

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

_____)	
SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Case No. 03-CV-1524-MRK
)	
BLAKE A. PRATER and)	
WELLSPRING CAPITAL GROUP, INC.,)	
)	
Defendants.)	
_____)	

**FINAL JUDGMENT OF
PERMANENT INJUNCTION, DISGORGEMENT AND OTHER RELIEF**

Plaintiff Securities and Exchange Commission ("Commission") having filed a Complaint ("Complaint") and defendants Blake A. Prater ("Prater") and Wellspring Capital Group, Inc. ("Wellspring") having: (i) consented to the Court's jurisdiction over themselves and over the subject matter of this action; (ii) consented to the entry of this Final Judgment of Permanent Injunction, Disgorgement and Other Relief ("Final Judgment") without admitting or denying the allegations of the Complaint (except as to jurisdiction); (iii) waived findings of fact and conclusions of law on the agreed condition that none shall be so entered; and (iv) waived any right to appeal from this Final Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Prater, Wellspring, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 5 of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §77e] by, directly or indirectly, in the absence of any applicable exemption:

- (a) making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell any security through the use or medium of any prospectus or otherwise, unless a registration statement is in effect as to such security;
- (b) carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any security for the purpose of sale or for delivery after sale, unless a registration statement is in effect as to such security; or
- (c) making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed with the Commission as to such security, or while the registration statement as to such security is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act [15 U.S.C. §77h].

II.

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that Prater, Wellspring, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act [15 U.S.C. §77q(a)] 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 use of the mails, directly or indirectly:

- (a) to employ any device, scheme or artifice to defraud;
- (b) to obtain 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) to engage in any transaction, practice or course of business which operates or would operate as a fraud or deceit upon the purchaser.

III.

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that Prater, Wellspring, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5] by using 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, directly or indirectly:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to make 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
- (c) to engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that Prater and Wellspring, jointly and severally, shall pay disgorgement of \$6,000,000, together with pre-judgment interest thereon in the amount of \$24,258, for a total disgorgement obligation of \$6,024,258, to be satisfied in accordance with Paragraph IX below

V.

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that Prater shall pay a civil penalty of \$120,000 pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)], to be satisfied in accordance with Paragraph IX below. The distribution plan to be submitted pursuant to Paragraph VIII below may provide that the civil penalty amount shall be distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. Regardless of whether any such Fair Fund distribution is made, the amount ordered to be paid by Prater as a

civil penalty pursuant to this Final Judgment shall be treated as a penalty paid to the government for all purposes, including all tax purposes.

VI.

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that Wellspring, but not its members, shareholders, officers, directors, employees or investors in their personal capacities, shall pay a civil penalty of \$600,000 pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)], to be satisfied in accordance with Paragraph IX below. The distribution plan to be submitted pursuant to Paragraph VIII below may provide that the civil penalty amount shall be distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. Regardless of whether any such Fair Fund distribution is made, the amount ordered to be paid by Wellspring as a civil penalty pursuant to this Final Judgment shall be treated as a penalty paid to the government for all purposes, including all tax purposes. The civil penalty imposed pursuant to this paragraph shall under no circumstances be a personal obligation of Prater or his wife, Heidi Prater.

VII.

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that any bank, brokerage firm, electronic currency exchange, or other financial institution holding any funds or other assets in the name of, for the benefit of, or under the direct or indirect control of Prater and/or Wellspring, including but not limited to the following accounts at the following institutions:

<u>Institution</u>	<u>Account No.</u>	<u>Account Name</u>	<u>Last Known Balance</u>
BankNorth	424-0086656	Mpactplayers	\$1,023.83
	424-0087018	Wellspring	\$36.10
	424-0087159	Wellspring	\$203,683.40
	424-0087175	SpringPay	\$23,169.42
	424-0087183	SpringPay	\$1.00
	424-0087191	SpringPay	\$230.78
	424-0087472	Mpactplayers	\$14,030.75
	424-0102080	Elm Electric Supply	\$1,825.00
	424-0102527	Elm Electric Supply	\$13.79
Citizens Bank	2202614022	Mpactplayers	\$13,394.17
	2202614081	Wellspring	\$1,459,572.57
	2202815184	SpringPay	\$255,292.59
E-Bullion (Goldfinger)	A42669	Mpact Corporate	unknown
	B24693	SpringPay	unknown
E-Gold (Gold & Silver Reserve)	137860	Mpactplayers	unknown
	575094	Gray Matter	unknown
	608952	CasinoMasters	unknown
	799649	SpringPay	unknown
	1003346	Porch Swing	unknown
PrePaid ATM	A102213768167382	Prater	\$15,403.64
	M791246133028639	MpactPlayers	\$371.23
Webster Bank	9682904	SpringPay	\$170,387.76
	9682913	Wellspring	\$229,380.98
	17592093	Prater	\$278,148.40

shall transfer to the Registry of the Court such funds or the liquidated market value of such other assets immediately upon service of this Final Judgment upon them, by personal service or

otherwise, including by facsimile transmission or overnight delivery. The Clerk shall deposit all such funds into an interest-bearing account with the Court Registry Investment System (“CRIS”). These funds, together with any interest and income earned thereon (collectively, the “Fund”), shall be held by the CRIS until further order of the Court. In accordance with the guidelines set by the Director of the Administrative Office of the United States Courts, the Clerk is directed, without further order of the Court, to deduct from the income earned on the money in the Fund a fee equal to ten percent of the income earned on the Fund. Such fee shall not exceed that authorized by the Judicial Conference of the United States.

VIII.

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that the Commission shall propose a plan, by **September 17, 2004**, to distribute the Fund to repay the investors’ net investment losses and to seek the appointment of a receiver who shall administer the distribution plan subject to the Court’s approval. The receiver shall submit to the Court comments on the proposed distribution plan with twenty-one days of its proposal. The receiver shall make reasonable efforts to take possession of, and then to liquidate, additional assets belonging directly or indirectly to Wellspring, including without limitation certain businesses known as Elm Electric Supply, Maple Breeze and Olympus Park, and certain toys acquired from Just Kid’n Around. All proceeds from the liquidation of any such assets shall be placed in the Fund.

IX.

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that all funds paid to the Court pursuant to Paragraph VII and all funds obtained by the receiver pursuant

to Paragraph VIII shall be applied, to the extent possible and without deduction for the receiver's fees and expenses, in the following order: (i) to satisfy Prater and Wellspring's disgorgement obligation pursuant to Paragraph IV; (ii) to satisfy Prater's civil penalty obligation pursuant to Paragraph V; and (iii) to satisfy Wellspring's penalty obligation pursuant to Paragraph VI. In the event that such funds are insufficient to satisfy all of Prater and Wellspring's obligations pursuant to Paragraphs IV-VI, Prater and Wellspring shall each remain obligated to pay any deficiency with respect to each of their respective obligations under this Final Judgment. No action to execute upon any assets of Prater or Wellspring shall be taken until it is determined by the receiver that there is a deficiency with respect to their remaining obligations. Prater and Wellspring shall make payment by money order, certified check or cashier's check made payable to the Clerk, United States District Court for the District of Connecticut. Such payment shall be mailed to the Clerk of this Court at the Richard C. Lee U.S. Court House, 141 Church Street, New Haven, CT 06510, with a cover letter identifying Prater and Wellspring, the name and number of this action, and the name of this Court, and copies of the payment and cover letter shall be mailed to counsel of record for the Commission. However, in the event that the funds obtained pursuant to Paragraphs VII and VIII are sufficient to satisfy all of Prater and Wellspring's obligations pursuant to Paragraphs IV-VI, the receiver shall return any excess to Prater and/or Wellspring at their direction.

X.

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

IT IS SO ORDERED.

/s/ Mark R. Kravitz
United States District Judge

Dated at New Haven, Connecticut: August 16, 2004.