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9 UNITED STATES DISTRICT COURT
10 NORTHERN DISTRICT OF CALIFORNIA
11 SAN FRANCISCO DIVISION

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13 SECURITIES AND EXCHANGE COMMISSION,

Civil Action No. C-06-4435 CRB

14 Plaintiff,

15 v.

~~PROPOSED~~ FINAL JUDGMENT AS TO
DEFENDANT GREGORY L. REYES

16 GREGORY L. REYES,

17 Defendant.
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19
20 Plaintiff Securities and Exchange Commission (“Commission”) having filed a Complaint and
21 Defendant Gregory L. Reyes (“Defendant”) having entered an appearance in this case; consented to the
22 Court’s jurisdiction over Defendant and the subject matter of this action; consented to the entry of this
23 Final Judgment without admitting or denying the allegations of the complaint (except as to jurisdiction);
24 waived findings of fact and conclusions of law; and waived any right to an appeal from this Final
25 Judgment:
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I.

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2 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant and his agents,
3 servants, employees, attorneys-in-fact, and all persons in active concert or participation with any of
4 them who receive actual notice of this Final Judgment by personal service or otherwise are
5 permanently enjoined and restrained from violating, directly or indirectly, Section 10(b) of the
6 Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5,
7 17 C.F.R. § 240.10b-5, by using any means or instrumentality of interstate commerce, or of the
8 mails, or of any facility of any national securities exchange, in connection with the purchase or sale
9 of any security:

- 10 (a) to employ any device, scheme, or artifice to defraud;
11 (b) to make any untrue statement of a material fact or to omit to state a material fact
12 necessary in order to make the statements made, in the light of the circumstances
13 under which they were made, not misleading; or
14 (c) to engage in any act, practice, or course of business which operates or would
15 operate as a fraud or deceit upon any person.

II.

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17 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and his agents,
18 servants, employees, attorneys-in-fact, and all persons in active concert or participation with any of
19 them who receive actual notice of this Final Judgment by personal service or otherwise are
20 permanently enjoined and restrained from violating, directly or indirectly, Section 17(a) of the
21 Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a), by:

- 22 (i) employing any device, scheme, or artifice to defraud;
23 (ii) obtaining money or property by means of untrue statements of material fact or by
24 omitting to state a material fact necessary in order to make the statements made, in light of the
25 circumstances under which they were made, not misleading; or
26 (iii) engaging in any transaction, practice, or course of business which operates or would
27 operate as a fraud or deceit upon the purchaser,
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1 in the offer or sale of any securities by the use of any means or instrumentality of interstate
2 commerce, or of the mails.

3 III.

4 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and his agents,
5 servants, employees, attorneys-in-fact, and all persons in active concert or participation with any of
6 them who receive actual notice of this Final Judgment by personal service or otherwise are
7 permanently enjoined and restrained from violating, directly or indirectly, Section 13(b)(5) of the
8 Exchange Act, 15 U.S.C. § 78m(b)(5), by knowingly circumventing or failing to implement a system
9 of internal accounting controls or knowingly falsifying any book, record, or account described in
10 Section 13(b)(2) of the Exchange Act, 15 U.S.C. § 78m(b)(2).

11 IV.

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

18 V.

19 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and his agents,
20 servants, employees, attorneys-in-fact, and all persons in active concert or participation with any of
21 them who receive actual notice of this Final Judgment by personal service or otherwise are
22 permanently enjoined and restrained from violating, directly or indirectly, Rule 13b2-2 of the
23 Exchange Act, 17 C.F.R. §240.13b2-2, by making or causing to be made a materially false or
24 misleading statement, or by omitting to state or causing another person to omit to state any material
25 fact necessary in order to make statements made, in light of the circumstances under which such
26 statements were made, not misleading, to an accountant in connection with (A) any audit or
27 examination of the financial statements of an issuer required to be made pursuant to the federal
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1 securities laws or (B) the preparation or filing of any document or report required to be filed with the
2 Commission pursuant to the federal securities laws or otherwise.

3 VI.

4 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and his agents,
5 servants, employees, attorneys-in-fact, and all persons in active concert or participation with any of
6 them who receive actual notice of this Final Judgment by personal service or otherwise are
7 permanently enjoined and restrained from aiding and abetting any violation of Section 13(a) of the
8 Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1, and 13a-13, 17 C.F.R. §§ 240.12b-20,
9 240.13a-1, and 240.13a-13, by knowingly providing substantial assistance to an issuer which has a
10 class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or Section
11 15(d) of the Exchange Act, 15 U.S.C. § 78o, in failing to file with the Commission such accurate and
12 complete information, reports, and documents as are required to be filed with the Commission
13 pursuant to Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and the Commission's Rules,
14 including annual reports on Form 10-K and quarterly reports on Form 10-Q.

15 VII.

16 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and his agents,
17 servants, employees, attorneys-in-fact, and all persons in active concert or participation with any of
18 them who receive actual notice of this Final Judgment by personal service or otherwise are
19 permanently enjoined and restrained from violating Rule 13a-14 of the Exchange Act, 17 C.F.R. §
20 240.13a-14, by, as a principal executive or principal financial officer of an issuer, or as a person
21 performing similar functions, falsely certifying any report filed under 15 U.S.C. § 78m(a) (other than
22 a report filed by an Asset-Backed Issuer defined in 17 C.F.R. § 229.1101, or a report on Form 20-F
23 under 17 C.F.R. § 240.13a-19), including reports filed on Forms 10-Q, Forms 10-QSB, Forms 10-K,
24 or Forms 10-KSB.

25 VIII.

26 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and his agents,
27 servants, employees, attorneys-in-fact, and all persons in active concert or participation with any of
28 them who receive actual notice of this Final Judgment by personal service or otherwise are

1 permanently enjoined and restrained from aiding and abetting any violation of Section 13(b)(2)(A) of
2 the Exchange Act, 15 U.S.C. § 78m(b)(2)(A), by knowingly providing substantial assistance to any
3 issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act, 15
4 U.S.C. § 78l, or Section 15(d) of the Exchange Act, 15 U.S.C. § 78o, in failing to make or keep
5 books, records, or accounts, which, in reasonable detail, accurately and fairly reflect the transactions
6 and dispositions of the assets of the issuer.

7 IX.

8 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and his agents,
9 servants, employees, attorneys-in-fact, and all persons in active concert or participation with any of
10 them who receive actual notice of this Final Judgment by personal service or otherwise are
11 permanently enjoined and restrained from aiding and abetting any violation of Section 13(b)(2)(B) of
12 the Exchange Act, 15 U.S.C. § 78m(b)(2)(B), by knowingly providing substantial assistance to any
13 issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act, 15
14 U.S.C. § 78l, or Section 15(d) of the Exchange Act, 15 U.S.C. § 78o, in failing to devise and maintain
15 a system of internal accounting controls sufficient to provide reasonable assurance that transactions
16 are recorded as necessary to permit preparation of financial statements in conformity with generally
17 accepted accounting principles or other applicable criteria, and to maintain accountability for assets.

18 X.

19 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is liable for
20 disgorgement of \$150,000, plus prejudgment interest thereon in the amount of \$145,219.74, for a total
21 amount of \$295,251.74.

22 XI.

23 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant shall pay a
24 civil penalty in the amount of \$550,000 pursuant to Section 20(d) of the Securities Act and Section
25 21(d)(3) of the Exchange Act, 15 U.S.C. §§ 77t(d) & 78u(d)(3). Defendant shall satisfy this
26 obligation, and his obligation to pay disgorgement plus prejudgment interest in paragraph X., above,
27 by paying a total of \$845,251.74 within forty-five (45) business days after entry of this Final
28 Judgment by certified check, bank cashier's check, or United States postal money order payable to the

1 Securities and Exchange Commission. The payment shall be delivered or mailed to the Office of
2 Financial Management, Securities and Exchange Commission, Operations Center, 6432 General
3 Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be accompanied by a letter
4 identifying Gregory L. Reyes as a defendant in this action; setting forth the title and civil action
5 number of this action and the name of this Court; and specifying that payment is made pursuant to
6 this Final Judgment. Defendant shall simultaneously transmit photocopies of such payment and letter
7 to the attention of Marc J. Fagel, Regional Director, at the Commission's San Francisco Regional
8 Office, 44 Montgomery Street, Suite 2600, San Francisco, California 94104. Defendant shall pay
9 post-judgment interest on any delinquent amounts pursuant to 28 USC § 1961. The Commission
10 shall remit the funds paid pursuant to this Final Judgment to the United States Treasury. Amounts
11 ordered to be paid as civil penalties pursuant to this Final Judgment shall be treated as penalties paid
12 to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the
13 civil penalty, Defendant shall not, after offset or reduction of any award of compensatory damages in
14 any Related Investor Action based on Defendant's payment of disgorgement in this action, argue that
15 he is entitled to, nor shall he further benefit by, offset or reduction of such compensatory damages
16 award by the amount of any part of Defendant's payment of a civil penalty in this action ("Penalty
17 Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Defendant shall,
18 within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's
19 counsel in this action and pay the amount of the Penalty Offset to the United States Treasury. Such a
20 payment shall not be deemed an additional civil penalty and shall not be deemed to change the
21 amount of the civil penalty imposed in this Final Judgment.

22 XII.

23 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, pursuant to Section
24 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2), and Section 20(e) of the Securities Act, 15
25 U.S.C. § 77t(e), Defendant is prohibited, for ten years following the date of entry of this Final
26 Judgment, from acting as an officer or director of any issuer that has a class of securities registered
27 pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or that is required to file reports
28 pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

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XIII.

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.

XIV.

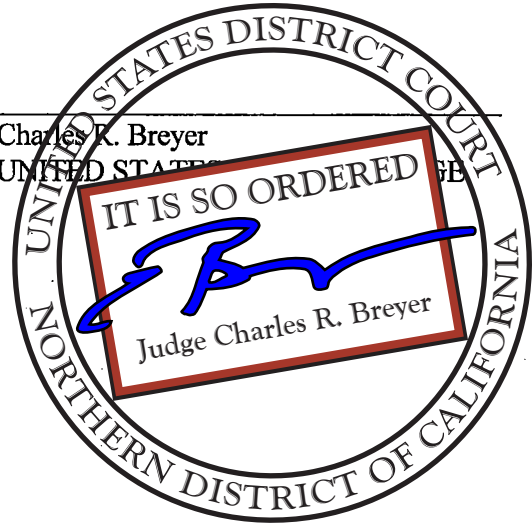
IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

XV.

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: August 18, 2011

Charles R. Breyer
UNITED STATES



1 APPROVED AS TO FORM:

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3 _____

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11 SUBMITTED BY:

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