UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION.

Plaintiff.

KLEIN MAUS & SHIRE, INC., et. al.,

Defendants.

99 Civ. 3424 (RWS)

DEFAULT JUDGMENT AGAINST KLEIN MAUS & SHIRE, INC., THE UNITED STATES FINANCIAL GROUP, INC. AND MOHAMMAD ALI KHAN

Plaintiff, Securities and Exchange Commission ("Commission"), having commenced this action on May 17, 1999, by filing its Complaint ("Complaint") for injunctive and other equitable relief, charging, among others, Defendants Klein Maus &-Shire, Inc. ("KMS") and Mohammad Ali Khan ("Khan") with violations of Sections 5(a), 5(c) and 17(a)(1) and 17(a)(3) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)(1) and (a)(3); Sections 10(b), 15(b)(7) and 15(g) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78j(b), 780(b)(7), and 780(g); and Rules 10b-5, 15b7-1, 15g-2, 15g-4 through 15g-6, and 15g-9, 17 C.F.R. §§ 240.10b-5, 240.15b7-1, 240.15g-2, 240.15g-4 through 6 and 240.15g-9; and Defendant The United States Financial Group, Inc. ("USFG") with violations of Sections 17(a)(1) and (a)(3) of the Securities Act; and following the issuance and timely service of a summons and complaint upon KMS, Khan and USFG (collectively the

"Defaulting Defendants") and the entry of defaults against the Defaulting Defendants for failure to answer or otherwise respond to the Complaint within the time provided by the Federal Rules of Civil Procedure, and the Commission having filed a motion, pursuant to Fed. R. Civ. P. 55(b) for a default judgment against KMS, USFG and Khan supported by the Declarations of Peter A. Pizzani, Jr. and William J. Thomas, each dated May 2, 2000, and the Commission's Memorandum of Law (collectively, the "Moving Papers"), and the Court having found that it has jurisdiction over KMS, USFG and Khan and over the subject matter of this action and the jurisdiction to grant the relief requested by the Commission, and good cause appearing for the entry of this order,

I.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that KMS and

Khan, individually and collectively be, and hereby are, permanently enjoined and

restrained from, directly or indirectly, singly or in concert, carrying or causing to be

carried through the mails or in interstate commerce any security for the purpose of sale or

for delivery after sale, unless accompanied or preceded by a prospectus that meets the

requirements of Section 10(a) of the Securities Act, 15 U.S.C. § 77j(a), in violation of

Section 5(a) and 5(c) of the Securities Act, 15 U.S.C. § 77e(a) and (c).

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that KMS, USFG and Khan, individually and collectively, be, and hereby are, permanently enjoined and restrained from, directly or indirectly, singly or in concert, in the offer or sale of any security, by the use of any means or instrument 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 a 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 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) and 17(a)(3) of the Securities Act.

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IT IS FURTHER ORDERED, ADJUDGED AND DECREED that KMS and Khan, individually and collectively, be, and hereby are, permanently enjoined and restrained from, directly or indirectly, singly or in concert, 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 statement of a 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
- 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, and Rule 10b-5.

IV.

Khan are permanently enjoined and restrained from, directly or indirectly, while registered as a broker or dealer, effecting any transaction in, or inducing the purchase or sale of, any security unless any natural person associated with KMS or Khan or any broker or dealer controlled by KMS or Khan, who effects or is involved in effecting such transaction is registered or approved in accordance with the standards of training, experience, competence, and other qualification standards (including but not limited to submitting and maintaining all required forms, paying all required fees, and passing any required examinations) established by the rules of any national securities exchange or national securities association of which KMS or Khan is a member or under the rules of the Municipal Securities Rulemaking Board (if it is subject to the rules of that organization), in violation of Section 15(b)(7) of the Exchange Act, and Rule 15b7-1.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that KMS and Khan be, and hereby are, permanently restrained and enjoined, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with a distribution of securities, directly or indirectly, from effecting any transaction in, or inducing or attempting to induce the purchase or sale of, any penny stock, as that term is defined in Section 3(a)(51)(A) of the Exchange Act, 15 U.S.C. § 78c(a)(51)(A), and Rule 3a51-1 thereunder, 17 C.F.R. 240.3a51-1, except in accordance with the requirements of Section 15(g) of the Exchange Act, 15 U.S.C. § 78o(g), and Rules 15g-1 through 15g-9, and Rule 15g-100 thereunder, 17 C.F.R. 240.15g-1 through 240.15g-9, and 240.15g-100.

YL.

and Khan, jointly-and severally; shall-be liable for disgorgement of the sum of \$3,191,482.74 (the "KMS Disgorgement Sum"), representing \$2,421,500.00 of ill-gotten gains derived from the fraudulent conduct alleged in the Complaint, plus prejudgment interest of \$769,982.74 and (2) USFG and Khan, jointly and severally, shall be liable for disgorgement of the sum of \$251,847.98 (the "USFG Disgorgement Sum"), representing \$200,000 of ill-gotten gains derived from the fraudulent conduct described in the Complaint, plus prejudgment interest of \$51,847.98. KMS and/or Khan shall pay the KMS Disgorgement Sum, and USFG and/or Khan shall pay the USFG Disgorgement Sum in the following manner:

- A. Within 30 business days of entry of this Final Judgment, the KMS

 Disgorgement Sum and the USFG Disgorgement Sum shall be paid into
 the registry of this Court by cashier's check, certified check or postal
 money order drawn to the order of "Clerk, United States District Court,
 S.D.N.Y.," whereupon the Clerk of this Court, or the Financial Deputy
 Clerk, is hereby directed to deposit said cashier's check, certified check or
 postal money order into an account for this case with the Court Registry
 Investment System (the "C.R.I.S. Account"), administered through the
 United States District Court for the Southern District of Texas.
- B. Simultaneously with making payment pursuant to subparagraph A above, copies of the cashier's check, certified check or U.S. postal money order, front and back, as well as any accompanying correspondence, shall be transmitted to Mark K. Schonfeld, Esq., Assistant Regional Director, U.S. Securities and Exchange-Commission, Northeast-Regional Office, Seven—World Trade Center, New York, New York 10048. Such transmission shall be made under cover of a letter that identifies the defendant, the name and civil action number of this litigation, the name of this Court and the Commission case number "NY-6452."
- C. Funds in the C.R.I.S. Account shall be held until further order of the Court, and shall be disbursed in accordance with a plan of distribution to be submitted by Plaintiff Commission and approved by the Court. In no

- event shall any portion of the C.R.I.S. Account be returned to KMS, USFG or Khan, or their respective heirs, successors or assigns.
- D. Interest earned on the C.R.I.S. Account shall be credited to the C.R.I.S.

 Account and shall thereafter be treated in the same manner as principal.

 Prior to making any disbursements from the C.R.I.S. Account, the

 Custodian of the C.R.I.S. Account is directed, without further order of the

 Court, to deduct from the income on the investment a fee, not exceeding

 that authorized by the Judicial Conference of the United States and set by

 the Director of the Administrative Office at an amount equal to ten percent

 (10%) of the income earned on the investment so held.

VII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant KMS shall pay civil penalties as a result of its fraudulent conduct in the amount of \$2,421,500.00; Defendant USFG shall pay civil penalties as the result of its fraudulent conduct in the amount of \$550,000.00; and Defendant Khan shall pay civil penalties as the result of his fraudulent conduct in the sum of \$955,924.07. The payment of civil penalties shall be made in the following manner:

A. Within 30 business days of entry of this Final Judgment, each of the defendants referred to above shall pay the civil penalties ordered by this Court to the United States Treasury by U.S. postal money order, certified check, bank cashier's check or bank money order payable to the order of the Securities and Exchange Commission. The payment shall be

- transmitted to the Comptroller, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.
- B. Simultaneously with making payment pursuant to subparagraph A above, copies of the cashier's check, certified check or U.S. postal money order, front and back, as well as any accompanying correspondence, shall be transmitted to Mark K. Schonfeld, Esq., Assistant Regional Director, U.S. Securities and Exchange Commission, Northeast Regional Office, Seven World Trade Center, New York, New York 10048. Such transmission shall be made under cover of a letter that identifies the defendant, the name and civil action number of this litigation, the name of this Court and the Commission case number "NY-6452."

VIII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that, within 30 days of their receipt of a copy of this order, each of Khan, KMS and USFG, shall provide the Court and the Commission with an accounting of the disposition of all funds acquired from the fraudulent conduct described in the Complaint filed in this action and the Moving Papers, including, all funds that Khan received directly or indirectly from KMS and/or USFG from April 1, 1996 to the date on which the accounting is delivered to the Commission.

IX.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that, within 30 days of their receipt of this order, each of Khan, KMS and USFG shall

repatriate all assets transferred abroad in an amount equal to the amount of ill-gotten gains derived from the activities described in the Complaint and to notify the Court and the Commission of the location of such assets upon repatriation.

X.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), Khan is hereby barred from serving as an officer or director of any issuer that has a class of securities registered under Section 12 of the Exchange Act, 15 U.S.C. § 781, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 780(d).

XI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that, pursuant to Fed. R. Civ. P. 65(d), this Final Judgment is binding upon KMS, USFG and Khan and each of their officers, agents, servants, employees, and attorneys-in-fact, and upon those persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise.

XII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction of this matter for all purposes, including, but not limited to, implementing and enforcing the terms and conditions of this Default Judgment.

XIII.

IT IS FURTHER ORDERED that there being no just reason for delay, the Clerk of the Court is hereby directed to enter this Final Judgment pursuant to Rule 54(b) of the Federal Rules of Civil Procedure.

Dated: New York, New York

May 7 2000

Monorable ROBERT W. SWEET,
United States District Judge