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Former Cay Clubs Executives Charged in Connection with \$300 Million Ponzi Scheme Involving Sales of Vacation Rental Units

FOR IMMEDIATE RELEASE

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Wifredo A. Ferrer, United States Attorney for the Southern District of Florida, Donnell Young, Acting Special Agent in Charge, Internal Revenue Service, Criminal Investigation (IRS-CI), Alysa D. Erichs, Special Agent in Charge, U.S. Immigration and Customs Enforcement's Homeland Security Investigations (ICE-HSI), and Michael Stephens, Acting Inspector General, Federal Housing Finance Agency, Office of Inspector General (FHFA-OIG), announce that **Fred Davis Clark, Jr., a/k/a Dave Clark, 56, and Cristal R. Clark, a/k/a Cristal R. Coleman, 41,** both formerly of Monroe County, were charged in a superseding indictment with conspiracy to commit bank fraud and multiple counts of bank fraud, in connection with a \$300 million fraud scheme involving the sale of vacation rental units to approximately 1,400 investors in the Florida Keys and elsewhere.

According to the superseding indictment, Fred Davis Clark and Cristal Clark were executives of Cay Clubs Resorts and Marinas (Cay Clubs), which operated from 2004 through 2008 from offices in the Florida Keys and Clearwater. Cay Clubs marketed vacation rental units for 17 locations in Florida, Las Vegas and the Caribbean, to investors throughout the United States. Cay Clubs would promise to develop dilapidated properties into luxury resorts, and would promise investors an upfront "leaseback" payment of 15 to 20% of the sales price of the unit at the time of closing. Once an investor agreed to purchase a unit, Cay Clubs would arrange for a real estate closing and lender financing, but would not disclose the leaseback payment and other financial inducements to the investors on paperwork submitted to lending institutions. Cay Clubs would also use fraudulent representations in marketing the investments, including using insider sales to increase the price of the units and reporting these sales on marketing materials. Cay Clubs never made the improvements that were promised to investors.

By at least 2006, Cay Clubs did not have sufficient funds to make improvements to properties or to make the leaseback payments that had been promised to earlier investors. Cay Clubs would use the proceeds of sales to new investors to make incremental leaseback payments

to earlier investors. Without obtaining more loan proceeds from new investor sales, Cay Clubs would have collapsed. In this way, Cay Clubs came to operate as a Ponzi Scheme.

After the collapse of Cay Clubs, the U.S. Securities and Exchange Commission began an investigation into alleged securities fraud at Cay Clubs. According to the indictment, Fred Davis Clark and Cristal Clark thereafter engaged in conduct aimed at concealing the location of assets under their control, and Fred Davis Clark gave false and misleading testimony to the SEC.

Through a previous indictment unsealed in June 2014, Fred Davis Clark and Cristal Clark were charged with conspiracy to commit mail and wire fraud, and mail fraud, in connection with a scheme to steal money from CMZ Group, Ltd., a Cayman Islands company that operated pawn shops in the Caribbean. According to the initial indictment, after the collapse of Cay Clubs, Fred Davis Clark and Cristal Clark used bank accounts and shell companies based in Key Largo that they had used during their Cay Clubs activities, to siphon off funds from the business operations of CMZ Group, so that they could lead a lavish lifestyle in the Caribbean.

Furthermore, in or around January 2013, shortly before an action was brought by the SEC alleging that they committed securities fraud, the indictment alleges, Fred Davis Clark and Cristal Clark caused the transfer of more than \$2 million to a bank account they controlled in Honduras for the purpose of preventing the SEC from learning the location and control of these monies. These funds have since been frozen by the government of Honduras.

Fred Davis Clark and Cristal Clark were expelled from Panama and Honduras, respectively, in June 2014, and were ordered detained pretrial by U.S. Magistrate Judge Lurana S. Snow. They currently await trial on these charges in Key West before U.S. District Judge Jose E. Martinez.

Mr. Ferrer commended the investigative efforts of IRS-CI, ICE-HSI and FHFA-OIG, and the assistance of the SEC Miami Regional Office in this matter. The matter is being prosecuted by Assistant U.S. Attorney Jerrob Duffy.

An indictment is only an accusation and the defendant is presumed innocent until proven guilty.

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