

DEPARTMENT OF JUSTICE

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NORTH CAROLINA MAN PLEADS GUILTY FOR HIS ROLE IN \$40 MILLION INVESTMENT FRAUD CONSPIRACY Seventh Conviction in Connection with Black Diamond Ponzi Scheme Investigation CHARLOTTE, N.C. – A North Carolina man entered a guilty plea today for his role in a \$40 million ponzi scheme announced Anne M. Tompkins, U.S. Attorney for the Western District of North Carolina. Bryan Keith Coats, 51, of Clayton, N.C., pled guilty before U.S. Magistrate Judge David S. Cayer to one count of conspiracy to commit commodities, securities, and wire fraud and one count of promotional money laundering conspiracy.

Joining U.S. Attorney Tompkins in making today's announcement are Chris Briebe, Special Agent in Charge of the Federal Bureau of Investigation (FBI), Charlotte Division, and the North Carolina Secretary of State Elaine F. Marshall. According to the bill of information filed on September 29, 2011, from October 2007 to December 2009, Coats recruited several individuals who served as so called "hedge fund managers" in the Black Diamond ponzi scheme. Coats and these hedge fund managers engaged in a conspiracy to induce victims to invest in Black Diamond by making a series of false and fraudulent representations, material omissions, and deceptive half truths. Specifically, Coats and others falsely represented to victims that they had conducted due diligence on Black Diamond and used a variety of analytical and research tools in selecting Black Diamond as an investment vehicle. In reality, Coats and his conspirators knew little about Black Diamond, had done no true due diligence, and their so-called hedge funds had no true safeguards to ensure that the victims' money was being invested legitimately. In addition, Coats and others did not inform investor victims that, at best, the true cost of investing in Black Diamond amounted to over eighty percent (80%) of Black Diamond's expected profits.

In addition, according to the bill of information, once the Black Diamond ponzi scheme began to collapse, Coats and his conspirators engaged in their own derivative ponzi scheme in order to perpetuate the scheme. Beginning in March 2009, Coats and others set up a series of cash accounts into which new victim funds were deposited. Rather than investing such funds with Black Diamond, Coats and others used the new investor funds to pay withdrawal requests from old investor victims and to support their own lifestyles. Coats and others did not inform investor victims that their money was simply going into cash accounts rather than being invested as promised, nor that the conspirators were using new investor money to pay withdrawal requests from "old" investor victims.

Coats's guilty plea is the seventh conviction arising from the Black Diamond ponzi scheme investigation. Keith Franklins Simmons was convicted following a jury trial in December 2010 and is in jail awaiting sentencing. Others who have pled guilty include:

- Deanna Salazar pled guilty on December 7, 2010, to conspiracy to commit securities, commodities and wire fraud and tax fraud, and is awaiting sentencing;
- Jeffrey Muyres pled guilty on May 17, 2011, to conspiracy to commit securities, commodities and wire fraud and money laundering conspiracy, and is awaiting sentencing;
- Roy E. Scarboro, pled guilty on December 3, 2010, to making a false statement, securities fraud, and money laundering and is now serving a 26 month prison sentence;
- James Jordan pled guilty on September 14, 2010, to conspiracy to commit securities, commodities and wire fraud and is serving an 18 month prison sentence; and
- Stephen Lacy pled guilty on December 9, 2010, to conspiracy to commit securities, commodities and wire fraud and received a six month prison sentence.

Coats faces a maximum of 15 years imprisonment, and either a \$500,000 fine or a fine of not more than twice the amount of criminally derived property involved in the money laundering conspiracy. A sentencing date for the defendant has not been set yet. The case was investigated by the FBI with assistance from the Securities Division of the North Carolina Department of the Secretary of State. U.S. Attorney Tompkins also acknowledges the invaluable assistance of the Commodities Futures Trading Commission in this case. The prosecution is handled by Assistant United States Attorney Kurt W. Meyers and Mark T. Odulio, of the U.S. Attorney's Office in Charlotte.