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UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

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CLERK US DISTRICT COURT
ALEXANDRIA, VIRGINIA

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

CATHERINE L. KISSICK,

Defendant .

Civil Action File No.

1:11cv215
LMB/JFA

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff, Securities and Exchange Commission (“Commission”), files this Complaint and alleges as follows:

SUMMARY

1. From approximately March 2002 through August 2009, Defendant Catherine L. Kissick (“Kissick”), together with Lee B. Farkas (“Farkas”) and Desiree E. Brown (“Brown”), engaged in a pattern of fraudulent conduct for the purpose of selling at least \$1.5 billion of fictitious and impaired residential mortgage loans from Farkas’ company, Taylor, Bean and Whitaker Mortgage Corp. (“TBW”) to Colonial Bank, and for Colonial Bank, and its publicly traded parent company, The Colonial BancGroup, Inc. (“BancGroup”), to falsely record these fictitious and impaired mortgage loans as high quality assets.

2. Through her conduct, Defendant Kissick has engaged, and unless restrained and enjoined by this Court, will continue to engage in acts and practices that constitute and will constitute violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C.

§ 77q(a)] and Sections 10(b) and 13(b)(5) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78j(b) and 78m(b)(5)] and Rules 10b-5, 13b2-1 and 13b2-2 [17 C.F.R. §§ 240.10b-5, 240.13b2-1 and 240.13b2-2] thereunder. Defendant Kissick has further engaged, and unless restrained and enjoined by this Court, will continue to engage in acts and practices that constitute and will constitute aiding and abetting violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13 [17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13] thereunder.

JURISDICTION AND VENUE

3. The Commission brings this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)], to enjoin Defendant Kissick from engaging in the transactions, acts, practices, and courses of business alleged in this complaint, and transactions, acts, practices, and courses of business of similar purport and object, for disgorgement with prejudgment interest thereon, civil penalties and for other relief.

4. This Court has jurisdiction over this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

5. Defendant Kissick directly and indirectly, made use of the mails, the means and instruments of transportation and communication in interstate commerce and the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

6. Certain of the transactions, acts, practices, and courses of business constituting violations of the Securities Act and the Exchange Act occurred in the Eastern District of Virginia. The fraudulent conduct of Defendant Kissick directly caused BancGroup to transmit and to file multiple false and misleading Forms 10-K, 10-Q and 8-K to the Commission's electronic data gathering, analysis and retrieval system ("EDGAR"), the servers of which are physically located within the Eastern District of Virginia. Certain persons who purchased securities issued by BancGroup while it filed misleading Forms 10-K, 10-Q and 8-K with the Commission as a direct result of Defendant Kissick's misconduct are residents of the Eastern District of Virginia.

7. Defendant Kissick, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged in this complaint, and in transactions, acts, practices, and courses of business of similar purport and object.

DEFENDANT

8. **Catherine L. Kissick** is 49 years of age and is a resident of Orlando, Florida. Until August 2009, Kissick was an officer and director of Colonial Bank, serving as the senior vice-president, assistant treasurer, and head of Colonial Bank's Mortgage Warehouse Lending Division (the "MWLD").

RELATED PERSONS AND ENTITIES

9. **Lee B. Farkas** is 58 years of age and is a resident of Ocala, Florida. Until August 2009, Farkas was the chairman and majority owner of TBW.

10. **Desiree E. Brown** is 45 years of age and is a resident of Ocala, Florida. Brown is the former treasurer of TBW.

11. **Taylor, Bean & Whitaker Mortgage Corp.**, is a privately-held Florida corporation organized in 1982 and headquartered in Ocala, Florida. TBW expanded rapidly, and by 2008, was the largest non-depository mortgage lender in the United States.

12. On August 24, 2009, TBW filed a voluntary Chapter 11 bankruptcy petition, operating as a debtor-in-possession.

13. **The Colonial BancGroup, Inc.**, is a Delaware corporation organized in 1974 as a bank holding company and is currently head-quartered in Montgomery, Alabama. Colonial Bank is a wholly-owned subsidiary of BancGroup and was its primary operating division. As of August 14, 2009, Colonial Bank had approximately 350 bank branches, located in Alabama, Florida, Georgia, Texas and Nevada, customer deposits of approximately \$18 billion, and total assets of approximately \$23 billion – making it one of the fifty largest banks in the United States. On August 14, 2009, the Alabama State Banking Department seized Colonial Bank and appointed the Federal Deposit Insurance Corp. (the “FDIC”) as receiver.

14. Subsequent to the closure, an unrelated financial holding company assumed substantially all of Colonial Bank’s deposits and purchased approximately \$22 billion of Colonial Bank’s assets in a transaction facilitated by the FDIC.

15. Following Colonial Bank’s seizure and sale, BancGroup filed a voluntary Chapter 11 bankruptcy petition, operating as a debtor-in-possession.

16. During the relevant period, BancGroup’s securities were registered pursuant to Section 12(b) of the Exchange Act and were listed on the New York Stock Exchange (“NYSE”) under the symbol “CNB” until the NYSE suspended trading on August 17, 2009. BancGroup’s common stock was thereafter registered with the Commission pursuant to Section 12(g) of the

Exchange Act. Effective December 20, 2010, pursuant to Section 12(j) of the Exchange Act, the Commission revoked the registrations of all classes of securities of BancGroup.

FACTS

Colonial Bank's Relationship with TBW

17. Colonial Bank's operating divisions consisted of its regional banking groups and the MWLD. The MWLD provided short-term funding to residential mortgage originators, who typically lacked sufficient assets of their own to fund the mortgage loans they originated. The MWLD has historically been a major income source for BancGroup, and between 2005 and 2009, accounted for no less than 21% of BancGroup's reported net income.

18. The MWLD's largest customer was TBW, a privately-held mortgage company based in Ocala, Florida and controlled by its majority owner and chairman, Farkas. In 2008, TBW was the nation's largest non-depository mortgage lender, originating more than \$30 billion in loans. TBW's primary business operations included the origination, acquisition, sale and servicing of residential mortgages. The bulk of the residential mortgage loans that TBW originated flowed from its contracted network of small, local mortgage brokers and banks.

19. TBW's most valuable asset, and one of its primary sources of revenue, consisted of its right to service the mortgages that it originated and typically sold to the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") (collectively, the "Agencies"). TBW typically valued these mortgage serving rights in excess of \$500 million on its financial statements.

20. As a loan servicer, TBW was required to collect and segregate principal, interest, and designated escrow amounts (such as insurance and property taxes) from the payments by the underlying mortgage borrower and to properly disburse such amounts to the ultimate investor in the mortgage loans, once the loans were sold. TBW's servicing rights entitled it to retain a

portion of these amounts as fee for the services provided. In order to act as a loan servicer for the Agencies and to retain the servicing fees, however, TBW was still contractually obligated to make all required payments to the ultimate investors until the event of default.

21. TBW generally did not have sufficient capital to internally fund the mortgage loans it originated. TBW thus relied on various financing arrangements, primarily with Colonial Bank's MWLD, to fund such mortgage loans.

22. Pursuant to one of these financing arrangements, referred to as the "COLB" Agreement, Colonial Bank purchased a 99% interest in certain residential mortgage loans originated by TBW. When TBW sold these loans to Colonial Bank, it represented that they were of a certain quality and that there was a commitment from a third-party investor to ultimately purchase the loan. When that investor purchased the loan, the proceeds would be used to repay Colonial Bank for the funding advance. TBW represented that it typically re-sold loans financed under the COLB Agreement to a third-party within 90 days after the loan was originated.

23. Another financing arrangement was referred to as the Assignment of Trade or "AOT" Agreement. Pursuant to this arrangement, Colonial Bank purchased a 99% participation interest in a bundled group of mortgage loans, referred to as a "trade," that had been pre-certified as mortgage-backed securities that TBW would issue, market and re-sell to a third-party. These participation interests under the AOT Agreement constituted securities under the Securities Act and the Exchange Act.

24. TBW certified each trade as either an "Agency" trade (i.e., to be purchased by Fannie Mae or Freddie Mac) or a "private label" trade (i.e., to be purchased by a non-government-related institution). To sell a trade to Colonial Bank under the AOT Agreement, TBW had to provide evidence of a binding commitment from a third-party investor to purchase

the trade from Colonial Bank within a specified period of time, usually between 30 days (if certified as an Agency trade) or 60 days (if certified as a private label trade).

25. When Colonial Bank purchased a trade from TBW pursuant to the AOT Agreement, Colonial Bank's accounting systems no longer tracked or identified the individual mortgage loans that comprised that trade.

26. Loans that Colonial Bank purchased under the COLB Agreement were recorded in Colonial Bank's internal accounting records in the "COLB Account" and ultimately included as assets on BancGroup's balance sheet, in an account entitled "Loans Held for Sale."

27. Trades purchased under the AOT Agreement were recorded in Colonial Bank's internal accounting records in the "AOT Account" and ultimately reflected as assets on BancGroup's balance sheet as "Securities Purchased under Agreements to Resell." TBW was the only MWLD customer that utilized an AOT arrangement and, as a result, all of the assets listed in the AOT Account originated from TBW.

28. By 2007, the total amount of financing that Colonial Bank had outstanding to TBW, primarily under the COLB and AOT arrangements, was approximately \$3.5 billion, almost 82% of the \$4.3 billion in total MLWD assets that Colonial reported in its 2007 Form 10-K.

The Fraud to Alleviate TBW's Cash Flow Problems

29. Beginning in the first-quarter of 2002, TBW began to experience liquidity problems, primarily because the cash generated from the mortgage servicing rights was insufficient to cover its growing business.

30. Around this time, TBW began to overdraw its then limited warehouse line of credit with Colonial Bank by approximately \$15 million each day. Farkas, who controlled TBW, pressured Defendant Kissick to assist in concealing TBW's overdrafts.

31. With Defendant Kissick's direct assistance, a pattern of "kiting" in TBW's accounts at Colonial Bank, whereby certain debits to TBW's warehouse line of credit were not entered until after credits due to the warehouse line of credit for the following day were entered. This kiting activity increased in scope such that by December 2003, TBW was overdrawing its accounts with Colonial Bank by approximately \$150 million on a nearly daily basis.

32. Recognizing the continued difficulty in concealing this initial fraudulent conduct, Farkas and Defendant Kissick devised a plan whereby TBW would create and submit fictitious loan information to Colonial under the COLB Agreement.

33. On or around December 11, 2003, Farkas, having brought Brown, TBW's treasurer, into the scheme so as to assist in preparing the necessary documentation, directed TBW to submit approximately \$150 million in non-existent loans for funds advancement from the COLB Account. Internally, Farkas, Brown and Defendant Kissick referred to these fictitious COLB loans as "Plan B."

34. Additional drains on TBW's cash arose when Agencies or individual third-party investors occasionally determined that certain mortgage loans they had purchased from TBW did not qualify under their respective purchase agreements with TBW. When this occurred, TBW was required to refund the investor, but was still obligated to repay Colonial Bank for advancing the funds to make these now unmarketable, aged and/or impaired loans. These loans, along with significantly aged loans (which were also likely impaired in value), foreclosed loans and real estate owned by virtue of foreclosure sales (which were also significantly impaired), along with paid-in-full loans (which had no value whatsoever since there was no future payment stream) were referred to internally by Farkas, Brown and Defendant Kissick as the "Crap," and were sold by TBW to Colonial Bank pursuant to the COLB arrangement.

35. As a direct result of Farkas, Brown and Defendant Kissick's misconduct, fictitious Plan B loans and significantly impaired Crap loans purchased by Colonial Bank were typically represented as high-quality assets on BancGroup's financial statements and carried at par value.

36. In 2004, as the Plan B and Crap loans in Colonial Bank's COLB Account began to increase in number and to age further, Farkas, Brown and Defendant Kissick devised a plan to conceal these loans. They created fictitious trades that consisted of Plan B or Crap loans and rolled these loans from the COLB Account to trades on the AOT Account. Once on the AOT Account, Colonial Bank's accounting systems could not identify the individual loans, or the age of those loans, within that trade.

37. Because the fictitious trades containing Plan B or Crap loans could not readily be sold to third-party investors, Farkas, Brown and Defendant Kissick utilized several manipulative and deceptive devices to conceal these trades as they aged on the AOT Account. For example, from approximately 2004 onward, Defendant Kissick, with significant assistance from Farkas and Brown who provided the necessary data, altered Colonial Bank's accounting records to "reset" the commitment dates on certain trades and modify the identifying trade numbers, making it appear that Colonial Bank had only recently purchased those trades and their third-party commitments had not expired. On other occasions, Farkas, Brown and Defendant Kissick "refreshed" trades, by re-entering trades on the AOT Account that had recently been sold to a third-party and then back-filling these re-entered trades with Plan B or Crap loans.

38. When Defendant Kissick was confronted with questions from the MWLD's internal audit department concerning irregularities in loan aging or even specifically presented with evidence appearing to demonstrate loan resetting, she provided false explanations or

attributed the events to computer errors. She also denied Colonial Bank's internal auditors access to records, claiming they did not exist, and frequently directed follow-up questions to Brown at TBW, who validated Defendant Kissick's misleading explanations concerning lending irregularities or computer errors.

39. TBW's cash flow problems intensified in or around 2007, when a private label purchaser reneged on its obligation to purchase an approximately \$600 million trade held in the AOT Account (the "Failed Trade"). TBW was unable to immediately repackage and resell the Failed Trade and therefore was unable to repay its contractual obligations to Colonial Bank for advancing the funds necessary to make the underlying loans in the first place. TBW ultimately sub-divided the Failed Trade into smaller trades and individual loans and was able to timely sell a portion of the Failed Trade. Farkas, Brown and Defendant Kissick thereafter recycled the remaining portion of the Failed Trade, approximating \$300 million of now aged loans, into smaller Crap trades on the AOT Account.

40. By the end of 2007, and continuing through 2009, Colonial Bank's AOT account had approximately \$500 million in completely unsecured Plan B loans and an additional approximately \$1 billion in Crap loans.

The Fraud Causes BancGroup to Misstate Its Assets

41. As of BancGroup's last Form 10-Q filed with the Commission, via the EDGAR system, for the period ended March 31, 2009, Colonial reported \$26 billion of total assets, including MWLD assets of \$4.9 billion. The MLWD assets consisted primarily of \$2.7 billion in Loans Held for Sale (COLB) and \$1.6 billion in Securities Purchased under Agreements to Resell (AOT). At the time of filing this Form 10-Q, the entirety of the AOT Account (\$1.6 billion) was comprised of trades consisting primarily of fictitious Plan B and Crap loans.

42. At the time of Colonial Bank's seizure in August of 2009, most if not all of the trades in the AOT Account, representing assets of \$1.6 billion on BancGroup's financial statements, failed to contain the underlying collateral to either support the values entered into Colonial Bank's accounting systems by the MWLD or be capable of being sold to either the Agencies or any third-party.

43. BancGroup's disclosures on mortgage warehouse assets in its filings with the Commission contained numerous material misrepresentations as a direct result of the fraudulent conduct of Farkas, Brown and Defendant Kissick. Farkas, Brown and Defendant Kissick knew that their conduct would cause BancGroup's false and misleading statements within its financial statements and reports filed with the Commission via the EDGAR system.

44. Specifically, BancGroup's 2007 to 2009 annual, quarterly and current reports filed with the Commission, as a result of Farkas, Brown and Defendant Kissick's fraudulent conduct, wrongly represented at various points that:

- (1) The MWLD assets are "secured by high quality mortgage loans";
- (2) Securities Purchased Under Agreements to Resell (AOT) "represent mortgage backed securities which have been securitized by [TBW] and are under agreements to be sold to third-party investors";
- (3) The MWLD's customers "are experiencing no difficulty in selling their production in a timely fashion"; and
- (4) The MWLD is "has not had any credit or other loss ... since the initiation of the unit in 1998."

45. BancGroup also frequently referenced the significance of the MWLD in various press releases and referenced the "excellent credit quality" of the real estate assets within the

MWLD. Farkas, Brown and Defendant Kissick's fraudulent conduct directly resulted in BancGroup's misrepresentations regarding the credit quality of the MWLD.

46. During a fourth quarter 2008 earnings call with analysts, senior BancGroup officers emphasized the company's commitment to the mortgage warehouse business, noting that it had "strong profitability even during . . . a very difficult mortgage market." Also, a January 27, 2009 press release announcing the company's 2008 financial results stated that "Colonial's support of warehouse lending is essential to the [housing] industry.... The division is highly profitable with minimal credit losses." Farkas, Brown and Defendant Kissick's fraudulent conduct directly resulted in BancGroup's misrepresentations regarding the MWLD's profitability.

47. Farkas, Brown and Defendant Kissick's fraudulent conduct also caused BancGroup to materially understate its allowance for loan losses ("Loss Allowance"), and therefore, overstate its reported net income. Farkas, Brown and Defendant Kissick's fraudulent conduct further caused BancGroup to record the advances to TBW as assets that would be quickly sold to third-parties, rather than either unsecured loans to a company with severe liquidity problems (Plan B loans) or secured loans for which the underlying collateral might be impaired (Crap loans). BancGroup did not record any increases to the Loss Allowance in connection with these assets. Reclassifying the MWLD assets in an appropriate fashion would have impacted BancGroup's Loss Allowance and earnings in a material fashion.

48. Defendant Kissick also routinely executed sub-certifications to BancGroup's chief financial officer on behalf of the MWLD, in which she represented that she was not aware of any fraud or misstatements in the MWLD's financial statements. Defendant Kissick knew these sub-certifications contained false statements when she signed them and she knew that the scheme in

which she participated would directly lead to BancGroup's financial statements and reports filed with the Commission, via the EDGAR system, to contain false information.

49. Defendant Kissick further repeatedly misrepresented to BancGroup's outside auditors that the account balances in the AOT and COLB Accounts were accurate – which she knew not to be true.

50. Farkas, Brown and Defendant Kissick all conspired to deceive BancGroup's outside auditor by predetermining matching dollar amounts for the AOT Account that could be represented on the third-party audit confirmations that Colonial's outside auditor sent to TBW.

Fraudulent Misreporting of Sales Proceeds

51. As Colonial Bank did not track the underlying collateral comprising a trade, when a trade from Colonial Bank's AOT account was sold, Colonial Bank relied on TBW to identify the specific pay-down information.

52. TBW, at the direction of Farkas and Brown, routinely provided inaccurate pay-down information to Colonial Bank, in the form of spreadsheets prepared by Brown and given to Defendant Kissick, that identified loans unrelated to the specific trade sold. These spreadsheets identified older, unmarketable loans, and correspondingly older trades, that the MWLD was to record as sold, while the new loans that had actually been sold remained on Colonial Bank's accounting records.

53. Farkas and Brown prepared these spreadsheets for the express purpose of defrauding Colonial Bank and Defendant Kissick assisted, fully knowing that the loans within the trades that had been sold did not match the spreadsheets provided to her by Brown.

COUNT I — FRAUD

Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

54. Paragraphs 1 through 53 are hereby realleged and are incorporated herein by reference.

55. From at least March 2002 through at least August 2009, Defendant Kissick, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

56. Defendant Kissick acted knowingly, intentionally, and/or with severe recklessness in engaging in the aforementioned devices, schemes and artifices to defraud.

57. While engaging in the course of conduct described above, Defendant Kissick acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

58. By reason of the foregoing, Defendant Kissick, directly and indirectly, has violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II — FRAUD

**Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act
[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]**

59. Paragraphs 1 through 53 are hereby realleged and are incorporated herein by reference.

60. From at least March 2002 through at least August 2009, Defendant Kissick, in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

a. obtained money and property by means of untrue statements of material fact and omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

b. engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

61. By reason of the foregoing, Defendant Kissick, directly and indirectly, has violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT III — FRAUD
Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]
and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

62. Paragraphs 1 through 53 are hereby realleged and are incorporated herein by reference.

63. From at least March 2002 through at least August 2009, Defendant Kissick, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

a. employed devices, schemes, and artifices to defraud;

b. made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

c. engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

64. Defendant Kissick knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, Defendant Kissick acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

65. By reason of the foregoing, Defendant Kissick, directly and indirectly, has violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT IV — AIDING AND ABETTING FRAUD
Aiding and Abetting of Violations by BancGroup of
Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]
and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

66. Paragraphs 1 through 53 are hereby realleged and are incorporated herein by reference.

67. BancGroup violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. The underlying violations by BancGroup occurred when it made repeated material misrepresentations of fact in its Forms 10-K, 10-Q, 8-K and related press releases concerning the nature, value, and liquidity of the assets of Colonial Bank's MWLD.

68. Through the conduct described above, Defendant Kissick knowingly provided substantial assistance and aided and abetted and, unless enjoined, will continue to aid and abet violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT V — INTERNAL ACCOUNTING CONTROLS

Violations of Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rules 13b2-1 and 13b2-2 thereunder [17 C.F.R. §§ 240.13b2-1 and 240.13b2-2]

69. Paragraphs 1 through 53 are hereby realleged and are incorporated herein by reference.

70. Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] prohibits any person from knowingly circumventing or knowingly failing to implement a system of internal accounting controls or knowingly falsifying any accounting book, record, or account required by Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

71. Rule 13b2-1 of the Exchange Act [17 C.F.R. §§ 240.13b2-1] prohibits any person from directly or indirectly falsifying or causing the falsification of any such accounting books, records or accounts.

72. Rule 13b2-2 of the Exchange Act [17 C.F.R. §§ 240.13b2-2] prohibits any director or officer of an issuer from directly or indirectly making or causing to be made a materially false statement to an accountant in connection with, among other things, any audit, review or examination of the financial statements of the issuer or in the preparation or filing of any document or report to be filed with the Commission.

73. Through the conduct described above, Defendant Kissick violated, directly and indirectly, and, unless restrained and enjoined, will continue to violate Exchange Act Section 13(b)(5) [15 U.S.C. § 78m(b)(5)] and Rules 13b2-1 and 13b2-2 [17 C.F.R. §§ 240.13b2-1 and 240.13b2-2].

COUNT VI — AIDING AND ABETTING
INTERNAL ACCOUNTING CONTROLS

**Aiding and Abetting of Violations by BancGroup of
Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)]**

74. Paragraphs 1 through 53 are hereby realleged and are incorporated herein by reference.

75. Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(B)] requires issuers such as BancGroup to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that, among other things, transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets.

76. Through the conduct described above, BancGroup violated Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)].

77. Through the conduct described above, Defendant Kissick knowingly provided substantial assistance and aided and abetted and, unless enjoined, will continue to aid and abet violations of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)].

COUNT VII — AIDING AND ABETTING
BOOKS AND RECORDS VIOLATIONS

**Aiding and Abetting of Violations by BancGroup of
Sections 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)]**

78. Paragraphs 1 through 53 are hereby realleged and are incorporated herein by reference.

79. Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] requires issuers such as BancGroup to make and keep accounting books, records, and accounts, which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of their assets.

80. Through the conduct described above, BancGroup violated Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

81. Through the conduct described above, Defendant Kissick knowingly provided substantial assistance and aided and abetted and, unless enjoined, will continue to aid and abet violations of Section 13(b)(2)(A) of the Exchange Act.

COUNT VIII — AIDING AND ABETTING
REPORTING VIOLATIONS

**Aiding and Abetting of Violations by BancGroup of
Section 13(a) of the Exchange Act [15 U.S.C. § 78m(b)(5)]
and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder
[17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13]**

82. Paragraphs 1 through 53 are hereby realleged and are incorporated herein by reference.

83. Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)], and Rules 12b-20, 13a-1, 13a-11, and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13] thereunder require issuers of securities registered with the Commission pursuant to Section 12 of the Exchange Act to file with the Commission factually accurate annual, current and quarterly reports.

84. Through the conduct described above, BancGroup violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

85. Through the conduct described above, Defendant Kissick knowingly provided substantial assistance and aided and abetted and, unless enjoined, will continue to aid and abet violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully prays that the Court:

I.

Make findings of Fact and Conclusions of Law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that the Defendant Kissick named herein committed the violations alleged herein.

II.

Issue a permanent injunctions enjoining Defendant Kissick and her agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them:

- (a) from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)];
- (b) from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder;
- (c) from aiding and abetting violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder;
- (d) from violating Exchange Act Section 13(b)(5) [15 U.S.C. § 78m(b)(5)] and Rule 13b2-1 [17 C.F.R. § 240.13b2-1];
- (e) from aiding and abetting violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)]; and
- (f) from aiding and abetting violations of Section 13(a) of the Exchange Act [15 U.S.C. §§ 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

III.

An order, pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] prohibiting Defendant Kissick from acting as an officer or director of any issuer that has a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports with the Commission pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

IV.

An order, pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)] prohibiting Kisick from: (a) serving in a senior management or control position at any mortgage-related company or other financial institution; and (b) from holding any position involving financial reporting or disclosure at a public company.

V.

An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. 78u(d)(3)] imposing civil penalties against Defendant Kissick.

VI.


Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated this 2nd day of March, 2011.

Respectfully submitted,



Steven E. Gordon*
Assistant United States Attorney
2100 Jamieson Avenue
Alexandria, Virginia 22314
Tel: (703) 299-3817
Steve.Gordon@usdoj.gov



William P. Hicks, Associate Regional Director**
M. Graham Loomis, Regional Trial Counsel**
Aaron W. Lipson, Assistant Regional Director**
Yolanda L. Ross, Senior Staff Attorney**
Securities and Exchange Commission
3475 Lenox Road, N.E. Ste. 500
Atlanta, Georgia 30326-1232
Tel: (404) 842-7600

COUNSEL FOR PLAINTIFF

* Local Counsel

** Pro Hac Vice Admission Pending

11-00215
LMB/JFA

JS 44 (Rev. 12/07)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

RECEIVED

I. (a) PLAINTIFFS

Securities and Exchange Commission

(b) County of Residence of First Listed Plaintiff _____
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorney's (Firm Name, Address, and Telephone Number)
Steve Gordon, United States Attorney's Office, Eastern Dist. of VA
2100 Jamieson Avenue Alexandria, Virginia 22314 (703) 299-3817

DEFENDANTS

Catherine L. Kissick

County of Residence of First Listed Defendant Orange

(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.

Attorneys (If Known)

2011 MAR -2 A 9:38

CLERK U.S. DISTRICT COURT ALEXANDRIA, VIRGINIA

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff
- 2 U.S. Government Defendant
- 3 Federal Question (U.S. Government Not a Party)
- 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- | | | | | | |
|---|----------------------------|----------------------------|---|----------------------------|----------------------------|
| Citizen of This State | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business In This State | <input type="checkbox"/> 4 | <input type="checkbox"/> 4 |
| Citizen of Another State | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business In Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

IV. NATURE OF SUIT (Place an "X" in One Box Only)

| CONTRACT | TORTS | FORFEITURE/PENALTY | BANKRUPTCY | OTHER STATUTES |
|--|--|--|---|---|
| <input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise | PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury | PERSONAL INJURY <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability | <input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark SOCIAL SECURITY <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609 | <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 810 Selective Service <input checked="" type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes |
| REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property | CIVIL RIGHTS <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights | PRISONER PETITIONS <input type="checkbox"/> 510 Motions to Vacate Sentence Habeas Corpus: <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition | LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt Relations <input type="checkbox"/> 730 Labor/Mgmt Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act IMMIGRATION <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 463 Habeas Corpus - Alien Detainee <input type="checkbox"/> 465 Other Immigration Actions | |

V. ORIGIN

(Place an "X" in One Box Only)

- 1 Original Proceeding
- 2 Removed from State Court
- 3 Remanded from Appellate Court
- 4 Reinstated or Reopened
- 5 Transferred from another district (specify)
- 6 Multidistrict Litigation
- 7 Appeal to District Judge from Magistrate Judgement

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

15 U.S.C. Section 78j(b) and others

Brief description of cause:

Fraud and making false statements in connection with the purchase and sale of securities

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DEMANDS

CHECK YES only if demanded in complaint:

JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY

(See instructions):

JUDGE Brinkema and Lee

DOCKET NUMBER 11cv192; 10-cv-667; 10-cr-200; 11cr84

DATE

3/2/2011

SIGNATURE OF ATTORNEY OF RECORD

FOR OFFICE USE ONLY

RECEIPT # _____ AMOUNT _____ APPLYING IFP _____ JUDGE _____ MAG. JUDGE _____

FILED

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

2011 MAR -2 A 9:38

CLERK US DISTRICT COURT
ALEXANDRIA, VIRGINIA

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

CATHERINE L. KISSICK, et al.,

Defendants.

Civil Action File No.

1:11CV215
LMB/JFA

CONSENT OF DEFENDANT CATHERINE L. KISSICK

1. Defendant Catherine L. Kissick ("Defendant") waives service of a summons and the complaint in this action, enters a general appearance, and admits the Court's jurisdiction over Defendant and over the subject matter of this action.

2. Without admitting or denying the allegations of the complaint (except as to personal and subject matter jurisdiction, which Defendant admits), Defendant hereby consents to the entry of the Judgment as to Defendant Catherine L. Kissick (the "Judgment") and incorporated by reference herein, which, among other things:

- (a) permanently restrains and enjoins Defendant from violation of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Sections 10(b) and 13(b)(5) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rules 10b-5 and 13b2-1 [17 C.F.R. § 240.10b-5] thereunder, and from aiding and abetting violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act

[15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Rules 10b-5, 12b-20, 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13] thereunder;

- (b) prohibits pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] Defendant from acting as an officer or director of any issuer that has a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports with the Commission pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]; and
- (c) prohibits pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)] Defendant from: (a) serving in a senior management or control position at any mortgage-related company or other financial institution; and (b) from holding any position involving financial reporting or disclosure at a public company.

3. Defendant agrees that, upon motion of the Commission, the Court shall determine whether it is appropriate to order a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and, if so, the amount(s) of the civil penalty. Defendant further agrees that in connection with the Commission's motion for civil penalties, and at any hearing held on such a motion: (a) Defendant will be precluded from arguing that she did not violate the federal securities laws as alleged in the Complaint; (b) Defendant may not challenge the validity of this Consent or the Judgment; (c) solely for the purposes of such motion, the allegations of the Complaint shall be accepted as and deemed true by the Court; and (d) the Court may determine the issues raised in

the motion on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence, without regard to the standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. In connection with the Commission's motion for civil penalties, the parties may take discovery, including discovery from appropriate non-parties.

4. Defendant waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

5. Defendant waives the right, if any, to a jury trial and to appeal from the entry of the Judgment.

6. Defendant enters into this Consent voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Commission or any member, officer, employee, agent, or representative of the Commission to induce Defendant to enter into this Consent.

7. Defendant agrees that this Consent shall be incorporated into the Judgment with the same force and effect as if fully set forth therein.

8. Defendant will not oppose the enforcement of the Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waives any objection based thereon.

9. Defendant waives service of the Judgment and agrees that entry of the Judgment by the Court and filing with the Clerk of the Court will constitute notice to Defendant of its terms and conditions. Defendant further agrees to provide counsel for the Commission, within thirty days after the Judgment is filed with the Clerk of the Court, with an affidavit or declaration stating that Defendant has received and read a copy of the Judgment.

10. Consistent with 17 C.F.R. 202.5(f), this Consent resolves only the claims asserted against Defendant in this civil proceeding. Defendant acknowledges that no promise or representation has been made by the Commission or any member, officer, employee, agent, or representative of the Commission with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability. Defendant waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein. Defendant further acknowledges that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, Defendant understands that she shall not be permitted to contest the factual allegations of the complaint in this action.

11. Defendant understands and agrees to comply with the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings." 17 C.F.R. § 202.5. In compliance with this policy, Defendant agrees: (i) not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the complaint or creating the impression that the complaint is without factual basis; and (ii) that upon the filing of this Consent, Defendant hereby withdraws any papers filed in this action to the extent that they

deny any allegation in the complaint. If Defendant breaches this agreement, the Commission may petition the Court to vacate the Judgment and restore this action to its active docket.

Nothing in this paragraph affects Defendant's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

12. Defendant hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney's fees or other fees, expenses, or costs expended by Defendant to defend against this action. For these purposes, Defendant agrees that Defendant is not the prevailing party in this action since the parties have reached a good faith settlement.

13. In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, Defendant (i) agrees to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoints Defendant's undersigned attorney as agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waives the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Defendant's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consents to

personal jurisdiction over Defendant in any United States District Court for purposes of enforcing any such subpoena.

14. Defendant agrees that the Commission may present the Judgment to the Court for signature and entry without further notice.

15. Defendant agrees that this Court shall retain jurisdiction over this matter for the purpose of enforcing the terms of the Judgment.

Dated: 8/3/2010

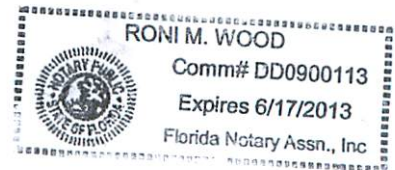
Catherine L. Kissick
Catherine L. Kissick

On August 3, 2010, Catherine L. Kissick, a person known to me, personally appeared before me and acknowledged executing the foregoing Consent.

Roni M. Wood
Notary Public
Commission expires:

Approved as to form:

Kenton Sands, Esq.
Kenton Sands, Esq.
Sands White & Sands, PA
760 White Street
Daytona Beach, Florida 32114
(386) 252-8697



Attorney for Defendant Catherine L. Kissick

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

| | | |
|-------------------------|---|-----------------------|
| _____ | : | |
| SECURITIES AND EXCHANGE | : | |
| COMMISSION, | : | |
| | : | |
| Plaintiff, | : | Civil Action File No. |
| | : | |
| v. | : | <u>1:11cv215</u> |
| | : | LMB/JFA |
| CATHERINE L. KISSICK, | : | |
| | : | |
| Defendant. | : | |
| _____ | : | |

JUDGMENT AS TO DEFENDANT CATHERINE L. KISSICK

The Securities and Exchange Commission having filed a Complaint and Defendant Catherine L. Kissick 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 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 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 Judgment by personal service or otherwise are 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 Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 (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 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 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 Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rules 13b2-1, 13b2-2(a) and 13b2-2(b) promulgated thereunder [17 C.F.R. §§ 240.13b2-1, 240.13b2-2(a) and 240.13b2-2(b)] by:

- (a) knowingly circumventing or knowingly failing to implement a system of internal accounting controls or knowingly falsifying any book, record or account described in Section 13(b)(2) of the Exchange Act;
- (b) directly or indirectly falsifying or causing to be falsified, any book, record or account subject to Section 13(b)(2)(A) of the Exchange Act;
- (c) making or causing to be made a materially false or misleading statement to an accountant, in connection with (i) any audit, review, or examination of a financial statement of an issuer required to be made under the federal securities laws; or (ii) the preparation or filing of any report or document required to be made or to be filed with the Commission;
- (d) omitting to state, or causing another person to omit to state, any material fact necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading, to an accountant, in connection with (i) any audit, review, or examination of a financial statement of an issuer required to be made under the federal securities laws; or (ii) the preparation or

filing of any report or document required to be made or to be filed with the Commission; and

- (e) directly or indirectly taking any action to coerce, manipulate, mislead, or fraudulently influence any independent public or certified public accountant engaged in the performance of an audit or review of any financial statement of an issuer that is required to be filed with the Commission, or otherwise, if such action could result in rendering the financial statement materially misleading.

IV.

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 Judgment by personal service or otherwise are permanently restrained and enjoined from aiding and abetting any violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13] by knowingly providing substantial assistance to an issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. §781], or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 780(d)], that files annual, quarterly and periodic reports that are inaccurate or that fail to contain material information necessary to make required statements, in light of the circumstances under which they are made, not misleading

V.

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 Judgment by personal service or otherwise, are permanently restrained and enjoined from aiding and abetting violations of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] by knowingly providing substantial assistance to an issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. §781], or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 780(d)], in failing to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the issuer.

VI.

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 Judgment by personal service or otherwise, are permanently restrained and enjoined from aiding and abetting any violation of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)] by knowingly providing substantial assistance to an issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. §781], or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 780(d)], in failing to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that:

- (a) transactions are executed in accordance with management's general or specific authorization;
- (b) transactions are recorded as necessary (i) to permit preparation of financial statement in conformity with generally accepted accounting principles or any other criteria applicable to such statements; and (ii) to maintain accountability for assets;
- (c) access to assets is permitted only in accordance with management's general or specific authorization; and
- (d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] and Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)], Defendant is prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

VIII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)], Defendant is prohibited from: (a) serving

in a senior management or control position at any mortgage-related company or other financial institution; and (b) from holding any position involving financial reporting or disclosure at a public company.

IX.

Upon motion of the Commission, the Court shall determine whether it is appropriate to order a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and, if so, the amount(s) of the civil penalty. In connection with the Commission's motion for civil penalties, and at any hearing held on such a motion: (a) Defendant will be precluded from arguing that she did not violate the federal securities laws as alleged in the Complaint; (b) Defendant may not challenge the validity of the Consent or this Judgment; (c) solely for the purposes of such motion, the allegations of the Complaint shall be accepted as and deemed true by the Court; and (d) the Court may determine the issues raised in the motion on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence, without regard to the standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. In connection with the Commission's motion for civil penalties, the parties may take discovery, including discovery from appropriate non-parties.

X.

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 with all of the undertakings and agreements set forth therein.

XI.

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

XII.

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

Dated: _____, _____

UNITED STATES DISTRICT JUDGE