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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,	:	
Plaintiff,	:	
	:	
v.	:	01 Civ. 9059 (AGS)
	:	
U.N. DOLLARS CORP., et. al.,	:	
	:	
Defendants.	:	
	:	
	:	
	:	
	:	

**[PROPOSED] FINDINGS, ORDER AND FINAL JUDGMENT OF
DEFAULT AGAINST DEFENDANTS HARRIS AND CREWS**

It appearing to this Court that Plaintiff Securities and Exchange Commission ("SEC"), having duly commenced this action by filing its Complaint, for Permanent Injunction and Other Equitable Relief (the "Complaint"), against Defendants U.N. Dollars Corp. ("UNDR"), Harold F. Harris ("Harris"), Ronald E. Crews ("Crews"), Edward A. Durante ("Durante"), Carib Securities Ltd. ("Carib"), Berkshire Capital Partners, Inc. ("Berkshire"), Dottenhoff Financial Ltd. ("Dottenhoff"), Galton Scott & Golett Inc. ("Galton"), Commonwealth Associates, Ltd. ("Commonwealth Associates"), Zimmen Importing and Exporting, Inc. ("Zimmen"), (collectively, the "Defendants"), and the relief defendants, Exchange Bank & Trust, Inc. ("EBT") and VJV Inc. ("VJV") ("Relief

Defendant”), and for such other and further relief as to this court may deem just and proper;

It further appearing to the Court that the Defendants Harris and Crews have not filed their answers to the Complaint or otherwise plead; the Commission having moved this Court for an Order granting a Application for Default Judgment; the Court having jurisdiction over the parties and the subject matter of this action, the Court being fully advised in the premises, and there being no just reason for delay;

It further appearing that by Order dated January 10, 2003, the Court entered final judgment against all defendants (and relief defendants) except Harris and Crews; and

It further appearing that by Order dated January 27, 2003, the Court granted plaintiffs motion for default judgment against Harris and Crews,

THE COURT HEREBY FINDS AS FOLLOWS:

FACTS ESTABLISHING LIABILITY

1. This is an action filed by the Commission on October 11, 2002, alleging that from December 1999 through March 2000 the Defendants engaged in fraudulent schemes to manipulate the public market for UNDR stock. The Commission properly served the Defendants and the Relief Defendants EBT and VJV in this action. They have all, however, failed to file answers or otherwise defend these actions. Defaults have been entered by the Clerk against Defendants Harris, and Crews.

A. Fraudulent Creation and Transfer of Purportedly Unrestricted Stock to Durante and Durante-Controlled Accounts

2. As alleged in the Complaint, in or around August 1999, Harris, vice-president of UNDR, began discussions with Durante, a stock promoter, concerning

financing for UNDR. (UNDR Comp. ¶¶ 22-23.)¹ During these discussions, Durante used an alias, "Ed Simmons" and said he was worked for Carib. At a time when UNDR shares sold for a penny with little or no trading volume, Durante offered to raise UNDR's stock price to the \$5.00 range with average daily volume of 250,000 shares using contacts he had with market makers. In September 1999, UNDR and Carib signed a contract, providing Durante with 10 million free trading shares of UNDR stock to facilitate Durante's proposed manipulation scheme and possibly finance UNDR. (UNDR Comp. ¶¶ 23-25.)

3. On or about September 23, 1999, Harris, who also acted as UNDR's transfer agent, issued stock certificates totaling ten million shares to the Defendants, as directed by Durante: Berkshire (5 million shares); Dottenhoff (1.25 million shares); Galton (1.25 million shares); Zimenn (1.25 million shares); and Carib (1.25 million shares). This issuance was never registered with the Commission. Crews ratified this issuance of stock. (UNDR Comp. ¶ 25)

4. In November and December 1999, Durante returned nearly all of the ten million shares to UNDR through Depository Trust Corporation ("DTC") to be cleared, or reissued in street name, so they could be sold on the OTC Bulletin Board. After issuing these new shares to Durante's entities, Harris knew or recklessly disregarded that Durante and his affiliates controlled more than 80 percent of the outstanding float of UNDR securities in the market. (UNDR Comp. ¶ 26)

5. Between December 1999 and February 2000, Durante transferred 5.8 million UNDR shares from various accounts held in the names of the entities he

¹ References to "UNDR Comp." are to the complaint filed in this case on October 11, 2001.

controlled to three brokerage accounts at Union Securities, Ltd. ("Union") of Vancouver, British Columbia, Canada. The Union accounts that received these shares were opened in the names of Berkshire, Galton and Dottenhoff. Durante also used a Commonwealth account at Union to trade UNDR shares. (UNDR Comp. ¶ 27.).

6. Starting in December 1999, Durante began buying UNDR shares in the Union accounts to create an artificial market for UNDR stock. (UNDR Comp. ¶ 28)

B. Manipulative Trading

7. After receipt of the stock, Durante and his broker at Union Securities, Trevor Koenig ("Keonig"), placed orders to purchase and sell UNDR stock in a manner designed to create artificial increases in the quotations for UNDR posted by market-makers on the Over-the-Counter Bulletin Board. Among other activities, Durante bought UNDR shares at artificially inflated prices on the open market to create the appearance of a demand for the stock and rising prices. This caused market-makers to raise the price of UNDR stock. These activities raised both the trading volume and the price of UNDR stock. (UNDR Comp. ¶ 39.)

8. Between January and March 2000, Durante bought and sold UNDR shares in the Berkshire, Galton, Dottenhoff and Commonwealth Union Securities accounts, creating the appearance of a market for the securities. He was responsible for the majority of the buy and sell orders on multiple days of trading. By March 13, 2000, when the Commission suspended trading in UNDR securities, Durante had created artificial volume by purchasing over 3 million shares of UNDR in the Union accounts, and by selling more than 3.2 million shares from the Union accounts. Durante spent approximately \$2.1 million purchasing UNDR shares, and received approximately \$2.2

million from the public sales, generating about \$93,000 in profits. In the process, he successfully moved the stock price from a low of \$0.01 in September 1999 to \$1.25 on March 13, 2000, when the Commission suspended trading. (UNDR Comp. ¶¶ 28 - 30)

C. UNDR's Materially False and Misleading Statements

9. To support the manipulative scheme, in February 2000 Durante contracted for investor relations services on UNDR's behalf to publish UNDR press releases. Durante instructed Harris to issue press releases that would generate positive publicity about UNDR and provide a "story" to match UNDR's rising stock price. (UNDR Comp. ¶ 32.)

10. In February 2000, the investor relations service distributed the UNDR press releases to Business Wire, and several Internet financial news websites reprinted the releases. Harris wrote or dictated the initial drafts, provided all substantive information in the releases, and personally approved the final versions prior to distribution. Each of the UNDR press releases contained materially false and misleading information. Crews ratified what Harris had written. Harris and Crews knew the releases contained false and misleading statements, and recklessly disregarded or intentionally omitted contrary facts, which, if disclosed, would have made the releases less misleading. (UNDR Comp. ¶ 33.)

11. In the February 2000 press releases, UNDR made the following false claims:

- a. UNDR stated that it was "in the process of acquiring a major gypsum deposit in the western United States" and misrepresented that it "sign[ed] letter of intent for funding of \$400 million for acquisition of major

gypsum deposit in Wyoming.” In fact, UNDR did not have any funding for that acquisition, nor had any lenders signed a letter of intent to fund the acquisition. (UNDR Comp. ¶ 34.)

- b. UNDR stated that it “issued a letter of intent to enter into an agreement to become the exclusive supplier of gypsum wallboard” to a manufacturer of gypsum structural panels. The release further stated, “the proposed agreement also provides for U.N. DOLLARS to have a major equity position in this structural panel company.” In fact, there was no letter of intent between UNDR and Saxbroke Structural Systems Inc. (“Saxbroke”), the manufacturer referred to in the press release. (UNDR Comp. ¶ 35.)

- c. UNDR stated that the company was continuing negotiations with a Colorado oil and gas concern that controlled operations in Utah, Australia, and Vanuatu, an island in the South Pacific. UNDR stated that “[p]reliminary estimates put reserves of the Vanuatu concession in excess of \$4 billion. A spokesman for U.N. DOLLARS has stated that the Company expects to sign a letter of intent for this transaction within 60 days.” In fact, the company referred to in the release, Lexico International Energy Corporation, was not in any type of negotiations with UNDR. Harris had received an old brochure from Lexico describing the Vanuatu reserves, which Lexico no longer supported. Lexico had discovered that there were no oil and gas reserves on Vanuatu. Harris’s expectation that a

letter of intent to acquire Lexico would be signed in 60 days was not based on any communications with Lexico's executives. (UNDR Comp. ¶ 36.)

- d. In two press releases, UNDR disclosed that "[f]ollowing comprehensive review and valuations," the company was negotiating "to acquire a group of mining claims, located in California, containing several million ounces in gold and silver reserves." The owner of the mining claims was Countryland Wellness Resorts, Inc., which listed the claims as assets in filings with the Commission. However, UNDR performed no "comprehensive review and valuations" of any type; rather Harris read Countryland's Form 10-Q, and relied on a 1986 description of the mining claims that was appended to the Form 10-Q. In addition, while UNDR indeed made an all-stock offer to acquire Countryland's mining claims in February 2000, that offer was rejected by Countryland. (UNDR Comp. ¶ 37.)
- e. UNDR claimed that it "received a signed letter of intent for the acquisition of Invitation Energy, Inc.," a West Virginia oil and gas company "with reserves in excess of \$2 billion." In fact, UNDR never had a copy of a signed letter of intent from that company, and no agreement was ever reached. (UNDR Comp. ¶ 38.)

12. UNDR also maintained an Internet website that described the company's business activities. That website, authored by Harris and Crews, contained several materially false and misleading statements and omissions about the company's prospects. The website claimed that UNDR was operating as a holding company and misrepresented

that from an investing point of view, UNDR was “functioning as both a diversified holding company and a composite of the best mutual funds.” In fact, an investment in UNDR was not comparable to an investment in any mutual fund, and UNDR had no revenue-producing subsidiaries during the relevant time period. Through some earlier stock issuances, it had acquired a handful of inactive companies, real estate, and business plans that the company had not yet executed. (UNDR Comp. ¶¶ 40-44.)

13. The website also misrepresented that UNDR would achieve “an average annual return on assets in excess of 25%.” This return had not been achieved, and UNDR had no actual investments to generate such a return. (UNDR Comp. ¶¶ 40-44.)

D. Proceeds of the Fraud

14. Between January and March 2000, Defendants’ concerted effort to artificially increase the price of UNDR stock generated profits of \$1,937,698.38. Renbaum Decl. The prejudgment interest on this amount is \$412,868.61. Renbaum Decl.²

FACTS ESTABLISHING JURISDICTION

15. The Commission commenced the UNDR action on October 11, 2001 by filing the UNDR Complaint against the Defendants and the Relief Defendants.

16. The Commission alleges that the Defendants violated Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 (the “Securities Act”), 15 U.S.C. §§ 77e(a), 77e(c), 77q(a), Section 10(b) of the Securities and Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder. As to the

² Citations to “Renbaum Decl. refer to the Declaration of Lawrence C. Renbaum dated November 11, 2002.

Defendants, the Commission seeks permanent injunctions against future violations of the above provisions; disgorgement of ill-gotten gains and pre-judgment interest; and civil penalties. (UNDR Comp. ¶¶ 62-69.) As to the Relief Defendants, the Commission alleges that they should be made to disgorge ill-gotten funds received from the Defendants as proceeds of their securities law violations. (UNDR Comp. ¶¶ 76-78.) Additionally, the Commission seeks officer and director bars against Durante, Harris and Crews. (UNDR Comp. Prayer for Relief.)

17. On November 6, 2001, Harold F. Harris (“Harris”), and Ronald E. Crews (“Crews”) were served with the Summons and Complaint upon their duly authorized representative, Robert C. Rosen, Esq. (Renbaum Decl. ¶ 4).

18. On February 21, 2002, the Clerk of this Court issued Certificates of Default against Harris and Crews for their failure to answer or otherwise respond to the Summons and Complaint. (Renbaum Decl. ¶ 7)

19. Defendants Harris and Crews willfully failed to file an answer within the time required by the Federal Rules of Civil Procedure, have no good reasons for their failure to do so, and have no meritorious defenses. Order of January 27, 2003.

CONCLUSIONS OF LAW

1. **BY REASON OF THE FOREGOING**, Defendants Harris and Crews, directly or indirectly, in connection with the purchase or sale of the securities of an issuer, by the use of any means or instrumentality of interstate commerce, of the mails, and of any facility of any national securities exchange: (i) employed a device, scheme or artifice to defraud; (ii) made an untrue statements of a material fact and omitted 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; and (iii) engaged in an act, practice, or course of business which operated as a fraud or deceit upon other persons, in violation 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].

2. **BY REASON OF THE FOREGOING**, Defendants Harris and Crews, directly or indirectly, in the offer or sale of any security by the use of any means or instruments of transportation, or communication in interstate commerce or by the use of the mails: (1) employed devices, schemes, or artifices to defraud; (2) obtained money or property by means of untrue statements of a material fact and omissions to state a material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (3) engaged in transactions, practices, and courses of business which operated as a fraud or deceit upon the purchasers in violation of Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

3. **BY REASON OF THE FOREGOING**, Defendants Harris and Crews, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and sell securities through the use or medium of a prospectus or otherwise when no registration statement has been filed or was in effect as to such securities and when no exemption from registration was available in violation of Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e (a) and (c)].

THEREFORE,

I.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT the Commission's Application for An Order of Default Judgment is hereby granted.

II.

IT IS FURTHER ORDERED ADJUDGED AND DECREED THAT

Defendants Harris and Crews, and their officers, directors, subsidiaries, affiliates, agents, servants, employees, attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of this order by personal service or otherwise, and each of them, are permanently enjoined and restrained from directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange in connection with the purchase or sale of any security: (1) employing any device, scheme, or artifice to defraud; (2) making any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (3) engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person in violation 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].

III.

IT IS FURTHER ORDERED ADJUDGED AND DECREED THAT Defendants Harris and Crews, and their officers, directors, subsidiaries, affiliates, agents, servants, employees, attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of this order by personal service or otherwise, and each of them,

are permanently enjoined and restrained from, directly or indirectly, in the offer or sale of any security by the use of any means or instruments of transportation, or communication in interstate commerce or by the use of the mails: (1) employing any device, scheme, or artifice to defraud; or (2) obtaining money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (3) engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser in violation of Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

IV.

IT IS FURTHER ORDERED ADJUDGED AND DECREED THAT

Defendants Harris and Crews are permanently enjoined and restrained from, directly or indirectly making use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and sell securities through the use or medium of a prospectus or otherwise when no registration statement is filed or is in effect as to such securities and when no exemption from registration is available in violation of Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e (a) and (c)].

V.

IT IS FURTHER ORDERED ADJUDGED AND DECREED THAT

Defendants Harris and Crews and each of them, be and they hereby are permanently enjoined and restrained from acting as a director or officer of any issuer having a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act

[15 U.S.C. §78I] or that 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

Defendants Harris and Crews pay disgorgement of profits gained and retained from the conduct alleged in the Complaint in the amount of \$1,937,698.38, plus pre-judgment interest of \$412,868.61.

VII.

IT IS FURTHER ORDERED ADJUDGED AND DECREED THAT any

person or entity who receives notice of this Order that holds assets of any kind in which the Defendants Harris and Crews hold or have a legal or beneficial interest shall notify the CLERK, UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK that such assets are being held by said person. If the assets in the form of cash on deposit with said person or entity, a check to the Court's registry in the amount of funds on deposit with said person or entity drawn to the order of "CLERK, UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK." The check should bear on its face the caption "SEC V. U.N. DOLLARS ET AL. CIVIL ACTION NO. 1:01 cv 9059 (AGS)" and be transmitted to the Clerk under cover of a letter to the Office of the Clerk, United States District Court for the Southern District of New York United States District Court Southern District of New York, U.S. Courthouse, 500 Pearl Street, New York, NY 10007-1312, which identifies that it is money to which the Defendants or Relief Defendants in this action have a legal or beneficial right, and the caption and case number of this action. Copies of the notice or check and accompanying

cover letter shall be transmitted to counsel for the Commission, Kenneth J. Guido, Esq., Assistant Chief Litigation Counsel, 450 Fifth Street, N.W., Washington, D.C. 20549-0911.

VIII.

IT IS FURTHER ORDERED ADJUDGED AND DECREED THAT

Defendants Harris and Crews each shall pay the maximum third tier civil money penalty of \$110,000 authorized by Section 20(d)(2) of the Securities Act, 15 U.S.C. §77t(d)(2), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. §78u(d)(3); and 17 C.F.R. § 201.1002, setting inflation adjustment calculation.

IX.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED THAT there being no just cause for delay, the Clerk of the Court is directed, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, to enter this Final Judgment against Defendants Harris and Crews forthwith and without further notice.

SO ORDERED.

Dated: March 6, 2003


UNITED STATES DISTRICT JUDGE

**THIS DOCUMENT WAS ENTERED
ON THE DOCKET ON _____**