., and, I'm certain, many of the company's dedicated shareholders, are more than willing to assist you in any way possible.

If you are an elected official, do your duty and take the steps to right this wrong. If you are a member of the media, give this story the exposure it deserves. If you are a CMKX shareholder or simply a citizen concerned about justice for Main Street in a country that is in dire need of positive action against fraud and crime in our markets, forward this letter to everyone you know. Contact your elected officials, members of the press, anyone who might help us make this company an example of justice served instead of justice denied.

Sincerely,
Mark Faulk, CEO
CMKM Diamonds, Inc.

If you need any further assistance, please contact Mark Faulk at 4justice@cmkmdiamondsinc.com

Supporting documents may be viewed at
http://www.cmkmdiamondsinc.com/supp_docs_index.html

Supporting Documents:

Jefferies letter to NASD
SEC fax to 1st Global Transfer
Silver State Bank CMKX check to Urban Casavant for \$3,000,000
Silver State Bank CMKX check to Carolyn Casavant for \$3,000,000
Silver State Bank CMKX petty cash check for \$350,000
Wells Fargo Bank checks from St. George Metals (John Edwards) to CMKM Diamonds
Response from NevWest Securities detailing regular contacts with SEC and NASD

Letter Recipients:

President Barack Obama
Vice President Joe Biden

Senator Harry Reid (D-NV) Senate Majority Leader
Rep. Nancy Pelosi (D-CA) Speaker of the House
Senator Mitch McConnell (R-KY) Senate Republican Leader
Rep. John Boehner (R-OH) House Republican Leader

Heads of various investigations:

Charyn Aldred, IRS
Brian Pugh, DOJ
Andrew Petillon, SEC
Ryan Randall, FBI
David Kotz, Inspector General, SEC

U.S. Senate Banking Committee:

Christopher J. Dodd, Chairman (D-CT)
Richard C. Shelby, Ranking Member (R-AL)
Tim Johnson (D-SD)
Jack Reed (D-RI)
Charles E. Schumer (D-NY)
Evan Bayh (D-IN)
Tom Carper (D-DE)
Robert Menendez (D-NJ)
Daniel K. Akaka (D-HI)
Sherrod Brown (D-OH)
Robert P. Casey (D-PA)
Jon Tester (D-MT)
Robert F. Bennett (R-UT)
Wayne Allard (R-CO)
Michael B. Enzi (R-WY)
Chuck Hagel (R-NE)
Jim Bunning (R-KY)
Mike Crapo (R-ID)
Elizabeth Dole (R-NC)
Mel Martinez (R-FL)
Bob Corker (R-TN)

U.S. Senate Finance Committee:

Max Baucus, Chairman (D-MT)
Charles Grassley, Ranking Committee (R-IA)
John D. Rockefeller IV (D-WV)
Kent Conrad (D-ND)
Jeff Bingham (D-NM)
John F. Kerry (D-MA)
Blanche L. Lincoln (D-AR)
Ron Wyden (D-OR)
Charles E. Schumer (D-NY)
Debbie Stabenow (D-MI)
Maria Cantwell (D-WA)
Ken Salazar (D-CO)
Orrin G. Hatch (R-UT)
Olympia J. Snowe (R-ME)
Jon Kyl (R-AZ)
Gordon Smith (R-OR)
Jim Bunning (R-KY)
Mike Crapo (R-ID)
Pat Roberts (R-KS)
John Ensign (R-NV)
John E. Sununu (R-NH)

Other Senators and Congressmen:

Rep. Joe Wilson, (R-SC)
Senator Richard Durbin (D-IL)
Senator Susan Collins (R-ME)
Senator James M. Talent (R-MO)