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4 Securities and Exchange Commission  
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9 Los Angeles, California 90036-3648  
10 Telephone: (323) 965-3998  
11 Facsimile: (323) 965-3908

THIS CONSTITUTES NOTICE OF ENTRY  
AS REQUIRED BY FRCP, RULE 77(d).

FILED JS-2/JS-3  
CLERK, U.S. DISTRICT COURT  
FEB 25 2005  
CENTRAL DISTRICT OF CALIFORNIA  
DEPUTY

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CENTRAL DISTRICT OF CALIFORNIA  
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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
WESTERN DIVISION

NOTE CHANGES MADE BY THE COURT.

12 SECURITIES AND EXCHANGE  
13 COMMISSION,

14 Plaintiff,

15 v.

16 THE HARTCOURT COMPANIES,  
17 INC., ALAN V. PHAN, and  
18 YONGZHI YANG,

19 Defendants.

Case No. CV 03-3698 LGB (PLAx)

~~PROPOSED~~ AMENDED FINAL  
JUDGMENT OF PERMANENT  
INJUNCTION AND OTHER  
RELIEF AGAINST DEFENDANT  
YONGZHI YANG

NOTE CHANGES MADE BY THE COURT.

ENTERED  
CLERK, U.S. DISTRICT COURT  
FEB 28 2005  
CENTRAL DISTRICT OF CALIFORNIA  
DEPUTY

DOCKETED ON CM  
FEB 28 2005  
BY 002

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1 The parties having filed cross motions for summary judgment, the Court  
2 having considered the various memoranda of points and authorities and all other  
3 papers filed and the proceedings had herein, the Court issued an Order Granting  
4 Plaintiff's Motion for Partial Summary Judgment; Denying Defendants' Motion  
5 for Summary Judgment on December 14, 2004. On January 21, 2005, the Court  
6 issued an Amended Order Granting Plaintiff's Motion for Partial Summary  
7 Judgment; Denying Defendants' Motion for Summary Judgment ("Amended  
8 Order"). The parties having agreed that the Amended Order resolves all claims  
9 against all defendants, and the Court being fully advised in the premises and good  
10 cause appearing therefor:

11 **I.**

12 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Yongzhi  
13 Yang ("Defendant") and Defendant's agents, servants, employees, attorneys, and  
14 all persons in active concert or participation with them who receive actual notice  
15 of this Final Judgment by personal service or otherwise are permanently restrained  
16 and enjoined from violating, directly or indirectly, Section 10(b) of the Securities  
17 Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5  
18 promulgated thereunder, 17 C.F.R. § 240.10b-5, by using any means or  
19 instrumentality of interstate commerce, or of the mails, or of any facility of any  
20 national securities exchange, in connection with the purchase or sale of any  
21 security:

- 22 (a) to employ any device, scheme, or artifice to defraud;
- 23 (b) to make any untrue statement of a material fact or to omit to  
24 state a material fact necessary in order to make the statements  
25 made, in the light of the circumstances under which they were  
26 made, not misleading; or
- 27 (c) to engage in any act, practice, or course of business which  
28 operates or would operate as a fraud or deceit upon any person.

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1 II.

2 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED  
3 that Defendant and Defendant’s agents, servants, employees, attorneys, and all  
4 persons in active concert or participation with them who receive actual notice of  
5 this Final Judgment by personal service or otherwise are permanently restrained  
6 and enjoined from violating Section 17(a) of the Securities Act of 1933  
7 (“Securities Act”), 15 U.S.C. § 77q(a), in the offer or sale of any security by the  
8 use of any means or instruments of transportation or communication in interstate  
9 commerce or by use of the mails, directly or indirectly:

- 10 (a) to employ any device, scheme, or artifice to defraud;
- 11 (b) to obtain money or property by means of any untrue statement of a  
12 material fact or any omission of a material fact necessary in order to  
13 make the statements made, in light of the circumstances under which  
14 they were made, not misleading; or
- 15 (c) to engage in any transaction, practice, or course of business which  
16 operates or would operate as a fraud or deceit upon the purchaser.

17 III.

18 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED  
19 that Defendant and Defendant’s agents, servants, employees, attorneys, and all  
20 persons in active concert or participation with them who receive actual notice of  
21 this Final Judgment by personal service or otherwise are permanently restrained  
22 and enjoined from violating Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C.  
23 §§ 77e(a) & 77e(c), by, directly or indirectly, in the absence of any applicable  
24 exemption:


- 25 (a) Unless a registration statement is in effect as to a security, making use  
26 of any means or instruments of transportation or communication in  
27 interstate commerce or of the mails to sell such security through the  
28 use or medium of any prospectus or otherwise;

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1 (b) Unless a registration statement is in effect as to a security, carrying or  
2 causing to be carried through the mails or in interstate commerce, by  
3 any means or instruments of transportation, any such security for the  
4 purpose of sale or for delivery after sale; or

5 (c) Making use of any means or instruments of transportation or  
6 communication in interstate commerce or of the mails to offer to sell  
7 or offer to buy through the use or medium of any prospectus or  
8 otherwise any security, unless a registration statement has been filed  
9 with the Securities and Exchange Commission as to such security, or  
10 while the registration statement is the subject of a refusal order or  
11 stop order or (prior to the effective date of the registration statement)  
12 any public proceeding of examination under Section 8 of the  
13 Securities Act, 15 U.S.C. § 77h.

14 IV.

15 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that  
16 Defendant shall pay disgorgement in the amount of \$186,604.65 and prejudgment  
17 interest of \$3,014.20, for a total of \$189,618.85. Defendant shall make this  
18 payment within <sup>thirty (30)</sup> ~~ten (10)~~ business days after entry of this Final Judgment by   
19 certified check, bank cashier's check, or United States postal money order payable  
20 to the Securities and Exchange Commission. The payment shall be delivered or  
21 mailed to the Office of Financial Management, Securities and Exchange  
22 Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3,  
23 Alexandria, Virginia 22312, and shall be accompanied by a cover letter identifying  
24 Yongzhi Yang as a defendant in this action; setting forth the title and civil action  
25 number of this action and the name of this Court; and specifying that payment is  
26 made pursuant to this Final Judgment. Defendant shall simultaneously transmit  
27 photocopies of such payment and letter to the Securities and Exchange

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1 Commission's counsel in this action. Defendant shall pay post-judgment interest  
2 on any delinquent amounts pursuant to 28 U.S.C. § 1961.

3 V.

4 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that  
5 Defendant shall pay a civil penalty in the amount of \$20,000 pursuant to Section  
6 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the  
7 Exchange Act, 15 U.S.C. § 78u(d)(3). Defendant shall make this payment within  
8 ~~ten (10) business~~ *thirty (30)* days after entry of this Final Judgment by certified check, bank  
9 cashier's check, or United States postal money order payable to the Securities and  
10 Exchange Commission. The payment shall be delivered or mailed to the Office of  
11 Financial Management, Securities and Exchange Commission, Operations Center,  
12 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be  
13 accompanied by a letter (with a copy to counsel for the Securities and Exchange  
14 Commission) identifying Yongzhi Yang as a defendant in this action; setting forth  
15 the title and civil action number of this action and the name of this Court; and  
16 specifying that payment is made pursuant to this Final Judgment. Defendant shall  
17 pay post-judgment interest on any delinquent amounts pursuant to 28 U.S.C. §  
18 1961.

19 VI.

20 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this  
21 Court shall retain jurisdiction over this action for all purposes, including to  
22 implement and enforce the terms of this Final Judgment and other orders and  
23 decrees which may be entered, and to grant such other relief as this Court may  
24 deem necessary and just.

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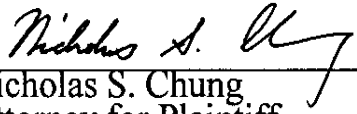
VII.

There being no just reason for delay, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

DATED: Feb. 24, 2005

  
HON. LOURDES G. BAIRD  
UNITED STATES DISTRICT JUDGE

Presented by:

  
Nicholas S. Chung  
Attorney for Plaintiff  
Securities and Exchange Commission

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**PROOF OF SERVICE**

I am over the age of 18 years and not a party to this action. My business address is:

U.S. SECURITIES AND EXCHANGE COMMISSION, 5670 Wilshire Boulevard, 11<sup>th</sup> Floor, Los Angeles, California 90036-3648

Telephone No. (323) 965-3998; Facsimile No. (323) 965-3908.

On February 7, 2005, I served the document entitled **[PROPOSED] AMENDED FINAL JUDGMENT OF PERMANENT INJUNCTION AND OTHER RELIEF AGAINST DEFENDANT YONGZHI YANG** upon the parties to this action addressed as stated on the attached service list:

**OFFICE MAIL:** By placing in sealed envelope(s), which I placed for collection and mailing today following ordinary business practices. I am readily familiar with this agency's practice for collection and processing of correspondence for mailing; such correspondence would be deposited with the U.S. Postal Service on the same day in the ordinary course of business.

**PERSONAL DEPOSIT IN MAIL:** By placing in sealed envelope(s), which I personally deposited with the U.S. Postal Service. Each such envelope was deposited with the U.S. Postal Service at Los Angeles, California, with first class postage thereon fully prepaid.

**EXPRESS U.S. MAIL:** Each such envelope was deposited in a facility regularly maintained at the U.S. Postal Service for receipt of Express Mail at Los Angeles, California, with Express Mail postage paid.

**HAND DELIVERY:** I caused to be hand delivered each such envelope to the office of the addressee.

**FEDERAL EXPRESS BY AGREEMENT OF ALL PARTIES:** By placing in sealed envelope(s) designated by Federal Express with delivery fees paid or provided for, which I deposited in a facility regularly maintained by Federal Express or delivered to a Federal Express courier, at Los Angeles, California.

**ELECTRONIC MAIL:** By transmitting the document by electronic mail to the electronic mail address as stated on the attached service list.

**FAX (BY AGREEMENT ONLY):** By transmitting the document by facsimile transmission. The transmission was reported as complete and without error.

**(Federal)** I declare that I am employed in the office of a member of the bar of this Court, at whose direction the service was made. I declare under penalty of perjury that the foregoing is true and correct.

Date: February 7, 2005

Magnolia M. Marcel  
MAGNOLIA MARCELO

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**SEC v. THE HARTCOURT COMPANIES, INC., et al.**  
**United States District Court - Central District of California**  
**Case No. CV 03-3698 LGB (PLAx)**  
**(LA-2277)**

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