

FILED by MBD D.C.  
**MAR 03 2000**  
CLARENCE MADDOX  
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S.D. OF FLA. - MIAMI

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA**

**SECURITIES AND EXCHANGE COMMISSION,** )

**Plaintiff,** )

**v.** )

**THE APPLETREE COMPANIES, INC.  
f/k/a MODAMI SERVICES, INC.,  
MICHAEL H. SALIT, DAVID B. LOBEL,  
PAUL B. KRAVITZ, AND  
W. SCOTT LONG III,** )

**Defendants.** )

**Case No. 96-8675  
Civ-Seitz**

**FINAL JUDGMENT  
OF PERMANENT  
INJUNCTION AND  
OTHER RELIEF AS TO  
DEFENDANTS SALIT  
AND LOBEL**

Defendants Michael H. Salit ("Salit") and David B. Lobel ("Lobel") by their Consents annexed hereto, without admitting or denying any of the allegations in the Commission's Complaint, and solely for the purpose of this proceeding or any other proceeding brought by or on behalf of the Commission, except that they are admitting the allegations as to the jurisdiction over them of this Court and over the subject matter of this action, have agreed to the entry of this Order of Permanent Injunction And Other Relief ("Permanent Injunction"). This Court having accepted such Consents and having jurisdiction over Defendants Salit and Lobel and the subject matter hereof, and the Court being fully advised in the premises, it is:

**I**

**VIOLATION OF SECTION 17(a)(1)  
OF THE SECURITIES ACT**

**ORDERED AND ADJUDGED** that Salit and Lobel, their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them and each of them, in the offer or sale of any securities by the use of any means or instruments

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of transportation or communication in interstate commerce or by use of the mails, be and they hereby are, restrained and enjoined from, directly or indirectly employing any devices, schemes or artifices to defraud purchasers of such securities in violation of Section 17(a)(1) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a)(1).

**II**

**VIOLATION OF SECTIONS 17(a)(2) AND 17(a)(3)  
OF THE SECURITIES ACT**

**IT IS HEREBY FURTHER ORDERED** that Salit and Lobel, their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them and each of them, in connection with the offer or sale of any securities, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, be and they hereby are, restrained and enjoined from, directly or indirectly

(1) obtaining money or property by means of untrue statements of material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(2) engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchasers;

in violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(2) and 77q(a)(3).

III

**VIOLATION OF SECTION 10(b) OF  
THE EXCHANGE ACT AND RULE 10b-5 THEREUNDER**

**IT IS HEREBY FURTHER ORDERED** that Salit and Lobe, their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them and each of them, in connection with the purchase or sale of any security by use of any means or instrumentality of interstate commerce or of the mails, or by use of any facility of any national securities exchange, be and they hereby are, restrained and enjoined from, directly or indirectly, or as a control person under Section 20(a) of the Securities Exchange Act of 1934 ("Exchange Act"):

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 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 violation 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.

**IV.**

**VIOLATION OF SECTION 13(b)(5)  
OF THE EXCHANGE ACT AND RULE 13b2-1 THEREUNDER**

**IT IS HEREBY FURTHER ORDERED** that Salit and Lobel, their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them and each of them, be and they hereby are restrained and enjoined from, directly or indirectly, or as a control person under Section 20(a) of the Exchange Act, falsifying or causing to be falsified, books, records, or accounts required to be kept pursuant to Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(A), in violation of Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), and Rule 13b2-1, 17 C.F.R. § 240.13b2-1, thereunder.

**V.**

**VIOLATION OF RULE 13b2-2 UNDER THE EXCHANGE ACT**

**IT IS HEREBY FURTHER ORDERED** that Salit and Lobel, their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them and each of them, be and they hereby are restrained and enjoined from, directly or indirectly, or as a control person under Section 20(a) of the Exchange Act, (a) making or causing to be made materially false or misleading statements, or (b) omitting to state, or causing another person to omit to state, material facts 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 (1) any audit or examination of

financial statements required to be made pursuant to Section 13(b)(2) of the Exchange Act, or (2) the preparation or filing of any document or report required to be filed with the Commission in violation of Rule 13b2-2, 17 C.F.R. § 240.13b2-2, promulgated under the Exchange Act.

**VI.**

**DISGORGEMENT**

**IT IS HEREBY FURTHER ORDERED AND ADJUDGED** that Defendants Salit and Lobel shall pay disgorgement in the amount of \$600,000, jointly and severally, plus pre-judgment interest. Based upon Defendant's sworn representations in their Statements of Financial Condition dated February 11, 1999 (and updated as of September 24, 1999 as to Lobel, and September 17, 1999 as to Salit) and submitted to the Commission, payment of all but \$25,000 in disgorgement and pre-judgment interest thereon is waived as to defendant Salit. Payment of all disgorgement and pre-judgment interest is waived as to defendant Lobel. The determination to waive payment of disgorgement and pre-judgment interest thereon is contingent upon the accuracy and completeness of the Statements of Financial Condition. If at any time following the entry of this Final Judgment the Commission obtains information indicating that Defendants' representations to the Commission concerning their assets, income, liabilities, or net worth were fraudulent, misleading, inaccurate or incomplete in any material respect as of the time such representations were made, the Commission may, at its sole discretion and without prior notice to Defendants, petition this Court for an

order requiring Defendants to pay \$600,000. in disgorgement, plus pre-judgment and post-judgment interest thereon. In connection with any such petition, the only issues shall be whether the financial information provided by Defendants was fraudulent, misleading, inaccurate or incomplete in any material respect as of the time such representations were made. In its petition, the Commission may move this Court to consider all available remedies, including, but not limited to, ordering Defendants to pay funds or assets, directing the forfeiture of any assets, or sanctions for contempt of this Final Judgment, and the Commission may also request additional discovery. Defendants may not, by way of defense to such petition, challenge the validity of their Consents or the Final Judgment, contest the allegations in the Complaint filed by the Commission, contest the amount of disgorgement and interest, or assert that disgorgement should not be ordered.

Payment by Salit shall be made by U.S. postal money order, certified check, bank cashier's check or bank money order. Such payment shall be transmitted to the Comptroller, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, under cover of a letter that identifies Salit, the caption and case number of this action and the name of this Court. Copies of such check and accompanying cover letter shall be simultaneously transmitted to the Regional Director, Southeast Regional Office, 1401 Brickell Ave, Suite 200, Miami, FL 33131. At such time as said funds are transmitted to the SEC's Comptroller, Salit shall relinquish all legal and equitable right,

title and interest in the funds, and no part of said funds shall be returned to him or his successors or assigns.

**VII.**

**PENALTIES**

**IT IS HEREBY FURTHER ORDERED AND ADJUDGED** that based upon Defendants Salit and Lobel's sworn representations in their Statements of Financial Condition dated February 11, 1999 (and updated as of September 24, 1999 as to Lobel, and September 17, 1999 as to Salit) and submitted to the Commission, the Court is not ordering Defendants Salit and Lobel to pay 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. §78 (d) (3). The determination not to impose a civil penalty is contingent upon the accuracy and completeness of their Statements of Financial Condition. If at any time following the entry of this Final Judgment the Commission obtains information indicating that Defendants' representations to the Commission concerning their assets, income, liabilities, or net worth were fraudulent, misleading, inaccurate or incomplete in any material respect as of the time such representations were made, the Commission may, at its sole discretion and without prior notice to Defendants, petition this Court for an order requiring Defendants to pay a civil penalty. In connection with any such petition, the only issues shall be whether the financial information provided by Defendants were fraudulent, misleading, inaccurate or incomplete in any material respect as of the time such representations were made, and the amount of civil penalty

to be imposed. In its petition, the Commission may move this Court to consider all available remedies, including, but not limited to, ordering Defendants to pay funds or assets, directing the forfeiture of any assets, or sanctions for contempt of this Final Judgment, and the Commission may also request additional discovery. Defendants may not, by way of defense to such petition, challenge the validity of their Consents or the Final Judgment, contest the allegations in the Complaint filed by the Commission or assert that payment of a civil penalty should not be ordered.

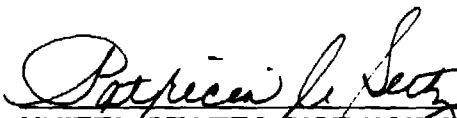
**VIII.**

**RETENTION OF JURISDICTION**

**IT IS HEREBY FURTHER ORDERED** that this Court will retain jurisdiction over this matter and Defendants Salit and Lobel in order to implement and carry out the terms of all Orders and Decrees that may be entered and/or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court, and will order other relief that this Court deems appropriate under the circumstances.

**DONE AND ORDERED** at 5:45 o'clock, p m. this 2nd day of March,

2000, at Miami, Florida.

  
**UNITED STATES DISTRICT JUDGE**  
PATRICIA A. SEITZ

cc: Glenn A. Harris, Counsel for SEC  
Jan Atlas and William Nortman, Counsel for Salit and Lobel  
Charles Clayton, Counsel for W. Scott Long