

**UNITED STATES DISTRICT COURT  
DISTRICT OF COLUMBIA**

SECURITIES AND EXCHANGE COMMISSION  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Plaintiff,

v.

BRADLEY J. BUCHANAN,

Defendant.

**FILED**

**APR 05 2000**

**CLERK, U.S. DISTRICT COURT  
DISTRICT OF COLUMBIA**

99 Civ. No. 2567 (ESH)

**~~PROPOSED~~ FINAL JUDGMENT OF PERMANENT INJUNCTION  
BY DEFAULT AGAINST DEFENDANT BRADLEY J. BUCHANAN**

It appearing to this Court that plaintiff Securities and Exchange Commission ("SEC" or the "Commission"), having filed and served upon defendant Bradley J. Buchanan ("Buchanan") a Complaint and summons in this matter; the Clerk having entered a default against Buchanan for failure to answer, plead, or otherwise defend this action within the time prescribed by law; Buchanan having failed to answer, plead, or otherwise defend this action and having manifested no intention of defending this action; the Court having found that Buchanan has defaulted in this action; and the Court, having reviewed the pleadings, records and files in this action and been otherwise advised, hereby rules on said motion and renders final judgment of permanent injunction in this cause as between the SEC and defendant Buchanan .

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

1. This Court has personal jurisdiction over the parties hereto and the subject matter herein pursuant to Sections 20(b) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77t(b)] and Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

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2. It appears from the Declaration of the SEC's counsel and the proof of service that was filed with the Clerk of this Court that the Complaint, a valid summons, and other papers were duly served upon Buchanan on December 21, 1999.

3. Pursuant to Rule 4 of the Federal Rules of Civil Procedure, proof of service was filed with the Clerk of this Court on March 1, 2000.

4. As of the date of plaintiff's Motion for Entry of Final Judgment of Permanent Injunction By Default, Buchanan has failed to plead or otherwise defend in response to the SEC's Complaint as required by Rule 12 of the Federal Rules of Civil Procedure.

5. Plaintiff filed an application for entry of default with the Clerk of this Court pursuant to Rule 55(a) on March 24, 2000. On March 27, 2000, the Clerk of the Court entered a default against Buchanan.

6. The entry of default by the Clerk of this Court is hereby approved and ratified.

7. It appears from the Declaration of the SEC's counsel that Buchanan is not an infant, incompetent person, or engaged in military service with the armed forces of the United States.

8. By virtue of his failure to plead or otherwise defend, Buchanan is deemed to have admitted the allegations in the SEC's Complaint. Accordingly, the Court finds that:

a. Buchanan knowingly and willfully violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] in that he, in the offer and sale of securities,

(i) employed devices, schemes, and artifices to defraud;

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

(iii) engaged in transactions, practices, and courses of business which

operated as a fraud on purchasers of securities;

b. Buchanan knowingly and willfully 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] in that he,

(i) employed devices, schemes, and artifices to defraud;

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

(iii) engaged in acts, practices, and courses of business which operated as a fraud in connection with the purchase and sale of securities;

c. Buchanan knowingly and willfully violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)5] in that he knowingly circumvented or knowingly failed to implement a system of internal accounting controls, or knowingly falsified the books, records and accounts of an issuer that has a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. § 781];

d. Buchanan knowingly and willfully violated Exchange Act Rule 13b2-1 [17 C.F.R. and 240.13b2-1], in that he falsified or caused to be falsified books, records and accounts subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)];

e. Buchanan aided and abetted violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act [15 U.S.C. §§ 78m(a) and 78m(b)(2)(A)], and Rules 12b-20, 13a-1 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13], in that he aided and abetted

(i) the filing with the SEC a quarterly report on behalf of an issuer

required to be filed with the SEC pursuant to Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)] and the rules and regulations promulgated thereunder, which contains a untrue statement of material fact, which omits to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or which omits to disclose any information required to be disclosed; and

(ii) failed to

(a) make and keep accurate books, records and accounts, which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of the assets of the issuer; and

(b) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: transactions were executed in accordance with management's general or specific authorization; transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets; access to assets was permitted only in accordance with management's general or specific authorization; and the recorded accountability for assets was compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

9. The Court does not find it necessary to conduct a hearing or order a conference prior to entering final judgment of permanent injunction in this action or carrying its judgment into effect.

**Accordingly,**

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that plaintiff's Motion for Final Judgment of Permanent Injunction by Default Against defendant Bradley J. Buchanan is GRANTED.

II.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Buchanan has engaged and, unless enjoined, will continue to engage in acts which constitute and will constitute (i) violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Sections 10(b), 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78m(b)5] and Rules 10b-5 and 13b2-1 thereunder [17 C.F.R. 240.10b-5 and 240.13b2-1]; and (ii) aiding and abetting of violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act [15 U.S.C. §§ 78m(a) and 78m(b)(2)(A)], and Rules 12b-20, 13a-1 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13].

III.

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

- a. employing any device, scheme, or artifice to defraud;
- b. 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

- c. engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a purchaser,

in the offer or sale of any security.

IV.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Buchanan and his agents, servants, employees, and attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise, hereby are permanently enjoined and restrained 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], promulgated thereunder, 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,

- a. employing any device, scheme, or artifice to defraud;
- b. 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
- c. 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.

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Buchanan and his agents, servants, employees, and attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise, hereby

are permanently enjoined and restrained from violating Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)5], by knowingly circumventing or knowingly failing to implement a system of internal accounting controls, or knowingly falsifying any book, record, or account of any issuer which has a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. § 781] or any issuer which is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

VI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Buchanan and his agents, servants, employees, and attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise, hereby are permanently enjoined and restrained from violating Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)5], by falsifying or causing to be falsified any book, record or account subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Buchanan and his agents, servants, employees, and attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise, hereby are permanently enjoined and restrained from aiding and abetting violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act [15 U.S.C. §§ 78m(a) and 78m(b)(2)(A)], and Rules 12b-20, 13a-1 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13], by directly or indirectly, or by aiding and abetting:

a. filing or causing to be filed with the SEC any quarterly report on behalf of any issuer required to be filed with the SEC pursuant to Section 13(a) of the Exchange Act [15 U.S.C.

§78m(a)] and the rules and regulations promulgated thereunder, which contains any untrue statement of material fact, which omits to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or which omits to disclose any information required to be disclosed; or

b. failing to

(i) make and keep accurate books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; or

(ii) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: transactions are executed in accordance with management's general or specific authorization; transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets; access to assets is permitted only in accordance with management's general or specific authorization; and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

#### VIII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Buchanan is, 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)], hereby barred from acting as an officer or director of any issuer required to file reports 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)].



IX.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for all purposes, including enforcement and implementation of this Final Judgment.

X.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that, there being no just reason for delay, the Clerk of the Court is directed to enter this Final Judgment of Permanent Injunction immediately and without further notice.

Dated: 4/5, 2000

  
Ellen Segal Huvelle  
UNITED STATES DISTRICT JUDGE