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 CENTRAL DISTRICT OF CALIFORNIA
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 U.S. DISTRICT COURT
 CENTRAL DISTRICT OF CALIF.
 SANTA ANA

UNITED STATES DISTRICT COURT
 FOR THE CENTRAL DISTRICT OF CALIFORNIA
 SOUTHERN DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Case No.: SACV06-172 AHS (ANx)

Plaintiff,

~~PROPOSED FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND
PRELIMINARY INJUNCTION ORDER~~

vs.

LAMBERT VANDER TUIG et al.,

Defendants.

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(19)

1 ~~I. FINDINGS OF FACT~~

2 ~~The Court makes the following preliminary findings of~~
3 ~~fact:~~

4 **A. Jurisdiction and Venue**

5 1. The Court has jurisdiction over this action
6 pursuant to Section 20(b), 20(d)(1) and 22(a) of the
7 Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§
8 77t(b), 77t(d)(1) and 77v(a), and Sections 21(d)(1),
9 21(d)(3)(A), 21(e) and 27 of the Securities Exchange
10 Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1),
11 78u(d)(3)(A), 78u(e) and 78aa. Defendants have,
12 directly or indirectly, made use of the means or
13 instrumentalities of interstate commerce, of the mails,
14 or of the facilities of a national securities exchange,
15 in connection with the transactions, acts, practices
16 and courses of business set forth in the Court's
17 Findings of Facts.

18 2. Many of the acts, practices, courses of
19 business and transactions described herein have
20 occurred within the Central District of California

21 **B. Defendants**

22 3. The Carolina Development Company, Inc. (a/k/a
23 The Carolina Company at Pinehurst, Inc.) ("Carolina
24 Company"), is a Nevada corporation headquartered in
25 Irvine, California. Since at least September 2004, the
26 company was known as "The Carolina Company at Pinehurst,
27 Inc." At some time in 2005, the company changed its
28 name to "The Carolina Development Company, Inc." Stock

1 certificates are still issued in the name of "The
2 Carolina Company at Pinehurst."

3 4. Lambert D. Vander Tuig (a/k/a Lambert Vander
4 Tag and Dean L. Vander Tag and Dean L. VanderTag)
5 ("Vander Tuig"), age 47, of Rancho Santa Margarita,
6 California, is the President, Chief Executive Officer,
7 and Director of Carolina Company. Vander Tuig
8 previously was associated as a registered
9 representative with various brokers and dealers from
10 1988 through 1996. On March 27, 2000, Vander Tuig was
11 permanently enjoined in federal district court from
12 violating Sections 5(a), 5(c), and 17(a) of the
13 Securities Act and Section 10(b) of the Exchange Act
14 and Rule 10b-5 thereunder, and was ordered to pay
15 \$61,305 in disgorgement plus prejudgment interest and
16 \$61,305 in civil penalties. On August 16, 2000, the
17 Commission entered an Order against Vander Tuig barring
18 him from association with any broker or dealer in an
19 administrative proceeding related to the civil law
20 action. Vander Tuig has failed to pay any of the
21 disgorgement, penalties, or prejudgment interest.
22 During the relevant period, Vander Tuig has used the
23 name Lambert Vander Tag, Dean L. Vander Tag, and Dean
24 L. VanderTag. During the relevant period, Vander Tuig
25 acted as a broker. Vander Tuig was not registered with
26 the Commission as a broker in accordance with Section
27 15(b) of the Exchange Act and did not otherwise have
28 the Commission's consent to act as a broker.

1 5. Jonathan Carman ("Carman"), age 42, of Aliso
2 Viejo, California, is the Vice President of Carolina
3 Company. Carman is second in charge at Carolina
4 Company, directly below Vander Tuig. Carman was not
5 registered with the Commission as a broker in
6 accordance with Section 15(b) of the Exchange Act.

7 ~~C. The Boiler Room Operation~~

8 6. Since at least September 2004, Carolina Company
9 offered its stock through a private placement offering.
10 To solicit investors, Carolina Company employed
11 independent contractors as sales representatives in a
12 boiler room operation. Sales representatives primarily
13 made cold calls to individuals from lead lists
14 purchased by the company. Carolina Company employed
15 approximately 60 sales representatives.

16 7. Throughout the relevant time period, Carolina
17 Company information regarding assets, operations, and
18 the stock offered were provided to the boiler room
19 staff directly by Vander Tuig and/or Carman. Vander
20 Tuig and Carman prepared and provided various scripts
21 to the boiler room staff to use in cold calls. Vander
22 Tuig and Carman also conducted regular meetings with
23 the sales people to convey information to pass on to
24 investors. When investors had specific questions,
25 Vander Tuig and Carman told sales people how to
26 respond. Vander Tuig and Carman also had direct verbal
27 communications with investors, and Vander Tuig has made
28 ~~written representations in letters to all shareholders.~~

1 ~~8. During the relevant period, Vander Tuig and~~
2 Carman continually revised and amended the information
3 and documents given to investors.

4 9. In the boiler room, after a salesperson made
5 initial contact with a potential investor, the company
6 sent an investor package to the interested party. The
7 investor package contained the Private Placement
8 Offering memorandum ("PPM") as well as a variety of
9 sales materials about the Carolina Company and the
10 investment. Sales people had a series of telephone
11 conversations with an interested party before he or she
12 decided to invest.

13 10. Sales people also referred potential investors
14 to the Carolina Company's website
15 (www.thecarolinaco.com), which contained similar and
16 additional information about Carolina Company.

17 **D. Misrepresentations to Investors**

18 **1. False Statements About Sales and Revenues**

19 11. During the relevant time period, Defendants
20 made representations to investors that Carolina Company
21 had already sold homes and properties. In sales
22 materials distributed in 2004, Defendants represented
23 that the company had built and sold homes and
24 properties at profit margins of 50-60%, 100%, and 400%,
25 and that it had other properties in various stages of
26 development. In 2005, Defendants represented that
27 Carolina Company was "currently profitable" and "had
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1 ~~significant **increases** in both revenue and profit for~~
2 ~~the last three consecutive years."~~

3 12. In addition, until at least May 2005,
4 Defendants distributed an income statement to potential
5 investors showing increasing income from 2002 to 2004.
6 The income statement represented that Carolina Company
7 made net profits of \$206,334 in 2002; \$716,671 in 2003;
8 and \$1,525,647 in 2004.

9 13. Contrary to these representations, Carolina
10 Company had made no sales and had little or no revenue
11 from February 2002 through January 2006.

12 **2. False Statements About Going Public**

13 14. From September 2004, boiler room sales people
14 told investors that Carolina Company would be going
15 public in the near future. Initially, Defendants
16 claimed that Carolina Company would go public by the
17 end of 2004, then Defendants claimed the company would
18 go public in early 2005.

19 15. Over time, Defendants continually delayed the
20 expected date. At the time of the filing of the
21 Commission's case, Defendants were telling investors
22 that Carolina Company expected to go public in February
23 2006.

24 16. Contrary to what was represented to investors,
25 Carolina Company had taken no significant steps to
26 ~~register any offering of stock.~~

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~~3. False Statements About Restricted Stock
and Failure to Disclose Stock Already
Traded Publicly~~

17. Initially, Defendants represented that the trading symbol "CACP" had been approved for Carolina Company's stock to trade publicly.

18. The PPM stated that the "National Association of Security Dealers (NASD) has approved the trading symbol CACP to represent The Carolina Development Company."

19. Sales agents told investors that the symbol CACP would be used when the company actually went public, but that the stock was not yet trading publicly.

20. Contrary to these representations, Carolina Company's stock was already offered for sale in the National Quotation Service, the "Pink Sheets," an electronic quotation system for over-the-counter securities.

21. During 2005, the stock price varied between \$.001 and \$1.75 per share. In December 2005, CACP stock traded at \$0.10 per share. This was the same class of common stock that was purchased by investors in 2004 and 2005 and that is currently being issued to new investors for many times that price.

22. Defendants failed to disclose that the same stock was being quoted in the Pink Sheets for



1 ~~substantially less than the price at which it was being~~
2 offered through the boiler room.

3 23. Defendants affirmatively represented that CACP
4 stock was not the same stock being offered by the
5 boiler room.

6 24. This representation was false, as the CACP
7 stock offered in the Pink Sheets is the same class of
8 common stock as that offered by the boiler room.

9 25. Moreover, Carolina Company represented that as
10 soon as the company went public, any shares purchased
11 would be immediately available to sell.

12 26. All shares issued to investors, however, bore
13 "Restricted" legends and were subject to restrictions on
14 resale, including that the shares would be unavailable
15 to sell for a minimum period of one year.

16 27. Defendants failed to disclose that shares
17 purchased would be restricted.

18 28. In fact, investors who inquired about the
19 restriction after receiving their certificates, were
20 told that when Carolina Company went public, it would
21 issue new unrestricted certificates or it would deliver
22 paperwork allowing the restricted shares to trade
23 immediately.

24 29. These representations were false as there is no
25 provision in the securities laws allowing Carolina
26 ~~Company to do this.~~

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1 **4. Misrepresentations About Properties Owned**

2 30. During 2004 and 2005, Carolina Company made a
3 number of representations that it owned a variety of
4 resort properties in varying stages of development.

5 31. These representations were made in the PPM, in
6 other sales materials, on the website, in letters to
7 investors, and in verbal communications with investors.

8 32. The representations were directly attributable
9 to Vander Tuig and/or Carman and were communicated to
10 investors by Vander Tuig and Carman directly or by
11 sales people.

12 33. Many of the defendants' representations
13 regarding real estate were false or grossly
14 exaggerated.

15 34. Investors purchased shares because they
16 believed Carolina Company owned these various
17 properties.

18 35. All of these claims were false because Carolina
19 Company did not actually own these developments or did
20 not have the equity it claimed.

21 **5. Vander Tuig Concealed His Real Name and**
22 **Previous Commission Action Against Him**

23 36. Since at least September 2004, Vander Tuig has
24 used the aliases "Lambert Vander Tag," "Dean L. Vander
25 Tag," and "Dean L. VanderTag."

26 37. Vander Tuig concealed his real name in the Form
27 ~~D~~ filed with the Commission.

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1 ~~38. Vander Tuig signed the Form D but used the name~~
2 "Dean L. Vander Tag."

3 39. The PPMs given to investors until December 2005
4 listed Vander Tuig as "Lambert Vander Tag."

5 40. The new PPM which was being distributed to
6 potential investors at the time of the filing of the
7 Commission's suit also lists Vander Tuig as "Dean L.
8 VanderTag."

9 41. In approximately May 2005, some of the sales
10 agents learned of Vander Tuig's real name and questioned
11 him about it. Vander Tuig admitted that he had
12 previously had a Commission action brought against him,
13 but claimed that it was a misunderstanding and that he
14 had paid a fine and taken care of it.

15 42. In fact, Vander Tuig has not paid the
16 disgorgement or penalties entered against him.

17 43. Although sales materials tout Vander Tuig's
18 experience and success in taking companies public, the
19 sales representations and the PPM do not disclose to
20 investors that Vander Tuig has previously been found to
21 have violated federal securities laws and has been
22 barred from association with any broker or dealer.

23 **5. Misrepresentations Regarding "Book Value"**
24 **of Stock**

25 44. Throughout the relevant time period, Carolina
26 Company has represented that it holds millions of
27 dollars in equity in various development properties.

28 ~~This information was conveyed verbally and was also~~

1 ~~contained in an "appraisal valuation" document given to~~
2 potential investors in the investor package.

3 45. During the relevant period, the appraisal
4 valuation document was revised a number of times to
5 show purported increases in the number of developments
6 acquired and purported increases in appraisal values
7 and equity in property held by Carolina Company.

8 46. Initially, Carolina Company claimed it owned
9 three development properties and that it held \$24.3
10 million in equity in those properties.

11 47. Carolina Company also claimed it had 5.5
12 million shares outstanding, which resulted in a book
13 value "near \$4.41 per share." The book value was
14 calculated by dividing the equity (\$24.3 million) by
15 number of shares outstanding (5.5 million).

16 48. According to the ongoing revisions to the
17 appraisal valuation document, the book value of the
18 stock also continued to increase.

19 49. By December 2005, Carolina Company claimed it
20 had 31 million shares outstanding and the book value of
21 the stock was "more than \$6.45 per share."

22 50. In September 2004, the company already had over
23 68 million shares outstanding.

24 51. Currently, Carolina Company has more than 101
25 million shares outstanding.

26 52. All of the representations related to book
27 value were false because Carolina Company's equity and
28 ~~number of shares outstanding were misrepresented.~~

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1 ~~7. Outstanding and Authorized Shares~~

2 **Misrepresented**

3 53. The PMM used through December 2005 states that,
4 as of July 31, 2004, Carolina Company had 5,471,121
5 shares outstanding and 80,000,000 shares of common
6 stock were authorized.

7 54. The new PPM, which the company is now
8 distributing, also represents that only 80,000,000
9 shares of common stock are authorized and further
10 states that only 30,829,117 shares were outstanding as
11 of November 15, 2005.

12 55. Contrary to these representations, in November
13 2005, Carolina Company had a total of 100,000,000
14 shares of common stock authorized, not 80,000,000 as
15 represented.

16 56. On December 21, 2005, the total outstanding
17 shares went over 100,000,000 and the transfer agent
18 changed its records to reflect that 200,000,000 were
19 authorized.

20 57. Carolina Company already had 68,657,674 shares
21 outstanding prior to September 2004.

22 58. From September 1, 2004 through December 22,
23 2005, Carolina Company issued an additional 32,024,395
24 shares, bringing the total outstanding shares to
25 100,682,069 - well over the 80,000,000 shares
26 supposedly authorized and well over the 30,829,117
27 supposedly outstanding.

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1 ~~59. As of January 19, 2006, Carolina Company had~~
2 101,854,181 total shares outstanding.

3 **8. Offering Oversold**

4 60. The PPM, dated June 30, 2004, states that
5 Carolina Company's offering is for 4,350,000 shares of
6 common stock at prices ranging from \$1.50 to \$3.00 for
7 a total offering of \$10,150,000.

8 61. The Form D, filed with the Commission on
9 October 25, 2005, also states the offering is for a
10 total of \$10,150,000.

11 62. This is the only Form D filed by Carolina
12 Company with the Commission.

13 63. From September 2004 through January 2006,
14 Carolina Company stock was offered and sold at prices
15 ranging from at least \$1.00 to \$3.00.

16 64. During that time period, Carolina Company
17 issued over 33 million shares of common stock, well
18 over the amount represented.

19 65. From February 2002 until January 2006, Carolina
20 Company raised over \$49,500,000.

21 **9. Carolina Company Was A Ponzi Scheme**

22 66. Carolina Company had not received any income or
23 returns on its purported investments.

24 67. Carolina Company paid approximately \$10,305,000
25 in commission and payroll expenses, an amount that
26 exceeds 20% of the monies raised through the sale of
27 stock.

1 ~~68. Carolina Company returned approximately~~
2 \$412,000 to investors in the form of "dividends." This
3 amount does not reflect the scope of returns to
4 investors because many investors opted to receive their
5 putative dividends in stock in Carolina Company.

6 69. Carolina Company returned \$1,379,000 to
7 investors as "return of principal."

8 70. The dividends and return of principal to
9 investors were paid out of investments made by later
10 investors.

11 **10. Defendants Misappropriated Investor Funds**

12 71. Defendants, or their wives, have received more
13 than \$5,791,000. These payments were received by
14 Defendants directly, paid to other entities controlled
15 by Defendants, or paid to third parties on Defendants'
16 behalf.

17 72. Defendants used Carolina Company funds to pay
18 their mortgages, car payments, church donations,
19 vacations, meals and even minimal personal expenses
20 such as tanning.

21 **E. Investors Not Accredited**

22 73. The PPM represented that the offering was being
23 made pursuant to the exemption from registration
24 provided by Section 4(2) of the Securities Act and Rule
25 506 of Regulation D, and was therefore, generally
26 ~~offered only to accredited investors.~~

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1 ~~74. Contrary to this representation, the offering~~
2 was actually made by cold calling potential investors
3 from lists.

4 75. At least some of the sales representatives
5 failed to qualify potential investors by asking them
6 their income and net worth.

7 76. At least one sales representative claimed
8 individuals could aggregate their income or net worth
9 if they could not qualify individually.

10 77. The subscription agreement provided to
11 investors during the relevant period contained no
12 questions about the investor's income, net worth, or
13 investment experience.

14 78. During the relevant period, Carolina Company
15 had more than five hundred investors. Most of those
16 investors were not asked about their income or net
17 worth.

18 **F. Defendants' Assertion of Their Rights Against**
19 **Self Incrimination Under the Fifth Amendment**

20 79. Vander Tuig and his wife, Jill Kraus, were
21 deposed on February 23, 2006, in accordance with the
22 Federal Rules of Civil Procedure. Vander Tuig asserted
23 his rights under the Fifth Amendment to every question.
24 Jill Kraus was also deposed on February 23, 2006.
25 After acknowledging her name, she asserted her rights
26 under the Fifth Amendment to every question.

27 80. Carman and Debra Carman were deposed on
28 ~~February 24, 2006, in accordance with the Federal Rules~~

1 ~~of Civil Procedure. Carman acknowledged his name, and~~
2 then asserted the Fifth Amendment to every subsequent
3 question. Similarly, his wife, Debra Carman,
4 acknowledged her name and asserted the Fifth Amendment
5 to every question.

6 **G. Defendants Are Likely To Engage In Future**
7 **Violations of the Federal Securities Laws**
8 **Unless An Injunction Is Entered**

9 81. After the temporary restraining order was
10 entered, Defendants continued to make
11 misrepresentations by representing that Carolina
12 Company was a functioning business and that it would
13 continue to operate in the future.

14 82. Defendants posted a similar false statement on
15 the company website claiming that they had not made
16 misrepresentations and that the Commission shut down
17 Carolina Company "in an attempt to stop [Carolina
18 Company] from going public."

19 83. Vander Tuig is a recidivist who has previously
20 been enjoined by this Court.

21 **II. CONCLUSIONS OF LAW**

22 1. This Court has jurisdiction over this action
23 pursuant to Sections 20(b), 20(d)(1) and 22(a) of the
24 Securities Act (15 U.S.C. §§ 77t(b), 77t(d)(1) and
25 77v(a)) and Sections 21(d)(1), 21(d)(3)(A), 21(e) and
26 27 of the Exchange Act (15 U.S.C. §§ 78u(d)(1),
27 ~~78u(d)(3)(A), 78u(e), and 78aa).~~

1 ~~2. Venue is proper in this district pursuant to~~
2 Section 22(a) of the Securities Act (15 U.S.C. §
3 77v(a)) and Section 27 of the Exchange Act (15 U.S.C. §
4 78aa).

5 3. The Commission seeks to preliminarily enjoin
6 Defendants from future violations of Sections 5(a),
7 5(c) and 17(a) of the Securities Act and Section 10(b)
8 of the Exchange Act and Rule 10b-5 thereunder. The
9 Commission further seeks to preliminarily enjoin
10 defendants Vander Tuig and Carman from future
11 violations of Section 15(a) of the Exchange Act. The
12 Commission also seeks to preliminarily enjoin defendant
13 Vander Tuig from future violations of Section
14 15(b)(6)(B) of the Exchange Act.

15 4. Based on the above findings of fact, the
16 Commission has shown that Defendants made material
17 misrepresentations and omissions of material fact in
18 connection with the offer, purchase or sale of Carolina
19 Company securities.

20 5. The means and instrumentalities of interstate
21 commerce and the mails were used in connection with the
22 conduct described in the findings of fact.

23 6. Defendants acted knowingly or recklessly with
24 respect to the conduct described in the findings of
25 fact.

26 7. Based on the above findings of fact, the
27 Commission has shown that Defendants, directly or
28 ~~indirectly, offered and sold unregistered Carolina~~

1 ~~Company common stock. Defendants have not met their~~
2 burden of establishing that an exemption from
3 registration applies.

4 8. Based on the above findings of fact, the
5 Commission has shown that defendants Vander Tuig and
6 Carman acted as brokers to effect or attempt to induce
7 transactions in Carolina Company securities without
8 being registered with the Commission in accordance with
9 Section 15(b) of the Exchange Act.

10 9. Based on the above findings of fact, the
11 Commission has shown that defendant Vander Tuig was
12 subject to an August 16, 2000 order finding that he
13 willfully violated provisions of the Securities Act and
14 the Exchange Act and barring Vander Tuig from
15 associating with any broker. The Commission has also
16 shown that Vander Tuig associated with a broker in
17 contravention of that August 16, 2000 order.

18 10. Based on the above findings of fact, the
19 Commission has shown that Defendants have violated
20 Sections 5(a), 5(c) and 17(a) of the Securities Act and
21 Section 10(b) of the Exchange Act and Rule 10b-5
22 thereunder. The Commission has also shown that
23 defendants Vander Tuig and Carman violated Section
24 15(a) of the Exchange Act and defendant Vander Tuig
25 violated Section 15(b)(6)(B) of the Exchange Act.

26 11. In order to obtain preliminary injunctive
27 relief, the Commission must make a prima facie showing
28 ~~that violations have occurred and the Commission must~~

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1 ~~show that there is a reasonable likelihood of future~~
2 ~~violations. SEC v. United Financial Group, 474 F.2d~~
3 ~~354 (9th Cir. 1973); SEC v. Koracorp Industries, Inc.,~~
4 ~~575 F.2d 692 (9th Cir. 1978).~~

5 12. The Commission has shown, based on the above
6 ~~findings of fact~~, that unless an injunction is granted
7 forthwith, there is a reasonable likelihood that
8 Defendants will engage in future violations of
9 violations set forth in the Complaint.

10 13. In order to protect the public interest against
11 such future violations of the federal securities laws,
12 the Court has broad powers and wide discretion to
13 fashion a remedy appropriate to protect the public
14 interest. Mills v. Electric Auto-Lite Co., 396 U.S.
15 375, 391, 90 S. Ct. 616, 625 (1970); SEC v. Lincoln
16 Thrift Association, 577 F.2d 600, 609 (9th Cir. 1978);
17 SEC v. United Financial Group, 474 F.2d 354 (9th Cir.
18 1973).

19 14. The relief granted by the accompanying order is
20 appropriate and necessary for the protection of the
21 public interest.

22 ~~15. Every finding of fact contained in the~~
23 ~~foregoing conclusions of law shall be deemed a finding~~
24 ~~of fact as if set forth as a finding of fact.~~

25 **PRELIMINARY INJUNCTION AND OTHER EQUITABLE RELIEF**

26 This cause came to be heard by the Court on
27 February 27, 2006, on the Complaint and application by
28 the Commission for a preliminary injunction and other

1 equitable relief. The Court having noted the
2 appearance of counsel for plaintiff Commission and
3 defendants Vander Tuig and Carman, having considered
4 the documents and arguments in support of and ~~the~~ ^{where being}
5 ^{no} opposition to Plaintiff's motion, and it appearing to *che*
6 the Court that it has jurisdiction over the parties and
7 the subject matter hereof, and for good cause appearing
8 therefore, the Court being fully advised in the
9 premises:

10 I.

11 **IT IS THEREFORE HEREBY ORDERED, ADJUDGED AND**
12 **DECREED** that Defendants and their respective officers,
13 agents, servants, employees, attorneys, and those
14 persons in active concert or participation with them
15 who receive actual notice of this Order by personal
16 service or otherwise, and each of them, be restrained
17 and preliminarily enjoined, directly or indirectly,
18 singly or in concert, from future violations of
19 Sections 5(a), 5(c) and 17(a) of the Securities Act of
20 1933 ("Securities Act") (15 U.S.C. §§ 77e(a), 77e(c),
21 and 77q(a)) and Section 10(b) of the Securities
22 Exchange Act of 1934 ("Exchange Act") and Rule 10b-5
23 thereunder (15 U.S.C. § 778j(b) and 17 C.F.R. §
24 240.10b-5).

25 II.

26 **IT IS FURTHER ORDERED, ADJUDGED AND DECREED** that
27 defendants Vander Tuig and Carman and their respective
28 officers, agents, servants, employees, attorneys, and

1 those persons in active concert or participation with
2 them who receive actual notice of this Order by
3 personal service or otherwise, and each of them, be
4 restrained and preliminarily enjoined, directly or
5 indirectly, singly or in concert, from future
6 violations of Section 15(a) of the Exchange Act (15
7 U.S.C. § 78o(a)).

8 **III.**

9 **IT IS FURTHER ORDERED, ADJUDGED AND DECREED** that
10 defendant Vander Tuig and his respective officers,
11 agents, servants, employees, attorneys, and those
12 persons in active concert or participation with him who
13 receive actual notice of this Order by personal service
14 or otherwise, and each of them, be restrained and
15 preliminarily enjoined, directly or indirectly, singly
16 or in concert, from future violations of Section
17 15(b)(6)(B) of the Exchange Act (15 U.S.C. §
18 78o(b)(6)(B)).

19 **IV.**

20 **IT IS FURTHER ORDERED, ADJUDGED AND DECREED** that
21 this Order shall remain in full force and effect until
22 final judgment is entered in this action or until
23 further order of the Court.

24 **V.**

25 **IT IS FURTHER ORDERED, ADJUDGED AND DECREED** that
26 this Court shall retain jurisdiction over Defendants
27 upon the entry of this preliminary injunction and other
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1 equitable relief for the purpose of implementing and
2 enforcing the terms and conditions contained herein.

3 DATED this 27th day of February 2006.

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Honorable Alicemarie H. Stotler
District Court Judge

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CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of February, 2006, I caused the foregoing PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND PRELIMINARY INJUNCTION ORDER to be served on all parties receiving service by sending said document by United States first class mail, postage prepaid, or by hand delivery to:

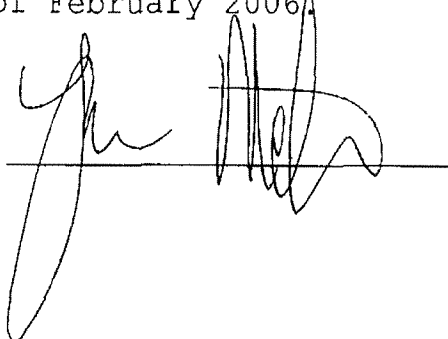
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Court-appointed Receiver

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A handwritten signature in black ink, appearing to read 'Alan H. Martin', is written over a horizontal line. The signature is stylized and cursive.