

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK**

FILED
IN CLERK'S OFFICE
U.S. DISTRICT COURT E.D.N.Y.

★ JAN 16 2004 ★

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION,
450 Fifth Street, N.W.
Washington, D.C. 20549

LONG ISLAND OFFICE

v.

03 Civ. 1162(JS, MLO)

AMERICAN TISSUE, INC.,
MEHDI GABAYZADEH,
EDWARD I. STEIN and JOHN LORENZ,
DEFENDANT,

Defendants.

FINAL JUDGMENT AS TO JOHN LORENZ

The Securities and Exchange Commission having filed a Complaint and Defendant John Lorenz ("Defendant") having entered a general appearance; consented to the Court's jurisdiction over Defendant and the subject matter of this action; consented to entry of this Final Judgment without admitting or denying the allegations of the Complaint (except as to jurisdiction); waived findings of fact and conclusions of law; and waived any right to appeal from this Final Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant, Defendant's agents, servants, employees, attorneys, assigns, 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, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the

"Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated 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:

- (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.

II.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant, his agents, servants, employees and attorneys, and those persons in active concert or participation with him who receive actual notice of this Final Judgment by personal service or otherwise, and each of them, be and hereby are permanently enjoined and restrained from aiding and abetting violations of Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)], and Rules 12b-20, 15d-1 and 15d-13 [17 C.F.R. §§ 240.12b-20, 240.15d-1 and 240.15d-13] promulgated thereunder, by, directly or indirectly, filing or causing to be filed with the Commission any report required to be filed with the Commission pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)] and the rules and regulations promulgated thereunder, which contains any untrue statement of material fact or which omits to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were

made, not misleading, or which omits to disclose any information required to be disclosed.

III.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant, his agents, servants, employees and attorneys, and those persons in active concert or participation with him who receive actual notice of this Final Judgment by personal service or otherwise, and each of them, be and hereby are permanently enjoined and restrained from violating Rule 13b2-1 of the Exchange Act [17 C.F.R. §240.13b2-1] by, directly or indirectly, falsifying or causing to be falsified, any book, record or account subject to Section 13(b)(2) of the Exchange Act [15 U.S.C. § 78m(b)(2)].

IV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant, his agents, servants, employees and attorneys, and those persons in active concert or participation with him who receive actual notice of this Final Judgment by personal service or otherwise, and each of them, be and hereby are permanently enjoined and restrained from violating Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] by circumventing or failing to implement a system of internal accounting controls or falsifying books, records or accounts.

V.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant, his agents, servants, employees and attorneys, and those persons in active concert or participation with him who receive actual notice of this Final Judgment by personal service or otherwise, and each of them, be and hereby are permanently enjoined and

restrained from violating Exchange Act Rule 13b2-2 [17 C.F.R. § 240.13b2-2] by making or causing to be made any materially false or misleading statement to an accountant in connection with an audit of an issuer's financial statements or the preparation of any filing with the Commission.

VI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant, his agents, servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice of this Judgment, are permanently restrained and enjoined from aiding and abetting violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act by aiding and abetting: (1) the failure of any issuer which has a class of securities registered pursuant to section 12 of the Exchange Act and any issuer which is required to file reports pursuant to 15(d) of the Exchange Act to make and keep books, records and accounts which accurately and fairly reflect transactions and dispositions of such issuer's assets; (2) the failure of any such issuer to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that such issuer's corporate transactions are executed in accordance with management's authorization and in a manner to permit the preparation of financial statements in conformity with generally accepted accounting principles; or (3) falsifying or causing to be falsified any book, record, or account subject to Section 13(b)(2)(A) of the Exchange Act.

VII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that in connection with this action or any related judicial or administrative action or investigation undertaken by or on behalf of, or authorized by, the Commission or to which the Commission is a party, Lorenz shall be available for testimony at trial, regardless of residency or territorial limitations.

VIII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], Defendant is permanently prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

IX.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant shall pay, a civil penalty of \$50,000, pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]. Defendant shall make a payment of \$20,000 within two weeks of entry of this Final Judgment and the remainder of \$30,000 plus interest. shall be paid within six months of entry of this Final Judgment. Payments shall be made by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission. The payment shall be delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432

General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be accompanied by a letter identifying John Lorenz as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payments are made pursuant to this Final Judgment.

X.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein.

XI.

IT IS 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.

XII.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated: January 16, 2004

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COUNSEL IS DIRECTED TO IF
ALL PARTIES OF THIS ORD