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UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

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U.S. DISTRICT COURT
NEW HAVEN, CT 06510

SECURITIES AND EXCHANGE COMMISSION,)
)
Plaintiff,)
)
v.)
)
BLAKE A. PRATER AND)
WELLSPRING CAPITAL GROUP, INC.)
)
Defendants.)

Case No. **303CV01524**
[Date Filed:
September 5, 2003]
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COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against Defendants Blake A. Prater ("Prater") and Wellspring Capital Group, Inc. ("Wellspring") alleges the following:

SUMMARY

1. The Commission brings this emergency enforcement action to stop an ongoing pyramid scheme arising from an offering of unregistered securities over the Internet. The fraudulent offer and sale of unregistered securities -- in the form of an interrelated series of Ponzi, or pyramid, schemes -- is being carried out by Prater through his company, Wellspring. Prater is the mastermind behind various schemes that guarantee exorbitant returns for investors. The schemes began by at least July 2002, and are ongoing. The schemes come in a variety of different forms and used interrelated internet web sites, revolving around Wellspring's own, www.wellspringcapitalgroup.com. The web sites are used to market the schemes to potential

investors and include specific promises of exorbitant returns. In addition, Prater and Wellspring use a network of agents to directly market the schemes to potential investors. The agents, who operate in Connecticut and throughout the country, solicit investors directly and repeat and expand upon the promises of exorbitant returns made in the internet web sites.

2. One group of fraudulent investment schemes, the "DEAL programs," revolve around the concept of having an investor provide an up-front payment in exchange for a promise to pay the investor returns ranging from at least 100 percent to more than 1,000 percent, usually within a year's time and sometimes over the course, for instance, of a three-year or four-year car loan. Wellspring claims on its internet web site and through its agents that it will pay the returns to investors in the form of cash payments for various living or business expenses of the investors, such as car loans, rent, or business payroll expenses. The promised returns explicitly are made on Wellspring's internet web site, in purported contractual documents provided to investors, and in sales' pitches made to investors by agents acting on behalf of Prater and Wellspring.

3. In another related set of schemes, Prater and Wellspring directly solicit funds, claiming to invest them in a portfolio of companies. These schemes are directly related to the DEAL program schemes in that Prater and Wellspring claim in the latter's internet web site and through their agents that the investor monies obtained through all of the schemes will be pooled by Wellspring and used as venture capital. In some of the direct venture capital schemes as well, Prater and Wellspring have guaranteed investors a profit of more than 100 percent. The venture capital monies accumulated by Wellspring then purportedly are used in what Prater describes as "a hybrid combination of venture capital, portfolio mergers and acquisitions, 'turn-around' management, investment banking, and finance management" to create profits. The venture capital money pooled

from investors is funneled through Wellspring and a series of related entities, including several that use the business name M pact in one form or another. Prater and Wellspring claim that the profits generated through their venture capital efforts allow them to pay the exorbitant returns promised to investors in the DEAL programs, as well as to provide profitable returns to those investing directly in the venture capital scheme.

4. Prater and Wellspring lure investors with, among other things, misrepresentations about Prater's background and about the nature of Wellspring's business activities. For example, Prater has represented to agents acting on his behalf, who pass along the representations to prospective investors, that he is a billionaire with decades of financial experience. In fact, Prater has a lengthy criminal record with convictions involving fraud and forgery, none of which is disclosed to prospective investors.

5. Prater and Wellspring have attracted thousands of investors and raised in excess of \$3 million through his various schemes, many of which are ongoing. As is typical of pyramid schemes, Prater and Wellspring are providing early investors with returns on their money, and using those "successful" investments as a vehicle for recruiting others into the scheme. As is also typical of pyramid schemes, inevitably it will collapse of its own weight bilking investors of at least millions of dollars. The collapse necessarily ensues as soon as the promised returns are exceeded by the schemes ability to attract new participants. The Commission therefore seeks emergency relief in order to stop the offer and sale of unregistered securities, to halt the schemes in their tracks, and to preserve what funds remain.

6. As set forth below, the Commission is likely to prevail on the merits of its claims that Prater and Wellspring have violated, and continue to violate, the registration and anti-fraud

provisions of the federal securities laws. The offerings Prater and Wellspring made were unregistered, in violation of Section 5(a) and 5(c) of the Securities Act of 1933 (the "Securities Act"). Moreover, the pyramid schemes violate Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Further, unless the Court temporarily restrains the ongoing violations of the securities laws by Prater and Wellspring, freezes the assets of Prater and Wellspring, and grants the other equitable relief sought by the Commission, there is a serious risk that the remaining investor funds will be dissipated, concealed, or transferred offshore.

7. Prater's and Wellspring's investment offering is nothing more than a classic pyramid scheme with high-tech trappings, since the money needed to pay off existing investors is derived from investments by new or existing investors. In addition, Prater and Wellspring continues to offer their investment program on the Wellspring internet web site and investors are continuing to invest in the program.

8. Through Wellspring's investment offering, Prater and Wellspring have engaged and, unless enjoined, will continue to engage in violations of the federal securities laws. Specifically, Prater and Wellspring's conduct constitutes the sale of unregistered securities in violation of Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act"), fraud in the offer or sale of securities in violation of Section 17(a) of the Securities Act, and fraudulent or deceptive conduct in connection with the purchase or sale of securities in violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder. In addition, Prater and Wellspring have been unjustly enriched by the receipt of investor funds and are liable for disgorgement of those funds.

9. Accordingly, the Commission seeks: (i) entry of a permanent injunction prohibiting Prater and Wellspring from further violations of the relevant provisions of the federal securities laws,

(ii) disgorgement of Prater's and Wellspring's ill-gotten gains and unjust enrichment, plus prejudgment interest, and (iii) the imposition of civil monetary penalties. In addition, because of the ongoing nature of the fraud and the danger that investor funds will be dissipated, the Commission seeks entry of a temporary restraining order and a preliminary injunction that will: (i) prohibit Prater and Wellspring from continuing to violate the relevant provisions of the federal securities laws, (ii) freeze Prater's and Wellspring's funds, including those funds held by their affiliated entities, including but not limited to, as well as any other funds obtained from investors and otherwise maintain the status quo pending final resolution of this action, (iii) require the repatriation of funds obtained from United States investors and transferred overseas, (iv) require Prater and Wellspring to submit an accounting of investor funds and other assets in their possession, (v) prevent Prater and Wellspring from destroying relevant documents, and (vi) set a schedule for expedited discovery.

JURISDICTION

10. The Commission is an agency of the United States of America established by Section 4(a) of the Exchange Act [15 U.S.C. §78d(a)].

11. The Commission seeks entry of a temporary restraining order, a preliminary injunction, a permanent injunction, and the disgorgement of ill-gotten gains and unjust enrichment pursuant to Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. §78u(d)(1)]. The Commission seeks the imposition of civil monetary penalties 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)].

12. This Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§77t(d) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange

Act [15 U.S.C. §§78u(d), 78u(e) and 78aa]. Venue is proper in the District of Connecticut because Wellspring is a Connecticut corporation, the Wellspring website is readily available to computer users in Connecticut, Wellspring maintains a business location in Connecticut, and Prater resides in Connecticut and does business through Wellspring in the state.

13. In connection with the conduct described in this Complaint, Prater and Wellspring directly or indirectly made use of the mails or the means or instruments of transportation and communication in interstate commerce.

DEFENDANTS

14. Prater is 52 years old and his last known address is 63 Davis Drive, Guilford, CT. Prater's business address in Connecticut is 41 Kings Highway, Suite 202, Gales Ferry, Connecticut 06335. Prater formerly lived in Vermont and he continues to operate a business or businesses located at 37 Catherine Street, St. Albans, Vermont.

15. Wellspring is a Connecticut corporation. Prater is the President, incorporator, director, and registered agent of Wellspring.

RELATED ENTITIES

16. Prater is the President and a director of MpackXChange Ltd., a Vermont corporation, MpackPlayers Ltd., a Vermont corporation, MpackPlayers of Connecticut, Inc., a Connecticut corporation. MpackVentures, Ltd. is a d/b/a affiliate of Wellspring Communities Corporation ("WCC") and linked to the Wellspring website, and its place of address is the same as Prater's Connecticut business address.

WEBSITES

17. Wellspring and Mpact each have at least one website. These websites include www.wellspringcapitalgroup.com, www.mpactplayers.com, www.mpactventures.net, www.dealmakerclub.com, and www.cardealnow.com. The website at www.mpactplayers.com, which no longer operates, was registered to Blake Prater, Mpactplayers Ltd., 37 Catherine Street, Saint Albans, VT, 05478.

STATEMENT OF FACTS

The Offerings

18. The scheme operates with at least two prongs. First, Wellspring claims to offer “money-saving consumer and commercial financial solutions . . . designed to eliminate or offset a particular expense that our client’s may have.” These solutions concern six categories: (i) car payments, (ii) rent payments, (iii) business expenses; (iv) payroll replacement; (v) MpactDEAL fixed benefits; and (vi) “Right-to-Receive Agreements.” These “products” all revolve around the same concept: investors make up-front payments to Wellspring and are assured they will receive exorbitant returns on their principal. Collectively, Wellspring refers to these as “short-term income participation program[s]” or “Defined Equity Account Limited Liability Compan[ies] or DEAL.”

19. Second, Wellspring operates a series of investment funds. These funds are operating while neither Prater nor Wellspring has filed a registration statement for any of the DEAL or investment fund programs referenced herein. In addition, least some of the securities were offered and sold to the public via the Internet without any regard for whether the offerees were accredited investors.

The “CarDEAL Payment” Plan

20. Prater and Wellspring operate what they call a CarDEAL payment plan. Wellspring claims that through the plan, or program, it will make the car loan payments for a period of years in exchange for receiving a relatively small up-front payment from the car purchaser. The up-front payment typically is equal to the amount the purchaser received as a rebate from the automobile manufacturer. Wellspring provides a calculator on its website that allows users to determine the exorbitant sums they will purportedly receive -- in the form of Wellspring making the person’s car loan payments -- over and above the person’s initial payment. The cardealnow.com website that is affiliated with this program and with Wellspring informs investors that, by using the CarDEAL program, they will “never make a payment again!” on the car they have purchased because Wellspring will undertake to do so. Conservatively, the CarDEAL payment plan promises investors returns on their money ranging from at least 500 percent to more than 2000 percent.

The “Rent Relief” Plan

21. Prater and Wellspring also offers a “get rid of your rent” program that operates on a model similar to the CarDEAL payment program. Under the program, renters provide Wellspring with a relatively small up-front outlay – “equal to only slightly more than the average move-in cost of a typical rental” – and Wellspring “takes over paying your rent.” According to the terms of the “Rent Relief” model contract, a renter/investor makes an up-front payment to Wellspring of three times his rent. After approximately thirty days, Wellspring promises to begin paying the rentor/investor’s monthly rent obligation directly to the landlord and to continue to do so for a period of two years, thereby promising investors a return of 800 percent over the two-year period.

The “Business Expense Replacement” Plan

22. Prater and Wellspring also offer a return of over 10 times the initial outlay – over 1,000 percent – in the form of a “business expense replacement plan.” Under this plan, participants are solicited to provide Wellspring an initial outlay. After nine weeks, Prater and Wellspring claim that the company will make 43 straight weekly payments to the participant, with each payment totaling 25% of the initial investment. For example, under the plan, a participant making an initial payment to Wellspring of \$10,000 is to receive 43 weekly payments of \$2,500 each, for a total of \$107,500 in one year.

The “Payroll Replacement Plan”

23. Prater and Wellspring also solicit investors for a Payroll Replacement Plan (“PRP”). Prater and Wellspring operate the plan, or program, by soliciting a participating employer/investor to pay four times its total weekly payroll disbursement amount to Wellspring. In return, Wellspring promises to pay to the investing employer the amount of the total weekly payroll disbursement every week for 43 weeks beginning nine weeks after the initial payment. This amounts to an approximately 1000% return over a period of one year.

The M Pact Program

24. Wellspring also provides another investment offering, which it refers to as “MPact.” Under the MPact program, Prater told prospective investors they were “guaranteed profit on [their] investment in the short-term.” According to representations made on the Wellspring internet web site, the M Pact program is a money-making activity deriving from “the acquisition of stable, profitable businesses.” As Prater explained M Pact in a statement to prospective investors:

It's the combination of many things: we buy companies, we run companies, we start companies, we manage companies we own and also those owned by others, we loan money to companies, we buy and sell stocks in targeted public companies for quick profit, and many other things.

All of these produce profits. Many of the profits from short-term investments – as short as 8 hours, as in overnight bank repurchase agreements – and many come from longer-term investments – such as business acquisitions which can be up to 3-5 years.

I employ a lot of highly sophisticated money management techniques that are generally done only by big money-center banks and investment houses around the world. I've developed methods that are generally restricted to the billion-dollar-a-day guys and make them work at smaller dollar levels. . . .

In our situation, we agree to give our partner – you – a guaranteed profit on your investment in the short-term present....and never have to pay you again in the long-term future....regardless of how much profit we make. You win in the short-term. We win in the short term. Win-Win!

We use your money in the short term to acquire things that pay us much more in the long-term.

Prater also has described the MpactDEAL program as a “fixed-benefit plan” that “locks in a specified dollar amount of return on a predetermined schedule for the DEAL holder.”

The “Right-to-Receive” Agreements

25. Prater also operates another interrelated scheme through an entity he controls called Wellspring Communities Corporation (“WCC”). WCC enters into “Right-to-Receive Agreements” (“RTRs”) with various individuals located in the United States and abroad. The RTRs represent that WCC is the beneficial owner of a unit in a limited liability company, which in turn has entered into a “loan/profit agreement” with MpactVentures, Ltd. These RTRs, which are substantially identical to one another, typically require an upfront payment by an investor. In exchange for the upfront payment, WCC is obligated, beginning one month after the payment, to pay the investor a weekly

distribution of 25% of the upfront payment each week for eight weeks (a 100% profit).

The MPACTFUND

26. In addition to the fixed-payment “DEALS” described immediately above, Prater and Wellspring also operate a series of investment funds called the “MpackFund.” According to the dealmakerclub.com website:

The MpackFund is a series of Limited Liability Companies (LLCs) that serve as the Dealmaker Club’s business acquisition vehicles. As the Club develops a portfolio of cashflow producing businesses, the income derived from the portfolio goes into the MpackFund and is distributed regularly to the LLC Partners on a pro-rated basis according to the number of units they own. The precise level or timing of income for the Mpack Fund cannot be determined in advance as these elements depend on factors that are in constant change. However, since the income generated through the LLCs tends to compound itself over time with the continual addition of new income streams, participation in the MpackFund can provide a viable income replacement solution for the future.

27. The MpackFund includes at least all of the following entities: MpackFund Partners One, LLC; MpackFund Partners Two, LLC; MpackFund Partners Three, LLC. MpackVentures Ltd. is another investment fund associated with Wellspring (hereinafter “Mpack LLCs”). A search of SEC files reveals that none of these entities has filed a registration statement with the Commission. Subscription to the MpackLLCs has been offered to investors all over the United States.

Material Misrepresentations Regarding the Investor Funds

28. The MpackVentures Ltd. website lists some of the companies purportedly acquired or owned by the MpackFund LLCs, including Elm Electrical Supply (“Elm Electrical”). The website makes material misrepresentations regarding Elm Electrical. For example, the website represents that “Immediately after acquisition of [Elm Electrical], it was moved to larger facilities in anticipation of future expansion and growth. A streamlining of inventories was also implemented,

along with a complete computerization of inventory receiving and sales processing.” These representations are false. Elm Electrical has recently moved into *smaller* quarters and no computerization has been done. The MpactVentures website also falsely claims that Elm Electrical has “a new website featuring online ordering[.]”

Material Misrepresentations by Prater About His Own Background

29. In addition to solicitations through the Wellspring internet web site, Prater and Wellspring attract prospective investors through a network of agents. Among other things, those agents falsely have represented to investors - based, at least in part, on statements made directly to the agents by Prater - that Prater is a billionaire businessman with decades of financial experience. In fact, and this information is not disclosed to prospective investors, Prater has an extensive criminal history involving fraud. Specifically, in 1998, Prater was convicted of writing a bogus check in Michigan and larceny in Colorado, for which he was sentenced to probation. On January 6, 1993, Prater was convicted of fraud in Michigan and was sentenced to a prison term of 4 ½ years. On January 29, 1993, Prater was arrested in Florida for an unknown misdemeanor. In 1992, Prater was convicted of forgery and theft in Washington, for which he was sentenced to prison terms of five months and nine months, respectively. In 1991, Prater was arrested as a fugitive and also charged with possession of stolen goods in North Carolina. In 1980, Prater was arrested on unknown charges in California.

30. None of the information regarding Prater’s past is disclosed to prospective investors. Instead they are led to believe that the person with whom they are entrusting their money is a successful, reputable businessman.

Prater and Wellspring Continue to Solicit Investors

31. Prater and Wellspring continue to use the Wellspring web site, as well as their agents, to offer investments in their various plans and programs. Investors continue to place money in those plans and programs.

**FIRST CLAIM FOR RELIEF
AGAINST PRATER AND WELLSPRING**

**Offer and Sale of Unregistered Securities
[Violation of Sections 5(a) and 5(c) of the Securities Act]**

32. The Commission repeats and incorporates by reference the allegations in paragraphs 1-31 of the Complaint as if set forth fully herein.

33. The units, or shares, of the plans and programs offered by Prater and Wellspring, and the investment contracts related to them, are securities within the meaning of Section 2(1) of the Securities Act [15 U.S.C. §77b(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. §78c(a)(10)]. No registration statement has been filed with respect to these securities, and no exemption from registration has been available.

34. Prater and Wellspring, directly or indirectly: (a) have made, are making, and are about to make use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise, as to which no registration statement was in effect and for which no exemption from registration was available, and/or for the purpose of sale or for delivery after sale, have carried or caused to be carried, are carrying or causing to be carried, and are about to carry or cause to be carried through the mails or in interstate commerce, by means or instruments of transportation, securities for which no registration statement was in effect and for which no exemption from registration was available;

and/or (b) have made, are making, and are about to make use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement had been filed and for which no exemption from registration was available.

35. As a result, Prater and Wellspring have violated, are violating and, unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§77e(a) and 77e(c)].

**SECOND CLAIM FOR RELIEF
AGAINST PRATER AND WELLSRING**

**Fraud in the Offer and Sale of Securities
[Violation of Section 17(a) of the Securities Act]**

36. The Commission repeats and incorporates by reference the allegations in paragraphs 1-35 of the Complaint as if set forth fully herein.

37. Prater and Wellspring, directly or indirectly, acting intentionally, knowingly or recklessly, in the offer or sale of securities by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails: (a) have employed, are employing, and are about to employ devices, schemes or artifices to defraud; (b) have obtained, are obtaining, and are about to obtain money or property by means of untrue statements of material fact or omissions 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) have engaged, are engaging, and are about to engage in transactions, practices or courses of business which operate as a fraud or deceit upon the purchasers of the securities.

38. As a result, Prater and Wellspring have violated, are violating and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

**THIRD CLAIM FOR RELIEF
AGAINST PRATER AND WELLSPRING**

**Fraud in Connection with the Purchase and Sale of Securities
Violation of Section 10(b) of the Exchange Act and Rule 10b-5**

39. The Commission repeats and incorporates by reference the allegations in paragraphs 1-38 of the Complaint as if set forth fully herein.

40. Prater and Wellspring, directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (a) have employed, are employing, and are about to employ devices, schemes or artifices to defraud; (b) have made, are making, and are about to make untrue statements of material fact or have omitted, are omitting, and are about 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) have engaged, are engaging, and are about to engage in acts, practices or courses of business which operate as a fraud or deceit upon certain persons.

41. As a result, Prater and Wellspring have violated, are violating and, unless enjoined, will continue to violate 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].

**FOURTH CLAIM FOR RELIEF
AGAINST PRATER AND WELLSPRING**

**Civil Monetary Penalties
Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act**

42. The Commission repeats and incorporates by reference the allegations in paragraphs 1-41 of the Complaint as if set forth fully herein.

43. The violations by Prater and Wellspring identified in this Complaint have involved

fraud, deceit, manipulation, or deliberate or reckless disregard of regulatory requirements and have directly or indirectly resulted in substantial losses or created a significant risk of substantial losses to other persons.

44. As a result, Prater and Wellspring are liable for civil monetary penalties 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)], in an amount to be determined by the Court.

NEED FOR EMERGENCY RELIEF

45. This is an ongoing fraud, as Prater and Wellspring continue to solicit investors through the Wellspring website and through a network of agents. Without this Court's action, it is unlikely that Prater and Wellspring will discontinue their fraudulent solicitations.

46. Prater and Wellspring already have dissipated assets belonging to investors by transferring them to bank accounts maintained by affiliated companies.

47. The emergency relief requested below is necessary in order to prevent further violations of the federal securities laws and further harm to investors, including further dissipation of investor assets.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

A. Enter a temporary restraining order which:

1. Restrains Prater and Wellspring and each of their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise, from directly or indirectly violating:

- a. 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];
- b. Section 17(a) of the Securities Act [15 U.S.C. 77q(a)], and
- c. Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. 77e(a)];

2. Requires Prater and Wellspring, and each of their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise, including facsimile transmission, electronic mail or overnight delivery service, to hold and retain all funds and other assets held for the direct or indirect benefit, or under the direct or indirect control, of Prater or Wellspring, in whatever form such funds and other assets may presently exist, to prevent any withdrawal, sale, payment, transfer, dissipation, assignment, pledge, alienation, encumbrance, diminution in value or other disposal of any such funds and other assets, and to freeze such funds and other assets pending further order of this Court, and further require all bank, brokerage and other financial institutions and other persons and entities which receive actual notice of the order by personal service or otherwise, including by facsimile transmission, electronic mail or overnight delivery service, and which hold any funds or other assets for the direct or indirect benefit, or under the direct or indirect control, of Prater or Wellspring in whatever form such assets may presently exist, to hold and retain within their control and prohibit the withdrawal, sale, payment, transfer, dissipation, assignment, pledge, alienation, encumbrance, diminution in value or other disposal of any such funds and other assets;

3. Notwithstanding the above, requires Prater and Wellspring to transfer to the Registry of the Court, within three (3) business days of service of the order, all funds or other assets under their direct or indirect control which were obtained from investors within the United States

in connection with solicitations on or through the website “www.wellspringcapitalgroup.com” or under the name “Wellspring Capital Group, Inc.,” or any affiliated entities, and which have been transferred overseas, in whatever form such funds or other assets may presently exist and wherever located, and such funds and other assets shall remain in the Registry pending further order of this Court;

4. Restrains Prater and Wellspring and each of their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise, including facsimile transmission, electronic mail or overnight delivery service, from accepting, or depositing into any account in which any of them has a direct or indirect beneficial interest or over which they exercise direct or indirect control, all funds or other assets obtained in connection with solicitations on the website “www.wellspringcapitalgroup.com” or under the name “Wellspring Capital Group, Inc.,” or any affiliated entities;

5. Requires Prater and Wellspring to submit in writing and serve upon the Commission, within three (3) business days following service of the order, a written accounting identifying:

- a. The name, address, amount of payment and present location of proceeds for each and every individual who made payments in connection with solicitations on the website “www.wellspringcapitalgroup.com” or under the name “Wellspring Capital Group, Inc.,” or any affiliated entities;
- b. Assets of every type and description with a value of at least one thousand dollars (\$1000) held for the direct or indirect benefit, or subject to the direct or indirect control, of Prater or Wellspring, whether in the U.S. or elsewhere;

- c. All transfers of funds or other assets of one thousand dollars (\$1000) or more in funds obtained in connection with solicitations on the website "www.wellspringcapitalgroup.com" or under the name "Wellspring Capital Group, Inc.," or any affiliated entities, including the names and locations of all persons, entities and accounts to and from which the transfers were made, the dates, amounts and purposes of the transfers and the identity and location of any assets derived from such funds;
- d. All accounts maintained at any bank, broker-dealer or other financial institution in the U.S. or elsewhere for the direct or indirect benefit, or subject to the direct or indirect control of Prater or Wellspring at any time since April 1, 2003;

6. Requires Prater and Wellspring to submit in writing to the Commission, within three (3) business days following service of the order, a list of all street and mailing addresses (including but not limited to postal box numbers), telephone or facsimile transmission numbers (including numbers of pagers and mobile telephones), electronic mail addresses, safety deposit boxes and storage facilities used by either or under either's direct or indirect control, at any time since April 1, 2003;

7. Restrains Prater and Wellspring and each of their officers, agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise, including by facsimile transmission, electronic mail or overnight delivery service, from destroying, mutilating, concealing, altering, or disposing of any items, including but not limited to any books, records, documents, correspondence, contracts, agreements, assignments, obligations, tape recordings, computer media or other property relating to Prater and/or Wellspring or any of their securities, financial or other business dealings, including but not limited to the website "www.wellspringcapitalgroup.com;"

8. Provides that the parties may commence discovery forthwith, without any time constraints imposed by the Federal Rules of Civil Procedure or the Local Rules of this District, that all parties shall respond to any discovery request, including any notice of deposition or document request, within three (3) business days following service thereof, and that all depositions may be taken upon three (3) business days notice and all depositions of parties may be taken in Boston, Massachusetts;

9. Provides that, pursuant to Rule 5 of the Federal Rules of Civil Procedure, service of all pleadings and other papers to be served in this action, except the Summons and Complaint, may be made personally, by facsimile transmission, by overnight delivery service, or as this Court may direct by further order and that service of the Summons and Complaint shall be made pursuant to Rule 4 of the Federal Rules of Civil Procedure or as this Court may further order; and

10. Requires Prater and Wellspring to serve the statements and accountings required by the order and all other filings in this action on counsel for the Commission by messenger, overnight delivery service, or by facsimile to Scott Pomfret, Esq., U.S. Securities and Exchange Commission, 73 Tremont Street, 6th Floor, Boston, Massachusetts 02108, facsimile number (617) 424-5940.

B. Enter a preliminary injunction extending the terms of the temporary restraining order described above;

C. Enter a permanent injunction restraining Prater and Wellspring and each of their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of the order or injunction by personal service or otherwise, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and

effect, in violation of:

1. Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. 77e(a)],
2. Section 17(a) of the Securities Act [15 U.S.C. 77q(a)], and
3. 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];

D. Require Prater and Wellspring to disgorge their ill-gotten gains and unjust enrichment, including prejudgment interest, with said monies to be distributed in accordance with a plan of distribution to be ordered by the Court;

E. Order Prater and Wellspring to pay appropriate civil monetary penalties 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)];

F. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

G. Award such other and further relief as the Court deems just and proper.

Respectfully submitted,

JUAN MARCEL MARCELINO
DISTRICT ADMINISTRATOR

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Dated: September 5, 2003