

The Honorable John C. Coughenour

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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

C. PAUL SANDIFUR, JR., THOMAS G.
TURNER, ROBERT A. NESS, THOMAS R.
MASTERS, DAN W. SANDY, DAVID R. SYRE,
and TRILLIUM CORPORATION,

Defendants.

Case No. C05-1631C

~~PROPOSED~~ FINAL JUDGMENT AS TO
DEFENDANT THOMAS R. MASTERS

The Securities and Exchange Commission having filed an Amended Complaint and Defendant Thomas R. Masters (“Masters”) having entered a general appearance; consented to the Court’s jurisdiction over Masters and the subject matter of this action; consented to entry of this Final Judgment without admitting or denying the allegations of the Amended 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 Masters and his agents, servants, employees, those with powers of attorney on Masters’ behalf, and all persons acting in

1 concert or participation with any of them, who receive actual notice of this Final Judgment, by
2 personal service or otherwise, and each of them, are permanently enjoined and restrained from,
3 directly or indirectly, violating Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15
4 U.S.C. § 77q(a)] by:

- 5 1. employing any device, scheme, or artifice to defraud;
- 6 2. obtaining money or property by means of untrue statements of material fact or by omitting
7 to state a material fact necessary in order to make the statements made, in light of the
8 circumstances under which they were made, not misleading; or
- 9 3. engaging in any transaction, practice, or course of business which operates or would
10 operate as a fraud or deceit upon the purchaser

11 in the offer or sale of any securities by the use of any means or instrumentality of interstate
12 commerce, or of the mails.

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14 II.

15 IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Masters and his agents,
16 servants, employees, attorneys-in-fact, and all persons in active concert or participation with any of
17 them, who receive actual notice of this Final Judgment, by personal service or otherwise, and each of
18 them, are permanently enjoined and restrained from, directly or indirectly, violating, or aiding and
19 abetting violations of, Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15
20 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder by:

- 21 1. employing any device, scheme, or artifice to defraud;
- 22 2. making any untrue statement of a material fact or omitting to state a material fact
23 necessary in order to make the statements made, in the light of the circumstances
24 under which they were made, not misleading; or
- 25 3. engaging in any act, practice, or course of business which operates or would operate as
26 a fraud or deceit upon any person,

1 in connection with the purchase or sale of the securities of any issuer, by the use of any means or
2 instrumentality of interstate commerce, or of the mails, or of any facility of any national securities
3 exchange.

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5 III.

6 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Masters and his
7 agents, servants, employees and attorneys-in-fact, and all persons in active concert or participation
8 with any of them, who receive actual notice of this Final Judgment, by personal service or otherwise,
9 and each of them, are permanently enjoined and restrained from aiding and abetting any violation of
10 Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-1 promulgated
11 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1] by knowingly providing substantial assistance to an
12 issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act [15
13 U.S.C. § 78i] or Section 15(d) of the Exchange Act [15 U.S.C. § 78o] in failing to file with the
14 Commission such accurate and complete information, reports, and documents as are required to be
15 filed with the Commission pursuant to Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and
16 the Rules thereunder, including but not limited to, annual reports on Form 10-K [17 C.F.R. §
17 249.310] as prescribed by Exchange Act Rule 13a-1 [17 C.F.R. § 240.13a-1], and such information
18 and documents to contain, in addition to such information as is expressly required to be included in a
19 statement or report to the Commission, such further material information, if any, as may be necessary
20 to make the required statements, in the light of the circumstances under which they are made, not
21 misleading, as prescribed by Rule 12b-20 of the Exchange Act [17 C.F.R. § 240.12b-20].

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23 IV.

24 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Masters and his
25 agents, servants, employees, attorneys-in-fact, and all persons in active concert or participation with
26 any of them, who receive actual notice of this Final Judgment, by personal service or otherwise, and
27 each of them, are permanently enjoined and restrained from, directly or indirectly, violating Section

1 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] by knowingly circumventing or failing to
2 implement a system of internal accounting controls or knowingly falsifying any book, record, or
3 account described in Rule 13b2-1 of the Exchange Act [17 C.F.R. § 240.13b2-1].
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5 V.

6 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Masters and his agents,
7 servants, employees and attorneys-in-fact, and all persons in active concert or participation with any
8 of them, who receive actual notice of this Final Judgment, by personal service or otherwise, and each
9 of them, are permanently enjoined and restrained from aiding and abetting any violation of Section
10 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] by causing any issuer which has a class
11 of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or Section 15(d)
12 of the Exchange Act [15 U.S.C. § 78o] to fail to make or keep books, records or accounts, which, in
13 reasonable detail, accurately and fairly reflect the transactions and dispositions of the issuer's assets.
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15 VI.

16 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Masters and his
17 agents, servants, employees and attorneys-in-fact, and all persons in active concert or participation
18 with any of them, who receive actual notice of this Final Judgment, by personal service or otherwise,
19 and each of them, are permanently enjoined and restrained from aiding and abetting any violation of
20 Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)] by causing any issuer which has
21 a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or
22 Section 15(d) of the Exchange Act [15 U.S.C. § 78o] to fail to devise and maintain a system of
23 internal accounting controls sufficient to provide reasonable assurances that:

24 A. transactions are executed in accordance with management's general or specific
25 authorization;
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1 B. transactions are recorded as necessary (i) to permit preparation of financial statements in
2 conformity with generally accepted accounting principles or any other criteria applicable to such
3 statements, and (ii) to maintain accountability for assets;

4 C. access to assets is permitted only in accordance with management's general or specific
5 authorization; and

6 D. the recorded accountability for assets is compared with the existing assets at reasonable
7 intervals and appropriate action is taken with respect to any differences.

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9 VII.

10 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Masters is
11 liable for disgorgement of \$34,681, representing profits gained as a result of the conduct alleged in
12 the Amended Complaint, together with prejudgment interest thereon in the amount of \$1,827.77, for
13 a total of \$36,508.77. Masters shall satisfy this obligation by paying \$36,508.77 within ten business
14 days to the Clerk of this Court, together with a cover letter identifying Thomas R. Masters as a
15 defendant in this action; setting forth the title and civil action number of this action and the name of
16 this Court; and specifying that payment is made pursuant to this Final Judgment. Masters shall
17 simultaneously transmit photocopies of such payment and letter to the Commission's counsel in this
18 action. By making this payment, Masters relinquishes all legal and equitable right, title, and interest
19 in such funds, and no part of the funds shall be returned to Masters. The Clerk shall deposit the funds
20 into an interest bearing account with the Court Registry Investment System ("CRIS") or any other
21 type of interest bearing account that is utilized by the Court. These funds, together with any interest
22 and income earned thereon (collectively, the "Fund"), shall be held in the interest bearing account
23 until further order of the Court.

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25 VIII.

26 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Masters shall pay a civil
27 penalty in the amount of \$25,000 pursuant to Section 21(d) of the Exchange Act [15 U.S.C. §

1 78u(d)]. Masters shall make this payment within ten (10) business days after entry of this Final
2 Judgment by certified check, bank cashier's check, or United States postal money order payable to the
3 Securities and Exchange Commission. The payment shall be delivered or mailed to the Office of
4 Financial Management, Securities and Exchange Commission, Operations Center, 6432 General
5 Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be accompanied by a letter
6 identifying Thomas R. Masters as a defendant in this action; setting forth the title and civil action
7 number of this action and the name of this Court; and specifying that payment is made pursuant to
8 this Final Judgment. Masters shall pay post-judgment interest on any delinquent amounts pursuant to
9 28 USC § 1961.

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11 IX.

12 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent of Defendant
13 Thomas R. Masters to Entry of Final Judgment, filed concurrently, is incorporated in the Final
14 Judgment with the same force and effect as if fully set forth herein, and that Masters shall comply
15 with all of the undertakings and agreements set forth therein.

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17 X.

18 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain
19 jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.
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XI.

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.

PRESENTED BY:

Helane L. Morrison
Robert L. Mitchell
Kristin A. Snyder

Attorneys for Plaintiff
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APPROVED AS TO FORM:

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Attorney for Defendant Thomas R. Masters

Dated this 2nd day of February, 2007



The Honorable John C. Coughenour
United States District Judge