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11 **UNITED STATES DISTRICT COURT**
12 **CENTRAL DISTRICT OF CALIFORNIA**
13 **WESTERN DIVISION**

14 **SECURITIES AND EXCHANGE**
15 **COMMISSION,**

16 Plaintiff,

17 vs.

18 **JUSTIN M. PAPERNY,**

19 Defendant.

Case No.: CV-08-00213 CAS (VBKx)
**JUDGMENT OF PERMANENT
INJUNCTION AS TO JUSTIN M. PAPERNY**

20 The Securities and Exchange Commission having filed a Complaint and
21 Defendant Justin M. Paperny having entered a general appearance; consented to
22 the Court's jurisdiction over Defendant and the subject matter of this action;
23 consented to entry of this Judgment without admitting or denying the allegations of
24 the Complaint (except as to jurisdiction); waived findings of fact and conclusions
25 of law; and waived any right to appeal from this Judgment:

26 **I.**

27 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant
28 and Defendant's agents, servants, employees, attorneys, and all persons in active

1 concert or participation with them who receive actual notice of this Judgment by
2 personal service or otherwise are permanently restrained and enjoined from
3 violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of
4 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated
5 thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of
6 interstate commerce, or of the mails, or of any facility of any national securities
7 exchange, in connection with the purchase or sale of any security:

- 8 (a) to employ any device, scheme, or artifice to defraud;
- 9 (b) to make any untrue statement of a material fact or to omit to state a
10 material fact necessary in order to make the statements made, in the
11 light of the circumstances under which they were made, not
12 misleading; or
- 13 (c) to engage in any act, practice, or course of business which operates or
14 would operate as a fraud or deceit upon any person.

15 **II.**

16 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that
17 Defendant and Defendant’s agents, servants, employees, attorneys, and all persons
18 in active concert or participation with them who receive actual notice of this
19 Judgment by personal service or otherwise are permanently restrained and enjoined
20 from violating Section 17(a) of the Securities Act of 1933 (the “Securities Act”)
21 [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or
22 instruments of transportation or communication in interstate commerce or by use
23 of the mails, directly or indirectly:

- 24 (a) to employ any device, scheme, or artifice to defraud;
- 25 (b) to obtain money or property by means of any untrue statement of a
26 material fact or any omission of a material fact necessary in order to
27 make the statements made, in light of the circumstances under which
28 they were made, not misleading; or

- 1 (c) to engage in any transaction, practice, or course of business which
2 operates or would operate as a fraud or deceit upon the purchaser.

3 **III.**

4 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that
5 Defendant and Defendant's agents, servants, employees, attorneys, and all persons
6 in active concert or participation with them who receive actual notice of this
7 Judgment by personal service or otherwise are permanently restrained and enjoined
8 from violating Sections 206(1) and 206(2) of the Investment Advisers Act of 1940
9 ("Advisers Act") [15 U.S.C. §§ 80b-6(1) & 80b-6(2)] by, while acting as an
10 investment adviser, using the mails or means or instrumentalities of interstate
11 commerce, directly or indirectly:

- 12 (a) to employ any device, scheme, or artifice to defraud any client or
13 prospective client; or
14 (b) to engage in transactions, practices, or courses of business which
15 operate as a fraud or deceit upon any client or prospective client.

16 **IV.**

17 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that
18 Defendant and Defendant's agents, servants, employees, attorneys, and all persons
19 in active concert or participation with them who receive actual notice of this
20 Judgment by personal service or otherwise are permanently restrained and enjoined
21 from violating Section 5 of the Securities Act [15 U.S.C. § 77e] by, directly or
22 indirectly, in the absence of any applicable exemption:

- 23 (a) Unless a registration statement is in effect as to a security, making
24 use of any means or instruments of transportation or communication
25 in interstate commerce or of the mails to sell such security through
26 the use or medium of any prospectus or otherwise;
27 (b) Unless a registration statement is in effect as to a security, carrying or
28 causing to be carried through the mails or in interstate commerce, by

1 any means or instruments of transportation, any such security for the
2 purpose of sale or for delivery after sale; or

- 3 (c) Making use of any means or instruments of transportation or
4 communication in interstate commerce or of the mails to offer to sell
5 or offer to buy through the use or medium of any prospectus or
6 otherwise any security, unless a registration statement has been filed
7 with the Commission as to such security, or while the registration
8 statement is the subject of a refusal order or stop order or (prior to the
9 effective date of the registration statement) any public proceeding or
10 examination under Section 8 of the Securities Act [15 U.S.C. § 77h].

11 **V.**

12 **IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that
13 Defendant shall pay disgorgement of ill-gotten gains, prejudgment interest thereon,
14 and a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C.
15 § 77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], and
16 Section 209(e)(1) of the Investment Advisers Act [15 U.S.C. § 80b-9(e)(1)]. The
17 Court shall determine the amounts of the disgorgement and civil penalty upon
18 motion of the Commission. Prejudgment interest shall be calculated from April
19 15, 2002, based on the rate of interest used by the Internal Revenue Service for the
20 underpayment of federal income taxes as set forth in 26 U.S.C. § 6621(a)(2). In
21 connection with the Commission's motion for disgorgement and/or civil penalties,
22 and at any hearing held on such a motion: (a) Defendant will be precluded from
23 arguing that he did not violate the federal securities laws as alleged in the
24 Complaint; (b) Defendant may not challenge the validity of the Consent or this
25 Judgment; (c) solely for the purposes of such motion, the allegations of the
26 Complaint shall be accepted as and deemed true by the Court; and (d) the Court
27 may determine the issues raised in the motion on the basis of affidavits,
28 declarations, excerpts of sworn deposition or investigative testimony, and

1 documentary evidence, without regard to the standards for summary judgment
2 contained in Rule 56(c) of the Federal Rules of Civil Procedure. In connection
3 with the Commission's motion for disgorgement and/or civil penalties, the parties
4 may take discovery, including discovery from appropriate non-parties.

5 **VI.**

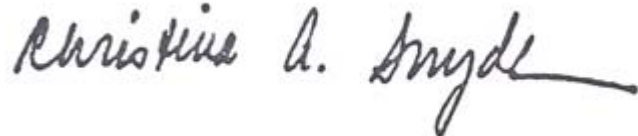
6 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the
7 Consent is incorporated herein with the same force and effect as if fully set forth
8 herein, and that Defendant shall comply with all of the undertakings and
9 agreements set forth therein.

10 **VII.**

11 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this
12 Court shall retain jurisdiction of this matter for the purposes of enforcing the terms
13 of this Judgment.

14 **VIII.**

15 There being no just reason for delay, pursuant to Rule 54(b) of the Federal
16 Rules of Civil Procedure, the Clerk is ordered to enter this Judgment forthwith and
17 without further notice.

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19 Dated: January 22, 2008

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21 UNITED STATES DISTRICT JUDGE
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