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CLARENCE MADDOX
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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
(Miami Division)**

CASE NO. 00-4975-CIV-HIGHSMITH/GARBER

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

**WEB HOSTING HEADQUARTERS PARTNERSHIP,
et al.,**

Defendants, and

WEB HOSTING HEADQUARTERS, INC., *et al.*,

Relief Defendants.

**FINAL JUDGMENT OF PERMANENT INJUNCTION AND OTHER
RELIEF AS TO DEFENDANT KENNETH R. GROSSFELD**

Plaintiff Securities and Exchange Commission ("SEC" or "Commission") commenced this action by filing its Complaint against, among others, Defendant Kenneth R. Grossfeld ("Defendant"). In its Complaint, the Commission sought a temporary restraining order, and preliminary and permanent injunctions to prohibit violations by the Defendant of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 ("Securities Act"), Sections 10(b) and 15(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act"), and Rule 10b-5, thereunder. The Commission also sought other relief against the Defendant in the form of accountings, disgorgement, records preservation, expedited discovery, an order temporarily freezing assets and an order imposing civil penalties.

On December 28, 2000, this Court entered a temporary restraining order, which temporarily restrained and enjoined the Defendant from violations of the above-

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[Signature]

mentioned provisions of the federal securities laws; temporarily froze Defendant's assets; granted the Commission an accounting, expedited discovery, a prohibition against receipt or deposit of funds; and prohibited the concealing or destruction of the Defendant's books, records and other documents. On January 4, 2001, this Court entered a preliminary injunction against the Defendant, pursuant to a Stipulated Order of Preliminary Injunction and Other Relief, which kept in force the relief granted by the temporary restraining order.

Defendant, by the Consent affixed hereto, without admitting or denying any of the allegations in the Commission's Complaint or any other paper filed herein, except as to the jurisdiction of this Court, has agreed to the entry of this Final Judgment of Permanent Injunction and Other Relief. This Court having accepted such Consent and this Court having jurisdiction over the Defendant, and the subject matter hereof, and the Court being fully advised in the premises,

I.

**VIOLATION OF SECTIONS 5(a)
AND 5(c) OF THE SECURITIES ACT**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Defendant, his officers, agents, servants, employees, representatives, and all persons in active concert or participation with him, and each of them, directly or indirectly, who receive actual notice of this Final Judgment of Permanent Injunction, by personal service or otherwise, be and they hereby are permanently restrained and enjoined from, directly or indirectly:

- (a) making use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell any security, in the form of units, common stock, warrants or any other security, through the use or

medium of any prospectus or otherwise, unless and until a registration statement is in effect with the Commission as to such security;

- (b) carrying or causing to be carried through the mails or in interstate commerce, by means or instruments of transportation, any security, in the form of units, common stock, warrants or any other security, for the purpose of sale or delivery after sale, unless and until a registration statement is in effect with the Commission as to such security; or
- (c) making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy any security, in the form of units, common stock, warrants or any other security, through the use or medium of any prospectus or otherwise, unless and until a registration statement is filed with the Commission as to such security, or while a registration statement filed with the Commission as to such security is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) 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).

II.

FRAUD IN VIOLATION OF SECTION 17(a) OF THE SECURITIES ACT

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that Defendant, his officers, agents, servants, employees, representatives, and all persons in active concert or participation with him, and each of them, directly or indirectly, who receive actual notice of this Final Judgment of Permanent Injunction, by personal service or

otherwise, be and they hereby are, permanently restrained and enjoined from, directly or indirectly, singly or in concert, as aiders and abettors or otherwise, in the offer or sale of any security, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails:

- (a) knowingly 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 any material fact necessary in order to make the statement made, in light of the circumstances under which it was 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 purchasers or prospective purchasers of any such security,

in violation of Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(1), 77q(a)(2) and 77q(a)(3).

III.

FRAUD IN VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 THEREUNDER

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant, his officers, agents, servants, employees, representatives, and all persons in active concert or participation with him, and each of them, directly or indirectly, who receive actual notice of this Final Judgment of Permanent Injunction, by personal service or otherwise, be and they hereby are, permanently restrained and enjoined from, knowingly and willfully, directly or indirectly, singly or in concert, as aiders and abettors or otherwise, in connection with the

purchase or sale of any security, 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 statements of material fact or omitting 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) 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 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

IV.

VIOLATION OF SECTION 15(a)(1) OF THE EXCHANGE ACT

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant, his officers, agents, servants, employees, representatives, and all persons in active concert or participation with him, and each of them, directly or indirectly, who receive actual notice of this Final Judgment of Permanent Injunction, by personal service or otherwise, be and they hereby are, permanently restrained and enjoined from, directly or indirectly, making 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 securities, while acting as a broker or dealer engaged in the business of effecting transactions in securities for the accounts of others, but not registered as a broker-dealer in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b), in violation of Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1).

V.

DISGORGEMENT

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that the Defendant shall pay disgorgement in the amount of \$1,630,000, and shall further pay pre-judgment interest thereon in the amount of \$36,675.

In partial satisfaction of this amount, within five (5) business days of the entry of this Judgment, Defendant shall:

- a) direct, instruct and authorize City National Bank to pay half of the proceeds held by it on behalf of Kenneth and Marie Grossfeld (Account #2002985796), approximately \$17,200, to Christian R. Bartholomew, the Court-Appointed Receiver in this action (the "Receiver");
- b) direct, instruct and authorize Smith Barney to pay half of the proceeds held by it on behalf of Kenneth and Marie Grossfeld (Account #677-18870-16238), approximately \$10,333, to the Receiver;
- c) provide to the Receiver written notice waiving any and all claims to the funds held by Bank of America on behalf of Internet Management Group, Inc. (Account #003437185443), totaling approximately \$42,498;
- d) deliver to the Receiver ^{PARTIAL} an assignment executed by Defendant and his wife Marie Grossfeld assigning any and all rights, claims, causes of action and interests they have or may have against Reed E. Slatkin and/or the nominee account maintained by Reed E. Slatkin on behalf of Kenneth and Marie Grossfeld (Account#12298).

In further satisfaction of this amount, within six (6) months of the entry of this Final Judgment, Defendant shall pay to the Receiver \$670,000, plus post-judgment interest thereon pursuant to 28 U.S.C. § 1961.

Based upon Defendant's sworn representations in his Statement of Financial Condition dated June 14, 2001, and submitted to the Commission, his liability for payment of the remaining disgorgement and pre-judgment interest thereon is waived, contingent upon the accuracy and completeness of the Statement of Financial Condition. If at any time following the entry of this Final Judgment the Commission obtains information indicating that Defendant's 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 Defendant, petition this Court for an order requiring Defendant to pay the remaining amount of disgorgement set herein, plus pre-judgment and post-judgment interest thereon. In connection with any such petition, the only issue shall be whether the financial information provided by Defendant 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 Defendant to pay funds or assets, directing the forfeiture of any assets, or sanctions for contempt of this Final Judgment, and the Commission may also request additional discovery. Defendant may not, by way of defense to such petition, challenge the validity of his Consent or the Final Judgment, contest the allegations in the Complaint filed by the Commission, contest the amount of disgorgement and interest, or assert that disgorgement should not be ordered.

VI.

PENALTIES

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that based upon Defendant's sworn representations in his Statement of Financial Condition dated June 14, 2001, and submitted to the Commission, the Court is not ordering him to pay a civil penalty pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d) and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3). The determination not to impose a civil penalty is contingent upon the accuracy and completeness of the Statement of Financial Condition. If at any time following the entry of this Final Judgment the Commission obtains information indicating that Defendant's 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 Defendant, petition this Court for an order requiring Defendant to pay a civil penalty. In connection with any such petition, the only issue shall be whether the financial information provided by Defendant 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 Defendant to pay funds or assets, directing the forfeiture of any assets, or sanctions for contempt of this Final Judgment, and the Commission may also request additional discovery. Defendant may not, by way of defense to such petition, challenge the validity of his Consent or the Final Judgment, contest the allegations in the Complaint filed by the Commission, contest the amount of civil penalty, or assert that a civil penalty should not be ordered.

VII.

INCORPORATION OF CONSENT

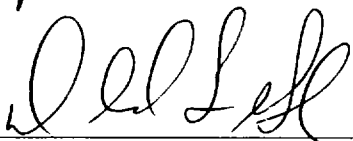
IT IS HEREBY FURTHER ORDERED that Defendant shall comply with the provisions of the Consent attached hereto, and that such Consent is incorporated herein by reference as if fully set forth herein.

VIII.

RETENTION OF JURISDICTION

IT IS FURTHER HEREBY ORDERED that this Court will retain jurisdiction over this matter and the Defendant in order to implement and carry out the terms of all Orders and Decrees that may be entered and/or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court, and will order other relief that this Court deems appropriate under the circumstances.

DONE AND ORDERED at 1:15 o'clock p.m. this 11th day of October, 2001 at Miami, Florida.

For 
HONORABLE SHELBY HIGHSMITH
UNITED STATES DISTRICT JUDGE

Copies to: All Parties or their Counsel of Record