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00 CIV. 1387

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-v.-

PETER C. LYBRAND F/K/A PETER C. TOSTO,
RICHARD S. KERN, DONALD R. KERN, CHARLES
WILKINS, ADMIRAL INVESTMENTS LTD.,
COMPULINK INTERNATIONAL CORP.,
DRAWBRIDGE INVESTMENTS LTD.,
GLITTERGROVE INVESTMENTS LTD., GRAFTON
INVESTMENTS LTD., GREENFORD INVESTMENTS
LTD., McDONALDS LTD., OASIS ENTERPRISES
LTD., INVESTOR RELATIONS, INC.,
TELLERSTOCK, INC., CONVERSANT
ENTERPRISES, INC., EFI CORP. A/K/A
ELECTRONIC FUNDS, INC., BARCLAY
BANKCARD, INC., CANYON VISTA CORP., AND
SALTEAUX LTD. A/K/A FIRST AMERICAN
SECURITY CORP. A/K/A FIRST AMERICAN
SECURITIES CORP.,

Defendants,

and

HANNAH G IRREVOCABLE TRUST AND HANNAH
R TRUST,

Relief Defendants.

00 Civ. _____

COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges:

SUMMARY

1. This case involves market manipulation and unregistered sales of the securities of three shell companies, Polus, Inc., Citron, Inc., and Electronic Transfer Associates, Inc. ("ETA") (collectively the "shell companies").

2. Between March 1998 and November 1998, Peter C. Lybrand, f/k/a Peter C. Tosto, arranged to purchase the three shell companies from Richard S. Kern, Donald R. Kern, and Charles Wilkins (collectively the "Kern/Wilkins Group"), who directly or indirectly controlled virtually all of the issued and outstanding shares. Rather than paying the purchase price for each of the shell companies outright, Lybrand set up what were essentially self-funding acquisitions: to pay the Kern/Wilkins Group for the shares that they sold to Lybrand, Lybrand created artificial trading markets for the shares and then directed the Kern/Wilkins Group to sell small percentages of their share holdings in each of the shell companies into that market, in amounts and at prices specifically directed by Lybrand.

3. Because there were no active markets for the securities of the shell companies, Lybrand first orchestrated a series of matched orders to "jump-start" the markets. (A "matched order" is the entering of a sell or buy order knowing that a corresponding buy or sell order of substantially the same size, at substantially the same time, and at substantially the same price either has been or will be entered.) Lybrand arbitrarily pegged the prices at which the Kern/Wilkins Group would sell their stock and then arranged for various brokers, friends, and acquaintances to purchase that stock. Together, Lybrand, the Kerns, and Wilkins coordinated

and/or participated in virtually all of the transactions during the first several days of trading for each of the shell companies.

4. To satisfy their obligation to deliver approximately 95 percent of the outstanding stock of the shell companies to Lybrand, the Kerns and Wilkins gathered shares of each of the shell companies from shareholders to whom they had previously distributed the shares. From June 1998 to January 1999, at Lybrand's direction, the Kerns/Wilkins Group transferred over 80 percent of each shell company to eight foreign entities and at least three domestic entities owned and/or controlled by Lybrand. Thus, through Lybrand's agreements to purchase the companies and the subsequent transfers of the companies' shares to his entities, Lybrand controlled the "float" or publicly-available supply of the shell companies' shares.

5. Lybrand continued to manipulate the stock of the shell companies through additional matched orders, as well as wash sales and misleading press releases. As a result of these manipulative activities, the stock prices for each of the shell companies increased significantly. Lybrand realized illegal profits of at least \$6.4 million by selling Polus, Citron, and ETA stock in unregistered transactions in the public markets through the accounts of his foreign and domestic entities.

6. In January 1999, after trading markets had been created by these matched transactions, the Kern/Wilkins Group sold into the market additional shares that it had retained. No registration statements were ever filed for any of these sales by the Kern/Wilkins Group or for any of the transfers to Lybrand and no registration exemptions were applicable. The Kerns and Wilkins realized illegal profits in excess of \$6 million by selling Polus, Citron, and ETA stock in unregistered transactions in the public markets through the accounts of their various entities.

7. Lybrand's, the Kerns', and Wilkins' conduct continued until January 29, 1999, when the Commission ordered temporary ten-day suspensions of trading in the securities of Polus, Citron, and ETA because of questions raised as to, among other things, the adequacy and accuracy of publicly disseminated information.

8. As explained more fully below, by engaging in the conduct described above, Lybrand violated the registration, anti-manipulation, and antifraud provisions of the federal securities laws, his various entities violated the registration provisions, and these defendants are likely to commit such violations again unless the Court enjoins them from doing so.

9. Also as explained more fully below, by engaging in the conduct described above, Richard S. Kern, Donald R. Kern, and Charles Wilkins violated the registration provisions of the federal securities laws, aided and abetted Lybrand in his violations of the anti-manipulation and antifraud provisions of the federal securities laws, and are likely to commit such violations again unless the Court enjoins them from doing so. As explained more fully below, various entities associated with the Kerns and Wilkins violated the registration provisions of the federal securities laws, and are likely to commit such violations again unless the Court enjoins them from doing so.

JURISDICTION

10. The Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(d) and 77v(a)] 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].

11. The Commission brings this action pursuant to authority conferred upon it by Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. §§ 77t(b) and 77t(d)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)].

12. The defendants made use of the means or instruments of transportation or communication in interstate commerce, or the mails, and means and instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, in connection with the acts, practices, and courses of business alleged herein.

THE DEFENDANTS

13. Defendant Peter C. Lybrand, age 35, maintains a residence in Madison, Georgia. At all relevant times, he also maintained a residence in New York, New York. Lybrand, formerly known as Peter C. Tosto, was associated with various broker-dealers from 1984 through 1990, since which time Lybrand has held himself out as a stock promoter. Lybrand is a recidivist securities law violator who is currently awaiting sentencing in the Southern District of New York after pleading guilty on May 14, 1998 to one count of conspiracy to commit securities fraud in connection with his role in a broker-kickback scheme.

14. Lybrand utilized the following eight foreign companies (collectively the "Offshore Entities") to hide his control over Polus, Citron, and ETA and to facilitate his manipulative scheme:

a. Admiral Investments Ltd. ("Admiral"), at all relevant times, was an Isle of Man corporation with a registered office at 4th Floor, Exchange House, 54-58 Athol Street, Douglas, Isle of Man. Roger J. Bennett and his wife, Julie P. Bennett, were the directors and officers.

b. Compulink International Corp. ("Compulink"), at all relevant times, was a Mauritius corporation with a registered office at 4th Floor, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius, and a correspondence address at 4th Floor, Exchange House, 54-58 Athol Street, Douglas, Isle of Man. Fieldhall Ltd. and Isla Ltd. were directors and Fortress Secretaries Limited was secretary.

c. Drawbridge Investments Ltd. ("Drawbridge"), at all relevant times, was an Isle of Man corporation with a registered office at 4th Floor, Exchange House, 54-58 Athol Street, Douglas, Isle of Man. Martin Roy de Gruchy and Monique Yvonne de Gruchy were directors. Roger J. Bennett was secretary.

d. Glittergrove Investments Ltd. ("Glittergrove"), at all relevant times, was a Republic of Ireland corporation with a registered office at 11 Anglesea Street, Dublin 2, Republic of Ireland. Glittergrove also listed as correspondence address 4th Floor, Exchange House, 54-58 Athol Street, Douglas, Isle of Man. Roger J. Bennett and P.N. David Shefford were directors and joint secretaries until they resigned sometime prior to April 27, 1999. On February 17, 1999, the Commission brought an enforcement action in this Court alleging that Glittergrove had unlawfully engaged in unregistered sales of the stock of Citron and ETA. SEC v. Glittergrove Investments Ltd., No. 99 Civ. 1153 (SHS) (S.D.N.Y.) On June 25, 1999, the Court entered a Final Judgment of Default that enjoined Glittergrove from further violations of Sections 5(a) and 5(c) of the Securities Act and ordered Glittergrove to pay \$2,987,710.50 in disgorgement plus prejudgment interest, of which \$2,573,943.54 has been collected to date.

e. Grafton Investments Ltd. ("Grafton"), at all relevant times, was an Isle of Man corporation with a registered office at 4th Floor, Exchange House, 54-58 Athol Street, Douglas, Isle of Man. Angela Boyle and Nuala Boyle were directors and Roger J. Bennett was secretary.

f. Greenford Investments Ltd. ("Greenford"), at all relevant times, was an Isle of Man corporation with a registered office at 4th Floor, Exchange House, 54-58 Athol Street, Douglas, Isle of Man. Roger J. Bennett and Julie P. Bennett were directors, and Roger J. Bennett was secretary.

g. McDonalds Ltd. ("McDonalds"), at all relevant times, was an Isle of Man corporation with a registered office at 4th Floor, Exchange House, 54-58 Athol Street, Douglas, Isle of Man. P.N. David Shefford, C.A. Couldridge, and S.A. Couldridge were directors and Roger J. Bennett was secretary.

h. Oasis Enterprises Ltd. ("Oasis"), at all relevant times, was an Isle of Man corporation with a registered office at 4th Floor, Exchange House, 54-58 Athol Street, Douglas, Isle of Man. P.N. David Shefford and Sandra Shefford were directors and Roger J. Bennett was secretary.

Lybrand either established or assumed control over the eight Offshore Entities between February 1997 and late 1998. McDonalds, Oasis, and Admiral were originally set up by a British subject who had various business dealings with Lybrand. Lybrand assumed control over these three entities in approximately February 1997. Lybrand arranged to have the remaining Offshore Entities set up in 1997 and 1998. All eight Offshore Entities were administered by an Isle of Man company engaged in the business of forming and performing various administrative functions for such offshore entities, including providing the entities with

a registered and/or correspondence address, and all eight Offshore Entities utilized nominee officers and directors to conceal Lybrand's identity as the beneficial owner. From approximately February 1997 through at least January 1999, Lybrand directly or indirectly controlled the activities of the eight Offshore Entities, including securities trading. At least six of the Offshore Entities, Admiral, McDonalds, Oasis, Drawbridge, Greenford, and Glittergrove, conducted some of their trading through brokerage accounts located in New York. Most of the proceeds generated by the sales of securities from the accounts in the names of the Offshore Entities were ultimately wired to bank accounts controlled by Lybrand in the United States.

15. The following three domestic entities (collectively the "Domestic Entities") are wholly owned, operated, and/or controlled by Lybrand in connection with his stock promotion activities:

a. Investor Relations, Inc., is a Utah corporation with a business address at 115 South Main Street, Madison, Georgia 30650. Lybrand is the president and owner of Investor Relations.

b. Tellerstock, Inc., is a Delaware corporation with a business address at 115 South Main Street, Madison, Georgia 30650. Lybrand is the president and owner of Tellerstock.

c. Conversant Enterprises, Inc., is a Georgia corporation with a business address at 115 South Main Street, Madison, Georgia 30650. Lybrand owned Conversant Enterprises until approximately March 1999, when he transferred ownership to his wife, Karen Lybrand.

16. Defendant Richard S. Kern, age 44, resides in Aurora, Colorado, and Fort Lauderdale, Florida. Richard Kern claims to be self-employed and has been involved in a number of small business ventures with his brother Donald Kern, Charles Wilkins, and others.

17. Defendant Donald R. Kern, age 47, resides in Aurora, Colorado, and Fort Lauderdale, Florida, and is the brother of Richard Kern. Since approximately 1995, Donald Kern has assisted his brother Richard with their joint business ventures.

18. Richard Kern and Donald Kern together owned, operated, and/or controlled the following entities (collectively the "Kern Entities"):

a. EFI Corp. (or Electronic Funds, Inc.) ("EFI") is a Delaware corporation with a registered address at Three Christina Centre, 201 N. Walnut St., Wilmington, Delaware 19801. It also uses a rented mailbox at 3140 S. Peoria St., #296, Aurora, Colorado 80014. The Kerns own EFI, Donald Kern is the president and secretary, and Richard Kern is the vice president and treasurer.

b. Barclay Bankcard, Inc., is a Colorado corporation with a registered address at 15270 East 6th Avenue, #6-159, Aurora, Colorado 80011. It also uses a rented mailbox at 3140 S. Peoria St., #296, Aurora, Colorado 80014. The Kerns own Barclay Bankcard, Donald Kern is the president and treasurer, and Richard Kern is the secretary.

c. Canyon Vista Corp. is a Colorado corporation with a business address at 249 Scranton Street, Aurora, Colorado 80011. It also uses a rented mailbox at 3140 S. Peoria St., #296, Aurora, Colorado 80014. The Kerns own Canyon Vista. Constance Kern, Richard and Donald Kern's sister, is the president, Donald Kern is the treasurer, and James Kern, Richard and Donald Kern's brother, is the secretary.

19. Defendant Charles Wilkins, age 64, resides in Scottsdale, Arizona. Wilkins claims to be retired and to receive income from buying and selling cars and from securities transactions through his companies. Wilkins also was in the business of assisting small companies in getting listed on the National Association of Securities Dealers' ("NASD") Over-the-Counter ("OTC") Bulletin Board system.

20. Charles Wilkins owned and controlled the following entities (collectively the "Wilkins Entities"):

a. Salteaux, Ltd., is a Colorado corporation with a registered address at 15270 East 6th Avenue, Suite 6-159, Aurora, Colorado. Salteaux also used a business address at 1025 W. 1st Ave., #A, Mesa, Arizona 85210. Salteaux was formerly known as First American Security Corp. or First American Securities Corp.

b. First American Security Corp., also known as First American Securities Corp., ("First American") was a Colorado corporation that changed its name to Salteaux in 1998. Richard Kern, as Director, signed the Articles of Amendment to the Articles of Incorporation filed on or about March 17, 1998. First American also used a business address at 1025 W. 1st Ave., #A, Mesa, Arizona 85210.

THE RELIEF DEFENDANTS

21. Hannah G Irrevocable Trust has an address at 3706 N. Ocean Boulevard, #491, Fort Lauderdale, Florida 33308. The trustee is Richard Kern.

22. Hannah R Trust has an address at 3706 N. Ocean Boulevard, Fort Lauderdale, Florida 33308. The trustee is Donald Kern.

OTHER RELEVANT ENTITIES

23. Polus was incorporated in the state of Colorado on April 13, 1990, by Sheldon F. Goldberg, the initial registered agent and a director. It was a shell corporation with zero assets or revenues when, in July 1996, Charles Wilkins purchased approximately 98 percent of the outstanding common stock and gained control of the company. Wilkins subsequently distributed almost all of the Polus shares as gifts to relatives, friends and business associates (the "original Polus shareholders"), and appointed friends and relatives as the nominal officers and directors, but he maintained control over the company. As of June 19, 1998, Polus had 5 million shares outstanding, of which the Kerns owned 120,000 shares (2.4 percent), received from the issuer on December 1, 1996 and held in the name of EFI. (As used herein, all numbers of Polus shares have been adjusted to account for the effects of a 10-to-1 stock split declared effective on June 19, 1998.) The common stock of Polus was not, and has never been, registered with the Commission.

24. Citron was incorporated in the state of Texas on August 9, 1993, by Donald R. Kern, who served as its registered agent and as a director. His brother Richard Kern founded the corporation and served as its president. Richard Kern and his wife, Debra, were also Citron directors. On September 1, 1993, Citron issued 1.5 million common shares to Richard and Debra Kern. Thereafter, between October 1 and 3, 1993, an additional 2.2 million unregistered common shares were issued in a private placement at no cost to relatives, friends, acquaintances and business associates of the Kerns. On May 12 and 15, 1998, an additional 1.3 million unregistered shares were issued in a private placement at no cost to persons acquainted with the Kerns, Kern Entities, and Wilkins Entities. As of July 10, 1998, Citron had 5 million shares outstanding, of which Richard and Debra Kern and Kern Entities owned 2.253

million (45.1 percent). Wilkins Entities owned 819,000 (16.4 percent). (As used herein, all numbers of Citron shares have been adjusted to account for the effects of a 500-to-1 stock split declared on May 15, 1994 and a further 10-to-1 stock split declared effective July 10, 1998. They do not, however, take into account a 2-to-1 stock split declared effective on February 1, 1999.) The common stock of Citron was not, and has never been, registered with the Commission.

25. ETA was incorporated in the state of Colorado on May 21, 1996, by Donald Kern, the initial registered agent of ETA. That day, ETA issued 7.5 million common shares to Richard Kern as president and director of ETA, and 7.5 million common shares to Debra Kern as secretary/treasurer and director of ETA. Thereafter, the following additional shares were issued in private placements at no cost to relatives, friends, acquaintances, and business associates of the Kerns: (1) 4.95 million shares on June 15, 1996; (2) 20,000 shares on March 12, 1997; and (3) 30,000 shares on February 10, 1998. As of November 4, 1998, ETA had 20 million shares outstanding, of which Wilkins Entities held 320,000 (1.6 percent) and Richard and Debra Kern and Kern Entities held 15.565 million (77.8 percent), including the 15 million shares held by Richard and Debra Kern. (As used herein, all numbers of ETA shares have been adjusted to account for the effects of a 10-to-1 stock split declared effective July 10, 1998.) The common stock of ETA was not, and has never been, registered with the Commission.

FACTS

A. The Kern/Wilkins Group Transfers the Shell Companies to Lybrand

Polus, Inc.

26. In the Spring of 1998, Lybrand contacted Charles Wilkins and inquired whether Wilkins was interested in selling Polus. Shortly thereafter, Richard Kern, acting on

behalf of the Kern/Wilkins Group, agreed with Lybrand to transfer approximately 90-95 percent of the outstanding Polus shares to Lybrand and his entities. In order to satisfy its obligation to deliver 90-95 percent of the outstanding Polus shares, the Kern/Wilkins Group gathered the Polus securities from the original Polus shareholders and directed the transfer agent to issue certificates to the persons and entities designated by Lybrand. In many instances, the Kern/Wilkins Group had actually maintained physical possession of the stock certificates in the names of the original Polus shareholders.

27. The stated compensation to the Kern/Wilkins Group for providing the Polus shares was \$300,000 -- \$150,000 for 90 percent of Polus' outstanding shares and another \$150,000 for an additional 4-6 percent. Lybrand structured the Polus acquisition so that it would be self-funding; rather than receiving cash for the stock, the Kern/Wilkins Group agreed to sell a specified number of shares in the market, in amounts and at prices determined by Lybrand, as a means of obtaining the sale price.

28. Between June 25, 1998, and January 25, 1999, the Kern/Wilkins Group regathered at least 4.545 million shares of Polus common stock from the shareholders to whom they had been distributed as gifts. From June 25 to July 20, 1998, the Kern/Wilkins Group arranged for the transfer of 3.975 million of these shares to six of the Offshore Entities: Drawbridge, Grafton, Admiral, Greenford, and McDonalds each received 665,000 shares, and Oasis received 650,000. In addition, Conversant Enterprises, a Domestic Entity, received 301,820 shares. As a result of these unregistered transfers, Lybrand's Offshore and Domestic Entities received approximately 85 percent of the issued and outstanding Polus shares from the Kern/Wilkins Group.

Citron, Inc.

29. At approximately the same time the Polus transaction was being negotiated, Lybrand and Richard Kern negotiated an identical transaction involving Citron, another shell corporation with virtually no assets or revenues. Pursuant to the terms of this agreement, Lybrand was to obtain 90-95 percent of the Citron shares for \$300,000. The Kern/Wilkins Group arranged with Lybrand to obtain the \$300,000 through market sales.

30. During May and June 1998, the Kerns arranged for their friends and associates, the original Citron shareholders, to transfer Citron shares to various entities controlled by members of the Kern/Wilkins Group. Once again, in many instances, the Kern/Wilkins Group had actually maintained physical possession of the stock certificates in the names of the original Citron shareholders.

31. During May and June 1998, the Kern/Wilkins Group regathered 1.54 million shares of Citron common stock from the shareholders to whom they had been distributed as gifts. Between July 14, 1998, and January 20, 1999, the Kern/Wilkins Group regathered at least an additional 1.84 million shares. Between July 14 and August 30, 1998, the Kern/Wilkins Group transferred almost 3.02 million shares to six of the Offshore Entities: Drawbridge, Grafton, and Admiral each received 745,000, Oasis received 301,000 shares, McDonalds received 240,000 shares, and Greenford received 240,000 shares. In addition, during this same period, the Kern/Wilkins Group transferred 745,000 shares to the three Domestic Entities: Conversant received 245,000 shares, and Investor Relations and Tellerstock each received 250,000 shares. In early 1999, the Kern/Wilkins Group transferred an additional 435,700 Citron shares to Lybrand's Offshore and Domestic Entities. Specifically, on January 13, 1999, Salteaux transferred 115,000 Citron shares to Glittergrove and 5,000

shares to Conversant Enterprises. On January 20, 1999, the Kern/Wilkins Group transferred an additional 25,000 Citron shares to Glittergrove. Finally, on or about February 1, 1999, Salteaux and First American transferred 290,700 Citron shares to Lybrand's Domestic Entities: Investor Relations received 2,600 shares, Conversant received 92,600 shares, and Tellerstock received 195,500 shares. The total number of Citron shares transferred to Lybrand by the Kern/Wilkins Group was approximately 4.2 million, or approximately 84 percent of the shares issued and outstanding. These transactions were not registered with the Commission.

Electronic Transfer Associates, Inc.

32. In approximately November 1998, Lybrand negotiated with the Kern/Wilkins Group to purchase ETA, a third shell company with no assets or revenues. This transaction was virtually identical in structure to the Polus and Citron transactions, with the Kern/Wilkins Group agreeing to transfer 95 percent of the outstanding shares of ETA to Lybrand for \$350,000. Once again, the Kern/Wilkins Group arranged with Lybrand to obtain the \$350,000 purchase price from the sale of shares into the market.

33. As with Polus and Citron, in order to fulfill its obligation to Lybrand, the Kern/Wilkins Group regathered the shares originally issued to various shareholders and sent or delivered the certificates to the transfer agent for further delivery to persons or entities designated by Lybrand. In many instances, the Kern/Wilkins Group had maintained physical possession of the stock certificates in the names of the original ETA shareholders.

34. In October 1998, the Kern/Wilkins Group regathered 285,000 ETA shares from a shareholder to whom they had been distributed as gifts. Thereafter, between November 17, 1998, and January 26, 1999, the Kern/Wilkins Group regathered at least an additional 3.76 million shares of ETA common stock from the shareholders to whom they had been distributed

as gifts. From November 17 to November 23, 1998, the Kern/Wilkins Group transferred approximately 14.85 million ETA shares to Lybrand's Offshore Entities: Admiral received 3,000,000 shares, Compulink received 3,280,000 shares, Grafton received 3,000,000 shares, Oasis received 3,850,000 shares, Greenford received 200,000 shares, Drawbridge received 1,000,000 shares, McDonalds received 200,000 shares, and Glittergrove received 320,000 shares. In addition, the Kern/Wilkins Group transferred 2.0 million ETA shares to two of Lybrand's Domestic Entities: Investor Relations and Tellerstock each received 1,000,000 shares. In January 1999, the Kern/Wilkins Group transferred an additional 1.05 million ETA shares to Lybrand's Offshore Entities: Glittergrove received 300,000 shares, Compulink received 300,000 shares, Admiral received 200,000 shares, Drawbridge received 200,000 shares, and Oasis received 50,000 shares. In total, the Kern/Wilkins Group transferred to Lybrand's Entities approximately 17,900,000, or 89.5 percent, of the issued and outstanding ETA shares. These transactions were not registered with the Commission.

B. Lybrand, Aided and Abetted by the Kerns and Wilkins, Manipulates the Markets for the Shell Companies

1. "Jump-Starting" the Markets

35. After arranging with the Kern/Wilkins Group to purchase Polus, Citron, and ETA, Lybrand devised and implemented schemes to manipulate trading in the securities of the shell companies. There was no public market for the securities of the shell companies. Lybrand effectively created a market for each of these securities by pegging the price and then coordinating the sale orders of the Kern/Wilkins Group with purchase orders from his friends, acquaintances, and various brokers.

36. The Kerns and Wilkins played a crucial role in Lybrand's scheme to create and jump-start the markets for the securities of the shell companies. To make the shell companies' stock eligible to be quoted on the OTC Bulletin Board, Richard Kern (for Citron and ETA) and Wilkins (acting through Polus' nominee president) for Polus, requested a market maker to file a Form 211 with the NASD. In each instance, approximately one month before the first day of trading the market maker appeared on the OTC Bulletin Board for each of the shell companies without bid/ask quotations. Each of the shell companies also undertook a stock split to increase the number of issued and outstanding shares. In the case of Polus, Richard Kern and Charles Wilkins had the split implemented at Lybrand's direction. In the case of Citron, Richard Kern implemented the split at Lybrand's direction. In the case of ETA, Richard Kern initiated the split.

Polus, Inc.

37. Between June 22 and 26, 1998, Lybrand arranged, and the Kern/Wilkins Group participated in, a series of matched orders that jump-started trading and drove the price of Polus' stock from \$2.00 to \$4.25 per share. The vehicle for these transactions was EFI, a Kern Entity, which sold a total of 56,800 shares that it had received from Polus on December 1, 1996. The first day of trading for Polus common stock on the NASD OTC Bulletin Board was June 22. On the first day of trading, EFI sold 15,500 Polus shares in three separate transactions -- the only transactions on that date. Lybrand directed Richard Kern to sell at \$2.00 per share, a price that Lybrand arbitrarily set. The three buyers were Lybrand's hairdresser, the mother of one of Lybrand's employees, and a broker with whom Lybrand had an on-going business relationship.

38. On June 23, EFI sold 20,300 additional shares of Polus stock into the market in 14 separate transactions at progressively higher prices, all of which were directed by Lybrand. At least 12 of the purchasers were brokers that Lybrand and his associates had contacted and instructed to purchase Polus stock at specific prices. All of the sale orders on June 22 and 23 were limit orders, i.e., orders to buy or sell a security at a specific price or better, to ensure that the trades were executed at the prices Lybrand specified, rather than letting market forces determine the prices.

39. Between June 24 and 26, EFI sold 21,000 more Polus shares; at least 16,000 of these shares were purchased by brokers or individuals connected to Lybrand.

Citron, Inc.

40. The first day of trading for Citron common stock on the NASD OTC Bulletin Board was July 14, 1998. On the first day of trading, the Kern/Wilkins Group sold 82,750 shares of Citron stock into the market through a series of limit orders based upon instructions from Lybrand. Lybrand also sold 10,500 Citron shares into the market at limit prices through an account in the name of Greenford, one of the Offshore Entities. Collectively, these 93,250 shares accounted for all of the Citron shares that came into the market on July 14, 1998. These transactions all took place at prices between \$2.94 and \$3.00 per share, which were arbitrarily determined by Lybrand.

41. As with Polus, Lybrand arranged for buyers to purchase the stock from the Kern/Wilkins Group and Greenford on the first day of trading. Of the 93,250 Citron shares sold by the Kern/Wilkins Group and Greenford, brokers contacted by Lybrand and/or his associates purchased at least 88,375 shares, either directly or through market-maker resales, and Lybrand's wife purchased an additional 2,500 shares.

42. On July 15, EFI sold an additional 2,000 shares of Citron. The Kern/Wilkins Group sold 84,750 shares of Citron common stock in July, which it had just collected from original Citron shareholders, or which were issued to it by Citron in May and June 1998.

Electronic Transfer Associates, Inc.

43. The first day of trading for ETA common stock on the NASD OTC Bulletin Board was November 4, 1998. As with Polus and Citron, Lybrand and the Kern/Wilkins Group engaged in a series of matched transactions during the first days of trading that drove the price of ETA stock from \$.60 to \$8.00 per share.

44. On the first day of trading in ETA, November 4, 1998, the very first transactions were prearranged by the Kern/Wilkins Group. That day, FocusInternational.com, Ltd., an offshore entity owned and controlled by a business associate of the Kerns and Wilkins, sold 5,000 shares to Canyon Vista, a Kern Entity, in three separate transactions of 1,000 shares, 2,000 shares, and 2,000 shares at steadily increasing prices of \$.60, \$.63 and \$.75, respectively. The only other trading in ETA on November 4, 1999, were sales by Salteaux, a Wilkins Entity, totaling 5,000 shares to Lybrand's wife for \$.63 and \$.75.

45. After the first day of trading in ETA, Lybrand continued to arrange and the Kern/Wilkins Group continued to participate in matched orders in an effort to drive up the price of ETA's stock. On November 5 and 6, for example, Canyon Vista sold 5,000 shares in three separate transactions, all at \$.75 per share. Lybrand purchased 2,000 of these shares through a McDonalds account, and a longtime friend of Lybrand bought the remaining 3,000 shares. Moreover, on November 10, Canyon Vista, at Lybrand's direction, sold 12,000 shares between \$1.00 and \$1.25 -- the only shares sold on that date -- all of which were purchased by Lybrand's wife. The following day, November 11, Salteaux, at Lybrand's direction, sold 2,000

shares through a market maker to one of Lybrand's broker contacts. These transactions ultimately raised the price of ETA to \$1.69 per share. On November 12, only one transaction took place: Salteaux sold 2,000 shares at \$3.00 per share to a broker connected to Lybrand. In the sole transaction on November 16, Canyon Vista sold 500 shares through a market maker to another of Lybrand's Offshore Entities at \$6.00 per share. On November 17, Canyon Vista sold 2,000 shares through a market maker to a Lybrand broker contact at \$7.25 per share. On November 18, Salteaux and Canyon Vista collectively sold 30,000 shares through a market maker to another Lybrand broker contact at \$7.50 per share. The price of ETA's stock closed on November 18 at \$8.00 per share.

46. In total, between November 4 and November 18, 1998, Canyon Vista and Salteaux sold into the market 60,000 shares of ETA common stock, which the Kern/Wilkins Group had just collected from original ETA shareholders in October 1998.

2. The Manipulation Continues

a. Additional Manipulative Trading

47. Once the market for the securities of Polus, Citron, and ETA had been "jump-started," Lybrand continued to manipulate those markets through additional matched orders and through wash sales (a "wash sale" refers to any transaction that results in no change in the beneficial ownership of the security). Lybrand orchestrated the wash sales to increase or maintain the stock prices of the shell companies by creating the appearance of trading volume, and also to enable him to avoid having to liquidate shares of the shell companies to pay for market purchases of those securities.

48. From July 1998 through November 1998, Lybrand directed at least 10 wash sales of Polus stock through accounts in the names of his various Offshore and Domestic

Entities at three different broker-dealers. These wash sales ranged in size from 1,000 to 75,000 shares, and, in most cases, accounted for a substantial percentage of the day's trading volume.

Date	Seller	Purchaser	Brokerage	Shares
7/10/98	Greenford	Admiral	Everen Securities Inc. ("Everen")	6000
7/16/98	Greenford	Admiral	Everen	20000
8/7/98	McDonalds	Admiral	Everen	10000
8/20/98	Drawbridge	Admiral	Everen	25000
8/31/98	Drawbridge	Oasis	Everen	25000
9/22/98	Grafton	McDonalds	Everen	5000
9/29/98	Grafton	Glittergrove	Everen	75000
10/15/98	Glittergrove	Compulink	Everen	15000
10/21/98	Compulink	Admiral	Everen	1000
11/25/98	Investor Relations	Conversant Enterprises	Tradeway Securities Group, Inc. ("Tradeway")	55000

49. From July 1998 through January 5, 1999, Lybrand directed over 20 wash sales involving Citron stock through accounts in the names of his various Offshore and Domestic Entities and, in a few instances, through the account of Consolidated Asset Management, Inc. ("Consolidated"), a company controlled by one of Lybrand's business associates and an officer and/or director of Polus and ETA. These wash sales ranged in size from 100 to 58,000 shares, and, in many cases, accounted for a substantial percentage of the day's trading volume.

Date	Seller	Purchaser	Brokerage	Shares
7/30/98	Greenford	McDonalds	Everen	23000
8/25/98	Admiral	Drawbridge	Everen	35000
9/4/98	McDonalds	Admiral	Everen	3000
9/15/98	Oasis	Grafton	Everen	50000
9/28/98	Grafton	Drawbridge	Everen	2000
9/30/98	Admiral	Grafton	Everen	2500
10/22/98	Greenford	Glittergrove	Everen	6500
12/2/98	Conversant Enterprises	Investor Relations	Tradeway	1000
	Conversant Enterprises	Investor Relations	Tradeway	2500
12/3/98	Conversant Enterprises	Investor Relations	Tradeway	2400
	Conversant Enterprises	Investor Relations	Tradeway	1400

Date	Seller	Purchaser	Brokerage	Shares
12/4/98	Conversant Enterprises	Tellerstock	Tradeway	100
12/15/98	Consolidated	Conversant Enterprises	Tradeway	58000
12/29/98	Consolidated	Tellerstock	Tradeway	17000
12/31/98	Tellerstock	Investor Relations	Tradeway	1500
	Tellerstock	Investor Relations	Tradeway	1200
	Tellerstock	Investor Relations	Tradeway	500
	Tellerstock	Investor Relations	Tradeway	300
	Tellerstock	Investor Relations	Tradeway	700
	Tellerstock	Investor Relations	Tradeway	700
1/4/99	Tellerstock	Investor Relations	Tradeway	1000
1/5/99	Tellerstock	Consolidated	Tradeway	7000

50. From November 1998 through January 1999, Lybrand also arranged for at least five wash sales involving ETA stock through accounts in the names of his various Offshore and Domestic Entities and, in one instance, through the account of Consolidated. Each of the ETA wash sales took place at prices substantially higher than contemporaneous market transactions. Two of the transactions were made through Offshore Entities' accounts located in New York City, at Precision Edge Securities L.L.C. ("Precision Edge").

Date	Seller	Purchaser	Brokerage	Shares
11/25/98	Tellerstock	Investor Relations	Tradeway	8500
12/29/98	Consolidated	Tellerstock	Tradeway	10400
12/31/98	Tellerstock	Investor Relations	Tradeway	100
1/4/99	Glittergrove	Admiral	Precision Edge	500
1/5/99	Glittergrove	Admiral	Precision Edge	1000

51. Where necessary to carry out the manipulation, Lybrand also helped maintain the stock prices of the shell companies by buying shares from the market through accounts in the names of his various Offshore and Domestic Entities. From July 1, 1998 through the end of January 1999, Lybrand purchased 153,100 shares of Polus at prices ranging from \$3 to \$11 per share, for a cost of over \$708,545; 181,400 shares of Citron at prices ranging from \$3 to

\$5.375 per share, for a total cost of over \$588,000; and 33,800 shares of ETA at prices ranging from \$5 to \$11 per share, for a total cost of over \$261,850. (These figures do not include the matched orders directed by Lybrand or the wash sales between various accounts Lybrand controlled.) By purchasing shares of the shell companies, Lybrand managed the “float,” created apparent demand for the shares, and helped to maintain the respective share prices.

b. The Issuance of False and Misleading Press Releases

52. From at least June 1998, one or more of Lybrand’s Domestic Entities disseminated several false or misleading press releases relating to two publicly traded companies that were majority owned by Polus: Malibu, Inc., and Smartek, Inc. Many of these releases discussed projects or deals that never came to fruition or contained questionable and unverified financial projections. Lybrand participated in drafting and/or disseminating those releases and knew or was reckless in not knowing that they were false or misleading.

53. One or more of Lybrand’s Domestic Entities disseminated several false or misleading Smartek press releases relating to a proposed merger with Ryan’s Express Equities Corporation (“Ryan’s”). On December 18, 1998, a Smartek press release announced that a merger with Ryan’s “has been finalized and is currently awaiting final approval by Ryan’s accountants, Ernst and Young. The Company and Ryan’s feel confident that a merger agreement will be executed by year-end as previously expected.” As of December 18, however, the merger had not been finalized -- draft merger agreements were still being exchanged and the first formal meeting of the principals and their attorneys did not occur until approximately January 20, 1999. Nor, as of January 28, 1999, had Ryan’s engaged any accountants or auditors to approve the merger. The merger never occurred.

54. The Smartek press releases also used false financial projections. In press releases dated October 5 and 15, 1998, Smartek stated that it was in merger negotiations with a mortgage banking company (Ryan's) that would "enter into the merger" with approximately \$24 million in assets and projected pre-tax profits in excess of \$17 to \$19 million. Smartek never reviewed Ryan's books or performed any type of audit or due diligence. Ryan's November 30, 1998 financial statements showed only \$8.7 million in assets and \$235,869 in net income.

55. Similarly, on July 23, 1998, one of Lybrand's Domestic Entities disseminated a false or misleading Malibu press release relating to a proposed merger with Mechanical Resources, Inc. ("Mechanical"). Malibu and Mechanical had signed a Letter of Agreement and had not yet executed a formal merger and exchange agreement. Subsequently, a dispute arose and Mechanical notified Malibu that it did not intend to proceed with the merger. Accordingly, the parties began to negotiate new terms. Nevertheless, Malibu's July 23 press release referred to Mechanical as a Malibu subsidiary, reported Mechanical's earnings and projections as part of Malibu's own, and gave no indication whatsoever of the dispute that had arisen between the parties.

56. From July 14, 1998 through January 1999, one or more of Lybrand's Domestic Entities disseminated a number of false or misleading press releases on behalf of Citron. The false or misleading information in the press releases included baseless revenue and earnings projections; exaggerations or mischaracterizations of Citron's services, customers, and affiliates; the premature announcement of a completed merger; and repeated references and/or comparisons to popular publicly-traded internet companies completely unrelated to Citron.

Lybrand participated in drafting and/or disseminating those releases and knew or was reckless in not knowing that they were false or misleading.

57. A July 21, 1998, a Citron press release announced management incentives if Citron's revenues in the first year exceeded \$10 million. The \$10 million target did not have any reasonable basis: in July 1998, Citron was a development stage company with no operations and no real business plan; its purported subsidiary, Project Rainmakers Ltd. ("Rainmakers"), had no profits, no operations, and no patented technology. Nevertheless, Citron press releases dated November 11, 1998, November 24, 1998, December 2, 1998, December 7, 1998, December 23, 1998, January 4, 1999, January 7, 1999, January 8, 1999, January 11, 1999, January 12, 1999, January 19, 1999, January 20, 1999, January 24, 1999, January 25, 1999, reiterated or referenced these baseless projections.

58. The statement in a July 30, 1998 Citron press release that Rainmakers was a "wholly owned subsidiary" was false. The Articles of Exchange By and Between Project Rainmakers Limited and Citron, Inc., although dated July 13, 1998, was not signed and executed until January 1999.

59. One or more of Lybrand's Domestic Entities disseminated several press releases, including releases dated January 19, 1999, January 20, 1999, January 24, 1999, and January 25, 1999, which gave the impression that Citron had an existing network of affiliates and clients when Citron was, at best, only just beginning to recruit potential affiliates and generate interest from possible clients.

60. Finally, one or more of Lybrand's Domestic Entities disseminated numerous press releases in December 1998 and January 1999 that included the names (and ticker symbols) of popular publicly-traded internet companies, such as Amazon.com, Yahoo, and

eBay. As a result, investors using the internet to research these established companies also saw Citron listed as a “related company,” from which they could “hyper-link” directly to information and press releases concerning Citron. These references were calculated to mislead investors into grouping Citron with wildly successful internet companies and to exploit that confusion to increase the price of Citron’s stock. Press releases that included these misleading references were issued on December 31, 1998, January 4, 1999, January 5, 1999, January 6, 1999, January 11, 1999, January 12, 1999, January 15, 1999, January 19, 1999, January 20, 1999, January 21, 1999, January 22, 1999, January 24, 1999, and January 25, 1999.

61. From November 1998 through January 1999, one or more of Lybrand’s Domestic Entities disseminated a number of false or misleading press releases on behalf of ETA. On January 7, 1999, ETA issued a press release describing negotiations with Citron for Citron to develop software for ETA’s internet site. This press release gave the misleading impression that ETA and Citron were in arms-length negotiations; failed to disclose fully the common ownership and management of the two companies; and misrepresented Citron’s experience and viability. Lybrand participated in drafting and/or disseminating those releases and knew or was reckless in not knowing that they were false or misleading.

62. Finally, all eight of the ETA press releases issued in January 1999 made misleading reference to the same high-flying internet stocks mentioned in the Citron releases.

C. Additional Sales of Polus, Citron and ETA by the Kerns and Wilkins

63. Following the initial matched transactions described in paragraphs 35-44 above, the Kern/Wilkins Group sold additional common stock of the shell companies into the artificially-inflated public market that the matched transactions had helped create. Most of

these sales took place in January 1999, when stock prices of all three companies increased dramatically as a result of Lybrand's manipulative activities.

Polus

64. Between August 1998 and January 1999, Kern and Wilkins entities sold into the market 37,600 additional shares of Polus common stock that the Kerns and Wilkins had regathered from Polus shareholders between June 1998 and January 1999.

Citron

65. Between August 1998 and January 1999, Kern and Wilkins entities sold into the market 266,050 additional shares of Citron common stock that the Kerns and Wilkins had regathered from original Citron shareholders, or that had been issued to the Kern/Wilkins Group by Citron directly, between May 1998 and January 1999.

ETA

66. In January 1999, Kerns and Wilkins entities sold into the market 98,300 shares of ETA common stock that had been regathered from original ETA shareholders between October 1998 and January 1999.

D. Lybrand's Profits

67. As a result of his unlawful activities, Lybrand generated profits of \$6,414,593 through market sales of Polus, Citron, and ETA stock. The following chart summarizes the collective market activity of Lybrand's Domestic and Offshore Entities during the period June 1, 1998 through January 29, 1999.

Security	Shares Sold/ Proceeds	Shares Bought/ Cost	Net Sales/ Net Proceeds
Polus	455,750/ \$1,946,433	153,100/ \$708,545	302,650/ \$1,237,888
Citron	493,200/ \$3,883,976	181,400/ \$588,570	152,900/ \$3,295,406
ETA	154,400/ \$2,143,149	33,800/ \$261,850	120,600/ \$1,881,299
Total	\$7,973,558	\$1,558,965	\$6,414,593

Of the \$6,414,593 in profits reaped by Lybrand, Glittergrove, one of Lybrand's Offshore Entities, has already disgorged \$2,573,943.54 pursuant to the Final Judgment of Default entered against Glittergrove on June 25, 1999.

E. The Kerns' and Wilkins' Profits

68. As a result of the Kerns and Wilkins' sales and transfers of the securities of Polus, Citron, and ETA, into the public market and through the transfer agent to Lybrand, the Kerns and Wilkins generated profits of \$6,029,169, as shown below:

Security	Period of Sales	Proceeds
Polus	June 1998 – January 1999	\$398,578
Citron	July 1998 – January 1999	\$3,794,889
ETA	November 1998 – January 1999	\$1,835,702
Total		\$6,029,169

F. The Kerns and Wilkins Attempt to Spirit Away the Proceeds of Their Sales of Polus, Citron, and ETA Shares

69. In early 1999, after they became aware of the Commission's investigation of this matter, Defendants Richard Kern and Donald Kern deposited \$3,284,532 in proceeds from their unregistered distributions of Polus, Citron, and ETA shares in the trust account of their attorney, A. Thomas Tenenbaum of Brenman Bromberg & Tenenbaum, P.C., Denver,

Colorado. Thereafter, beginning in late June 1999, the Kerns depleted their balance in

Tenenbaum's trust account by making the following transfers:

Date	Amount	To
6/30/99	\$495,000	Hannah G Irrevocable Trust 3706 N. Ocean Boulevard, #491, Fort Lauderdale, Florida 33308 Trustee: Richard Kern.
6/30/99	\$500,000	Hannah R Trust 3706 N. Ocean Boulevard, Fort Lauderdale, Florida 33308 Trustee: Donald Kern
6/30/99	\$250,000	Delft Group, Inc. Sedona, Arizona
6/30/99	\$38,000	Coldwell Banker
7/14/99	\$338,623	Broward Title Company 5864 S. Flamingo Rd., Cooper City, Florida 33330
8/12/99	\$564,000	Broward Title Company 5864 S. Flamingo Rd., Cooper City, Florida 33330
8/25/99	\$72,000	Engel Management Inc. 135 Stutz Bearcat Drive, Sedona, AZ 86336
8/25/99	\$340,000	Capital Alliance Corp. 135 Stutz Bearcat Drive, Sedona, AZ 86336
10/8/99	\$350,000	Silverado Industries Inc. 3706 N. Ocean Boulevard, #491, Fort Lauderdale, FL 33308
10/8/99	\$350,000	CJ Industries International Inc. 3706 N. Ocean Boulevard, #491, Ft. Lauderdale, FL 33308
10/8/99	\$43,000	Connie Kern

The beneficiaries of the Relief Defendant Hannah G Irrevocable Trust and the Relief Defendant Hannah R Trust are Richard and Donald Kern's children. Like the trusts, most of the other entities to which the Kerns' proceeds were transferred appear from the documents to be related to the Kerns and/or one another.

70. Also in early 1999, Defendant Charles Wilkins placed \$1.3 million in proceeds from unregistered distributions of Polus, Citron, and ETA shares in the trust account of the attorney who represented him in the Commission's investigation, David M. Stocker. From

February 1999 to January 27, 2000, Wilkins made the following transfers from Stocker's trust account:

Date	Amount	To
2/2/99	\$200,000	Viper Car Parts
2/9/99	\$65,000	Woodhouse Dodge
8/30/99	\$47,462	First Amer. Title (On behalf of Halfa-Ranch Trust)
8/30/99	\$95,000	First Amer. Title (On behalf of Llama View LLC)
1/26/00 or 1/27/00	\$800,000	Charles Wilkins

Viper Car Parts is a company owned by Charles Wilkins' son, Chris Wilkins. Llama View LLC, a Nevada entity, was formed on August 26, 1999, at the direction of Wilkins. Llama View's partners are Salteaux Ltd. (a Wilkins Entity), Chris Wilkins, and Becky Selby (Wilkins' step daughter). Stocker is the manager. The Halfa-Ranch Trust was created on August 28, 1999, at the direction of Wilkins. David Stocker is the trustee, Becky Selby is the settlor, and Sally Wilkins, Wilkins' ex-wife, is the primary beneficiary.

FIRST CLAIM FOR RELIEF

Lybrand Violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 Promulgated Thereunder [17 C.F.R. § 240.10b-5]

71. Paragraphs 1 through 70 are hereby realleged and incorporated by reference.
72. Lybrand's manipulation of the prices of Polus, Citron, and ETA stock through his control of the float, fraudulent trading techniques including matched orders and wash sales, and materially false or misleading press releases was knowing or reckless. As more fully described above, in connection with the purchase or sale of securities, Lybrand employed

devices, schemes, or artifices to defraud, and engaged in acts, practices, and courses of business which operated or would operate as a fraud or deceit as to the nature of the market for Polus, Citron, and ETA securities.

73. By reason of the foregoing, Lybrand 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].

SECOND CLAIM FOR RELIEF

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

74. Paragraphs 1 through 70 are hereby realleged and incorporated by reference.

75. Lybrand's manipulation of the prices of Polus, Citron, and ETA stock through his control of the float, fraudulent trading techniques including matched orders and wash sales, and materially false or misleading press releases was knowing or reckless. As more fully described above, in connection with the offer or sale of securities, Lybrand employed devices, schemes, or artifices to defraud, and engaged in transactions, practices and courses of business which operated or would operate as a fraud or deceit as to the nature of the market for Polus, Citron, and ETA securities.

76. By reason of the foregoing, Lybrand violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM FOR RELIEF

Richard S. Kern, Donald R. Kern, and Charles Wilkins Violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 Promulgated Thereunder [17 C.F.R. § 240.10b-5]

77. Paragraphs 1 through 73 are hereby realleged and incorporated by reference.

78. Richard S. Kern, Donald R. Kern, and Charles Wilkins, by virtue of their roles in the matched transactions on the first days of trading in the securities of the shell companies, aided and abetted Lybrand's manipulation of the market and prices of the securities of the shell companies. Lybrand's manipulation violated the Exchange Act. Richard S. Kern, Donald R. Kern, and Charles Wilkins knew, or were generally aware, of their roles in Lybrand's matched transactions, and knowingly or recklessly rendered substantial assistance in the manipulation.

79. By reason of the foregoing, Richard S. Kern, Donald R. Kern, and Charles Wilkins aided and abetted Lybrand's 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].

FOURTH CLAIM FOR RELIEF

The Defendants Violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)]

80. Paragraphs 1 through 70 are hereby realleged and incorporated by reference.

81. The shares of Polus, Citron, and ETA are securities, within the meaning of Section 2(1) of the Securities Act [15 U.S.C. §§ 77b(1)].

82. Sections 5(a) and 5(c) of the Securities Act prohibit the offer to sell and sale of any security unless a registration statement is in effect with regard to that security, absent an applicable exemption from that requirement [15 U.S.C. §§ 77e(a) and 77e(c)].

83. Between June 1998 and January 1999, the Kerns and Wilkins, through their various entities, sold over 80 percent of the outstanding securities of Polus, Citron, and ETA to Lybrand, and sold additional securities of Polus, Citron, and ETA in public sales. Proceeds from these sales totaled \$6,029,169. No registration statement was in effect and no exemptions were applicable for any of these sales. By engaging in this conduct, the Kerns,

Wilkins, and their entities, participated in the unregistered distributions of the shell companies' stock.

84. Between June 1, 1998, and January 29, 1999, Lybrand, through his various Offshore and Domestic Entities, sold into the public markets 455,750 shares of Polus, 493,200 shares of Citron, and 154,400 shares of ETA. No registration statement was in effect and no exemptions were applicable to these sales.

85. As described above, by offering to sell and selling Polus, Citron, and ETA securities, through the use or medium of a prospectus or otherwise, when no registration statement was filed or was in effect as to such securities, each of the defendants violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

FIFTH CLAIM FOR RELIEF

Relief Defendants Hannah G Irrevocable Trust and Hannah R Trust

86. Paragraphs 1 through 70 are hereby realleged and incorporated by reference.

87. As alleged in paragraph 69 above, the Hannah G Irrevocable Trust and the Hannah R Trust received payments of \$495,000 and \$500,000, respectively, from the attorney trust account into which Defendants Richard S. Kern and Donald R. Kern had placed proceeds of their unlawful sales of shares Polus, Citron, and ETA.

88. The beneficiaries of the Relief Defendant Hannah G Irrevocable Trust and the Relief Defendant Hannah R Trust are Richard and Donald Kern's children. Relief Defendants the Hannah G Irrevocable Trust and the Hannah R Trust do not have a legitimate claim to those funds, and were unjustly enriched by the receipt of those funds.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Securities and Exchange Commission requests that this Court:

I.

Permanently enjoin Peter C. Lybrand and his agents, servants, employees and attorneys, and all persons in active concert or participation with him, and each of them, from violating, directly or indirectly, Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)] and 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].

II.

Permanently enjoin Richard S. Kern and his agents, servants, employees and attorneys, and all persons in active concert or participation with him, and each of them, from violating, directly or indirectly, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)] and 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].

III.

Permanently enjoin Donald R. Kern and his agents, servants, employees and attorneys, and all persons in active concert or participation with him, and each of them, from violating, directly or indirectly, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)] and 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].

IV.

Permanently enjoin Charles Wilkins and his agents, servants, employees and attorneys, and all persons in active concert or participation with him, and each of them, from violating, directly or indirectly, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)] and 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].

V.

Permanently enjoin the remaining defendants and their agents, owners, officers, servants, employees and attorneys, and all persons in active concert or participation with them, and each of them, from violating, directly or indirectly, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

VI.

Order the defendants and the relief defendants to disgorge all proceeds obtained as a result of the illegal conduct described above, together with prejudgment interest.

VII.

Order Lybrand to pay civil penalties under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] for his violations of Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], and under Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], for his 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].

VIII.

Order Richard S. Kern to pay civil penalties under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], for his violations of Sections 5(a) and 5(c) of the Securities Act [15

U.S.C. §§ 77e(a) and 77e(c)], and under Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], for his 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].

IX.

Order Donald R. Kern to pay civil penalties under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], for his violations of Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)], and under Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], for his 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].

X.

Order Charles Wilkins to pay civil penalties under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], for his violations of Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)], and under Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], for his 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].

XI.

Order the remaining defendants to pay civil penalties under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], for their violations of Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

XII.

Grant such other and further relief as may be just and proper.

Dated: February 23, 2000

A handwritten signature in black ink, appearing to read 'C. J. Mixter', is written over a horizontal line.

Christian J. Mixter (CM 7422)

William R. Baker III

Antonia Chion

Charles J. Clark

Christina S. Yu

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