


**ORIGINAL**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

<p>U.S. DISTRICT COURT NORTHERN DISTRICT OF TEXAS FILED</p> <p>NOV 10 2004</p> <p>CLERK, U.S. DISTRICT COURT</p> <p>By _____ Deputy </p>
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**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**vs.**

**RESOURCE DEVELOPMENT INTERNATIONAL,  
LLC, DAVID EDWARDS, JAMES EDWARDS, JADE  
ASSET MANAGEMENT, LTD, SOUND FINANCIAL  
SERVICES, INC, INTERCOASTAL GROUP, LLC,  
INTERCOASTAL GROUP II, LLC, KEVIN LYNDS,  
GERALD J STOCK, BLACKWOLF HOLDINGS,  
LLC and WILLIAM WHELAN**

**Defendants,**

**and**

**PACIFIC INTERNATIONAL LIMITED  
PARTNERSHIP, INTERNATIONAL EDUCATION  
RESEARCH CORPORATION, GALAXY ASSET  
MANAGEMENT, INC and DAVID CLUFF,  
Individually and d/b/a RIVERA TRUST 410**

**Defendant Solely for Purposes  
of Equitable Relief.**

Civil Action No.  
3:02-CV-0605-R

**FINAL JUDGMENT GRANTING PERMANENT INJUNCTION  
AND OTHER RELIEF AS TO DEFENDANTS RESOURCE DEVELOPMENT  
INTERNATIONAL, LLC, DAVID EDWARDS, JAMES EDWARDS, JADE ASSET  
MANAGEMENTSOUND FINANCIAL SERVICES, INC., KEVIN LYNDS, GERALD  
STOCK, INTERCOASTAL GROUP, LLC, INTERCOASTAL GROUP II, LLC, AND  
BLACKWOLF HOLDINGS, LLC AND RELIEF DEFENDANTS PACIFIC  
INTERNATIONAL LIMITED PARTNERSHIP, INTERNATIONAL EDUCATION  
RESEARCH CORPORATION, AND GALAXY ASSET MANAGEMENT, INC.**

This matter came before this Court on application of Plaintiff Securities and Exchange Commission, seeking entry of final judgment setting disgorgement amounts and awarding

civil penalties as to Defendants Resource Development International, LLC (“RDI”), David Edwards (“Edwards”), James Edwards (“J. Edwards”), Jade Asset Management, Ltd. (“Jade”), Sound Financial Services, Inc. (“SFSI”), Kevin Lynds (“Lynds”), Gerald Stock (“Stock”), Intercoastal Group, LLC (“Intercoastal I”), Intercoastal Group II, LLC (“Intercoastal II”) and Blackwolf Holdings, LLC, and Relief Defendants Pacific International Limited Partnership (“PILP”), International Education Research Corporation (“IERC”) and Galaxy Asset Management, Inc. (“Galaxy”) for their failure to appear or otherwise defend in this cause.

This Court having considered the pleadings and declarations on file herein makes the following findings of fact and conclusions of law:

1. The Commission's Complaint was filed on March 25, 2002. Lynds and Jade were served with the Summons and Complaint on March 26, 2002; J. Edwards, SFSI, Stock, Intercoastal I, Intercoastal II, and Blackwolf were served on March 27, 2002; D. Edwards, RDI, PILP, IERC, and Galaxy were served on March 28, 2002.

2. RDI, D. Edwards, J. Edwards, Jade, SFSI, Lynds, Stock, Intercoastal I, Intercoastal II, Blackwolf, PILP, IERC, and Galaxy failed to answer to the Commission's Complaint, nor have they otherwise appeared before this Court to defend in this cause.

3. RDI, D. Edwards, J. Edwards, Jade, SFSI, Lynds, Stock, Intercoastal I, Intercoastal II, Blackwolf, PILP, IERC, and Galaxy are not infants, or incompetent. RDI, D. Edwards, J. Edwards, Jade, SFSI, Lynds, Stock, Intercoastal I, Intercoastal II, Blackwolf, PILP, IERC, and Galaxy are not eligible for relief under the Soldiers' and Sailors' Civil Relief Act of 1940 [50 U.S.C. Appendix, § 501 et seq.].

4. On May 7, 2002, the Court entered an Order Granting Interlocutory Judgment By Default and Granting Injunctive Relief and Other Equitable Relief as to Defendants and Relief Defendants.

5. The allegations in the Commission's Complaint as to RDI, D. Edwards, J. Edwards, Jade, SFSI, Lynds, Stock, Intercoastal I, Intercoastal II, Blackwolf, PILP, IERC, and Galaxy are, as to them, deemed admitted.

6. The Commission is entitled to a final judgment permanently enjoining RDI, D. Edwards, J. Edwards, Jade, SFSI, Lynds, Stock, Intercoastal I, Intercoastal II, and Blackwolf from violating Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§77e(a), 77e(c) and (a), Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5; and D. Edwards, J. Edwards, Lynds and Stock for additional violations of Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a)(1), as alleged in the Complaint.

7. The Commission is entitled to a final judgment requiring Defendants and Relief Defendants to disgorge the following amounts, equal to the funds and benefits they obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount:

a. Defendants RDI, D. Edwards, J. Edwards, Jade and SFSI: disgorgement in the amount of \$37,011,399, plus prejudgment interest of \$11,205,739.

b. Defendants Lynds, Stock, Intercoastal I, Intercoastal II, and Blackwolf: disgorgement in the amount of \$5,179,949, plus prejudgment interest of \$680,875.

c. Relief Defendant PILP: disgorgement in the amount of \$2,782,969, plus prejudgment interest of \$365,806.

d. Relief Defendant IERC: disgorgement in the amount of \$3,234,962, plus prejudgment interest of \$425,038.

e. Relief Defendant Galaxy: disgorgement in the amount of \$350,000, plus prejudgment interest of \$45,986.

8. The Commission is entitled to a final judgment imposing third-tier civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. 77t(d)], and Section 21(d) of the Exchange Act [15 U.S.C. 78u(d)] in the following amounts:

a. \$120,000 each against D. Edwards, J. Edwards, Lynds and Stock.

b. \$600,000 each against RDI, Jade, SFSI, Intercoastal I, Intercoastal II, and Blackwolf.

On the basis of the foregoing findings of fact and conclusions of law,

**IT IS THEREFORE ORDERED:**

**I.**

A. Defendants RDI, D. Edwards, J. Edwards, Jade, SFSI, Lynds, Stock, Intercoastal I, Intercoastal II, and Blackwolf, 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, and each of them, are restrained and enjoined from:

B. Violating Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §77q(a), by 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 material fact or any omission to state a material fact necessary in order to make the statement(s) 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.

C. Violating Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §78j(b), by directly or indirectly, in the use of any means or instruments of interstate commerce, of the mails or of any facility of any national securities exchange, using or employing in connection with the purchase or sale of any security registered on a national securities exchange or any security not so registered any manipulative or deceptive device or contrivance in contravention of a rule or regulation prescribed by the Securities and Exchange Commission.

D. Violating Rule 10b-5 of the Securities and Exchange Commission, 17 C.F.R. §240.10b-5, by directly or indirectly, in the use of any means or instruments of interstate commerce, of the mails or of any facility of any national securities exchange: (1) employing any device, scheme or artifice to defraud; (2) making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement(s) made, in the light of the circumstances under which 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.

E. Violating Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §77e(a) and (c), by directly or indirectly, (a) making use of any means or instruments of transportation or

communication in interstate commerce or of the mails to sell a security through the use or medium of any prospectus or otherwise; or (b) carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, a security for the purpose of sale or for delivery after a sale, unless a registration statement is in effect as to that security; or (3) 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 Securities and Exchange Commission as to that security or while the registration statement is the subject of a refusal order or a 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.

D. Edwards, J. Edwards, Lynds and Stock, and their respective agents, servants, employees, and all persons in active concert or participation with them who receive actual notice of this final judgment by personal service or otherwise, and each of them, are hereby permanently restrained and enjoined from violating Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a)(1), by, directly or indirectly, engaging in the business of effecting transactions in securities, in the form of investment contracts, or any other security, for their own account or for the account of others, while making use of the mails or any means or instrumentality of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of securities (other than an exempted security, commercial paper, bankers' acceptances or commercial bills), unless registered as a broker or dealer in

accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)], or is otherwise exempt from registration, pursuant to Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)].

### III.

Defendants and Relief Defendants shall disgorge the follow sums, equal to the funds and benefits they obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount:

a. Defendants RDI, D. Edwards, J. Edwards, Jade and SFSI, jointly and severally, disgorgement in the amount of \$37,011,399, plus prejudgment interest of \$11,205,739.

b. Defendants Lynds, Stock, Intercoastal I, Intercoastal II, and Blackwolf, jointly and severally, disgorgement in the amount of \$5,179,949, plus prejudgment interest of \$680,875.

c. Relief Defendant PILP: disgorgement in the amount of \$2,782,969, plus prejudgment interest of \$365,806.

d. Relief Defendant IERC: disgorgement in the amount of \$3,234,962, plus prejudgment interest of \$425,038.

e. Relief Defendant Galaxy: disgorgement in the amount of \$350,000, plus prejudgment interest of \$45,986.

### IV.

Defendants shall pay third-tier civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. 77t(d)], and Section 21(d) of the Exchange Act [15 U.S.C. 78u(d)], as follows:

a. D. Edwards, J. Edwards, Lynds and Stock shall each pay a civil penalty in the amount of \$120,000.

b. RDI, Jade, SFSI, Intercoastal I, Intercoastal II and Blackwolf shall each pay a civil penalty in the amount of \$600,000.

**V.**

Defendants and Relief Defendants shall satisfy the monetary obligations set forth in Paragraphs III. and IV. above within 30 business days after service of this final judgment by U.S. Postal money order, certified check, bank cashier's check, or bank money order to the Clerk of this Court, together with a cover letter identifying themselves as defendants in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is made pursuant to this final judgment. Defendants and Relief Defendants shall simultaneously transmit photocopies of such payment and letter to the Commission's counsel in this action. By making this payment, Defendants and Relief Defendants relinquish all legal and equitable right, title, and interest in such funds, and no part of the funds shall be returned to Defendants and Relief Defendants.

The Clerk shall deposit the 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 this 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.

The Commission may by motion propose a plan to distribute the Fund subject to the Court's approval. Such a plan may provide that Fund 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, amounts ordered to be paid as civil penalties pursuant to this Judgment shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Defendants shall not, in any Related Investor Action, benefit from any offset or reduction of any investor's claim by the amount of any Fair Fund distribution to such investor in this action that is proportionately attributable to the civil penalty paid by Defendants ("Penalty Offset"). If the court in any Related Investor Action grants such an offset or reduction, Defendants shall, within 30 days after entry of a final order granting the offset or reduction, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this Judgment. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Defendant by or on behalf of one or more investors based on substantially the same facts as alleged in the Complaint in this action.

## VI.

This Court shall retain jurisdiction over this action for all purposes, including for purposes of entertaining any suitable application or motion by the Commission for additional

relief within the jurisdiction of this Court, including but not limited to, enforcement of the provisions of this final judgment.


**VII.**

This Final Judgment may be served upon Defendants and Relief Defendants in person, by electronic mail or by certified mail, either by the United States Marshal, the Clerk of the Court, or any member of the staff of the Securities and Exchange Commission.

**VIII.**

There being no just reason for delay, the Clerk of this Court is hereby directed to enter this Final Judgment pursuant to Rules 54, 58 and 79 of the Federal Rules Civil Procedure.

SIGNED this 10 day of November, 2004.

  
JERRY BUCHMEYER  
UNITED STATES DISTRICT COURT JUDGE