

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

J. Robert Dobbins,
Dobbins Capital Corp.,
Dobbins Offshore Capital, LLC
Dobbins Partners, L.P., and
Dobbins Offshore, Ltd.,

Defendants.

Civil. No. 3:04-CV-605-H

**FINAL JUDGMENT AS TO DEFENDANT J. ROBERT DOBBINS,
DISMISSAL OF DOBBINS CAPITAL CORP., DOBBINS OFFSHORE CAPITAL, LLC
AND DOBBINS OFFSHORE, LTD. AND ORDER APPOINTING RECEIVER**

The Securities and Exchange Commission having filed a Complaint and Defendant J. Robert Dobbins having entered a general appearance; consented to the Court's jurisdiction over Defendant and the subject matter of this action; consented to entry of this Final Judgment as to Defendant J. Robert Dobbins and Order Appointing Receiver (the "Final Judgment") without admitting or denying the allegations of the Complaint (except as to jurisdiction); waived findings of fact and conclusions of law; and waived any right to appeal from this Final Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are

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permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

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

II.

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

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements

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made, in light of the circumstances under which they were made, not misleading;
or

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

III.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Sections 206(1) and (2) of the Investment Advisers Act of 1940 [15 U.S.C. §§ 80b-6(1) and (2)], in connection with an investment advisor, by use of mails or means or instrumentalities of interstate commerce, directly or indirectly, employing devices, schemes or artifices to defraud clients and prospective clients; or engaging in transactions, practices or courses of business which have operated, are operating and will operate as a fraud or deceit upon clients or prospective clients.

IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant has agreed to disgorgement and prejudgment interest in the amount of \$6,000,000.00, and a civil penalty in the amount of \$150,000.00 pursuant to Section 20(d) of the Securities Act, Section 21(d)(3) of the Exchange Act and Section 209(e) of the Investment Advisers Act. Defendant shall convey any interest and/or control he may have of Dobbins Partners, L.P., Dobbins Capital Corp., Dobbins Offshore Capital, LLC, Dobbins Offshore, Ltd., and his interest in DB3 Holdings, Corp. ("DB3 Holdings") and the interests of Rhomi Partners L.P. ("Rhomi") in Skiles

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Partners, L.P. (“Skiles”) for purposes of liquidation, dissolution, and distribution to investors as stated in this Final Judgment, and as partial satisfaction of this obligation will submit \$150,000.00 within ten (10) business days into an account established by the Receiver appointed herein in Dallas, Texas, together with a cover letter identifying J. Robert Dobbins as a Defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is made pursuant to this Final Judgment. Defendant shall simultaneously transmit photocopies of such payment and letter to the Commission’s counsel in this action. By making this payment, Defendant relinquishes all legal and equitable right, title, and interest in such funds, and no part of the funds shall be returned to Defendant. Defendant shall pay post-judgment interest on any delinquent amounts pursuant to 28 USC § 1961.

Defendant shall receive as a credit against the amounts set forth in this Final Judgment the following: (1) the \$150,000 set forth above; (2) the gross amounts Defendant is entitled to receive from DB3 Holdings and Skiles, respectively; (3) the gross amount of his interest (consisting entirely of unpaid management and incentive fees owed and as determined by the Receiver pursuant to Section V. below) in Dobbins Capital Corp. and Dobbins Offshore Capital, LLC as provided to the Receivership assets (as defined in the Final Judgment) that are liquidated by the Receiver as set forth in the Final Judgment; (4) the gross amounts the Receiver obtains from the sale of any asset of Rhomi or that Rhomi is entitled to receive from DB3 Holdings or Skiles; and (5) any other amounts that Defendant pays to the Receiver.

The Receiver shall deposit the funds into an interest bearing account in Dallas, Texas. These funds, together with any interest and income earned thereon (collectively, the “Fund”), shall be held by the Receiver until further order of the Court.

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The Receiver may propose a plan to distribute the Fund subject to the Court's approval. Amounts ordered to be paid as civil penalties pursuant to this Judgment shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Defendant shall not, after offset or reduction of any award of compensatory damages in any Related Investor Action based on Defendant's payment of disgorgement in this action, argue that he is entitled to, nor shall he further benefit by, offset or reduction of such compensatory damages award by the amount of any part of Defendant's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Defendant shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this Judgment. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Defendant by or on behalf of one or more investors based on substantially the same facts as alleged in the Complaint in this action.

V.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that the following property be marshaled, liquidated, distributed and if appropriate dissolved by the Receiver: Dobbins Partners L.P., Dobbins Offshore Ltd., Dobbins Capital Corp., and Dobbins Offshore Capital, L.L.C. (the "Receivership Entities"), as well as Defendant's interest in DB3 Holdings and Rhomi's interest in Skiles.

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Dan R. Waller, P.C. of the firm Secore & Waller, L.L.P, Three Forest Plaza, 12221 Merit Drive, Suite 1100, Dallas TX 75251, is an appropriate candidate for Receiver. Mr. Waller has served on numerous occasions as a court-appointed receiver in both state and federal enforcement actions starting in the 1980s as has his partner Wayne Secore. More recently Mr. Waller has been appointed as a receiver in a civil action in Dallas in which he traced investor funds, secured the assets and liquidated them in order to return all ill-gotten gains to the investors; including pursuing claims against third parties with whom the defendant had dealt and who received preferential payments. As such Mr. Waller is uniquely qualified and is in a position to progress quickly.

IT IS FURTHER ORDERED that, Dan R. Waller, as supported by his firm Secore & Waller, L.L.P, is appointed Receiver to take custody, control and possession of the following property, hereinafter referred to as “the Receivership assets”: all money and other assets contributed to or owned by the Receivership Entities; all assets purchased with such money; and all proceeds, rents, interest, capital gains, and other income attributable to the use of such money and assets. This specifically includes any interest of Defendant in DB3 Holdings or of Rhomi in Skiles. The Receiver shall take exclusive custody, possession, and control of the Receivership assets wherever situated, with the powers set forth herein, and the Receiver is hereby authorized, empowered, and directed:

a. to marshal, conserve, hold, manage and liquidate the Receivership assets with full power to take such steps as it deems necessary to secure such assets including, but not limited to, obtaining an accounting of the assets, insuring the assets, and preventing transfer, withdrawal, concealment, dissipation, or misapplication of assets;

b. to take exclusive control of, and to close, transfer or otherwise take

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possession of all accounts that contain Receivership assets at any bank, brokerage firm or financial institution, wherever situated;

c. to investigate, institute, prosecute, defend, compromise and adjust actions in state or federal court as may, in its sole discretion, be advisable or proper to recover and protect Receivership assets improperly or unlawfully held or demanded by any person, including but not limited to any person making claim to assets of the funds transferred to the Receiver by the Defendant, Rhomi or the Receivership Entities;

d. to prepare and file all necessary tax returns on behalf of the Receivership Entities.

e. the Receiver is hereby indemnified and held harmless for any judgments, costs, or expenses suffered or incurred by it or any of its agents or attorneys as a result of actions instituted against it or them in relation to the discharge of their duties aforesaid or in carrying out or furtherance of this Order, unless this Court determines that such indemnity shall be inequitable;

f. to develop a plan for distribution of funds to investors in this matter and present this plan for review by the parties and approval of the Court no later than 120 days (or such additional time as the Receiver may request) after the entry of this Final Judgment (such plan to initially allow for not less than twenty four (24) months to liquidate the Receivership assets, or such additional time as the Receiver may request); then to make or authorize payments and disbursements from the Receivership assets, to incur, or authorize the incurrence of, such expenses, and to make, or authorize the making of, such agreements as may be reasonable, necessary and advisable in discharging his duties as Receiver;

g. to issue or cause to be issued subpoenas and other discovery requests to obtain documents and records pertaining to the Receivership or any other matter relevant to this action on behalf of the Receivership assets;

h. to contact and negotiate with any of the Receivership Entities' creditors for the purpose of compromising or settling any claim. To this purpose, in those instances in which the Receivership assets serve as collateral to secured creditors, the Receiver may surrender such assets to secured creditors, and shall have the authority to make such surrender conditional upon the waiver of any deficiency of collateral. Furthermore, the Receiver is authorized to renew, cancel, terminate, or otherwise adjust any pending lease agreements to which any of the Receivership Entities are a party.

i. to make appropriate notification to the United States Postal Service to forward delivery of any mail addressed to the Receivership Entities, or any company or entity under the direction and control of any of the Receivership Entities, to any Post Office box or other mail depository, to itself. Further, the Receiver is hereby authorized to inspect all such mail, to determine the location or identity of assets or the existence and amount of claims.

j. to liquidate any or all securities, commodities, or other assets as the Receiver deems to be advisable or necessary and take all necessary steps to collect disgorgement, prejudgment interest and the civil penalty amounts J. Robert Dobbins is ordered to pay in this Final Judgment after having liquidated all of the Receivership assets;

k. to open one or more bank accounts in Dallas County, Texas, as designated depositories for the Receivership assets, and to deposit funds into such accounts and make

payments from such accounts;

l. to maintain accurate records of all receipts and expenditures made by the Receiver;

m. to engage and employ attorneys, accountants and other persons in its discretion to assist it in carrying out its duties and responsibilities hereunder.

IT IS FURTHER ORDERED that Defendant reserves the right to make claims to the Receiver for payment of management or incentive fees, that may be due and owing to Dobbins Capital Corp. or Dobbins Offshore LLC from Dobbins Partners, P.P. or Dobbins Offshore, Ltd., to be used as credit against the amounts owed by Defendant in this Final Judgment. Should any such claims be made, the Receiver shall value them and make a recommendation to the Court as to the disposition of the claims. Defendant and the Commission reserve the right to object to the Receiver's recommendation, including the validity of any such claim.

IT IS FURTHER ORDERED that upon the liquidation and dissolution of the Receivership Entities by the Receiver, the Receiver shall take such further steps as may be necessary to wind up the affairs of the Receivership Entities.

IT IS FURTHER ORDERED that, in connection with the appointment of the Receiver provided for above:

a. The Receivership Entities, and all their respective officers, agents, servants, employees, attorneys-in-fact, partners, shareholders, and other persons, who are in custody, possession, or control of any assets, books, records, or other property that constitute Receivership assets shall forthwith give access to and control of such property to the Receiver, and shall forthwith grant to the Receiver authorization to be a signatory as to all

accounts at banks, brokerage firms or financial institutions which have possession, custody or control of any Receivership assets;

b. All banks, brokerage firms, financial institutions, and other business entities which have possession, custody or control of any Receivership assets shall cooperate expeditiously in the transfer of funds, accounts, and other assets to the Receiver;

c. The Receivership Entities, and all their respective officers, agents, servants, employees, attorneys-in-fact, partners and shareholders shall cooperate with and assist the Receiver, and shall take no action, directly or indirectly, to hinder, obstruct, or otherwise interfere with the Receiver in the conduct of his duties or to interfere in any manner, directly or indirectly, with the custody, possession, management, or control by the Receiver of the Receivership assets;

d. The costs, fees and expenses of the Receiver incurred in connection with the performance of its duties described herein, including the costs and expenses of those persons who may be engaged or employed by the Receiver to assist it in carrying out his duties and obligations hereunder, shall be paid out of the Receivership assets. All applications for costs, fees and expenses for services rendered in connection with the Receiver shall be made by application setting forth in reasonable detail the nature of the services and shall be heard by the Court; and

e. No bond shall be required in connection with the appointment of the Receiver.

IT IS FURTHER ORDERED that the Receiver is entitled to rely on all outstanding rules of law and court orders, and shall not be liable to anyone for its good faith compliance with any

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order, rule, law, judgment, or decree, nor shall it be liable for complying with orders of this Court. In no event shall it be liable to the Receivership Entities or the Defendant for its good faith compliance with its duties and responsibilities under this order, nor shall it be liable to anyone for any action taken or omitted by it except upon a finding by this Court that it acted or failed to act as a result of misfeasance, bad faith, gross negligence, or in reckless disregard of its duties.

IT IS FURTHER ORDERED that the Receiver may be removed at any time by the Court, and replaced with a successor. In the event the Receiver decides to resign, it shall first give written notice to the parties and the Court of its intentions, and its resignation shall not be effective until the Court has appointed a successor. The Receiver shall then follow such instructions as its successor or the Court gives it in turning over custody and control of the Receivership assets.

IT IS FURTHER ORDERED that the Receiver shall remain in place pending further order of this Court.

VI.

The Commission and/or Receiver may enforce the Court's judgment for civil penalty, disgorgement and prejudgment interest that may be unsatisfied by moving for civil contempt and/or through other collection procedures authorized by law at any time after liquidation of all of the Receivership assets. In response to any such civil contempt motion by the Commission, Defendant may assert any legally permissible defense.

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply

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