

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
COLUMBIA DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

**MOHAMAD WAEL IBRAHIM ELZEIN,
individually, and d/b/a FOCUS MENTORS
ELZEIN MANAGEMENT; HUSSEIN HASSAN
EL ZEIN; and DARIN RAYMOND KNEE,**

Defendants.

**Civil Action No.
3:03-2843-MBS**

**FINAL JUDGMENT OF PERMANENT INJUNCTION AND OTHER RELIEF
AGAINST DARIN RAYMOND KNEE INCLUDING FINDINGS OF FACT
AND CONCLUSIONS OF LAW**

Plaintiff Securities and Exchange Commission (“Commission” or “SEC”) alleges that Defendants made fraudulent, unregistered offers and sales of securities without an exemption for registration. Plaintiff brought this action seeking to enjoin Defendants “from engaging in transactions, acts, practices and courses of business” as set forth in the complaint, for disgorgement of illegally obtained funds, for civil money penalties, and other equitable relief. Orders of permanent injunction have been entered as to Defendant Mohamad Awel Ibrahim Elzein, individually and d/b/a Focus Mentors Elzein Management, and as to Defendant Hussein Hassan El Zein.

This matter is before the court on Plaintiff’s motion for summary judgment as to Defendant Darin Raymond Knee filed September 1, 2004. By order filed September 7, 2004, pursuant to Roseboro v. Garrison, 528 F.2d 309 (4th Cir. 1975), Defendant Knee was advised

of the summary judgment procedure and the possible consequences if he failed to respond adequately. Defendant Knee filed a response on November 3, 2004, to which Plaintiff filed a reply on November 9, 2004.

In accordance with 28 U.S.C. § 636(b) and Local Rule 73.02, D.S.C., this matter was referred to United States Magistrate Judge Bristow Marchant for pretrial handling. On February 23, 2005, the Magistrate Judge filed a Report and Recommendation in which he recommended that Plaintiff's motion for summary judgment be granted. Defendant Knee filed no response to the Report and Recommendation.

The Magistrate Judge makes only a recommendation to this court. The recommendation has no presumptive weight. The responsibility for making a final determination remains with this court. Mathews v. Weber, 423 U.S. 261, 270 (1976). The court is charged with making a de novo determination of any portions of the Report and Recommendation to which a specific objection is made. The court may accept, reject, or modify, in whole or in part, the recommendation made by the Magistrate Judge or may recommit the matter to the Magistrate Judge with instructions. 28 U.S.C. § 636(b)(1). In the absence of objections to the Report, this court is not required to give any explanation for adopting the recommendation. Camby v. Davis, 718 F.2d 198, 199 (4th Cir. 1983).

Based upon the SEC's motion, brief and the supporting depositions and sworn statements along with other documents submitted therewith and cited to herein, and for the reasons set forth in the Report and Recommendation, the Court makes the following findings of fact as follows:

1. Knee resides in Winter Park, Florida, was born 1/21/1979, and is a U.S. citizen. (Knee Answer, Par. 5 [responding to par. 9 of the Complaint]; Knee Sworn Stmt. pp. 9-10).

2. Knee became involved with Focus Mentors Elzein Management in July 2001 and promoted the investment program on his MoneyJoe.com website and related electronic newsletter called the “Insider’s Club.” (Deposition of Hussein El Zein (8/3/2004), herein after “H. El Zein Depo.” 39/6-25, 161/13-20).

3. Defendant Mohamad Wael Ibrahim Elzein, individually and d/b/a Focus Mentors Elzein Management, resided in Columbia, South Carolina at the time of the conduct set forth herein. Mohamad Elzein began doing business as Focus Mentors Elzein Management (“FMEM”) and referring to himself as the president of FMEM in 2001. FMEM is not an incorporated entity. (M. Elzein Sworn Statement, 9/12 through 10/11, 30/8-10; Exhibit 2-- Background Questionnaire Completed by Mohamad Elzein).

4. Defendant Hussein Hassan El Zein, born 6/11/1978, is a citizen of Lebanon who resided in Columbia, South Carolina at the time of the conduct alleged herein. Hussein El Zein is Mohamad Elzein’s nephew and was the executive assistant of FMEM from July 2001 through approximately December 2001. (H. El Zein Depo. 7/6, 9/10-11, 10/1-3, 10/6-12, 19/14-25, 20/1-2, 20/8-13, 21/25; 22/1-5).

5. Hussein El Zein served as the liaison between his uncle, Mohamad Elzein and Knee during 2001, and reported directly to his uncle while at FMEM. (H. El Zein Depo. 21/10-17).

6. FMEM purported to be a company which engaged in offshore currency trading, real estate development and small business development. (H. El Zein Depo. 23/7-8, M. Elzein Sworn Stmt. 29/18 through 30/5).

7. Mohamad El Zein intermittently used two different but affiliated business names to conduct his business in 2001. The two business names, relating to essentially the same business, included FMEM, and Focus Enterprises, Inc. which was also known as FEME. (H. El Zein Depo. 23/17-21; 24/19-25). Offering materials including Private Placement Memoranda of the company, contain the names of FMEM and FEME in the same document. (H. El Zein Depo. 79/10-15, 88/1-8).

8. While FEME was incorporated in the state of South Carolina, FMEM was an unincorporated entity. (H. El Zein Depo. 23/25, 24/1-7; M. Elzein Sworn Stmt. 30/8-20).

9. Securities offering materials containing both the name of FMEM and the name of FEME were distributed to investors during the relevant period. (H. El Zein Depo. 25/9-21).

10. Hussein El Zein had known Knee since at least 1999, having met him in college where they were both students at Ohio Wesleyan in Delaware, Ohio. (H. El Zein Depo. 12/8-15, 25/22-25, 26/1-9). Hussein El Zein and Knee had been close friends since their college days, and Knee was introduced by Hussein El Zein to his uncle, Mohamad Elzein, in July 2001. (H. El Zein Depo. 114/5-12, 127/19-25, 130/20-22; M. Elzein Sworn Stmt. 107/5-10).

11. FMEM was a business operated from Columbia, South Carolina in 2001. Its addresses included 1213 Hampton Street and an office on Park Lane, both in Columbia. (H. El Zein Depo. 31/1-7).

12. FMEM shut down its operations of business approximately December 2001. (H. El Zein Depo. 31/11-16).

13. FMEM's investment program offering began in July 2001 and continued to the latter part of that year. (H. El Zein Depo. 38/9-16, 31/13-23). Investors were usually promised a return of approximately 20%. (H. El Zein Depo. 32/4-7).

14. FMEM securities were purchased by approximately 55 investors who invested between \$500,000 and \$650,000 with the company. (H. El Zein Depo. 34/18-25, 35/1-15).

15. FMEM used investor money for its business operations, and had no other source of revenue other than the investors' funds. (H. El Zein Depo. 34/11-17; M. Elzein Sworn Stmt. 36/25 through 37/1).

16. FMEM obtained most of its securities investors through Knee's promotion of the company over his internet website and his electronic newsletter. (H. El Zein Depo. 38/17-23, 39/1-8).

17. In reality, over 90% of FMEM's securities investors came to the company from the promotional efforts of Knee through his internet website and electronic newsletter. (H. El Zein Depo. 38/17-23, 40/17-25, 65/19-22, 115/3-6).

18. Knee was the individual who disseminated the newsletter over the internet and by e-mail, which touted investments in FMEM. (H. El Zein Depo. 39/6-25). Knee's newsletter was called MoneyJoe.com Insiders Club Newsletter. (H. El Zein Depo. 161/13-20).

19. Knee told Hussein El Zein in the summer of 2001 that his internet newsletter was disseminated to approximately 3,000 subscribers. (H. El Zein Depo. 40/8-16, 158/19-22).

20. Knee controlled the internet website known as "MoneyJoe.com," through which he issued electronic newsletters in which Knee recommended investors to invest in certain high

yield investment programs. (H. El Zein Depo. 39/23-25, 40/1-4, 155/7-24). In return, Knee received commission from several of these programs. (H. El Zein Depo. 156/15-18).

21. The minimum investment in FMEM was initially \$5,000, which was increased to \$10,000 beginning approximately October 1, 2001. (H. El Zein Depo. 41/21-25, 42/1-7).

22. FMEM stopped accepting new securities investors when it learned the SEC was investigating its activities. (H. El Zein Depo. 42/16-19).

23. Investors in FMEM signed contracts for a typical three month period, for which they were promised a 20% (sometimes 15%) return. (H. El Zein Depo. 42/23-25, 43/1-7, 43/18-24).

24. After the initial three-month term of the contract, investors were allowed to rollover their investments for another term, which the majority of investors did. (H. El Zein Depo. 43/25, 44/1-8).

25. None of FMEM's offerings to the investors was ever registered with the Securities and Exchange Commission. (H. El Zein Depo. 44/12-20; M. Elzein Sworn Stmt. 75/9-21).

26. As Hussein El Zein and Mohamad Elzein discussed the issue of registration over the summer and fall of 2001, they were introduced by Knee to a purported "securities lawyer" named Ken Bueche. (H. El Zein Depo. 45/22 through 47/25).

27. Knee falsely represented Bueche's credentials to El Zein and Elzein to be a securities lawyer, when Bueche was in fact a consultant. (H. El Zein Depo. 48/6-25).

28. FMEM's plan for earning funds to pay the promised returns to investors was purportedly to come from offshore currency trading and small business development. (H. El Zein Depo. 49/23 through 51/3).

29. The Defendants never had a plan at FMEM to sell the securities to only accredited investors. (H. El Zein Depo. 51/7-11, 53/14-25; M. Elzein Sworn Stmt. 100/11-14).

30. FMEM used agents or finders in order to locate and identify investors and potential investors. Knee was FMEM's primary agent/finder for investors in its offerings. (H. El Zein Depo. 54/1-7, 54/18-20).

31. The agents signed contracts with FMEM, and received a 5% commission for each referred investor to the company. (H. El Zein Depo. 54/8-15).

32. In addition to himself being an "agent" of FMEM, Knee promoted FMEM's agent program over his MoneyJoe.com newsletters. (H. El Zein Depo. 54/14-23).

33. FMEM received all of its four to five agents from Knee's promotional efforts in his electronic newsletter. (H. El Zein Depo. 55/1-10).

34. Knee promoted FMEM's securities offerings directly on his MoneyJoe.com website without authorization from anyone at the company. (H. El Zein Depo. 55/22-24).

35. Defendants Hussein El Zein and Mohamad Elzein learned of Knee's unauthorized posting of FMEM's securities offering on his website by going to the site address of Knee's newsletter which was linked to the website, where Knee had posted FMEM's securities offering. (H. El Zein Depo. 56/5-20).

36. Defendants Hussein El Zein and Mohamad Elzein immediately contacted Knee by phone and demanded that he remove the offering information from the website. (H. El Zein Depo. 56/23-25, 57/1-7).

37. During 2001, Knee and Hussein El Zein communicated regularly by phone and e-mail. (H. El Zein Depo. 57/8-19).

38. On two or three occasions, Knee visited the FMEM offices in South Carolina. (H. El Zein Depo. 57/24 through 58/1-8).

39. On at least one of Knee's visits during FMEM's securities offerings, FMEM paid Knee's expenses at Columbia's Adam's Mark Hotel. (H. El Zein Depo. 57/24 through 58/1-23).

40. Hussein El Zein was an intermittent subscriber to Knee's electronic newsletter under his own name, and in the summer of 2001 while working for FMEM, he received Knee's newsletter under the assumed name of "Dr. Peterson." (H. El Zein Depo. 59/20-25, 60/1-15, 162/1-6).

41. Hussein El Zein used the assumed name of "Dr. Peterson" to subscribe to Knee's newsletter to surreptitiously monitor what Knee was saying in his newsletter about FMEM. (H. El Zein Depo. 60/16-25, 61/1-6).

42. Knee released electronic newsletters that contained inaccurate information about FMEM. (H. El Zein Depo. 62/12-19).

43. With regard to FMEM and without authorization from anyone at the company, Knee described falsely in his newsletters that investments in FMEM were as secure as a bank, and that the investor could receive returns 20 to 30 times higher than that received in a bank. (H. El Zein Depo. 63/4-17).

44. Knee also touted falsely in his newsletters that FMEM was a zero risk opportunity, that FMEM was involved in manufacturing and gold and platinum trading, that FMEM was a large corporation and that FMEM was involved with investors who invested millions of dollars. (H. El Zein Depo. 63/18-25, 64/1-5).

45. Approximately September 2001, FMEM started using a Private Placement Memorandum with potential investors, which was drafted by Hussein El Zein under the direction and supervision of Mohamad Elzein. (H. El Zein Depo. 67/5-8, 67/19-24, 68/3-13, 77/7-12, 81/13-15, 82/1-19).

46. FMEM's Private Placement Memorandum was distributed to potential securities investors in 2001 by Knee. (H. El Zein Depo. 69/9-20, 71/13-16).

47. Knee himself received FMEM's Private Placement Memorandum from Hussein El Zein. (H. El Zein Depo. 71/17-22, 95/4-7).

47. FMEM's Private Placement Memorandum purported to correct earlier offering materials that had language which guaranteed the investments that Knee had disseminated to potential investors. (H. El Zein Depo. 69/24-25).

48. FMEM's Private Placement Memorandum falsely stated that "for over eight years, FMEM had been pioneering and innovating in the field of secure high yield investments," when in reality FMEM only came into existence in July 2001. (H. El Zein Depo. 71/23-25, 72/1-7, 72/19-25, 75/13-15).

49. FMEM considered "high yield investments" to include those such as what it was offering the public at a promised return rate of 20% over a three month period. (H. El Zein Depo. 76/14-19).

50. FMEM (sometimes under the name of FEME) required that securities investors execute and sign a Private Contractual Agreement with the company. (H. El Zein Depo. 82/1-6).

51. Plaintiff's Exhibit 8 is a true and correct copy of the company's Private Placement Memorandum, which was written or assembled by Hussein El Zein, and was the document that FMEM and Knee provided to potential investors. (H. El Zein Depo. 83/6-25).

52. Plaintiff's Exhibit 8 included a Non-Solicitation Letter, contact information. (H. El Zein Depo. 84/10-21, 84/22-25).

53. The Private Placement Memorandum includes a Private Contractual Agreement and a Non-Solicitation Letter that investors signed when they paid over their investment amount. (Plaintiff's Exhibit 8, pp. 2, 8; M. Elzein Sworn Stmt. 61/16-22, 45/22 through 46/12). The Private Contractual Agreement, which investors signed and sent to the company, specified that investors would receive a 20% return over a period of three months, with the possibility of leaving the investment with Focus Mentors at the end of the term upon issuance of another contract. (Plaintiff's Exhibit 8, pg. 8; Sworn Statement of Mohamad Elzein, 61/16-22). In addition, offering materials on Knee's website stated that 20% was the *minimum* return that a Focus Mentors investor would receive. (Plaintiff's Exhibit 10, pg. 1). Investor proceeds purportedly were to be combined and used for currency trading and investments in small business and real estate. (H. El Zein Depo. 49/23 through 51/3 and Sworn Statement of M. Elzein, 90/20-24). The Non-Solicitation Letter sent to investors for their signature and return required, among other things, that the investors affirm that they had not been solicited by the company in any way, and contained a statement that the parties "mutually agreed" that "this private placement transaction is exempt from the Securities Act." (Exhibit 8, pg. 2; Sworn Statement of Mohamad Elzein, 45/22 through 46/25).

54. The Private Placement Memorandum included a false representation that the company was “fully insured” and the company’s “accounts are now fully bonded.” (Exhibit 8, pg. 4; H. El Zein Depo. pp. 85-87).

55. Mohamad Elzein falsely represented to Hussein El Zein that in the event of company bankruptcy, all company assets including cash and the investment of all investors would be covered by the insurance policy and or the bond. (H. El Zein Depo. pp. 85-87).

56. No bond to cover individuals’ investments in the company ever existed. (H. El Zein Depo. pp. 87/15-22, 88/12-18).

57. Soon after Knee began distributing the company’s Private Placement Memorandum containing the insured and bonded language, many questions were raised by potential investors and Allstate Insurance Company soon began its own investigation into FMEM’s representations. (H. El Zein Depo. 88/20 through 89/22).

58. FMEM’s Private Placement Memorandum falsely claimed that the company was involved in gold and platinum trading (Exhibit 8, p. 5; H. El Zein Depo. 93/7-11); falsely claimed that Mohamad Elzein held a “Juris Doctorate” degree (Exhibit 8, p. 6; H. El Zein Depo. 94/1-15, 99/14 through 100/2); and falsely claimed an eight year track record of FMEM, when the company had itself only been in existence since July 2001 (Exhibit 8, p. 7; H. El Zein Depo. 71/23-25, 72/1-7, 72/19-25, 75/13-15).

59. Knee was entitled to a 5% agent’s commission from FMEM while other agents who sold securities for the company received a 2.5% agent’s commission. (H. El Zein Depo. 104/14-18).

60. Knee also was entitled to an override commission from FMEM for other agents whom he referred to the company. (H. El Zein Depo. 104/19-23). Despite the commission agreement with FMEM, Knee never took his accrued commissions from FMEM, and those funds were used by FMEM principals to pay back some of the investors. (H. El Zein Depo. 201/20 through 202/8; M. Elzein Sworn Stmt. 56/14-23).

61. FMEM principals attempted to monitor Knee's electronic distributions prior to their dissemination because of the company's concern that Knee had been known to release factually untrue information. (H. El Zein Depo. 109/2-12).

62. For example, the Elzeins told Knee that he had to change false representations he was making about SEC registration, and had to change false representations about supposed guarantees of investors' principal. (H. El Zein Depo. 109/13 through 110/9).

63. Knee exaggerated and changed factual information given to him by FMEM principals, and took true representations, changed them and disseminated factually untrue allegations about the company to the investing public. (H. El Zein Depo. 110/15 through 111/18).

64. For example, when FMEM principals told Knee that FMEM was planning of registering with the SEC, Knee would electronically disseminate false information that the company was registered with the SEC. Knee also electronically disseminated false information stating that investments in FMEM were guaranteed, when in reality no such guarantees existed. (H. El Zein Depo. 112/13-25).

65. Allstate Insurance Company contacted Mohamad Elzein, and later issued a letter to FMEM and Mohamad Elzein telling him to stop using the company's name in representations

to its investors, and to stop making misrepresentations about the insurance coverage. (Plaintiff's Exhibit 9; H. El Zein Depo. 123/11-24, 125/1-13; M. Elzein Sworn Stmt. 79/21 through 80/5, 102/8 through 105/21).

66. The Allstate letter that FMEM principals received included e-mails from MoneyJoe.com Insider's Club dated 8/17/2001 written by Knee. (Plaintiff's Exhibit 9; H. El Zein Depo. 125/14-24). Knee falsely represented that "FMEM caters to the small investor as well as to the large investor, handling investments far exceeding the million dollar range." (Plaintiff's Exhibit 9; H. El Zein Depo. 126/12-25). In reality, FMEM never had a single million dollar investor, and had a total investment of less than a million dollars. (H. El Zein Depo. 127/3-7). Knee also falsely stated that "we have successfully reduced risk to somewhere around 0%." (H. El Zein Depo. 127/8-17). Knee also falsely represented that "you will find information regarding the Insurance and Bonding, which fully protects your personal investment account along with the guaranteed 107% returns." (Plaintiff's Exhibit 9; H. El Zein Depo. 129/2-20). Knee included his name on that electronic newsletter/website message and identified himself as President of MoneyJoe.com. (Plaintiff's Exhibit 9; H. El Zein Depo. 130/8-22).

67. Knee runs the MoneyJoe.com website and essentially refers "clients" to investment programs, and makes recommendations to them to invest in various programs. (H. El Zein Depo. 137/23 through 138/4).

68. Knee has also, in the past, operated an offshore investment club called Investment Secrets, in which he pooled investors' funds to invest in stocks. (H. El Zein Depo. 138/5-25 and 139/1-2). Knee located members for Investment Secrets through the Internet. (H. El Zein Depo. 144/2-7).

69. In conjunction with the Investment Secrets investment club, Knee operated a brokerage account at A.G. Edwards in the name of the club. (H. El Zein Depo. 142/11-21).

70. Investment Secrets, under Knee's control, also opened a currency trading account in New York through an individual named Giovanni Fluery. (H. El Zein Depo. 143/11-14).

71. Knee has also, in the past, also operated an offshore lottery program (known as E-Lotto) through use of the Internet. (H. El Zein Depo. 143/11-14, 148/8-14).

72. Knee employed the services of a Canadian lawyer to shut down both Investment Secrets and the E-Lotto program. (H. El Zein Depo. 150/17-22).

73. Knee has, in the past, been known to have been involved as an agent for a "high yield investment program" known as Synergy, which purportedly promised 100% referral fees to its agents. (H. El Zein Depo. 152/21 through 153/12).

74. Hussein El Zein, despite being friends with and close to Knee, never knew of any person other than Knee who worked on or had any involvement with the MoneyJoe.com website, and never knew anyone other than Knee to work on the electronic newsletters. (H. El Zein Depo. 159/9-24, 163/19-23).

75. On at least one occasion, Knee admitted to Hussein that Knee used fictitious persons on various newsletters, ostensibly to make it appear that Knee's operation was bigger than it in fact was. (H. El Zein Depo. 183/1-17).

76. Knee has promoted other investment programs on the MoneyJoe.com website Insiders Club newsletter including HYO Club, MMFC and Bradford. (H. El Zein Depo. 160/1-19).

77. While Knee promoted the high yield programs in the newsletters, he usually did not put them directly on the MoneyJoe.com website because of the requirement that investors had to show “proof of funds” before they could be accepted in such programs. (H. El Zein Depo. 163/1-8).

78. Plaintiff’s Exhibit 10 is a true and correct copy of the posting of the FMEM investment program as it appeared on the MoneyJoe.com website in July 2001. (H. El Zein Depo. 164/22 through 166/9; M. Elzein Sworn Stmt. 115/13 through 120/14).

79. The July 2001 posting of FMEM on the MoneyJoe.com website contained numerous false representations including: that FMEM had been in full operation since 1993 (H. El Zein Depo. 166/19 through 167/2); that Mohamad Elzein held a Phd in International Affairs (H. El Zein Depo. 167/3-8; Mohamad Elzein Sworn Stmt. 14/4); that the investment return for “1 year compounded-minimum of 107% on top of the original principal” (H. El Zein Depo. 167/14-21, 171/24 through 172/7); that FMEM was a manufacturing company (H. El Zein Depo. 168/1-2); and that FMEM was a “very large, stable corporation” which backed the investment dollar with the strongest guarantee ... and which had “millions upon million in of both physical and capital assets.” (H. El Zein Depo. 168/14 through 169/8), among other false things.

80. Plaintiff’s Exhibit 13 is a true and correct copy of various newsletters from Knee, and postings on discussion boards, as produced to the SEC by Hussein El Zein. Portions of Exhibit 13 are communications from Knee to “Dr. Peterson,” the assumed name Hussein El Zein used to monitor Knee’s newsletters. (H. El Zein Depo. 186/16 through 187/18).¹

¹ Essentially, (as set forth in the deposition of Hussein El Zein at pp. 188 through 196 relating to Exhibit 13, Bates pages 0399 et seq.), Knee did not know H. El Zein was the person using the name “Dr. Peterson.” It is apparent from the computer dialogue and El Zein’s

81. Exhibit 15 is a true and correct list of FMEM investors as prepared by Hussein El Zein, which probably does not include all of the persons who actually invested in the securities of FMEM. (M. Elzein Sworn Stmt. 169/1-170/3).

Specifically with regard to civil penalties, the Court makes the following findings and conclusions of law: Knee's violations clearly involved fraud and deceit and created a significant risk of substantial losses to investors. The statutory civil penalty is appropriate against Knee based upon the repeated nature of his violations, his integral activity in the offering which yielded more than 90% of FMEM's securities investors, involving at least 55 defrauded investors, which included investors in foreign jurisdictions, as well as the United States. Knee was central to the scheme, when acting through the use of fraud and deceit, he changed certain factually accurate information given him by his codefendants and altered it to factually inaccurate information which he then disseminated over his MoneyJoe.com website and/or through his electronic newsletter. Knee repeatedly made representations concerning extravagant returns on investments when he had no basis for the projected returns, and consistently touted falsely the risk free nature of the investment. Knee's activities clearly involved fraud and deceit.

Based upon the findings set forth herein and the legal authority set forth in the memorandum of law supporting the SEC's motion for summary judgment against Knee, the Court has determined that SEC is entitled to the following relief as follows:

testimony that Knee viewed "Dr. Peterson" as a good investment prospect. To that end, Knee in e-mail messages included several misrepresentations to entice "Dr. Peterson's" investment in FMEM including: that FMEM was taking a few new investors after having been closed off for eight years; that the investment offered bond certificates covering each individual investor's entire principal investment; that touted an eight year track record "stamped, certified and signed by a public accountant;" that Knee himself was a part of FMEM; and that Knee, at the then age of 21 or 22 years, had worked for years in the high yield markets as an economist; among other things.

I.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Defendant Knee and his agents, servants, employees and attorneys, and those persons in active concert or participation with him who receive actual notice of this Final Judgment of Permanent Injunction, by personal service or otherwise, and each of them, be and hereby are permanently enjoined and restrained from violating, directly or indirectly, Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. 77q(a)], by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, by:

1. employing any device, scheme or artifice to defraud;
2. obtaining money or property by means of any untrue statement of a material fact or any omission 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
3. engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser,

in the offer or sale of any security.

II.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant Knee, and his agents, servants, employees and attorneys, and those persons in active concert or participation with him who receive actual notice of this Final Judgment of Permanent Injunction, by personal service or otherwise, and each of them, be and hereby are permanently enjoined and restrained from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5], by the use of any means or instrumentality of interstate commerce or of the mails or of any

facility of any national securities exchange, by:

1. employing any device, scheme or artifice to defraud;
2. making any untrue statement of a material fact or omitting 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
3. engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person,

in connection with the purchase or sale of any security.

III.

IT IS FURTHER ORDERED that Defendant Knee and his agents, servants, employees, attorneys and those persons in active concert or participation with him, who receive actual notice of this final judgment of injunction, by personal service, facsimile or otherwise, and each of them, by use of the mails or any means or instrumentality of interstate commerce, are permanently restrained from directly or indirectly:

1. making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, in the form of common stock or any other security, through the use or medium of any prospectus or otherwise, unless and until a registration statement is in effect with the Commission as to such securities;
2. carrying securities, or causing them to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale, unless and until a registration statement is in effect with the Commission as to such securities;
3. making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy, through the use or medium of any prospectus or otherwise, any interest in securities, in the form of common stock or any other security; unless a registration statement is filed with the Commission as to such securities, or while a statement is filed with the Commission as to such security is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination

under section 8 of the Securities Act. [15 U.S.C. 77h];
in violation of section 5 of the Securities Act. [15 U.S.C. 77e].

IV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that disgorgement as to Defendant Knee is set at \$0, plus pre-judgment interest thereon of \$0. Although Knee earned commissions from his co-defendants, there is no evidence before the Court that Knee received them.

V.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant Knee pay a civil penalty of \$15,000.00 pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act. Such payment shall be (a) made by United States postal money order, certified check, bank cashier's check or bank money order within 30 days from the date of this judgment; (b) made payable to the Securities and Exchange Commission; (c) hand-delivered or delivered by overnight delivery service to the Comptroller, Securities and Exchange Commission, 6432 General Green Way, Alexandria, VA 22312; and (d) submitted under a cover letter which identifies Darin Raymond Knee as a Defendant in these proceedings and the civil action number of these proceedings, a copy of which cover letter and money order or check shall be sent to Edward G. Sullivan, Senior Trial Counsel, Securities and Exchange Commission, 3475 Lenox Road, N.E., Suite 1000, Atlanta, Georgia 30326-1232.

VI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court will retain jurisdiction over this matter and Defendant Knee for all purposes and will order other and further

relief that this Court deems appropriate under the circumstances.

SO ORDERED this 5th day of April, 2005.

/s/ Margaret B. Seymour
UNITED STATES DISTRICT JUDGE

Columbia, South Carolina

NOTICE OF RIGHT TO APPEAL

Defendant is hereby notified that he has the right to appeal this order pursuant to Rules 3 and 4 of the Federal Rules of Appellate Procedure.