

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
CASE NO.

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

THE DIAMOND DESK CORPORATION, and
ADAM JONATHAN LOWE,

Defendants.

**COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF
AND DEMAND FOR JURY TRIAL**

Plaintiff Securities and Exchange Commission (the “Commission”) alleges:

I. INTRODUCTION

1. The Commission brings this case against The Diamond Desk Corporation (“Diamond Desk”) and its founder and president, Adam Jonathan Lowe (collectively, “Defendants”), who raised at least \$2.2 million from at least nine investors in five states through a fraudulent offering of securities.

2. From at least February 2018 through February 2019 (the “Relevant Period”), Defendants falsely told investors they would use investor funds to acquire parcels of raw color diamonds, known as “natural fancy color diamonds,” and then resell the diamonds for profits that would generate investment returns. Defendants offered investors the opportunity to invest through one of three investment programs, whereby investors would receive returns ranging from 6 to 27%, with a full return of their principal at the end of the investment term, which ranged between 3 to 12 months.

3. These statements were false. Defendants did not use investor funds solely to purchase natural fancy color diamonds for resale as promised. Instead, Lowe misappropriated at least \$935,000 of investor funds for himself, using them for his personal benefit, including to pay personal expenses and to fund his gambling at various casinos across the United States.

4. As a result of the conduct alleged in this Complaint, Defendants violated 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]. Lowe is also liable as a control person under Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)] for Diamond Desk’s violations of Exchange Act Section 10(b) and Rule 10b-5 thereunder.

5. Unless enjoined, Defendants are reasonably likely to continue to violate the federal securities laws.

II. DEFENDANTS

6. Lowe, age 42, resides in Pittston, Pennsylvania. Lowe formed Diamond Desk in 2011 and served as its sole owner, manager, and President until at least September 2019. Lowe was sole signatory on Diamond Desk’s bank account.

7. Diamond Desk was a Florida corporation formed in 2011 with its principal place of business in Coral Springs, Florida. Diamond Desk purportedly specialized in acquiring and supplying natural fancy color diamonds and offered investors opportunities to invest through the company’s investment offerings. Diamond Desk received investor proceeds emanating from the Defendants’ securities fraud during the relevant period. Diamond Desk was administratively dissolved in September 2019.

III. JURISDICTION AND VENUE

8. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)]; and Sections 21(d), 21(e), and Section 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

9. This Court has personal jurisdiction over Defendants, and venue is proper in the Southern District of Florida, because Defendants engaged in acts and transactions in the Southern District of Florida constituting violations of the Securities Act and the Exchange Act. During the time of the violations at issue in this case, Diamond Desk's principal place of business was in Coral Springs, Florida, and Defendants solicited investors located in the Southern District of Florida.

10. In connection with the conduct alleged in this Complaint, Defendants, directly and indirectly, singly or in concert with others, have made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation and communication in interstate commerce, and the mails.

IV. DEFENDANTS' FRAUDULENT CONDUCT

A. Defendants' Fraudulent Securities Offerings

11. During the Relevant Period, Lowe, on behalf of Diamond Desk, offered and sold securities in the form of investment contracts. Lowe primarily relied on referrals from a business associate and word-of-mouth to solicit investors. Lowe told investors and prospective investors that Diamond Desk was in the business of acquiring and selling diamonds, including natural fancy color diamonds, which he sold in China and to high-end retailers for a profit.

12. Lowe touted his years of experience in the diamond business, and claimed his experience and his relationships with Chinese customers enabled him to profitably resell the diamonds and thereby provide investors with returns.

13. Defendants offered investors and prospective investors the opportunity to invest through Diamond Desk's so-called "Short Term Capital Raise Opportunity," "Parcel Purchase Program," or "Rapid Return Program," whereby investors would receive returns ranging from 6 to 27%, with full return of investor principal at the end of the investment term, which ranged from 3 to 12 months.

14. Once an investor decided to invest, Lowe or his business associate sent the investor an agreement documenting the terms of the investment. The agreements were executed between the investors and Diamond Desk. Lowe, on behalf of Diamond Desk, signed the investment contracts with investors as the "CEO" of Diamond Desk.

15. The Diamond Desk investment agreements generally ranged in duration from three to twelve months and provided fixed interest or dividend payments between 6 to 12%, along with the return of investors' principal at the conclusion of the investment terms. Some investor agreements promised an additional 15% return based on sales of diamonds sold from the parcel acquired with the investor's funds throughout the investment term.

16. At Defendants' direction, investors sent their respective investment funds to Diamond Desk by check, or via wire transfer to a Diamond Desk bank account controlled by Lowe.

17. Defendants described the investment as a passive, short-term investment with investors' returns generated solely from Defendants' efforts. Investors relied solely on Defendants' purported expertise in sourcing, purchasing, finishing, and selling the natural fancy color diamonds to generate the investment returns promised by Defendants.

18. During the Relevant Period, Defendants raised at least \$2.2 million from at least nine investors located in at least five states.

B. Defendants' Material Misrepresentations and Omissions to Investors

19. Defendants made numerous material misrepresentations and omissions to investors and prospective investors in connection with Diamond Desk's securities offerings about, among other things, the use of investor funds, the safety and profitability of Diamond Desk's investment programs, and the source of purported investor returns.

20. Defendants told investors that their investments would be used to fund Diamond Desk's natural fancy colored diamond business, specifically, to purchase, cut, and resell diamonds to China and high-end retailers. For example, one investor's agreement states that Diamond Desk will use investor funds to maintain suitable diamond inventory for sale to the Chinese market. Another investor's agreement states that investor's funds will go towards the purchase of finished jewelry from Diamond Desk's existing inventory which, in turn, will then be used to fulfill purchase orders for an existing Chinese customer and a U.S.-based retailer.

21. These representations were false. In truth, Lowe – who had sole control over Diamond Desk's bank accounts – used only some of the money to fund diamond purchases. Lowe used investor funds for non-business expenditures and misappropriated, for his personal benefit, approximately \$925,000 of the roughly \$2.2 million in investor funds raised from investors. Defendants did not disclose, either orally or in its investment agreements, that investor funds would be used for any other purpose besides the diamond business.

22. Defendants also made material misrepresentations to investors regarding the source of purported returns. For example:

a. on or about June 14, 2018, Defendants told investor A.A., a New York resident, that he would receive 8% interest over a six-month period plus an anticipated average return of 15% on diamond sales, for a total anticipated return of 23%;

b. on or about June 19, 2018, Defendants told a California investor with the initials D.A. that he would receive an annual 12% fixed return paid monthly, plus an estimated 15% profit on diamonds sold, for an anticipated annual return of 27%;

c. on or about September 4, 2018, Defendants told a Florida investor with the initials A.B. that she would receive 6% interest over a three-month period on diamonds sold; and

d. on or about January 31, 2019, Defendants told investor J.G., who resides in Iowa, that he would receive an annual 8% fixed return paid quarterly, plus an estimated 15% profit on diamonds sold, for an anticipated annual return of 23%.

23. These representations were false. Although Defendants purchased and sold some diamonds, Lowe misappropriated nearly half of investor funds raised for himself. As a result, Lowe could not reasonably expect to pay the promised returns to investors from the purported returns of Diamond Desk's business.

24. In fact, during the Relevant Period, Defendants paid back to investors only \$80,000, consisting of partial return of approximately \$65,000 in principal to two investors and approximately \$15,000 in interest payments to various investors.

C. Defendant Lowe's Misappropriation of Investor Funds

25. During the Relevant Period, Lowe misappropriated at least \$925,000 of investor funds to pay for non-business-related expenses and for his personal use.

26. Lowe made \$465,000 in cash withdrawals, using investor funds, from the Diamond Desk bank account.

27. Lowe also used investor funds to spend at least \$263,000 at gambling casinos, including Dania Jai Alai (a casino in Dania Beach, Florida) and another \$30,000 at Seminole Hard Rock (a hotel and casino in Hollywood, Florida).

28. Lowe did not disclose to investors that he was using investor funds for non-business purposes, for gambling or other personal benefit.

V. CLAIMS FOR RELIEF

COUNT I

Violations of Section 10(b) and Rule 10b-5(a) of the Exchange Act

29. The Commission repeats and realleges paragraphs 1 through 28 of this Complaint.

30. During the Relevant Period, Defendants Lowe and Diamond Desk, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or of the mails, knowingly or recklessly, employed devices, schemes or artifices to defraud in connection with the purchase or sale of securities.

31. By reason of the foregoing, Defendants violated and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5(a) [17 C.F.R. § 240.10b-5(a)].

COUNT II

Violations of Section 10(b) and Rule 10b-5(b) of the Exchange Act

32. The Commission repeats and realleges paragraphs 1 through 28 of this Complaint.

33. During the Relevant Period, Defendants Lowe and Diamond Desk, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or of the mails, knowingly or recklessly made untrue statements of material facts or omitted to state material facts in order to make the statements made, in the light of the circumstances in which they were made, not misleading in connection with the purchase or sale of securities.

34. By reason of the foregoing, Defendants violated and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5(b) [17 C.F.R. § 240.10b-5(b)].

COUNT III

Violations of Section 10(b) and Rule 10b-5(c) of the Exchange Act

35. The Commission repeats and realleges paragraphs 1 through 28 of this Complaint.

36. During the Relevant Period, Defendants Lowe and Diamond Desk, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or of the mails, knowingly or recklessly engaged in acts, practices, and courses of business which have operated, are now operating, and will operate as a fraud upon any person in connection with the purchase or sale of securities.

37. By reason of the foregoing, Defendants violated and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5(c) [17 C.F.R. § 240.10b-5(c)].

COUNT IV

Violations of Section 17(a)(1) of the Securities Act

38. The Commission repeats and realleges paragraphs 1 through 28 of this Complaint.

39. During the Relevant Period, Defendants Lowe and Diamond Desk, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly, knowingly or recklessly employed devices, schemes or artifices to defraud.

40. By reason of the foregoing, the Defendants violated and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT V

Violations of Section 17(a)(2) of the Securities Act

41. The Commission repeats and realleges paragraphs 1 through 28 of this Complaint.

42. During the Relevant Period, Defendants Lowe and Diamond Desk, in the offer or sale of securities by any means or instruments of transportation or communication in interstate commerce or of the mails, directly or indirectly, negligently obtained money or property by means of untrue statements of material facts and omissions 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.

43. By reason of the foregoing, Defendants violated and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

COUNT VI

Violations of Section 17(a)(3) of the Securities Act

44. The Commission repeats and realleges paragraphs 1 through 28 of this Complaint.

45. During the Relevant Period, Defendants Lowe and Diamond Desk, in the offer or sale of securities by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, negligently engaged in transactions, practices, or courses of business which have operated, are now operating or will operate as a fraud or deceit upon the purchasers.

46. By reason of the foregoing, Defendants violated and, unless enjoined, are reasonably likely to continue to violate Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

COUNT VII

Liability Under Section 20(a) of the Exchange Act as a Control Person

(Against Defendant Lowe)

47. The Commission repeats and realleges Paragraphs 1 through 28 of this Complaint.

48. During the Relevant Period, Defendant Lowe was, directly or indirectly, a control person of Diamond Desk for purposes of Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

49. During the Relevant Period, Diamond Desk violated 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], directly or indirectly, by the use of the means and instrumentalities of interstate commerce, or of the mails, knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices, and courses of business which have operated, are now operating, or will operate as a fraud upon any person in connection with the purchase or sale of securities.

50. As control person of Diamond Desk, Lowe is jointly and severally liable with and to the same extent as Diamond Desk for each of the violations of Sections 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

51. By reason of the foregoing, Lowe violated and, unless enjoined, is reasonably likely to continue to violate as a control person of Diamond Desk, Sections 10(b) and 20(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78t(a)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

VI. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court find Defendants committed the violations alleged in this Complaint and:

A. Permanent Injunctive Relief

Issue permanent injunctions, enjoining Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder, and Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]; and restraining and enjoining Defendant Lowe from violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder as a control person under Section 20(a) of the Exchange Act.

B. Conduct Based Injunctive Relief

Issue a permanent conduct-based injunction, enjoining Lowe from, directly or indirectly, including through any entity he owns or controls: (1) participating in the issuance, offer, purchase, or sale of any securities except for transactions involving Lowe's own personal brokerage account; and (2) exercising any control over, any commercial enterprise or project that issues, purchases, or sells securities to any person other than Lowe.

C. Officer and Director Bar

Issue an order pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], permanently barring Defendant Lowe from acting as an officer or director of any issuer whose securities are registered with the Commission pursuant to Section 12 of the Exchange Act or which is required to file reports with the Commission pursuant to Section 15(d) of the Exchange Act.

D. Disgorgement

Issue an order directing the Defendants to disgorge all ill-gotten gains received within the applicable statute of limitations, including prejudgment interest, resulting from the acts and/or courses of conduct alleged in this Complaint.

E. Penalty

Issue an order directing the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

F. Further Relief

Grant such other and further relief as may be necessary and appropriate.

G. Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that are entered, and to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of the Court.

VII. DEMAND FOR JURY TRIAL

The Commission hereby demands a jury trial in this case on all issues so triable.

September 25, 2023

Respectfully submitted,

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