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9
10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**

12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 vs.

16 CHRISTIAN STANLEY, INC. and
DANIEL C.S. POWELL,

17 Defendants,

18 and

19 CHRISTIAN STANLEY, LLC and
20 DANIEL CHRISTIAN STANLEY
POWELL REALTY HOLDINGS, INC.,

21 Relief Defendants.
22

Case No.

**COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS**

23 Plaintiff Securities and Exchange Commission (“Commission”) alleges as
24 follows:

25 **JURISDICTION AND VENUE**

26 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
27 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C.
28 §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of

1 the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
2 78u(d)(3)(A), 78u(e) & 78aa. Defendants have, directly or indirectly, made use of
3 the means or instrumentalities of interstate commerce, of the mails, or of the
4 facilities of a national securities exchange, in connection with the transactions,
5 acts, practices, and courses of business alleged in this Complaint.

6 2. Venue is proper in this district pursuant to Section 22(a) of the
7 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
8 § 78aa, because certain of the transactions, acts, practices, and courses of conduct
9 constituting violations of the federal securities laws occurred within this district,
10 Defendant Daniel C. S. Powell (“Powell”) resides within this district, and
11 Defendants Powell and Christian Stanley, Inc. (“Christian Stanley”) transact
12 business in this district.

13 SUMMARY

14 3. Defendants Christian Stanley and its principal, Powell, are conducting
15 an ongoing fraudulent and unregistered offering of securities. Since March 2009,
16 the Defendants have offered and sold at least \$4.5 million in unregistered securities
17 in the form of debentures that promised to pay “secured and structured” annual
18 returns ranging from 5% to 15.5% to about 50 investors nationwide. In the written
19 debenture agreements, which Powell authored and signed on behalf of Christian
20 Stanley, debenture purchasers are assured that their monies will be used to
21 purchase life settlements, to develop coal leases purportedly worth \$11.8 billion or
22 interests in gold mines or some combination thereof. The debenture agreements
23 state that the investment is secured and collateralized by the purchase of life
24 settlements, by the coal leases, and/or by the gold mine interests. In reality,
25 Defendants applied less than \$90,000 of the amount they raised – about 2% –
26 toward these avowed purposes, and have spent over 50% of the remaining investor
27 funds for purposes that bear no relation to the operation of Christian Stanley’s
28 purported business, including payment of commissions to debenture sales agents,

1 funding Powell's lavish lifestyle, and the perpetuation of a Ponzi-like scheme
2 whereby interest due on some of the debentures was paid with investor principal.

3 4. Powell also owns and controls Christian Stanley, LLC, and the main
4 bank accounts used by Powell and Christian Stanley in perpetrating their
5 fraudulent scheme are in Christian Stanley, LLC's name. Powell also operates and
6 controls Daniel Christian Stanley Powell Realty Holdings, Inc. ("Realty
7 Holdings") which, according to Powell, holds the interests in gold mining claims
8 and coal leases that the Defendants have represented to investors secure their
9 investments.

10 5. The Defendants have violated and are violating Sections 5(a) and 5(c)
11 of the Securities Act, 15 U.S. C. §§ 77e(a) and 77e(c), Section 17(a) of the
12 Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15
13 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5. By this action,
14 the Commission seeks a temporary restraining order and preliminary and
15 permanent injunctions prohibiting such future violations as to both Defendants; an
16 asset freeze as to all Defendants and Relief Defendants; appointment of a receiver
17 over Defendant Christian Stanley and Relief Defendants Christian Stanley, LLC
18 and Realty Holdings, an order prohibiting the destruction of documents, an order
19 requiring accountings, and an order allowing expedited discovery. The
20 Commission also seeks disgorgement against all Defendants and Relief Defendants
21 of all ill-gotten gains from Defendants' illegal conduct, with prejudgment interest
22 thereon, and civil penalties from each Defendant.

23 DEFENDANTS

24 6. Christian Stanley, Inc. is a California corporation headquartered in
25 Los Angeles, California. It is not registered with the Commission in any capacity
26 and it has not registered any offering of its securities under the Securities Act or a
27 class of securities under the Exchange Act. In November 2008, Christian Stanley
28 filed a Form S-1 registration statement with the Commission to register a proposed

1 offering of common stock, which registration statement it subsequently amended
2 four times, most recently on October 4, 2010, and which has not yet been declared
3 effective.

4 7. **Daniel C. S. Powell**, age 29, is a resident of Los Angeles, California.
5 He is the CEO, Chairman and majority shareholder of Christian Stanley, Inc., the
6 managing member of Christian Stanley, LLC, and the principal shareholder of
7 Realty Holdings. Powell holds Series 3, 7, 63, and 66 securities licenses and was
8 most recently associated with a registered broker-dealer from March 2010 until
9 September 2010.

10 **RELIEF DEFENDANTS**

11 8. **Christian Stanley, LLC** is a California limited liability company
12 formed and managed by Powell. The bank account used by Christian Stanley, Inc.
13 was opened, and remains, in the name of Christian Stanley, LLC. Christian
14 Stanley, LLC is not registered with the Commission in any capacity and it has not
15 registered any offering of its securities under the Securities Act or a class of
16 securities under the Exchange Act.

17 9. **Daniel Christian Stanley Powell Realty Holdings, Inc.** is a
18 California corporation formed in April 2010. It is purportedly headquartered in
19 Henderson, Nevada, and is controlled by Powell. The gold mine- and coal lease-
20 related assets purportedly securing investor monies are, according to Powell,
21 owned by Realty Holdings but supposedly pledged to Christian Stanley under a
22 guarantee agreement. Realty Holdings is not registered with the Commission in
23 any capacity and it has not registered any offering of its securities under the
24 Securities Act or a class of securities under the Exchange Act.

25 **DEFENDANTS' FRAUDULENT SECURITIES OFFERING**

26 10. From 2009 through July 2011, Christian Stanley raised at least \$4.5
27 million through the offer and sale of senior secured corporate debenture indentures
28 ("Debentures") to about 50 purchasers, not all of whom were residents of

1 California. Although the terms of the Debentures vary from purchaser to
2 purchaser, typically they are for a term of five years and pay interest at a rate of
3 10% to 15.5% per year, with interest payments scheduled on a monthly or annual
4 basis or, often, at the termination of the note, per the purchaser's election.

5 11. The written Debenture agreements – which Powell wrote and signed
6 in his capacity as Chairman and CEO of Christian Stanley, Inc. – expressly provide
7 that investor proceeds will be used to acquire or develop, and will be secured and
8 collateralized by, one or more of three types of assets: (1) so-called “Reverse Life
9 Insurance” policies, i.e. life settlements; (2) bituminous coal leases in Kentucky
10 purportedly valued at more than \$11.8 billion; and (3) a vested interest in certain
11 gold mining reserve claims in Nevada. Many, but not all, of the Debenture
12 agreements also provide that Christian Stanley can use investor monies for
13 “general corporate purposes.” Those Debentures issued since April 2011 further
14 provide that such purposes include “but [are] not limited to merger and acquisition
15 transactions” which, when effectuated, might entail the sale of the assets used as
16 collateral for the Debentures. The Debentures make no mention of commissions to
17 be paid to Debenture sales agents.

18 12. Powell, and two of the entities he controls, Christian Stanley and
19 Christian Stanley, LLC, have ostensibly been informing the public about the
20 investment opportunity represented by life settlement agreements, and building
21 “brand awareness” of the company's role as a facilitator or broker of transactions
22 between buyers and sellers of life insurance policies, since 2004. Toward this end,
23 Christian Stanley maintains a website and has sponsored radio shows and local
24 television commercials, and Powell has spoken to a number of professional trade
25 groups including at a broker-dealer conference. Powell's speech at this conference
26 is archived and available on the company's website. In addition, Christian Stanley
27 has purchased tens of thousands of dollars worth of lead lists which it purportedly
28 uses to identify persons likely to own life insurance policies which they might want

1 to sell to institutional purchasers. Powell and Christian Stanley use telemarketers
2 to contact the persons identified on the lead lists. Despite the purported purpose
3 of the telemarketers' phone call – to determine whether the person called might be
4 interested in selling his or her insurance policy – the telemarketers also solicit
5 investments, sometimes without even attempting to determine if the person wants
6 to sell a life insurance policy.

7 13. In addition to having telemarketers contact persons on lead lists,
8 Powell and Christian Stanley also use paid sales agents to solicit purchasers of
9 Debentures. In fact, a handful of these salespeople solicited a large number of the
10 Debenture purchases. Those salespeople received sales commissions from the
11 proceeds of the Debentures.

12 14. Powell solicits investors directly as well. One investor, identified
13 herein by his initials "JAL," who first learned about Christian Stanley via the radio,
14 met with a representative of Christian Stanley at JAL's home in Sacramento,
15 California. JAL also spoke with representatives of Christian Stanley by phone.
16 These representatives referred JAL to Powell for more detailed answers to his
17 questions. Powell told JAL that Christian Stanley would pool his money with that
18 of other investors to purchase life insurance policies issued by highly-rated
19 companies, and that these policies would generate returns sufficient to provide him
20 with the promised rate of return. JAL ultimately received a Debenture upon
21 making his investment, which promised a 12.5% return.

22 15. Powell also told investors that Christian Stanley would use their
23 money to purchase and/or operate coal mine assets and that Christian Stanley had
24 experienced success with reverse life insurance.

25 16. All investor monies are deposited into, and disbursed from, bank
26 accounts which are in the name of Christian Stanley, LLC but which function as
27 the accounts of Christian Stanley, Inc. and Realty Holdings. Powell is the sole
28 person with signature authority on these accounts. The majority of Debenture

1 purchaser monies are transferred via Sunwest Trust, an IRA custodian, reflecting
2 the fact that most of the Debenture purchasers use their retirement funds to invest
3 in the offering.

4 **DEFENDANTS' ACTUAL USE OF INVESTOR PROCEEDS**

5 17. As of August 23, 2011, only \$29,396.55 remained in Christian
6 Stanley's bank accounts.

7 18. Since 2009, Christian Stanley, Inc. has used substantial amounts of
8 investor monies to maintain a façade of genuine business activity and to fund
9 Powell's increasingly lavish personal lifestyle. During that same time, Christian
10 Stanley, Inc. has used less than \$90,000 for the avowed business purposes
11 described in the Debenture agreements. Christian Stanley, Inc. has not purchased a
12 single life settlement (as many of the Debentures claim it would) or generated any
13 revenue as a result of brokering any life settlement transactions.

14 19. To the extent that such assets have actually been purchased, the coal
15 leases and gold mine-related claims that purportedly secure the Debentures are
16 owned by Realty Holdings – of which Powell is the principal owner. According to
17 Powell, Realty Holdings acts as guarantor of Christian Stanley's obligations to its
18 Debenture purchasers. Realty Holdings' purported role as the owner of assets and
19 guarantor was not disclosed in the Debenture agreements, which are expressly and
20 solely between the purchaser and Christian Stanley.

21 20. Christian Stanley's purported interest in the coal leases (which
22 purportedly contain coal valued at \$11.8 billion) was obtained in exchange for
23 stock in Realty Holdings and an agreement to pay the seller about \$4,000 per
24 month. The gold mine-related claims also were purchased with stock, the only
25 cash outlay being for assays and surveys. The gold mines are not yet operational,
26 and Powell has not yet begun the process for obtaining a permit to mine the leased
27 coal deposits.

28 21. In all, Powell and Christian Stanley have put only about 2% of

1 investor monies toward the purposes that are explicitly described in the Debenture
2 agreements. Powell and Christian Stanley also used approximately \$1.4 million of
3 investor proceeds towards what might possibly be considered “general business
4 purposes”, a term that appears in some, but not all, of the Debentures, including
5 \$482,740 to rent and remodel a storefront in a retail mall in Sacramento (which in
6 a year of operation has generated at most \$10,000 in revenue for the company);
7 \$470,599 paid to three employees of the company; \$270,160 paid to operators of
8 mall kiosks licensing “the Christian Stanley brand”; and \$221,216 in attorney and
9 accountant fees.

10 22. The Defendants’ use of the remaining monies raised through the sale
11 of Debentures had no relation to either the specific purposes listed in the Debenture
12 agreements or to any other ostensible business operations. Rather, more than \$2.4
13 million of these funds was spent as follows:

- 14 a. More than \$785,000 in commissions paid to salespeople of the
15 Debentures.
- 16 b. More than \$371,000 spent on offering expenses related to the
17 Debentures, including the purchase of print and radio ads, and
18 lead lists.
- 19 c. More than \$290,000 in debit card transactions, most of which
20 consist of payments of Powell’s daily living expenses,
21 including gas, groceries, pharmaceuticals, dry cleaning, and
22 retail goods.
- 23 d. Cash withdrawals and checks payable to Powell or to cash
24 totaling almost \$240,000.
- 25 e. More than \$212,000 spent on cars, including a Porsche, a
26 Ferrari, a BMW, and a Dodge Ram.
- 27 f. More than \$160,000 towards Powell’s exorbitant lifestyle,
28 including almost \$90,000 for hotels, more than \$49,000 for

1 nightclubs, more than \$17,000 for restaurants, and more than
2 \$4,800 for limousines.

3 g. More than \$100,000 in rent paid on behalf of a woman who
4 Powell has described as "like a mother" to him and another
5 woman with no apparent connection to the company.

6 h. Donations totaling \$91,000, including \$55,000 toward a tribute
7 to Michael Jackson and \$35,000 to the rapper Usher's New
8 Look Foundation.

9 i. \$27,500 paid to Powell's father and brother.

10 j. More than \$21,000 to satisfy Powell's school loans.

11 k. Miscellaneous luxury purchases, including \$8,700 for jewelry,
12 almost \$5,000 to register for a dating service, over \$5,000 for
13 cowboy boots, and more than \$1,300 for designer sunglasses.

14 UNDISCLOSED PONZI PAYMENTS

15 23. The Debentures purport to pay investors interest at a rate of 5% to
16 15.5% per year. Although many investors elected to have these payments
17 compound and be paid at the end of a five- year term, Christian Stanley paid
18 periodic returns on investment of more than \$93,000 to some of its investors.
19 Christian Stanley has not generated revenues from its activities sufficient to make
20 those payments. The source of these interest payments were monies realized from
21 the sale of Debentures to investors. Neither Powell nor Christian Stanley disclosed
22 to Debenture purchasers that their monies would be used in this manner, or that,
23 since the company generated no revenue, the returns they were obligated to pay the
24 Debenture purchaser could only be made by finding other willing investors.

25 POWELL'S KNOWLEDGE

26 24. Powell acted with scienter in making the misrepresentations and
27 omissions described above.

28 25. Powell, the sole signatory on Christian Stanley's bank accounts, knew

1 or was reckless in not knowing that Christian Stanley had used less than \$90,000
2 towards the specific purposes (coal leases and gold mining claims) described in the
3 Debentures. He further knew that Christian Stanley has never purchased a single
4 life settlement or generated any revenue as a result of brokering any life settlement
5 transactions.

6 26. Powell also knew or was reckless in not knowing the amounts that
7 Christian Stanley has spent which are wholly unrelated to the purposes described
8 to investors much of which was spent to personally enrich him or maintain his
9 lavish lifestyle.

10 27. Powell knew he and Christian Stanley were paying investors'
11 purported returns from the proceeds of sales of the Debentures to investors.

12 **FIRST CLAIM FOR RELIEF**

13 **Unregistered Offer and Sale of Securities**

14 **Violations of Sections 5(a) and 5(c) of the Securities Act**

15 **(Against Defendants Christian Stanley and Powell)**

16 28. The Commission realleges and incorporates by reference paragraphs 1
17 through 27 above.

18 29. Defendants, by engaging in the conduct described above, directly or
19 indirectly, made use of means or instruments of transportation or communication
20 in interstate commerce or of the mails, to offer to sell or to sell securities, or to
21 carry or cause such securities to be carried through the mails or in interstate
22 commerce for the purpose of sale or for delivery after sale.

23 30. No registration statement has been filed with the Commission or has
24 been in effect with respect to any of the offerings or sales alleged herein.

25 31. By engaging in the conduct described above, Defendants violated, and
26 unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of
27 the Securities Act, 15 U.S.C. §§ 77e(a) and (c).

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SECOND CLAIM FOR RELIEF

Fraud in the Offer or Sale of Securities

Violations of Section 17(a) of the Securities Act

(Against Defendants Christian Stanley and Powell)

32. The Commission realleges and incorporates by reference paragraphs 1 through 27 above.

33. Defendants, and each of them, by engaging in the conduct described above, in the offer or sale of securities by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails directly or indirectly:

- a. with scienter, employed devices, schemes, or artifices to defraud;
- b. obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- c. engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

34. By engaging in the conduct described above, Defendants violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

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1 **THIRD CLAIM FOR RELIEF**

2 **Fraud in Connection with the Purchase or Sale of Securities**

3 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**
4 **(Against Defendants Christian Stanley and Powell)**

5 35. The Commission realleges and incorporates by reference paragraphs
6 1 through 27 above.

7 36. Defendants, and each of them, by engaging in the conduct described
8 above, directly or indirectly, in connection with the purchase or sale of a security,
9 by the use of means or instrumentalities of interstate commerce, of the mails, or of
10 the facilities of a national securities exchange, with scienter:

- 11 a. employed devices, schemes, or artifices to defraud;
- 12 b. made untrue statements of a material fact or omitted to state a
13 material fact necessary in order to make the statements made, in
14 the light of the circumstances under which they were made, not
15 misleading; or
- 16 c. engaged in acts, practices, or courses of business which
17 operated or would operate as a fraud or deceit upon other
18 persons.

19 37. By engaging in the conduct described above, Defendants violated, and
20 unless restrained and enjoined will continue to violate, Section 10(b) of the
21 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R.
22 § 240.10b-5.

23 **PRAYER FOR RELIEF**

24 WHEREFORE, the Commission respectfully requests that the Court:

25 **I.**

26 Issue findings of fact and conclusions of law that Defendants committed the
27 alleged violations.

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II.

Issue judgments, in forms consistent with Fed. R. Civ. P. 65(d), temporarily, preliminarily, and permanently enjoining Defendants and their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Sections 5(a), 5(c), and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c), and 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

III.

Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining order and a preliminary injunction freezing the assets of each of the Defendants and Relief Defendants and any entity affiliated with any of them, appointing a receiver over Christian Stanley, Christian Stanley, LLC, and Realty Holdings and all entities controlled by them, prohibiting each of the Defendants and Relief Defendants from destroying documents, requiring accountings from each of the Defendants and Relief Defendants, and granting expedited discovery.

IV.

Order each of the Defendants and Relief Defendants to disgorge all ill-gotten gains from Defendants' illegal conduct, together with prejudgment interest thereon.

V.

Order each of the Defendants to pay civil penalties under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

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VI.


Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: August 29, 2011

Respectfully submitted,



Spencer E. Bendell
Attorney for Plaintiff
Securities and Exchange Commission