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**UNITED STATES DISTRICT COURT**  
**CENTRAL DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

vs.

KEENAN GRACEY,

Defendant.

Case No. 2:18-cv-03872-AB(ASx)

**COMPLAINT**

**(FILED UNDER SEAL)**



Plaintiff Securities and Exchange Commission ("SEC") alleges:

**JURISDICTION AND VENUE**

1. The Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa(a). Defendant Keenan Gracey ("Gracey" or "Defendant") has, directly or indirectly, made use of the means or instrumentalities of

1 interstate commerce, of the mails, or of the facilities of a national securities exchange  
2 in connection with the transactions, acts, practices and courses of business alleged in  
3 this complaint.

4 2. Venue is proper in this district pursuant to Section 22(a) of the Securities  
5 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a),  
6 because certain of the transactions, acts, practices and courses of conduct constituting  
7 violations of the federal securities laws occurred within this district.

### 8 SUMMARY

9 3. The SEC brings this emergency action to halt an ongoing investment  
10 fraud by defendant Keenan Gracey. Gracey takes investors' money promising to  
11 invest in "pre-IPO" shares with a 6,000% return. In reality, these shares do not even  
12 exist—there is no planned IPO. Instead, Gracey just steals the money. So far, he has  
13 taken at least \$400,000 from known investors, has received over \$2 million through  
14 approximately 107 wire transfers into his various bank accounts since 2016, and  
15 continues to solicit new investors.

16 4. On October 11, 2017, DXC Technology Company ("DXC"), announced  
17 a planned merger of its public sector business division with two private companies,  
18 KeyPoint Government Solutions ("KeyPoint") and Vencore, Inc. ("Vencore"), which  
19 are both owned by private equity funds managed by Veritas Capital Fund  
20 Management, LLC ("Veritas"). The merger was initially expected to close in March  
21 2018, and is presently expected to close in May 2018.

22 5. Claiming that he comes from a wealthy family background, Gracey  
23 falsely offers unsuspecting investors "pre-IPO shares" of the planned new company,  
24 even having them sign a "share purchase agreement." However, neither the IPO nor  
25 the shares are real. DXC is not planning a public offering, and until the merger is  
26 finalized, no shares in the new company will be distributed. Moreover, Gracey  
27 neither owns, nor has access to, any shares, nor has he any relationship with DXC,  
28 Veritas or its investment funds, nor with Vencore or KeyPoint.



1 governments contracts at our disposal to bolster the companies we buy.”

2 13. According to numerous investors, Gracey promotes himself by  
3 showcasing an extravagant lifestyle, claiming to own luxury homes in Beverly Hills  
4 and Seattle and a fleet of luxury automobiles, including Bentleys and Ferraris.

5 14. As part of his appearance of wealth, Gracey provided one or more  
6 investors with a heavily redacted bank statement, purporting to show that Gracey had  
7 immediate access to over \$700 million.

8 15. Gracey uses the illusion of wealth and privilege to convince investors  
9 that he has special access to exclusive financial transactions, claiming “multi  
10 generational success [that his family has] garnered through successful IPO’s and  
11 bringing private companies public.”

12 16. In fact, Gracey’s lavish lifestyle is an elaborate façade designed to  
13 falsely portray himself as an international man of finance with family ties to various  
14 governments and government contractors, to convince investors that he has unique  
15 access to lucrative financial deals.

16 17. Gracey does not own either of the real properties that he claims to own.

17 18. Gracey rents the luxury automobiles that he claims to own.

18 19. Gracey has no connection with any of the companies in the merger that  
19 he claims to be involved with.

20 20. Given the fact that Gracey is behind in rent on the properties he claims  
21 to own, and that his luxury automobiles have been repossessed, on information and  
22 belief, Gracey does not have immediate access to \$700 million.

23 21. Gracey’s false portrayal of the impression that his background and  
24 lifestyle provided him access to financial opportunities were material to investors’  
25 decisions to entrust their money to him.

26 **B. The Pre-IPO Investment Scheme**

27 22. On October 11, 2017, DXC publicly announced that it would spin off its  
28 public sector business division and merge it with Vencore and KeyPoint to form a

1 new publicly traded company.

2 23. As noted in public announcements about the merger, private equity  
3 funds managed by Veritas, which own and control both Vencore and KeyPoint, will  
4 receive approximately 14% of the shares in the new company. The remaining shares  
5 in the new company, which will be called Perspecta, Inc. (“Perspecta”), will be  
6 distributed to DXC’s shareholders.

7 24. No public offering of Perspecta shares has been announced, and contrary  
8 to Gracey’s representations to investors, no public offering is planned.

9 25. The merger, originally expected to be finalized by March 31, 2018, is  
10 now expected to close in May 2018.

11 26. Beginning no later than October 15, 2017, and continuing through the  
12 present, Gracey has used public information about the deal to lure investors into  
13 believing he owns or has access to pre-IPO shares in Perspecta.

14 27. Gracey communicates with investors through in-person meetings, by  
15 phone, by email, and by texts.

16 28. For example, Gracey showed several investors a DXC-created  
17 presentation (which is publicly available on DXC’s website) that highlighted the  
18 benefits of the merger and detailed the parties involved.

19 29. Gracey claimed to several investors orally and in emails that his  
20 grandfather had a controlling interest in several investment firms, including Veritas.

21 30. Based on his family’s alleged connection with Veritas, Gracey  
22 represented to investors orally and in emails that he made a personal investment of  
23 \$150 million in the pre-IPO stock, and further claimed to have purchased another  
24 \$100 million of stock on margin to sell to other investors “so as to earn [Gracey’s]  
25 \$24 per share on the secondaries [sic] insurance market.”

26 31. Gracey offered to sell portions of this additional \$100 million stake in  
27 pre-IPO stock to investors.

28 32. Several investors received a “Share Purchase Agreement” in which

1 Gracey represents that he “is the owner of record of an aggregate of Series A shares  
2 in a private company with NDA Chartered name NewCorp, which is the product of  
3 the merger of parts of DXC, Vencore, Keypoint, and any other businesses involved  
4 (the “Corporation”) that intends to go public with an IPO, in 2018, through an  
5 accredited investment consortium.”

6 33. In the “Share Purchase Agreement,” Gracey further represents that he is  
7 “the owner in clear title of the Shares and the Shares are free of any lien,  
8 encumbrance, security interests, charges, mortgages, pledges, or adverse claim or  
9 other restriction that would prevent the transfer of clear title to the Purchaser.”

10 34. Gracey agreed to sell these purported pre-IPO shares to investors for \$1  
11 a share, in the Share Purchase Agreement.

12 35. Gracey told investors orally and in emails that they would recover fifty  
13 to sixty times their investment after the newly formed company went public.

14 36. Gracey also offered a range of incentives for investors to bring in other  
15 investors, including offering to pay 10% of the profits he made on the “secondaries  
16 [sic] market” from these referrals.

17 37. When he is taking investors’ money, Gracey knows, or is reckless or  
18 negligent in not knowing, that he does not have any access to or ownership in the  
19 shares he promises to provide the investors in exchange, and that he does not have the  
20 wealth and connections he claims to have in luring these investors.

21 38. Reasonable investors would have found it important to know that the  
22 securities at issue did not exist and that Gracey would keep the money they gave him  
23 without ever delivering the promised “pre-IPO” shares. Reasonable investors would  
24 also have wanted to know that Gracey’s façade of wealth and connections was a ruse.

25 **C. Gracey’s Representations Are False**

26 39. Gracey knows, or is reckless or negligent in not knowing, that his  
27 representations about the proposed IPO and his alleged financial interest in the new  
28 company to be formed are false.



1           40. DXC has no intention, publicly stated or otherwise, to make a public  
2 offering of shares in connection with the merger and formation of Perspecta.

3           41. Rather, shares in Perspecta will be distributed to DXC shareholders and  
4 the Veritas funds with no separate offering.

5           42. Gracey knows, or is reckless or negligent in not knowing, that no Series  
6 A shares of Perspecta are authorized by Perspecta's articles of incorporation or  
7 bylaws, no Series A shares have been issued, and no shares in Perspecta can be  
8 acquired or distributed before the merger is finalized, which has not yet occurred.

9           43. Accordingly, Gracey knows, or is reckless or negligent in not knowing,  
10 that his claims that he already owns shares in the new company are false.

11           44. In addition, and Gracey knows, or is reckless or negligent in not  
12 knowing, that he holds no financial interest in KeyPoint, Vencore, or in the Veritas  
13 funds, which own and control those companies.

14           45. The majority of Veritas's clients are institutional investors, such as  
15 pension funds, and there are only three individual clients, none of whom have a  
16 connection to Gracey or his family.

17           46. Gracey's misrepresentations to investors were material to their decision  
18 to sign share purchase agreements and to give money to Gracey to purchase the pre-  
19 IPO shares that Gracey offered and purported to own. Reasonable investors would  
20 have found it important to know that the securities at issue did not exist and that the  
21 money paid for those securities would be misappropriated.

22           **D. Recent Events and Gracey's Lulling Activities**

23           47. Numerous investors grew suspicious of Gracey after he indicated the  
24 purported IPO was "delayed," and some investors learned that Gracey did not own  
25 the real estate or expensive cars that he led them to believe he owned.

26           48. Several investors have demanded the return of their monies, but Gracey  
27 has given them an array of excuses, including falsely claiming that the SEC has  
28 frozen his accounts pending completion of the merger.

1           49. A group of Washington-based investors flew to Los Angeles in March  
2 2018 and confronted Gracey at his (rented) Beverly Hills estate. At that time, Gracey  
3 agreed to refund \$50,000 within a week, and to provide further details about the pre-  
4 IPO investment.

5           50. Gracey neither refunded investors' monies nor provided further details  
6 about the investment.

7           51. Instead, Gracey vacated his rented Beverly Hill estate and went to the  
8 state of Washington, still owing over \$50,000 in unpaid rent.

9           52. Nonetheless, Gracey continues to lull investors into believing their pre-  
10 IOP investment is safe and on track.

11           53. As recently as April 30, Gracey distributed additional publicly available  
12 information concerning the formation of Perspecta to investors, breathlessly stating in  
13 at least one text message, "Trust me tho..(sic) that document right there is exactly  
14 what the [expletive] we all been waiting for."

15           54. Gracey continues to solicit new investors in his pre-IPO scheme, and  
16 unless temporarily and permanently enjoined, will continue to do so.

17           55. In carrying out his offering fraud, Gracey has used, and continues to use,  
18 various means and instruments of interstate commerce, including, but not limited to,  
19 interstate telephonic communications, email communications over the Internet, and  
20 interstate wire transfers of investor monies.

## 21 **FIRST CLAIM FOR RELIEF**

### 22 **Fraud in the Offer or Sale of Securities**

#### 23 **Violations of Section 17(a)(1) and (3) of the Securities Act**

24           56. The SEC realleges and incorporates by reference paragraphs 1 through  
25 59 above.

26           57. As set forth above, Gracey's elaborate façade of wealth and success, his  
27 use of publicly available information concerning the merger and creation of  
28 Perspecta, and his claim that he has unique access to pre-IPO shares, is just an



1 elaborate scheme to convert investors' monies.

2 58. By engaging in the conduct described above, Gracey, directly or  
3 indirectly, in the offer or sale of securities, and by the use of means or instruments of  
4 transportation or communication in interstate commerce or by use of the mails  
5 directly or indirectly, knowingly or recklessly employed devices, schemes, or  
6 artifices to defraud, and knowingly, recklessly or negligently engaged in transactions,  
7 practices, or courses of business which operated or would operate as a fraud or deceit  
8 upon the purchaser.

9 59. By engaging in the conduct described above, Gracey violated, and unless  
10 restrained and enjoined will continue to violate, Section 17(a)(1) and 17(a)(3) of the  
11 Securities Act, 15 U.S.C. § 77q(a)(1) & (3).

## 12 **SECOND CLAIM FOR RELIEF**

### 13 **Fraud in the Offer or Sale of Securities**

#### 14 **Violations of Sections 17(a)(2) of the Securities Act**

15 60. The SEC realleges and incorporates by reference paragraphs 1 through  
16 59 above.

17 61. As set forth above, Gracey's representations to investors, including, but  
18 not limited to, those made in the Share Purchase Agreement, in which he claimed to  
19 own pre-IPO shares, are demonstrably false.

20 62. Gracey obtained money from investors by means of his material  
21 misstatements.

22 63. By engaging in the conduct described above, Gracey, directly or  
23 indirectly, in the offer or sale of securities, and by the use of means or instruments of  
24 transportation or communication in interstate commerce or by use of the mails  
25 directly or indirectly, knowingly, recklessly or negligently, obtained money or  
26 property by means of untrue statements of material fact, any by omissions to state a  
27 material fact necessary in order to make the statements made, in light of the  
28 circumstances under which they were, not misleading.

64. By engaging in the conduct described above, Gracey violated, and unless restrained and enjoined will continue to violate, Sections 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

### **THIRD CLAIM FOR RELIEF**

#### **Fraud in the Connection with the Purchase and Sale of Securities**

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

65. The SEC realleges and incorporates by reference paragraphs 1 through 59 above.

66. As set forth above, Gracey's elaborate façade of wealth and success, his use of publicly available information concerning the merger and creation of Perspecta, and his claim that he has unique access to pre-IPO shares, is just an elaborate scheme to convert investors' monies.

67. By engaging in the conduct described above, Gracey, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, knowingly or recklessly employed devices, schemes, or artifices to defraud, and engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

68. By engaging in the conduct described above, Gracey violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a) and (c) thereunder, 17 C.F.R. §§ 240.10b-5(a) & (c).

### **FOURTH CLAIM FOR RELIEF**

#### **Fraud in Connection with the Purchase or Sale of Securities**

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

69. The SEC realleges and incorporates by reference paragraphs 1 through 59 above.

70. As set forth above, Gracey made material representations to investors,

1 including, but not limited to those made in the Share Purchase Agreement, in which  
2 he claimed to own pre-IPO shares.

3 71. By engaging in the conduct described above, Gracey, directly or  
4 indirectly, in connection with the purchase or sale of a security, and by the use of  
5 means or instrumentalities of interstate commerce, of the mails, or of the facilities of  
6 a national securities exchange, knowingly or recklessly, made untrue statements of a  
7 material fact or omitted to state a material fact necessary in order to make the  
8 statements made, in the light of the circumstances under which they were made, not  
9 misleading.

10 72. By engaging in the conduct described above, Gracey violated, and unless  
11 restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act,  
12 15 U.S.C. § 78j(b), and Rules 10b-5(b) thereunder, 17 C.F.R. §§ 240.10b-5(b).

### 13 **PRAYER FOR RELIEF**

14 WHEREFORE, the SEC respectfully requests that the Court:

#### 15 **I.**

16 Issue findings of fact and conclusions of law that Defendant committed the  
17 alleged violations.

#### 18 **II.**

19 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining  
20 order and an order to show cause why a preliminary injunction should not be entered,  
21 temporarily and preliminarily enjoining Defendant, and his officers, agents, servants,  
22 employees and attorneys, and those persons in active concert or participation with  
23 any of them, who receive actual notice of the judgment by personal service or  
24 otherwise, and each of them, from violating Section 17(a)(1), (2) and (3) of the  
25 Securities Act [15 U.S.C. §77q(a)(1), (2) & (3)], and Section 10(b) of the Exchange  
26 Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5(a), (b) and (c) thereunder [17 C.F.R. §  
27 240.10b-5(a), (b) & (c)].  
28

1 **III.**

2 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining  
3 order and an order to show cause why a preliminary injunction should not be entered,  
4 freezing the funds and assets of Defendant; prohibiting Defendant from destroying  
5 documents; ordering an accounting by Defendant; and ordering expedited discovery.

6 **IV.**

7 Issue a judgment, in a form consistent with Rule 65(d) of the Federal Rules of  
8 Civil Procedure, permanently enjoining Defendant, and his officers, agents, servants,  
9 employees and attorneys, and those persons in active concert or participation with  
10 any of them, who receive actual notice of the judgment by personal service or  
11 otherwise, and each of them, from violating Section 17(a)(1), (2) and (3) of the  
12 Securities Act [15 U.S.C. §77q(a)(1), (2) & (3)], and Section 10(b) of the Exchange  
13 Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5(a), (b) and (c) thereunder [17 C.F.R. §  
14 240.10b-5(a), (b) & (c)].

15 **V.**

16 Issue a judgment, in a form consistent with Rule 65(d) of the Federal Rules of  
17 Civil Procedure, permanently enjoining Defendant from, directly or indirectly,  
18 participating in the issuance, purchase, offer, or sale of any securities, provided,  
19 however, that such injunction shall not prevent Defendant from purchasing or selling  
20 securities listed on a national securities exchange for his own personal account.

21 **VI.**

22 Order Defendant to disgorge all funds received from his illegal conduct,  
23 together with prejudgment interest thereon.

24 **VII.**

25 Order Defendant to pay civil penalties under Section 20(d) of the Securities  
26 Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §  
27 78u(d)(3)].  
28

**VIII.**

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

**IX.**

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: May 9, 2018

*/s/ Alec Johnson*

Alec Johnson

Donald W. Searles

Attorneys for Plaintiff

Securities and Exchange Commission