

UNITED STATES DISTRICT COURT

FILED
U.S. DIST. COURT
MIDDLE DISTRICT OF LA.

MIDDLE DISTRICT OF LOUISIANA

02 AUG 28 AM 10:11

SECURITIES AND EXCHANGE COMMISSION,)
)
) Plaintiff,)
)
) versus)
)
) HARRAL DUNBAR, JR., Individually)
) and d/b/a GHOST INTERNATIONAL,)
)
) Defendant.)
)

SIGN _____
DEPUTY CLERK
CIVIL ACTION
CASE NO. 02-233-B-M1

ORDER SETTING DISGORGEMENT, PREJUDGMENT INTEREST AND CIVIL PENALTY AGAINST DEFENDANT HARRAL DUNBAR, JR.

This matter is before the Court on the motion of the Securities and Exchange Commission ("Commission" or "SEC") to set the amounts of disgorgement, prejudgment interest and a civil penalty, all of which have been previously imposed by prior order. In the Order of Permanent Injunction entered in this matter on April 12, 2002, to which defendant Harral Dunbar, Jr. ("Dunbar") consented, the Court specifically held that Dunbar shall pay disgorgement, prejudgment interest and a civil penalty in amounts to be resolved upon motion of the Commission at a later date. For purposes of disgorgement, pre-judgment interest and the civil penalty, the allegations of the Commission's complaint were deemed to be true. Furthermore, that Order provides

that Dunbar may not, by way of defense, contend

DKT. & ENTERED
DATE 8/28/02 FJP
NOTICE MAILED TO: KC
BY nt Gaupp
Dunbar

INITIALS	DOCKET#
nt	38

disgorgement, pre-judgment interest and a civil penalty should not be imposed.

In conjunction with the Commission's motion to set disgorgement, prejudgment interest and a civil penalty in this matter, the SEC has submitted the Declaration of Michael Mashburn, an employee of the SEC,¹ who sets forth in summary fashion the evidence regarding the investments received by Dunbar, and the investor funds retained by him, as a result of his operation of the Ghost International Internet website. The SEC has also submitted the transcript of Dunbar's March 15, 2002 sworn deposition in which the defendant testified to the scope of his investment scheme. Furthermore, the Court has previously admitted Exhibits 1-11 at the preliminary injunction hearing held before this Court on March 13, 2002.

Based upon all of the evidence before the Court and the motion and brief of the SEC, Dunbar raised a total of \$11,100 from 29 investors in the United States, Canada, Australia and England. From that amount, Dunbar repaid \$1,500 to the Zell group of investors. **IT IS HEREBY ORDERED** that Dunbar pay disgorgement in the amount of \$9,600 to the

¹ The SEC submitted a supplemental declaration of Michael E. Mashburn which included one additional \$200 investor which had been inadvertently omitted from its original calculation.

registry of the Court not later than 30 days from the entry of this Order.

Prejudgment interest is appropriate on disgorgement in the principal amount of \$9,600. Prejudgment interest shall accrue at the rate used by the Internal Revenue Service for unpaid collections from March 1, 2002 through the date of the entry of this Order. **IT IS HEREBY ORDERED** that Dunbar pay all prejudgment interest on the principal amount of \$9,600 within 30 days from the entry of this Order.

The SEC also seeks a "third tier" civil penalty in this matter. Dunbar's violations meet the statutory requirements for the imposition of a penalty classified as a "third tier" penalty in that they involved fraud, deceit, manipulation or deliberate or reckless disregard of a regulatory requirement and that the violations directly or indirectly resulted in substantial losses or created a significant risk of substantial losses to other persons. See § 20(d) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. 77t(d)] and § 21(d)(3) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. 78u(d)]. Furthermore, with regard to Dunbar's conduct through the Ghost website, he misrepresented various material facts in connection with his securities offering, including promises of inordinate amounts of guaranteed returns and promises of no-risk investing.

However, the investors no return on their investments, and Dunbar had no reasonable basis to believe the investments would provide the returns he touted. Dunbar ignored cease and desist orders from the State of Louisiana, and lulled investors making unkept promises that payments would be made shortly. He also provided false Western Union tracking numbers for supposed forthcoming payments to some investors. Dunbar misrepresented investment risks by falsely claiming the investments were bank guaranteed, when no guarantee existed, and failed to disclose to the investors that Ghost International never earned returns such as the touted projection of \$150,000 return on a \$200 investment after a 16-20 week waiting period. In actuality, Dunbar admitted in his deposition that he used the investors' funds for expenses largely related to his computer (Exhibit B, pg. 58). While many of Dunbar's victims were U.S. residents, others were situated in Australia, Canada and England. (Exhibit B, pgs. 47, 61, 63, 79). Dunbar solicited investors throughout the world via the Internet.

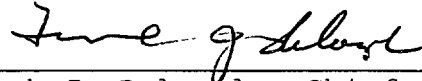
It is also appropriate to note Dunbar's conduct during the SEC's investigation in this fraud, and Dunbar's conduct before this Court. Specifically, Dunbar failed to appear for testimony before the SEC staff during the investigation, failed to appear at the TRO hearing despite a court order,

failed to appear for his "show cause" hearing on the preliminary injunction and failed to appear for his expedited deposition pursuant to court order. The court sua sponte held Dunbar in civil contempt and incarcerated him for his failure to appear at the "show cause" hearing on the preliminary injunction. It was during Dunbar's two-day incarceration from March 13-15, 2002, that the SEC staff finally obtained Dunbar's sworn testimony. Given all factors, the Court concludes that a "third tier" civil penalty is appropriate in this matter. Dunbar's conduct involved fraud, deceit, manipulation or deliberate or reckless disregard of a regulatory requirement and the violations directly or indirectly resulted in substantial losses or created a significant risk of substantial losses to other persons. **IT IS HEREBY ORDERED** that Dunbar pay a civil penalty in the amount of \$120,000 to the registry of this Court within 30 days from the entry of this Order.

(Order continued on next page)

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction over this matter for all purposes, including implementing and enforcing the terms of this Order, and may order other and further relief that this Court deems appropriate under the circumstances.

SO ORDERED this 28 day of August, 2002 at Baton Rouge, Louisiana.



Frank J. Polozola, Chief Judge
United States District Court