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RICHARD W. WIEKING
CLERK U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

FILED

APR 28 2006

12 UNITED STATES DISTRICT COURT
13 NORTHERN DISTRICT OF CALIFORNIA
14 SAN FRANCISCO DIVISION

RICHARD W. WIEKING
CLERK U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

15 SECURITIES AND EXCHANGE COMMISSION,

16 Plaintiff,

17 vs.

18 CHICAGO D&P, INC.,
19 PATRICIA MORGEN, and SHALOM GIBSON,

20 Defendants,

21 and

22 REALTOPIA, INC.,

23 Relief Defendant.

Case No. C-04-1742 CRB

[PROPOSED] ORDER GRANTING
PLAINTIFF'S MOTION FOR DEFAULT
JUDGMENT AGAINST DEFENDANT
PATRICIA MORGEN AND FINAL
JUDGMENT OF DEFAULT

Date: April 28, 2006
Time: 10:00 a.m.
Cttrn: 8, 19th Floor

[PROPOSED] ORDER GRANTING PLAINTIFF'S MOT FOR
DEFAULT JUDGMENT AGAINST DEF MORGEN;
FINAL JUDGMENT
CASE NO. C-04-1742 CRB

1 The motion by plaintiff Securities and Exchange Commission (“Commission”) for a judgment of
2 default against Defendant Patricia Morgen (“Morgen” or “Defendant”), pursuant to Rule 55(b) of the
3 Federal Rules of Civil Procedure, supported by the Declarations of Judith L. Anderson, Steven D.
4 Buchholz, and Stephen E. Anderson, plaintiff’s memorandum of points and authorities, the complaint
5 and other papers and evidence on file with the Court, has been submitted to the Court. By its motion,
6 plaintiff seeks a judgment by default against Defendant Morgen, which would include an injunction
7 against Morgen’s future violations of the securities laws for which she is liable; an order requiring
8 Morgen to disgorge, jointly and severally with Defendant Chicago D&P, Inc., \$8,439,085.61 in ill-
9 gotten gains, less a credit of \$620,000 distributed to investors by Chicago D&P’s receiver, plus
10 prejudgment interest of \$274,951.34, for total disgorgement and prejudgment interest of \$8,094,036.95;
11 and an order imposing civil penalties of \$120,000 against Morgen individually.

12 The Court, having considered plaintiff’s motion and supporting evidence and the files and
13 records herein, and good cause appearing therefor, hereby finds:

- 14 1. The Court has jurisdiction over Defendant Morgen and the subject matter of
15 this litigation;
- 16 2. Defendant Morgen directly or indirectly, by use of the means or
17 instrumentalities of interstate commerce, or of the mails, or of a national securities exchange, in
18 connection with the purchase or sale of securities, employed a device, scheme or artifice to defraud,
19 and made untrue statements of material fact, and omitted to state material facts necessary to make the
20 statements made true, in light of the circumstances under which they were made, in violation of
21 Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b), and Rule
22 10b-5 thereunder, 17 C.F.R. § 240.10b-5;
- 23 3. Defendant Morgen, directly or indirectly, in the absence of any applicable
24 exemption, and without any registration statement filed with the Commission or in effect as to the
25 securities, made use of means or instruments of transportation or communication in interstate
26 commerce or of the mails to sell securities, and to offer to sell securities, in violation of Sections 5(a)
27 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and (c);
28

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

3 II.

4 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Morgen, her
5 agents, servants, employees, attorneys, assigns, and all persons in active concert or participation with
6 them who receive actual notice of this Order by personal service or otherwise are permanently restrained
7 and enjoined from violating Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and (c), by,
8 directly or indirectly, in the absence of any applicable exemption and unless a registration statement is
9 filed and is in effect as to a security, making use of any means or instruments of transportation or
10 communication in interstate commerce or of the mails to offer or to sell such security through the use or
11 medium of any prospectus or otherwise.

12 III.

13 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Morgen is liable,
14 jointly and severally with Defendant Chicago D&P, Inc., for disgorgement of \$8,439,085.61 in ill-gotten
15 gains representing profits gained by her unlawful conduct,, less a credit of \$620,000 distributed to
16 investors by Chicago D&P's Receiver, plus prejudgment interest of \$274,951.34, for total disgorgement
17 and prejudgment interest of \$8,094,036.95. Defendant shall satisfy this obligation by paying the full
18 amount of the disgorgement and prejudgment interest thereon within ten (10) business days to the Clerk
19 of this Court, together with a cover letter identifying Morgen as a defendant in this action; setting forth
20 the title and civil action number of this action and the name of this Court; and specifying that payment is
21 made pursuant to this Order. Defendant shall simultaneously transmit photocopies of such payment and
22 letter to the Commission's counsel in this action. No part of the funds shall be returned to Defendant.
23 The Clerk shall deposit the funds into an interest bearing account with the Court Registry Investment
24 System ("CRIS"). These funds, together with any interest and income earned thereon (collectively, the
25 "Fund"), shall be held by the CRIS until further order of the Court. In accordance with the guidelines
26 set by the Director of the Administrative Office of the United States Courts, the Clerk is directed,
27 without further order of this Court, to deduct from the income earned on the money in the Fund a fee
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1 equal to ten percent of the income earned on the Fund. Such fee shall not exceed that authorized by the
2 Judicial Conference of the United States. The Commission may propose a plan to distribute the Fund
3 subject to the Court's approval.

4 IV.

5 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Morgen shall pay
6 civil penalties in the amount of \$120,000, pursuant to the Securities Act and the Exchange Act, 15
7 U.S.C. §§ 77i(d) & 78u(d)(3). Defendant shall make this payment within ten (10) business days after
8 entry of this Order by certified check, bank cashier's check, or United States postal money order payable
9 to the Securities and Exchange Commission. The payment shall be delivered or mailed to the Office of
10 Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green
11 Way, Mail Stop 0-3, Alexandria, Virginia 22312; and shall be accompanied by a letter identifying
12 Morgen as a defendant in this action; setting forth the title and civil action number of this action and the
13 name of this Court; and specifying that payment is made pursuant to this Order.

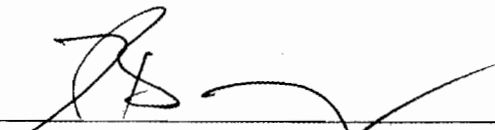
14 V.

15 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain
16 jurisdiction of this matter for the purpose of enforcing the terms of this Order and for all other purposes.

17 VI.

18 There being no just reason for delay, the Clerk is hereby ORDERED to enter this judgment
19 against Defendant Morgen forthwith and without delay, which represents a final judgment of the
20 Commission's claims against Morgen pursuant to Rule 54(b) of the Federal Rules of Civil Procedure.

21
22 DATED: *April 28, 2006*

23 
United States District Judge