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NEWS RELEASE:

Former Cay Clubs Chief Executive Officer Sentenced to 40 Years in Prison in Connection With $300 Million Dollar Scheme to Defraud Investors

The former Cay Clubs Chief Executive Officer was sentenced to 40 years in prison, by United States District Judge Jose E. Martinez in Key West, for his participation in a $300 million dollar vacation rental fraud scheme.

Wifredo A. Ferrer, United States Attorney for the Southern District of Florida, Kelly R. Jackson, Special Agent in Charge, Internal Revenue Service, Criminal Investigation (IRS-CI), Timothy Mowery, Special Agent in Charge, Federal Housing Finance Agency, Office of Inspector General (FHFA-OIG), made the announcement.

Fred Davis Clark, Jr., a/k/a Dave Clark, 57, formerly of Monroe County, was convicted on December 11, 2015 after a five-week trial, of three counts of bank fraud, and three counts of making a false statement to a financial institution, all in connection with a $300 million dollar fraud scheme involving sales of vacation rental units. The scheme involved sales at Cay Clubs Resorts and Marinas (Cay Clubs), to approximately 1,400 investors in the Florida Keys and elsewhere. Clark also was convicted of obstruction of the U.S. Securities and Exchange Commission (SEC), in connection with the SEC's efforts to investigate his conduct related to Cay Clubs. Clark was sentenced to 480 months' imprisonment and the Court entered forfeiture money judgments against Clark, including in the amount of $303,800,000 for the bank fraud and $3,300,000 for the SEC obstruction. In addition, the Court ordered forfeiture of specific assets, located overseas, totaling approximately $2.6 million dollars.

U.S. Attorney Wifredo A. Ferrer stated, "Dave Clark was the leader and orchestrator of an elaborate fraud scheme, that deceived nearly 1,400 Cay Clubs investors and lenders, in order to reap millions of dollars for his own personal benefit. Today, Dave Clark was held accountable in a court of law, for his extensive deceit and the long-standing harm he caused to others."

Kelly R. Jackson, Special Agent in Charge, IRS Criminal Investigation (IRS-CI), stated, "Promoters of Ponzi schemes prey upon trusting investors and then steal their hard earned money. Mr. Clark made a conscious decision to deceive others, and he benefitted personally at the expense of the citizens of the Keys and elsewhere. We are pleased with today's sentence, as justice is served for those victims of Mr. Clark's elaborate scheme."

“In lieu of providing honest services to thousands of investors, Dave Clark decided to deceive and swindle them out of their hard earned money,” stated Timothy Mowery, Special Agent in Charge, FHFA-OIG. “Today he is being held accountable for his actions and being afforded the opportunity to reflect on his own character.”

According to evidence submitted in court, Clark was the Chief Executive Officer of 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 raised more than $300 million from investors by promising to develop dilapidated properties into luxury resorts, and promising investors an upfront “leaseback” payment of 15 to 20% of the sales price of the unit at the time of closing. Evidence at trial showed that, in reality, Cay Clubs never developed the properites it had promised to investors and it came to operate as a Ponzi scheme, using proceeds from sales to new investors to pay overdue obligations to earlier investors.

Evidence showed that by at least September 2006, Cay Clubs experienced serious financial difficulties. In order to meet Cay Clubs’ financial obligations and obtain funds for himself, evidence at trial showed that Clark engaged in a serious of fraudlent mortgage transactions totalling more than $20 million worth of bank loans. According to documents and testimony introduced at trial, during these sham transactions, Clark sold units Cay Clubs had acquired, to himself, while increasing the sales price. On paper, Clark sold the units to family members and certain insiders, while causing various lending institutions to fund the transactions. Clark directed his administrative assistant and his bookkeeper to forge signatures on loan documents and falsely notarize mortgage paperwork to make it appear that family members and other insiders listed on paperwork, were in fact executing the documents. In reality, Clark was providing the deposits and down payments, directing his subordinates to execute the loan documents, and then using the proceeds of the transactions to fund Cay Club’s operations and for his own personal benefit. The financial institutions that funded the fraudulently obtained loans were insured by the FDIC.

Evidence at trial showed that while Cay Clubs continued to experience significant financial difficulties, Clark lived a lavish lifestyle, extracting more than $22 million from the operations of Cay Clubs between 2005 and 2007. Clark also obtained a personal portfolio of properties he valued at $23 million but that were held in the names of other persons. Clark also used proceeds from the investor sales to purchase a gold mine, a coal reclamation project and a rum distillery for his personal benefit.

After the collapse of Cay Clubs, the SEC began an investigation into alleged securities fraud at Cay Clubs. According to evidence presented in court, Clark engaged in conduct aimed at thwarting the SEC’s investigation, including by concealing the location of assets under his control and providing false sworn testimony before the SEC in May 2011. In March 2013, after the SEC filed a civil fraud action against him, Clark transferred more than $2.5 million to accounts he controlled in Honduras. After these transfers, U.S. law enforcement and authorities in Honduras were able to obtain a court order freezing these funds.

Clark was expelled from Panama in June 2014, and returned to the United States by Panamanian authorities at the request of U.S. law enforcement in connection with the charges set forth in the indictment.

In related cases, former Cay Clubs executives **Barry J. Graham**, 59, and **Ricky Lynn Stokes**, 54, both of Ft. Myers, Florida pleaded guilty to conspiracy to commit bank fraud, in connection with the scheme to defraud Cay Clubs investors. Graham, who was Director of Sales, was sentenced on March 30, 2015, and Stokes, who was the Director of Investor Relations, was sentenced on March 24, 2015. Each was sentenced to 60 months' imprisonment, and was ordered to pay restitution of $163,530,377.21 to numerous individual and financial institution victims.

Mr. Ferrer commended the investigative efforts of the IRS-CI and FHFA-OIG, and the extensive assistance of the SEC's Miami Regional Office. The matter is being prosecuted by Assistant U.S. Attorneys Jerrob Duffy, Thomas A. Watts-FitzGerald and Alison Lehr, and Special Assistant U.S. Attorney Michael Padula. Mr. Ferrer also commended the efforts of U.S. Immigration and Customs Enforcement's Homeland Security Investigations, Key West Regional Office, for its assistance with this matter.

A copy of this press release may be found on the website of the United States Attorney's Office for the Southern District of Florida at www.usdoj.gov/usao/fls. Related court documents and information may be found on the website of the District Court for the Southern District of Florida at www.flsd.uscourts.gov or on http://pacer.flsd.uscourts.gov.