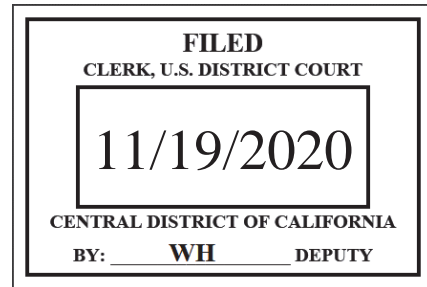


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link #30

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

vs.

CRAIG RUMBAUGH,  
RUMBAUGH FINANCIAL, INC.,  
AND DESERT STRATEGIC  
EQUITY, LLC,

Defendants.

**Case No. CV 5:19-CV-01517- PSG**

**~~[PROPOSED]~~ FINAL JUDGMENT AS  
TO DEFENDANT CRAIG  
RUMBAUGH**

1 The Securities and Exchange Commission having filed a Complaint and  
2 Defendant Craig Rumbaugh having entered a general appearance; consented to the  
3 Court's jurisdiction over Defendant and the subject matter of this action; consented to  
4 entry of this Final Judgment without admitting or denying the allegations of the  
5 Complaint (except as to jurisdiction and except as otherwise provided herein in  
6 paragraph IX); waived findings of fact and conclusions of law; and waived any right  
7 to appeal from this Final Judgment:

8 I.

9 IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Defendant is  
10 permanently restrained and enjoined from violating Sections 206(1) and (2) of the  
11 Advisers Act [[15 U.S.C. §§ 80b-6\(1\) & 80b-6\(2\)](#)], by directly or indirectly:

12 1. employing any device, scheme or artifice to defraud any client or  
13 prospective client; and

14 2. engaging in any transaction, practice, or course of business which  
15 operates or would operate as a fraud or deceit upon any client or prospective client;

16 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as  
17 provided in [Federal Rule of Civil Procedure 65\(d\)\(2\)](#), the foregoing paragraph also  
18 binds the following who receive actual notice of this Judgment by personal service  
19 or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys;  
20 and (b) other persons in active concert or participation with Defendant or with anyone  
21 described in (a).

22 II.

23 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that  
24 Defendant is permanently restrained and enjoined from violating Section 17(a) of the  
25 Securities Act of 1933 (the "Securities Act") [[15 U.S.C. § 77q\(a\)](#)] in the offer or sale  
26 of any security by the use of any means or instruments of transportation or  
27 communication in interstate commerce or by use of the mails, directly or indirectly:

28 (a) to employ any device, scheme, or artifice to defraud;

1 (b) to obtain money or property by means of any untrue statement of a  
2 material fact or any omission of a material fact necessary in order to  
3 make the statements made, in light of the circumstances under which  
4 they were made, not misleading; or

5 (c) to engage in any transaction, practice, or course of business which  
6 operates or would operate as a fraud or deceit upon the purchaser.

7 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as  
8 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also  
9 binds the following who receive actual notice of this Final Judgment by personal  
10 service or otherwise: (a) Defendant's officers, agents, servants, employees, and  
11 attorneys; and (b) other persons in active concert or participation with Defendant or  
12 with anyone described in (a).

13 III.

14 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant is  
15 permanently restrained and enjoined from violating, directly or indirectly, Section  
16 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §  
17 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using  
18 any means or instrumentality of interstate commerce, or of the mails, or of any  
19 facility of any national securities exchange, in connection with the purchase or sale of  
20 any security:

21 (a) to employ any device, scheme, or artifice to defraud;

22 (b) to make any untrue statement of a material fact or to omit to state a  
23 material fact necessary in order to make the statements made, in the light  
24 of the circumstances under which they were made, not misleading; or

25 (c) to engage in any act, practice, or course of business which operates or  
26 would operate as a fraud or deceit upon any person.

27 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as  
28 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also

1 binds the following who receive actual notice of this Final Judgment by personal  
2 service or otherwise: (a) Defendant's officers, agents, servants, employees, and  
3 attorneys; and (b) other persons in active concert or participation with Defendant or  
4 with anyone described in (a).

5 IV.

6 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that  
7 Defendant is permanently restrained and enjoined from violating Section 5(a) and (c)  
8 of the Securities Act [15 U.S.C. § 77e(a) & (c)] by, directly or indirectly, in the  
9 absence of any applicable exemption:

- 10 (a) Unless a registration statement is in effect as to a security, making use of  
11 any means or instruments of transportation or communication in  
12 interstate commerce or of the mails to sell such security through the use  
13 or medium of any prospectus or otherwise; or  
14 (c) Making use of any means or instruments of transportation or  
15 communication in interstate commerce or of the mails to offer to sell or  
16 offer to buy through the use or medium of any prospectus or otherwise  
17 any security, unless a registration statement has been filed with the  
18 Commission as to such security, or while the registration statement is the  
19 subject of a refusal order or stop order or (prior to the effective date of  
20 the registration statement) any public proceeding or examination under  
21 Section 8 of the Securities Act [15 U.S.C. § 77h].

22 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as  
23 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also  
24 binds the following who receive actual notice of this Final Judgment by personal  
25 service or otherwise: (a) Defendant's officers, agents, servants, employees, and  
26 attorneys; and (b) other persons in active concert or participation with Defendant or  
27 with anyone described in (a).  
28

## V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a), which makes it unlawful for any broker or dealer which is either a person other than a natural person or a natural person, to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security (other than an exempted security or commercial paper, bankers' acceptances, or commercial bills) unless such broker or dealer is registered in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b).

## VI.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant liable, jointly and severally with Defendants Rumbaugh Financial, Inc. and Desert Strategic Equity, LLC, for disgorgement of \$676,000, representing profits gained as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon in the amount of \$137,808.31, for a total of \$813,808.31. Defendant shall satisfy this obligation by paying \$813,808.31 to the Securities and Exchange Commission within 14 days after entry of final judgment.

Defendant may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Defendant may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

Enterprise Services Center  
Accounts Receivable Branch  
6500 South MacArthur Boulevard

1 Oklahoma City, OK 73169

2 and shall be accompanied by a letter identifying the case title, civil action number,  
3 and name of this Court; [Defendant's name] as a defendant in this action; and  
4 specifying that payment is made pursuant to this Final Judgment.

5 Defendant shall simultaneously transmit photocopies of evidence of payment  
6 and case identifying information to the Commission's counsel in this action. By  
7 making this payment, Defendant relinquishes all legal and equitable right, title, and  
8 interest in such funds and no part of the funds shall be returned to Defendant.

9 The Commission shall hold the funds (collectively, the "Fund") and may  
10 propose a plan to distribute the Fund subject to the Court's approval. The Court shall  
11 retain jurisdiction over the administration of any distribution of the Fund. If the  
12 Commission staff determines that the Fund will not be distributed, the Commission  
13 shall send the funds paid pursuant to this Final Judgment to the United States  
14 Treasury.

15 The Commission may enforce the Court's judgment for disgorgement and  
16 prejudgment interest by moving for civil contempt (and/or through other collection  
17 procedures authorized by law) at any time after 14 days following entry of this Final  
18 Judgment]. Defendant shall pay post judgment interest on any delinquent amounts  
19 pursuant to 28 U.S.C. § 1961.

## 20 VII.

21 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that  
22 Defendant is liable for a civil penalty in the amount of \$192,768 pursuant to Section  
23 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange  
24 Act [15 U.S.C. § 78u(d)(3)]. Defendant shall satisfy this obligation by paying  
25 \$192,768 to the Securities and Exchange Commission within 30 days after entry of  
26 this Final Judgment.

27 Defendant may transmit payment electronically to the Commission, which will  
28 provide detailed ACH transfer/Fedwire instructions upon request. Payment may also

1 be made directly from a bank account via Pay.gov through the SEC website at  
2 <http://www.sec.gov/about/offices/ofm.htm>. Defendant may also pay by certified  
3 check, bank cashier's check, or United States postal money order payable to the  
4 Securities and Exchange Commission, which shall be delivered or mailed to:

5 Enterprise Services Center  
6 Accounts Receivable Branch  
7 6500 South MacArthur Boulevard  
8 Oklahoma City, OK 73169

9 and shall be accompanied by a letter identifying the case title, civil action number,  
10 and name of this Court; Michael R. Gregory as a defendant in this action; and  
11 specifying that payment is made pursuant to this Final Judgment.

12 Defendant shall simultaneously transmit photocopies of evidence of payment  
13 and case identifying information to the Commission's counsel in this action. By  
14 making this payment, Defendant relinquishes all legal and equitable right, title, and  
15 interest in such funds and no part of the funds shall be returned to Defendant.

16 Defendant shall pay post judgment interest on any delinquent amounts pursuant  
17 to 28 U.S.C. § 1961. The Commission shall hold the funds, together with any interest  
18 and income earned thereon (collectively, the "Fund"), pending further order of the  
19 Court.

20 The Commission may propose a plan to distribute the Fund subject to the  
21 Court's approval. Such a plan may provide that the Fund shall be distributed  
22 pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of  
23 2002. The Court shall retain jurisdiction over the administration of any distribution  
24 of the Fund. If the Commission staff determines that the Fund will not be distributed,  
25 the Commission shall send the funds paid pursuant to this Final Judgment to the  
26 United States Treasury.

27 Regardless of whether any such Fair Fund distribution is made, amounts  
28 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



1 preserve the deterrent effect of the civil penalty, Defendant shall not, after offset or  
2 reduction of any award of compensatory damages in any Related Investor Action  
3 based on Defendant's payment of disgorgement in this action, argue that he is entitled  
4 to, nor shall he further benefit by, offset or reduction of such compensatory damages  
5 award by the amount of any part of Defendant's payment of a civil penalty in this  
6 action ("Penalty Offset"). If the court in any Related Investor Action grants such a  
7 Penalty Offset, Defendant shall, within 30 days after entry of a final order granting  
8 the Penalty Offset, notify the Commission's counsel in this action and pay the amount  
9 of the Penalty Offset to the United States Treasury or to a Fair Fund, as the  
10 Commission directs. Such a payment shall not be deemed an additional civil penalty  
11 and shall not be deemed to change the amount of the civil penalty imposed in this  
12 Judgment. For purposes of this paragraph, a "Related Investor Action" means a  
13 private damages action brought against Defendant by or on behalf of one or more  
14 investors based on substantially the same facts as alleged in the Complaint in this  
15 action.

#### 16 VIII.

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

#### 21 IX.

22 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, solely for  
23 purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code,  
24 11 U.S.C. §523, the allegations in the complaint are true and admitted by Defendant,  
25 and further, any debt for disgorgement, prejudgment interest, civil penalty or other  
26 amounts due by Defendant under this Final Judgment or any other judgment, order,  
27 consent order, decree or settlement agreement entered in connection with this  
28 proceeding, is a debt for the violation by Defendant of the federal securities laws or



1 any regulation or order issued under such laws, as set forth in Section 523(a)(19) of  
2 the Bankruptcy Code, 11 U.S.C. §523(a)(19).


3 X.

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

7 XI.

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

11  
12 Dated: 11/19/2020  
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UNITED STATES DISTRICT JUDGE

**PROOF OF SERVICE**

I am over the age of 18 years and not a party to this action. My business address is:

U.S. SECURITIES AND EXCHANGE COMMISSION,  
444 S. Flower Street, Suite 900, Los Angeles, California 90071  
Telephone No. (323) 965-3998; Facsimile No. (213) 443-1904.

On November 18, 2020, I caused to be served the document entitled **[PROPOSED] FINAL JUDGMENT AS TO DEFENDANT CRAIG RUMBAUGH** on all the parties to this action addressed as stated on the attached service list:

☐ **OFFICE MAIL:** By placing in sealed envelope(s), which I placed for collection and mailing today following ordinary business practices. I am readily familiar with this agency's practice for collection and processing of correspondence for mailing; such correspondence would be deposited with the U.S. Postal Service on the same day in the ordinary course of business.

☐ **PERSONAL DEPOSIT IN MAIL:** By placing in sealed envelope(s), which I personally deposited with the U.S. Postal Service. Each such envelope was deposited with the U.S. Postal Service at Los Angeles, California, with first class postage thereon fully prepaid.

☐ **EXPRESS U.S. MAIL:** Each such envelope was deposited in a facility regularly maintained at the U.S. Postal Service for receipt of Express Mail at Los Angeles, California, with Express Mail postage paid.

☐ **HAND DELIVERY:** I caused to be hand delivered each such envelope to the office of the addressee as stated on the attached service list.

☐ **UNITED PARCEL SERVICE:** By placing in sealed envelope(s) designated by United Parcel Service ("UPS") with delivery fees paid or provided for, which I deposited in a facility regularly maintained by UPS or delivered to a UPS courier, at Los Angeles, California.

☐ **ELECTRONIC MAIL:** By transmitting the document by electronic mail to the electronic mail address as stated on the attached service list.

☒ **E-FILING:** By causing the document to be electronically filed via the Court's CM/ECF system, which effects electronic service on counsel who are registered with the CM/ECF system.

☐ **FAX:** By transmitting the document by facsimile transmission. The transmission was reported as complete and without error.

I declare under penalty of perjury that the foregoing is true and correct.

Date: November 18, 2020

/s/ Sarah Mitchell

Sarah Mitchell

*SEC v. Rumbaugh, et al.*  
**United States District Court—Central District of California**  
**Case No. 5:19-cv-01517-PSG-SP**

**SERVICE LIST**

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kamps@wpcfs.com  
*Counsel for Defendants Craig Rumbaugh, Rumbaugh Financial, Inc.,  
and Desert Strategic Equity, LLC*