

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF ILLINOIS**

UNITED STATES SECURITIES  
AND EXCHANGE COMMISSION,

Plaintiff,

v.

HOUSE ASSET MANAGEMENT, L.L.C.,  
HOUSE EDGE, L.P.,  
PAUL J. HOUSE, and BRANDON R.  
MOORE,

Defendants.

CIVIL ACTION  
FILE NO. 02-2147

Magistrate Judge Bernthal

**FINAL JUDGMENT AS TO DEFENDANTS HOUSE ASSET MANAGEMENT, L.L.C.  
AND HOUSE EDGE, L.P.**

The Securities and Exchange Commission having filed a Complaint and Defendants House Edge, L.P. and House Asset Management, L.L.C. ("Defendants") having entered a general appearance; consented to the Court's jurisdiction over Defendants 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 ORDERED** that the Order of Permanent Injunction dated June 20, 2002 ("Order of Permanent Injunction") remains in full effect, except as otherwise provided in this Final Judgment, and is hereby incorporated by reference and attached hereto as Exhibit A.

Notwithstanding the foregoing sentence, Sections VI and VIII of the June 20, 2002 Order of Permanent Injunction shall no longer apply to Defendants House Edge, L.P. and House Asset Management, L.L.C. at any time after the entry of this Final Judgment.

II.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendants are jointly and severally liable, with Defendants Paul J. House, III (“House”) and Brandon R. Moore (“Moore”) with respect to the amounts Defendants House and Moore were previously ordered to pay in disgorgement, for disgorgement of \$2,914,796 representing profits gained as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon in the amount of \$270,870, for a total of \$3,185,666. Based on the proposed Final Accounting for the Court-appointed Receiver for the Defendants (“Receiver”) and other documents and information submitted to the Commission by the Receiver, however, the Court is not ordering Defendants to pay a civil penalty and payment of all but \$1,375,767 of the disgorgement and pre-judgment interest thereon is waived. Defendants shall also pay post-judgment interest on any delinquent amounts pursuant to 28 USC § 1961. The determination not to impose a civil penalty and to waive payment of all but \$1,375,767 of the disgorgement and pre-judgment interest is contingent upon the accuracy and completeness of the Receiver’s Final Accounting. If at any time following the entry of this Final Judgment the Commission obtains information indicating that Defendants’ representations to the Commission concerning his assets, income, liabilities, or net worth were fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such representations were made, the Commission may, at its sole discretion and without prior notice to Defendants, petition the Court for an order requiring Defendants to pay the unpaid portion of the

disgorgement, pre-judgment and post-judgment interest thereon, and the maximum civil penalty allowable under the law. In connection with any such petition, the only issue shall be whether the financial information provided by Defendants was fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such representations were made. In its petition, the Commission may move this Court to consider all available remedies, including, but not limited to, ordering Defendants to pay funds or assets, directing the forfeiture of any assets, or sanctions for contempt of this Final Judgment. The Commission may also request additional discovery. Defendants may not, by way of defense to such petition: (1) challenge the validity of the Consent or this Final Judgment; (2) contest the allegations in the Complaint filed by the Commission; (3) assert that payment of disgorgement, pre-judgment and post-judgment interest or a civil penalty should not be ordered; (4) contest the amount of disgorgement and pre-judgment and post-judgment interest; (5) contest the imposition of the maximum civil penalty allowable under the law; or (6) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

III.

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 Defendants shall comply with all of the undertakings and agreements set forth therein.

IV.

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.

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that neither the Court-appointed Receiver for House Edge, L.P. and House Asset Management, L.L.C., James L. Kopecky, nor his firm, James L. Kopecky, P.C., shall be liable for any disgorgement, prejudgment interest, or penalties ordered paid by Defendants as a result of this Final Judgment.

VI.

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 22, 2005

s/ David G. Bernthal  
\_\_\_\_\_  
DAVID G. BERNTHAL  
UNITED STATES MAGISTRATE JUDGE

**RECEIVED**

**COPY**

**FILED**

JUN 20 2002

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF ILLINOIS

JUN 20 2002

U.S. CLERK'S OFFICE  
URBANA, IL

JOHN M. WATERS, Clerk  
U.S. DISTRICT COURT  
CENTRAL DISTRICT OF ILLINOIS  
URBANA, IL

UNITED STATES SECURITIES  
AND EXCHANGE COMMISSION,

Plaintiff,

v.

CIVIL ACTION

FILE NO. **02-2147**

HOUSE ASSET MANAGEMENT, L.L.C.,  
HOUSE EDGE, L.P.,  
PAUL J. HOUSE, and BRANDON R.  
MOORE,

Defendants.

**ORDER OF PERMANENT INJUNCTION AND OTHER RELIEF AGAINST  
DEFENDANTS HOUSE ASSET MANAGEMENT, L.L.C., HOUSE EDGE, L.P.,  
PAUL J. HOUSE, AND BRANDON R. MOORE**

Plaintiff Securities and Exchange Commission ("SEC") has filed a Complaint for Injunctive and Other Equitable Relief ("Complaint") in this matter, and Defendants House Asset Management, L.L.C. ("House Asset Management"), House Edge, L.P. ("House Edge"), Paul J. House ("House"), and Brandon R. Moore ("Moore") (collectively "Defendants") have, in their Consent attached hereto and incorporated herein, acknowledged receipt of the Complaint and admitted the jurisdiction of this Court over them and the subject matter thereof. The SEC and Defendants have waived the entry of Findings of Fact and Conclusions of Law in this matter, as provided by Rule 52 of the Federal Rules of Civil Procedure, and Defendants, without admitting or denying the allegations of the Complaint except as stated above, and without trial, argument or adjudication of any fact or law, have consented to the entry of this Order

**EXHIBIT  
A**

of Permanent Injunction and Other Relief Against House Asset Management, House Edge, House, and Moore ("Order of Permanent Injunction"). The Court, having jurisdiction over Defendants and the subject matter hereof, and being fully advised in the premises, hereby states:

I.

**IT IS HEREBY ORDERED, ADJUDGED AND DECREED** that Defendants House Asset Management, House Edge, House, and Moore, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of this Order of Permanent Injunction by personal service or otherwise, and each of them, be and hereby are permanently restrained and enjoined from, directly or indirectly, in the offer or sale of any securities, by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails:

- A. employing any device, scheme or artifice to defraud;
  - B. obtaining money or property by means of any untrue statement of material fact or omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
  - C. engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser,
- in violation of Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77q(a)(1), 77q(a)(2) and 77q(a)(3)].

**II.**

**IT IS FURTHER ORDERED, ADJUDGED AND DECREED** that Defendants House Asset Management, House Edge, House, and Moore, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of this Order of Permanent Injunction by personal service or otherwise, and each of them, be and hereby are permanently restrained and enjoined from, directly or indirectly, in connection with the purchase or sale of securities, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange:

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

in violation of 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] thereunder.

**III.**

**IT IS FURTHER ORDERED, ADJUDGED AND DECREED** that Defendants House Asset Management, House Edge, House, and Moore, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of this Order of Permanent Injunction

by personal service or otherwise, and each of them, be and hereby are permanently restrained and enjoined from, directly or indirectly:

- A. Making use of any means or instruments of transportation or communication in interstate commerce or of the mails, to sell securities through the use or medium of any prospectus or otherwise unless and until a registration statement is in effect with the SEC as to such securities;
- B. Carrying or causing to be carried securities through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or for delivery after sale, unless and until a registration statement is in effect with the SEC as to such securities; or
- C. Making use of any means or instruments or 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, securities unless and until a registration statement has been filed with the SEC as to such securities, or while the registration statement is the subject of a refusal or stop order or under any public proceeding or examination under Section 8 of the Securities Act [15 U.S.C. §77h],

in violation of Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §77e(a) and §77e(c)]. Provided, however, that nothing in this portion of the Order of Permanent Injunction shall apply to any security or transaction which is exempt from the provisions of Section 5 of the Securities Act [15 U.S.C. §77e].

IV.

**IT IS FURTHER ORDERED, ADJUDGED AND DECREED** that Defendants House Asset Management, House, and Moore, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of this Order of Permanent Injunction by personal service or otherwise, and each of them, be and hereby are permanently restrained and enjoined from, directly or indirectly:

- A. using the mails or means or instrumentalities of interstate commerce, directly or indirectly, to employ any device, scheme, or artifice to defraud any client or prospective client; and
- B. using the mails or means or instrumentalities of interstate commerce, directly or indirectly, to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client,

in violation of Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 ("Investment Advisers Act") [15 U.S.C. § 80b-6(1) and §80b-6(2)].

V.

**IT IS FURTHER ORDERED, ADJUDGED AND DECREED** that Defendant House Edge, its officers, agents, servants, employees, attorneys and those persons in active concert or participation with it who receive actual notice of this Order of Permanent Injunction by personal service or otherwise, and each of them, be and hereby are permanently restrained and enjoined from, directly or indirectly, in the event that and during such time as House Edge is an investment company as defined by

Section 3(a) of the Investment Company Act of 1940 ("Investment Company Act") [15 U.S.C. § 80a-3], in the absence of an applicable exemption:

- A. Offering for sale, selling, or delivering after sale, by the use of the mails or any means or instrumentality of interstate commerce, any security or any interest in a security, whether the issuer of such security is House Edge or another person; or offering for sale, selling, or delivering after sale any such security or interest, having reason to believe that such security or interest will be made the subject of a public offering by use of the mails or any means or instrumentality of interstate commerce;
- B. Purchasing, redeeming, retiring, or otherwise acquiring or attempting to acquire, by the use of the mails or any means or instrumentality of interstate commerce, any security or any interest in a security, whether the issuer of such security is House Edge or another person;
- C. Controlling any investment company which does any of the acts enumerated in A or B above;
- D. Engaging in any business in interstate commerce; or
- E. Controlling any company engaged in any business in interstate commerce,

in violation of Section 7(a) of the Investment Company Act [15 U.S.C. § 80a-7] unless House Edge, its successors or assigns, is registered with the Commission in accordance with Section 8 of the Investment Company Act [15 U.S.C. § 80a-8] or where the transactions are merely incidental to the dissolution of such investment company.

**VI.**

**ASSET FREEZE, ACCOUNTING, AND DOCUMENT  
DESTRUCTION PROHIBITION**

**A. IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that Defendants House Asset Management, House Edge, House, and Moore, their agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of this Order of Permanent Injunction by personal service or otherwise, and each of them, be and hereby are prohibited from, directly or indirectly:

1. transferring, selling, assigning, pledging, dissipating, concealing or otherwise disposing of in any manner, any funds, assets, accounts, or other property belonging to any of the Defendants or in their possession, custody or control, wherever located;
2. transferring, selling, assigning, pledging, dissipating, concealing or otherwise disposing of in any manner, any funds, assets, accounts, or other property into which investor funds were deposited; and
3. destroying, mutilating, concealing, altering or disposing of in any manner, any of the books, records, documents, correspondence, brochures, manuals, obligations or other property (including records contained on any computer or computer storage media) in Defendants' possession, custody or control, wherever located.

Any account in the name of any Defendant, or in which any Defendant has signatory authority or a beneficial interest, is frozen until further order of the Court.

**B. IT IS FURTHER ORDERED, ADJUDGED AND DECREED** that Defendants House Asset Management, House Edge, House, and Moore, shall each make a sworn accounting within five (5) business days of the issuance of this Order of Permanent Injunction to this Court of:

1. all assets and funds received, directly or indirectly, from any person related to the securities promoted, offered, or sold by the Defendants, the uses to which such funds were put, and the amounts of any remaining funds and their location; and
2. all of the assets and liabilities for Defendants House Asset Management, House Edge, House, and Moore, wherever located.

**VII.**

**DISGORGEMENT AND CIVIL PENALTIES**

**IT IS FURTHER ORDERED, ADJUDGED AND DECREED** that Defendants disgorge all ill-gotten gains received by them as a result of the conduct alleged in the SEC's Complaint, plus prejudgment interest on those amounts. The Court will set the specific amount of disgorgement, and will determine whether to impose civil penalties on Defendants, and in what amount, in a separate hearing upon due notice and motion by the SEC. At that hearing, the issues will be limited to determining (i) the amount of disgorgement to be ordered, (ii) whether Defendants shall be jointly and severally liable for disgorgement amounts, and (iii) whether civil penalties should be imposed on Defendants, and the amount of any such penalties.

Defendants will be precluded from arguing that they did not violate the federal securities laws in the manner set out in the SEC's Complaint.

**VIII.**

**EXPEDITED DISCOVERY**

**IT IS FURTHER ORDERED, ADJUDGED AND DECREED that:**

- A. Immediately upon entry of this Order of Permanent Injunction, the parties may take depositions upon oral examination of parties and non-parties subject to five (5) business days notice.
- B. Immediately upon entry of this Order of Permanent Injunction, the parties shall be entitled to serve interrogatories, requests for the production of documents and requests for admissions. The parties shall respond to such discovery requests within seven (7) calendar days of service.
- C. Should a party fail to respond to a request for admission within seven (7) calendar days of service, that request may be deemed admitted for all purposes in this action.
- D. Should a party fail to respond to an interrogatory within seven (7) calendar days of service, that party may be prohibited from introducing any evidence concerning the subject of the interrogatory for any purpose in this action.

- E. Should a party fail to produce a responsive document within seven (7) calendar days of service, that party may be prohibited from introducing the withheld document for any purpose in this action.
- F. All responses to the SEC's discovery requests shall be delivered to Jerome P. Tomas, 175 W. Jackson Blvd., Suite 900, Chicago, Illinois 60604 by the most expeditious means available.
- G. If any party to this action intends to present the testimony of any witness at any hearing in this matter, that such party shall, at least two (2) business days prior to the scheduled date and time of hearing, serve on counsel for the other parties a statement of the name, address, telephone number of any such witness, and either a summary of the witness' expected testimony, or the witness' affidavit or declaration disclosing the substance of such witness' expected testimony.
- H. Service of discovery requests shall be sufficient if made upon the parties by facsimile or overnight courier; depositions may be taken by telephone or other remote electronic means.

**IX.**

**IT IS FURTHER ORDERED, ADJUDGED AND DECREED** that the attached Consent of Defendants be, and hereby is, incorporated herein with the same force and effect as if fully set out herein and that Defendants shall comply with their Consent.

X.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction of this matter for all purposes, including, but not limited to enforcement of the Order of Permanent Injunction.

XI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that there being no just reason for delay, the Clerk of the Court is hereby directed to enter this Order of Permanent Injunction.

IT IS SO ORDERED.

s/ Michael P. McCuskey  
HONORABLE  
UNITED STATES DISTRICT COURT JUDGE

Dated: June 20, 2002