

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

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CLERK US DISTRICT COURT
ALEXANDRIA, VIRGINIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ROBERT C. CRANE,

Defendant.

Civil Action No.

13 CV 261
CMH/IDD

COMPLAINT

Plaintiff, Securities and Exchange Commission (“Commission”), files this Complaint and alleges:

SUMMARY

1. This case concerns a fraudulent and deceptive scheme in which defendant Robert C. Crane (“Crane”) manipulated the securities of two low priced securities—Argentex Mining Corporation (OTCBB:AGXM) (hereinafter “Argentex”) and ERHC Energy Inc. (OTCBB:ERHE) (hereinafter “ERHE”)—by artificially inflating the trading volume of these securities and creating a false appearance of liquidity for these securities.
2. Crane engaged in this scheme because he wanted to generate sufficient funds to purchase a condominium unit in Alexandria, Virginia.
3. Between June 5, 2010 and June 25, 2010, defendant Crane executed several wash sales—the practice of simultaneously buying and selling an issuer's stock without changing the beneficial ownership of the stock—to create the impression of an active market for Argentex and ERHE stock.

4. Crane engaged in his manipulative trading scheme using online brokerage accounts to route his orders to the firms' electronic communications network ("ECN"), an electronic system that collects buy and sell orders for securities and allows the orders to be executed against each other and generally displays unmatched orders.

5. By knowingly or recklessly manipulating the securities of two issuers, defendant Crane, directly or indirectly, singly or in concert with others, violated, and, unless restrained and enjoined, will again violate, Section 17(a) of the Securities Act of 1933 (Securities Act") [15 U.S.C. §77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

6. The Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] to enjoin permanently the defendant from future violations of the federal securities laws and granting other relief.

7. This Court has jurisdiction over this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Sections 21 and 27 of the Exchange Act [15 U.S.C. §§78u and 78aa].

8. Venue is proper in this district pursuant to Section 22(a) of the Securities Act [15 U.S.C. §§ 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the transactions, acts, practices and courses of business constituting the violations alleged herein occurred in the Eastern District of Virginia.

9. Crane, directly or indirectly, used the means and instrumentalities of interstate commerce, or of the mails, or the facilities of a national securities exchange in connection with

the conduct alleged in this Complaint.

10. Crane's conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

11. Unless enjoined, Crane will continue to engage in the securities law violations alleged herein or in similar conduct that would violated the federal securities laws.

DEFENDANT

12. Robert C. Crane, 60 years old, was, during the relevant time period, a self-employed individual living in Falls Church, Virginia.

FACTS

Crane's Brokerage Accounts

13. During the relevant time period, Crane used three securities brokerage accounts, which are referred to in this Complaint as "Broker A IRA" account, "Broker A Margin" account, and "Broker B IRA" account, at two online broker-dealers to place orders for Argentex and ERHE. He controlled the trading in all of his accounts. Broker A prepared Crane's account statements in its clearing office in Merrifield, Virginia, and sent them to Crane's residence in Falls Church, Virginia. Crane used the offices of Broker B in Arlington, Virginia, and Alexandria, Virginia.

14. Crane used the above-mentioned accounts to enter orders to buy and sell securities through the Internet.

Crane Used the Extended Hours Trading Sessions to Facilitate His Manipulation

15. Crane perpetrated his scheme by placing certain orders during the extended hours trading session.

16. The extended hours trading session is generally marked by wide price spreads (the distance between the best bid and offer available), limited depth in an issuer's securities (the number of orders and quotes being placed in the market), and limited market maker quote activity. The orders can be placed to execute during the extended hours trading session or to await execution until the regular trading session.

Manipulative Trading Activity

17. In June 2010, Crane executed wash sales in Argentex and ERHE stock.

18. In each of the wash sale transactions, Crane bought and sold shares of stock from one of his accounts into another one of his accounts with no change of beneficial ownership over those securities. He paid a commission on both sides of the transaction. The scheme was designed to create the appearance of an active and liquid market for those securities.

19. By engaging in these wash sales, Crane compromised the integrity of the market by creating the appearance of genuine trading activity for the securities in which he transacted. In fact, Crane's trades frequently inflated the volume, and, on one occasion, the price of the securities he manipulated.

Manipulative Trading in ERHE Stock

20. ERHE, headquartered in Houston, Texas, is an exploration company with oil and gas assets in the Gulf of Guinea off the coast of West Africa. It was formed in 1986. Its stock is quoted on the Over-the-Counter Bulletin board ("OTCBB") under the symbol ERHE.

21. Crane traded heavily in ERHE's stock in June 2010. During the month of June, his executed trades accounted for 13.3% of the total trading volume of ERHE. He purchased a total of 262,522 shares of ERHE and sold a total of 541,022 shares of ERHE. (He was able to sell more shares than he purchased because he had purchased a significant number of shares of

ERHE stock from March through May 2010.) Significantly, he executed four wash sales.

Crane's manipulative trades in EHRE occurred between June 5 and June 7, 2010.

22. Crane's orders to buy and sell ERHE stock from June 5, 2010 through June 7, 2010, are summarized in the following table, with the shaded areas representing the components of wash sales:

Date/Time	Order #	Account	Buy/Sell	Limit Price	# Shares	Cancelled / Executed
Saturday June 5, 2010 5:52 a.m.	11600	Broker A Margin	Sell	\$0.25	10,000	9:54 a.m. → Executed 3,000 shares @ \$0.25 against Order #1714.
Saturday June 5, 2010 6:23 a.m.	1709	Broker A IRA	Buy	\$0.25	10,000	Cancelled
Monday June 7, 2010 9:40 a.m.	1713	Broker A IRA	Buy	\$0.25	10,000	Cancelled
Monday June 7, 2010 9:05 a.m.	11611	Broker A Margin	Sell	\$0.252	12,500	<ul style="list-style-type: none"> 9:54 a.m. → Executed 7,000 shares @ \$0.252 per share against Order #1714. 10:07 a.m. → Executed 5,500 shares @ \$0.252 per share against Order #1715.
Monday June 7, 2010 9:54 a.m.	1714	Broker A IRA	Buy	\$0.252	10,000	<ul style="list-style-type: none"> 9:54 a.m. → Executed 3,000 shares @ \$0.25 against Order #11600. 9:54 a.m. → Executed 7,000 shares @ \$0.252 against Order #11611.
Monday June 7, 2010 10:07 a.m.	1715	Broker A IRA	Buy	\$0.252	10,000	<ul style="list-style-type: none"> 10:07 a.m. → Executed 5,500 shares @ \$0.252 per share against Order #11611. 10:13 a.m. → Executed 4,500 shares @ \$0.24 per share.
Monday June 7, 2010 9:59 a.m.	11614	Broker A Margin	Sell	\$0.253	10,000	10:11 a.m. → Executed 5,000 shares @ \$0.253 per share against Order #1716.
Monday June 7, 2010 10:10 a.m.	1716	Broker A IRA	Buy	\$0.253	5,000	10:11 a.m. → Executed 5,000 shares @ \$0.253 per share against Order #11614.

Manipulative Trading in Argentex Stock

23. Argentex, headquartered in Vancouver, British Columbia, is a natural resource exploration company with mining properties in Argentina. It was founded in 2001. On June 13, 2011, it became a foreign private issuer in the United States, and, on June 27, 2011, changed its trading symbol on the OTCBB from AGXM to AGXMF. Shares of Argentex common stock are now quoted under the symbol ATX on the TSX Venture Exchange and on the OTCBB under the symbol AGXMF.

24. Crane traded heavily in Argentex Mining Corporation's ("Argentex") stock in June 2010. He purchased 227,000 shares of Argentex stock and sold a total of 112,000 shares of Argentex stock in June. (He maintained a position in Argentex stock after June 2010.) His purchases and sales directly accounted for 18.7% of the total trading volume of Argentex stock that month. He executed two wash sales. Moreover, he appears to have materially affected the price of Argentex stock on June 25, 2010 by driving the price of the stock from \$0.65 to \$0.68.

25. On June 24, 2010, the day after he made a down payment on a condominium, Crane received a margin call for \$16,900 (which was more than 10% of the total value of his account). Crane responded by posting a message on a Yahoo message board, "Once before I mentioned AGXM I am gonna run it manana. Promise in 5k chunks. But today you can frontrun me. Go at it."

26. The next day, Crane purchased 15,000 shares of Argentex stock in one account through three orders entered between 9:32 a.m. and 9:35 a.m. Then, from 9:39 a.m. until 9:58 a.m., Crane purchased 42,000 shares of Argentex stock in another account through nine separate

purchases. His purchases accounted for 30.4% of the trading volume for Argentex stock that day.

27. Crane’s trading had an impact on the price of Argentex stock. On June 25, 2010, the price of Argentex stock opened and closed at \$0.65 a share. However, the price ran as high as \$0.68 a share that day – approximately 5% over the opening and closing price. Crane posted this message on Facebook, “Drove her to .68 then relented[.] Rome not a day job.”

28. Crane’s orders to buy and sell Argentex stock on June 25, 2010 are summarized in the following table, with the shaded areas representing the components of wash sales:

Date/Time	Order #	Account	Buy/Sell	Limit Price	# Shares	Cancelled / Executed
Friday June 25, 2010 9:19 a.m.	12454	Broker A Margin	Sell	\$0.67	2,500	9:56 → Executed 2,500 shares @ \$0.67 against Order #1919.
Friday June 25, 2010 9:50 a.m.	1915	Broker A IRA	Buy	\$0.67	2,500	9:50 → Executed 2,500 shares @ \$0.669.
Friday June 25, 2010 9:52 a.m.	1917	Broker A IRA	Buy	\$0.67	7,000	9:52 → Executed 7,000 shares @ \$0.669.
Friday June 25, 2010 9:54 a.m.	1919	Broker A IRA	Buy	\$0.67	5,000	<ul style="list-style-type: none"> 9:54 → Executed 2,500 shares @ \$0.669. 9:56 → Executed 2,500 shares @ \$0.67 against Order #12454.
Friday June 25, 2010 9:57 a.m.	12455	Broker A Margin	Sell	\$0.67	2,500	9:58 → Executed 2,500 shares @ \$0.67 against Order #1920.
Friday June 25, 2010 9:58 a.m.	1920	Broker A IRA	Buy	\$0.67	5,000	9:58 → Executed 5,000 shares @ \$0.67 against Order #12455.

Crane’s Contact with Compliance Personnel

29. On June 8, 2010, a senior compliance analyst at Broker A noted that Crane had purchased and sold 10,000 shares of ERHE stock between his two accounts at Broker A. More

specifically, on June 7, 2010, Crane entered an order to buy 10,000 shares of ERHE stock in his IRA account while he had outstanding orders to sell ERHE stock in his margin account at the same price.

30. On June 24, 2010, a financial services representative at Broker A contacted Crane and inquired about the trade between his two accounts. Crane told him that he sold ERHE from his margin account to satisfy his margin requirements. Crane also told him that when he likes a stock but needs to raise cash, he will sometimes buy it in his IRA account at Broker A or another account he maintains at Broker B. The Broker A representative warned Crane that these trades could be viewed as attempts to manipulate the volume or price of a stock and told him not to make such trades in the future.

31. The next day, on June 25, Broker A had a “second alert” for a suspicious trade Crane made in Argentex stock. Consequently, on June 28, another financial services representative contacted Crane to discuss the purchase and sale of Argentex stock that Crane made between his accounts. Crane acknowledged that he needed to raise cash but did not want to sell his securities at a loss. He said his strategy was to enter orders “lifting the offers until I force that position to rally. . . . I need to get some cash in there and I can’t unless the market rallies.” He added, that “if you . . . focus on one stock I know I can move it.” Then, he stated that he had devised a means to evade Broker A’s detection of his manipulative trades in the future by trading between his accounts at Broker A and his accounts at Broker B.

Crane Did Not Profit From His Scheme

32. In spite of his efforts, Crane did not profit from his manipulative scheme.

FIRST CLAIM FOR RELIEF
(Market Manipulation)
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]

33. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 32 above.

34. Defendant Crane, among other things, knowingly or recklessly manipulated the securities of two publicly traded securities. By use of the fraudulent scheme outlined above, including the use of wash sales, Crane's trades distorted the reported trading volume for two securities.

35. By reason of the foregoing conduct, defendant Crane directly or indirectly, singly or in concert with others, by use of the means or instruments of transportation or communication in interstate commerce, or by the use of the mails, in connection with the purchase or sale of securities:

- a. has employed devices, schemes, or artifices to defraud,
- b. has made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or
- c. has engaged in acts, practices, or courses of business which operate or would operate as a fraud or deceit upon any person.

36. Consequently, defendant Crane has, directly or indirectly, singly or in concert with others, violated 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.

SECOND CLAIM FOR RELIEF
(Market Manipulation)
Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]

37. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 36 above as if set forth fully herein.

38. By reason of the foregoing, Defendant, directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instruments of transportation or communication in interstate commerce or by the use of the mail, in the offer or sale of securities: (a) have employed or are employing devices, schemes, or artifices to defraud; or (b) have engaged or are engaging in transactions, practices, or courses of business which operated as a fraud or deceit upon the purchasers of such securities.

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

PRAYER FOR RELIEF

WHEREFORE, the Commission, respectfully requests that this Court enter a judgment against defendant Robert C. Crane:

- (1) permanently restraining and enjoining him, and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from violating Section 17(a) of the Securities Act [15 U.S.C. §77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder;

- (2) barring Crane from purchasing or selling any penny stocks; and
- (3) granting such other relief as this Court deems just and proper.

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

By its counsel,



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