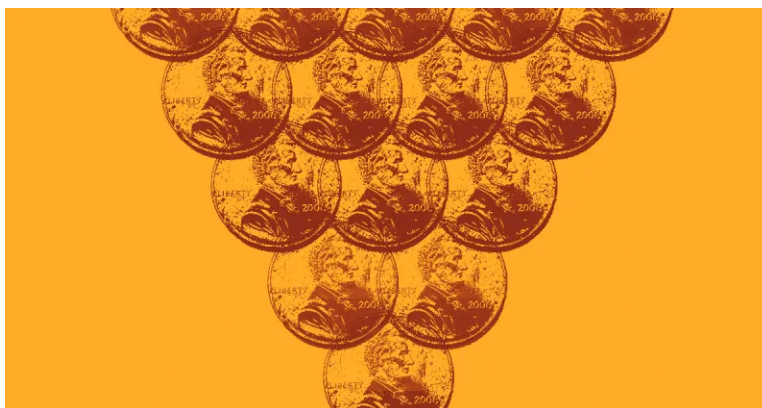


The Breakdown

‘On Like Donkey Kong’: How a Dubious Super PAC Boosted a Questionable Penny Stock

The U.S. government’s loose supervision has spawned many problems with super PACs, but helping to tout shares worth a fraction of a cent would be a new one.



by **Robert Faturechi** and **Derek Willis**

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A little more than a year ago, Hillary Clinton’s imminent entry into the race for the Democratic presidential nomination was setting off political and financial ripples around the country. One of the most unlikely was a spike in the stock price of an obscure Las Vegas company that once built tables for beer pong.

The company, CrossClick Media, had been issuing press releases for months, saying it had won a contract to run call centers and other services for a super PAC called Voters for Hillary. Getting hired by the PAC was “a milestone” for CrossClick and would lead to growing revenue “predicated largely on Ms. Clinton becoming a Presidential candidate and the Company pursuing other clients for our services,” the firm’s chief executive had declared in December 2014.

Excited posts about CrossClick’s bright future started filling Internet message boards popular with investors in so-called penny stocks, which, like CrossClick, trade for less than five dollars per share.

“Soon the 1st lady announces her candidacy and it’s on like Donkey Kong,” read a comment posted March 28, 2015, on a site called InvestorsHub. “Hope you have some shares :)”

Days after Clinton announced, a person with the same user name wrote, “We are in the midst of our biggest gain day yet. You’re close to changing your life, so hang tight! XCLK is the new hot riser!”

CrossClick’s stock (listed as XCLK on the over-the-counter market) was indeed rising. By May 6 it had shot up about twelve-fold from where it had been hovering. Tens of millions of shares traded hands on some days, meaning

anyone who sold at the peak could have made tens of thousands of dollars in profits.

It appeared to be a big success. But a closer look at the company and the PAC suggests a different story. Operating in lightly regulated areas of Wall Street and politics, the two entities were closely entwined and their finances weren't what they seemed.

CrossClick's shares have sunk back to being nearly worthless, and one of its executives recently described it as insolvent in court records. Meantime, federal campaign reports indicate that Voters for Hillary has spent no money supporting Clinton, or any other candidate for that matter. The great majority of the approximately \$500,000 it raised before Clinton announced came in the form of loans, not donations, most of it from registered Republicans. A review of the PAC's finances shows it flouted federal campaign finance rules and that some of its lenders or their spouses have faced allegations of securities fraud.

The links between the company and the PAC show up in financial and political filings. The woman who effectively controls CrossClick is married to the head of the PAC. The PAC's treasurer is the managing member of a firm that had been another major CrossClick shareholder of the company.

It's unknown who, if anyone, sold CrossClick's stock at a profit during the spike in its price. Such trades are generally not public unless made by a senior officer or someone with 10 percent of all shares. CrossClick's latest disclosures contain no such notice. The company has made no filings with the Securities and Exchange Commission since November, and its last annual report covered the period ending in December 2014. Kurt Kramarenko, the CEO, didn't respond to messages left at numbers associated with him.

Milton Ault III, the chairman of the board for the PAC, said in an interview that the political group wasn't set up for the purpose of boosting CrossClick's stock. Ault said he helped establish the PAC — created in 2014 as the Foundation for a Greater America — because he wanted to expand access to health care and help get Clinton elected. He acknowledged the PAC failed to effectively spend money in support of the former Secretary of State's campaign.

Ault said the PAC hired CrossClick to assist a company that was developing call centers to back Democrats.

"I know the people who run it and I wanted to see them successful," Ault said. "What's wrong with that?"

As a super PAC, Voters for Hillary came under less-stringent federal regulations than other types of political committees. The Supreme Court's landmark 2010 Citizens United decision paved the way for such groups, which must disclose their donors but, unlike candidates and regular PACs, can accept contributions of unlimited amounts.

Similarly, penny stocks are highly speculative investments that don't have the same disclosure requirements of larger companies traded on major stock exchanges. In some instances, U.S. officials have accused brokers and others of taking steps to artificially boost penny-stock prices, then selling out and leaving fellow investors holding the bag when share prices plummet, a gambit known as pump-and-dump.

Christine Parlour, a business school professor for the University of California at Berkeley, who reviewed the CrossClick filings at ProPublica's request, said the company's activities are "really, really, really dubious." She said CrossClick has "absolutely no revenue and no business plan. They're shuffling paper around."

Sam Antar, who became a Manhattan-based securities fraud expert after being convicted in the 1990s in connection with a stock market scheme, said the strategy was novel.

"I have never seen anything like that," Antar said. "I've never seen a super PAC used to promote a penny stock."

Billions of Shares

CrossClick first sold stock to the public in 2010 under its then-name of Southern Products Inc. It segued from beer-pong tables to other sectors, including consumer electronics, before announcing its deal to provide Voters for

Hillary with call center services in late 2014.

The company had about 170 million shares outstanding in mid-2014, trading at a price as low as a hundredth of a cent. The number of outstanding shares grew as the political season began, increasing to 2.6 billion by the end of April 2015.

Records show the PAC paid the company close to \$73,000 in all. But they also show that in the months after Clinton announced her candidacy CrossClick paid roughly the same amount back to the PAC.

Asked by ProPublica to review the filings, Antar, the securities fraud expert, said they were “disturbing to say the least.” He added, “You don’t pay someone to pay you back. It’s what we call a round-trip transaction.”

The controlling shareholder of CrossClick is Carson City, Nevada-based Mckea Holdings, according to CrossClick’s filings with the Securities and Exchange Commission. The managing member of Mckea Holdings is Kristine Ault, wife of the PAC’s chair, Milton Ault.

Ault said his wife’s company didn’t sell any of its shares in CrossClick and that the Aults lost money on their investment in the company.

Another major shareholder of the company had been Finiks Capital LLC, a Newport Beach, California-based firm whose managing member is James Hodgins, an SEC filing shows. Hodgins’ LinkedIn page also describes him as a general partner of Mckea Holdings.

Finiks and Hodgins also had multiple ties to Voters for Hillary. Hodgins was listed in FEC filings as the super PAC’s treasurer. Finiks [provided \\$6,500 in seed money](#) to the PAC. Then, before Clinton formally entered the race, the PAC loaned Hodgins’ firm \$242,000 to be invested in small-cap equities, the PAC told the FEC. No rules prevent a PAC from making such a loan.

Most of the money was [loaned in November 2014](#), but the group did not disclose the loans to the FEC during the reporting period in which they occurred, as required by law. Instead, they were disclosed months later, in an amended report filed soon after Clinton announced and CrossClick’s stock was showing signs of life. The PAC has not filed required financial disclosure forms [since July 2015](#), so it’s not known if those loans have been paid back.

The loans that Voters for Hillary gave to Finiks represented more than a third of the money the PAC had collected. Hodgins could not be reached for comment.

One of the principal lenders to Voters for Hillary was Judson Church, a New Jersey investor who gave [\\$250,000](#) to “provide liquidity during pre announce for Hillary,” according to FEC filings. A public records database shows Church has registered before as a Republican. He could not be reached for comment.

Another loan, for [\\$200,000](#), came from Mary Coons, who is identified in FEC records as a student and housewife in Hartford. A public records database also lists her as a registered Republican. Her husband is William Coons III, a stockbroker who the SEC once described as playing an integral role in a market manipulation scheme in which a stock was pumped up with false publicity, then sold to the public for inflated prices.

Ault confirmed that William Coons is Mary Coons’ husband, and pointed out that the SEC case against William Coons was dropped. Executives at the company involved settled with the government without admitting wrongdoing in 2007.

In 2009, allegations that William Coons made material misrepresentations to a client led to a \$925,000 settlement. More recently, he was temporarily suspended by the self-regulating body for securities brokers over allegations that he sold \$2 million in promissory notes after overstating the financial health of their issuer, records show. Neither Coons could be reached for comment.

Another lender was Kyleen Cane, a Nevada attorney who provided [\\$10,700](#), paying for one of the PAC’s early expenses directly on her credit card. Cane was charged in a federal indictment unsealed in Brooklyn, N.Y., last year

relating to allegations that she was involved in a \$300 million pump-and-dump scheme that left elderly investors with worthless shares. Federal authorities have alleged that the defendants in the case, which is ongoing, concealed their ownership interests, released false press releases and issued misleading SEC filings.

Cane declined to comment through her attorney, who said his client denied the allegations in the indictment.

‘I Have People I Call’

Candidates sometimes lend money to their own political committees, but super PACs are typically funded by big contributions from wealthy donors who don’t expect the money back. A ProPublica analysis of FEC filings found that no other super PAC has received more in loans or has relied on loans for such a large percentage of its revenue. Only five PACs active during the 2016 cycle have received six figures in loans, and Voters for Hillary is the only one to already begin repaying them. It’s also rare for super PACs to make loans.

Ault said the PAC’s lenders were either Clinton backers, or simply looking to profit from the interest rates the committee agreed to, which were as high as 18 percent. “I’ve been on Wall Street for a long time. If I want to raise money, I have people I call and they know people,” he said.

In 2012, Ault faced allegations that he made transactions in customer accounts without the customers’ consent or knowledge. The Financial Industry Regulatory Authority, the independent self-regulating body for securities brokers, fined him \$75,000, suspended him for two years from associating with members of the organization and ordered him to pay more than \$300,000 in restitution to investors.

Gary Gottlieb, a CrossClick executive, said Ault’s wife’s company became a controlling shareholder in October 2014, at which time Ault, who had been consulting for the company, pitched the idea of entering into a major deal with the PAC. He said the press releases touting the contract were not intended to boost the stock.

“I really never have and didn’t much care for the stock price,” he said. “It really didn’t play for the most part into how we ran the business. We were interested in generating revenue...We were a real company, we wanted to expand.”

He could not explain why his company paid money back to the PAC after Clinton announced, as reported in FEC filings.

The FEC has come under fire for what some critics call its weak oversight of super PACs. In this case, the FEC fined Voters for Hillary \$9,800 for one of its blown deadlines, but public filings reveal no action for other missed filings, omissions and oddities. The FEC caught the initially unreported loans to Finiks and demanded an explanation, but the PAC never responded and FEC records show no follow up so far.

Another potential problem for the group is that it does fundraising under the name Voters for Hillary. Super PACs cannot coordinate with candidates’ campaigns; speaking generally, Judith Ingram, a spokeswoman for the FEC, said independent political committees are barred from using candidates’ names, except under a few special conditions.

None of those conditions apply to Voters for Hillary. Brian Fallon, a spokesman for the Hillary Clinton campaign, didn’t respond to a request for comment on the PAC.

There’s no sign the movements of CrossClick’s stock have drawn regulators’ attention. Kevin Callahan, a spokesman for the SEC, which has filed lawsuits in pump and dump cases, declined to comment on CrossClick.

One stockholder, KBM Worldwide, has filed a lawsuit alleging the company manipulated its share price. According to SEC filings, KBM, a Great Neck, N.Y., firm that invests in small public companies traded over-the-counter, essentially lent CrossClick money in exchange for shares. In its lawsuit, KBM claims CrossClick manipulated its stock price to avoid repaying the loan. Ault called the lawsuit baseless.

Other investors have gone to CrossClick’s Facebook page or investor message boards to complain about the

company.

“Thank you for the tax write off of 2015,” wrote one, presumably referring to his lost investment. “Enjoy our cash!!!”

Gottlieb, the CrossClick executive, said he had no idea who might have profited by selling the company’s stock last year following publicity about its deal with the PAC.

“It’s the marketplace, dude,” he said.

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