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SECURITIES AND EXCHANGE COMMISSION
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February 26, 2016

VIA UPS NEXT DAY AIR

Brent J. Fields, Secretary
Office of the Secretary
Securities and Exchange Commission
100 F. Street, N.E.
Washington D.C. 20549

Re: *In the Matter of Paul D. Crawford* (AP File No. 3-17043)

Dear Mr. Fields:

Enclosed for filing in the above-referenced matter please find the original and three copies of the Division's Motion for Summary Disposition, Memorandum in Support, Exhibits (in separate binders), and the related Certificate of Service.

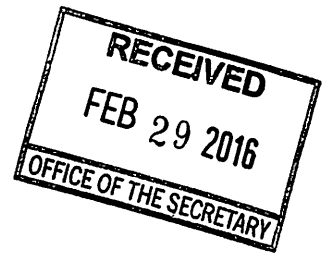
Sincerely,

Timothy J. Stockwell
Senior Attorney
Division of Enforcement

Enclosures

Cc: Hon. Cameron Elliot, ALJ
Paul Engh, Esq.
Jonathan S. Polish, Esq.

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



ADMINISTRATIVE PROCEEDING
File No. 3-17043

In the Matter of
PAUL D. CRAWFORD,
Respondent.

**MEMORANDUM IN SUPPORT OF THE DIVISION OF
ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION
AGAINST RESPONDENT PAUL D. CRAWFORD**

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I. INTRODUCTION

The Division of Enforcement respectfully submits this Motion for Summary Disposition against Respondent Paul D. Crawford (“Crawford”) pursuant to Rule 250 of the Rules of Practice. This administrative proceeding arises from a related injunctive action, SEC v. Collyard, et al., No. 11-cv-3656 (D. Minn.). The District Court granted summary judgment for the Commission and against Crawford. The District Court found that Crawford violated Section 15(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) by acting as an unregistered broker-dealer in soliciting and selling stock in Bixby Energy Systems (“Bixby”), a purported “clean-energy” company that ended up being one of the largest frauds in Minnesota history in which investors lost more than \$56 million. The District Court permanently enjoined Crawford from future violations of Section 15(a).

The District Court found that the record “easily” established that Crawford and his entity, Crawford Capital Corp. (“CCC”), were acting as unregistered brokers in violation of Section 15(a) of the Exchange Act. Exh. 7 at 10.¹ The District Court found that Crawford “received transaction-based commissions summing up to at least \$240,000, signifying the large volumes that his clients invested in Bixby.” Id. The District Court also found that Crawford’s and CCC’s “pattern of behavior was not an isolated incident, but rather was integral to their entire business model, which persuades the Court that the behavior is reasonably likely to recur.” Id. at 16. The District Court noted that Crawford had been previously disciplined for violating the securities laws, which had resulted in the suspension of his broker-dealer license. Id. at 16-17. The court further found that he did not renew his license after the suspension was lifted. Id. “These facts[,]” the court

¹ All of the exhibits attached hereto were filed in the District Court action, SEC v. Collyard, et al. 11-cv-3656 (D. Minn.). The Division respectfully requests that this Court take official notice of these exhibits pursuant to Rule 323 of the Commission’s Rules of Practice.

concluded, “support the conclusion that Crawford may continue to flout the securities laws in his continued role as CCC’s owner.” Id.

Crawford had a full and fair opportunity to litigate the issues decided by the District Court. He is thus collaterally estopped from re-litigating the issues in this proceeding. The findings of the District Court establish that the public interest would best be served by permanently barring Crawford from the securities industry.

II. STATEMENT OF FACTS

A. The Commission’s Civil Action Against Respondent Crawford

On December 21, 2011, the Commission filed a civil injunction against Crawford, CCC, and others in the U.S. District Court for the District of Minnesota in SEC v. Collyard, et al., 11-cv-3656 (D. Minn.). See Exh. 1. The Complaint alleged that Crawford and CCC violated Section 15(a) of the Exchange Act by acting as unregistered brokers in connection with the offer and sale of the securities of Bixby. Id. at ¶¶ 3-5, 28, 33, 39-40.² The Complaint alleged that from approximately February 2004 to November 2006, Crawford and CCC sold more than \$2 million of Bixby securities to at least 50 investors. Id. at ¶ 33. In return, Crawford and CCC were paid at least \$240,000 in transaction-based, cash commissions and warrants to purchase at least 36,000 shares of Bixby common stock. Id.

The Commission also alleged that seven other defendants violated Section 15(a) of the Exchange Act by acting at unregistered brokers in connection with the offer and sale of Bixby

² On August 30, 2012, the Commission filed an Amended Complaint that added allegations only against Crawford’s co-defendants. See Exh. 2. The allegations against Crawford and CCC are identical to the original Complaint. Therefore only the original Complaint is discussed herein.

stock. See id. at ¶¶ 3-5, 27-37, 39-40. Five of those seven defendants settled with the Commission. See SEC v. Collyard, et al. Docket Nos. 99, 110, 114, 150.³

B. Summary Judgment and the Permanent Injunction Against Respondent Crawford

The Commission moved for summary judgment against Crawford and his entity. See Exh. 3. In support of its summary judgment motion against Crawford, the Commission submitted his testimony transcript, deposition transcripts of certain investors, and additional documentary evidence. See Exh. 4. Crawford and CCC filed a brief in opposition, and the Commission filed a reply brief. See Exh. 5-6.

On December 9, 2015, the District Court granted the Commission's motion for summary judgment. In her opinion, Judge Ericksen concluded that "[v]iewed as a whole and in the light most favorable to him, the undisputed facts could only support a finding by a reasonable factfinder that Crawford violated Section 15(a) by acting as a broker in connection with the offer and sale of Bixby securities." Exh. 7 at 10-11. Judge Ericksen reasoned:

The undisputed facts establish that Crawford was not a Bixby employee and that he and CCC received transaction-based commissions summing up to at least \$240,000, signifying the large volumes that his clients invested in Bixby. Crawford maintained a list of investor clients, and he actively solicited these clients to invest or reinvest in Bixby and other issuers. In doing so, he frequently offered optimistic assessments of the issuer and potential returns on an investment, and on occasion even provided tax advice and offered to arrange for a credit line for clients. He also interposed himself as an intermediary between the clients and Bixby at key points of the transaction, including at times handling client funds. Further, he at times assisted clients in filling out the Bixby subscription agreements, accepted the clients' investment checks and sent them to Bixby, and sent regular informational updates about Bixby along with solicitations for the clients to invest further in

³ On April 6, 2015, the District Court granted summary judgment for the Commission and against unregistered broker Defendant Gary A. Collyard. SEC v. Collyard, et al., Docket No. 149. On December 9, 2015, the District Court also granted summary judgment for the Commission and against unregistered broker Collyard Group LLC. See Exhs. 7, 8.

Bixby stock. In addition, a CCC client testified that Crawford offered to negotiate special prices for his clients to purchase more stock through warrant exercises.

Id. at 10. Judge Ericksen also found that summary judgment was appropriate against Crawford's entity, CCC, which Crawford solely owned and operated during the relevant time. Id. at 11.

On December 9, 2015 and January 28, 2016, judgments were entered against Crawford permanently enjoining him from violating Section 15(a) of the Exchange Act, and ordering disgorgement of \$240,000, together with prejudgment interest in the amount of \$128,692.22. See Exh. 8 and 9.⁴ In the course of ordering a permanent injunction, Judge Ericksen found, among other things, that Crawford's conduct in violating the securities laws was reckless and not an isolated incident, he continues to contest liability, and it appeared reasonably likely that Crawford will continue to violate the securities laws in the future. See Exh. 7 at 12, 16-17.

C. The Division's Order Instituting Proceedings

This proceeding was instituted on January 11, 2016, by an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, and Notice of Hearing ("OIP"). The OIP is predicated on the District Court's imposition of a permanent injunction, as well as its findings against Crawford and the entry of summary judgment against him. Crawford filed an Answer on February 1, 2016.

III. ARGUMENT

The standard for granting motions for summary disposition under the Commission's Rules of Practice (**Section A**, below), the doctrine of collateral estoppel (**Section B**), and public interest considerations (**Section C**), collectively compel the granting of the Division's motion and barring Crawford from the securities industry.

A. Summary Disposition Standard

Summary disposition under Rule 250 is properly analogized to summary judgment under Federal Rule of Civil Procedure 56. Summary adjudication is appropriate when there is no genuine issue as to any material fact and the moving party is entitled to a judgment as a matter of law. See, e.g., Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 247-48 (1986); Celotex Corp. v. Catrett, 477 U.S. 317, 322-23 (1986). In this regard, a factual dispute between the parties will not defeat a motion for summary disposition unless it is both genuine and material. See, e.g., In the Matter of Roger M. Detrano, Initial Dec. Rel. No. 242, 2003 WL 22867443 (Dec. 4, 2003).

B. Collateral Estoppel Prevents Re-litigation of Issues and the Court's Findings

The Commission has consistently upheld the use of the summary disposition procedure in cases in which the respondent has been enjoined by the federal court in the course of granting summary judgment to the Commission. The Commission rejects attempts to re-litigate a District Court's findings of fact and conclusions of law before an ALJ. For example, in In the Matter of Daniel Imperato, Exchange Act Rel. No. 74596, 2015 WL 1389046, at *4 (Mar. 27, 2015), the respondent argued to the Commission that he did not act as a broker in the securities transactions at issue. The Commission appropriately found that this was "nothing more than an attempt to relitigate the district court's determination, upheld by the Eleventh Circuit, that [respondent] acted as an unregistered broker in violation of Exchange Act Section 15(a)," and that "the doctrine of collateral estoppel precludes [respondent] from attacking in this proceeding the injunction and factual and procedural issues actually litigated and necessary to the district court's decision."

⁴ Crawford has appealed this final judgment to the U.S. Court of Appeals for the Eighth Circuit. See SEC v. Collyard, et al., Docket No. 195.

Along the same lines, in In the Matter of Gary M. Kornman the Commission stated in no uncertain terms:

We have repeatedly upheld the use of summary disposition by a law judge in cases ... where the respondent has been enjoined or convicted of an offense listed in Exchange Act Section 15(b) and Advisers Act Section 203, the sole determination is the proper sanction, and no material fact is genuinely disputed.

Exchange Act Rel. No. 59403, 2009 WL 367635, at * 10 (Feb. 13, 2009).

Following these principles, ALJs routinely and appropriately rely on collateral estoppel to prevent re-litigation of issues decided on summary judgment by a district court. See, e.g., In the Matter of Siming Yang, Initial Dec. Rel. No. 788, 2015 WL 2088468, at *2 (May 6, 2015) (“It is well established that the Commission does not permit a respondent to relitigate issues that were addressed in a previous civil proceeding against the respondent, whether resolved after a trial, by consent, or by summary judgment.”) (citing cases); In the Matter of Daniel J. Gallagher, Initial Dec. Rel. No. 644, 2014 SEC LEXIS 2736, at *4 n.2 (July 31, 2014) (same); In the Matter of Jerry W. Anderson and Robert M. Kerns, Initial Dec. Rel. No. 166, 2000 SEC Lexis 1092, at *3 n.2 (May 31, 2000) (“When as here, an administrative proceeding is based on the entry of a district court injunction, Respondents may not relitigate in the administrative proceeding any portion of the underlying district court case, including any findings of fact or legal conclusions made by the district court.”).

Here, based upon the district court’s findings and entry of summary judgment, summary adjudication is warranted in this court, since the district court found that Crawford violated Section 15(a) of the Exchange Act by acting as an unregistered broker, and the court permanently enjoined him from future violations of Section 15(a). Therefore, the only remaining issue is what

administrative sanctions are appropriate.⁵ As discussed below, the public interest would best be served by barring Crawford from the securities industry.

C. The Public Interest Requires an Industry Bar

Section 15(b) of the Exchange Act empowers the Commission to order a wide range of administrative sanctions against those associated with, or seeking to become associated with, a broker or dealer, if the Commission determines that the person has been enjoined from violating the Exchange Act and rules, and that any such remedy is in the public interest.⁶

The test of what sanctions are in the public interest derives from the opinion of the Court in Steadman v. SEC, 603 F.2d 1126 (5th Cir. 1979), and includes the following elements:

1. The egregiousness of the defendant's actions;
2. The isolated or recurrent nature of the infraction;
3. The degree of scienter involved;
4. The sincerity of the defendant's assurances against future violations;
5. The defendants' recognition of the wrongful nature of his conduct; and
6. The likelihood that the defendant's occupation will present opportunities for future violations.

⁵ Crawford's pending appeal to the U.S. Court of Appeals for the Eighth Circuit is not a defense to the imposition of sanctions in this Court. As stated in In the Matter of John W. Lawton, "an appeal is no basis for delaying an administrative proceeding." Initial Dec. Rel. No. 419, 2011 SEC LEXIS 1484, at *4 (Apr. 29, 2011) (citing cases). Compare Elliott v. SEC, 36 F.3d 86, 87 (11th Cir. 1994) ("Nothing in the statute's language prevents a bar [from being] entered if a criminal conviction is on appeal."); Blinder, Robinson & Co., Inc. v. SEC, 837 F.3d 1099, 1104 n.6 (D.C. Cir. 1988) (the pendency of an appeal does not diminish the preclusive effect of a final judgment).

⁶ The collateral bars from association with a municipal advisor or nationally recognized statistical rating organization ("NRSRO") were added by the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), signed into law on July 21, 2010. Since Crawford's conduct arguably predated the effective date of Dodd-Frank, the Division is not seeking a collateral bar from association with a municipal advisor or NRSRO. See Koch v. SEC, 793 F.3d 147, 158 (D.C. Cir. 2015) (finding that such bars based exclusively on pre-Dodd Frank conduct are impermissibly retroactive).

Id. at 1140 (citing SEC v. Blatt, 583 F.2d 1325, 1334, n. 29 (5th Cir. 1978)). As the Commission has previously stated, “[w]hen considering whether an administrative sanction serves the public interest, we consider the factors identified in Steadman v. SEC....” In the Matter of Gary M. Kornman, Exchange Act Rel. No. 59403, 2009 WL 367635, at *6 (Feb. 13, 2009). The inquiry is a flexible one, with no one factor being dispositive. Id. The Commission also considers the age of the violation, the degree of harm to investors and the marketplace resulting from the violation, and the deterrent effect of administrative sanctions. See, e.g., In the Matter of Daniel Imperato, Initial Dec. Rel. 628, 2014 WL 3048126, at *7 (J. Elliot, July 7, 2014). Industry bars have long been considered effective deterrence. Id.

A federal court’s imposition of a permanent injunction in an SEC enforcement action suggests that the public interest would best be served by barring the enjoined party from the securities industry. But here the Division is not relying exclusively on the imposition of a permanent injunction. Rather, the Division’s motion is also predicated on critical findings that the court made in the course of imposing a permanent injunction – findings that establish the need for a bar in furtherance of the public interest.

Judge Ericksen found that Crawford’s violations of the securities laws were not an isolated incident, but rather integral to his business model so that over a period of years, Crawford elicited over \$2 million of failed Bixby investments from his clients. See Exh. 7 at 16. The Judge determined that Crawford’s violations were recurrent, as he was previously disciplined for violating the securities laws, resulting in the suspension of his broker-dealer license (which he

never renewed). See id. at 16-17.⁷ Judge Ericksen also found that Crawford continues to contest liability and insists that his actions are permitted under Section 15, supporting the inference that he may continue to violate Section 15 unless enjoined. See Exh. 7 at 17. Additionally, Judge Erickson found that Crawford's misdeeds were not the result of mere negligence. Rather, the District Court found that Crawford acted recklessly in the course of violating Section 15(a):

[Crawford] was at least reckless in failing to renew his license when he continued in the business of soliciting investors for early-stage companies, accepting a commission on those investments, and engaging in other activities typical of brokers. In fact, the SEC points to evidence that Crawford was aware of "securities issues" related to his agreement with Bixby, which supports an inference that Crawford knew he was violating the securities laws. Crawford cites nothing in the record to create a genuine dispute over this evidence.

Id. at 12 (citations omitted). Each and every one of these findings maps to a Steadman factor.

Finally, the district court squarely considered arguably the most critical Steadman factor: the likelihood that the defendant's occupation will present opportunities for future violations. As Judge Erickson stated in no uncertain terms after noting Crawford's history, business model, and testimony: "[T]he facts support the conclusion that Crawford may continue to flout the securities laws in his continued role as CCC's owner." Id. at 17. Judge Ericksen concluded:

In sum, it appears reasonably likely that Crawford and CCC will violate the securities laws in the future, and a permanent injunction is therefore appropriate and necessary to prevent the likelihood that they will otherwise violate Section 15(a) again.

Id.

These findings by the District Court, which Crawford cannot contest here, establish that his violations were egregious and caused investors to lose over \$2 million in the Bixby fraud; that his

⁷ See, e.g., In the Matter of Tzemach David Netzer Korem, Exchange Act Rel. No. 70044, 2013 SEC LEXIS 2155, at *23 n.50 (July 26, 2013) ("[T]he existence of a violation raises an inference that it will be repeated.") (quoting Geiger v. SEC, 363 F.3d 481, 489 (D.C. Cir. 2004)).

violations were repeated; that he acted recklessly; and that his occupation will present ample opportunities for future violations. Further, Crawford continues to contest liability and has not recognized the wrongful nature of his conduct. He has provided no assurances against future violations; to the contrary, Crawford claims that he should be free to continue his business unfettered. See id. In fact, Crawford continued to act as an unregistered broker *even after the filing of the Commission's civil action.* See id. at 16. Indeed, CCC's website and recent correspondence from Crawford to investors suggests that he *continues* to act as an unregistered broker. See Exh. 4 at Internal Exhs. 4 (Doc. 166-1, pg. 44-46), 43-45 (Doc. 166-3, pg. 56-66).

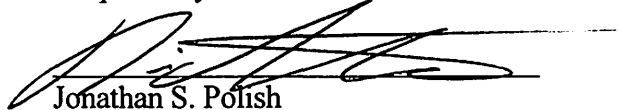
Such circumstances compel the imposition of a permanent industry bar. See, e.g., In the Matter of Kenneth C. Meissner, Initial Dec. Rel. No. 850, 2015 WL 4624707, *15 (J. Elliot, Aug. 4, 2015) (imposing permanent industry bar for violation of Section 15(b)); In the Matter of CentreInvest, Inc., Initial Dec. Rel. No. 387, 2009 WL 2751141, *13 (Aug. 31, 2009) (same).

IV. CONCLUSION

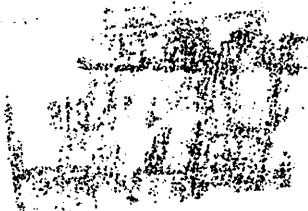
For these reasons, the Division respectfully requests that Respondent Crawford be permanently barred from associating with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent.

Dated: February 26, 2016

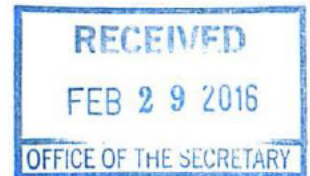
Respectfully submitted:



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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA



UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Plaintiff,

v.

GARY A. COLLYARD, COLLYARD
GROUP, LLC, PAUL D. CRAWFORD,
CRAWFORD CAPITAL CORP., RONALD
MUSICH, JOSHUA J. SINGER, MICHAEL
B. SPADINO, MARKETING CONCEPTS,
INC., AND CHRISTOPHER C. WEIDES,

Defendants.

Civil Action No.

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission ("Commission"), for its Complaint against Gary A. Collyard ("Collyard"), Collyard Group, LLC, Paul D. Crawford ("Crawford"), Crawford Capital Corp., Ronald Musich ("Musich"), Joshua J. Singer ("Singer"), Michael B. Spadino ("Spadino"), Marketing Concepts, Inc., and Christopher C. Weides ("Weides") (collectively, "Defendants") alleges as follows:

SUMMARY OF THE ACTION

1. The Commission brings this action to enjoin Defendants from acting as unregistered broker-dealers in violation of the broker-dealer registration provisions of the federal securities laws.

2. From at least 2001 to 2010, Bixby Energy Systems, Inc. (“Bixby”) raised over \$43 million from approximately 1800 investors through a series of purported private placement offerings and the sale of promissory notes. At least half of these funds were raised through a large network of unregistered brokers, or so-called “finders” and “consultants.”

3. From 2001 to 2010, the Defendants and Dennis DeSender (“DeSender”), Bixby’s former Chief Financial Officer, sold over \$21.7 million in Bixby securities to at least 560 investors. As compensation for their sale of Bixby securities, the Defendants and DeSender were paid a total of at least \$4.9 million in transaction-based cash commissions. In addition, they also received warrants to purchase over 900,000 shares of Bixby common stock.

4. During the relevant period, Defendants were not registered as broker-dealers or associated with registered broker-dealers. As a result, investors who purchased Bixby shares through the Defendants were deprived of the protections afforded by the registration and regulation of broker-dealers under the federal securities laws.

5. As a result of their conduct, the Defendants violated Section 15(a) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §78o(a)].

6. The Commission seeks permanent injunctions against the Defendants to enjoin them from any future violations of Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)]. The Commission further seeks an order requiring the Defendants to pay disgorgement, plus prejudgment interest, of all ill-gotten gains they received and civil penalties pursuant to Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)].

7. In a related action filed on December 21, 2011, in the United States District Court for the District of Minnesota, the Commission alleged that Robert A. Walker, Bixby's founder and former Chief Executive Officer, and DeSender, violated the antifraud and securities offering registration provisions of the federal securities laws in connection with their offer and sale of Bixby securities. In addition, the Commission alleged that DeSender acted as an unregistered broker in violation of Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)] and Walker aided and abetted violations of Section 15(a) of the Exchange Act.

JURISDICTION AND VENUE

8. The Court has jurisdiction over this action pursuant to Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§78u(d), 78u(e) and 78aa]. The Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, transactions, practices, and courses of business alleged herein.

9. Venue is proper in this Court pursuant to Section 27 of the Exchange Act [15 U.S.C. §78aa]. The acts, transactions, practices, and courses of business constituting the violations alleged herein occurred within the jurisdiction of the United States District Court for the District of Minnesota and elsewhere.

DEFENDANTS

10. **Gary A. Collyard**, age 61, resides in Delano, Minnesota. Collyard pled guilty to misdemeanor tax fraud in 1998. In August 2011, he was charged by the State of Minnesota with five counts of felony tax fraud. During the relevant period, he was not registered as a broker or associated with a registered broker-dealer. Collyard twice failed to appear for testimony pursuant to a Commission investigative subpoena.

11. **The Collyard Group, LLC** is a Minnesota limited liability company owned and controlled by Collyard, with its principal place of business in Minnetonka, Minnesota. The Collyard Group, LLC has never been a registered broker-dealer. In a 2006 filing with the Commission, Bixby identified the Collyard Group LLC as an entity that “has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering.”

12. **Paul D. Crawford**, age 75, resides in Spring Lake Park, Minnesota. Crawford was associated with registered broker-dealers from 1986 to 1996, and held Series 1 and 63 licenses. He was last associated with a registered broker-dealer, Askar Corp., in 1996. In 1997, he was censured by the NASD and placed on a two-year suspension for selling securities in an unregistered offering. During the relevant period, he was not registered as a broker or associated with a registered broker-dealer. He is currently employed at Crawford Capital Corp. Crawford refused to provide documents relating to Crawford Capital Corp.’s current capital raising activities, as required by a Commission investigate subpoena.

13. **Crawford Capital Corp.** is a Minnesota corporation owned and controlled by Crawford, with its principal place of business in Minneapolis, Minnesota. According to its website, the company assists early stage businesses in raising capital through “a network of Angel investors and small venture capital firms.” Crawford Capital Corp. has never been a registered broker-dealer. In a 2006 filing with the Commission, Bixby identified Crawford Capital Corp. as an entity that “has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering.” Crawford Capital Corp. is currently in the business of raising capital for other companies.

14. **Ronald S. Musich**, age 62, resides in Hamel, Minnesota. During the relevant period, Musich was not registered as a broker or associated with a registered broker-dealer. Musich is a part-owner of Rocket Capital Management, LLC, a state-registered investment advisory firm. Rocket Capital Management is the investment adviser to Rocket Capital Partners, LP, a hedge fund that invested at least \$48,000 in Bixby.

15. **Joshua J. Singer**, age 30, resides in Lino Lakes, Minnesota. During the relevant period, he was not registered as a broker or associated with a registered broker-dealer. Singer asserted his Fifth Amendment right against self-incrimination and refused to provide testimony in response to a Commission investigative subpoena.

16. **Michael B. Spadino**, age 47, resides in St. Paul, Minnesota. Spadino was associated with registered broker-dealers from 1993 to 1997, and held Series 6 and 63 licenses. During the relevant period, he was not registered as a broker or associated with a registered broker-dealer. Spadino asserted his Fifth Amendment right against self-incrimination and refused to provide testimony in response to a Commission investigative subpoena.

17. **Marketing Concepts, Inc.** is a Minnesota corporation owned and controlled by Spadino, with its principal place of business in Woodbury, Minnesota. Marketing Concepts, Inc. has never been a registered broker-dealer.

18. **Christopher Weides**, age 57, resides in Elk River, Minnesota. Weides was associated with registered broker-dealers from 1984 to 1989, and held Series 7 and 63 licenses. During the relevant period, he was not registered as a broker or associated with a registered broker-dealer. Weides asserted his Fifth Amendment right against self-incrimination and refused to provide testimony in response to a Commission investigative subpoena.

RELATED ENTITY AND INDIVIDUAL

19. **Bixby Energy Systems, Inc.** is a privately held Delaware corporation with its principal place of business in Ramsey, Minnesota. The company is engaged in the business of manufacturing and marketing alternative energy technologies and related products. The company filed Forms D, Notice of Exempt Offering of Securities, with the Commission in September 2006 and November 2007. Bixby has never been registered with the Commission in any capacity and has never registered any offering of securities. On December 14, 2011, the Office of the United States Attorney for the District of Minnesota announced that it had entered into a Deferred Prosecution Agreement with Bixby. In the Deferred Prosecution Agreement, Bixby admits, among other things, that from at least 2006 through May 2011, two of its officers – DeSender and an unidentified individual – in connection with the offer and sale of Bixby securities, made numerous material false statements, false representations, and omissions about Bixby's business and the prospects of conducting an initial public offering of Bixby's shares.

20. **Dennis L. DeSender**, age 64, resides in Minneapolis, Minnesota. DeSender was associated with Bixby from 2001 to May 2011, and served variously as Chief Financial Officer, Chief Operating Officer, and an independent financial consultant to the company. At all times, he was employed as an independent contractor rather than an employee of Bixby. During the relevant period, DeSender was not registered as a broker or associated with a registered broker-dealer. DeSender was convicted for bank fraud in 1998. In March 2011, DeSender pled guilty to one count of tax fraud. In September 2011, he pled guilty to one count of securities fraud in connection with the offer and sale of Bixby securities. On December 1, 2011, DeSender was arrested for soliciting investors for another issuer in violation of his plea agreement.

FACTS

The Bixby Offerings

21. From 2001 to 2010, Bixby raised at least \$43 million from over 1800 investors through a series of private placement offerings of stocks, warrants, and promissory notes. The stocks, warrants, and promissory notes issued by Bixby are securities.

22. Bixby used unregistered persons to offer and sell its securities. In several Bixby private placement memoranda (“PPMs”), Bixby disclosed that up to 10% of the money raised in the private placement may be used to pay commissions to “placement agents” who “assist in the placement of the Shares.” The PPMs further disclosed that the company could additionally pay placement agents warrants to purchase up to 10% of the number of common shares of Bixby stock that they were responsible for having placed.

23. In a Form D, Notice of Sale of Securities Pursuant to Regulation D, Section 4(6), and/or Uniform Limited Offering Exemption, filed with the Commission on September 12, 2006, Bixby identified the Collyard Group, LLC and Crawford Capital Corp. as entities that have been or will be paid commission or similar remuneration for solicitation of purchasers in connection with the sale of securities.

24. In 2006, Bixby’s audit committee oversaw an internal forensic accounting investigation of the company. As a result of this investigation, Bixby received in December 2006 a draft report of investigation that informed the company that the payment of commissions, or so-called “finder’s fees,” to unregistered persons and employees violated the securities laws.

25. In its PPM Supplement dated October 16, 2006, Bixby acknowledged that if “the finders to whom we have paid finder’s fees are found to have been acting as unregistered broker-dealers in violation of the Securities and Exchange Act of 1934 [*sic*] and/or state securities laws,

we may [be] subject to consequences that could have an adverse impact on our financial position.” In several subsequent Bixby PPMs, Bixby disclosed that its payments to unregistered placement agents could give purchasers the right of rescission and thus have a material adverse effect on the company’s financial position. Notably, however, Bixby never disclosed the 2006 draft report of investigation.

26. Notwithstanding the foregoing, Bixby continued the practice of paying commissions to unregistered persons and entities until at least 2010.

Defendants Acted as Unregistered Brokers

27. Section 15(a)(1) of the Exchange Act prohibits a broker or dealer from using the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security unless the broker or dealer is registered with the Commission. Section 3(a)(4) of the Exchange Act defines a “broker” as any person who is engaged in the business of effecting transactions in securities for the account of others.

28. From 2001 to 2010, the Defendants and DeSender collectively sold over \$21.7 million in Bixby securities to at least 560 investors. Defendants and DeSender each solicited investors in Minnesota and other states, and each accepted transaction-based cash commissions ranging from at least \$100,000 to more than \$3.6 million. As compensation for their sale of Bixby securities, the Defendants and DeSender were paid a total of at least \$4.9 million in transaction-based cash commissions. In addition, they also received warrants to purchase at least 900,000 shares of Bixby common stock.

29. From approximately 2004 to August 2006, the Collyard Group LLC, Collyard, and Musich sold over \$3.1 million in Bixby securities to more than 120 investors. Among other things,

they solicited investors, handled investor funds, and fielded investor inquiries regarding Bixby. As compensation for their sale of Bixby securities, Bixby paid Collyard and the Collyard Group commissions of at least \$420,000 in cash and warrants to purchase at least 340,000 shares of Bixby common stock.

30. During this time, Musich sold Bixby securities in partnership with Collyard and the Collyard Group, and he received approximately half of the commissions paid to Collyard Group, LLC.

31. In addition, after 2006, Bixby separately paid Collyard and the Collyard Group commissions of at least \$160,000 in cash for the sale of Bixby securities.

32. In 2007 and 2008, Bixby separately paid Musich commissions of at least \$100,000 in cash for the sale of Bixby securities.

33. From approximately February 2004 to November 2006, Crawford and Crawford Capital Corp. sold over \$2 million in Bixby securities to approximately 50 investors. Among other things, they solicited investors, handled investor funds, and fielded investor inquiries regarding Bixby. As compensation for their sale of Bixby securities, Bixby paid them commissions of at least \$240,000 in cash and warrants to purchase at least 36,000 shares of Bixby common stock.

34. From approximately August 2007 to November 2009, Singer sold over \$1.2 million in Bixby securities to approximately 20 investors. Among other things, he solicited investors, handled investor funds, and fielded investor inquiries regarding Bixby. As compensation for his sale of Bixby securities, Bixby paid him commissions of at least \$107,000 in cash.

35. From approximately November 2007 to December 2008, Spadino and Marketing Concepts, Inc. sold over \$1.5 million in Bixby securities to over 50 investors. Among other things, they solicited investors and fielded investor inquiries regarding Bixby. As compensation for their

sale of Bixby securities, Bixby paid them commissions of at least \$160,000 in cash and warrants to purchase at least 54,500 shares of Bixby of common stock.

36. From 2003 to 2006, Weides sold over \$1.9 million in Bixby securities to at least 28 investors. Among other things, he solicited investors, handled investor funds, and fielded investor inquiries regarding Bixby. As compensation for his sale of Bixby securities, Bixby paid him commissions of at least \$177,000 in cash commissions.

37. In or around 2010, Weides also acted as an intermediary in the sale of Bixby securities in several secondary market transactions. Specifically, he contacted several Bixby investors to solicit their interest in selling their Bixby shares and coordinated the transfer of ownership of Bixby securities to new purchasers.

COUNT I

Violations of Section 15(a) of the Exchange Act [15 U.S.C. §78o(a)]

38. Paragraphs 1 through 37 above are realleged and incorporated herein by reference.

39. The Defendants have, by engaging in the conduct set forth above, while acting as a broker or dealer, effected transactions in, and induced and attempted to induce the purchase or sale of, securities when they were not registered with the Commission as a broker or dealer or associated with an entity registered with the Commission as a broker or dealer.

40. By reason of the foregoing, the Defendants have violated, and unless restrained and enjoined will continue to violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

Find that the Defendants committed the violations alleged herein and find that, as a result of these violations, the Defendants received ill-gotten gains.

II.

Issue an Order of Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

III.

Order the Defendants to disgorge their ill-gotten gains, derived directly or indirectly from the misconduct alleged, together with prejudgment interest thereon.

IV.

Order the Defendants to pay the Commission civil penalties pursuant to Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)].

V.

Retain jurisdiction of this action in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VI.

Grant such other and further relief as the Court deems just and appropriate.

JURY TRIAL DEMAND

The Commission requests a trial by jury.

Dated: December 21, 2011

Respectfully submitted,

s/ Thu B. Ta

Thu B. Ta

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Local Counsel

SUMMARY OF THE ACTION

1. The Commission brings this action to enjoin all Defendants from acting as unregistered broker-dealers in violation of the broker-dealer registration provisions of the federal securities laws. The Commission further seeks to enjoin Defendants Collyard and the Collyard Group from engaging in the fraudulent offer and sale of securities in violation of the antifraud provisions of the federal securities laws.

2. From at least 2001 to 2010, Bixby Energy Systems, Inc. (“Bixby”) raised over \$43 million from approximately 1800 investors through a series of purported private placement offerings and the sale of promissory notes. At least half of these funds were raised through a large network of unregistered brokers, or so-called “finders” and “consultants.”

3. From 2001 to 2010, the Defendants and Dennis DeSender (“DeSender”), Bixby’s former Chief Financial Officer, sold over \$21.7 million in Bixby securities to at least 560 investors. As compensation for their sale of Bixby securities, the Defendants and DeSender were paid a total of at least \$4.9 million in transaction-based cash commissions. In addition, they also received warrants to purchase over 900,000 shares of Bixby common stock.

4. During the relevant period, Defendants were not registered as broker-dealers or associated with registered broker-dealers. As a result, investors who purchased Bixby shares through the Defendants were deprived of the protections afforded by the registration and regulation of broker-dealers under the federal securities laws.

5. Furthermore, from at least January 2006 through December 2010, Defendants Collyard and the Collyard Group sold Bixby securities to investors by means of investor solicitations that contained materially false and misleading statements or omissions regarding: (i) the operational capability of Bixby’s core product – a coal gasification machine; (ii) Bixby’s prospects for conducting an initial public offering; and (iii) the use of investor proceeds.

6. As a result of their conduct, the Defendants violated Section 15(a) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §78o(a)]. In addition, Defendants Collyard and the Collyard Group violated Section 17(a)(2) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §77q(a)(2)], Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)], and Rule 10b-5(b) thereunder [17 C.F.R. §240.10b-5(b)].

7. The Commission seeks permanent injunctions against all Defendants to enjoin them from any future violations of Section 15(a) of the Exchange Act [15 U.S.C. §78o(a)]. The Commission also seeks permanent injunctions against Defendants Collyard and the Collyard Group to enjoin them from future violations of Section 17(a)(2) of the Securities Act [15 U.S.C. §77q(a)(2)], Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)], and Rule 10b-5(b) thereunder [17 C.F.R. §240.10b-5(b)].

8. The Commission further seeks an order requiring the Defendants to pay disgorgement, plus prejudgment interest, of all ill-gotten gains they received and civil penalties pursuant to Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)] and, additionally with respect to Defendants Collyard and the Collyard Group, Section 20(d) of the Securities Act [15 U.S.C. §77t(d)].

9. In a related action filed on December 21, 2011, in the United States District Court for the District of Minnesota, the Commission alleged that Robert A. Walker, Bixby’s founder and former Chief Executive Officer, and DeSender, violated the antifraud and securities offering registration provisions of the federal securities laws in connection with their offer and sale of Bixby securities. In addition, the Commission alleged that DeSender acted as an unregistered broker in violation of Section 15(a) of the Exchange Act [15 U.S.C. §78o(a)] and Walker aided and abetted violations of Section 15(a) of the Exchange Act.

JURISDICTION AND VENUE

10. The Court has jurisdiction over this action pursuant to Sections 20 and 22(a) of the Securities Act [15 U.S.C. §§77t and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§78u(d), 78u(e) and 78aa]. The Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, transactions, practices, and courses of business alleged herein.

11. Venue is proper in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Section 27 of the Exchange Act [15 U.S.C. §78aa]. The acts, transactions, practices, and courses of business constituting the violations alleged herein occurred within the jurisdiction of the United States District Court for the District of Minnesota and elsewhere.

DEFENDANTS

12. **Gary A. Collyard**, age 61, resides in Delano, Minnesota. During the relevant period, Collyard was not registered as a broker or associated with a registered broker-dealer. Collyard twice failed to appear for testimony pursuant to a Commission investigative subpoena. Collyard pled guilty to misdemeanor tax fraud in 1998. On or around February 21, 2012, he pled guilty to five counts of felony tax fraud in an action brought by the State of Minnesota in Minnesota state court. On or around February 27, 2012, Collyard pled guilty to one count of conspiracy to commit securities fraud in connection with the offer and sale of Bixby securities and one count of conspiracy to commit bank fraud. *U.S. v. Collyard*, 12-cr-58 (D. Minn.)

13. **The Collyard Group** is a Minnesota limited liability company owned and controlled by Collyard, with its principal place of business in Minnetonka, Minnesota. The Collyard Group has never been a registered broker-dealer. In a 2006 filing with the Commission,

Bixby identified the Collyard Group as an entity that “has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering.”

14. **Paul D. Crawford**, age 75, resides in Spring Lake Park, Minnesota. Crawford was associated with registered broker-dealers from 1986 to 1996, and held Series 1 and 63 licenses. He was last associated with a registered broker-dealer, Askar Corp., in 1996. In 1997, he was censured by the NASD and placed on a two-year suspension for selling securities in an unregistered offering. During the relevant period, he was not registered as a broker or associated with a registered broker-dealer. He is currently employed at Crawford Capital Corp. Crawford refused to provide documents relating to Crawford Capital Corp.’s current capital raising activities, as required by a Commission investigate subpoena.

15. **Crawford Capital Corp.** is a Minnesota corporation owned and controlled by Crawford, with its principal place of business in Minneapolis, Minnesota. According to its website, the company assists early stage businesses in raising capital through “a network of Angel investors and small venture capital firms.” Crawford Capital Corp. has never been a registered broker-dealer. In a 2006 filing with the Commission, Bixby identified Crawford Capital Corp. as an entity that “has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering.” Crawford Capital Corp. is currently in the business of raising capital for other companies.

16. **Ronald S. Musich**, age 62, resides in Hamel, Minnesota. During the relevant period, Musich was not registered as a broker or associated with a registered broker-dealer. Musich is a part-owner of Rocket Capital Management, LLC, a state-registered investment advisory firm.

Rocket Capital Management is the investment adviser to Rocket Capital Partners, LP, a hedge fund that invested at least \$48,000 in Bixby.

17. **Joshua J. Singer**, age 30, resides in Lino Lakes, Minnesota. During the relevant period, he was not registered as a broker or associated with a registered broker-dealer. Singer asserted his Fifth Amendment right against self-incrimination and refused to provide testimony in response to a Commission investigative subpoena.

18. **Michael B. Spadino**, age 47, resides in St. Paul, Minnesota. Spadino was associated with registered broker-dealers from 1993 to 1997, and held Series 6 and 63 licenses. During the relevant period, he was not registered as a broker or associated with a registered broker-dealer. Spadino asserted his Fifth Amendment right against self-incrimination and refused to provide testimony in response to a Commission investigative subpoena.

19. **Marketing Concepts, Inc.** is a Minnesota corporation owned and controlled by Spadino, with its principal place of business in Woodbury, Minnesota. Marketing Concepts, Inc. has never been a registered broker-dealer.

20. **Christopher Weides**, age 57, resides in Elk River, Minnesota. Weides was associated with registered broker-dealers from 1984 to 1989, and held Series 7 and 63 licenses. During the relevant period, he was not registered as a broker or associated with a registered broker-dealer. Weides asserted his Fifth Amendment right against self-incrimination and refused to provide testimony in response to a Commission investigative subpoena.

RELATED ENTITY AND INDIVIDUAL

21. **Bixby Energy Systems, Inc.** is a privately held Delaware corporation with its principal place of business in Ramsey, Minnesota. The company is engaged in the business of manufacturing and marketing alternative energy technologies and related products. The company filed Forms D, Notice of Exempt Offering of Securities, with the Commission in September

2006 and November 2007. Bixby has never been registered with the Commission in any capacity and has never registered any offering of securities. On December 14, 2011, the Office of the United States Attorney for the District of Minnesota announced that it had entered into a Deferred Prosecution Agreement with Bixby. In the Deferred Prosecution Agreement, Bixby admits, among other things, that from at least 2006 through May 2011, two of its officers – DeSender and an unidentified individual – in connection with the offer and sale of Bixby securities, made numerous material false statements, false representations, and omissions about Bixby's business and the prospects of conducting an initial public offering of Bixby's shares.

22. **Dennis L. DeSender**, age 64, resides in Minneapolis, Minnesota. DeSender was associated with Bixby from 2001 to May 2011, and served variously as Chief Financial Officer, Chief Operating Officer, and an independent financial consultant to the company. At all times, he was employed as an independent contractor rather than an employee of Bixby. During the relevant period, DeSender was not registered as a broker or associated with a registered broker-dealer. DeSender was convicted for bank fraud in 1998. In March 2011, DeSender pled guilty to one count of tax fraud. In September 2011, he pled guilty to one count of securities fraud in connection with the offer and sale of Bixby securities. On December 1, 2011, DeSender was arrested for soliciting investors for another issuer in violation of his plea agreement.

FACTS

The Bixby Offerings

23. From 2001 to 2010, Bixby raised at least \$43 million from over 1800 investors through a series of private placement offerings of stocks, warrants, and promissory notes. The stocks, warrants, and promissory notes issued by Bixby are securities.

24. Bixby used unregistered persons to offer and sell its securities. In several Bixby private placement memoranda (“PPMs”), Bixby disclosed that up to 10% of the money raised in the private placement may be used to pay commissions to “placement agents” who “assist in the placement of the Shares.” The PPMs further disclosed that the company could additionally pay placement agents warrants to purchase up to 10% of the number of common shares of Bixby stock that they were responsible for having placed.

25. In a Form D, Notice of Sale of Securities Pursuant to Regulation D, Section 4(6), and/or Uniform Limited Offering Exemption, filed with the Commission on September 12, 2006, Bixby identified the Collyard Group and Crawford Capital Corp. as entities that have been or will be paid commission or similar remuneration for solicitation of purchasers in connection with the sale of securities.

26. In 2006, Bixby’s audit committee oversaw an internal forensic accounting investigation of the company. As a result of this investigation, Bixby received in December 2006 a draft report of investigation that informed the company that the payment of commissions, or so-called “finder’s fees,” to unregistered persons and employees violated the securities laws.

27. In its PPM Supplement dated October 16, 2006, Bixby acknowledged that if “the finders to whom we have paid finder’s fees are found to have been acting as unregistered broker-dealers in violation of the Securities and Exchange Act of 1934 [*sic*] and/or state securities laws, we may [be] subject to consequences that could have an adverse impact on our financial position.” In several subsequent Bixby PPMs, Bixby disclosed that its payments to unregistered placement agents could give purchasers the right of rescission and thus have a material adverse effect on the company’s financial position. Notably, however, Bixby never disclosed the 2006 draft report of investigation.

28. Notwithstanding the foregoing, Bixby continued the practice of paying commissions to unregistered persons and entities until at least 2010.

Defendants Acted as Unregistered Brokers

29. Section 15(a)(1) of the Exchange Act prohibits a broker or dealer from using the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security unless the broker or dealer is registered with the Commission. Section 3(a)(4) of the Exchange Act defines a “broker” as any person who is engaged in the business of effecting transactions in securities for the account of others.

30. From 2001 to 2010, the Defendants and DeSender collectively sold over \$21.7 million in Bixby securities to at least 560 investors. Defendants and DeSender each solicited investors in Minnesota and other states, and each accepted transaction-based cash commissions ranging from at least \$100,000 to more than \$3.6 million. As compensation for their sale of Bixby securities, the Defendants and DeSender were paid a total of at least \$4.9 million in transaction-based cash commissions. In addition, they also received warrants to purchase at least 900,000 shares of Bixby common stock.

31. From approximately 2004 to August 2006, the Collyard Group, Collyard, and Musich sold over \$3.1 million in Bixby securities to more than 120 investors. Among other things, they solicited investors, handled investor funds, and fielded investor inquiries regarding Bixby. As compensation for their sale of Bixby securities, Bixby paid Collyard and the Collyard Group commissions of at least \$420,000 in cash and warrants to purchase at least 340,000 shares of Bixby common stock.

32. During this time, Musich sold Bixby securities in partnership with Collyard and the Collyard Group, and he received approximately half of the commissions paid to the Collyard Group.

33. In 2007 and 2008, Bixby separately paid Musich commissions of at least \$100,000 in cash for the sale of Bixby securities.

34. In addition, from at least January 2006 through December 2010, Collyard and the Collyard Group continued to raise funds for Bixby and its business projects, including a coal gasification energy project. In this capacity, Collyard and the Collyard Group communicated with prospective investors and shareholders for the purpose of inducing those investors and shareholders to provide funds to Bixby. They also received investor funds. Finally, Collyard and the Collyard Group knowingly solicited unqualified investors to invest in Bixby securities. After 2006, Bixby separately paid Collyard and the Collyard Group commissions of at least \$160,000 in cash for the sale of Bixby securities.

35. From approximately February 2004 to November 2006, Crawford and Crawford Capital Corp. sold over \$2 million in Bixby securities to approximately 50 investors. Among other things, they solicited investors, handled investor funds, and fielded investor inquiries regarding Bixby. As compensation for their sale of Bixby securities, Bixby paid them commissions of at least \$240,000 in cash and warrants to purchase at least 36,000 shares of Bixby common stock.

36. From approximately August 2007 to November 2009, Singer sold over \$1.2 million in Bixby securities to approximately 20 investors. Among other things, he solicited investors, handled investor funds, and fielded investor inquiries regarding Bixby. As compensation for his sale of Bixby securities, Bixby paid him commissions of at least \$107,000 in cash.

37. From approximately November 2007 to December 2008, Spadino and Marketing Concepts, Inc. sold over \$1.5 million in Bixby securities to over 50 investors. Among other things, they solicited investors and fielded investor inquiries regarding Bixby. As compensation for their sale of Bixby securities, Bixby paid them commissions of at least \$160,000 in cash and warrants to purchase at least 54,500 shares of Bixby of common stock.

38. From 2003 to 2006, Weides sold over \$1.9 million in Bixby securities to at least 28 investors. Among other things, he solicited investors, handled investor funds, and fielded investor inquiries regarding Bixby. As compensation for his sale of Bixby securities, Bixby paid him commissions of at least \$177,000 in cash commissions.

39. In or around 2010, Weides also acted as an intermediary in the sale of Bixby securities in several secondary market transactions. Specifically, he contacted several Bixby investors to solicit their interest in selling their Bixby shares and coordinated the transfer of ownership of Bixby securities to new purchasers.

Defendants Collyard and the Collyard Group Made Material Misrepresentations and Omissions Regarding Bixby in Connection with the Offer and Sale of Bixby Securities

40. From at least January 2006 through December 2010, Defendants Collyard and the Collyard Group knowingly made repeated material misrepresentations and omissions to investors and prospective investors for the purpose of inducing them to invest funds in Bixby. Specifically, Collyard and the Collyard Group made misrepresentations and omissions regarding: the operational capability and functionality of Bixby's coal gasification technology and its coal gasification machines; the company's prospects for conducting an initial public offering; and the use of investor proceeds. Based on these misrepresentations and omissions, investors provided money to Bixby for the sole purpose of investing in Bixby's business.

41. For example, on or about November 21, 2007, Collyard made material misrepresentations and omissions regarding Bixby to a prospective investor. Based on these omissions and misrepresentations, the investor invested \$240,000 in Bixby by mailing a check to the Collyard Group. The Collyard Group then transmitted the money to Bixby.

42. As a result of their conduct, Collyard and the Collyard Group are responsible for approximately \$4 million in losses to investors.

43. In return for fraudulently inducing investors to invest in Bixby, Collyard and the Collyard Group received significant income in the form of cash commissions and options to purchase Bixby securities.

44. On February 27, 2012, Collyard pled guilty to one count of conspiracy to commit bank fraud and one count of conspiracy to commit securities fraud in connection with the offer and sale of Bixby securities. *U.S. v. Collyard*, 12-cr-58 (Docket No. 11). In his plea agreement, Collyard admits, among other things, that from at least January 2006 through December 2010:

- a. he was primarily charged with raising funds for Bixby and its business projects, including its coal gasification projects;
- b. he communicated with prospective investors for the purpose of inducing those investors to invest in Bixby;
- c. he caused unqualified investors to be solicited to invest in Bixby;
- d. he made numerous material false statements, false representations, and omissions of material facts to Bixby shareholders and prospective shareholders about: (i) Bixby's business projects; (ii) its prospects for conducting an initial public offering; and (iii) its use of investor proceeds;

- e. based on his misrepresentations, investors provided money to Bixby for the sole purpose of investing in Bixby;
- f. by his fraudulent conduct, he is responsible for approximately \$4 million in losses to investors; and
- g. he received commission payments for his sale of Bixby securities.

COUNT I

*Violations of Section 15(a) of the Exchange Act
[15 U.S.C. §78o(a)]
(Against All Defendants)*

45. Paragraphs 1 through 44 above are realleged and incorporated herein by reference.

46. The Defendants have, by engaging in the conduct set forth above, while acting as a broker or dealer, effected transactions in, and induced and attempted to induce the purchase or sale of, securities when they were not registered with the Commission as a broker or dealer or associated with an entity registered with the Commission as a broker or dealer.

47. By reason of the foregoing, the Defendants have violated, and unless restrained and enjoined will continue to violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

COUNT II

*Violations of Section 17(a)(2) of the Securities Act
[15 U.S.C. §§77q(a)(2)]
(Against Defendants Collyard and Collyard Group)*

48. Paragraphs 1 through 44 above are realleged and incorporated herein by reference.

49. By their conduct, Collyard and Collyard Group, in the offer or sale of securities, by the use of any means or instruments of transportation and communication in interstate

commerce and by the use of the mails, directly or indirectly, have obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

50. By reason of the foregoing, Collyard and Collyard Group violated Section 17(a)(2) of the Securities Act [15 U.S.C. §77q(a)(2)].

COUNT III

***Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder
[15 U.S.C. §78j(b); 17 C.F.R. §240.10b-5(b)]
(Against Defendants Collyard and Collyard Group)***

51. Paragraphs 1 through 44 above are realleged and incorporated herein by reference.

52. By their conduct, Collyard and Collyard Group, in connection with the purchase or sale of securities, by the use of any means or instrumentalities of interstate commerce or by the use of the mails, directly or indirectly, made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

53. Collyard and Collyard Group acted with scienter.

54. By reason of the foregoing, Collyard and Collyard Group violated Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. §240.10b-5].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

Find that the Defendants committed the violations alleged herein and find that, as a result of these violations, the Defendants received ill-gotten gains.

II.

Issue an Order of Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, restraining and enjoining all the Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)], and further restraining and enjoining Defendants Collyard and Collyard Group, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with Collyard and Collyard Group, and each of them, from violating Section 17(a)(2) of the Securities Act [15 U.S.C. §77q(a)(2)], Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)], and Rule 10b-5(b) thereunder [17 C.F.R. §240.10b-5(b)]

III.

Order the Defendants to disgorge their ill-gotten gains, derived directly or indirectly from the misconduct alleged, together with prejudgment interest thereon.

IV.

Order the Defendants to pay the Commission civil penalties pursuant to Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)] and, additionally with respect to Collyard and Collyard Group, pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)].

V.

Retain jurisdiction of this action in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VI.

Grant such other and further relief as the Court deems just and appropriate.

JURY TRIAL DEMAND

The Commission requests a trial by jury.

Dated: August 1, 2012

Respectfully submitted,

s/ Thu B. Ta

Thu B. Ta

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UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Plaintiff,

v.

:
:
:
:
:
: Civ. Act. No. 11-cv-3656 (JNE/JJK)
:
:

GARY A. COLLYARD, COLLYARD
GROUP, LLC, PAUL D. CRAWFORD,
CRAWFORD CAPITAL CORP., RONALD
MUSICH, JOSHUA J. SINGER, MICHAEL
B. SPADINO, MARKETING CONCEPTS,
INC., AND CHRISTOPHER C. WEIDES,

Defendants.

**PLAINTIFF SECURITIES AND EXCHANGE COMMISSION'S MOTION
FOR SUMMARY JUDGMENT AGAINST DEFENDANTS
PAUL D. CRAWFORD AND CRAWFORD CAPITAL CORP.**

Plaintiff Securities and Exchange Commission ("SEC"), pursuant to Federal Rule of Civil Procedure 56, hereby files its motion for summary judgment on Count I of its First Amended Complaint [ECF No. 95] against Defendants Paul D. Crawford and Crawford Capital Corp. This motion is based on the SEC's Memorandum of Law in support of the motion, the pleadings on file, and all files, records, and proceedings herein.

//

//

Dated: September 17, 2015

Respectfully submitted,

s/ Timothy J. Stockwell

Jonathan Polish

Charles J. Kerstetter

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UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Plaintiff,

v.

Civ. Act. No. 11-cv-3656 (JNE/JJK)

GARY A. COLLYARD, COLLYARD
GROUP, LLC, PAUL D. CRAWFORD,
CRAWFORD CAPITAL CORP., RONALD
MUSICH, JOSHUA J. SINGER, MICHAEL
B. SPADINO, MARKETING CONCEPTS,
INC., AND CHRISTOPHER C. WEIDES,

Defendants.

PLAINTIFF SECURITIES AND EXCHANGE COMMISSION'S
MEMORANDUM OF LAW IN SUPPORT OF ITS MOTION FOR
SUMMARY JUDGMENT AGAINST DEFENDANTS
PAUL D. CRAWFORD AND CRAWFORD CAPITAL CORP.

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INTRODUCTION

Almost 20 years ago, Defendant Paul Crawford's securities license was suspended by the National Association of Securities Dealers ("NASD", the precursor to the Financial Industry Regulatory Authority, or "FINRA") for selling unregistered securities. Crawford never sought reinstatement, believing that he could better sell securities without what he thought was unnecessary oversight and interference by securities regulators. Since then, Crawford, through his company, Defendant Crawford Capital Corporation ("CCC"), has brazenly disregarded the rules and regulations regarding the activities of registered brokers. He and his company have illegally acted as unregistered brokers by promising, soliciting, and facilitating the purchase and sale of securities for numerous fledgling start-up companies. Most of these high-risk companies have failed and his clients' investments lost, the most spectacular being Bixby Enterprise Systems ("Bixby"), one of the largest frauds in Minnesota history in which investors lost more than \$56 million.

For his part, Crawford sold more than \$2 million of Bixby securities to at least 50 investors who lost all of their money. Because Crawford knew his sale of Bixby stock violated the securities laws, he operated for more than two years on a "hand shake" deal with Bixby's CEO Robert Walker – now serving 25 years in prison – and Bixby's CFO Dennis DeSender – serving over eight years in prison. While Crawford's clients lost all of their money as a result of the fraud perpetrated by Walker, DeSender, and others at Bixby, Crawford profited handsomely by pocketing \$240,000 in cash commissions.

The fraud at Bixby, and resulting losses to investors, confirms the significance of broker-dealer registration under Section 15 of the Securities and Exchange Act of 1934 (“Exchange Act”). Ensuring that a person acting as a broker-dealer is appropriately registered is essential to providing investors with the protections of the federal securities law. *See Eastside Church of Christ v. National Plan, Inc.*, 391 F.2d 357, 362 (5th Cir. 1968) (“It is through the registration requirement that some discipline may be exercised over those who may engage in the securities business and by which necessary standards may be established with respect to training, experience, and records.”); *Roth v. SEC*, 22 F.3d 1108, 1109 (D.C. Cir. 1994) (the registration requirement serves as the “keystone of the entire system of broker-dealer regulation”).

Oversight of broker-dealers is particularly important when they receive commissions from the sale of securities. Such “transaction-based compensation represents a potential incentive for abusive sales practices that registration is intended to regulate and prevent.” *Cornhusker Energy Lexington LLC v. Prospect St. Ventures*, 2006 WL 2620985 at *6 (D. Neb. Sept. 12, 2006) (unpublished). Without registration, the SEC cannot assure investors, such as those who invested in Bixby, that broker-dealers are (1) competent, (2) transparent, (3) solvent, and (4) subject to oversight. David A. Lipton, *A Primer on Broker-Dealer Registration*, 36 *Cath. U. L. Rev.* 899, 907 (1987). Thus, broker-dealer registration serves as an important, continual check on activities vital to capital markets within the United States. *See id.* at 899-900.

For decades Crawford has intentionally avoided this important registration requirement to be able to more freely sell stock and earn greater commissions. Crawford

and CCC's activity in selling over \$2 million of Bixby stock in exchange for \$240,000 in commissions – in what turned out to be one of the largest frauds in Minnesota history – is the exact type of activity that represents “a potential incentive for abusive sales practices that registration is intended to regulate and prevent.” *Cornhusker Energy*, 2006 WL 2620985 at *6.

As set forth below, there is no legitimate dispute regarding the facts in this case, established through documents, testimony of Crawford's clients, and admissions by Crawford himself. The indisputable evidence establishes that Crawford and CCC were acting as unregistered brokers in violation of Section 15(a) of the Exchange Act. Accordingly, the SEC respectfully asks this Court to grant summary judgment in its favor and against Defendants Crawford and CCC, and impose appropriate remedies.

RELEVANT PROCEDURAL HISTORY

In the original Complaint filed in this action, the SEC alleged that Defendants Paul Crawford and CCC violated Section 15(a) of the Exchange Act by acting as unregistered brokers in connection with the offer and sale of the securities of Bixby Energy Systems, Inc. (“Bixby”).¹ ECF No. 1 at ¶¶ 3-5, 28, 33, 39-40. The SEC alleged that from approximately February 2004 to November 2006, Crawford and CCC sold more than \$2 million of Bixby securities to at least 50 investors. *Id.* at ¶ 33. In return, Crawford and

¹ The Amended Complaint added allegations only against the Collyard Defendants; it did not add allegations against the Crawford Defendants. Because the Crawford Defendants only answered the original Complaint and the allegations are identical as in the Amended Complaint, the original Complaint is discussed herein.

CCC were paid at least \$240,000 in transaction-based, cash commissions and warrants to purchase at least 36,000 shares of Bixby common stock. *Id.*

The SEC also alleged in the Complaint that seven other defendants violated Section 15(a) of the Exchange Act by acting at unregistered brokers in connection with the offer and sale of Bixby stock. *See id.* at ¶¶ 3-5, 27-37, 39-40. Five of those seven defendants have settled with the SEC. *See* ECF Nos. 99, 110, 114, 150. On April 6, 2015, the Court granted summary judgment for the SEC and against unregistered broker Defendant Gary A. Collyard. *See* ECF No. 149. Simultaneous with the filing of this motion, the SEC has filed for renew summary judgment against Collyard's entity, Collyard Group LLC. Crawford and CCC are the only other defendants who continue to challenge the SEC's allegations.

STATEMENT OF FACTS

A. THE DEFENDANTS' BACKGROUND

1. Paul Crawford

Crawford entered the securities industry in 1969 as a registered securities broker, and was associated with registered broker-dealers for the next 30 years. Answer (ECF No. 46) at ¶ 12; Exh. 1 at 2. He held Series 7 and 63 licenses and was registered with the NASD as a broker. *Id.*; Exh. 2 (Crawford Tr.) at 11:13-14; 15:19-22.

In the 1970s, while working for a company called IDS, he was suspended by a state securities agency for 90 days for charging an advisory fee without an advisor's license. Exh. 2 (Crawford Tr.) at 14:19 to 15:2. In 1997, Crawford was censured by the NASD and agreed to a 2-year suspension from association with any NASD member firm

for selling unregistered securities. Answer (ECF No. 46) at ¶ 12; Exh. 1. Crawford, without admitting or denying the allegations of violations, accepted and consented to the entry of findings that he participated in private securities transactions totaling over \$99,000 without the approval of his then employer, Maven Securities. Exh. 1 at 3. After receiving his suspension, Crawford never sought to have his securities license reinstated. Exh. 2 (Crawford Tr.) at 11:13 to 12:3; Exh. 3. Crawford decided that he could do a much better job raising money from investors if he did not have a securities license, and subsequently he decided that he would not reapply for a license. Exh. 3.

2. Crawford Capital Corporation

Crawford has been working as an unregistered broker-dealer since at least 1990, when he started Crawford Capital Corp. Exh. 2 (Crawford Tr.) at 11:14; Exhs. 3-4. CCC was a Minnesota corporation solely owned and controlled by Crawford, located in Minneapolis. Answer (ECF No. 46) at ¶ 13; Exh. 2 (Crawford Tr.) at 15:11-15; 16:17 to 17:23. Since 2003 Crawford has been its only employee. Exh. 2 (Crawford Tr.) at 15:11-15; 17:11 to 17:23. CCC has never been registered as a broker/dealer or investment advisor. Exh. 2 (Crawford Tr.) at 16:22-24. Through CCC, Crawford operated as an unregistered broker-dealer by soliciting investors and selling securities for early stage companies (*id.* at 16:4 to 16:16), thereby being able to sell these investments without any regulation or oversight by the NASD, FINRA, or SEC. As of February 2013, CCC was administratively dissolved by the State of Minnesota for failing to file annual renewals as required by statute. Exh. 5 at 7. Despite this, Crawford continues to pitch investors and solicit investments through CCC. *See, e.g.*, Exh. 4.

B. THE DEFENDANTS' INVOLVEMENT WITH BIXBY

1. Crawford's introduction to Bixby and sale of securities through Christopher Weides

Bixby Energy Systems, founded by Robert Walker in 2001, began as a manufacturer of corn-burning stoves to heat homes, but then transitioned to developing a coal-to-gas technology. Exh. 6. In reality, Bixby operated as a massive fraud whereby Walker and others stole more than \$56 million from hundreds of investors. Exh. 7. As part of the scheme, Walker lied to potential investors about the payment of salaries and commissions to Bixby officers and directors, the operational capability of Bixby's coal gasification machine (which never worked), and the prospect of conducting an initial public stock offering (which never happened). *Id.* The thousands of Bixby investors who lost over \$56 million were lured to Bixby by Walker, Desender, and other unregistered brokers – like Crawford – who worked for a ten percent cut of each investment. Exh. 6.

Crawford first learned about Bixby in or around 2004 from Christopher Weides, who was already recruiting investors to invest in Bixby. Exh. 2 (Crawford Tr.) at 68:19 to 70:10. Crawford went to a presentation meeting for investors at Bixby's offices in Rodgers, Minnesota and met with Walker. *Id.* at 20:3 to 21:19. Crawford was purportedly very impressed with Walker and recognized early on that alternative energy – Bixby's main business model – was a hot idea at the time. *Id.* at 29:2-10.

In 2004, Crawford, operating through CCC, solicited investors to buy Bixby stock in private placements through Weides, who had his own agreement with Bixby. *Id.* at 70:5 to 71:14; Exh. 8. Crawford was compensated through Weides for bringing in

investors. Exh. 2 (Crawford Tr.) at 71:7-4, 72:17-19; Exh. 8. Through Weides, Crawford received compensation of three percent of the amount of funds invested by clients. Exh. 2 (Crawford Tr.) at 71:7-17. Crawford raised more than a million dollars for Bixby through Weides in 2004 alone. Exh. 8. Thereafter, Crawford refused to continue to solicit investments for Bixby if he had to go through Weides. *Id.*

2. The Defendants' agreement directly with Bixby

In or around 2004, Walker and Bixby CFO Dennis DeSender asked Crawford to solicit investments for Bixby directly. *Id.*; Exh. 11; Exh. 2 (Crawford Tr.) at 71:18 to 72:7. Crawford agreed and began to solicit investors for Bixby through CCC. Exh. 2 (Crawford Tr.) at 29:11-18; Exh. 9. Per the agreement, Crawford received transaction-based cash compensation in the amount of ten percent of the amount of funds invested by clients, plus five-year warrants in an amount equal to ten percent of the shares acquired by his clients. Exhs. 8, 10; Exh. 2 (Crawford Tr.) at 52:21 to 54:7; 56:12-21. Crawford submitted a bill or invoice to Bixby for compensation under the agreement and communicated with Bixby CFO DeSender and others at Bixby regarding his compensation. Exh. 2 (Crawford Tr.) at 52:1-7; Exhs. 8, 10.

Because Crawford, a former registered broker, was worried about "securities issues," the deal with Bixby to compensate Crawford for soliciting Bixby investors "was done on a hand shake" and never memorialized in writing. Exh. 8; Exh. 2 (Crawford Tr.) at 60:14-19.

3. Overview of the Defendants' Bixby clients

Most of Crawford's and CCC's clients invested in Bixby in 2004 and 2005; in total they purchased over \$2 million dollars in Bixby stock. Exh. 2 (Crawford Tr.) at 37:14-19; 49:17-20; Answer (ECF No. 46) at ¶ 33.² Exhibit 11 is a list prepared by Crawford to keep track of his clients who invested in Bixby, and the amount of shares they acquired.³ Exh. 2 (Crawford Tr.) at 25:15 to 26:15. Between 2004 and 2006, approximately 53 different clients – from Minnesota and elsewhere – purchased over 2.1 million shares of Bixby stock through Crawford and CCC. Exh. 11; Exh. 2 (Crawford Tr.) at 25:15 to 26:15; 30:22-25. Crawford's Bixby clients came from his existing clients who were interested in investing with early stage companies, such as Bixby. Exh. 2 (Crawford Tr.) at 25:15 to 27:20. Some were even former clients of Crawford when he was still a licensed broker. *Id.* at 27:12-14.

Pursuant to the "hand shake" deal with Bixby, Crawford and CCC received transaction-based compensation for the sale of over \$2 million in Bixby stock – at least \$240,000 in cash and warrants to purchase at least 36,000 shares of Bixby commons

² In their Answer, Crawford and CCC do not deny that "[f]rom approximately February 2004 to November 2006, Crawford and Crawford Capital Corp. sold over \$2 million in Bixby securities to approximately 50 investors" as alleged in the Complaint. ECF No. 1 at ¶ 33. Therefore the allegation is deemed admitted. *See* Fed. R. Civ. P. 8(b)(6).

³ Crawford clarified in testimony that the first group of clients listed invested in 2004, not 2003. Exh. 2 (Crawford Tr.) at 71:18 to 72:7.

stock. *Id.* at 49:23 to 51:25, 83:2-5; Exh. 12; Answer (ECF No. 46) at ¶ 33.⁴ While certain clients assumed (correctly) that Crawford was making a commission on the sale of stock (*see, e.g.*, Exh. 13 (Bohn Tr.) at 54:23 to 55:11), Crawford does not recall ever telling any Bixby client that he was receiving compensation from Bixby unless specifically asked by the client; as Crawford testified, “[i]t’s just something I didn’t discuss.” Exh. 2 (Crawford Tr.) at 54:8 to 55:5.

4. The Defendants’ initial solicitation of Bixby clients

Crawford admits that, through CCC, he sold over \$2 million of Bixby securities to approximately 50 investors between 2004 and 2006. Answer (ECF No. 46) at ¶ 33; *see also* Exh. 11. Crawford aggressively sold Bixby stock by bringing the investment opportunity, unsolicited, to his clients either by email, in person, or by phone. *See, e.g.*, Exh. 13 (Bohn Tr.) at 15:12-17; Exh. 14 (Haluptzok Tr.) at 10:22 to 11:10.⁵ Crawford would discuss with clients the positive nature of Bixby and Walker’s track record, including his prior success with Select Comfort and the Sleep Number Bed. Exh. 14 (Haluptzok Tr.) at 12:1-16; Exh. 9. He provided them with promotional material regarding Bixby and information regarding its business plan, potential growth, need to

⁴ In their Answer (ECF No. 46 at ¶ 33), Crawford and CCC do not deny that “[a]s compensation for their sale of Bixby securities, Bixby paid them commissions of at least \$240,000 in cash and warrants to purchase at least 36,000 shares of Bixby common stock” as alleged in the Complaint. Complaint (ECF No. 1) at ¶ 33. Therefore the allegation is deemed admitted. *See* Fed. R. Civ. P. 8(b)(6). In Exhibit 10, Crawford claims he is owed warrants worth more than 90,000 shares of Bixby stock.

⁵ Crawford client Gary Bohn purchased 125,000 shares for \$100,000. Exhs. 11, 15. Client Harold Haluptzok purchased 50,000 shares of Bixby stock for \$80,000. Exh. 14 (Haluptzok Tr.) at 16:16-19; Exh. 11.

raise capital, and the details of Bixby's various private offerings of stock. Exh. 9; Exh. 13 (Bohn Tr.) at 16:5-11, 16:24 to 19:11; Exh. 14 (Haluptzok Tr.) at 11:17-21, 12:9-15; Exh. 16. For example, in Exhibit 16 Crawford informs numerous clients that Bixby's business "is ramping up very rapidly and it is very likely they will generate \$40 million in revenues in this fiscal year," "[t]hey are close to completing the financing deal that will allow their shares to be traded on the NASDAQ market," and that "[t]here is a very limited time to invest in Bixby at \$1.60 per share with 50% warrant coverage." *Id.*⁶ He ends by describing Bixby as a "very exciting alternative energy investment opportunity" and he "think[s] that Bob Walker will have another winner with Bixby as he did with Select Comfort and the revolutionary Sleep Number Bed." *Id.*

Crawford also discussed with clients the risks and returns, or potential returns, of investing in Bixby. Exh. 2 (Crawford Tr.) at 48:18-23. For example, Crawford discussed with client Harold Haluptzok his risk tolerance and that the Bixby investment may take three to five years to develop. Exh. 14 (Haluptzok Tr.) at 64:15-22. It was typical for Crawford to predict for clients the future performance of a company and the timing of potential returns. *See, e.g.*, Exh. 17 (Gentry Tr.) at 38:9-18; 46:16 to 47:1.⁷

Crawford repeatedly recommended that his clients invest in Bixby and that it would be a wise investment and a profitable venture. Exh. 13 (Bohn Tr.) at 13:18 to

⁶ These are certainly the type of speculative statements that would have been reviewed by the compliance department of a registered broker-dealer prior to distribution to potential investors.

⁷ Crawford client Staley Gentry purchased 50,000 shares of Bixby stock for \$80,000. Exh. 17 (Gentry Tr.) at 13:9 to 14:3; Exh. 11.

14:8; Exh. 14 (Haluptzok Tr.) at 12:1-15; Exh. 17 (Gentry Tr.) at 12:17-20. Client Harold Haluptzok described Crawford as “a broker selling stock in a company,” or “a broker trying to get [Haluptzok] to invest in a company.” Exh. 14 (Haluptzok Tr.) at 52:21-25. Client Staley Gentry, a former insurance broker himself, thought that Crawford was “acting as a broker” in regards to Bixby. Exh. 17 (Gentry Tr.) at 36:6-13, 97:2-6. Client Gary Bohn considered Crawford to be his personal financial advisor during the transactions with Bixby and other companies he invested in. Exh. 13 (Bohn Tr.) at 54:3-8.

If clients were interested in investing, Crawford would talk with Walker and the two of them would arrange to have an investor presentation meeting and introduction to the company. Exh. 2 (Crawford Tr.) at 26:7-13, 30:11-17.⁸ Crawford attended dozens of these types of meetings between 2004 and 2007, and even arranged and set up the meetings himself in later years. *Id.* at 86:11-19; Exh. 13 (Bohn Tr.) at 19:12 to 20:9; Exh. 17 (Gentry Tr.) at 20:10-13. For example, Exhibit 16 is an email from Crawford to numerous clients regarding an investor meeting scheduled by Crawford at Bixby’s new facilities. Crawford testified that he even may have shown potential clients promotional videos produced by Bixby while with the clients at CCC’s office. Exh. 2 (Crawford Tr.) at 45:24 to 46:19.

Crawford asked Bixby to send out prospectuses, or Private Placement Memoranda (“PPMs”), to his potential client investors, and Bixby would distribute PPMs at the

⁸ Not all clients attended the investor meetings with Bixby management. Investor Staley Gentry never met Walker and never attended any of his presentations. Exh. 17 (Gentry Tr.) at 96:17-21.

investor meetings. *Id.* at 36:7-16, 37:8 to 38:4, 88:9-13. On occasion Crawford handed out Bixby PPMs directly to clients. *Id.* at 36:7-16, 37:8 to 38:4; Exh. 9. Crawford also provided clients with a subscription agreement entitled “Form of Subscription Agreement, Letter of Investment Intent and Lock-Up,” an example of which is attached as Exhibit 15. Exh. 2 (Crawford Tr.) at 44:16 to 45:9; Exh. 13 (Bohn Tr.) at 21:1-4. Crawford’s clients, including Gary Bohn and Harold Haluptzok, returned the subscription agreements to Crawford to be routed on to Bixby. Exh. 13 (Bohn Tr.) at 22:18-20; Exh. 14 (Haluptzok Tr.) at 14:3-13. In fact, Crawford even assisted investor Gary Bohn in completing the subscription agreement attached as Exhibit 15 by filling in pertinent information about Bohn and his Bixby investment. Exh. 13 (Bohn Tr.) at 21:5 to 22:17.

Further, Crawford handled investor funds in the form of checks made out to Bixby. Exh. 2 (Crawford Tr.) at 33:16 to 34:6, 49:3-10; Exh. 18. For example, clients Roland Stinksi, Richard Parry, Harold Haluptzok, and Gary Bohn all provided checks, representing their respective investments in Bixby, to Crawford with the expectation that he would forward the funds on to Bixby. Exh. 2 (Crawford Tr.) at 33:16 to 34:6; Exh. 13 (Bohn Tr.) at 22:24 to 23:16; Exh. 14 (Haluptzok Tr.) at 14:14 to 15:6; Exh. 18. Crawford also received and handled his clients’ Bixby stock certificates. Exh. 19.

5. The Defendants’ updates and solicitation of additional investments

Once clients purchased Bixby stock, Crawford continued to be the clients’ primary source of information about Bixby by providing updates about the company. *See, e.g.*, Exh. 13 (Bohn Tr.) at 27:20 to 28:10; Exh. 14 (Haluptzok Tr.) at 26:18 to 27:3; Exhs. 16, 20-24. Further, Crawford continued to solicit the purchase of more investments and the

exercise of warrants. *See, e.g.*, Exh. 13 (Bohn Tr.) at 29:20 to 30:1; Exh. 14 (Haloptzok Tr.) at 23:8-12; Exh. 17 (Gentry Tr.) at 29:20 to 30:3. In Exhibit 16, Crawford solicited additional investments from clients for “a very limited time” offer “at \$1.60 per share with 50% warrant coverage.” In Exhibits 20, 21, and 22, Crawford continually asked his clients if they want to exercise their warrants at a fifty percent discount, or, as Crawford described it in Exhibit 22, pursuant to a “special warrant holiday.”⁹

Crawford typically gave investment advice to clients about exercising warrants, including at a discount and at particular times. *See, e.g.*, Exh. 14 (Haluptzok Tr.) at 21:2-10. In Exhibit 23, Crawford wrote to clients: “**The situation at Bixby right now is exactly what we were hoping for** and is a good reason to consider exercising your warrants.” (Emphasis in original).¹⁰ Crawford emailed clients with some degree of frequency about opportunities to obtain warrants or options at heavily discounted rates, and Crawford recommended that his clients take advantage of such offers. Exh. 17 (Gentry Tr.) at 29:20 to 30:3. Harold Haluptzok described Crawford’s pitch as like “he was trying to sell me on buying more of the stock and using these warrants to buy more”;

⁹ In Exhibit 21, Crawford informed his investors that Bixby had entered into a deferred prosecution agreement and that the U.S. Attorney’s Office and SEC were continuing to pursue “former management individuals and fund raisers.” However, Crawford did not inform his investors that he was one of the “fund raisers” under investigation, or that he had already received a Wells Notice from the SEC. *See, e.g.*, Exh. 14 (Haluptzok Tr.) at 25:8-13; Exh. 21.

¹⁰ At the time he wrote this Crawford had already provided investigative testimony to the SEC and knew there was an investigation into Bixby. *See, e.g.*, Exh. 2 (Crawford Tr.) at 4:24 to 5:4.

“like a salesman trying to get more commission[s].” Exh. 14 (Haluptzok Tr.) at 21:11-18.

Crawford also negotiated with Bixby on behalf of his clients. In Exhibit 24, Crawford asked if any clients would be interested if “I could get a deal for you to acquire Bixby shares for 50-cents?” Crawford even negotiated for his early Bixby clients an “investor guaranteed credit line deal” through Bixby’s bank which Crawford described as “an extraordinary opportunity that you should consider.” Exh. 25.

D. THE DEFENDANTS’ SALE OF INVESTMENTS IN OTHER COMPANIES

Crawford, through CCC, sold stock and other investments in no less than eleven other companies besides Bixby. This was a significant part of Crawford’s investment advice to clients, as told to Staley Gentry:

I remind investors that the overall risk in high risk, early stage investments is somewhat mitigated by having more than one. The ultimate success of one of these types of investments should be big enough to cover the cost of several of these type [sic] of investments.

Exh. 26.

1. The Defendants’ initial solicitation of clients in other companies

Crawford sent unsolicited information to his Bixby investors for other potential investments, and would send multiple emails about an investment even if a client showed no interest. *See, e.g.*, Exh. 14 (Haluptzok Tr.) at 36:14 to 37:4; 38:1 to 39:2; Exhs. 27-28. For example, Crawford solicited Harold Haluptzok’s to invest in Disc Motion, Streamline, Neuro-Stimulation, Four-Cubed, and LocaLoop, none of which Haluptzok ultimately invested in. *See, e.g.*, Exh. 14 (Haluptzok Tr.) at 35:11-25.

Crawford attempted to sell these investments similar to the way he sold Bixby. He provided promotional materials regarding these companies and fielded investor inquiries. *See, e.g.*, Exh. 14 (Haluptzok Tr.) at 40:10-14; Exhs. 29-30. He met with clients and offered free lunch seminars at CCC's offices regarding these other prospective investments. *See, e.g.*, Exh. 17 (Gentry Tr.) at 48:15 to 49:22; Exh. 13 (Bohn Tr.) at 13:2 to 14:8; Exhs. 31-33. He provided PPMs, subscription agreements, and other necessary investment paperwork. *See, e.g.*, Exh. 17 (Gentry Tr.) at 56:5-19; Exhs. 29, 34. He assisted investors in filling out subscription agreements and handled investor funds. *See, e.g.*, Exh. 13 (Bohn Tr.) at 38:23 to 39:12. He recommended that his clients invest in these companies and typically estimated a significant rate of return for these investments, usually in a relatively quick timeframe. *See, e.g.*, Exh. 14 (Haluptzok Tr.) at 39:21-24, 44:22 to 45:6. And he painted the same rosy picture regarding these companies' growth and prospects as with Bixby:

- **“I predict that the Streamline transport system will scale very fast and will be bought out at a tremendous premium within a few years which should return to shareholders a multiple of 6 to 30 to one.”** Exh. 28 (emphasis in original)
- “There is not an early stage deal that I have ever been involved with that is more predictable to have a very successful outcome in a very short time frame than FourCubed... The least I expect is that FourCubed will grow by a factor of 5 to 9 times its current valuation over the next two to three years. Attached is additional information about this unique opportunity which will scale very fast.” Exh. 30.
- “I am hosting a box lunch meeting at my office [for Disc Motion] ... a very exciting opportunity in a revolutionary new device to replace spinal discs... This product could be a blockbuster in a very short period of time.” Exh. 32.

- “[Disc Motion is] raising another \$5+ million at just \$0.50 per share... I definitely recommend that all investors invest in this very cheap \$0.50 round.” Exh. 37. “This is a steal at \$0.50 per share.” Exh. 38.
- “LocaLoop will be a hot publicly traded stock or will be acquired sometime within the next 18 to 24 months. You can buy shares in the current round at a \$1 per share plus you receive a 5-year warrant to acquire an additional share for \$1 for each dollar you invest which really doubles your upside.” Exh. 35.
- “LocaLoop is sneaking up on the rural 4G marketplace and it is about to turn into a tsunami. That will then trigger interest among Private Equity Firms, Hedge Funds and major Wall Street brokerage firms. LocaLoop is about to really blast-off.” Exh. 36.

2. The Defendants’ updates and solicitation of additional investments

Like with Bixby, Crawford also continually updated his clients about the status of companies they invested in through CCC. *See, e.g.*, Exh. 17 (Gentry Tr.) at 18:15-18. He also solicited subsequent investments in these companies. For example, after Staley Gentry invested \$25,000 in Disc Motion, he later increased his investment by \$5,000 upon Crawford’s advice that since Gentry was going to lose his initial investment, by putting up another \$5,000, he could at least have a stake in the sale of the company’s patent (if ever sold). Exh. 17 (Gentry Tr.) at 102:10-17.¹¹ Like with Bixby, Gentry’s Disc Motion investments did not work out. *Id.* at 102:18-20. Crawford further encouraged Gentry to add to his existing \$262,500 investment in Empathic: “I am suggesting that you consider adding an additional \$47,500 in this 4th Round which is also priced at \$286 per share.” Exh. 39. Crawford also solicited additional investments in a company called ALung: “I hope that you will consider immediately increasing your

¹¹ Gentry never spoke with Disc Motion executives, instead relying solely on Crawford for information and recommendations regarding the company and his investments. Exh. 17 (Gentry Tr.) at 104:5-11.

investment in ALung. It is urgent that ALung bring in at least \$250,000 of the \$1 million bridge loan immediately. I am hoping that investors from our group will increase their investment by a factor of at least 25% of their existing investment.” Exh. 40.

3. The Defendants negotiating of deals and providing financial advice

Not only did Crawford solicit investments in other companies, he also negotiated on behalf of his clients. For example, Crawford wrote to various clients: “The deal I have made with [Neuro Stimulation] is that my ‘syndicate’ will acquire 20% of the company for the initial \$1.5 million and then can duplicate that amount after NSI proves efficacy of the technology which would mean the ‘syndicate’ would then own 40% of the company.” Exh. 33. Crawford provided investment advice, including tax advice and how to finance investments:

- “LocaLoop is the kind of investment that is ideal to be held in a Roth IRA.” Exh. 36;
- “If you want to consider this special Sky 50 loan deal the key for any of you is what interest rate you will be charged by your lender... If you can borrow \$250,000 at say 7.25% (1% below the current prime rate) and then loan it to Space Data through the L.L.C. you will be paid 11.375%. It would cost you \$1510 per month and you would receive \$2370 per month in interest payments leaving you with \$860 in your pocket.” Exh. 34.
- “I am suggesting that you consider adding an additional \$47,500 in this 4th Round which is also priced at \$286 per share. However, the best way to do this is to invest a total of \$160,000 in this round and then [Empathic] would repay your \$112,500 loan. The new \$160,000 investment would be eligible for a refundable tax credit from the State of Minnesota. You would recover 25% or \$40,000 from the State of Minnesota.” Exh. 39.

In Exhibit 41, Crawford provided step-by-step instructions regarding how to file the Minnesota Angel Tax Credit Annual Report, which Gary Bohn relied upon and discussed

with Crawford. Exh. 13 (Bohn Tr.) at 47:1-23. Crawford, through CCC, even created investment vehicles, such as the “Success Note,” touted as a type of investment in LocaLoop “that will allow investors to step into one of the hottest events in communications since the evolution of mobile communications.” Exh. 42.

It appears that none of these other early stage companies have turned out to be a “tsunami” or a “blockbuster in a very short period of time” as predicted by Crawford. *See, e.g.*, Exh. 17 (Gentry Tr.) at 63:23-25 (none of his investments with Crawford have “panned out” yet).

E. THE DEFENDANTS’ CONTINUED SALE OF INVESTMENTS

Despite the instant action, Crawford continues to act as unregistered broker in selling investments to clients. For example, in March and September 2014, Crawford sent unsolicited emails to Harold Haluptzok and others pitching investments in FourCubed and LocaLoop. Exhs. 30, 36. Haluptzok received another email from Crawford regarding LocaLoop in March 2015, just days before Haluptzok’s deposition. Exh. 14 (Haluptzok Tr.) at 55:5-10. Haluptzok estimated that he receives emails from Crawford at least every month or two. *Id.* at 67:24 to 68:2.

Further, as of March 2015, CCC’s public website lists its “portfolio companies” as including LocaLoop, Inc., Empathic Software, Sports Director Online (SDO), Nutri-Innovations, and Biothera, with links to these investment opportunities. Exhs. 43-44. As yet another example of Crawford’s continued solicitation of investments, he touts that an investor in Nutri-Innovations, a purported “social Network” for dairy cows, “who owns a non-dilutable 1% equity interest (\$40,000 investment) could earn cash distributions of

\$20,000+ per year from just 100,000 cows which would be slightly more than 1% of the 9 million cows milked every day in the U.S. alone.” Exh. 44.

Finally, as recently as August 10, 2015, Crawford emailed numerous clients regarding an investment in SaaSware Highway, a company with holdings in Empathic, LocaLoop, Sports Director Online, and esmartBadge. Exh. 45. According to Crawford, “[t]his is another investor’s dream opportunity that will grow quickly” and “is an investment you should want to be part of.” *Id.*

ARGUMENT

The SEC is entitled to summary judgment because Crawford and CCC were acting as unregistered broker-dealers in selling millions of dollars of Bixby stock over a three-year period to over 50 investors. In terms of appropriate remedies, based on Crawford’s and CCC’s egregious conduct, high degree of scienter and culpability, and continuing defiant conduct, they should be enjoined from future violations of the federal securities laws and ordered to pay disgorgement, prejudgment interest, and civil penalties.

A. THE SEC IS ENTITLED TO SUMMARY JUDGMENT AS A MATTER OF LAW

1. Summary Judgment Standard

A district court “shall grant summary judgment” if the movant demonstrates that there is “no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” *See* Fed. R. Civ. P. 56(a). For purposes of summary judgment, a “dispute over a fact is ‘material’ only if its resolution might affect the outcome of the action under the governing substantive law.” *See Nord v. Kelly*, 474 F. Supp. 2d 1088,

1092-93 (D. Minn. 2007) (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986)). Further, a “dispute over a fact is ‘genuine’ only if ‘the evidence is such that a reasonable jury could...return a verdict’” for [the non-movant].” *Id.* at 1093. Once the movant establishes that there is no genuine issue of material fact, the opposing party must come forward with “specific facts” showing that there is a need for trial. *See Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586-87 (1986); *Smith v. Lurie*, 2011 WL 1790332 at *4 (D. Minn. May 10, 2011).

2. **The Defendants Violated the Broker-Dealer Registration Provision of the Exchange Act (Count I)**

Count I of the Amended Complaint charges Crawford and CCC with acting as unregistered brokers in violation of Section 15(a) of the Exchange Act. 15 U.S.C. § 78o(a). Section 15(a)(1) of the Exchange Act provides that it is unlawful for a broker to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security unless such broker is registered with the Commission in accordance with Section 15(b) of the Exchange Act. 15 U.S.C. §§ 78o(a)(1), 78o(b). *Scienter* is not a requirement for Section 15(a) liability. *SEC v. Martino*, 255 F. Supp. 2d 268, 283 (S.D.N.Y. 2003).

a. **The Defendants acted as unregistered brokers in soliciting Bixby investments**

Under Section 3(a)(4) of the Exchange Act, a broker is defined as any person “engaged in the business of effecting transactions in securities for the account of others.” 15 U.S.C. § 78c(a)(4). Courts have interpreted this definition to “connote a certain regularity of participation in securities transactions at key points in the chain of distribution.” *Mass. Fin. Servs., Inc. v. Securities Investor Protection Corp.*, 411 F.

Supp. 411, 415 (D. Mass.), *aff'd* 545 F.2d 754 (1st Cir. 1976); *see also SEC v. Benger*, 697 F. Supp. 2d 932, 944 (N.D. Ill. 2010) (using same interpretation); *Martino*, 255 F. Supp. 2d at 283 (using same interpretation).

Factors courts look at to determine broker activity include whether the individual: “1) is an employee of the issuer; 2) received commissions as opposed to salary; 3) is selling, or previously sold, the securities of other issues; 4) is involved in negotiations between the issuer and the investor; 5) makes valuations as to the merits of the investment or gives advice; and 6) is an active rather than passive finder of investors.” *SEC v. Hansen*, 1984 WL 2413, at *10 (S.D.N.Y. Apr. 6, 1984). *See also SEC v. George*, 426 F.3d 786, 797 (6th Cir. 2005) (adopting *Hansen* factors); *SEC v. Stratocomm Corp.*, 2 F. Supp. 3d 240, 262-63 (N.D.N.Y. 2014) (granting summary judgment for the SEC based on several *Hansen* factors); *SEC v. Kramer*, 778 F. Supp. 2d 1320, 1334 (M.D. Fla 2011), *appeal dismissed sub nom. SEC v. Sky Way Global LLC*, 2011 WL 4025404 (Sept. 9, 2011) (stating that most frequently cited factors are those identified in *Hansen*). Other courts have indicated that “regularity of participation” can be demonstrated by such factors as the dollar amount of securities sold and the extent to which advertisement and investor solicitation was used. *See SEC v. Kenton Capital, Ltd.*, 69 F. Supp. 2d 1, 12 (D.D.C. 1998) (citations omitted) (granting summary judgment for SEC). The handling of investor funds and securities is yet another factor courts look to in determining if an individual was “effecting” securities transactions. *See, e.g., SEC v. Art Intellect, Inc.*, 2013 WL 840048 at *20 (D. Utah Mar. 6. 2013) (granting summary judgment for the SEC).

Although the above factors are not exhaustive and no one consideration is universally dispositive, *Benger*, 697 F. Supp. at 945, transaction-based compensation, i.e., commissions, is “one of the hallmarks of being a broker-dealer.” *Kramer*, 778 F. Supp. 2d at 1334 (quoting *Cornhusker Energy*, 2006 WL 2620985 at *6). “The underlying concern has been that transaction-based compensation represents a potential incentive for abusive sales practices that registration is intended to regulate and prevent.” *Cornhusker Energy*, 2006 WL 2620985 at *6.

Here, it is beyond question that Crawford and CCC acted as unregistered brokers in violation of Section 15(a) of the Exchange Act. There is no dispute that neither Crawford nor CCC were registered brokers or associated with a registered broker-dealer. Crawford, through CCC, actively and aggressively solicited sold over \$2 million of Bixby securities. He recruited over 50 different clients from across the country through unsolicited emails, investor meetings, marketing materials, and promotional literature. The initial solicitations took place over the course of at least three years (2004 through 2006), although subsequent solicitations for additional investments and the exercise of warrants continued through at least early 2012. Crawford recommended purchasing Bixby stock and investing in certain follow up rounds of financing, including at discounts negotiated by the Crawford. He discussed with his clients the risks and returns, or potential returns, of buying Bixby stock. He distributed subscription agreements to clients and assisted the clients in filling out the agreements, and then forwarded the agreements on to Bixby. Crawford also handled investor funds and share certifications for routing on to Bixby. He fielded investor questions about Bixby investments and the

progress of the company, and served as the main source of information about the company.

Most significantly, Crawford and CCC received \$240,000 of transaction-based compensation, or commissions, from selling Bixby stock. The payments amounted to ten percent cash and warrants based on the amount of money invested by clients. Clients believed that Crawford was acting as a broker for Bixby when trying to sell them Bixby stock, and at least one client considered Crawford to be his personal financial advisor.

Crawford and CCC were also actively selling securities of other companies, including: IQ Universe, Commission Junction, A-Lung, LocaLoop, Disc Motion, Space Data, Complete-LAW, FourCubed, Streamline, Neuro-Stimulation, and Empathic. Crawford solicited and sold these investments similar to the way he did with Bixby.

b. The Defendants were not “finders” exempt from registration

Crawford’s anticipated argument that he was merely a “finder” of investors for Bixby, rather than a broker, lacks support. First, the concept of a “finder exemption” from the Exchange Act’s registration requirement does not exist in any decision of the SEC, the Supreme Court, or even any federal Court of Appeals. Regardless, a few district courts have articulated factors similar to those cited in *Hansen* in determining whether a purported “finder” was performing the functions of a broker, including whether the individual (1) analyzed the financial needs of an issuer; (2) recommended or designed financing methods; (3) was involved in negotiations; (4) discussed details of securities transactions; (5) made investment recommendations; and (6) had prior involvement in the sale of securities. *Salamon v. Teleplus Enterprises, Inc.*, 2008 WL 2277094, at *8

(D.N.J. June 2, 2008) (quoting *Cornhusker Energy*, 2006 WL 2620985 at *6). In *SEC v. Kramer*, the court also looked at whether the individual (1) advertised or distributed promotional material for the issuer; (2) sponsored a seminar or social event to promote the issuer; (3) solicited a potential investor other than an intimate friend; and (4) sold or encouraged a broker to sell shares of the security. 778 F. Supp. 2d at 1340. These courts continue to recognize that “transaction-based compensation,” or commissions, is “one of the hallmarks of being a broker-dealer.” *Kramer*, 778 F. Supp. 2d at 1334 (quoting *Cornhusker Energy*, 2006 WL 2620985 at *6).

The seemingly **only** district court case finding against the SEC in reliance on the “finders” concept does not support a conclusion that Crawford and CCC did not have to comply with the Exchange Act’s broker registration requirements. In *Kramer*, the court relied on the fact that the issuer (Skyway) never retained the alleged broker (Kramer), who was paid by a firm that Skyway had retained to obtain financing. 778 F. Supp. 2d at 1338-40. The court also focused on the “nature of [the] relationship” between Kramer and the persons he introduced to Skyway, noting that they were “each susceptible to description as either a friend or an intimate,” and that Kramer’s “advice to or solicitation of” these people consisted merely of Kramer’s “sharing his opinion that Skyway was a good company and a good investment” and “directing [their] attention to Skyway’s website and press releases.” *Id.* at 1339, 1340.

Here, by contract, Crawford and CCC had a contractual relationship with, and they were provided transaction-based compensated by, Bixby. Moreover, Crawford’s “solicitees” were (or became) his investor clients, and were not merely “friends and

intimates.” Crawford’s aggressive solicitation reached some 53 different clients from all over the country, and amounted to over \$2 million of Bixby investments. Rather than just providing investors with a quick recommendation that Bixby was a good company and then referring them to Bixby for more information, Crawford, through CCC, (i) had detailed discussions with clients about the potential investments, including the risks and returns or potential returns of investing in Bixby, and recommended investing in Bixby; (ii) organized investor meetings with Bixby executives; (iii) continuously distributed unsolicited promotional material about Bixby; (iv) provided and helped fill out subscription agreements and routed the agreements to Bixby; (v) handled investor funds and routed the funds to Bixby; and (vi) made unsolicited recommendations of additional investments or the exercise of warrants with Bixby at negotiated discount prices and for “special holidays.” Crawford and CCC provided similar broker services for numerous companies beyond just Bixby. Thus, this case is fundamentally different from the situation at issue in *Kramer*.

c. Crawford knew he was violating Section 15(a)

Although not required to prove a Section 15(a) violation, the evidence also establishes that Crawford *knew* he was violating the securities laws by acting as an unregistered broker. In correspondence to his investor clients after news broke of the SEC’s lawsuit in this matter, Crawford wrote:

The S.E.C. has numerous rules and regulations regarding the activities of “registered brokers” and other rules for fundraisers, consultants, etc. that are not registered brokers... In 1997 I decided that I could do a much better job in raising money for early stage companies if I didn’t

have a securities license and subsequently decided I would not reapply for a registered broker's license.

Exh. 3 (emphasis added). Crawford failed to inform his clients that the reason he would need to "reapply for a registered broker's license" was because his license was suspended for two years by the NASD for selling unregistered securities. Crawford continued in the email:

What I am also doing is standing up for America's entrepreneurs who **don't need the S.E.C. to interfere in the process of their raising very early capital** to turn ideas into businesses. **The U.S. today has too much regulation** and that in itself is hurting the development and the process of germinating and growing new enterprises.

Id. at 2 (emphasis added).

Further, prior to the SEC's investigation in this matter, Crawford exchanged emails with JoAnn Walker in Exhibit 8, Bixby's head of Investors Relations and Robert Walker's wife, as to his agreement with Bixby for his transaction-based compensation. After JoAnn Walker stated that she did not have access to the agreement, Crawford wrote:

Because of securities issues our understanding was done on a hand shake. That was the deal.

Id. (emphasis added).¹²

The meaning of Crawford's email to his investors and his reference to "securities issues" is obvious. Crawford believed the SEC's rules and regulations for registered brokers were interfering with his ability to solicit investments in "early stage companies."

¹² Not surprisingly, Crawford testified that he could neither recall nor did he have any understanding of this highly inculpatory statement to JoAnn Walker. Exh. 2 (Crawford Tr.) at 59:10 to 60:13.

He gave up his securities license to get around such oversight, knowing that by doing so he had “securities issues” by acting as an unregistered broker. He therefore did not want to have a written agreement with Bixby; instead, he would operate on a “hand shake” to avoid any paper trail if these “securities issues” were ever scrutinized. Unfortunately for Crawford, he made these admissions in a paper trail of emails that were obtained by the SEC years later during the course of its investigation.

3. The Court Should Impute Crawford’s Liability to CCC

The evidence establishes that both Crawford and CCC violated the securities laws. Regardless, even if this Court were to find that the above evidence only establishes Crawford’s liability as a matter of law, such liability is imputed to CCC. It is black-letter law that entities such as CCC act only through their agents and are responsible for the acts the agents perform in that capacity, including violations of the securities laws. *See, e.g., Adams v. Kinder-Morgan, Inc.*, 340 F.3d 1083, 1106-07 (10th Cir. 2003) (scienter of the controlling officers of a corporation may be attributed to the corporation itself to establish liability under § 10(b) and Rule 10b-5 when officers acting within scope of their apparent authority); *St. Paul Fire & Marine Ins. Co. v. FDIC*, 968 F.2d 695, 700-01 (8th Cir. 1992) (recognizing that under Minnesota law, an agent’s or officer’s knowledge may be imputed to the agent’s principal or corporation); *SEC v. Capital Solutions Monthly Income Fund, LP*, 28 F. Supp. 3d 887, 899 (D. Minn. 2014) (holding defendant and his wholly-owned limited liability company joint and severally liable for disgorgement) (citing *SEC v. CJ’s Financial*, 2012 WL 3597644 (E.D. Mich. Aug. 21, 2012)).

There is no dispute that Crawford owned and controlled CCC. It is also undisputed that Crawford acted through and in concert with CCC in soliciting investors in Bixby, and therefore in violating the securities laws by acting as an unregistered broker. Given Crawford's ownership and control over CCC, the fact it was his alter ego, and the fact that he violated the securities laws through CCC, Crawford's liability is imputed to CCC. Therefore, like Crawford, CCC is liable for violating Section 15(a) of the Exchange Act.¹³

B. THE COURT SHOULD IMPOSE PERMANENT INJUNCTIONS AGAINST THE CRAWFORD DEFENDANTS

Based on the undisputed facts, the Court should impose permanent injunctions against Crawford and CCC. A permanent injunction is appropriate once it has been established that a person has violated the securities laws and there is a reasonable likelihood of future violations. 15 U.S.C. §§ 77t(b), 78u(d); *SEC v. Comserv Corp.*, 908 F.2d 1407, 1412 (8th Cir. 1990); *SEC v. Quan*, 2014 WL 4670923 at *11 (D. Minn. Sept. 19, 2014).

"The Commission is not required to show irreparable injury or a balance of equities in its favor in order to make the statutory showing for injunctive relief." *SEC v.*

¹³ The SEC anticipates that Crawford and CCC may also raise a statute of limitations defense. The general five-year statute of limitations found in 28 U.S.C. § 2462 applies only where the SEC seeks relief for "any civil fine, penalty, or forfeiture, pecuniary or otherwise." Accordingly, courts hold that § 2462 does not limit the time for the SEC to file claims seeking equitable or remedial relief such as permanent injunctions and disgorgement. *See, e.g., SEC v. Rind*, 991 F.2d 1486, 1492 (9th Cir. 1993) (declining to impose a limitations period in SEC enforcement actions seeking injunctions and disgorgement). Regardless, as late as 2011 and 2012, Crawford, through CCC, acted as an unregistered broker by actively soliciting Bixby investments and the exercise of warrants.

Zahareas, 100 F. Supp. 2d 1148, 1155 (D. Minn. 2000), *rev'd in part and vacated in part on other grounds*, 272 F.3d 1102 (8th Cir. 2001). In assessing whether there is a likelihood of future violations, courts consider “the degree of the defendant’s scienter, the isolated or recurrent nature of the violation, the defendant’s recognition that his conduct was wrongful, the likelihood that the defendant’s professional occupation will allow for future violations, and the defendant’s sincerity in assuring against future violations.” *Quan*, 2014 WL 4670923 at *11.

Based on these factors, permanent injunctive relief is necessary and appropriate against Crawford and CCC. Crawford and CCC sold Bixby stock in violation of the broker registration requirements primarily over a three year period – from 2004 through 2006 – although their solicitation of additional investments and the exercise of warrants continued through at least February 2012. Crawford and CCC continue to solicit investments in other companies, as recently as August 10, 2015. The evidence establishes that Crawford knew he was violating the securities laws by selling Bixby stock, and therefore acted with scienter. And despite the SEC’s lawsuit, Crawford and CCC maintain their innocence and remain in the business of acting as unregistered brokers. Therefore future violations are inevitable.

Beyond the conduct described above, Crawford has a history of violating the securities laws, including being censured and suspended by the NASD for selling unregistered securities, and being suspended by a state securities agency for charging an advisory fee without an advisor’s license. Evidence of past violations serves as a basis

for inference that future violations may occur. *SEC v. Gruenberg*, 989 F.2d 977, 978 (8th Cir. 1993).

C. THE COURT SHOULD IMPOSE MONETARY SANCTIONS AGAINST THE CRAWFORD DEFENDANTS

The Court should order Crawford and CCC to disgorge their ill-gotten gains, pay prejudgment interest on the amount of disgorgement, and pay appropriate civil penalties.

1. Disgorgement & Prejudgment Interest

Disgorgement is an equitable remedy intended to prevent unjust enrichment and to deter others from violating securities laws by making violations unprofitable. *See, e.g., SEC v. Brown*, 658 F.3d 858, 860-61 (8th Cir. 2011) (citations omitted); *SEC v. Patel*, 2013 WL 1867562 at *1 (D. Minn. May 3, 2013) (unpublished) (J. Ericksen). Disgorgement need not be exact; instead, “courts need only find that the amount sought is a reasonable approximation of gains that are causally connected to a violation.” *SEC v. Capital Solutions Monthly Income Fund, LP*, 28 F. Supp. 3d 887, 897 (D. Minn. 2014). “As long as the measure of disgorgement is reasonable, the wrongdoer should bear the risk of any uncertainty.” *Id.*

Further, courts ordering disgorgement of illegal profits routinely order payment of prejudgment interest. *See, e.g., SEC v. O’Hagan*, 901 F. Supp. 1461, 1473 (D. Minn. 1995). Like disgorgement, prejudgment interest prevents a defendant from profiting from his securities violations. *Id.*

The SEC requests that the Court order Crawford and CCC to disgorge \$240,000, which amounts to all of the commissions they received from the sale of Bixby stock. The

amount of commissions earned – \$240,000 – is undisputed. Crawford admitted that from 2004 to 2006, he and CCC received at least \$240,000 in cash and warrants to purchase at least 36,000 shares of Bixby commons stock. Answer (ECF No. 46) at ¶ 33. Crawford further testified that the payments reflected in Exhibit 12 – totaling \$240,000 – represent compensation to Crawford based on his agreement with Bixby that he would receive 10 percent of what an investor invested. Exh. 2 (Crawford Tr.) at 49:23 to 53:2.

The Court should also order prejudgment interest of \$128,692.22 as set forth in the attached Declaration of SEC accountant Luz M. Aguilar. *See* Exh. 46. The SEC calculated prejudgment interest based on Crawford’s and CCC’s disgorgement of \$240,000, computed as provided in 26 U.S.C. § 6621(a)(2). The amount of \$128,692.22 was calculated quarterly from 2004 through September 30, 2015. *See* Exh. 46.

2. Civil Penalties

Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)] authorize district courts to assess civil penalties against persons who violate the Exchange Act. The provision has three tiers of penalties, with the third tier allowing the highest penalty based on the egregiousness of the conduct. The first tier requires a showing of a violation of the Exchange Act, or the rules and regulations thereunder. The second tier additionally requires that the violation “involved fraud, deceit, manipulation, or deliberate or reckless disregard of a regulatory requirement.” 15 U.S.C. § 78u(d)(3)(B)(ii). The third tier adds another requirement that the violation “directly or indirectly resulted in substantial losses or created a significant risk of substantial losses to other persons.” 15 U.S.C. § 78u(d)(3)(B)(iii).

“A civil penalty is intended both to punish the individual violator and to deter future violations of the securities laws.” *SEC v. Brown*, 643 F. Supp. 2d 1088, 1089 (D. Minn. 2009) (quoting *SEC v. Marker*, 427 F. Supp. 2d 583, 592 (M.D.N.C. 2006)). In determining whether civil penalties should be imposed, and the amount of the fine, courts look to a number of factors, including (1) the egregiousness of the defendant’s conduct; (2) the degree of the defendant’s scienter; (3) whether the defendant’s conduct created substantial losses or the risk of substantial losses to other persons; (4) whether the defendant’s conduct was isolated or recurrent; and (5) whether the penalty should be reduced due to the defendant’s demonstrated current and future financial condition. *Id.* (internal citations and quotations omitted).

Based on these factors, many of which overlap with the imposition of a permanent injunction, the SEC requests that the Court impose civil penalties that it deems appropriate against Crawford and CCC. There is ample authority supporting the imposition of civil penalties for violations of Section 15 of the Exchange Act. *See, e.g., SEC v. Castaldo*, 2009 WL 2591376 at *2 (S.D.N.Y. Aug. 19, 2009) (unpublished) (ordering civil penalties for violations of Section 15(b)(7) and Rule 15b7-1 thereunder); *Kenneth C. Meissner*, AP File No. 3-16175, 2015 WL 4624707, *14 (ordering civil penalty for violation of Section 15(a)); *CentreInvest, Inc.*, AP File No. 3-13304, 2009 WL 2751141, *13 (Aug. 31, 2009) (Initial Decision) (same).¹⁴

¹⁴ On reply the SEC will address any arguments raised by Crawford and CCC regarding a purported inability to pay monetary sanctions.

CONCLUSION

For the reasons set forth above, the SEC respectfully requests that the Court enter summary judgment on liability against Defendants Paul Crawford and Crawford Capital Corporation on Count I of the Amended Complaint, enter permanent injunctions against them, and order monetary sanctions of disgorgement, prejudgment interest, and civil penalties.

Dated: September 17, 2015

Respectfully submitted,

s/ Timothy J. Stockwell
Jonathan Polish
Charles J. Kerstetter
Timothy J. Stockwell (D.C. Bar #484238)
U.S. Securities and Exchange
Commission
175 West Jackson Blvd., Suite 900
Chicago, Illinois 60604
T. 312-596-6049 (Stockwell)
stockwellt@sec.gov

Attorneys for Plaintiff

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Plaintiff,

v.

Civ. Act. No. 11-cv-3656 (JNE/JJK)

GARY A. COLLYARD, COLLYARD
GROUP, LLC, PAUL D. CRAWFORD,
CRAWFORD CAPITAL CORP., RONALD
MUSICH, JOSHUA J. SINGER, MICHAEL
B. SPADINO, MARKETING CONCEPTS,
INC., AND CHRISTOPHER C. WEIDES,

Defendants.

**INDEX OF EXHIBITS TO PLAINTFF'S MOTION
FOR SUMMARY JUDGMENT AGAINST DEFENDANTS
PAUL D. CRAWFORD AND CRAWFORD CAPITAL CORP.**

1. Correspondence between Paul Crawford and NASD and attached Certification
2. Transcript of Paul Crawford's investigative testimony on 3/2/11
3. Email from Paul Crawford re "SEC Filing re: Bixby Energy Systems," dated 12/26/11, attaching Wells submission
4. CCC's website www.crawcorp.com and attached Declaration
5. CCC's public records file with Minnesota Secretary of State
6. Star Tribune news article re Walker guilty verdict, dated 3/6/14
7. U.S. Attorney's Office press release re Walker sentencing, dated 9/30/14
8. Email chain ending from Paul Crawford to JoAnn Walker re "Warrants due Paul Crawford et al", dated 7/7/07

9. "Bixby Energy Systems, Inc. Summary" from Paul Crawford and Joe Mooney
10. Letter from Paul Crawford to Dennis Desender re warrants owed Crawford, dated 5/31/06
11. "Bixby Investor List" created and produced by Paul Crawford
12. Ledger of Bixby checks to Paul Crawford and CCC produced by Paul Crawford
13. Transcript of Gary Bohn Deposition on 4/1/15
14. Transcript of Harold Haluptzok Deposition on 4/1/15
15. Bixby Subscription Agreement, Letter of Investment Intent and Lock-Up for Gary Bohn, dated 11/3/03
16. Email from Paul Crawford to clients re Bixby "investor update," dated 9/25/06
17. Transcript of Staley Gentry Deposition on 3/30/15
18. Email from Paul Crawford to Dennis Desender re "Latest List of Investors," dated 5/31/06
19. Letter from Paul Crawford to Dennis Desender re gifting warrants and John Scheef's stock certificate, dated 6/19/06
20. Email from Paul Crawford to clients re "Bixby Energy Update," dated 9/7/11
21. Email from Paul Crawford to clients re Bixby shareholder meeting and exercise of warrants, dated 9/30/11
22. Email from Paul Crawford to clients re Bixby China update and exercise of warrants, dated 10/8/11
23. Email from Paul Crawford to clients re Bixby shareholder letter and exercise of warrants, dated 5/29/11
24. Email from Paul Crawford to clients re Bixby Board letter and deal on Bixby shares, dated 2/26/12
25. Email from Paul Crawford to clients re investor guaranteed credit line, dated 4/15/04

26. Email from Paul Crawford to Staley Gentry re Disc Motion update, dated 10/24/07
27. Email from Paul Crawford to clients re "Streamline Investment Documents," dated 4/17/13
28. Email from Paul Crawford to Harold Haluptzok re "Streamline," dated 5/28/13
29. Email from Paul Crawford to clients re Disc Motion "New Oportunity," dated 3/20/07
30. Email from Paul Crawford to clients re "FourCubed," dated 3/3/14
31. Email from Paul Crawford to clients re Space Data "Investor lunch meeting," dated 10/13/06
32. Email from Paul Crawford to clients re Disc Motion box lunch meeting, dated 3/11/07
33. Email from Paul Crawford to clients re "Neuro Stimulation, Inc.," dated 10/23/06
34. Email from Paul Crawford to clients re "SKY 50 loan deal" for Space Data, dated 11/24/06
35. Email from Paul Crawford to clients re "Recent News about" LocaLoop, dated 8/24/11
36. Email from Paul Crawford to clients re "Tuesday update" on LocaLoop, dated 9/8/14
37. Email from Paul Crawford to clients re "Disc Motion Update – More Bullish Than Ever," dated 6/27/10
38. Email from Paul Crawford to clients re "New Offering" for Disc Motion, dated 7/4/10
39. Email from Paul Crawford to Staley Gentry re "Empathic Update & Tax Credit Inf.," dated 2/13/12
40. Email from Paul Crawford to clients re "ALung," dated 5/22/08
41. Email from Paul Crawford to clients re "Mn Angel Tax Credit Annual Report," dated 1/13/14

42. Email from Paul Crawford to clients re “LocaLoop 4G Investment Opportunity,” dated 9/7/10
43. CCC’s website page www.crawcorp.com/current-projects.html, and attached Declaration
44. CCC’s website page www.crawcorp.com/nutri-innovations.html, and attached Declaration
45. Declaration of Timothy J. Stockwell, dated September 16, 2015, and attached Email from Paul Crawford to clients re “SaaSware Highway & eSmartBadge,” dated 8/10/15 (forwarded to Thu B. Ta from Brad Holt)
46. Declaration of Luz M. Aguilar, dated September 16, 2015, and attached Prejudgment Interest Calculations

EXHIBIT 1

RECEIVED
JUN 2 1997
NASDR DIST. 4

SLA

District Business Conduct Committee
for District No. 4
120 West 12th Street, Suite 900
Kansas City, Missouri 64105

LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. C04970040

Re: **PAUL DENNETT CRAWFORD**
[REDACTED]
Minneapolis, Minnesota 55432
Registered General Securities
Representative (CRD No. 56750)

Committee Members:

I, Paul Dennett Crawford, submit this Letter of Acceptance, Waiver and Consent ("AWC") to NASD Regulation, Inc. ("NASDR") to propose a settlement of the alleged rule violations described in Part II below. This AWC is submitted to resolve this proceeding and on the condition that, if accepted, the NASDR will not bring any future actions against me based on the same alleged violations:

I understand that:

1. Signing this AWC is a voluntary action on my part and that it will not resolve this matter unless and until it has been reviewed and accepted by both the District Business Conduct Committee and the NASDR's National Business Conduct Committee;
2. Both Committees must decide if this proposed settlement is remedial and appropriate in view of the facts and allegations involved;
3. If either of those Committees decides not to accept the AWC, it will not be used against me to prove that any violations occurred;
4. If this AWC is accepted by both Committees, it will become part of my permanent disciplinary record, and may be considered in any future actions brought by the NASDR against me;

000018314 2009

Letter of Acceptance, Waiver and Consent No. C049700⁴⁰

DBCC No. 4 v. Paul Dennett Crawford

Page 2

5. This AWC will be available through the NASD's public disclosure program to public inquiries about my disciplinary record; and
6. I may not deny, directly or indirectly, the allegations in this case to the media or otherwise after having consented to sanctions in this settlement without admitting or denying those allegations.

I also understand that my experience in the securities industry and my disciplinary history may be factors which the Committees will consider in deciding whether to accept this AWC. That experience and history are as follows:

I entered the securities industry in 1969 when I associated with a member firm of this Association. From May 16, 1991 through March 12, 1993, I was associated with member firm Maven Securities, Inc. ("Maven") as a sales representative, and from July 7, 1993 through January 11, 1996, I was associated with member firm Askar Corp. as a sales representative. At all times relevant hereto, I was registered with this Association as a general securities representative. The NASDR retains jurisdiction over me pursuant to Article IV, Sections 3 and 4 of the NASD's Bylaws. I have not been the subject of prior formal disciplinary action by the NASDR.

I. WAIVER OF PROCEDURAL RIGHTS

I am advised of, and specifically and voluntarily waive, the following rights which are granted me by the NASD's Procedural Rules:

1. To have a Complaint filed identifying the violations alleged in this matter;
2. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
3. To defend against the allegations in a hearing before the District Business Conduct Committee and to be represented by an attorney in the hearing;
4. To have a written record of the hearing made and a written decision issued by the District Business Conduct Committee; and
5. To appeal any such decision to the National Business Conduct Committee, then to the Securities and Exchange Commission and to a U.S. Court of Appeals.

Letter of Acceptance, Waiver and Consent No. C049700_40
DBCC No. 4 v. Paul Dennett Crawford
Page 3

I further waive any provision of the NASD's Procedural Rules or other rules which may be interpreted as prohibiting any NASDR staff member from advising the District and National Business Conduct Committees in their decision as to whether to accept this AWC.

II. ACCEPTANCE AND CONSENT

I hereby accept and consent, without admitting or denying the allegations of violations, to the entry of findings by the NASDR of the following facts and violations:

1. From about May 1992 to about November 1992, I participated in private securities transactions as set forth in Schedule A attached hereto and incorporated herein by this reference, without prior written notice to and written approval and/or acknowledgment from my employer member firm Maven.

2. Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3040 on my part.

I also consent to the NASDR imposing on me, at a maximum, the following sanctions:

1. Censure;
2. a two year suspension from association with any member firm in any capacity, from a date to be set by the President of this Association; and
3. further that I requalify by examination as a general securities representative prior to reassociating with a member firm following the above period of suspension.

III. CORRECTIVE ACTION AND/OR OTHER MATTERS

1. I understand that I may attach to this AWC any statement I wish to have the Committees consider in deciding whether to accept it, although I may not deny the existence of the violations or make any other statement inconsistent with the AWC.

2. I have attached the required statement of actions I have taken to prevent future, similar violations. This information may be included as part of the statement in paragraph 1 above.

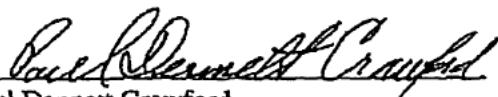
Letter of Acceptance, Waiver and Consent No. C049700_40
DBCC No. 4 v. Paul Dennett Crawford
Page 4

3. I understand that NASDR will make such public announcement concerning this agreement and the subject matter thereof as the NASDR may deem appropriate, which shall be consistent with the Resolution of the Board of Governors. (See NASD Manual, Procedural Rule 8310 and IM-8310-2.)

4. I understand that if I am suspended from association with any member firm, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any member firm in any capacity including clerical or ministerial functions during the period of the suspension. (See NASD Manual, Procedural Rule 8310 and IM-8310-1.)

I certify that I have read and understand all of the provisions of this AWC and have been given full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind or nature has been made to induce me to submit it.

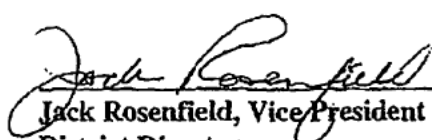
Date: 5/30/97


Paul Dennett Crawford

NONE
Counsel for Respondent

ACCEPTED BY THE NASDR:

September 15, 1997


Jack Rosenfield, Vice President and
District Director

SCHEDULE A

AWC No. C049700_40

<u>Customer</u>	<u>Date</u>	<u>Amount of Investment</u>
C.E.	06/1992	\$ 2,400.00
S.H.	06/1992	\$10,200.00
R.L.	06/1992	\$24,000.00
D.&D.N.	06/1992	\$60,000.00
R.P.	05/19/92	\$ 900.00
R.P.	07/09/92	\$ 600.00
R.P.	11/24/92	\$ <u>1,000.00</u>
	Total	<u>\$99,100.00</u>

05/19/1997 13:38

6125445885

CRAWFORD CAPITAL COR

PAGE 82

U. S. Bankruptcy Court
600 Tower Building
330 2nd Ave S
Minneapolis, MN 55401

UNITED STATES BANKRUPTCY COURT
District of Minnesota

Case Number: 96 - 47967 NCD

PAUL D CRAWFORD

SPRING LAKE PARK, MN 55432

IN RE (NAME OF DEBTOR)
PAUL D CRAWFORD, [REDACTED] 5431
DELORES E CRAWFORD, [REDACTED] 4688
DISCHARGE OF DEBTOR

It appearing that a petition commencing a case under Title 11, United States Code, was filed by or against the person named above on 12/12/96, and that an order for relief was entered under chapter 7, and that no complaint objecting to the discharge of the debtor was filed within the time fixed by the court (or that a complaint objecting to discharge of the debtor was filed and, after due notice and hearing, was not sustained);

IT IS ORDERED THAT:

1. The above-named debtor is released from all dischargeable debts.
2. Any judgment heretofore or hereafter obtained in any court other than this court is null and void as a determination of the personal liability of the debtor with respect to any of the following:
 - (a) debts dischargeable under 11 U.S.C. § 523;
 - (b) unless heretofore or hereafter determined by order of this court to be nondischargeable, debts alleged to be excepted from discharge under clauses (2), (4), (6) and (15) of 11 U.S.C. § 523(a);
 - (c) debts determined by this court to be discharged.
3. All creditors whose debts are discharged by this order and all creditors whose judgments are declared null and void by paragraph 2 above are enjoined from instituting or continuing any action or employing any process or engaging in any act to collect such debts as personal liabilities of the above-named debtor.

Dated: 03/25/97

BY THE COURT

NANCY C DREHER
United States Bankruptcy Judge

137113401

[REDACTED]
Minneapolis, MN 55432

DLH
RECEIVED
JUN 10 1997
NASDR DIST. 4

June 6, 1997


Dave Arnoldi
NASD Regulation, Inc. District 4
12 Wyandotte Plaza
120 West 12th St, S-900
Kansas City, Mo. 64105

Re:AWC No. C049700

Dear Dave:

Without admitting or denying that I violated NASD Conduct Rules, I wish to state that, beyond the two year suspension, if I am ever re-licensed as a securities salesman, I will be sure that I am more aware of all the regulatory rules and restrictions (NASD, SEC, et al) and will be committed to operating totally within those rules.

Sincerely,


Paul D. Crawford

National Association of Securities Dealers Regulation, Inc.

**NOTICE OF ACCEPTANCE
OF LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

Complaint No. C04970040

Date: September 15, 1997

To: *Name and Address of Respondent(s):*

Paul Dennett Crawford
[REDACTED]

Spring Lake Park, MN 55432

From: DISTRICT BUSINESS CONDUCT COMMITTEE

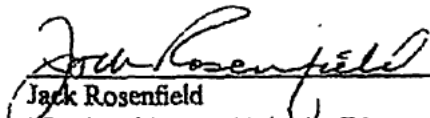
DISTRICT NO. 4

120 West 12th Street, Suite 900

Kansas City, Missouri 64105

Please be advised that your submission of the above-referenced Acceptance, Waiver and Consent ("AWC") has been reviewed and accepted by the District Business Conduct Committee for District No.4 and the National Business Conduct Committee. A copy of the final AWC is attached.

You will be advised shortly by our Compliance Department as to when your suspension is in effect.



Jack Rosenfield
Vice President and District Director



CERTIFICATION

I HEREBY CERTIFY THAT THE ATTACHED IS A TRUE AND CORRECT COPY OF THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT IN FINRA NO. C04970040 INVOLVING RESPONDENT PAUL D. CRAWFORD, CRD NUMBER 56750, MAINTAINED IN THE NORMAL COURSE OF FINRA BUSINESS, TAKEN FROM ITS OFFICIAL FILES.

Jodi Young

Jodi Young
RUS Lead Analyst
Registration & Disclosure
FINRA

February 20, 2015
Date

EXHIBIT 2

Page 2

1 APPEARANCES:
 2
 3 On Behalf of the Securities and Exchange Commission:
 4 THU B. TA, ESQ.
 5 CHARLES J. KERSTETTER, ESQ.
 6 Division of Enforcement
 7 Securities and Exchange Commission
 8 175 West Jackson Boulevard
 9 Chicago, Illinois 60604
 10
 11 On Behalf of the Witness:
 12 F. CHET TAYLOR, ESQ.
 13 Taylor Law Office
 14 800 LaSalle Avenue
 15 Suite 2100
 16 Minneapolis, Minnesota, 55402.
 17
 18
 19
 20
 21
 22
 23
 24
 25

Page 3

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 3 Paul Crawford 4
 4 EXHIBITS: DESCRIPTION IDENTIFIED
 5 3 Testimony Subpoena 4
 6 4 Document Subpoena 4
 7 5 Background questionnaire 13
 8 6 Bixby investor list 25
 9 7 - May 31, 2006 e-mail from Paul Crawford to
 10 Dennis DeSender 31
 11 8 June 5 fax from Joe Mooney to
 12 Dennis DeSender 34
 13 9 Feb. 24, 2006 PPM 37
 14 10 Oct. 15, 2007 PPM 38
 15 11 Aug. 15, 2008 Confidential PPM 38
 16 12 Form of Subscription Agreement 44
 17 13 List of checks from Bixby 49
 18 14 E-mail exchange between Paul Crawford &
 19 JoAnn Walker 57
 20 15 May 31, 2006 letter from Paul Crawford to
 21 Dennis DeSender 67
 22 16 June 19, 2006 letter from Paul Crawford to
 23 Dennis DeSender 78
 24 17 April 18, 2005 letter from Paul Crawford to
 25 JoAnn Walker 80

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1 PROCEEDINGS
 2 MS. TA: We are on the record at it 2:01 p.m. on
 3 March 2, 2011.
 4 Whereupon,
 5 PAUL D. CRAWFORD
 6 was called as a witness and, having been first duly
 7 sworn, was examined and testified as follows:
 8 (SEC Exhibit Nos. 3 and 4 were marked for
 9 identification.)
 10 EXAMINATION
 11 BY MS. TA:
 12 Q Please state and spell your full name for the
 13 record.
 14 A Paul, P-A-U-L, Dennett, D-E-N-N-E-T-T, Crawford,
 15 C-R-A-W-F-O-R-D.
 16 Q Mr. Crawford, my name is Thu Ta, and with me is
 17 C.J. Kerstetter.
 18 A Uh-huh.
 19 Q We are both attorneys with the Division of
 20 Enforcement at the Securities and Exchange Commission, and
 21 we're both officers at the commission for the purposes of
 22 this proceeding.
 23 A Uh-huh.
 24 Q This is an investigation by the United States
 25 Securities and Exchange Commission in the matter of Bixby

Page 5

1 Energy Systems, Inc. to determine whether there have been
 2 violations of certain provisions of the federal securities
 3 laws.
 4 A Uh-huh.
 5 Q However, the facts developed in the investigation
 6 might constitute violations of other federal or state, civil
 7 or criminal laws.
 8 Prior to the opening of the record, I provided you
 9 with a copy of the Formal Order of Investigation in this
 10 matter. It will be available for your examination during the
 11 course of this proceeding.
 12 Mr. Crawford, have you had the opportunity to
 13 review the Formal Order?
 14 A Yes.
 15 Q Do you have any questions about it?
 16 A No.
 17 Q Prior to the opening of the record, you were also
 18 provided with a copy of the Commission Supplemental
 19 Information Form Number 1662. A copy of that notice has been
 20 marked as Bixby Exhibit 1. Have you had the opportunity to
 21 read Commission Exhibit 1?
 22 A Yes.
 23 Q And do you have any questions concerning this
 24 exhibit?
 25 A No.

Page 6

1 Q Mr. Crawford, you have the right to be accompanied,
 2 represented and advised by counsel. Are you represented by
 3 counsel today?
 4 A Yes.
 5 MS. TA: Would counsel please identify himself for
 6 the record including your business address and your telephone
 7 number?
 8 MR. TAYLOR: First initial F., middle name Chet,
 9 last name Taylor of the Taylor Law Office. My address is 800
 10 LaSalle Avenue, Suite 2100, Minneapolis, Minnesota, 55402.
 11 The business phone number is 612-372-4300.
 12 MS. TA: Mr. Taylor, are you representing
 13 Mr. Crawford as his counsel today?
 14 MR. TAYLOR: I am.
 15 MS. TA: And do you represent anyone else in this
 16 matter?
 17 MR. TAYLOR: I do not.
 18 BY MS. TA:
 19 Q Mr. Crawford, do you understand that the statutes
 20 set forth in Exhibit No. 1 provide criminal penalties for
 21 knowingly providing false testimony or knowingly using false
 22 documents in connection with this investigation?
 23 A Right.
 24 Q And do you understand that you may assert your
 25 rights under the Fifth Amendment to the Constitution and

Page 7

1 refuse to answer any questions which may tend to incriminate
 2 you?
 3 A Right.
 4 Q Before we begin, I just wanted to go over the
 5 ground rules of how the testimony will proceed.
 6 A Okay.
 7 Q Both C.J. and I will ask you questions. The
 8 questions and your responses will be recorded verbatim by the
 9 reporter. Everything said in this room will be recorded
 10 unless a member of the staff instructs the reporter to go off
 11 the record. Only a member of the staff can ask the reporter
 12 to go off the record, so if you would like to take a break at
 13 any time, just let us know.
 14 Because the testimony will be recorded, we ask that
 15 you answer audibly and clearly. Please do not use physical
 16 gestures like nodding or shaking your head. And when
 17 appropriate, please answer either yes or no rather than an
 18 uh-huh or an uh-uh --
 19 A Okay.
 20 Q -- as such responses will make for an unclear
 21 record.
 22 A Okay.
 23 Q Please wait for a question to be finished before
 24 answering, and I will also try to wait for you to finish
 25 before asking another question. If you ever want to add to

Page 8

1 your answer, just let me know. And if you ever need to
 2 change an answer, just let me know.
 3 A Okay.
 4 Q We'll provide you with the option to do both.
 5 If you don't understand a question, please ask me
 6 to repeat it or rephrase it. If you answer any of my
 7 questions, I will assume that you understood what I was
 8 asking and are responding to what I said.
 9 A Okay.
 10 Q Also, during testimony, we may mark and show you
 11 certain exhibits such as Bixby Exhibit No. 1. After we're
 12 done reviewing and discussing the exhibits, I'll ask you to
 13 give them back to me.
 14 A Yes.
 15 Q Do you understand all the information I just gave
 16 you?
 17 A Yes.
 18 Q Are you on any medication that would prevent you
 19 from providing complete and truthful testimony today?
 20 A No.
 21 Q Are you aware of any other reason or circumstance
 22 that would prevent you from providing complete and truthful
 23 testimony?
 24 A No.
 25 Q I would like to go over first how you prepared for

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1 testimony today. Have you done anything to prepare for
 2 testimony today other than meeting with your attorney?
 3 A I've done nothing more than meet with the attorney.
 4 Q Have you reviewed any materials or records in
 5 preparation for your testimony today?
 6 A No, I have not.
 7 Q Have you spoken with anyone other than your
 8 attorney about your appearance today?
 9 A No. Other than my wife.
 10 Q Have you spoken with anyone other than your
 11 attorney about what your testimony will be?
 12 A No.
 13 Q Mr. Crawford, I want to state that conversations
 14 that you've had with counsel may be privileged, so please
 15 understand that we do not wish to intrude on any other
 16 privileged communication during the course of our testimony
 17 today.
 18 A Okay.
 19 Q Have you ever testified in any other investigation
 20 or inquiries by the commission or its staff?
 21 A No, I have not.
 22 Q Have you ever been indicted or convicted of a crime
 23 by state or federal authorities?
 24 A Yes.
 25 Q Could you give us some details?

Page 10	Page 12
<p>1 A Well, in 1996, I was censured by the NASD. 2 MR. TAYLOR: Mr. Crawford, I'd ask you to listen 3 carefully to the question. I believe the question was 4 whether you were convicted of a crime; is that correct? 5 BY MS. TA: 6 Q Right. Indicted or convicted of a crime by any 7 state or federal authorities. 8 A Well, no, other than this with the NASD. 9 MR. KERSTETTER: To be honest, I think you've 10 anticipated a question or two down the road, so your answer 11 to the actual conviction of a crime is no. 12 THE WITNESS: No. 13 MR. KERSTETTER: But as long as you started 14 discussing it, why don't you tell us about this NASD issue. 15 THE WITNESS: The NASD issue I was cited for, there 16 was no fine. There was no penalty. I agreed to suspension 17 of my license for five years. 18 BY MS. TA: 19 Q And what was the conduct that was at issue? 20 A It was selling unregistered securities. 21 Q And what was the securities that you were selling? 22 A I don't even remember in that particular instance. 23 Q Was it just one company? 24 A It was just one company. 25 MR. KERSTETTER: What firm were you working at at</p>	<p>1 license reinstated at any point? 2 THE WITNESS: No. I didn't seek to have it 3 reinstated. 4 BY MS. TA: 5 Q Have you ever been named as a defendant or 6 respondent in any action brought by the Securities and 7 Exchange Commission? 8 A No. 9 Q Mr. Crawford, this copy of a subpoena dated 10 February 7, 2011 has been marked as Bixby Exhibit No. 3. 11 A Uh-huh. 12 Q Did you receive a copy of the subpoena? 13 A Yes. 14 Q Is this a copy of the subpoena that you are 15 appearing pursuant to today? 16 A Yes. 17 Q Mr. Crawford, a subpoena requiring you to produce 18 documents dated May 24, 2010 has been marked as Bixby Exhibit 19 No. 4. It also includes an attachment that specifies the 20 documents that you were required to produce. Did you receive 21 this subpoena? 22 A In May, yes. And I responded to it. 23 Q Have you produced to the staff all documents called 24 for by the subpoena? 25 A Yes.</p>
Page 11	Page 13
<p>1 that time? 2 THE WITNESS: In 1996, I don't remember who the 3 company was I had my license with. I had -- I was with one 4 company for quite a long time. I should have probably looked 5 that up, but I can't remember the name of the company. 6 MR. KERSTETTER: That's fine. We can probably find 7 that. 8 THE WITNESS: Yeah. 9 MR. KERSTETTER: You said you worked for one 10 company for a lengthy period of time. Was this the same 11 company you were selling the securities from that resulted in 12 the censure? 13 THE WITNESS: Yes. I had a securities license 14 through 1996. I started Crawford Capital in 1990. So up to 15 1996, I had a license with a -- it's just, the name escapes 16 me. 17 MR. TAYLOR: Just so the record is clear, is it the 18 name of the company you worked for that escapes you or the 19 name of the security you were selling? 20 THE WITNESS: Oh, no. The security involved a 21 company called O'Jay. 22 BY MS. TA: 23 Q The initials O' 24 A O-J-A-Y. 25 MR. KERSTETTER: Did you ever seek to have your</p>	<p>1 Q Can you describe the search that was conducted for 2 the subpoenaed documents? 3 A The documents that were supplied included copies of 4 checks, bank statements and so forth. 5 Q Did you conduct the search for the documents? 6 A Yes. 7 Q Did anyone assist you with the search for the 8 documents? 9 A No. 10 Q Have you withheld any documents requested by the 11 subpoena based on a claim of privilege? 12 A No. 13 Q Have you withheld any of the documents requested by 14 the subpoena for any other reason? 15 A No. 16 Q Are there any documents or portions of documents 17 responsive to the subpoena that were in your possession at a 18 prior time but were not provided because they were lost, 19 destroyed or otherwise disposed of? 20 A I don't know. 21 (SEC Exhibit No. 5 was marked for 22 identification.) 23 Q Mr. Crawford, you were requested by the staff to 24 complete a background questionnaire in advance of your 25 testimony today?</p>

Page 14

1 A Yes.

2 Q Bixby Exhibit 5 is a nine-page document entitled

3 Background Questionnaire, and on the ninth page it's signed?

4 A Yes.

5 Q Is this the questionnaire you completed pursuant to

6 the staff's request?

7 A Yes.

8 Q And is that your signature on --

9 A Yes.

10 Q -- Page 9?

11 A Yes.

12 Q But this is the questionnaire that you completed?

13 A Yes.

14 Q In response to Question 20 regarding prior

15 proceedings, you answered that you were named as a defendant

16 -- actually, that's what we covered with the NASD action,

17 correct?

18 A Yes.

19 Q Were there any other actions brought by the NASD or

20 any other stock exchange or state securities agency?

21 A Yes. There was -- going back to the '70s, there

22 was a -- I was working for IDS, and I had a situation with

23 the state. I was suspended for 90 days.

24 Q What was the conduct involved there?

25 A You know something, I don't -- oh, yes, I do. I

Page 15

1 was cited for charging an advisory fee without an advisor's

2 license.

3 Q Have there been any other actions by other state

4 securities agencies --

5 A No.

6 MR. TAYLOR: Mr. Crawford, I would just ask you to

7 wait until she finishes her questions before you answer.

8 Thank you.

9 THE WITNESS: Okay.

10 BY MS. TA:

11 Q In response to question number 27, your employment

12 history, you disclosed that you've been employed with

13 Crawford Capital Corp from 1990 to the present; is that

14 correct?

15 A Yes.

16 Q Have you been employed by any other persons or

17 entities during the period from 1990 to the present?

18 A No.

19 Q And you mentioned earlier that you were previously

20 employed in the securities industry and held a securities

21 license. What type of securities license did you hold?

22 A Series 7.

23 Q Any others?

24 A Insurance. And I've also been a licensed real

25 estate broker in Minnesota.

Page 16

1 Q And have you held any of these licenses in the last

2 ten years?

3 A No.

4 Q What is Crawford Capital Corp?

5 A Crawford Capital Corp is a company that works with

6 very early stage companies in assisting them in their

7 planning for raising capital.

8 Q And when you say assist in the planning for raising

9 capital, what exactly does that mean?

10 A Well, I'm listed in the Minnesota city business as

11 a venture capital firm.

12 Q So do you try to find investors for early stage

13 companies?

14 A Yes.

15 Q Do yourself invest in these companies?

16 A Yes.

17 Q And are you the owner of Crawford Capital Corp?

18 A Yes.

19 Q Are there any other persons who have an ownership

20 interest?

21 A No.

22 Q Is Crawford Capital Corp registered as a

23 broker/dealer or investment advisor?

24 A No.

25 Q Is it registered in any capacity with the state of

Page 17

1 Minnesota?

2 A No. It's registered as a corporation in Minnesota.

3 Q Where is it located?

4 A In Minneapolis over in what's called Southeast

5 Minneapolis across the river.

6 Q Could you give us the business address?

7 A 778 -- excuse me, 125 Main Street Southeast, Suite

8 270, Minneapolis 55414.

9 Q How many employees does it have?

10 A None.

11 Q So you are the sole person at Crawford Capital

12 Corp?

13 A Right.

14 MR. KERSTETTER: And has that been consistent since

15 1996?

16 THE WITNESS: Along the way, I've had employees

17 going back to 1990. I'm also an entrepreneur, and I've

18 started quite a few businesses, so I've had employees of

19 other businesses.

20 MR. KERSTETTER: Let's just say from about 2003 or

21 so forward, have you had any other employees at Crawford

22 Capital?

23 THE WITNESS: No.

24 BY MS. TA:

25 Q Do you have other businesses that are active now?

Page 18

1 A Yes.

2 Q We can go over those later. Does Crawford Capital

3 Corp sell any investments?

4 A Well, Crawford Capital doesn't really sell

5 investments. It works with companies, early stage companies,

6 at the very earliest origins of companies.

7 Q Does Crawford Capital act as an advisor, an

8 investment advisor?

9 A No.

10 Q Going over the other companies that you talked

11 about owning, could you tell us which companies you own right

12 now?

13 A Well, I have quite a few; although, I must say none

14 of these have anything to do with Bixby. I have a company

15 called LocaLoop that I'm part of the foundation of that

16 company.

17 Q Could you spell that?

18 A L-O-C-A-L-O-O-P. It's one word.

19 Q What does LocaLoop do?

20 A They're in 4G communications in underserved areas.

21 Q And then your next company?

22 A I mean, I intend to be cooperative, but I don't see

23 where this has anything to do with Bixby quite frankly.

24 MR. KERSTETTER: Well, maybe if you could just

25 generally tell us the types of businesses you're involved

Page 19

1 with.

2 THE WITNESS: I can tell you right now, my focus is

3 -- I'm both an entrepreneur, and I am a venture capitalist in

4 working with early stage companies. I being synonymous with

5 Crawford Capital.

6 I have started several very successful companies

7 and I've had a lot of failures. And I've raised money for a

8 lot of early stage companies and I've had a lot of failures.

9 My focus right now is all on what I call my

10 entrepreneurial side and it deals with 4G communications in

11 what is called SaaSware, software as a service, phone apps,

12 that kind of stuff.

13 Within that category, I have LocaLoop. I have a

14 company called SaaSware Highway. I have -- these are my

15 companies or where I'm co-founder. I have a company called

16 MSA Fast Track Pro. I have another company called Sports

17 Structure Online, and I have another company called Empathic

18 Clinical Suites, and they are -- most of these businesses are

19 here in Minnesota. Two of them are not.

20 BY MS. TA:

21 Q Do you have any other businesses that are involved

22 in capital raising?

23 A No. Well -- no, I don't.

24 Q Let's move to questions about Bixby. Tell us about

25 Bixby Energy Systems.

Page 20

1 A Well, what specifically -- why am I involved with

2 Bixby?

3 MR. KERSTETTER: Well, perhaps why don't we just

4 start with, when did you first learn about Bixby?

5 THE WITNESS: I learned about Bixby I believe it

6 was sometime in 2003.

7 BY MS. TA:

8 Q From whom?

9 A You know, I get a lot of companies referred to me,

10 early stage companies. I can't remember specifically how I

11 was referred to them, but I went to a presentation meeting at

12 their office in Rogers, Minnesota and met with Robert Walker,

13 and I was attending a meeting. There were a lot of other

14 investors present.

15 Q When you say a lot of other investors, were you

16 attending the meeting as a prospective investor in the

17 company?

18 A As a prospective investor, yes.

19 Q And what does Bixby Energy Systems do?

20 A At that time, they were manufacturing and in

21 development and soon to release a very unique design of a

22 corn stove. Corn and wood pellet stove.

23 Q When you say at the time --

24 A Well, the company actually was in the business of

25 manufacturing stoves, these corn stoves, at a time when there

Page 21

1 was a lot of interest in alternative energy and so forth, and

2 it appeared to me they had a very unique design and that --

3 and we saw a demonstration of the product. But that was the

4 original pursuit of the business, and it seemed to me they

5 were gathering traction, or their near term, getting traction

6 on the stove business. They were also looking at other

7 alternative energy that evolved into another business, and

8 that's the conversion of coal through a heating process into

9 a nonpolluting gas, and that's their business today. The

10 stove business still exists for them, but it's not the

11 substantial profit center that I had expected at the time I

12 first looked at them.

13 Q Who are the people who run Bixby Energy Systems?

14 A I don't know all the names. Bob Walker. And part

15 of the reason I was impressed with the technology at the

16 beginning, I happen to own a Select Comfort bed and knew the

17 whole history of that company, and Mr. Walker was the founder

18 of that. So that had a bearing on my decision to enter into

19 a business relationship with him to raise capital for them.

20 Q And for the record, what is Bob Walker's

21 relationship to Bixby?

22 A I think he's the CEO.

23 Q And you said when you first learned about the

24 company, you went to their site?

25 A Yes. When they were in Rogers. They're not there

Page 22

1 any more, but that's where they were on Highway 101.
 2 Q Are you currently employed by Bixby?
 3 A No.
 4 Q Have you ever been employed by Bixby?
 5 A No. Other than, quote, as a consultant.
 6 Q So when were you employed as a consultant by the
 7 company?
 8 A I don't know. It was sometime in 2004 I think that
 9 we had a consulting agreement.
 10 MR. TAYLOR: Counsel, for clarification, are you
 11 using the word employed in the formal sense where he's a W-2
 12 employee or are you asking if he was associated with?
 13 MS. TA: If you were associated with the company as
 14 an independent contractor.
 15 THE WITNESS: I was never an employee, yeah.
 16 BY MS. TA:
 17 Q So do you have a consulting agreement with the
 18 company?
 19 A Not now I don't.
 20 Q Do you have a copy of the previous consulting
 21 agreement?
 22 A I think I did. And if I did, I think I sent you a
 23 copy of that.
 24 Q We did not receive a copy of the consulting
 25 agreement in production. If you could find that --

Page 23

1 A I will try and find that. I had a problem some
 2 years ago, I lost my hard drive on my computer, so I lost a
 3 lot of files back then, but I'll see if I can find that.
 4 Q And did you ever receive an IRS Form 1099 from the
 5 company for your consulting?
 6 A Yes.
 7 Q Do you have copies of those?
 8 A I don't have copies of the 1099s, but I did forward
 9 all the copies of checks that I received.
 10 Q Do you have anything else in writing that would
 11 document your business relationship with Bixby?
 12 A Other than that, that would be it.
 13 MR. KERSTETTER: For what period of time did the
 14 consulting agreement run?
 15 THE WITNESS: It was for the period of 2004.
 16 Whether it was extended beyond that, I don't know. If it
 17 did, it probably might have included 2005.
 18 MR. KERSTETTER: Was it extended in writing or was
 19 this an oral extension?
 20 THE WITNESS: I'm pretty sure I had a deal in
 21 writing with them.
 22 MR. KERSTETTER: For 2004?
 23 THE WITNESS: For 2004. Whether it was extended by
 24 paper agreement into 2005, I'm not clear on that. I don't
 25 remember.

Page 24

1 MR. KERSTETTER: Well, when did your business
 2 relationship with Bixby end or if it did.
 3 THE WITNESS: It ended in 2006. When I say it
 4 ended, I mean, I still had conversations with the company.
 5 I'm an investor and shareholder, and I get queries from my
 6 people who invested in the company as a result of my contact.
 7 So I do talk to them.
 8 BY MS. TA:
 9 Q Has anyone else at Crawford Capital ever performed
 10 any services for Bixby?
 11 A No.
 12 MR. KERSTETTER: Because there is no one else at
 13 Crawford?
 14 THE WITNESS: There is no one else.
 15 BY MS. TA:
 16 Q Well, through the years, you said there were the
 17 odd employees, correct?
 18 A Yes. But there has not been anyone involved with
 19 me who was doing what I do.
 20 Q Have you ever sold investments in Bixby to other
 21 persons?
 22 A To what?
 23 Q To people.
 24 A I don't feel that I sold any investments. I
 25 referred people to the company.

Page 25

1 Q And did you receive compensation for referring
 2 people to the company?
 3 A Well, I received compensation which I considered
 4 were finder's fees.
 5 Q And when you originally talk about the consulting
 6 agreement, who did you enter into the consulting agreement
 7 with?
 8 A With Bob Walker.
 9 MR. KERSTETTER: Personally or with Bixby Energy
 10 Systems?
 11 THE WITNESS: With Bixby Energy Systems, but he was
 12 the signer.
 13 (SEC Exhibit No. 6 was marked for
 14 identification.)
 15 Q Mr. Crawford, Bixby Exhibit 6 is a two-page
 16 document with date stamp numbering CCC 0001 and CCC 0002. On
 17 top it says Bixby Investor List. Do you recognize this
 18 document?
 19 A Yes.
 20 Q What is it?
 21 A This is a list I gave you of the investors in 2003
 22 and 2005 and '06 and the number of shares that they acquired.
 23 Q And did you prepare this document?
 24 A Yes, I did.
 25 Q Did anyone assist you in preparing the document?

Page 26

1 A No.

2 Q What is your relationship with these investors

3 listed in the document in Exhibit 6?

4 A They're people who are what I call clients of mine

5 or high net worth individuals who are interested in investing

6 in early stage companies.

7 Q So did you offer Bixby investments to the persons

8 on this list?

9 A These people did attend meetings at Bixby and

10 invested in the company, yes.

11 MR. KERSTETTER: How did they find out about these

12 meetings?

13 THE WITNESS: Through me. As I said, I was

14 referring these people to the company, and these are people

15 who subsequently invested.

16 MR. KERSTETTER: And how did you find these

17 particular people?

18 THE WITNESS: The vast majority of them are people

19 who are in my pool of high net worth individuals.

20 BY MS. TA:

21 Q What do you mean by your pool of high net worth

22 individuals?

23 A Well, they're people who respect my vision and are

24 willing to risk capital investing in early stage companies.

25 Q But where do you meet these people?

Page 27

1 A Where do I meet them? I meet them at my office

2 or --

3 MR. KERSTETTER: Maybe a better way to phrase it

4 is, how did you accumulate this pool of high net worth

5 individuals?

6 THE WITNESS: Well, I've been in the investment

7 business for over 40 years. So it's from my entire career in

8 the investment business starting in 1969. So that's -- not

9 all of them, but many of them are ongoing and continuing

10 clients of mine.

11 BY MS. TA:

12 Q So are these former brokerage clients of yours?

13 A Yes. Some of them go back to the period when I was

14 a broker.

15 MR. KERSTETTER: When you say high net worth

16 individuals, how do you define that?

17 THE WITNESS: Of at least a million dollar net

18 worth, earning between 200 and 300,000 dollars a year. And

19 people who understand the risks of investing in early stage

20 companies.

21 MR. KERSTETTER: And did these people ever fill out

22 financial forms for you or something that would attest to

23 their net worth or earnings, that sort of thing?

24 THE WITNESS: No. But you know when your people

25 are qualified, and of course, in making investments, they're

Page 28

1 also signing statements that they are accredited.

2 BY MS. TA:

3 Q Did you introduce Bixby to any prospective

4 investors who are not named in Exhibit 6?

5 A The answer to that is I wouldn't know. I wouldn't

6 know. Not 100 percent of everyone I ever referred to Bixby

7 were 100 percent participating in the investment.

8 Q Do you have a list of all your pool of high net

9 worth individuals?

10 A Do I have a list of all my high net worth

11 individuals? Yes.

12 Q And would you have introduced all of those high net

13 worth individuals in the opportunity to invest in Bixby?

14 A No.

15 Q How did you select which individuals --

16 A Well, first of all, some of the people on that list

17 today are since the Bixby -- since the 2003, '04, '05, '06.

18 So no, they were never offered the opportunity to participate

19 in that investment.

20 Q I'm sorry, I didn't understand.

21 A I think what you're asking me is why didn't I give

22 you my entire investor list?

23 Q Right.

24 A Because that's not what was asked for. This just

25 deals with Bixby. It's something I would not be comfortable

Page 29

1 with.

2 MR. KERSTETTER: Well, I think maybe what she was

3 getting at is why did you make a decision to talk about Bixby

4 with certain of your clients and not others? How did you

5 make that decision?

6 THE WITNESS: Well, particularly very early on, I

7 was very impressed with Bob Walker, and the whole idea in

8 alternative energy was hot, and I will say at the time, it

9 was a very well received investment opportunity by the people

10 I suggested it to.

11 MR. KERSTETTER: How did the change come about from

12 your initial meeting when you went to Bixby as a prospective

13 investor to this consulting type relationship? How did that

14 come about?

15 THE WITNESS: Well, after 2003, Bob Walker called

16 me and came down to my office, and that's when I decided to

17 sign a consulting agreement with him to move forward and

18 raise money for them.

19 MR. KERSTETTER: So you were an investor by that

20 time?

21 THE WITNESS: Yes.

22 MR. KERSTETTER: How did Mr. Walker find out you

23 were in the business of locating funds?

24 THE WITNESS: Because I had been in his meetings,

25 and because I subsequently referred some of my clients there

Page 30

1 who subsequently became investors. When you're in the
 2 investment business working with early stage companies, you
 3 never have to go find deals to raise money for. They find
 4 you 20 to 1 of what the opportunities are. There is no
 5 place, no place here in the Twin Cities for anyone to go to
 6 to find the critical early, very early money, and I wish I
 7 could cover all of the companies that I have here. We'd be
 8 here for a long time. It's a vital function having someone
 9 like me to go to that can raise capital for early stage
 10 companies.

11 MR. KERSTETTER: So when your clients spoke to
 12 Mr. Walker or wrote to Mr. Walker, would they tell them that
 13 I'm a client of Mr. Crawford, something like that?

14 THE WITNESS: Well, generally if they were
 15 interested, then I would talk to Mr. Walker, and we'd arrange
 16 to have an investor presentation meeting. And they would be
 17 introduced the same as I was.

18 BY MS. TA:

19 Q So Mr. Walker approached you about entering into
 20 the consulting agreement?

21 A Right.

22 Q And were all your clients Minnesota residents?

23 A No. The vast majority are, but many of them
 24 aren't. There's a lot of high worth net individuals who are
 25 from Minnesota but are no longer citizens here.

Page 31

1 MR. KERSTETTER: Winters wear on you after awhile?

2 THE WITNESS: Yeah, it does. But also the tax
 3 climate is conducive to living in states that don't have a
 4 high income tax.

5 MR. KERSTETTER: Your initial investment in Bixby,
 6 about how much did you invest?

7 THE WITNESS: About 20,000.

8 MR. KERSTETTER: And that was in about 2003?

9 THE WITNESS: 2003.

10 MR. KERSTETTER: Did you make any subsequent
 11 investment in the company?

12 THE WITNESS: No.
 13 (SEC Exhibit No. 7 was marked for
 14 identification.)

15 BY MS. TA:

16 Q Mr. Crawford, I'm showing you what's been marked as
 17 Bixby Exhibit No. 7, and it purports to be an e-mail from
 18 Paul Crawford to Dennis DeSender dated May 31, 2006. Do you
 19 recognize this exhibit?

20 A I don't remember this, no.

21 Q Is that your e-mail address in 2006?

22 A Yes.

23 Q Did anyone else have access to your e-mail account?

24 A No.

25 Q Could you think of anyone else who may have sent

Page 32

1 that e-mail with your signature?

2 A No. I just don't remember it.

3 Q Okay, I understand. The e-mail contains the
 4 following sentence: "We will also discuss a New York hedge
 5 fund that may be interested in participating in your next
 6 major round." What is the New York hedge fund that you were
 7 referring to?

8 A I absolutely don't remember. I remember the -- but
 9 I don't remember what the hedge fund was. They never did
 10 come visit the company, but I did have discussions with them,
 11 but I absolutely don't remember who it was.

12 Q So they did not invest in Bixby to your knowledge?

13 A No.

14 MR. KERSTETTER: Well, first of all, who is Dennis
 15 DeSender.

16 THE WITNESS: Dennis DeSender was an outside
 17 employee who I believe his background is financial.

18 MR. KERSTETTER: What was his relationship with
 19 Bixby as far as you knew?

20 THE WITNESS: As a consultant on financial issues I
 21 guess. Like maybe an outsource CFO.

22 MR. KERSTETTER: Do you know if he was in the
 23 business of finding investors for the company?

24 THE WITNESS: I don't know what his role was at
 25 Bixby. He's still at Bixby.

Page 33

1 MR. KERSTETTER: Did you have meetings with
 2 Mr. DeSender?

3 THE WITNESS: I have had meetings with
 4 Mr. DeSender?

5 MR. KERSTETTER: On what sorts of topics?

6 THE WITNESS: Generally about the raising money for
 7 the company. I don't remember if there was anything else.
 8 Or getting updates of what's going on in the company.

9 BY MS. TA:

10 Q So is he your primary contact person for the
 11 company?

12 A No. Except the reason for this communication was
 13 tidying up some loose ends on whatever that funding round was
 14 which was -- I guess that was the end of that funding round
 15 in 2006.

16 MR. KERSTETTER: And Rollie Stinski and Dick Perry?

17 THE WITNESS: In fact, they should be on my list.

18 MR. KERSTETTER: Are they clients of yours?

19 THE WITNESS: Yes. Rollie Stinski is right there
 20 and Dick Perry, he should be here some place. Yeah, he's
 21 Richard Perry.

22 MR. TAYLOR: For the record, the witness is
 23 referring to Bixby Exhibit 6.

24 MR. KERSTETTER: So what are the two checks that
 25 you're referring to there?

Page 34

1 THE WITNESS: I believe those were the checks from
 2 Dick Perry and Stinski. I don't remember the details of
 3 that.
 4 MR. KERSTETTER: Would it be their investments in
 5 the company?
 6 THE WITNESS: I guess it was, yeah.
 7 BY MS. TA:
 8 Q Did you receive any compensation from your clients?
 9 A No.
 10 (SEC Exhibit No. 8 was marked for
 11 identification.)
 12 BY MS. TA:
 13 Q Mr. Crawford, Exhibit 8 is a copy of a fax cover
 14 sheet with Crawford Capital Agency's letterhead dated June 5
 15 from Joe Mooney to Dennis DeSender. Do you recognize this
 16 document?
 17 A No, I don't.
 18 Q Is this a fax cover sheet for your company?
 19 A Yes, it is.
 20 Q And who is Joe Mooney?
 21 A Joe Mooney was working with me for about a year. I
 22 knew him from back in my earlier days in the investment
 23 business. He was involved with a company that I helped raise
 24 money for. And he actually just wanted to have a desk in my
 25 office. He had sold his business and so -- but he was not

Page 35

1 involved in the fundraising side of my business. This is
 2 probably somebody he referred.
 3 Q I believe it reads, "Ira Ehrenpreis of Technology
 4 Partners would like a call on Bixby."
 5 A Oh. Well, I don't know who Ira whatever is.
 6 Q Did Mr. Mooney have any involvement with Bixby?
 7 A No.
 8 Q Do you know why he would have been sending
 9 Mr. DeSender a fax about Bixby?
 10 A Well, I think that speaks for itself. But other
 11 than that, you'd have to speak to Mr. Mooney.
 12 Q And do you know an Ira Ehrenpreis?
 13 A No.
 14 Q Do you know a Technology Partners?
 15 A No.
 16 MR. KERSTETTER: Do you know where Mr. Mooney is
 17 today?
 18 THE WITNESS: He's here in the Twin Cities. I
 19 don't know what his address is.
 20 MR. KERSTETTER: When is the last time you had any
 21 kind of business dealings with him?
 22 THE WITNESS: Probably five or six years ago. He
 23 has some other businesses he's involved in. That's all I
 24 know.
 25 MR. KERSTETTER: Were you ever aware of him finding

Page 36

1 investors for Bixby?
 2 THE WITNESS: No. No, I'm not. He may have
 3 referred some people to me, but I don't know that that's the
 4 case. But he may have referred some people to me similar to
 5 this here. But I don't know this particular person.
 6 BY MS. TA:
 7 Q What materials about the company did you provide to
 8 your clients? What information about Bixby did you provide
 9 to your clients?
 10 A Well, generally I asked the company to send out
 11 prospectuses to them. There may have been occasions where I
 12 handed them prospectuses, but a majority of them were sent
 13 out by the company.
 14 Q When you say prospectuses, do you mean the private
 15 placement memoranda?
 16 A Yes.
 17 MR. KERSTETTER: Any other materials?
 18 THE WITNESS: You know, there's news articles,
 19 corporate releases, that kind of stuff. But that kind of --
 20 some of that information may have been at the time they're
 21 looking at the investment. And then subsequently if there's
 22 an announcement or something, they also for quite awhile had
 23 a newsletter that they were sending out, and then they were
 24 doing it by e-mail, but they haven't been doing that since
 25 sometime last year.

Page 37

1 BY MS. TA:
 2 Q So you obtained these materials to recommend the
 3 company?
 4 A Yeah. Or sometimes I find -- I do a lot of reading
 5 and I find stuff on line.
 6 (SEC Exhibit No. 9 was marked for
 7 identification.)
 8 Q Exhibit 9 is a copy of a Private Placement
 9 Memoranda dated -- you'll see on the second page, dated
 10 February 24, 2006.
 11 A Uh-huh.
 12 Q Do you recognize this exhibit, Mr. Crawford?
 13 A It appears to be the offering document from 2006.
 14 Q Did you provide your clients with this exhibit?
 15 A Probably the documents were provided to them by the
 16 company. Most of the investment's investors who invested in
 17 this were in that period of 2004 and '05. There may have
 18 been some in 2006, but I think the majority were in 2004 and
 19 '05.
 20 Q So did you purchase any investments pursuant to
 21 this exhibit?
 22 A No. I invested in the round that preceded this.
 23 Q Do you know who prepared Exhibit 9?
 24 A No, I do not.
 25 Q And do you know if any of your clients purchased

Page 38

1 shares in Bixby pursuant to Exhibit 9?

2 A I can't specify which particular offering these

3 people participated in, but probably some of them

4 participated in this round.

5 (SEC Exhibit Nos. 10 and 11 were marked for

6 identification.)

7 Q Mr. Crawford, Exhibit 10 is a Private Placement

8 Memoranda for Bixby Energy Systems dated October 15, 2007.

9 Do you recognize Exhibit 10?

10 A I don't know that I have seen this one. I did send

11 in the -- I believe when I sent in the information requested,

12 I sent in some copies of some offering documents, but I don't

13 think it was this one.

14 Q It's actually marked with bate stamp on the first

15 page is CCC 0087.

16 A Right. I don't know whether I recognize this one

17 or not to be honest with you.

18 Q Do you know if you provided this exhibit to any of

19 your clients?

20 A Again, I wouldn't know. I would not know on that

21 one.

22 MR. KERSTETTER: Do you keep correspondence files

23 with your clients --

24 THE WITNESS: No.

25 MR. KERSTETTER: -- or anything along those lines?

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1 THE WITNESS: No. I don't keep correspondence

2 files. I don't keep copies of subscription agreements or any

3 of that. I do keep a list of clients and try and keep track

4 of the various investments that they may have.

5 MR. KERSTETTER: And how did you do that?

6 THE WITNESS: In the names of the clients or in the

7 -- such as this, for example, if I wanted to check out what

8 an investor has in Bixby, I would go back to my spreadsheet

9 on that.

10 MR. KERSTETTER: And just for the record, you're

11 referring to exhibit --

12 THE WITNESS: Yes, Exhibit 1. 1 and 2.

13 MS. TA: Exhibit 6 I believe.

14 THE WITNESS: Oh, Exhibit 6, I'm sorry. Yeah.

15 MR. KERSTETTER: So you would basically keep track

16 of the client's name and how much they've invested in a

17 particular entity?

18 THE WITNESS: Right.

19 MR. KERSTETTER: That sort of thing?

20 THE WITNESS: Right, right.

21 BY MS. TA:

22 Q Did you keep record of when they invested?

23 A No.

24 Q Did any of your clients purchase shares of Bixby

25 pursuant to Bixby Exhibit 10?

Page 40

1 A That one I don't remember.

2 Q Mr. Crawford, Exhibit 11 you'll see on the second

3 page has Confidential Private Placement Memoranda for Warrant

4 Exercise Initiative dated August 15, 2008?

5 A Uh-huh.

6 Q It's also bate stamped CCC 0152 on the first page,

7 and it was produced by you pursuant to the document subpoena

8 that is Exhibit 4 in this matter. Do you recognize Exhibit

9 11?

10 A Yes. I received that as a warrant holder.

11 Q Did you provide Exhibit 11 to any of your clients?

12 A No.

13 Q Did any of your clients purchase any warrants

14 pursuant to Exhibit 11?

15 A To tell you the truth, I wouldn't know. I don't

16 know if any of them did or not. I assume some did.

17 Q So when you were keeping track of your clients'

18 investments -- you mentioned earlier that you try to keep

19 track of your clients' investments? Wouldn't you have a

20 record of whether they purchased --

21 A No, I would not have had a record of that.

22 MR. KERSTETTER: Why not? Were these investments

23 ones you were not involved with?

24 THE WITNESS: I was not involved with any of those

25 investments, so therefore, I had no reason to keep track of

Page 41

1 them.

2 MR. KERSTETTER: So I take it at some point in

3 between Exhibit 10 and Exhibit 11, your business relationship

4 with Bixby ceased? Is that fair to say?

5 THE WITNESS: I would say it's fair to say. I

6 would add that my philosophy on warrants has always been, it

7 makes no sense to exercise a warrant unless there is a

8 liquidating event.

9 And to rephrase that, when you have a warrant,

10 there's no risk until you buy it. And to buy it even at a

11 substantial discount, if that's your reason for doing it, if

12 there's no liquidating event, you're making a mistake. So I

13 just philosophically I would not recommend new clients that

14 they exercise a warrant that is not close to a knowing

15 liquidating event.

16 MR. KERSTETTER: So you never recommended that any

17 of your clients purchase these warrants? -

18 THE WITNESS: I would never do that.

19 MR. KERSTETTER: But did you personally buy some of

20 these warrants?

21 THE WITNESS: No.

22 MR. KERSTETTER: I'm sorry, maybe I misheard you.

23 THE WITNESS: I said no.

24 MR. KERSTETTER: I understand that one, but maybe I

25 misheard you earlier. I thought you said you got Exhibit 11

Page 42

1 as a warrant holder.

2 THE WITNESS: Yes. As a warrant holder, yes. I

3 had warrants and I received that and I did not pick up that

4 discount option.

5 MR. KERSTETTER: So your initial investment with

6 the company was for \$20,000 worth of stock?

7 THE WITNESS: Yes.

8 MR. KERSTETTER: And then at some point after that,

9 did you purchase warrants?

10 THE WITNESS: No. The warrants came about from --

11 it was part of the finder's compensation.

12 MR. KERSTETTER: I see. And then getting back to

13 Exhibit 6 again, the list of your clients?

14 THE WITNESS: Uh-huh.

15 MR. KERSTETTER: How would you know how much your

16 clients had invested in any particular entity?

17 THE WITNESS: I don't know what you mean.

18 MR. KERSTETTER: Well, I guess how did you get the

19 exact numbers? Did your clients tell you, oh, yes I

20 invested --

21 THE WITNESS: Oh, yeah. Well, when they made the

22 decision to make the investment, then I knew what they were

23 investing, and I was keeping track of it.

24 MR. KERSTETTER: I guess that's what I was getting

25 at. How did you get that information to keep track of it?

Page 43

1 Did you get it from Bixby? Did you get it from your clients?

2 THE WITNESS: Well, from my knowledge of what was

3 going on with the client.

4 MR. KERSTETTER: I'm sorry, I didn't catch that

5 last part.

6 THE WITNESS: From my knowledge of what was going

7 on with the client.

8 BY MS. JA:

9 Q --So, would your clients have to go through you to

10 purchase shares in Bixby?

11 A No. They would purchase them directly from Bixby.

12 Q And then inform you that they purchased shares in

13 Bixby?

14 A Yes.

15 Q Or did Bixby tell you when your clients purchased

16 shares from Bixby?

17 A Well, I knew when -- I knew when every investor was

18 making investment in Bixby.

19 Q Because they were telling you or because Bixby was

20 telling you?

21 A Because they were telling me.

22 Q So your clients would tell you?

23 A Yes.

24 Q Do you have any other Private Placement Memoranda

25 from Bixby?

Page 44

1 A No. I don't have anything -- I mean, other than

2 what I sent you, I think that's it.

3 Q Did your clients purchase shares in Bixby in any

4 other offerings other than the three that are covered by

5 Exhibits 9, 10 and 11?

6 A I don't think any of my clients have invested in

7 any additional Bixby since these. They may have, but if they

8 did, I don't know about it.

9 Q But they probably invested pursuant to Private

10 Placement Memoranda that predates these?

11 A Yes.

12 Q But you don't have copies of those PPM's?

13 A Whatever you have from me is what I had.

14 (SEC Exhibit No. 12 was marked for

15 identification.)

16 Q Mr. Crawford, Exhibit 12 purports to be Exhibit A

17 to a PPM. It's a Form of Subscription Agreement Letter of

18 Investment Intent and Lock-Up.

19 A Uh-huh.

20 Q And it's a blank form. Do you recognize this

21 exhibit?

22 A Yes.

23 Q What is it?

24 A It's a Letter of Investment Intent and Lock-Up.

25 Q And what is it for?

Page 45

1 A For Bixby.

2 Q Did you provide this form to prospective investors?

3 A What is the timing of this one?

4 Q Or I guess let me rephrase the question. Did you

5 provide a similar form? Would you have provided similar

6 forms to your clients?

7 A Whatever was included as a subscription agreement

8 with any of the offerings that I was associated with, yes,

9 they had a form of this nature, a subscription agreement.

10 Q And did you ever assist your clients with

11 completing the subscription agreements?

12 A No.

13 Q Did you ever complete any subscription agreements

14 on behalf of your clients?

15 A No.

16 Q If you look at the form on the second page,

17 Paragraph 7, did you ever sell investments in Bixby to

18 persons who did not qualify as accredited investors?

19 A No.

20 Q Were any of your clients ever -- did any of your

21 clients not qualify as accredited investors?

22 A As far as I know, all of my clients qualified as

23 accredited investors to the best of my knowledge.

24 Q Did you ever show prospective investors any videos

25 about the company?

Page 46

1 A The only videos I ever had, there were some videos
 2 of the stove, videos of the stove, stuff like that, that was
 3 produced by the company. I may have shown that to investors.
 4 Similarly of their coal vitrification system. So whatever
 5 stuff that was provided by the company.
 6 Q And where would you have shown these videos?
 7 A If I'm showing them, it would be in my office. It
 8 would be on my monitor.
 9 Q And did you show them to individual clients, or did
 10 you have big screenings for a large number of your clients to
 11 watch videos?
 12 A No. I don't recall that I did. The company also
 13 passed that stuff out to clients. I mean, they had videos
 14 that they gave to people.
 15 Q But when you showed the videos in your office.
 16 A You're asking me if I did? I could have. I'm not
 17 100 percent certain I did. And if I did, it would be in my
 18 office. I don't have a laptop, so it would have to be in my
 19 office.
 20 Q Have you ever watched the videos?
 21 A Yes.
 22 Q Can you describe them?
 23 A Well, the videos that I remember on the stove was
 24 on the various features of their stove. And on the
 25 vitrification system, it's just actually photographs of their

Page 47

1 system and -- no, I saw a video of their system in operation.
 2 Their test system for their vitrification system.
 3 MR. TAYLOR: Counsel, could I take a couple minute
 4 break?
 5 MR. KERSTETTER: Sure.
 6 (A brief recess was taken.)
 7 BY MS. TA:
 8 Q Back on the record at 3:14. Mr. Crawford, did you
 9 ever conduct investment seminars or workshops about Bixby?
 10 A No.
 11 Q Did you ever conduct any due diligence regarding
 12 the company?
 13 A At the very early stage of the company, I did due
 14 diligence simply on the technology.
 15 Q When you say early stage, could you give us a year?
 16 A That would have been 2003.
 17 Q And what did you do?
 18 A Well, for one thing, I went to store a like Hearth
 19 and Home and discussed corn and wood pellet stoves to gain
 20 some measure of the market. And we did some other research
 21 on line, and it seemed like a good market.
 22 Q And did you ever review Bixby's business plans?
 23 A The only thing I reviewed was what they had in
 24 their documents.
 25 Q When you say "their documents," what are you

Page 48

1 referring to?
 2 A Their PPMs.
 3 MR. KERSTETTER: Did anyone from Bixby ever supply
 4 you with any financials of the company?
 5 THE WITNESS: Yes.
 6 MR. KERSTETTER: Who was that?
 7 THE WITNESS: And there were financials in the
 8 documents.
 9 MR. KERSTETTER: In the PPMs?
 10 THE WITNESS: Yes.
 11 MR. KERSTETTER: Beyond what's provided in the
 12 PPMs, did you receive any other types of financials?
 13 THE WITNESS: No.
 14 BY MS. TA:
 15 Q Have any of your clients ever lodged any complaints
 16 about Bixby to you?
 17 A No.
 18 Q And did you ever discuss the risks and returns or
 19 potential returns of the Bixby investments with your clients?
 20 A Yes.
 21 Q What did you tell them?
 22 A It's a high risk investment. It's an early stage
 23 company. There are always risks.
 24 Q And did you tell your clients anything about the
 25 use of investor proceeds?

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1 A I don't recall that I ever got into the source and
 2 use of funds.
 3 Q And did you ever receive investor funds from your
 4 clients?
 5 A Did I ever receive investor funds?
 6 Q Right.
 7 A The answer is most of the time, the investors
 8 conducted their business directly with the company.
 9 Apparently there were some instances where I was delivering
 10 checks made out to the company.
 11 Q Could you give us an estimate of how often?
 12 A Very, very seldom. In fact, I wasn't ever aware
 13 until I saw the e-mail that you gave me.
 14 MR. KERSTETTER: You're referring to Exhibit 8?
 15 THE WITNESS: No, Exhibit 7.
 16 BY MS. TA:
 17 Q How much money have your clients invested in Bixby?
 18 A The figure would be --
 19 Q You're currently referring to Exhibit 6?
 20 A Yes. Fair to say it's several million dollars.
 21 (SEC Exhibit No. 13 was marked for
 22 identification.)
 23 Q Mr. Crawford, I'm showing you what's been marked as
 24 Bixby Exhibit 13. It's a three-page document. Do you
 25 recognize Exhibit 13?

Page 50

1 A Yes.

2 Q What is it?

3 A These are a list of checks from Bixby made out to

4 Crawford Capital and one made out to me.

5 Q And who prepared Exhibit 13?

6 A I believe I sent this to you.

7 Q But did you create the document?

8 A If this is not the document that I prepared, then

9 it's the document similar to the one I prepared that I sent

10 to you.

11 Q Well, this is the document that you sent to me.

12 A Okay.

13 Q So my question is: Did you create this document?

14 A Yes.

15 Q The tag line on top of the document indicates that

16 it was -- it has the date 06/22/2010.

17 A Uh-huh.

18 Q Is that the date you prepared this document?

19 A I may have gotten this from Bixby too. I'm not

20 sure.

21 MR. KERSTETTER: I'm not an expert on this kind of

22 stuff, but it looks like it might be a Quick Books document?

23 Do you have a copy of Quick Books or do you use Quick Books?

24 THE WITNESS: I do use Quick Books, but I was not

25 using Quick Books at the time these checks were issued.

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1 BY MS. TA:

2 Q Do you recall asking Bixby for documents in

3 response to the subpoena that you --

4 A I don't remember.

5 MR. KERSTETTER: Was Bixby in the habit of sending

6 you documents of this type?

7 THE WITNESS: What was the first question?

8 MR. KERSTETTER: Sure. I'll venture something

9 like, was Bixby in the habit of sending documents of this

10 type to you?

11 THE WITNESS: The answer to that is I don't think

12 that they were in the habit of doing that.

13 MR. KERSTETTER: Did they as far as you know?

14 THE WITNESS: I don't recall whether they did, but

15 I assume I got this -- I asked them to check their records

16 and give me this.

17 MR. KERSTETTER: And what makes you say that?

18 THE WITNESS: Because it's -- it looks -- I'm not

19 100 percent certain that I prepared it.

20 BY MS. TA:

21 Q Does Exhibit 13 reflect all the payments made by

22 Bixby to you?

23 A To the best of my knowledge it is.

24 Q And what were the payments for?

25 A Finder's fees.

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1 MR. KERSTETTER: The last page of Exhibit 13,

2 there's a series of entries that I assume is short for bill

3 payment, check and bill. Did you submit bills to Bixby?

4 THE WITNESS: Yes.

5 MR. KERSTETTER: And how would you do that?

6 THE WITNESS: I would submit them under our

7 consulting agreement.

8 BY MS. TA:

9 Q Do you have copies of any of these bills?

10 A You know, I don't think I did.

11 Q You don't think you did?

12 A I don't think I made copies. I would make up an

13 invoice and deliver it.

14 Q Did you make it on a computer?

15 A Yes. But I would use one template and then -- so

16 change it from the next month and so forth.

17 MR. KERSTETTER: How would you know what amount to

18 put in those particular bills you were sending to Bixby?

19 THE WITNESS: Well, based on the agreement of the

20 fees, the finder's fees.

21 MR. KERSTETTER: And what was that agreement?

22 THE WITNESS: 10 percent.

23 MR. KERSTETTER: Of what?

24 THE WITNESS: Of what the investor had invested.

25 MR. KERSTETTER: Would be compensation from Bixby

Page 53

1 to you?

2 THE WITNESS: Uh-huh.

3 MR. KERSTETTER: I'm not sure if that shows up. We

4 need a yes or a no.

5 THE WITNESS: Yes.

6 MR. KERSTETTER: So I understand that that

7 represents 10 percent of what your clients had invested in

8 Bixby, but how would you actually get that number? How would

9 you know that say for example on November 15, 2006, your

10 investors had put in \$17,500?

11 THE WITNESS: Based on the information I had,

12 that's what the invoice was made out for.

13 MR. KERSTETTER: Right. And once again, I guess

14 we're getting back to questions I was asking you earlier.

15 How did you get that number though? How would you know that

16 that was the correct number at that time?

17 THE WITNESS: Because I knew what the total of the

18 investments were.

19 MR. KERSTETTER: Okay. How did you find out about

20 that though? Did Bixby tell you that in the last month ten

21 of your clients had invested X amount?

22 THE WITNESS: No. I knew from the clients.

23 MR. KERSTETTER: Okay. They would tell you that I

24 just wrote a check for X dollars to Bixby or something like

25 that?

Page 54

1 THE WITNESS: Right.
 2 BY MS. TA:
 3 Q Did you receive any other compensation in
 4 connection with your clients' investments in Bixby?
 5 A Warrants.
 6 Q How much did you receive in warrants?
 7 A The equivalent of 10 percent warrants.
 8 MR. KERSTETTER: Did you tell your clients that you
 9 were getting these payments from Bixby?
 10 THE WITNESS: Well, the answer is I don't know. I
 11 assume they did.
 12 MR. KERSTETTER: Backing up, I guess the question
 13 was, did you tell your investors or your clients that you
 14 were getting these payments?
 15 THE WITNESS: Again, I don't know. But I would say
 16 that they knew that I was being compensated.
 17 MR. KERSTETTER: Okay. Well, we'll get to the
 18 second half of that, but to start with, do you have any
 19 recollection of ever telling your clients that I'm receiving
 20 this amount of compensation for your investment?
 21 THE WITNESS: I can't remember any specifics. I do
 22 -- in some instances, clients have asked me if I'm getting
 23 reimbursed or compensated in terms of a finder's fee, and I
 24 would say yes.
 25 MR. KERSTETTER: And would you tell them what the

Page 55

1 agreement was?
 2 THE WITNESS: If they asked me, I would tell them.
 3 MR. KERSTETTER: But absent them asking you, you
 4 wouldn't tell them.
 5 THE WITNESS: It's just something I didn't discuss.
 6 MR. KERSTETTER: And then what makes you think that
 7 Bixby ever told any of your clients that you were receiving
 8 these funds?
 9 THE WITNESS: I don't know that they were. I don't
 10 know that Bixby was telling my clients that I was receiving
 11 these fees.
 12 MR. KERSTETTER: Okay. That's what I was getting
 13 at. You don't know whether they did one way or the other?
 14 THE WITNESS: No.
 15 BY MS. TA:
 16 Q Did you receive payments from any other persons in
 17 connection with your clients' investments in Bixby?
 18 A No.
 19 MR. KERSTETTER: Did you have any other -- roughly
 20 from the time frame let's just say from 2003 to the present,
 21 did you have any other similar agreements with any other
 22 companies in terms of being compensated for investments in
 23 those companies, that sort of thing?
 24 THE WITNESS: I don't recall during that time.
 25 MR. KERSTETTER: How about at an earlier time?

Page 56

1 THE WITNESS: As far as I'm concerned, I'm here to
 2 talk only about Bixby.
 3 MR. KERSTETTER: And I appreciate that, sir, but I
 4 think obviously if you've had similar arrangements with other
 5 entities, that's obviously relevant to the facts that we're
 6 investigating here. But if you're telling us you refuse to
 7 answer those questions, then -- is that what you're telling
 8 us, that you'd refuse to answer those questions?
 9 THE WITNESS: Yes, that's correct. There's also a
 10 timing issue here. At that time I wouldn't even know.
 11 BY MS. TA:
 12 Q Just so that we're clear on the compensation in
 13 connection with your clients' investments in Bixby, you state
 14 that you receive 10 percent in cash and 10 percent in
 15 warrants based on your clients' investment in Bixby; is that
 16 correct?
 17 A That's correct.
 18 Q Did you receive compensation for each investment
 19 that your clients made? For instance, they would make an
 20 initial investment, and you would get 10 percent cash and 10
 21 percent warrants based on the initial investment. If they
 22 made subsequent investments, would you also receive
 23 compensation for each subsequent investments that they made?
 24 A No.
 25 MR. KERSTETTER: Why was that?

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1 THE WITNESS: The role that I play in raising money
 2 for early stage companies, I help them get off the ground,
 3 and that's what I did for Bixby. If the investors
 4 subsequently invested, that was their decision beyond my
 5 finder's fee for finding them.
 6 MR. KERSTETTER: Would you know if any of your
 7 clients made subsequent investments past their first
 8 investment with Bixby?
 9 THE WITNESS: I wouldn't know -- I generally would
 10 not know that.
 11 MR. KERSTETTER: So all of the clients and amounts
 12 listed on Exhibit 6, that document there, that reflects all
 13 the initial investments that your clients made then?
 14 THE WITNESS: There may be -- I don't know. There
 15 may be some of these that were recurring within these
 16 particular funding rounds.
 17 BY MS. TA:
 18 Q What does that mean?
 19 A Well, I mean, there may be some put in here and put
 20 in here. I just don't recall. Just looking at them real
 21 quickly.
 22 (SEC Exhibit No. 14 was marked for
 23 identification.)
 24 Q Mr. Crawford, I'm showing you what's been marked as
 25 Bixby Exhibit 14.

Page 58

1 A What is the question here?

2 Q Do you recognize Exhibit 14?

3 A I don't recognize it. I don't recall it that is.

4 Q Just for the record, Exhibit 14 purports to be a

5 string of e-mails between Paul Crawford and JoAnn Walker?

6 A Uh-huh.

7 Q It's variously dated July 2, 2007 from Joanne

8 Walker to pc@crowcap.com. And then there is a July 4, 2007

9 e-mail from Paul Crawford to JoAnn Walker. And there is a

10 July 5 e-mail, 2007 from JoAnn Walker to Paul Crawford. And

11 there is a July 7, 2007 e-mail from Paul Crawford to JoAnn

12 Walker.

13 MR. TAYLOR: Counsel, before you ask any questions

14 about this exhibit, may we have just a moment to look through

15 it?

16 MS. TA: Yes.

17 MR. TAYLOR: Could I have just a moment with my

18 client?

19 MR. KERSTETTER: Sure.

20 MR. TAYLOR: And may I take this with me outside of

21 the room?

22 MR. KERSTETTER: Okay, I'll tell you what, why

23 don't we --

24 MR. TAYLOR: Okay. Thank you.

25 MS. TA: Okay. We're off the record?

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1 MR. KERSTETTER: Yeah. We'll go briefly off the

2 record at 3:34.

3 (A brief recess was taken.)

4 MS. TA: We're back on the record at 3:42. We just

5 took a brief break at the request of Mr. Crawford and his

6 counsel so they could discuss Exhibit 14. And just for the

7 record, we had no substantive conversations during the break?

8 MR. TAYLOR: Correct.

9 BY MS. TA:

10 Q Mr. Crawford, did you write these e-mails dated

11 July 4, 2007 and July 7, 2007 to JoAnn Walker in Exhibit 14?

12 A I remember the -- my communication to Mrs. Walker

13 on July 4. I don't recall the one on July 5.

14 Q You mean July 7?

15 A Or July 7, yeah.

16 MR. KERSTETTER: Do you have some reason to believe

17 you didn't actually write that?

18 THE WITNESS: I don't -- I mean, I don't understand

19 the meaning of that. There was an issue here on the

20 valuation for warrants, so -- but I don't remember that last

21 response.

22 MR. KERSTETTER: Well, maybe dealing first with

23 that last response, the first sentence from the e-mail from

24 you to Ms. Walker states, "Because of securities issues, our

25 understanding was done on a handshake." What were the

Page 60

1 securities issues that you had been dealing or discussing

2 with Mr. Walker --

3 THE WITNESS: As I say, I have no idea.

4 MR. TAYLOR: Please let him finish his question

5 before you answer.

6 THE WITNESS: Okay.

7 MR. KERSTETTER: All right. Let's try it again.

8 Referring again to that first sentence there, what were -- or

9 were there any securities issues that you were dealing or

10 discussing with Mr. Walker or Ms. Walker or anyone else at

11 Bixby?

12 THE WITNESS: I don't know. I absolutely don't

13 know.

14 MR. KERSTETTER: And the latter part is "was done

15 on a handshake." Is that referring to any of your agreements

16 with Bixby or the Walkers being a handshake deal as opposed

17 to anything in writing?

18 THE WITNESS: I don't know. It was the agreement

19 on the compensation, the warrants on the valuation.

20 MR. KERSTETTER: Was there ever any discussion with

21 Bixby or the Walkers that you couldn't put things in writing

22 because it could violate securities laws if your arrangements

23 with Bixby were realized?

24 THE WITNESS: Not from my standpoint there wasn't,

25 no.

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1 MR. KERSTETTER: Did you ever tell Bixby that you

2 were a registered broker?

3 THE WITNESS: No.

4 MR. KERSTETTER: Did they ever ask?

5 THE WITNESS: I don't recall that they did. I made

6 it clear that I was a consultant.

7 MR. KERSTETTER: Did you ever tell them that you

8 were not registered as a broker either with Minnesota or the

9 federal government?

10 THE WITNESS: I don't recall having any

11 conversation in regard to that.

12 MR. KERSTETTER: Now, getting to what you were

13 alluding to in terms of the valuations of the warrants, what

14 was your understanding as to how the warrants were going to

15 be valued?

16 THE WITNESS: The issue was the 10 percent

17 warrants, was it based on the dollar amount or the number of

18 shares?

19 MR. KERSTETTER: How was the exercise price

20 determined?

21 THE WITNESS: The exercise prices on the warrants

22 were priced at a price higher than whatever the round was. I

23 don't remember whether these were \$2 warrants or \$1.60

24 warrants.

25 MR. KERSTETTER: Okay. I'm sorry, maybe I misse-

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1 part of your sentence. Based on what the what was? I'm
 2 sorry.
 3 THE WITNESS: Well, let me explain it in something
 4 I can explain. Here's a 100,000 bucks and the shares are 80
 5 cents.
 6 MR. KERSTETTER: Okay.
 7 THE WITNESS: If you apply the 10 percent to the
 8 100,000 bucks, you get lesser amount than if you apply the 10
 9 percent to the 80 cents.
 10 MR. KERSTETTER: Okay.
 11 THE WITNESS: Because you have more shares than you
 12 have dollars.
 13 MR. KERSTETTER: Okay.
 14 THE WITNESS: So that's what the issue was. Using
 15 the amount versus the number of shares. That's what the
 16 issue was.
 17 MR. KERSTETTER: But I don't quite follow how that
 18 determines the strike price for the warrants.
 19 THE WITNESS: This has nothing to do with the
 20 strike price of the warrants.
 21 MR. TAYLOR: His question was the strike price of
 22 the warrants, so please pay attention.
 23 THE WITNESS: Okay. I'm sorry.
 24 MR. KERSTETTER: So yeah, I guess getting back to
 25 that then, how was the strike price of the warrants

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1 determined?
 2 THE WITNESS: I don't recall. All I remember is
 3 that the strike price was something higher than the round
 4 that they were priced at.
 5 MR. KERSTETTER: Oh, I'm sorry, you said round
 6 earlier. Are you referring then to the price of the stock in
 7 that particular funding round?
 8 THE WITNESS: Right.
 9 BY MS. TA:
 10 Q In the July 4 e-mail, there's a sentence in there
 11 where you seem to say that Dennis and Bob subsequently came
 12 to my office in early 2005 and asked me to raise money for
 13 Bixby directly for which I was to be paid a consulting fee of
 14 10 percent, and I was also told that I would receive
 15 five-year warrants in an amount equal to 10 percent of the
 16 shares supplied by my contacts. There was no mention of any
 17 exclusions including not being paid a fee nor receiving any
 18 warrants for additional investments by my clients. So,
 19 Mr. Crawford, it appears that you were receiving -- or you
 20 were expecting compensation for the additional investments
 21 made by your clients?
 22 A No. It just -- it's clarifying the fact that there
 23 was no mention of any exclusions including not being paid a
 24 fee nor receiving any warrants for additional investments by
 25 my clients. It's just a matter of fact.

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1 Q And then a little bit later, it says, "A deal is a
 2 deal, and I'm not going to allow you to renege on the
 3 agreement. What are you referring to in that sentence?
 4 A I don't know. I think I'm just talking about this,
 5 our agreement.
 6 Q What agreement?
 7 A The 10 percent fee and the 10 percent warrants.
 8 Q And then Mrs. Walker's response to this July 5
 9 e-mail is, "I just spoke to Bob, and apparently there was
 10 some misunderstanding when I spoke to him earlier this week.
 11 He agrees that it is 10 percent of the stock, not warrants.
 12 However, he said we do not pay on the second investment."
 13 Was there a dispute about whether or not you should be
 14 receiving compensation for second investments?
 15 A I don't see there was any controversy there. The
 16 answer is no.
 17 MR. KERSTETTER: Who is Ron Kinner?
 18 THE WITNESS: Ron Kinner was one of the people
 19 inside the company at Bixby. I don't think he's still with
 20 them.
 21 BY MS. TA:
 22 Q Do you know what his role was with the company?
 23 A You know, I'm not sure. I don't even remember. I
 24 hardly knew him.
 25 MR. KERSTETTER: And is Dennis the Dennis DeSender

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1 we were referring to earlier?
 2 THE WITNESS: Yes.
 3 MR. KERSTETTER: Actually, just one more question
 4 on the e-mail that you sent to Ms. Walker on the bottom, the
 5 July 4 -- you were sending that on a holiday. I didn't
 6 notice that before.
 7 THE WITNESS: Yes.
 8 MR. KERSTETTER: You state, "I will confirm the
 9 investments of Brian Johnson, George Hermann and Charles
 10 Neisen." First of all, I assume those were all your clients?
 11 THE WITNESS: Yes.
 12 MR. KERSTETTER: And how did you go about
 13 confirming their investments?
 14 THE WITNESS: Apparently their investments had not
 15 arrived there yet, so I was going to confirm that they had
 16 been sent.
 17 MR. KERSTETTER: So you were going to contact them
 18 to find out if they had sent their money in?
 19 THE WITNESS: Yes.
 20 MR. KERSTETTER: Actually, one other question on
 21 the next page. You list who I take it are a few other of
 22 your clients. There's a Joseph Mooney.
 23 THE WITNESS: Right.
 24 MR. KERSTETTER: Is that the same Mr. Mooney we
 25 were talking about earlier?

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1 THE WITNESS: Yes.
 2 MR. KERSTETTER: So just to go back to that, what
 3 exactly was your relationship with Mr. Mooney then?
 4 THE WITNESS: Well, he was -- I let him have space
 5 in my office. He had some business things that he was
 6 developing. And to do him kind of a favor, I issued him some
 7 warrants. By the way, these warrants have expired.
 8 MR. KERSTETTER: I'm sorry, you issued him
 9 warrants?
 10 THE WITNESS: Out of the warrants that I was
 11 getting in this particular tranche.
 12 MR. KERSTETTER: I see. You transferred some of
 13 your warrants to him?
 14 THE WITNESS: That's correct.
 15 MR. KERSTETTER: Why did you do that?
 16 THE WITNESS: It was just for a friend. I thought
 17 there might be an opportunity there for him. As it worked
 18 out, there wasn't. The warrants have expired. They weren't
 19 exercised.
 20 MR. KERSTETTER: Okay. I understand. But I guess
 21 what I'm trying to get at is what was the pro for your quid
 22 if you were giving him the warrants?
 23 THE WITNESS: At that time he was a good friend of
 24 mine, and he was in very rough financial circumstances.
 25 MR. KERSTETTER: So you just gave him them

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1 basically as a gift then?
 2 THE WITNESS: Right.
 3 BY MS. TA:
 4 Q Do you know whether he sold the warrants?
 5 A I don't know that he did. I wouldn't know.
 6 (SEC Exhibit No. 15 was marked for
 7 identification.)
 8 Q Mr. Crawford, I'm showing you what's been marked as
 9 Bixby Exhibit No. 15.
 10 A Uh-huh.
 11 Q Do you recognize this Exhibit 15?
 12 A I do.
 13 Q Could you describe it please?
 14 A When I say I recognize it, it is my letter. I
 15 don't recall it.
 16 Q Well, it appears to be a May 31, 2006 letter from
 17 you to Dennis DeSender?
 18 A Yes.
 19 Q And that's your signature at the bottom?
 20 A Yes.
 21 Q The letter reads, "Dear Dennis, I've never received
 22 the 36,300 warrants I earned for the capital I raised in
 23 early 2005."
 24 A Uh-huh.
 25 Q "This included the following investors who acquired

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1 a total of 363,000 shares at \$1.60 per share." Then there's
 2 a list of names of people who I presume are all your clients;
 3 is that correct?
 4 A Yes.
 5 Q Next to Frank Dosal's name, there is in parentheses
 6 (second investment)?
 7 A Right. It was in the same round.
 8 Q What does that mean?
 9 A He had added to his investment that he had made
 10 earlier. He had invested in the round and then added a
 11 second investment.
 12 Q So did you receive compensation on the basis of the
 13 second investment?
 14 A Yes. That's in the same round. I don't consider
 15 that a subsequent investment.
 16 Q So when you say "round," are you talking about an
 17 offering pursuant to a particular PPM?
 18 A Yes.
 19 Q Going back to Exhibit 14 briefly, who is Chris
 20 Weides?
 21 A Chris Weides, he was the -- I don't know what his
 22 role was. I guess he may have been in contact -- he may have
 23 contacted me initially on Bixby. He may have been the
 24 contact. I guess he was the contact that first directed me
 25 to Bixby. You asked me how I first got there. I didn't

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1 remember, but I guess it was him.
 2 MR. KERSTETTER: Had you known Mr. Weides?
 3 THE WITNESS: He was one of those people apparently
 4 who had called me. I get calls a lot of times to look at
 5 companies, so that may have been the case. So that's
 6 Mr. Weides.
 7 BY MS. TA:
 8 Q And what is his role with the company?
 9 A He was -- well, he was -- I don't know what his
 10 role with the company was, but he was the one who introduced
 11 me to the company, and apparently he was recruiting investors
 12 for the company.
 13 Q Was he employed by the company?
 14 A I don't know. I don't think so. I think he was an
 15 independent contractor.
 16 Q So when you say if you had to go through Chris,
 17 what does that mean? It says in the July 4 e-mail, "I
 18 subsequently refuse to continue to raise capital for Bixby if
 19 I have to go through Chris."
 20 A Well, I don't remember that specifically; although,
 21 I do -- I had some issues with Chris. He has a drinking
 22 problem.
 23 Q But what did you mean when you say you had to go
 24 through Chris?
 25 A Well, he was the contact point. Going back, I'd

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1 like to go back to something originally I said. I thought I
 2 started in 2003 with Bixby. Actually I think I started in
 3 2005. Or 2004 or '05.

4 MR. KERSTETTER: And what makes you think that?
 5 THE WITNESS: Because it says here that my meeting
 6 with Bob Walker on this, that earlier one, my meeting with
 7 Bob Walker -- well, my raising a million dollars for Bixby,
 8 albeit through Weides, in other words, subsequent to my being
 9 introduced to the company by Weides. So that was 2004, not
 10 2003. I thought it was 2003.

11 BY MS. TA:
 12 Q So in that July 4 e-mail where you say Dennis and
 13 Bob subsequently came to my office in early 2005, is that why
 14 you're changing your response to 2005 based on --
 15 A Yeah. I'm changing the dates, yes. It was 2005,
 16 not 2004 when they approached me.

17 Q So Exhibit 6 which is the Bixby investor list
 18 refers to 2003 investors as well as 2005 and 2006 investors?
 19 A Yeah. And that's wrong. It should be just -- it
 20 probably should be 2004.

21 Q So why should the list be 2004 if you're saying
 22 that you started in 2005?
 23 A No. It's two-thousand -- they came to me in 2005,
 24 so this should be two-thousand -- I was -- I didn't even know
 25 about the company in 2003. What dates do we have here? 2004

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1 and 2004.

2 MR. TAYLOR: The witness is looking at Bixby
 3 Exhibit 13.

4 MR. KERSTETTER: I think I understand what you're
 5 saying now, but getting back to this issue with Mr. Weides.
 6 THE WITNESS: Right.

7 MR. KERSTETTER: So in 2004, you were operating
 8 through Mr. Weides, or how did that work? Mr. DeSender and
 9 Mr. Walker came to you in 2005. But in 2004, you were
 10 operating through Mr. Weides? Could you just explain that?
 11 THE WITNESS: Well, initially with Weides, he had
 12 the agreement or the contract with the company, and so he was
 13 -- my compensation came through him during that period, and
 14 it was a smaller percentage.

15 MR. KERSTETTER: What was the percentage that you
 16 received --
 17 THE WITNESS: 3 percent.

18 MR. KERSTETTER: So going back to Exhibit 6 then,
 19 are you saying that these -- first of all, I guess you're
 20 saying these 2003 investors should actually read 2004
 21 investors?
 22 THE WITNESS: Right.

23 MR. KERSTETTER: And then are you saying that for
 24 these investors, you received 4 percent of their investment
 25 as opposed to the 10 for later years?

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1 THE WITNESS: No. These are all investors where I
 2 was directly connected with the company.

3 MR. KERSTETTER: Okay. So in 2004, you operated
 4 through Mr. Weides and on your own?
 5 THE WITNESS: Well, as far as this is concerned,
 6 this is all the investors that I represented when I had my
 7 agreement directly with the company.

8 MR. KERSTETTER: Is there some separate list that
 9 would identify the investors that you brought or that
 10 invested in Bixby through you when you were operating through
 11 Mr. Weides?
 12 THE WITNESS: That's not on this list, and --
 13 MR. KERSTETTER: Is there such a list?
 14 THE WITNESS: I don't know. I don't know. As I
 15 told you, I lost a hard drive a few years ago, and I may have
 16 lost some of that.

17 MR. KERSTETTER: Did you get the compensation for
 18 the investors that you worked with through Mr. Weides?
 19 THE WITNESS: Yes.

20 BY MS. TA:
 21 Q Do you know whether Mr. Weides received
 22 compensation?
 23 A I assume he did.
 24 Q Did he ever tell you he received compensation?
 25 A No. I don't think we ever discussed it.

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1 MR. KERSTETTER: So as far as you know, Mr. -- and
 2 I apologize to Mr. Weides if I'm butchering his name, is it
 3 your recollection that Mr. Weides just basically called you
 4 out of the blue about Bixby?
 5 THE WITNESS: Yes. He may have been referred by
 6 somebody.

7 MR. KERSTETTER: And that call was before that
 8 initial visit you took to Bixby's offices?
 9 THE WITNESS: Yes.

10 BY MS. TA:
 11 Q So earlier you had stated that you didn't recall
 12 receiving any other payments from other persons in connection
 13 with your clients' investments in Bixby?
 14 A Right.

15 Q Now you recall that you received payments --
 16 A That's correct.

17 Q Are there any other persons that you would have
 18 received payments through?
 19 A No.

20 MR. KERSTETTER: Actually just to clarify on these
 21 issues with Mr. Weides, did you get the payment from
 22 Mr. Weides or Bixby?
 23 THE WITNESS: Mr. Weides.

24 BY MS. TA:
 25 Q And were they from Mr. Weides' personal account, or

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1 did he have a company?
 2 A I don't even recall whether he had a company or
 3 not. It seems to me it was personal.
 4 MR. KERSTETTER: Is he still in the Minneapolis
 5 area as far as you know?
 6 THE WITNESS: As far as I know. I haven't had much
 7 contact with him.
 8 MR. KERSTETTER: I was going to say, when was the
 9 last time you had contact with him?
 10 THE WITNESS: He may have called me a year ago.
 11 MR. KERSTETTER: About Bixby or something else?
 12 THE WITNESS: About Bixby.
 13 MR. KERSTETTER: Can you tell us about that?
 14 THE WITNESS: I don't recall the conversation. I
 15 don't recall.
 16 MR. KERSTETTER: Was it about finding new
 17 investors?
 18 THE WITNESS: No. It was about the operation of
 19 the company.
 20 MR. KERSTETTER: Did he express any concerns about
 21 the company?
 22 THE WITNESS: Well, he had concerns, yes, but
 23 nothing significant. You know, the company has been doing a
 24 lot of stuff in the last couple of years.
 25 MR. KERSTETTER: What do you mean by that?

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1 THE WITNESS: Well, I'm sure you know that they're
 2 trying to go -- with all the stuff going on in China, with
 3 the coal vitrification systems and stuff. So just about
 4 that. A lot of stuff was supposed to have happened a long
 5 time ago that hasn't happened yet.
 6 BY MS. TA:
 7 Q And were those his concerns?
 8 A Huh?
 9 Q ~~Were those Mr. Weides' concerns?~~
 10 A Yes.
 11 Q Do you know of any other persons who acted
 12 similarly to Mr. Weides who sold or who introduced clients to
 13 Bixby for investment purposes?
 14 A No, I'm not.
 15 Q And just so that we're clear, have you ever
 16 introduced your clients to other persons who introduced them
 17 to Bixby?
 18 A I--
 19 Q Well, I guess you had mentioned that you introduced
 20 your clients through Chris Weides to Bixby for a period of
 21 time?
 22 A Right.
 23 Q Did you ever introduce your clients to other
 24 persons -- or to Bixby through other persons?
 25 A No.

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1 Q Mr. Crawford, do you currently own any investments
 2 in Bixby?
 3 A Yes.
 4 Q What type?
 5 A I own shares and I own warrants.
 6 Q Common stock shares?
 7 A Common stock, yeah.
 8 Q And warrants?
 9 A And warrants.
 10 Q How much do you own of either?
 11 A I own it's either 16 or 20,000 shares. It's 16 or
 12 24,000 shares. I'm not sure. Or 20 or 24,000 shares.
 13 That's what it is. I think it's 20,000 shares.
 14 Q And what about warrants?
 15 A I have a lot of -- I have warrants, a lot of
 16 warrants that have expired.
 17 Q Do you have any warrants that are not expired?
 18 A Do I have any warrants? Yes. I have some warrants
 19 that are not expired.
 20 Q Do you know how much you have?
 21 A About 800,000 of them.
 22 MR. KERSTETTER: Have you ever been able to
 23 exercise any of your warrants?
 24 THE WITNESS: No.
 25 BY MS. TA:

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1 Q And did you purchase your common stock shares?
 2 A Yes.
 3 Q At what price?
 4 A 80 cents a share.
 5 Q And did you purchase your warrants?
 6 A No.
 7 Q How did you obtain those?
 8 A They were issued to me for having raised them
 9 capital.
 10 MR. KERSTETTER: Do you know if Mr. Weides was ever
 11 compensated for your purchase of Bixby stock?
 12 THE WITNESS: I don't know. I would assume he was.
 13 I don't know.
 14 MR. KERSTETTER: Are you assuming this because
 15 you're assuming he had a similar arrangement that you had?
 16 THE WITNESS: Well, I assume he -- I mean, I should
 17 say I really don't know.
 18 BY MS. TA:
 19 Q Have you ever sold your investments in Bixby?
 20 A No.
 21 Q Have you ever transferred your investments in Bixby
 22 to another person or entity?
 23 A No.
 24 Q Well, let's refer you to --
 25 MR. KERSTETTER: Exhibit 14.

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<p>1 THE WITNESS: Oh, the warrants?</p> <p>2 MR. KERSTETTER: Right. Were you compensated for</p> <p>3 any of those?</p> <p>4 THE WITNESS: No.</p> <p>5 MR. KERSTETTER: I know we spoke about Mr. Mooney.</p> <p>6 For Mr. Selander and Mr. Neisen, you just gave them your</p> <p>7 warrants?</p> <p>8 THE WITNESS: Right.</p> <p>9 (SEC Exhibit No. 16 was marked for</p> <p>10 identification.)</p> <p>11 BY MS. TA:</p> <p>12 Q Mr. Crawford, I'm showing you what's been marked as</p> <p>13 Exhibit 16. Do you recognize Exhibit 16?</p> <p>14 A Yes.</p> <p>15 Q And what is it?</p> <p>16 A These were the original directions that</p> <p>17 subsequently were whittled down to the ones we've already</p> <p>18 discussed.</p> <p>19 Q So just to be clear, Exhibit 16 is a letter from</p> <p>20 Mr. Crawford to Dennis DeSender dated June 19, 2006.</p> <p>21 Mr. Crawford, did you write this letter to Mr. DeSender?</p> <p>22 A Yes.</p> <p>23 Q And who is Douglas Selander?</p> <p>24 A He's the same fellow that's on that other list.</p> <p>25 What was on this list ended up on that list.</p>	<p>1 Q -- transfer of the 10,538 warrants to him?</p> <p>2 A No. And all of these warrants have been expired,</p> <p>3 and I don't think anyone exercised them.</p> <p>4 (SEC Exhibit No. 17 was marked for</p> <p>5 identification.)</p> <p>6 Q I'm showing you a document that's been marked as</p> <p>7 Bixby Exhibit 17. Do you recognize that exhibit,</p> <p>8 Mr. Crawford?</p> <p>9 A Yes.</p> <p>10 Q And what is it?</p> <p>11 A Again, this is -- Carolyn Wendell was Doug</p> <p>12 Selander's wife.</p> <p>13 Q So just to be clear for the record, Exhibit 17 is a</p> <p>14 letter from Mr. Paul Crawford to JoAnn Walker dated April 12,</p> <p>15 2005. Mr. Crawford, did you write the letter Exhibit 17?</p> <p>16 A Yes.</p> <p>17 Q And why were you transferring 6,000 warrants to</p> <p>18 Mrs. Wendell?</p> <p>19 A Because that's who Doug wanted me to transfer them</p> <p>20 to, and -- but this never occurred. The transfer never went</p> <p>21 through.</p> <p>22 Q Mr. Crawford, how often did you meet with Robert</p> <p>23 Walker?</p> <p>24 A Oh, most of my meetings with Mr. Walker were at</p> <p>25 investor presentations or annual meetings. I met him on a</p>
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<p>1 Q So you had originally asked Bixby to transfer</p> <p>2 warrants to all of the persons named in Exhibit 16?</p> <p>3 A Yes.</p> <p>4 Q And then you whittled it down to the persons on</p> <p>5 Exhibit 14 on the July 4 e-mail?</p> <p>6 A That's right.</p> <p>7 Q And were these transfers in the July 4 e-mail,</p> <p>8 Exhibit 14, were those transfers executed?</p> <p>9 A Yes. Not these, those.</p> <p>10 Q When you say "not these," you mean not these</p> <p>11 referred to in Exhibit 16?</p> <p>12 A Right.</p> <p>13 Q But the transfers referred to in Exhibit 14 were</p> <p>14 executed?</p> <p>15 A Right.</p> <p>16 Q So who is Douglas Selander?</p> <p>17 A He's a personal friend of mine.</p> <p>18 Q And did you receive anything in return for the</p> <p>19 transfer of the 10,000 warrants?</p> <p>20 A No.</p> <p>21 Q And who is Dan Neisen?</p> <p>22 A Dan Neisen is a very good friend and client of</p> <p>23 mine.</p> <p>24 Q Did you receive anything for the --</p> <p>25 A No.</p>	<p>1 couple of occasions socially, but I don't think I would count</p> <p>2 him as a close friend. Just an acquaintance.</p> <p>3 Q And you also stated earlier that when you entered</p> <p>4 into the consulting agreement with Bixby, Mr. Walker was the</p> <p>5 representative on the Bixby side?</p> <p>6 A Yes.</p> <p>7 Q And do you continue to see Mr. Walker occasionally?</p> <p>8 A Yeah. I haven't seen him in quite awhile though.</p> <p>9 The last time I talked to him was probably last spring</p> <p>10 sometime, personally.</p> <p>11 Q And what did you talk with him about?</p> <p>12 A Just what was going on with the business.</p> <p>13 Q What about Dennis DeSender, do you meet with him</p> <p>14 often?</p> <p>15 A I don't meet with him often. Same as with</p> <p>16 Mr. Walker. There's been a couple of occasions where I've</p> <p>17 met with the two of them. At least two occasions. I don't</p> <p>18 recall when. And occasionally with Mr. DeSender, again, to</p> <p>19 talk about what's going on with the business.</p> <p>20 Q And when was the last time you met with</p> <p>21 Mr. DeSender?</p> <p>22 A I don't know, maybe a couple of months ago.</p> <p>23 Q And what did you discuss with him then?</p> <p>24 A About the business. It's kind of like waiting for</p> <p>25 the second shoe to drop on their situation in China and the</p>

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1 London exchange.
 2 Q What does that mean?
 3 A They have been communicating with firms in London
 4 about the possibility of them going public on the London name
 5 exchange.
 6 Q And do you communicate this information to your
 7 clients?
 8 A Well, I think most of my clients are aware of that
 9 either through me or through other information from the
 10 company.
 11 MS. TA: I'd like to take a break. We're off the
 12 record at 4:20.
 13 (A brief recess was taken.)
 14 MS. TA: We're back on the record at 4:29. I just
 15 wanted to confirm for the record that we didn't have any
 16 substantive conversations during the break; is that correct.
 17 THE WITNESS: Yes.
 18 MR. TAYLOR: That is correct.
 19 BY MS. TA:
 20 Q Going back, there was some confusion earlier about
 21 the Bixby investor list, Exhibit 6, regarding these investors
 22 and whether they were your clients or your clients through
 23 Mr. Weides. Referring to Exhibit 6 and the list of Bixby
 24 investors, are all of the names in Exhibit 6 your clients,
 25 Mr. Crawford?

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1 A Yes.
 2 Q And did you receive your finder's fee of 10 percent
 3 cash and 10 percent warrants for all of the investors listed
 4 in Exhibit 6?
 5 A Yes.
 6 Q And you also stated earlier that you were
 7 introduced to the company through Chris Weides in 2003; is
 8 that correct?
 9 A I was incorrect. It must have been 2004.
 10 Q Okay, 2004. And he had called you -- he had
 11 reached out to you?
 12 A He had reached out to me. He was referred to me by
 13 somebody.
 14 Q And subsequent to that phone call, you attended an
 15 investor meeting?
 16 A Right.
 17 Q Could you tell us more about this investor meeting.
 18 Where was it held?
 19 A At Bixby in Rogers.
 20 Q And who was in attendance?
 21 A Bob Walker and Weides and a bunch of investors.
 22 Other investors, not anyone I knew.
 23 MR. KERSTETTER: About how many?
 24 THE WITNESS: Well, the room was full. I'd say 12.
 25 10 to 12.

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1 MR. KERSTETTER: Did you talk to any of those other
 2 investors?
 3 THE WITNESS: I don't recall.
 4 MR. KERSTETTER: Do you remember any of those other
 5 investors saying how they found out about the company?
 6 THE WITNESS: No.
 7 BY MS. TA:
 8 Q At the time, had you invested in the company?
 9 A Yes. That's the time I invested in the company.
 10 MR. KERSTETTER: I'm sorry, did you invest before
 11 or after the meeting?
 12 THE WITNESS: Oh, I didn't invest at the meeting.
 13 It was later on that I invested with the company.
 14 BY MS. TA:
 15 Q So to be clear, at the time that you attended the
 16 meeting, were you an investor in Bixby?
 17 A No.
 18 Q How do you know that the other people in attendance
 19 were investors?
 20 A I don't know that they were investors.
 21 Q So like you they could have been prospective
 22 investors?
 23 A Right.
 24 Q And you said that Bob Walker and Chris Weides were
 25 at the meeting as well?

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1 A That first meeting, yes.
 2 Q Was Dennis DeSender at that meeting?
 3 A No.
 4 Q Was anyone else from Bixby at that meeting?
 5 A No.
 6 Q And what did Mr. Walker do at the meeting?
 7 A He gave the presentation of Bixby and the stove.
 8 Q And what did Mr. Weides do at the meeting?
 9 A He was not at the meeting.
 10 Q Mr. Weides was not --
 11 A Oh, excuse me, Mr. Weides was at the meeting, yes,
 12 he was. He was just there as kind of the MC.
 13 Q And did you attend other meetings of this type?
 14 A I had many meetings up there similar to that
 15 meeting subsequent to that first meeting.
 16 Q And subsequent to that first -- how soon after that
 17 first meeting did you become an investor in Bixby?
 18 A I don't know. I'd say four months. Four or five
 19 months.
 20 Q And during those four to five months, did you have
 21 any contact with the company?
 22 A Well, yeah, I did. I mean, I was having these
 23 meetings. I was having people attend meetings from the very
 24 beginning.
 25 Q So you were bringing your clients to these

Page 86

1 meetings?

2 A No. They'd meet me there. I may have brought some

3 there, but a majority would meet we there.

4 Q So you were telling your clients about these

5 meetings?

6 A That's correct.

7 Q And were your clients -- so at the time that your

8 clients invested -- at the time that your clients attended

9 this meeting, had they already invested in Bixby?

10 A No.

11 Q So how many meetings would you estimate you

12 attended?

13 A Dozens.

14 Q In what time period?

15 A 2004, '05, '06, '07.

16 Q And how did you learn about these meetings?

17 A Well, initially I would know when they were

18 scheduling meetings. Or later I would arrange the meetings

19 myself.

20 Q And when you said initially you would know when

21 they were having those meetings, how would you know they were

22 having those meetings?

23 A Either from Walker or Weides.

24 Q And would they ask you to bring your clients to

25 these meetings?

Page 87

1 A I don't recall that they would ask that I bring

2 clients. I just felt that my clients would like to know

3 about this company, and if they liked it, they would

4 investor.

5 Q Do you have any documents that refer to any of

6 these meetings?

7 A No. I don't have any documentation of the

8 meetings.

9 Q So they didn't send you a letter inviting you to

10 these meetings?

11 A No. That I don't recall at all. Except for

12 shareholder meetings. They did have some open house

13 meetings.

14 Q Open house meetings for shareholders?

15 A Yes.

16 Q Do you know how the other attendees learned about

17 the meetings who weren't your clients?

18 A I don't know.

19 Q Did anyone else ever attend these meetings on

20 behalf of Bixby? You said you attended about dozens of them.

21 A Did what?

22 Q You said you attended about dozens of

23 these meetings.

24 A Probably more than a dozen.

25 Q Were there any other Bixby representatives at any

Page 88

1 of these other meetings?

2 A I don't recall that there ever was any other people

3 other than Bob Walker.

4 Q And you said Chris Weides was there at the first

5 meeting that you were at?

6 A He was at the first meeting, and he may have been

7 at some subsequent meetings. But the only one I do

8 specifically recall is that first meeting.

9 Q And did the company distribute any materials at

10 these meetings?

11 A Yes.

12 Q What did they distribute?

13 A PPMs.

14 Q Anything else?

15 A No. And they generally had information packages

16 with them too. Particularly later when they were selling

17 stoves and stuff. There were a lot of articles written about

18 the company.

19 Q Mr. Crawford, is there anything you would like to

20 clarify or add to the statements you've made today?

21 A No.

22 MS. TA: Mr. Taylor, is there anything you wish to

23 ask? Do you wish to ask any clarifying questions?

24 MR. TAYLOR: No. Thank you.

25 MS. TA: We have no further questions at this time.

Page 89

1 We may however call you again to testify, Mr. Crawford.

2 THE WITNESS: Okay.

3 MS. TA: We ask that you maintain the

4 confidentiality of our conversation here today and not

5 discuss its contents with anyone but your attorney. And we

6 are off the record at 4:37.

7 (Whereupon, at 4:37 p.m., the examination

8 was concluded.)

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Page 90

1 PROOFREADER'S CERTIFICATE
 2
 3 In the Matter of: BIXBY ENERGY SYSTEMS
 4 Witness: Paul D. Crawford
 5 File Number: C-07672-A
 6 Date: Wednesday, March 2, 2011
 7 Location: Minneapolis, MN
 8
 9
 10 This is to certify that I, Donna S. Raya,
 11 (the undersigned), do hereby swear and affirm
 12 that the attached proceedings before the U.S.
 13 Securities and Exchange Commission were held
 14 according to the record and that this is the
 15 original, complete, true and accurate transcript
 16 that has been compared to the reporting or recording
 17 accomplished at the hearing.
 18
 19
 20
 21 _____
 22 (Proofreader's Name) (Date)
 23
 24
 25

Page 92

1
 2
 3 Diversified Reporting Services, Inc.
 4 1101 Sixteenth Street, N.W.
 5 2nd Floor
 6 Washington, DC 20036
 7
 8
 9 In the Matter of: BIXBY ENERGY SYSTEMS
 10 Witness: Paul D. Crawford
 11 File Number: C-07672-A
 12 Date: Wednesday, March 2, 2011
 13 Location: Minneapolis, MN
 14
 15 This is a letter to inform you that we do not
 16 release our tapes and notes. I do maintain
 17 them for a period of one (1) year.
 18
 19 Sincerely,
 20 _____
 21
 22
 23
 24
 25

Page 91

1 STATE OF MINNESOTA)
 2 COUNTY OF HENNEPIN)
 3 I hereby certify that I reported the examination of
 4 PAUL CRAWFORD, on the 2nd day of March, 2011 in Minneapolis,
 5 Minnesota.
 6 That I was then a Hennepin County Notary Public,
 7 State of Minnesota, and as such was duly authorized to
 8 administer an oath;
 9 That the witness, before testifying was by me first
 10 duly sworn upon his oath to testify the whole truth and
 11 nothing but the truth relative to said cause;
 12 That the foregoing testimony was recorded in
 13 shorthand by me and transcribed into typewriting under my
 14 direction, and that it is true and correct to the best of my
 15 ability and understanding;
 16 That I am not related to any of the parties hereto
 17 nor interested in the outcome of the action.
 18
 19 WITNESS MY HAND AND SEAL this 14th day of
 20 March, 2011.
 21 _____
 22 Shannon A. Drahus Hood
 23
 24 My commission expires January 31, 2015.
 25

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EXHIBIT 3

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

----- Forwarded message -----
From: Paul Crawford <pc@crowcap.com>
Date: Mon, Dec 26, 2011 at 6:56 PM
Subject: S.E.C. Filing re: Bixby Energy Systems
To: Paul Crawford <pc@crowcap.com>

EXHIBIT 7 PLTF.
WITNESS Halutzok DEFT.
CONSISTING OF 7 PAGES
DATE 4-1-15
BEHMKKE REPORTING AND VIDEO SERVICES, INC.

This letter is being sent to my friends, colleagues and clients to explain to them the circumstances of the S.E.C.'s (Securities & Exchange Commission) filing of a Civil complaint requesting an Order of Permanent Injunction prohibiting me and Crawford Capital from raising capital, disgorgement of any fees paid by Bixby and civil penalties against me and other persons who assisted Bixby Energy Systems, Inc. in raising capital.

The *Pioneer Press* and the *Star Tribune* each published articles in their December 22, 2011 editions about the S.E.C.'s filing against Bixby, Robert A. Walker, Dennis L. Desender, and DLD Financial, LTD, alleging that they had committed fraudulent acts but were remiss in including information about the civil filing against me and the other "fundraisers" in both of the articles. The Walker/DeSender issue is a criminal matter whereas the claims against me and the other fundraisers is a civil matter. The two journalists, Leslie Brooks Suzukamo of the *Pioneer Press* and Dan Browning of the *Star Tribune*, both erred by including details of the civil filing along with the criminal filings and the message they conveyed in both of the articles was that the so-called "Bixby fundraisers" had also committed "fraud." This was absolutely not correct and was misleading and, as such, possibly libelous. Both of these newspapers should have reported the S.E.C.'s filing against Bixby just as Jeff Baenen of the Associated Press did which you can read at <http://www.twincities.com/fdcp?unique=1324765090754>.

The S.E.C. has numerous rules and regulations regarding the activities of "registered brokers" and other rules for fundraisers, consultants, etc. that are not registered brokers. I have built a good reputation over 20-years of consulting with early stage companies and assisting them in raising capital and I will vigorously defend our rights to continue to do so. I was a registered broker from 1969 to 1997. In 1997 I decided that I could do a much better job in raising money for early stage companies if I didn't have a securities license and subsequently decided I would not reapply for a registered broker's license.

Crawford Capital has been operating since 1990 and has raised in excess of \$200 million for early stage companies many of which continue in business today. I am also an entrepreneur who has started several

businesses here in Minnesota including Cellcom and Commission Junction – both of which were and are very successful businesses. I have an active portfolio of Minnesota enterprises including Empathic Clinical Suites, LocaLoop, Inc., SaaSware Highway, etc that you can learn more about at www.saasware.com. These are growing businesses located here in Minnesota that are creating jobs that are sorely needed today. Furthermore, most of the capital that I helped Bixby raise was raised between 2003 and 2005. At that time Bixby had developed and was successfully selling a high-tech, efficient corn and wood pellet stove. That business was killed because of the escalation of the price of corn which was caused by Federal subsidies for the conversion of corn into ethanol. It was then that Bixby's management began to seek other alternative energy solutions which led to the coal gasification technology that they have been working on for the last 4 years. The S.E.C. is now claiming that the pursuit of that technology has been worthless. While the technology is yet to be proven to be commercially viable its development continues to show promise. The S.E.C. demanded that Bixby's new management team that took over following the ouster of Bob Walker and Dennis DeSender admit that Bixby had defrauded investors of between \$2.5 million and \$7 million. Bixby's new management accepted a charge of one count of securities fraud and took responsibility for the actions of its former officers (i.e. Bob Walker, Dennis DeSender, et al) because, if they didn't agree, they would have had to fight the S.E.C. and that takes money that they do not have. Bixby's current management hasn't given up its efforts to successfully demonstrate the coal gasification technology but that also costs money. The consequences of the S.E.C.'s heavy-handedness in this matter is that Bixby is now operating under a cloud which is having a huge negative effect on their efforts to raise capital to keep things moving forward. What I am saying here is that the S.E.C., in its zealotry, is severely impeding the efforts of Bixby's management as they continue to try and restore the Bixby enterprise. The problem at Bixby was not the coal gasification technology nor was it because of the efforts of me and the other fundraisers. The Twin Cities newspapers should support Bixby's efforts to commercialize their coal gasification technology. In so doing the *Star Tribune* and the *Pioneer Press* would also be giving support to the interests of the investors who, in good faith, invested in Bixby.

The S.E.C. itself has totally failed in its primary responsibility of protecting investors against significant fraud perpetrated by the likes of Bernie Madoff (who not only had a securities license but was at one time the head of the National Association of Securities Dealers [NASD]), Tom Petters, Trevor Cook and many other swindlers. The S.E.C. simply ignored numerous warnings from many sources that raised questions about the fraudulent activities of all of these people and others. Attached to this email is a copy of a letter I sent to the S.E.C. in October in response to their demand for settlement of this matter.

I am willing to discuss this matter with anyone who has any questions. I have cooperated with the S.E.C. and have given them all the information I had about Bixby including an accounting of the fees I earned from Bixby. What I am also doing is standing up for America's entrepreneurs who don't need the S.E.C. to interfere in the process of their raising very early capital to turn ideas into businesses. The U.S. today has too much regulation and that in itself is hurting the development and the process of germinating and growing new enterprises. The U.S. economy needs more people like me not less. If it weren't for people like me then where can entrepreneurs go to find early capital to support the development of their great ideas? American entrepreneurship is the heart of the entire Free Enterprise System that has made the US, by far, the largest economy in the entire world.

Regards,

Paul Crawford

Crawford Capital Corp

(ofc) [612-676-1436](tel:612-676-1436)

(cell) [612-308-6466](tel:612-308-6466)

(fax) 612-676-1438

October 10, 2011

Thu B. Ta
U.S. Securities and Exchange Commission
Division of Enforcement
175 W. Jackson Blvd, Suite 900
Chicago, Ill 60604

Re: In The Matter of Bixby Energy Systems (C-07672)

Dear Ms Ta:

I am first going to tell you more about me, my background and what I am doing today both as a raiser of capital and as an entrepreneur. In July 2011 I celebrated my 76th Birthday. Crawford Capital Corp was started in 1990 but I had been involved in corporate development with several small Minneapolis brokerage firms going back to the early 80s. Crawford Capital's business is to raise capital for very early stage companies. When people ask me what I do, I tell them "I create jobs the old-fashioned way by simply raising the earliest capital to get new ideas started" because there is no one else out there today here in Minnesota that these entrepreneurs can go to other than me. I am also an entrepreneur who has founded many businesses. People who know me understand that I am a visionary and can see the greater picture of just where things are going. Thanks to my vision I founded Cellcom, Inc. in 1981 which ended up securing the first non-wireline, cellular license in the Twin Cities in 1982. We ended up in a joint venture with MCI and in 1986 MCI and we sold out to McCaw Communications who later sold out to AT&T Wireless. In 1998 I co-founded a very successful dot.com called Commission Junction (www.cj.com) that today is a very successful affiliate advertising network and a wholly owned subsidiary of a major advertising portal business called ValueClick (Symbol - VCLK).

Since 2007 I have put all my focus and efforts into the next generation of communications (4G, mobile communications) and SaaS (Software as a Service) which together are a big part of what is called "The Cloud." In pursuing these opportunities I am doing so as an entrepreneur. You should view my newest website at www.saasware.com to learn more about me, SaaSware Highway and our present portfolio of "cloud" based businesses. My timing in launching these new businesses was prescient but the U.S. economy and changes in banking regulations implemented since 2009 have made it almost impossible to raise capital for early stage businesses. The limitations on available capital have become such a big problem that many really good technology ventures are ending up having to shut down not because their technology failed but because they ran out of money. This is a tragedy at a time when the U.S. economy is struggling to create jobs. Several of my current portfolio of "cloud" companies will scale to billion dollar size within the next decade but they cannot achieve success without my assistance in raising capital to keep them going. What I am telling you is that any sanctions by the S.E.C. against me will poison these efforts. A disgorgement and a public announcement of the penalty and censure would put me out of business particularly for the "cloud" based enterprises I have started in the last few years. I am presently working with some wealth management groups and venture capital funds that are considering significant investments in enterprises in my current portfolio. I have several financial planners who are invested in some of my enterprises. I am also involved with some major

companies here in Minnesota who are considering investing is some of my portfolio companies including a major Twin Cities HMO. Many, if not all, of these people would back away from me if there was an announcement about me having "violated" what I believe is a clouded and obscure S.E.C. rule on what is equitable compensation for "finders." I don't think that the S.E.C. has had a single complaint about me from any investors.

On October 5, 2011, I received your notification demanding information on every entity that I have raised money for and that I had to provide that information by October 18, 2011. First of all I will not provide you with any of the information you have requested beyond what I have already given you regarding Bixby. What you have done following your initial investigation of Bixby is to first go after all of the Bixby fundraisers. This is what American's call "throwing out the baby with the dirty bathwater." I can tell you emphatically that, if there was a fraud at Bixby, it wasn't caused by the people who assisted them in raising capital.

My vision and my success in raising capital for early stage ideas has contributed to building many businesses and the creation of jobs which is the heart and soul of America's Free Enterprise System. I ask you again, what is gained by the S.E.C.s enforcement of sanctions and a disgorgement upon me? For your information Crawford Capital is listed in the 2011 Book of Lists issue of the *Minneapolis/St. Paul Business Journal* (www.twincities@bizjournal.com) as the 8th largest venture capital firm in the Twin Cities. The U.S. needs more people like me not less. I am prepared to go to court and represent myself if that is the only way I can settle this matter and keep you from disrupting all the job creating and economy building deals I have in my portfolio today. I believe I am protected by the 4th, 5th, 6th, 7th, 8th and 10th Amendments to the U.S. Constitution.

Sincerely,

Paul Crawford
Crawford Capital
125 Main St. S.E., Suite 270
Minneapolis, MN 55414
(612-676-1436)

[REDACTED]

[REDACTED]

[REDACTED]

----- Forwarded message -----

From: Paul Crawford <pc@crawcap.com>
Date: Mon, Sep 8, 2014 at 4:30 PM
Subject: FW: FW: Tuesday update
To: Anil & Laura Nanda <ananda@lsuhsc.edu>, Bob & Ruth Bringer <[REDACTED]>
<[REDACTED]>, brink@nikestorage.com, butch@destiny-homes.com, chris degross
<[REDACTED]>, Dale Meierbachtol
<dka@frontiernet.net>, Dan Mayer <daniel.e.mayer@stifel.com>, "Dr. Phil Sweetser" <[REDACTED]>,
george holden <GHolden@holdenmarketing.com>, Harry Haluptzok <[REDACTED]>, joe
Kowalcik <joe@kowalaw.com>, Joel Dixon <[REDACTED]>, Karen Brown <[REDACTED]>, karl
bohn <[REDACTED]>, Kevin Bauer <[REDACTED]>, Larry Hopfenspirger
<[REDACTED]>, mark fogarty <[REDACTED]>, Pat Fischer <[REDACTED]>,
<[REDACTED]>, Ryan Albrecht <[REDACTED]>, Staley Gentry
<staley.gentry@axa-equitable.com>
Cc: Carl-Johan Torarp <cjtorarp@localoop.com>

Localoop currently forecasts that by the end of this year they will have produced approximately \$2+ million in revenues and have signed agreements with a total of 29 rural operators. They project to generate \$18 million in revenues and 143 signed deals by the end of 2015 and \$60 million in revenues and 401 deals by the end of 2016 (see attached summary). They also project to become profitable by the 4th Q of 2015. As of September 1, 2014 they already have 12 signed customer agreements and expect to add at least another 7 rural customers by the end of September. It appears that they are very likely to exceed their projections. They are also reassessing their revenue numbers because revenues are scaling at a faster rate than they projected. To put all of this in perspective they launched their current marketing strategy at the Las Vegas Wispapalooza 2013 Conference in mid October last year. Between then and the end of August 2014 they have signed up 12 clients and, as I said, in September alone they expect to sign at least another 7 new contracts. Some of the early sign-ups were proof-of-concept trials and some of those are now expanding their service coverage area.

The Wispapalooza 2014 Conference (WISPA –Wireless Internet Service Provider’s Association) in Las Vegas is coming up again on October 12th through October 18th. Last year was the first time that Localoop had their

own booth which was adjacent to Runcom's booth and it was one of the most active booths at that Conference and that is where many of these new customers came from. They expect that during this year's WISPA Conference they will meet many more new rural operator/prospects which will speed up the pace of new customer signups. LocalLoop is sneaking up on the rural 4G marketplace and it is about to turn into a tsunami. That will then trigger interest among Private Equity firms, Hedge Funds and major Wall Street brokerage firms. LocalLoop is about to really blast-off. It is a very good time for investors who aren't yet a LocalLoop shareholder to invest before it is too late. And, it is a great time for existing investors to increase their percentage ownership. Another thing that an investor should consider is to increase their equity ownership by exercising some of their warrants now. Warrants that you own that are exercisable at \$1.67 or higher (originally \$2.50 prior to 3 for 2 forward split) are eligible for a substantial discount if exercised now.

I want to point out that LocalLoop is the kind of investment that is ideal to be held in a Roth IRA. The business is growing rapidly and must raise at least \$500,000 to support their growth through December. They are on budget but behind on the capital raising.

I may be able to offer a significant discount for a large investment of between \$250,000 and \$500,000. However, it would have to be a solid deal when it is submitted.

Incidentally, Carl is a Member of the CTIA (formerly called the Cellular Telecommunications Industry Association) which today is referred to as The Wireless Association. He is attending their Conference in Las Vegas this week. He has several appointments with carriers and industry suppliers while he is there. I wouldn't be surprised that he might meet up with some private equity groups (PEG's). I do know that PEG's are looking for unique structured debt deals to deploy substantial amounts of cash from pension funds, insurance companies and banks. I have been telling many of you that U.S. PEG's alone have in excess of \$1.5 Trillion in cash to deploy today. One of my portfolio companies has just been offered a big deal from a PEG. And, I think there will be more such offerings coming to more of my portfolio companies.

Regards,

Paul Crawford

(ofc) 612-676-1436

(cell) [REDACTED]

EXHIBIT 4

Crawford Capital Corporation (default.htm)

CONNECT: (.http@ccc@Minnesota)

[HOME \(DEFAULT.HTM\)](#)

[BLOG \(BLOG/DEFAULT.HTM\)](#)

[CURRENT PROJECTS \(CURRENT-PROJECTS.HTML\)](#)

[CONTACT US \(CONTACT-US.HTML\)](#)

A brief history of Crawford Capital...

Paul Crawford of Crawford Capital Corporation (CCC) has been assisting early stage companies with their fund raising strategies since 1990. Mr Crawford is also an entrepreneur who founded Celcom in 1981 to bid for one of the two licenses being issued in the top 135 markets by the FCC for the initial deployment of cellular phone networks. Celcom ended up in a joint venture with MCI which initial operated as MC /Celcom and later as Cellular One of Minnesota. It was sold to McCaw Communications in mid 1988. In 1998 Paul Crawford co-founded a very successful DoCom, Commission Junction, which today is a wholly owned subsidiary of Value Click (VCLK). In 2007 Mr. Crawford began putting all of his focus on "cloud based" SaaS services and 4G, mobile high-speed internet communications. You can review his latest portfolio at www.SaaSWare.com (. /www saasware com/default.htm).

The events going on today in communications are actually a revolution that will have a huge favorable impact on the entire population of the world. Mobile, 4G communication will also become the biggest emancipator for the entrepreneurs all over the world. Ultimately, the only connection you will need for all communications is your connection to the internet. The opportunities offered by these events are massive and will happen at ramp-up speeds never seen before. For this reason Paul Crawford sought out and found a very simple solution that can provide a turnkey, mobile, 4G high-speed network connection that will work in rural and under-served areas of the world and can be deployed for a lot less capital than what is being spent by legacy, incumbent communications companies. That company is called Localloop, Inc. (. /www.localloop com/default.htm)

Localloop, Inc. is an early stage business idea, whose entire technology platform has been fully developed, tested, patented (4 issues) and deployed. Paul Crawford predicts that it will not be very long before the world "discovers" Localloop. When that occurs, the communications companies as well as the internet device manufacturers will all be pursuing relationships with Localloop.

[Crawford Blog \(blog/default.htm\)](#)

Click above to read the latest from Paul's blog.



(uploads/1/5/6/2/19623229/690253764_orig.jpg)
America, the beautiful...

[Learn more \(current-projects.html\)](#)

Click here to learn more about what we're working on.

U. S. SECURITIES AND EXCHANGE COMMISSION

Investigation # C-07672

DECLARATION OF Russell Castillo

Pursuant to 28 U.S.C. Section 1746, the undersigned states as follows:

1. My name is Russell Castillo I am over twenty-one years of age and have personal knowledge of the matters set forth herein.
2. I am assigned as an IT Specialist to the U.S. Securities and Exchange Commission's Division of Enforcement in Washington, D.C. As part of my duties I am tasked to conduct a Website Capture.
3. In support of investigation number C-07672, and at the direction of my supervisor, I was tasked to conduct Website/video capture of the following URL's.

<http://www.crawcap.com/>

<http://www.saasware.com/>

4. To complete the above mentioned website/video capture the following tools were used:

Offline Explorer Pro 6

5. After each website/video was captured, a CD/DVD containing the identified web capture was produced to
or
After each website/video was captured for the above criteria, It was stored on a network share in which the location was provided by Sruthi Koneru. The location that was provided is as follows:

\\ad\en\dataexchange\HQtoCHRO_dropoff\Webcapture

6. Any additional comments related to this Website/video capture are provided below:

I declare under penalty of perjury that the foregoing is true, correct, and made in good faith.

Russell Castillo
[Analyst Name]

Executed on this 4th day of March 2015.

EXHIBIT 5

3Y 5

0 5, 70



To All To Whom These Presents Shall Come, Greeting:

Whereas, Articles of Incorporation, duly signed and acknowledged under oath, have been filed for record in the office of the Secretary of State, on the 24th day of July, A. D. 1951 for the incorporation of

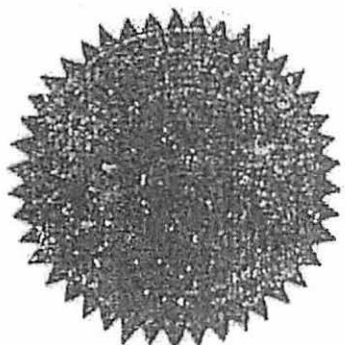
PAUL D. CRAWFORD CORPORATION

under and in accordance with the provisions of the Minnesota Statutes, Chapter 302A.

Now, Therefore, by virtue of the powers and duties vested in me by law, as Secretary of State of the State of Minnesota, I do hereby certify that the said

PAUL D. CRAWFORD CORPORATION

is a legally organized Corporation under the laws of this State



Witness my official signature hereunto subscribed and the Great Seal of the State of Minnesota hereunto affixed this 24th day of July in the year of our Lord one thousand nine hundred and 51

[Signature]
Secretary of State.

11/29 '55

0-55, '71

ARTICLES OF INCORPORATION OF
PAUL D. CRAWFORD CORPORATION

The undersigned incorporator, being a natural person 18 years of age or older, in order to form a corporate entity under Minnesota Statutes, Chapter 302A, hereby adopt the following articles of incorporation:

ARTICLE I.

The name of this corporation is. Paul D. Crawford Corporation.

ARTICLE II.

The registered office of this corporation is located at:

[redacted], Spring Lake Park, Minnesota, 55432.

ARTICLE III.

Corporation is authorized to issue an aggregate total of 1,000,000 shares.

ARTICLE IV.

The name and address of the incorporator is:

<u>Name</u>	<u>Mailing Address</u>
Paul D. Crawford	[redacted] Spring Lake Park, Minnesota 55432

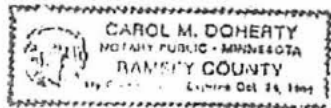
Paul D. Crawford
Paul D. Crawford, Incorporator

30-2-87

435762

STATE OF MINNESOTA)
) ss.
COUNTY OF ANOKA)

The foregoing instrument was acknowledged before me this 27th day of June, 1981.

Carol M. Doherty
Notary Public


0-55, 72

STATE OF MINNESOTA	
DEPARTMENT OF STATE	
I hereby certify that the within	
instrument was filed for record in this	
office on the <u>24th</u> day of <u>July</u>	
A. D. 19 <u>91</u> , by <u>A. J. Lockhart</u> Esq.	
and was duly recorded in Book <u>0-55</u>	
of Incorporations, on page <u>70</u>	
<i>John Anderson Stone</i>	
Secretary of State	

34-5



State of Minnesota
Office of the Secretary of State

AMENDMENT OF ARTICLES OF INCORPORATION .. 1198

▶ READ INSTRUCTIONS AT BOTTOM OF PAGE BEFORE COMPLETING THIS FORM

CORPORATE NAME
Paul D. Crawford Corp.

This amendment is effective on the day it is filed with the Secretary of State, unless you indicate another date, no later than 30 days after filing with the Secretary of State, in this box:

The following amendments of articles or modifications to the statutory requirements regulating the above corporation were adopted: (insert full text of newly amended or modified article(s), indicating which article(s) is/are being amended or added. If the full text of this amendment will not fit in the space provided, please do not use this form. Instead, retype the amendment on a separate sheet or sheets using this format.)

ARTICLE 1

Article 1 is hereby amended as follows:

That the name of the corporation shall henceforth be
Crawford Capital Corp. *FTS*

This amendment was approved on June 1, 1991 by 100% of those owning shares.

This amendment has been approved pursuant to chapter 302A, Minnesota Statutes. I certify that I am authorized to execute this amendment and I further certify that I understand that by signing this amendment, I am subject to the penalties of perjury as set forth in section 609.49 as if I had signed this amendment under oath.

Paul D. Crawford
Signature of an authorized person
Chairman / CEO

608304

INSTRUCTIONS:

1. Type or print with dark black ink.
2. Filing fee: \$35.00.
3. Make check payable to Secretary of State.
4. Mail or bring completed forms to:

Secretary of State
Business Services Division
180 State Office Building
Saint Paul, MN 55155
(612) 298-2803
SC-00175-03 (12/88)

FOR USE BY THE SECRETARY OF STATE

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

JUL 08 1991

James Andrew M.
Secretary of State



STATE OF MINNESOTA
SECRETARY OF STATE
NOTICE OF CHANGE OF REGISTERED OFFICE/
REGISTERED AGENT

#5

454

Please read the instructions on the back before completing this form.

1. Corporate Name:

CLAUFBOD CAPITAL CORPORATION

2. Registered Office Address (No. & Street): List a complete street address or rural route and rural route box number. A post office box is not acceptable.

600 S. Hwy 169, #255 MINNEAPOLIS MN 55426
Street City State Zip Code

3. Registered Agent (Registered agents are required for foreign corporations but optional for Minnesota corporations):

If you do not wish to designate an agent, you must list "NONE" in this box. DO NOT LIST THE CORPORATE NAME.

In compliance with Minnesota Statutes, Section 302A.123, 303.10, 302A.025, 917A.123 or 322B.135 I certify that the above listed company has resolved to change the company's registered office and/or agent as listed above.

I certify that I am authorized to execute this certificate and I further certify that I understand that by signing this certificate I am subject to the penalties of perjury as set forth in Minnesota Statutes Section 609.48 as if I had signed this certificate under oath.

Paul D. Clauff
Signature of Authorized Person

Name and Telephone Number of a Contact Person: Paul D. Clauff (612) 544-2221
please print legibly

#ID [redacted]

Filing Fee: Minnesota Corporations, Cooperatives and Limited Liability Companies: \$35.00.
Non-Minnesota Corporations: \$50.00.
Make checks payable to Secretary of State

Return to: Minnesota Secretary of State
150 State Office Bldg.
100 Convent Avenue
St. Paul, MN, 55155-1299
(612) 296-2903

960040

Office Use Only

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
FEB 17 1994

Paul Andrew Brown
Secretary of State



31-5

MINNESOTA SECRETARY OF STATE

7026

**NOTICE OF CHANGE OF REGISTERED OFFICE/
REGISTERED AGENT**

Please read the instructions on the back before completing this form.

1. Entity Name:

CRAWFORD CAPITAL CORP

2. Registered Office Address (No. & Street): Let a complete street address or rural route and rural route box number. A post office box is not acceptable.

65 S.E. MAIN ST, SUITE 136, MINNEAPOLIS, MN 55414
Street City State Zip Code

3. Registered Agent (Registered agents are required for foreign entities but optional for Minnesota entities):

If you do not wish to designate an agent, you must list "NONE" in this box. DO NOT LIST THE ENTITY NAME.

In compliance with Minnesota Statutes, Section 302A.123, 303.10, 308A.025, 317A.123 or 322B.195 I certify that the above listed company has resolved to change the entity's registered office and/or agent as listed above.

I certify that I am authorized to execute this notice and I further certify that I understand that by signing this notice I am subject to the penalties of perjury as set forth in Minnesota Statutes Section 60A.48 as if I had signed this notice under oath.

Paul D. Crawford
Signature of Authorized Person

Name and Telephone Number of a Contact Person: PAUL CRAWFORD (612) 676-1436
Please print legibly

Filing Fee: Minnesota Corporations, Cooperatives and Limited Liability Companies: \$36.00.

Non-Minnesota Corporations: \$50.00.

Make checks payable to Secretary of State

Return to: Minnesota Secretary of State
180 State Office Bldg.
100 Constitution Ave.
St. Paul, MN 55158-1299
(612) 296-2803

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

MAR 22 1889

Christy Johnson
Secretary of State

03300275 Rev. 11/08

629921

Office of the Minnesota Secretary of State Certificate of Administrative Dissolution

I, Mark Ritchie, Secretary of State of Minnesota, do certify: that the entity listed below has failed to file an annual renewal as required by the Minnesota Statute listed below. Therefore, the entity is hereby administratively dissolved in the state of Minnesota as of the date of this certificate.

Name: Crawford Capital Corp.

File Number: 3Y-5

Document Number: 65141860002

Minnesota Statutes, Chapter: 302A

Home Jurisdiction: Minnesota

This certificate has been issued on: 02/25/2013



Mark Ritchie

Mark Ritchie
Secretary of State
State of Minnesota



Work Item 651418600029
Original File Number 3Y-5

STATE OF MINNESOTA
OFFICE OF THE SECRETARY OF STATE
FILED
02/25/2013 11:59 PM

Mark Ritchie

Mark Ritchie
Secretary of State

STATE OF MINNESOTA
DEPARTMENT OF STATE
I hereby certify that this is a
true and complete copy of the
document as filed for record in
this office. 9/3/15
DATED 9/3/15
Steve Pinnon
Secretary of State
By [Signature]

EXHIBIT 6

BUSINESS

Jury finds Walker guilty in Bixby Energy investment fraud

Robert Walker guilty of 17 counts; 1,800 investors who lost a combined \$57 million are unlikely to recover any of it.

By David Shaffer (<http://www.startribune.com/david-shaffer/10645931/>) Star Tribune

MARCH 6, 2014 — 12:06AM

The businessman who invented the Sleep Number bed could spend the rest of his days in prison after a jury on Wednesday found him guilty of cheating investors in an energy company he cofounded and ran for a decade.

A federal jury found Robert Walker, former CEO of Bixby Energy Systems, guilty of defrauding investors, tax evasion, witness tampering and conspiracy. He will be sentenced at a later date, but the most serious counts carry 20-year maximum terms.

The six female and six male jurors heard seven weeks of testimony and deliberated a day and a half. They hardly glanced at Walker as their 17-count guilty verdict was read before U.S. District Judge Susan Richard Nelson.

U.S. marshals led Walker away, and his wife, Joann, rose sobbing from the spectator seats. "He is 71 years old," she said later. "I am concerned about him spending the rest of his life in prison."

Walker suffers from psoriatic arthritis and was scheduled for medical treatment Wednesday.

But some of the 1,800 investors who lost \$57 million on Bixby Energy's failed alternative energy projects said prison is where he belongs.

"He absolutely ripped off all of us," said investor Frank Simon, a retired businessman from Dayton, who now lives in Yuma, Ariz. "If I end up with getting nothing back, the only satisfaction I have is that he'll never get a chance to cheat anybody else."

Simon said he believes he was one of the original five investors in Bixby and eventually handed over \$250,000 to Walker. He said he accepted Walker's claims that Bixby would eventually trade on the stock market, which would create a big profit for the investors. But a public offering never happened.

Walker cofounded Bixby in 2001, and it originally focused on producing corn-burning stoves to heat homes. When that business collapsed, he turned its focus to a developing a coal-to-gas technology, but it never worked. The company, based in Ramsey, collapsed in 2012, a year after two Bixby directors sued to oust Walker.

Investors were lured to Bixby by Walker and fundraisers he hired who worked for a 10 percent cut of each investment. Walker testified during the trial that he never intended to cheat anyone. But evidence revealed that Bixby had employed two felons, including one Walker had hired as chief financial officer and main fundraiser.

Steve DiBenedetto, a retired factory worker from Blaine, said he and several relatives all got sucked into the scam and lost money, in his case about \$5,000. "He took a lot of money from a lot of people," DiBenedetto said. "I kept hearing them talk about how we're all going to make a lot of money. ... But they just kept asking for more and more."

Walker rose to prominence in the 1980s when he founded Select Comfort, the maker of air mattresses with adjustable settings. His apparent success with that company convinced Bixby investors that it would fare well, too. But at the trial, a retired investment banker who helped bail out Select Comfort in its early years testified that Walker brought that company close to bankruptcy in 1991 and was booted out as CEO several years before it went public in 1998.

Prosecutors led by assistant U.S. attorneys David MacLaughlin and Benjamin Lagner built their case on more than 600 documents, including many e-mails and newsletter articles written by Walker that touted Bixby's technology. They were flashed on a giant screen as 33 investors, former executives and others testified about the company's downfall.

Stark contradictions



Robert Walker, former CEO of Bixby Energy, is seen in a courtroom. (MELISSA LEVISON, STAR TRIBUNE FILE PHOTO)

Walker, the founder of Select Comfort and former CEO of Bixby Energy, is serving an 8-year prison term for securities fraud and tax evasion. In return for testifying against Walker, he hopes to reduce that sentence. He pocketed \$3.5 million of the \$57 million raised from Bixby investors.

Gary A. Collyard: 64, formerly of Delano, is



Gary A. Collyard, 64, formerly of Delano, is seen in a courtroom. (http://stmedia.startribune.com/images/owns_1389392397)

Collyard, a former CEO of Bixby Energy, was arrested in 2011 with securities fraud and agreed to cooperate with the government under a deferred prosecution agreement. This happened after former CEO Bob Walker was ousted by outside directors. The company failed a year later.

Among the more remarkable items was a June 2010 e-mail to a contractor in which Walker complained that Bixby's coal gasification machine didn't work. On the very same day, Walker put out a news release saying the company's "revolutionary process that efficiently converts coal into clean-burning energy has been developed and is commercially available."

Walker even enlisted a former congressman, Gil Gutknecht, to promote and invest in Bixby. Gutknecht, who represented the Rochester area in Congress for 12 years ending in 2007, joined the company's board but eventually grew disillusioned with Walker and was one of the directors to push for his ouster three years ago.

After Wednesday's verdict, Gutknecht said he and many others believed in the Bixby clean-coal process. He kept working until 2012 to commercialize it, but the first installations in China failed. The company was left with "machines that are worthless" and a "mountain of debt," he said. He doubts anyone will find hidden assets to recover. He declined to say how much he lost.

"It is a sad ending to a long, tragic story," Gutknecht said. "I feel bad for an awful lot of investors. ... On the other hand, it is a relief."

Walker has been behind bars since August, when he violated his probation by contacting a government witness through an intermediary. That was the basis for the witness tampering charge. Walker's sentencing date hasn't been set.

During a pre-sentencing review, the victims of the Bixby scam and their losses will be tallied. Prosecutors are required to seek a restitution order, and a special civil unit in the U.S. attorney's office typically looks for assets to recover. But after a criminal investigation lasting six years and involving U.S. postal inspectors, the Internal Revenue Service and the FBI, the trial revealed no evidence that anything is left of investors' money.

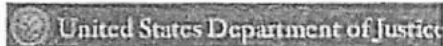
Instead, prosecutors presented evidence that Walker enriched himself and others, and that Bixby never made a dime of profit. Walker once lived in a 12,000-square-foot home with an indoor pool in Ramsey. He also put his daughter, Melanie Bonine, on the payroll. She pleaded guilty last year to evading federal tax on Bixby securities she sold at a \$700,000 profit. She also awaits sentencing.

After the verdict, prosecutors declined to comment on whether the Bixby investigation is over. In court papers, prosecutors previously have identified uncharged co-conspirators.

"We deeply appreciate the work of this jury," MacLaughlin said.

david.shaffer@startribune.com 612-673-7090 ShafferStrib

EXHIBIT 7



THE UNITED STATES ATTORNEY'S OFFICE
DISTRICT *of* MINNESOTA

News

Department of Justice
U.S. Attorney's Office
District of Minnesota

FOR IMMEDIATE RELEASE

Tuesday, September 30, 2014

**Founder Of Bixby Energy Systems Sentenced To 25 Years
In Prison For Stealing More Than \$56 Million From
Investors**

Minneapolis – ROBERT ALLEN WALKER, 72, of Ramsey, Minnesota, was sentenced on September 25, 2014, to 25 years in federal prison for stealing more than \$56 million from hundreds of investors. On March 5, 2014, after an 8-week trial, WALKER was found guilty of four counts of Mail Fraud, nine counts of Wire Fraud, one count of Witness Tampering and three counts of Tax Evasion.

From 2001 to 2011, WALKER was the president, chief executive officer, and chairman of the board at Bixby Energy. In that capacity, he raised more than \$43 million from at least 1,800 investors by offering company securities based on false and misleading information about 1) the payment of salaries and commissions to Bixby officers and directors; 2) the operational capability of Bixby's core product, a coal gasification machine; and 3) the prospect of conducting an initial public stock offering. WALKER also used investor money fund his and his family's lavish lifestyles.

As part of the scheme, WALKER told investors that Bixby officers and directors would not be compensated for selling company securities but then directed payments of at least \$3 million to a company officer for doing just that. From those payments, the officer then kicked back more than \$600,000 to WALKER. This "commission sharing" arrangement was not only concealed from investors but from the company's board of directors. WALKER also lied repeatedly about the capability of the company's coal gasification machine, characterizing it as "proven" and "ready for market," when, in fact, the technology had never worked, and the machine had substantial defects.

Moreover, throughout the company's existence, WALKER told investors that Bixby was going to conduct an initial public offering of its stock in the near future, when, in truth, he knew it could not

be done because, among other things, the company could not obtain legitimate audited financial statements, and the company's coal gasification machine was incapable of delivering results consistent with WALKER's outlandish promises.

As part of his sentence, WALKER was ordered to pay over \$56 million in restitution.

Assistant U.S. Attorneys David J. MacLaughlin and Benjamin F. Langner prosecuted this case.

This case was the result of an investigation conducted by U.S. Postal Inspection Service, the Federal Bureau of Investigation, and the Internal Revenue Service-Criminal Investigation Division.

Defendant Information:

ROBERT ALLEN WALKER, 72
Ramsey, MN

Convicted:

- Mail Fraud, 4 counts
- Wire Fraud, 9 counts
- Witness Tampering, 1 count
- Tax Evasion, 3 counts

Sentenced:

- 25 years in federal prison
- 3 years supervised release

###

USAO - Minnesota

Updated April 30, 2015

EXHIBIT 8

JoAnn O. Walker

From: Paul Crawford [pc@crowcap.com]
Sent: Saturday, July 07, 2007 4:31 PM
To: JoAnn O. Walker
Subject: RE: warrants due Paul Crawford et al

JoAnn,

Because of securities issues our understanding was done on a hand shake. That was the deal. Secondly, all the warrants we have been issued were, as agreed, for 5-years.

Paul

-----Original Message-----

From: JoAnn O. Walker [mailto:joannw@bixbyenergy.com]
Sent: Thursday, July 05, 2007 10:22 AM
To: Paul Crawford
Subject: RE: warrants due Paul Crawford et al

I just spoke to Bob and apparently there was some misunderstanding when I spoke to him earlier this week. He agrees that it is 10% of the stock not warrants. However, he said we do not pay on the second investment. He isn't sure about the 5 years. Ron Kinner and Dennis are both out the rest of the week, and I don't have access to the agreements. Also How about the names I couldn't find. JoAnn

From: Paul Crawford [mailto:pc@crowcap.com]
Sent: Wednesday, July 04, 2007 2:19 PM
To: JoAnn O. Walker
Subject: RE: warrants due Paul Crawford et al

July 4, 2007

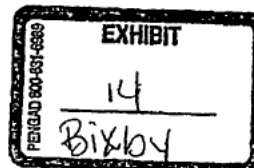
JoAnn,

You have got all of this very wrong. I received 36,673 warrants, which expire on May 1, 2009 not, as you claim in June 27, 2007, for my success at raising more than a million dollars for Bixby through Chris Weides in 2004. Those warrants are not part of the warrants I am owed. I subsequently refused to continue to raise capital for Bixby if I had to go through Chris. Dennis and Bob subsequently came to my office in early 2005 and asked me to raise money for Bixby directly for which I was to be paid a consulting fee of 10% and I was also told that I would receive 5-year warrants in an amount equal to 10% of the shares acquired by my contacts. There was no mention of any exclusions including not being paid a fee nor receiving any warrants for additional investments by my clients. I have been trying to get these warrants straightened out since 2005 and I am really getting tired of dealing with this. A deal was a deal and I am not going to allow you to renege on the agreement. My May 31st letter is correct and I am owed 36,300 5-year warrants, exercisable at \$2 per share for the money raised in 2005 and I am owed another 56,313, 5-year, \$2 warrants for the money I raised in 2006.

I will confirm the investments of Byron Johnson, George Herman and Charles Neisen.

Disregard my June 19, 2006 letter. I will pay the \$50 per new warrant document but I will reduce the number of recipients to four as follows:

7/9/2007



BIX104201

10,000 to Douglas C. Selander, [REDACTED] 3263, [REDACTED] Minnetonka, MN 55343

10,000 to Joseph Mooney, [REDACTED] 3964, [REDACTED] Minneapolis, MN 55414

10,538 to Dan Neisen, [REDACTED] 9772, [REDACTED] Belle Plaine, MN 56011

The remaining balance will all be issued to me, Paul Crawford [REDACTED] 5481, [REDACTED] Spring Lake Park, MN 55432. Therefore I will owe Bixby \$150 which I will deliver when I can pick up the warrants.

Sincerely,

Paul Crawford

-----Original Message-----

From: JoAnn O. Walker [mailto:joannw@bixbyenergy.com]

Sent: Monday, July 02, 2007 11:39 AM

To: pc@crowcap.com

Subject:

I forgot to mention that we issue one warrant at no charge. If you wish to split these warrants there will be a \$50.00 Fee for each extra one. Since you want it broken down into 9 warrants, your cost would be \$450, In addition you show you have 92,613 warrants coming which is triple the amount I show you have left.

JoAnn Walker
Investor Relations
763-488-1014
Bixby Energy - "Redefining the Future"
www.bixbyenergy.com

JoAnn Walker
Investor Relations
763-488-1014
Bixby Energy - "Redefining the Future"
www.bixbyenergy.com

7/9/2007

BIX104202

EXHIBIT 9

BIXBY ENERGY SYSTEMS, INC. SUMMARY

The U.S. faces a looming energy crisis that could suddenly stop our economy in its tracks. Imagine not having enough gas to heat our homes and businesses and curtailments in electrical usage due to shortages of natural gas. Can this happen? It most certainly will unless the U.S. comes up with other resources to fulfill our growing dependence on natural gas.

As recently as 15 years ago natural gas was primarily only used to heat our homes. Today almost half of the available natural gas is being used to produce electricity. Electricity is in short supply as well and new power plants will be coming on line that will be powered by gas.

Finding alternative sources of energy is urgent. The paradox is that the U.S. throws away more potential energy than we actually use. Bixby Energy Systems is the first business to have found the way to harness waste. Bixby is in the right place at the right time. It was John D. Rockefeller who, 115 years ago developed the technology to turn useless crude oil into an energy source. Bixby is doing the same thing with biomass produced from abundant waste materials much of which today is buried in landfills.

Bob Walker, the founder of Bixby, invented the "Sleep Number Bed" and in 1987 founded Select Comfort, Inc. Bob Walker revolutionized the bedding industry. Today Select Comfort, with over \$480 million in sales, is the single largest manufacturer of bedding in the world. At a market cap of \$840 million Select Comfort has a market cap that is larger than the combined values of their next three competitors. Select Comfort's NASDAQ symbol is SCSS (See attached 5-year stock performance).

Crawford Capital Corporation has been retained by Bixby Energy Systems to assist them in raising their next round of capital. Discussions are underway whereby the Department of Energy, certain community development agencies, the State of Minnesota, etc. are initiating a plan to provide substantial grants and special loans for Bixby to build a 250,000 ton pelletizing plant in southern Minnesota. The principal waste material that will be converted into energy pellets is Dry Distiller Grain (DDG), a very high BTU content agriculture waste produced from the processing of corn into ethanol.

Currently, Bixby has a backlog of over 6000 corn (pellet) stoves, their first product, that are sold to fireplace and hearth retail outlets principally located in rural areas of the Midwest. This award-winning stove retails for \$2995 and is sold to dealers for \$2000. Bixby is scaling up their manufacturing to meet the incredible demand for this product.

Later this year they will be introducing their first home heating furnace and in 2005 a revolutionary furnace that will heat water, provide complete heating and air conditioning and produce enough electricity to make most homes totally self sufficient as to electrical needs.

PLTF. DEFT.
EXHIBIT 18
WITNESS Bohn
CONSISTING OF 2 PAGES
DATE 4-1-15
BEHMKER REPORTING AND VIDEO SERVICES, INC.

Bixby currently has 13 million fully diluted shares outstanding and is seeking to raise \$10 to 12 million in a private offering.

The present offering is priced at \$1.60 per share. Pending Board approval, Bixby's management have agreed to issue a 3-year, \$2 warrant for each two shares acquired to early investors in this offering. Let us know if you want us to send you a copy of Bixby's Private Offering.

Please visit www.bixbyenergy.com where you can learn more about this exciting company. Bob Walker is going to turn Bixby into an even bigger success than what he created at Select Comfort.

Contact us for more information or to answer any questions:

Paul D. Crawford or Joe Mooney
Crawford Capital Corp.
65 Main St. S.E., Suite 141
Minneapolis, MN 55414

(phn) 612-676-1436
(fax) 612-676-1438
(cel) 612-308-6466 (Paul)
(cel) 952-237-2811 (Joe)

EXHIBIT 10

**CRAWFORD CAPITAL CORP.
125 S.E. MAIN ST., SUITE 270
MINNEAPOLIS, MN 55414**

May 31, 2006

Dennis Desender
Bixby Energy Systems
9300 75th Ave. N.

Dear Dennis:

I have never received the 36,300 warrants I earned for the capital I raised in early 2005. This included the following investors who acquired a total of 363,000 shares at \$1.60 per share:

Ron Runck
Ross Gramstad
Frank Dosal (2nd investment)
Cush Minar
Harriet Holden
Ken Beaudry
Ron McDaniels

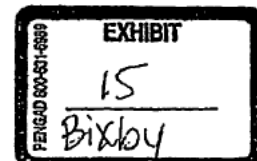


Attached is the list of my recent investors. The total shares accounted for in the most recent round is 563,125. Therefore, in addition to the 36,300 noted above, you also owe me an additional 10% (56,313), \$2 warrants so the total warrants due is now ~~92,613~~ warrants.

90,612

Regards,

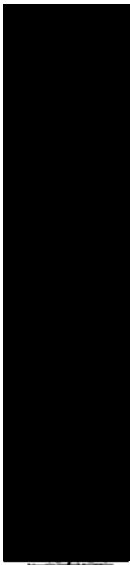
Paul Crawford
Paul Crawford




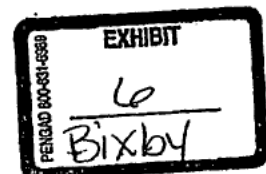
BIX104147

EXHIBIT 11

BIXBY INVESTOR LIST

<u>2003 Investors</u>	<u>Number of Shares</u>
Gerald G. Mueller Trust	
Carl Kuhmeyer	
Don Halla	
Jerry Jacoby	
Ron King	
Doug Selander, Jr.	
John Ball, Jr.	
John Ball, Sr.	
Eric Sorenson	
Dr. Philip Sweetser	
Dr. Robert Reese	
Richard Anderson	
Larry Hopfenspirger	
Gary Bohn	
Steve Cheney	
Frank Dosal	
Neisen/Crawford	
Ernest DeLanghe	
Total	1,033,750

<u>2005/06 Investors</u>	
John Kuhmeyer	
Staley Gentry	
William Degnan	
Manish Agarwall	
John Scheef	
Gary Krugel	
Bob Bringer	
Joe Behnke	
Dennis Neisen	
David Fernald	
Rollie Stinski	
George Holden	
Cush Minar	
Larry Karkela	
Mick Thorsland	
Richard Pryzmus	
Byron Johnson	
Brad Smegal	
Sweetser Fmly Ptsp	
Kenneth Tice	
Dr Philip Sweetser (2 nd Inv)	
George Herman	
Scott & Ryan Shinehouse	
Tim & John Kocina	



CCC 0001

Colin Neisen
Mark Fogerty
Richard Parry
Roger & Carol Paul
Jerome Cowan
Harry Haluptzok
Edie Dorn
Ron Runck
Ross Gramstad
Frank Dosal (2nd Inv)
Cush Minar (2nd Inv)
Harriet Holden.
Ken Beaudry
Ron McDaniels
Total



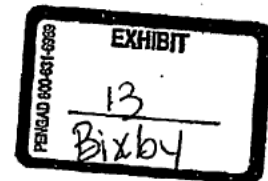
1,076,125

EXHIBIT 12

12:32 PM
06/22/10

Bixby Energy Systems, Inc.
Checks for Paul Crawford
All Transactions

<u>Num</u>	<u>Date</u>	<u>Account</u>	<u>Amount</u>
10746	02/09/2004	Wells Fargo	<u>8,000.00</u>
Total			<u><u>8,000.00</u></u>



CCC 0003

12:33 PM
06/22/10

Bixby Energy Systems, Inc.
All Transactions for Crawford Capital Corp
All Transactions

<u>Type</u>	<u>Num</u>	<u>Date</u>	<u>Account</u>	<u>Amount</u>
Check	12197	08/19/2004	Wells Fargo	-5,000.00
Check	11776	07/20/2004	Wells Fargo	-7,500.00
Check	11607	06/14/2004	Wells Fargo	-4,000.00
Check	11413	05/27/2004	Wells Fargo	-10,800.00
Check	11112	03/30/2004	Wells Fargo	-5,200.00
Check	11036	03/16/2004	Wells Fargo	-9,800.00
Total				42,300.00

CCC 0004

12:30 PM
06/22/10

Bixby Energy Systems, Inc.
All Transactions for Crawford Capital
All Transactions

<u>Type</u>	<u>Num</u>	<u>Date</u>	<u>Amount</u>
Bill Pmt -Check	8671	11/28/2006	-1,750.00
Bill		11/15/2006	-1,750.00
Bill	8-3-06	08/03/2006	-8,000.00
Bill Pmt -Check	7835	08/03/2006	-8,000.00
Bill Pmt -Check	7747	07/28/2006	-16,000.00
Bill	7-26-06	07/26/2006	-16,000.00
Check	7257	06/02/2006	-42,000.00
Bill Pmt -Check	7036	05/16/2006	-36,900.00
Bill	5-15-06	05/15/2006	-18,450.00
Bill	5-1-06	05/01/2006	-18,450.00
Bill	4-28-06	04/28/2006	-8,000.00
Bill Pmt -Check	6781	04/28/2006	-8,000.00
Bill		04/15/2006	-3,200.00
Bill Pmt -Check	6672	04/14/2006	<u>-3,200.00</u>
Total			189,700.00

CCC 0005

EXHIBIT 13

In The Matter Of:

*U.S. Securities and Exchange Commission v.
Gary A. Collyard, et al.*

*Gary Bohn
April 01, 2015*

*Behmke Reporting and Video Services, Inc.
160 Spear Street, Suite 300
San Francisco, California 94103
(415) 597-5600*

U.S. Securities and Exchange Commission v.
Gary A. Collyard, et al.

Gary Bohn
April 01, 2015

Page 1

1 UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF MINNESOTA
3
4 -----
5 UNITED STATES SECURITIES AND)
6 EXCHANGE COMMISSION,)
7 Plaintiff,) CASE NO.
8) 11-cv-3656 (JNE/JJK)
9 GARY A. COLLYARD, ET AL.)
10 Defendants.)
11)
12 -----
13
14
15
16 DEPOSITION OF GARY BOHN
17 WEDNESDAY, APRIL 1, 2015
18
19
20
21 BEHMK REPORTING AND VIDEO SERVICES, INC.
22 BY: CHARLES G. WILLIAMSON, COURT REPORTER
23 160 SPEAR STREET, SUITE 300
24 SAN FRANCISCO, CALIFORNIA 94105
25 (415) 597-5600

Page 3

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23
24
25

Page 2

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7
8 Deposition of GARY BOHN, taken on behalf
9 of PLAINTIFF, at the United States Courthouse, United
10 States Department of Justice, 300 South Fourth Street,
11 Suite 600, Minneapolis, Minnesota, commencing at 12:02
12 p.m., WEDNESDAY, APRIL 1, 2015, before Charles G.
13 Williamson Court Reporter, Notary Public, pursuant to
14 Subpoena.
15
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1 INDEX
2 WEDNESDAY, APRIL 1, 2015
3 GARY BOHN PAGE
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U.S. Securities and Exchange Commission v.
Gary A. Collyard, et al.

Gary Bohn
April 01, 2015

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1	EXHIBITS		
2	GARY BOHN		
3	Number	Description	Page
4	<u>Exhibit 17</u>	Subpoena - 3 pages	8
5			
6	<u>Exhibit 18</u>	Bixby Energy Systems, Inc. Summary	
7		- 2 pages	16
8			
9	<u>Exhibit 19</u>	Exhibit A, Form of Subscription	
10		Agreement, Letter of Investment	
11		Intent And Lock-Up - 4 pages	20
12			
13	<u>Exhibit 20</u>	Copy of Check No. 9219 - 1 page	22
14			
15	<u>Exhibit 21</u>	E-mail from Paul Crawford dated	
16		April 15, 2004 - 1 page	24
17			
18	<u>Exhibit 22</u>	E-mail from Paul Crawford dated	
19		September 25, 2006 - 1 page	27
20			
21	<u>Exhibit 23</u>	E-mail from Paul Crawford dated	
22		October 13, 2006 and attachment	
23		- 4 pages	38
24			
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1 WEDNESDAY, APRIL 1, 2015; 12:02 P.M.

2

3

4

5 GARY BOHN

6 a witness in the above-entitled

7 action, after having been first duly

8 sworn, deposes and says as follows:

9

10

11

12 EXAMINATION

13

14 BY MR. STOCKWELL:

15 Q. Good afternoon, Mr. Bohn. My name is Tim

16 Stockwell. I'm an attorney with the Securities and

17 Exchange Commission. I'm with my colleague,

18 Jonathan Polish, who is also with the SEC, and

19 we're here for a deposition in the matter of SEC

20 versus Gary Collyard, et al, 11-cv-3656.

21 And if, Mr. Engh, you can make your

22 appearance for the record?

23 MR. ENGH: My name is Paul Engh.

24 E-N-G-H is the last name. I'm an attorney

25 representing Paul Crawford and Crawford Capital.

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1	EXHIBITS - CONTINUED		
2	GARY BOHN		
3	Number	Description	Page
4	<u>Exhibit 24</u>	E-mail from Paul Crawford dated	
5		May 22, 2008 and attachment	
6		- 3 pages	41
7			
8	<u>Exhibit 25</u>	E-mail from Paul Crawford dated	
9		August 24, 2011 - 2 pages	43
10			
11	<u>Exhibit 26</u>	E-mail from Paul Crawford dated	
12		January 13, 2014 - 2 pages	46
13			
14	<u>Exhibit 27</u>	E-mail from Paul Crawford dated	
15		February 10, 2007 - 2 pages	48
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17			
18			
19			
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24			
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1 In addition, Mr. Crawford himself is attending the

2 deposition.

3 MR. STOCKWELL: Thank you.

4 (Whereupon, Plaintiff's Exhibit Number

5 17 was marked for identification.)

6 BY MR. STOCKWELL:

7 Q. And the witness has been sworn in. And in front of

8 you, Mr. Bohn, I have placed what I have marked as

9 Plaintiff's Exhibit 17 with today's date underneath

10 it. Is that a subpoena for testimony at a

11 deposition that you received?

12 A. Yes.

13 Q. And are you here pursuant to that subpoena today on

14 April 1st?

15 A. Yes.

16 Q. Okay. Before we get started, let me just go

17 through a few quick tips and ground rules. Since

18 we have a court reporter here, the court reporter

19 is transcribing every word that we say. So to the

20 extent that we can avoid talking over each other,

21 I'll try to avoid interrupting you in questions,

22 and if you can try to avoid interrupting me in

23 answers, that would be greatly appreciated. That

24 does that make sense?

25 A. Sure.

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1 Q. Also, we'll need verbal answers, so nodding of the
2 head or shaking of the head will not really
3 suffice. Do you understand that?
4 A. Yes.
5 Q. And if you need to take a break for any reason,
6 just let me know and we can go off the record and
7 take a break. Does that make sense?
8 A. Yes.
9 Q. All right. Let's just start with just briefly your
10 educational background?
11 A. I got a high school degree and a licensed well
12 driller and a licensed septic installer.
13 Q. Okay. And what's your -- just go through your
14 general employment background, if you could?
15 A. You mean like when I started or just what we do?
16 Q. Go from that currently if you are employed?
17 A. I am with Bohn Well Drilling and we install septic
18 systems and well drilling and repair and
19 excavation. Started the business back in 1975.
20 Q. Do you own the business?
21 A. Yes.
22 Q. How many employees?
23 A. Oh, I don't know. Thirteen or 14.
24 Q. Any employment history before that, before 1975?
25 A. Yes. I was employed by Minnesota Valley well

Page 11

1 Q. And was Mr. Niesen -- did he have a prior
2 relationship with Mr. Crawford?
3 A. I think so, yes.
4 Q. And do you recall roughly time frame when you first
5 learned of Mr. Crawford from Mr. Niesen?
6 A. I'd say early 2000s.
7 Q. Did you eventually speak with Mr. Crawford?
8 A. Yes.
9 Q. And what was the reason behind you speaking with
10 Mr. Crawford?
11 A. Investing with him in certain products.
12 Q. Do you recall if you reached out to Mr. Crawford or
13 he reached out to you?
14 A. Oh, I would think -- I think he reached out to me.
15 Q. Okay. Do you recall what investments you first did
16 with Mr. Crawford?
17 A. I think it was Commission Junction.
18 Q. What was Commission Junction?
19 A. Pardon me?
20 Q. What is Commission Junction?
21 A. I don't have a good definition for what it was. I
22 don't remember what it all involved for sure. Some
23 kind of advertising or something, I believe.
24 Q. And what was your understanding of Mr. Crawford's
25 association with Commission Junction?

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1 drillers.
2 Q. And how long were you with them?
3 A. I don't know. Five years.
4 Q. And what was your position there?
5 A. Driller, repairman, technician.
6 Q. And before that?
7 A. I was in high school.
8 Q. Okay. All right. And you know an individual by
9 the name of Paul Crawford?
10 A. Yes.
11 Q. Who is Mr. Crawford?
12 A. He sells -- or I don't know the right
13 terminology -- investments.
14 Q. Okay. And how did you come to learn who Mr.
15 Crawford was?
16 A. I think it was through mutual friends.
17 Q. Do you recall the names of the friends?
18 A. It was probably Dan Niesen.
19 Q. Can you spell the last name?
20 A. Niesen, N-I-E-S-E-N.
21 Q. And do you recall how it came about that you
22 learned of Mr. Crawford's name through Mr. Niesen?
23 A. Oh, just talking to him about different investments
24 and stuff and just some things that I was
25 interested in and just pursued it from there.

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1 A. That he was able to sell investments into the
2 product.
3 Q. And investments, are we talking the stock in the
4 company?
5 A. Yes.
6 Q. Okay. Any other type of investments?
7 A. That I do with him?
8 Q. Yeah. We'll stick with Commission Junction, that
9 Mr. Crawford was selling for Commission Junction?
10 A. I think there was IQ Universe or something before,
11 well, Commission Junction.
12 Q. And IQ Universe, is that a different company from
13 Commission Junction, if you recall?
14 A. I think so, yes.
15 Q. Okay. So that was another company that Mr.
16 Crawford was selling investments for?
17 A. Yes.
18 Q. And how did you -- what type of information did Mr.
19 Crawford provide to you when you first talked with
20 him about these two companies, Commission Junction
21 and IQ Universe?
22 A. Well, I think he supplied me with some, well,
23 verbal information about it, and then I think there
24 was some paperwork that he showed me and stuff
25 about the product. Or the investment, I should

Page 13	Page 15
<p>1 say.</p> <p>2 Q. And do you recall the meeting with Mr. Crawford</p> <p>3 face-to-face regarding these first couple</p> <p>4 investments?</p> <p>5 A. Yeah.</p> <p>6 Q. Do you recall meeting him in an office that he had?</p> <p>7 A. I don't think it was in his office for the first</p> <p>8 ones.</p> <p>9 Q. Where do you think it might have been?</p> <p>10 A. I think it was in Savage at Niesen's spot.</p> <p>11 Q. Okay. Have you been to Mr. Crawford's office?</p> <p>12 A. Yes.</p> <p>13 Q. And what purpose were you at Mr. Crawford's office?</p> <p>14 A. It was for other investments.</p> <p>15 Q. And what would take place at Mr. Crawford's office</p> <p>16 regarding those other investments?</p> <p>17 A. Meetings about other investments.</p> <p>18 Q. And what would Mr. Crawford discuss regarding those</p> <p>19 other investments?</p> <p>20 A. Well, discuss the product there and I guess the</p> <p>21 price of the shares or stock that you'd be buying</p> <p>22 or investments or --</p> <p>23 Q. Okay. Would he recommend certain investments to</p> <p>24 you?</p> <p>25 A. Yeah.</p>	<p>1 A. It was the information about the company, you know,</p> <p>2 the growth of it and stuff and what its future</p> <p>3 growth is expected to be.</p> <p>4 Q. And was this the main source of information that</p> <p>5 you had regarding these companies when you first</p> <p>6 learned of them?</p> <p>7 A. Yeah. Yes, other than, you know, Paul talking</p> <p>8 about them.</p> <p>9 Q. How about Bixby Energy Systems; is that a company</p> <p>10 that you invested in?</p> <p>11 A. Yes.</p> <p>12 Q. And how did you first learn about Bixby?</p> <p>13 A. Through Paul Crawford.</p> <p>14 Q. And is that something that you brought to Paul's</p> <p>15 attention or did he bring the potential investment</p> <p>16 to your attention?</p> <p>17 A. He brought it to my attention.</p> <p>18 Q. And do you recall -- do you know why Mr. Crawford</p> <p>19 brought it to your attention?</p> <p>20 A. He just thought it would be a good investment to</p> <p>21 get into.</p> <p>22 Q. Do you recall what else he talked to you about</p> <p>23 regarding Bixby the first time he discussed it?</p> <p>24 A. Nothing in particular, no, other than I know it was</p> <p>25 for corn burners and -- when it first started out.</p>
Page 14	Page 16
<p>1 Q. And I presume these are the investments you</p> <p>2 actually invested in through Mr. Crawford, that he</p> <p>3 would recommend them and you would go ahead and</p> <p>4 invest based on his recommendation?</p> <p>5 A. Yeah.</p> <p>6 Q. And would that typically be at the price that Mr.</p> <p>7 Crawford would discuss with you?</p> <p>8 A. Yes.</p> <p>9 Q. Would he discuss with you a potential return on</p> <p>10 your investment as far as how much you can expect</p> <p>11 or how long it might take to get a return on your</p> <p>12 investment?</p> <p>13 A. It was never about how much, I guess. I think he</p> <p>14 might've -- you know, it's always a few years or</p> <p>15 something like that. It wasn't a definite time</p> <p>16 frame.</p> <p>17 Q. Okay. And are you familiar with a company called</p> <p>18 Crawford Capital?</p> <p>19 A. Yes.</p> <p>20 Q. Was that Mr. Crawford's company that he operated</p> <p>21 through?</p> <p>22 A. Yes. I believe so, yes.</p> <p>23 Q. And you said Mr. Crawford would supply some</p> <p>24 paperwork regarding these initial investments. Do</p> <p>25 you recall what type of paperwork he supplied?</p>	<p>1 Q. And where in the timeline would you place your</p> <p>2 investment in Bixby, before or after the Commission</p> <p>3 Junction or the IQ Universe?</p> <p>4 A. Afterwards.</p> <p>5 Q. Do you recall receiving information about Bixby</p> <p>6 from Mr. Crawford?</p> <p>7 A. Yes.</p> <p>8 Q. Do you specifically recall what that type of</p> <p>9 information was?</p> <p>10 A. Just information about the company and its growth</p> <p>11 and its future potential, I guess.</p> <p>12 Q. Do you recall what he said, if anything, about how</p> <p>13 long it might take to see a return on your</p> <p>14 investment?</p> <p>15 A. No. It was nothing definite, nothing he ever said</p> <p>16 that it would be a year or two, no. It was just</p> <p>17 there was always a -- notices on how it would</p> <p>18 proceed, and there was no final date that you'd get</p> <p>19 some money in two years or something or a year or</p> <p>20 whatever.</p> <p>21 (Whereupon, Plaintiff's Exhibit Number</p> <p>22 18 was marked for identification.)</p> <p>23 BY MR. STOCKWELL:</p> <p>24 Q. Let me show the witness what's been marked as</p> <p>25 Plaintiff's Exhibit 18. And for the record, this</p>

Page 17

1 is a document entitled Bixby Energy Systems, Inc.
2 Summary; is that right, Mr. Bohn?
3 A. Yes.
4 Q. And is this information that you provided to the
5 SEC that we requested from you?
6 A. Yes. I guess -- I'd have to look back on what --
7 I'm assuming it was, yes. I don't have it directly
8 in front of me that this is what I sent you, but I
9 believe so, yeah.
10 Q. All right. And do you recall -- so this is a
11 summary of Bixby's business and potential growth;
12 is that right?
13 A. Yes.
14 Q. And this was provided to you by -- I'm looking at
15 the end -- Paul D. Crawford or Joe Mooney, Crawford
16 Capital Corp; is that right?
17 A. Yes.
18 Q. And you understood Crawford Capital Corp to be Mr.
19 Crawford's company?
20 A. Yes.
21 Q. Okay. Do you know who Joe Mooney is?
22 A. No.
23 Q. Any interaction with Mr. Mooney?
24 A. No.
25 Q. Was this typical of the information that you

Page 18

1 received from Mr. Crawford regarding the potential
2 investment in Bixby?
3 A. Yes.
4 Q. And do you recall if this information is
5 information you got before or after you invested?
6 A. Before.
7 Q. And it indicates in the fifth paragraph there
8 Crawford Capital Corporation has been retained by
9 Bixby Energy Systems to assist them in raising
10 their next run of capital. Do you see that?
11 A. Yes.
12 Q. Was that your understanding on Crawford Capital's
13 role with regard to Bixby?
14 A. Yes.
15 Q. Did you understand whether or not Mr. Crawford was
16 employed by Bixby in any way as an employee?
17 A. No, I did not. No.
18 Q. You did not know or did not think he was?
19 A. I don't think he was, no.
20 Q. All right. And why did Mr. Crawford, based on your
21 recollection, recommend that you invest in Bixby?
22 A. He thought it would be a good investment to put
23 some money into and pass information on how they've
24 been growing, that it would be a good investment.
25 Q. And looking at the second page, Mr. Crawford

Page 19

1 indicates that the, at least at the time of this
2 document, the present offering is priced at \$1.60
3 per share. Pending Board approval, Bixby's
4 management have agreed to issue a 3-year \$2 warrant
5 for each two shares acquired to early investors in
6 this offering.
7 Is that consistent with your
8 recollection, that Mr. Crawford would provide to
9 you the price per share of potential investments as
10 well as potential warrants?
11 A. Yes.
12 Q. Do you recall Mr. Crawford hosting any seminars or
13 group meetings regarding Bixby to potentially drum
14 up business for investments?
15 A. I remember being down at Bixby's office in his
16 meeting room or something with Paul in Elk River
17 area or wherever they were, I think.
18 Q. And how did you learn about that meeting at Bixby's
19 office?
20 A. Through Paul.
21 Q. And do you recall what was discussed at that
22 meeting?
23 A. The prognosis of the business and how it was going
24 to proceed, I think, and the growth of it and the
25 cost to get into the investment.

Page 20

1 Q. And do you recall if Mr. Crawford talked at that
2 meeting or made a presentation at that meeting?
3 A. I don't think so.
4 Q. It was instead principals or individuals that
5 worked at Bixby?
6 A. Yes.
7 Q. But at least you learned about the meeting from Mr.
8 Crawford and he helped arrange it?
9 A. Yes.
10 (Whereupon, Plaintiff's Exhibit Number
11 19 was marked for identification.)
12 BY MR. STOCKWELL:
13 Q. Show the witness what's been marked as Plaintiff's
14 Exhibit 19. Mr. Bohn, do you recognize Plaintiff's
15 Exhibit 19 as a Subscription Agreement, Letter of
16 Investment Intent and Lock-Up regarding your
17 investment with Bixby?
18 A. Yes.
19 Q. And that, in fact, is your signature on page 3 of
20 that document?
21 A. Yes.
22 Q. All right.
23 A. Page 4.
24 Q. And page 4 as well?
25 A. Yeah.

Page 21

1 Q. And looking at -- well, do you recall who provided
2 you with this Subscription Agreement for your
3 investment?
4 A. I believe Paul gave it to me.
5 Q. Did Mr. Crawford assist you in any way in filling
6 it out?
7 A. Yes, he did.
8 Q. And how did he assist you in filling this out?
9 A. He put the dollar amounts in there and stuff that I
10 was going to invest there on the front page there.
11 Q. So that handwriting, the 125,000 shares and the
12 \$100,000, is Mr. Crawford's handwriting?
13 A. Yeah, I believe so. Yes.
14 Q. And did you discuss with Mr. Crawford the purchase
15 of that amount of shares for the share price of 80
16 cents per share? Look at the first paragraph
17 again.
18 A. Yes.
19 Q. And your total investment, at least initially, with
20 Bixby was \$100,000; is that right?
21 A. Correct.
22 Q. And once you -- looking at the second page, did Mr.
23 Crawford assist you in filling out the Section 7
24 regarding whether you were an accredited investor?
25 A. Yes. With me being there and saying so, yes.

Page 22

1 Q. So you were actually with him in person when you --
2 A. When he filled -- yeah.
3 Q. And same with paragraph 9; is that information that
4 you provided to Mr. Crawford and he filled it out
5 for you?
6 A. Yes.
7 Q. And then how about beyond the signature on page 3;
8 is that your handwriting regarding the Title, Name,
9 Address, City, State, or was that Mr. Crawford's?
10 A. That's Crawford's.
11 Q. But it is your signature?
12 A. Correct.
13 Q. And then looking on page 4, the signature is yours?
14 A. Yes.
15 Q. The rest of that handwriting, is that Mr.
16 Crawford's?
17 A. Yes.
18 Q. And did you then forward this on to Bixby or did
19 Mr. Crawford do that for you?
20 A. I believe he did.
21 (Whereupon, Plaintiff's Exhibit Number
22 20 was marked for identification.)
23 BY MR. STOCKWELL:
24 Q. Let me show the witness what's been marked as
25 Plaintiff's Exhibit 20. Is Plaintiff's Exhibit 20

Page 23

1 a check that you wrote to Bixby for your
2 investment?
3 A. Yes.
4 Q. And this is consistent with the Subscription
5 Agreement for \$100,000?
6 A. Yes.
7 Q. Did you also write this check out when you were
8 with Mr. Crawford filling out the Subscription
9 Agreement?
10 A. Yes.
11 Q. Did you then give him this check?
12 A. Yes.
13 Q. And was that with the expectation that he would
14 then provide it to Bixby since the check is written
15 out to Bixby Energy Systems?
16 A. Yes.
17 Q. Did he confirm with you that everything was in
18 order after he provided this information to you
19 regarding your investment?
20 A. I don't recall that, no. I just assumed that it
21 was done, I think.
22 Q. Do you recall ever getting a share certificate or
23 share certificates regarding your investment
24 regarding reflecting your purchase of stock?
25 A. Yes.

Page 24

1 Q. And do you know how you got that share certificate?
2 A. I think it was through Bixby.
3 Q. Do you recall if Mr. Crawford assisted in any way
4 in you receiving that share certificate?
5 A. I don't think so.
6 (Whereupon, Plaintiff's Exhibit Number
7 21 was marked for identification.)
8 BY MR. STOCKWELL:
9 Q. Let me show the witness what's been marked as
10 Plaintiff's Exhibit 21. Mr. Bohn, is Plaintiff's
11 Exhibit 21 an e-mail from Mr. Crawford to you and
12 others dated April 15, 2004?
13 A. Yes.
14 Q. And is this an e-mail you, then, actually received
15 from Mr. Crawford?
16 A. Yes. It was received through Brandi Weckman's
17 e-mail because we had a problem of my e-mails and
18 Paul's e-mails connecting or going through or
19 something.
20 Q. And who is Ms. Weckman, W-E-C-K-M-A-N?
21 A. She is my daughter.
22 Q. And that's what's referenced in the handwritten
23 notes to the right of the heading?
24 A. Yes.
25 Q. Looking at the other individuals as recipients of

Page 25

1 this e-mail, do you recognize any of those other
2 individuals?
3 A. Dan Niesen.
4 Q. Who is Mr. Niesen?
5 A. A friend of mine from Savage there. Well, he lives
6 in Belle Plaine, but --
7 Q. Anyone else?
8 A. You know, I know a John Ryan. I don't know if
9 that's the same John Ryan that I know or not.
10 Q. Okay. That's it?
11 A. Yes.
12 Q. All right. And did you ever have any personal or
13 friendly relationship with Mr. Crawford? Would you
14 consider him a friend or merely someone that you
15 would work with to invest in certain companies?
16 A. Basically work with through investments.
17 Q. And no family relationship with him whatsoever?
18 A. No, no.
19 Q. And in this e-mail Mr. Crawford indicates that we
20 are arranging an investor guaranteed credit line
21 deal through Excel Bank, E-X-C-E-L, for Bixby
22 Energy Systems. The terms of this deal are
23 attached along with other information that most of
24 you have seen before. We believe that this is an
25 extraordinary opportunity that you should consider.

Page 26

1 Do you understand who he's referring
2 to when he says "we"?
3 A. As -- yeah. As these investors through Paul with
4 the e-mail there, I am assuming.
5 Q. And did you understand what he was referring to as
6 an investor guaranteed credit line deal?
7 A. That, yeah, that if you invested into that, it
8 would be a guaranteed amount. If you requested it
9 back, you would get it back.
10 Q. Okay. And do you recall if you invested in this,
11 as he explains it, extraordinary opportunity?
12 A. I don't believe so.
13 Q. Was it typical for Mr. Crawford to provide
14 information like this regarding extraordinary
15 opportunities that he had regarding particular
16 investments?
17 A. Yes.
18 Q. Do you recall any other substantive discussions
19 with Mr. Crawford regarding this particular
20 opportunity?
21 A. No. I'm sure we talked about it, but I think I
22 just declined from investing any more in it.
23 Q. And how would you typically communicate with Mr.
24 Crawford? Was it by e-mail, in person, phone, or a
25 combination?

Page 27

1 A. Combination.
2 Q. Okay. And how often would you actually go to his
3 office to discuss potential investments?
4 A. It wasn't real often, no.
5 Q. And I'm assuming, given the date of this e-mail,
6 this was after you had already invested; is that
7 right?
8 A. Of this e-mail?
9 Q. Yes.
10 A. Yeah. It was before this, yeah.
11 (Whereupon, Plaintiff's Exhibit Number
12 22 was marked for identification.)
13 BY MR. STOCKWELL:
14 Q. Let me show the witness what's been marked as
15 Plaintiff's Exhibit 22. Mr. Bohn, is Plaintiff's
16 Exhibit 22 an e-mail from Mr. Crawford to you and
17 others dated September 25th, 2006 with the subject
18 investor update?
19 A. Yes.
20 Q. Do you recall, is this familiar to you as to how
21 you would learn of information about Bixby's
22 business and how it is doing?
23 A. Yes.
24 Q. Was Mr. Crawford the primary source of information
25 about Bixby and its business?

Page 28

1 A. Yes. Well, yeah. I think they had e-mail. They
2 had Bixby place out at a certain time. I learned
3 through that.
4 Q. Kind of a monthly --
5 A. A monthly newsletter. I don't know when that
6 started, what year that started.
7 Q. Beyond that, other information about the company,
8 would you learn that from e-mails from Mr. Crawford
9 like this?
10 A. Yes.
11 Q. I think we talked about this earlier, but in the
12 first sentence he says he's scheduled an investor
13 meeting at Bixby's new facilities. Do you recall
14 if you attended that investment meeting?
15 A. I don't believe so.
16 Q. Was that typical of Mr. Crawford, though, to set up
17 investor meetings for Bixby at other companies?
18 A. Yes.
19 Q. Do you recall, were those meetings mostly at his
20 office or at the offices of the actual companies
21 that were invested in?
22 A. I didn't attend a lot of them, but most -- I think
23 they were probably at his office.
24 Q. And in the third paragraph Mr. Crawford indicates
25 they are close to completing the financing deal

Page 29

1 that will allow their shares to be traded on the
2 NASDAQ market. There is a very limited time to
3 invest in Bixby at \$1.60 per share with 50% warrant
4 coverage.
5 Who do you understand "they" to be in
6 this paragraph?
7 A. I am assuming Bixby.
8 Q. Okay. And do you know what the significance of
9 Bixby's shares being traded on the NASDAQ market
10 is?
11 A. It would increase their -- it would enhance the
12 company. Probably the shares would increase.
13 Q. Certainly a good sign for you as an investor and a
14 shareholder?
15 A. Yeah. And that they're inter-tradable, or salable,
16 I think, after a year or something like that.
17 Q. Meaning you would be able to actually sell your
18 shares if you wanted to?
19 A. Yes.
20 Q. And then he indicates there is a very limited time
21 to invest in Bixby at \$1.60 per share with 50%
22 warrant coverage.
23 Was this typical that Mr. Crawford
24 would continually inform you of additional
25 opportunities to increase your investment at Bixby?

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1 A. Yes.
2 Q. And did you ever increase your investment at Bixby
3 beyond the \$100,000 initial investment?
4 A. No.
5 Q. So I take it you did not participate in this
6 limited time offer?
7 A. Correct.
8 Q. And looking at the last paragraph, Mr. Crawford
9 says, And let me know if you know of anyone else
10 who would like to learn more about this very
11 exciting alternative energy investment opportunity.
12 I think that Bob Walker will have another winner
13 with Bixby as he did with the Select Comfort and
14 the revolutionary Sleep Number Bed.
15 Is that familiar information that Mr.
16 Crawford would provide to you about Mr. Walker and
17 his history?
18 A. Yes.
19 Q. Okay. And did you ever refer anyone else to Mr.
20 Crawford regarding this exciting alternative energy
21 investment opportunity?
22 A. I believe I mentioned it to somebody, but I don't
23 believe anybody invested in it.
24 Q. Do you recall Mr. Crawford asking for referrals in
25 any of the other investments you made for other

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1 companies?
2 A. I would think, yes. I think he -- I don't know.
3 It's a long time ago. I'm thinking yes. Do I
4 recall specifically? I don't know.
5 Q. Understand. Show you what's been marked previously
6 as Plaintiff's Exhibit Number 4.
7 MR. STOCKWELL: Paul, are you able to
8 find that?
9 MR. ENGH: Yeah.
10 BY MR. STOCKWELL:
11 Q. Mr. Bohn, if you can kinda ignore the top third of
12 the page, below that, does this appear to be an
13 e-mail from Mr. Crawford to a bunch of individuals
14 dated September 7, 2011?
15 A. Yeah.
16 Q. Do you see your name kinda in the middle on the far
17 left of the recipient list?
18 A. Yes.
19 Q. Is this an e-mail you received from Mr. Crawford
20 regarding the Bixby Energy Update?
21 A. I am sure it was.
22 Q. And in this e-mail Mr. Crawford attaches an update
23 from Bixby regarding some testing that was being
24 done in China; is that right?
25 A. Yes.

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1 Q. Again, is this typical of Mr. Crawford sending
2 updates on Bixby's business in this format?
3 A. Yes.
4 Q. And would you typically review the information that
5 Mr. Crawford provided to you?
6 A. Yes.
7 Q. He then indicates, There is still time if any of
8 the warrant holders wish to exercise their warrants
9 at \$1 per share which is half of the original \$2
10 per share exercise price. Let me know if you want
11 to take advantage of this offer.
12 Do you recall taking advantage of Mr.
13 Crawford's offer to exercise warrants?
14 A. I believe I did not.
15 Q. And were you -- did you ever sell your shares of
16 Bixby stock?
17 A. No.
18 Q. And what was ultimately the return on your
19 investment?
20 A. Zero.
21 Q. Did you ever discuss with Mr. Crawford the SEC's
22 investigation and civil complaint against him?
23 A. No.
24 Q. And I'm assuming that you don't recall him ever
25 mentioning it to you?

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1 A. There might have been something here a few years
2 ago that he -- there was something mentioned, but I
3 don't recall what it all pertained to.
4 Q. Okay. In addition to Commission Junction, IQ
5 Universe and Bixby, did you also invest in a
6 company called Disc Motion, do you recall?
7 A. No, I did not.
8 Q. Does that name sound familiar?
9 A. I think I heard of it.
10 Q. Is that another company that Mr. Crawford
11 recommended that you invest in?
12 A. I don't know for sure.
13 Q. All right. Let me show you what's been previously
14 marked as Plaintiff's Exhibit 9. Does Plaintiff's
15 Exhibit 9 appear to be an e-mail from Mr. Crawford
16 to a list of individuals on March 11, 2007 with the
17 subject Disc Motion?
18 A. Yes.
19 Q. And do you see your name in the middle of that list
20 of recipients?
21 A. Yes, I do.
22 Q. And do you recall if this was the first time you
23 learned about Disc Motion from Mr. Crawford?
24 A. I'd say probably.
25 Q. And did you request information from Mr. Crawford

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1 regarding Disc Motion or is this something he sent
2 to you unsolicited by you?
3 A. He sent it to me unsolicited. I didn't know about
4 it.
5 Q. In the first sentence he indicates that he is
6 hosting a box lunch meeting at his office at noon
7 on Tuesday, March 13th for a very exciting
8 opportunity in a revolutionary new device to
9 replace spinal discs.
10 He goes on at the very end of this
11 paragraph, This product could be a blockbuster in a
12 very short period of time.
13 Do you recall attending any meetings
14 at Mr. Crawford's office regarding Disc Motion?
15 A. No, I don't recall. But it might have caught my
16 attention because my wife had a couple of discs
17 replaced at one time.
18 Q. Okay.
19 A. So I don't know whether I -- I don't recall a
20 meeting, but it would have popped that into my mind
21 at that time, you know.
22 Q. Sure. And do you recall discussing this
23 opportunity further with Mr. Crawford beyond
24 receiving e-mails from him?
25 A. I don't know. We might've had a phone

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1 conversation, but I know I didn't invest into it.
2 Q. And do you recall, have any recollection as to why
3 you decided not to invest despite Mr. Crawford's
4 recommendation?
5 A. Not having funds available at the time, and --
6 yeah.
7 Q. Okay. Do you recognize the name of a company
8 called Streamline, Inc.?
9 A. No.
10 Q. Let me show the witness what's been previously
11 marked as Plaintiff's Exhibit 11. For the record,
12 is Plaintiff's Exhibit 11 an e-mail from Mr.
13 Crawford to a number of recipients on April 17,
14 2013 with the subject Streamline Investment
15 Documents?
16 A. Yes.
17 Q. And do you see your name as one of those
18 recipients?
19 A. Yes.
20 Q. Does this refresh your recollection at all about a
21 company called Streamline, Inc.?
22 A. No.
23 Q. Looking at the e-mail, is this information that Mr.
24 Crawford is providing to you about an exciting
25 opportunity to invest in Streamline?

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1 A. Yes.
2 Q. And did you in fact invest in this company?
3 A. No.
4 Q. Do you recall any other discussions with Mr.
5 Crawford regarding this potential investment?
6 A. No.
7 Q. And looking at the end of that big paragraph in the
8 middle, Mr. Crawford says, I predict that the
9 Streamline transport system will scale very fast
10 and will be bought out at a tremendous premium
11 within a few years.
12 Did you have an understanding what he
13 meant by scale very fast?
14 A. That the company would do very good and you're
15 better likely to get your money back sooner.
16 Q. And how about any significance to you as a
17 potential investor regarding the fact that the
18 company will be bought out at a tremendous premium
19 within a few years?
20 A. What was the first part of that question?
21 Q. Did that have any significance as a potential
22 investor?
23 A. Sure.
24 Q. And what was that significance?
25 A. That you would get your return on your money

Page 37

1 sooner.

2 Q. And was this typical of some of the information

3 that Mr. Crawford would provide regarding potential

4 investments?

5 A. I don't think it was -- I think each one is a

6 little different. I don't believe he sets a date

7 on them all, you know, or a few years or whatever,

8 no.

9 Q. Okay. And you never invested in Streamline; is

10 that right?

11 A. Correct.

12 Q. And again, is this information that you solicited

13 from Mr. Crawford or he sent it to you?

14 A. He sent it to me.

15 Q. Do you recognize the name of a company called

16 ALung, letter A and then L-U-N-G?

17 A. Yes.

18 Q. How do you recognize ALung?

19 A. I have invested in ALung.

20 Q. And how did you learn about ALung?

21 A. Through Paul.

22 Q. And do you recall approximately when you learned

23 about ALung? Do you recall if it was before or

24 after your Bixby investment?

25 A. I didn't bring any paperwork on that, I didn't look

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1 at it, so I would say I think it's after.

2 Q. Okay. And is that again information that Mr.

3 Crawford brought to your attention or was it in

4 response to your request for ALung information?

5 A. He brought it to my attention.

6 (Whereupon, Plaintiff's Exhibit Number

7 23 was marked for identification.)

8 BY MR. STOCKWELL:

9 Q. Let me show the witness a document I'm marking as

10 Plaintiff's Exhibit 23. Do you recognize Exhibit

11 23 as an e-mail from Mr. Crawford to you and others

12 on October 13th, 2006 regarding ALung information?

13 A. Yes.

14 Q. And does this help you refresh your memory as to

15 approximately when you would have invested in

16 ALung?

17 A. Just because of this. I don't have a specific

18 date. I didn't bring anything along saying when I

19 invested into that or when I wrote checks to ALung.

20 Q. Do you recall approximately how much you invested

21 in ALung?

22 A. It was at least 50,000, and it could be more.

23 Q. And the method by which you invested, do you think

24 it would have been similar to how you invested with

25 Bixby in that Mr. Crawford assisted and filled out

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1 a Subscription Agreement and taking your check?

2 A. I believe so.

3 Q. Would that be consistent with the practice with all

4 the investments you made through Mr. Crawford?

5 A. Yes. But I don't know if I filled out some of them

6 myself and sent them in, you know. So I don't know

7 if he's filled them all out, but I know he's filled

8 one out there.

9 Q. Did he at least provide you with that information

10 for you to be able to fill out if you filled it out

11 yourself?

12 A. Yes.

13 Q. And what do you recall Mr. Crawford telling you

14 about ALung that prompted you to be interested in

15 investing in it?

16 A. Well, the potential was huge there, that if they

17 could make this work, that you would not have to go

18 on respirator.

19 Q. And was the primary basis of information regarding

20 this company from Mr. Crawford?

21 A. Yes.

22 Q. Do you recall ever talking with anyone that

23 actually worked with the company?

24 A. Yes.

25 Q. And was that before or after you made your

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1 investment, if you recall?

2 A. Don't recall. But it would have been at a meeting

3 or something. It wouldn't have been just me

4 calling somebody up.

5 Q. Is that meeting something that Mr. Crawford

6 would've arranged?

7 A. Yes.

8 Q. So you don't recall kind of just calling the

9 company up on your own and asking for information

10 or updates?

11 A. Not for a while after they were -- I don't know how

12 you -- de-vested, or back down certain shares. You

13 had so much and somebody else invested and your

14 shares were worth half as much as before or

15 whatever.

16 Q. Shares being diluted?

17 A. Diluted, yeah.

18 Q. And looking at the fourth paragraph of this e-mail,

19 Mr. Crawford says, In addition to the exchange of

20 debt ALung is seeking to raise up to another \$1

21 million in equity priced at the same terms as the

22 exchange. I am hoping that all of you will

23 consider increasing your investment in ALung by at

24 least 25%.

25 Do you recall at this time if you

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1 increased your investment in ALung by at least 25%?
 2 A. I don't know for sure. I'd have to -- I didn't
 3 bring information along for ALung, when I invested
 4 in that and how much.
 5 Q. Is this at least the typical information that
 6 Mr. -- recommendations that Mr. Crawford would give
 7 to you as to how much a percentage to increase your
 8 investment?
 9 A. Yes.
 10 Q. And what's been the outcome of your investment in
 11 ALung?
 12 A. Well, it's still a progressing company and they're
 13 doing better all the time now. The last year or
 14 two they've been getting clinical trials done and
 15 trying to get it okayed in the United States.
 16 Q. Do you still hold those shares?
 17 A. Yes.
 18 (Whereupon, Plaintiff's Exhibit Number
 19 24 was marked for identification.)
 20 BY MR. STOCKWELL:
 21 Q. Show the witness what's going to be marked as
 22 Plaintiff's Exhibit 24. Is Plaintiff's Exhibit 24
 23 another e-mail from Mr. Crawford to you and others
 24 dated May 28th, 2008 regarding ALung?
 25 A. Yes.

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1 Q. And does Mr. Crawford here indicate that he hopes
 2 that you will consider immediately increasing your
 3 investment in ALung, that it is urgent that ALung
 4 bring in at least 250,000 of the \$1 million bridge
 5 loan immediately?
 6 Do you recall Mr. Crawford's request
 7 for more investments in ALung around this time?
 8 A. You mean is he calling me up or just through this
 9 e-mail?
 10 Q. Through this e-mail, does it refresh your memory
 11 about this request at all?
 12 A. Yes.
 13 Q. And did you agree to increase your investment in
 14 ALung, as recommended by Mr. Crawford?
 15 A. I don't think I did. I don't know for sure.
 16 Q. All right. And in the third sentence there he
 17 says, I am hoping that investors from our group
 18 will increase their investment by a factor of at
 19 least 25% of their existing investment.
 20 Do you know what he meant by
 21 "investors from our group"?
 22 A. I would assume the ones that received this e-mail
 23 or that Paul deals with.
 24 Q. Did you have any understanding that you had
 25 invested with a group of individuals as kind of

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1 pooling your investment at all?
 2 A. No.
 3 Q. And do you still get information, updates regarding
 4 ALung from Mr. Crawford?
 5 A. No. Getting them directly from ALung.
 6 Q. Do you recall the name of a company called
 7 LocalLoop, L-O-C-A-L-L-O-O-P?
 8 A. Yes.
 9 Q. Was that a company that you invested in?
 10 A. No.
 11 Q. Do you recognize that as a company that was pitched
 12 to you by Mr. Crawford?
 13 A. Yes.
 14 Q. Is that a company that you inquired about from Mr.
 15 Crawford or did he bring it to your attention?
 16 A. He brought it to my attention.
 17 Q. What do you recall about Mr. Crawford's bringing it
 18 to your attention, LocalLoop?
 19 A. It's a technology about sending signals through the
 20 air, I believe, LocalLoop, in private communities
 21 or something.
 22 (Whereupon, Plaintiff's Exhibit Number
 23 25 was marked for identification.)
 24 BY MR. STOCKWELL:
 25 Q. See if I can help you out a little bit. Let me

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1 show you Plaintiff's Exhibit 25. Is this an e-mail
 2 from Mr. Crawford to you and others dated August
 3 24, 2011 regarding LocalLoop?
 4 A. Yes.
 5 Q. And is this the type of information that Mr.
 6 Crawford would provide to you regarding updates on
 7 this company as well as other companies?
 8 A. Yes.
 9 Q. And at the very end he indicates, LocalLoop will be
 10 a hot publicly traded stock or will be acquired
 11 sometime within the next 18 to 24 months. You can
 12 buy shares in the current round at \$1 per share
 13 plus you receive a 5-year warrant to acquire an
 14 additional share for \$1 for each dollar you invest
 15 which really doubles your upside.
 16 Is that consistent with some of the
 17 information that Mr. Crawford would provide
 18 regarding potential investments?
 19 A. Yes.
 20 Q. And did you in fact take his recommendation and
 21 invest in LocalLoop?
 22 A. No.
 23 Q. And why is that?
 24 A. Didn't have the funds or just wasn't into the --
 25 had invested enough in this kind of market.

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1 Q. And looking at the last sentence, do you know what
2 he means when he talks about doubling your upside?
3 A. Double your original investment.
4 Q. And do you recall any meetings that you attended
5 either at Mr. Crawford's office or elsewhere
6 regarding LocalLoop?
7 A. I don't believe I did, no.
8 Q. Looking at the recipient list, a couple lines below
9 your name there is the name Karl Bohn, K-A-R-L,
10 B-O-H-N. Do you see that?
11 A. Yeah.
12 Q. Do you recognize that name?
13 A. Yes.
14 Q. Who is Karl Bohn?
15 A. He's my brother.
16 Q. And do you know why Karl Bohn, your brother,
17 received this e-mail from Mr. Crawford?
18 A. Well, they talked over the years, I guess, and he
19 thought maybe he was a potential client, I guess.
20 Q. Do you recall referring your brother to Mr.
21 Crawford or do you recall how he got in touch with
22 Mr. Crawford?
23 A. I don't believe I did, no.
24 Q. Do you think he got in touch with him from some
25 other means?

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1 A. Correct.
2 Q. Do you know if your brother invested in LocalLoop?
3 A. I don't believe he did. I don't know for sure.
4 Q. Do you know if he invested in any other companies
5 recommended by Mr. Crawford?
6 A. I don't know for sure, no.
7 (Whereupon, Plaintiff's Exhibit Number
8 26 was marked for identification.)
9 BY MR. STOCKWELL:
10 Q. Let me show the witness what I am going to mark as
11 Plaintiff's Exhibit 26. Do you recognize
12 Plaintiff's Exhibit 26 as an e-mail to you and
13 others from Mr. Crawford dated January 13th, 2014
14 regarding Minnesota Angel Tax Credit Annual Report?
15 A. Yes.
16 Q. And do you recall receiving e-mails like this in
17 which Mr. Crawford kinda gives directions on how to
18 take advantage of the Minnesota Angel Tax Credits?
19 A. Yes.
20 Q. What do you recall about those types of e-mails?
21 A. Just that by invest -- I don't know. I'm going off
22 of memory here and it's --
23 Q. Well, let me ask --
24 A. I don't know how it's specifically laid out. I
25 don't know. I don't remember. It's been a while.

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1 Q. Did you rely on the information in this e-mail to
2 assist you in taking advantage of the Minnesota
3 Angel Tax Credits?
4 A. Yes. I think I did.
5 Q. And did you -- I'm sorry?
6 A. I don't know for sure when. I know we talked about
7 it, and whether I did on something, I don't recall
8 for sure.
9 Q. But you said you know you talked to Mr. Crawford
10 about being able to take advantage of that tax
11 credit?
12 A. I believe so, yes.
13 Q. And what do you recall discussing with Mr. Crawford
14 regarding taking advantage of that tax credit?
15 A. I don't remember enough about it to give you an
16 answer of what it's -- what the Angel Tax Credit is
17 about.
18 Q. I understand that. What do you recall about Mr.
19 Crawford generally talking with you about it? Did
20 he discuss the benefits of it? Did he inform you
21 steps you could take to take advantage of it like
22 he lays out in this e-mail?
23 A. Yes.
24 Q. Okay. Do you recall him providing any other advice
25 , Mr. Crawford providing any other advice about the

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1 tax credits or taxes beyond what we just discussed?
2 A. No.
3 Q. And I think lastly, do you recognize the name of a
4 company called Space Data or Space Data?
5 A. Yes.
6 Q. Is that another company that you invested in
7 through Mr. Crawford?
8 A. I did not invest in it.
9 Q. Is it a company that you learned about through Mr.
10 Crawford?
11 A. Yes.
12 (Whereupon, Plaintiff's Exhibit Number
13 27 was marked for identification.)
14 BY MR. STOCKWELL:
15 Q. Let me show the witness what's being marked as
16 Plaintiff's Exhibit 27. Do you recognize
17 Plaintiff's Exhibit 27 as an e-mail to numerous
18 individuals, including yourself, from Mr. Crawford
19 dated February 10th, 2007, the subject line Update?
20 A. Yeah.
21 Q. And is this consistent with how you likely learned
22 about the opportunity to invest in Space Data?
23 A. Yeah.
24 Q. And looking at the very end of the e-mail, Mr.
25 Crawford says, If you can move fast there is still

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1 time for existing Space Data shareholders to
2 participate for as little as \$100,000. The minimum
3 for new investors is \$500,000. Check with your
4 lender to see if you can borrow money for the next
5 2.5 years at less than the 11.39% rate you will be
6 paid for your loan through Sky50 L.L.C.
7 Do you recall -- I think you said you
8 never invested in Space Data; is that right?
9 A. Correct.
10 Q. Did you ever give them money as a loan to help with
11 their business?
12 A. No.
13 Q. Do you recall any other instances where Mr.
14 Crawford recommended or suggested a potential
15 financing for investments such as talking with your
16 lender about obtaining the loan so that you could
17 make investments?
18 A. No.
19 Q. Not other than what's in this e-mail?
20 A. Correct.
21 Q. Do you recall attending any other meetings with Mr.
22 Crawford about Space Data?
23 A. I might've, yes. I think I might've attended one.
24 Q. And do you have any recollection of where that
25 meeting may have taken place?

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1 A. I believe at his office.
2 Q. And do you recall if it was just Mr. Crawford
3 talking about the company or do you recall
4 principals from Space Data were actually there as
5 well?
6 A. That I don't recall.
7 Q. Beyond the companies that we've talked about, do
8 you recall any other companies you invested in that
9 you learned about through Mr. Crawford?
10 A. No. I don't think so.
11 Q. Let me throw out a few names and see if they ring a
12 bell at all. Scanner Technologies, Scanner Tech?
13 A. No.
14 Q. Complete Law, L-A-W?
15 A. Yes. That is one.
16 Q. Complete Law is another company you invested in?
17 A. Yes.
18 Q. And is that a company that you learned about
19 through Mr. Crawford?
20 A. Yes.
21 Q. Is that something that you asked Mr. Crawford about
22 or did he raise the idea with you?
23 A. He brought it up to me.
24 Q. Do you recall how much you invested?
25 A. I don't know. It was a few different investments.

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1 I don't know what the total is, but I know it's
2 over 50,000.
3 Q. You said a few different investments. You invested
4 at various times?
5 A. Yes.
6 Q. And do you recall roughly where in the timeline
7 that investment would have been compared to we'll
8 say Bixby?
9 A. It would have been after.
10 Q. Do you know if it was before or after ALung?
11 A. I don't know for sure.
12 Q. And the communication you got regarding Complete
13 Law, was that similar to the documentation we've
14 been looking at regarding these other companies?
15 A. Yes.
16 Q. And the same with the way that you actually
17 invested as far as a Subscription Agreement and
18 cutting a check, similar to what we talked about
19 earlier?
20 A. Yes. And I know then I dealt directly with
21 Complete Law also.
22 Q. In what respect?
23 A. Of investing in it.
24 Q. Okay. And the mechanics of actually investing?
25 A. Yes.

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1 Q. How about a company called Cubic Energy?
2 A. Yes.
3 Q. That's another company you invested in?
4 A. Yes. Why I didn't bring that one up is I didn't
5 know if I learned it through him or not, and that's
6 what you asked for.
7 Q. Sure. Okay. Well, let's clarify. Cubic Energy is
8 a company you invested in?
9 A. Yes.
10 Q. Do you recall if you learned about that company
11 through Mr. Crawford?
12 A. I don't know for sure.
13 Q. Okay. Any other companies that you may have
14 learned about through Mr. Crawford that you
15 subsequently invested in?
16 A. No.
17 MR. STOCKWELL: That's all I have.
18 MR. ENGH: Let's take just a short
19 break. I've got a few questions for you and you're
20 almost done.
21 MR. STOCKWELL: Absolutely. We'll go
22 off the record.
23 (Whereupon, a brief recess was taken.)
24 EXAMINATION
25 BY MR. ENGH:

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1 Q. Mr. -- is it Mr. Bohn or Mr. Bohn?
2 A. Bohn.
3 Q. Mr. Bohn, again, Paul Engh is my name and I
4 represent Mr. Crawford, and I appreciate you coming
5 in. You mentioned Dan Niesen. He's the fellow who
6 owns Niesen's Sports Bar in Savage?
7 A. Yeah.
8 Q. And the Red Door in Belle Plaine, I think?
9 A. Yeah.
10 Q. Is he how you met Mr. Crawford?
11 A. I think so.
12 Q. And did Mr. Niesen encourage you to invest through
13 Mr. Crawford or was that your own decision?
14 A. It was my own decision to invest through him, yes.
15 Q. And you mentioned it was the early 2000s when you
16 met?
17 A. I believe so, yes.
18 Q. Do you have your own independent stockbroker who
19 does your own investments for you in the stock
20 exchange, et cetera?
21 A. I do have one that I've dealt with a little bit.
22 Q. So you would use that individual for your NASDAQ
23 and NASDAQ-type stocks that you buy and sell?
24 A. Yeah.
25 Q. Do you have any financial advisor that you work

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1 with?
2 A. I do now, yes.
3 Q. Did you consider that Mr. Crawford was your own
4 personal financial advisor during these
5 transactions with Bixby and the other companies you
6 mentioned?
7 A. Yeah because I didn't ask anybody else about the
8 investments other than him.
9 Q. Well, were you employing him to be a financial
10 advisor?
11 A. No.
12 Q. Did you understand that he was selling or
13 attempting to line you up with certain companies
14 that he thought you should invest in; fair enough?
15 A. Yes.
16 Q. Did you have any knowledge that he was an office
17 holder or an executive of, for example, Bixby?
18 A. No.
19 Q. Or ALung?
20 A. No.
21 Q. Or that Complete Law?
22 A. No.
23 Q. Did you understand that Mr. Crawford received a
24 commission for the investment that you made in
25 these companies?

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1 A. Yes.
2 Q. How much of a commission did you understand he was
3 making?
4 A. I have no idea.
5 Q. Do you have an estimate based upon your best guess?
6 A. No.
7 Q. Did you ever ask him?
8 A. No.
9 Q. It was assumed, though, he was making something off
10 the transaction?
11 A. Yes.
12 Q. Do you know the difference between a broker and a
13 finder?
14 A. A finder?
15 Q. Yes.
16 A. No.
17 Q. Was Bixby meetings -- how many Bixby meetings did
18 you attend at the Bixby headquarters in Brooklyn
19 Center, Brooklyn Park; do you remember?
20 A. I think it was only one.
21 Q. And you indicated Mr. Crawford may have been there?
22 A. Yes.
23 Q. Was Bob Walker there?
24 A. Yes.
25 Q. Who made the presentation encouraging you to

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1 invest?
2 A. Well, Walker made the presentation there, yeah.
3 Q. It appears that you invested \$100,000?
4 A. Yes.
5 Q. And the documents mentioned a trust?
6 A. Yes.
7 Q. Was the investment through one of your personal
8 trusts?
9 A. Correct.
10 Q. And who created that trust for you, a lawyer?
11 A. Yes.
12 Q. Was Mr. Crawford involved in the creation of that
13 trust?
14 A. No.
15 Q. Did he advise you to create a trust?
16 A. No.
17 Q. Do you know if he has any expertise in trusts?
18 A. I do not know.
19 Q. I take it you had high hopes for Bixby when you
20 invested?
21 A. Yes.
22 Q. You thought that based upon Mr. Walker's
23 presentation and the documents you received that it
24 was a good bet; fair enough?
25 A. Yes.

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1 Q. It's fair to say that the decision was yours?
 2 A. Yup.
 3 Q. That Mr. Crawford may have introduced you to the
 4 concept of Bixby, but he wasn't aggressively
 5 telling you to invest, invest, invest, was he?
 6 A. No.
 7 Q. And while he was in sales, you ultimately had the
 8 ability to say no to him; isn't that correct?
 9 A. Correct.
 10 Q. As you did with some of these other companies that
 11 you have described, including LocalLoop, Streamline
 12 and Disc Motion; fair enough?
 13 A. Yes.
 14 Q. Are you aware of his relationship at all with Bixby
 15 in terms of how he was compensated?
 16 A. No.
 17 Q. Are you aware of any checks that Bixby issued to
 18 him, for instance?
 19 A. No.
 20 Q. You're familiar with the idea of risk and
 21 investments, are you?
 22 A. Yes.
 23 Q. And you as an investor do take risks?
 24 A. Yes.
 25 Q. There is no assurance of a viable return always;

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1 Q. After you bought the Bixby investment, did you seek
 2 Mr. Walker's -- not Mr. Walker's advice, Mr.
 3 Crawford's advice as to how the investment was
 4 doing or did you get most of your information from
 5 Bixby? Which one was it?
 6 A. I don't recall which. I know if it was -- depended
 7 on the year or whenever it happened. I don't know.
 8 Initially it was Paul, yes. After that, it was
 9 probably Bixby or a combination of both.
 10 Q. Was it your impression that he was, he, Mr.
 11 Crawford, was getting his information from Bixby as
 12 well?
 13 MR. STOCKWELL: Objection, foundation.
 14 MR. ENGH: You can go ahead and
 15 answer.
 16 THE WITNESS: Say it --
 17 BY MR. ENGH:
 18 Q. Was it your impression that Mr. Crawford was
 19 getting his information from Bixby and relaying
 20 that information to you?
 21 A. I had no -- I don't know. I just --
 22 Q. You're not suggesting he's making up this Bixby
 23 information out of the air?
 24 A. Oh, no. He's not.
 25 Q. Did he ever discuss with you your financial needs?

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1 isn't that correct?
 2 A. Correct.
 3 Q. You'd like it to be so, as we all would, right?
 4 A. Yeah.
 5 Q. So you knew you were taking a risk in Bixby?
 6 A. Yes.
 7 Q. And you knew he was giving you a sales pitch; is
 8 that correct?
 9 A. Yeah.
 10 Q. And in ALung, for example, you're somewhat
 11 satisfied with the investment or believe, at least,
 12 that it has viability in the future?
 13 A. It's still above water, yeah.
 14 Q. And you hope to be paid back; isn't that right?
 15 A. Yeah.
 16 Q. And that company, ALung, makes a ventilator
 17 replacement type of device; isn't that right?
 18 A. Yes.
 19 Q. Mr. Crawford didn't choke you into buying that
 20 investment either, did he?
 21 A. No.
 22 Q. The Angel Tax Credit that you were asked about, did
 23 you eventually get an Angel Tax Credit on the tax
 24 return, if you know?
 25 A. I -- I don't know.

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1 A. Not my financial needs, no.
 2 MR. ENGH: No further questions.
 3 Thank you very much.
 4 MR. STOCKWELL: We have nothing
 5 further as well.
 6 MR. POLISH: Thanks, sir.
 7 (Whereupon, the deposition was
 8 adjourned at 1:15 p.m.)
 9
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GARY BOHN

U.S. Securities and Exchange Commission v.
Gary A. Collyard, et al.

Gary Bohn
April 01, 2015

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1 STATE OF MINNESOTA }
2 COUNTY OF HENNEPIN }
3 I hereby certify that the witness in the
4 foregoing deposition, Gary Bohn, was by me duly
5 sworn to testify to the truth, the whole truth and
6 nothing but the truth, in the within-entitled
7 cause; that said deposition was taken at the time
8 and place herein named; and that the deposition is
9 a true record of the witness's testimony as
10 reported by me, a duly certified shorthand reporter
11 and a disinterested person, and was thereafter
12 transcribed into typewriting by computer.
13 I further certify that I am not
14 interested in the outcome of the said action, nor
15 connected with nor related to any of the parties in
16 said action, nor to their respective counsel.
17 IN WITNESS WHEREOF, I have hereunto set
18 my hand this 7th day of April, 2015.
19 Reading and signing was:
20 requested waived not requested
21
22 
23
24 Charles G. Williamson, Court Reporter
25

EXHIBIT 14

In The Matter Of:

*U.S. Securities and Exchange Commission v.
Gary A. Collyard, et al.*

*Harold Haluptzok
April 1, 2015*

*Behmke Reporting and Video Services, Inc.
160 Spear Street, Suite 300
San Francisco, California 94103
(415) 597-5600*

U.S. Securities and Exchange Commission v.
Gary A. Collyard, et al.

Harold Haluptzok
April 1, 2015

Page 1

1 UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF MINNESOTA
3
4 -----
5 UNITED STATES SECURITIES AND)
6 EXCHANGE COMMISSION,)
7 Plaintiff,) CASE NO.
8) 11-cv-3656 (JNE/JJK)
9 GARY A. COLLYARD, ET AL.)
10 Defendants.)
11)
12 -----
13
14
15
16 DEPOSITION OF HAROLD HALUPTZOK
17 WEDNESDAY, APRIL 1, 2015
18
19
20
21 BEHMK REPORTING AND VIDEO SERVICES, INC.
22 BY: CHARLES G. WILLIAMSON, COURT REPORTER
23 160 SPBAR STREET, SUITE 300
24 SAN FRANCISCO, CALIFORNIA 94105
25 (415) 597-5600

Page 3

1 APPEARANCES OF COUNSEL:
2 FOR PLAINTIFF:
3 U.S. SECURITIES AND EXCHANGE COMMISSION
4 DIVISION OF ENFORCEMENT
5 BY: TIMOTHY STOCKWELL, ATTORNEY AT LAW
6 JONATHAN S. POLISH, ATTORNEY AT LAW
7 175 W. Jackson Boulevard
8 Suite 900
9 Chicago, Illinois 60604
10 Telephone: (312) 353-6884
11 Email: stockwell@sec.gov
12 polishj@sec.gov
13
14 FOR DEFENDANTS, PAUL CRAWFORD AND CRAWFORD CAPITAL
15 PAUL ENGH LAW OFFICE
16 BY: PAUL ENGH, ATTORNEY AT LAW
17 220 South Sixth Street
18 Suite 1225
19 Minneapolis, Minnesota 55402
20 Telephone: (612) 252-1100
21 Email: engh4@aol.com
22
23
24
25

Page 2

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7
8 Deposition of HAROLD HALUPTZOK, taken on behalf
9 of PLAINTIFF, at the United States Courthouse, United
10 States Department of Justice, 300 South Fourth Street,
11 Suite 600, Minneapolis, Minnesota, commencing at 10:00
12 a.m., WEDNESDAY, APRIL 1, 2015, before Charles G.
13 Williamson Court Reporter, Notary Public, pursuant to
14 Subpoena.
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Page 4

1 INDEX
2 WEDNESDAY, APRIL 1, 2015
3 HAROLD HALUPTZOK PAGE
4 Examination by MR. STOCKWELL 7
5 Examination by MR. ENGH 58
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U.S. Securities and Exchange Commission v.
Gary A. Collyard, et al.

Harold Haluptzok
April 1, 2015

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EXHIBITS		
HAROLD HALUPTZOK		
Number	Description	Page
4	<u>Exhibit 1</u> Subpoena - 3 pages	8
6	<u>Exhibit 2</u> E-mail chain - 2 pages	15
8	<u>Exhibit 3</u> E-mail and letter - 5 pages	17
10	<u>Exhibit 4</u> E-mail and China Update - 2 pages	22
12	<u>Exhibit 5</u> E-mail and attachment - 3 pages	23
14	<u>Exhibit 6</u> E-mail chain - 2 pages	26
16	<u>Exhibit 7</u> E-mail chain - 7 pages	27
18	<u>Exhibit 8</u> E-mail chain - 2 pages	33
20	<u>Exhibit 9</u> E-mail from Paul Crawford dated March 11, 2007 - 1 page	36
23	<u>Exhibit 10</u> E-mail from Paul Crawford dated March 20, 2007 - 3 pages	38

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1 WEDNESDAY, APRIL 1, 2015; 10:00 A.M.

2

3

4

5 HAROLD HALUPTZOK

6 a witness in the above-entitled

7 action, after having been first duly

8 sworn, deposes and says as follows:

9

10

11

12 EXAMINATION

13

14 BY MR. STOCKWELL:

15 Q. All right. We're here for a deposition in the case

16 of Gary Collyard, et al, 11-cv-3656 in the District

17 of Minnesota. We have Mr. Harry Haluptzok as our

18 witness. My name is Tim Stockwell. I'm an

19 attorney with the SEC. I'm here with my colleague,

20 Jonathan Polish, who is also an attorney with the

21 SEC.

22 Mr. Engh, do you want to note your

23 appearance?

24 MR. ENGH: Paul Engh on behalf of Mr.

25 Crawford and Crawford Capital.

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EXHIBITS - CONTINUED		
HAROLD HALUPTZOK		
Number	Description	Page
4	<u>Exhibit 11</u> E-mail from Paul Crawford dated April 17, 2013 and attachments - 5 pages	40
8	<u>Exhibit 12</u> E-mail chain - 2 pages	43
10	<u>Exhibit 13</u> E-mail chain and attachments - 78 pages	47
13	<u>Exhibit 14</u> E-mail from Paul Crawford dated October 23, 2006 and attachments - 1 page	47
17	<u>Exhibit 15</u> E-mail chain and attachments - 12 pages	53
20	<u>Exhibit 16</u> E-mail chain and attachments - 3 pages	55

Page 8

1 MR. STOCKWELL: Wonderful.

2 (Whereupon, Plaintiff's Exhibit Number

3 1 was marked for identification.)

4 BY MR. STOCKWELL:

5 Q. All right. Mr. Haluptzok, I'm going to give to you

6 what's been marked as Plaintiff's Exhibit 1 with

7 today's date on it, 4/1/15. Mr. Engh, here's a

8 copy for you. And Mr. Haluptzok, this is a

9 subpoena that was issued to you for your testimony

10 in this matter; is that right.

11 A. Correct.

12 Q. And you are here pursuant to this subpoena; is that

13 right?

14 A. That's correct.

15 Q. All right. And just before we start, let me just

16 give you a few tips and ground rules. Since we

17 have a court reporter here, it will be important

18 that we attempt not to talk over each other. So if

19 you could wait until I am done asking a question to

20 answer, and then I won't attempt to ask another

21 question until you're done answering a question.

22 A. Okay.

23 Q. That make sense?

24 A. Yes.

25 Q. Also, given we a court reporter, we need verbal

Page 9

1 responses. So nodding of the head, shaking of the
2 head will not suffice given we have a court
3 reporter. Make sense?
4 A. Yes.
5 Q. All right. And if at any time you need to take a
6 break, just let us know and we'll take a break.
7 That make sense?
8 A. Yes.
9 Q. All right. And with that, the witness is sworn,
10 let me go into some questioning. If you can just
11 give us briefly your educational background
12 starting post-high school?
13 A. Graduated from Forest Lake High School 1966 and
14 graduated from the University of Minnesota with a
15 business degree in 1970, four-year degree.
16 Q. And what is your employment background?
17 A. I started with Ford Motor Company for three years
18 right out of college, and then I purchased John's
19 Auto Parts from my father, and there were six
20 employees when I bought it, and three of them are
21 my brothers, and I ran that for the last 40 years.
22 Q. And when did you stop running that?
23 A. Two years ago I sold out to a national corporation.
24 Q. And are you currently retired, then?
25 A. Yes.

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1 Q. All right. Any other significant employment
2 history beyond that?
3 A. No. I mean, I was in many other businesses, but
4 the main business was the auto parts business.
5 Q. Okay. Great. Do you know an individual by the
6 name of Paul Crawford?
7 A. Yes.
8 Q. And who is Mr. Crawford?
9 A. He's the sales representative that I was made in
10 contact with through a guy named Ken Solie, and Ken
11 Solie recommended him as a person for other
12 investments.
13 Q. And do you recall approximately when you first
14 heard of Mr. Crawford?
15 A. I really -- I'm going to guess ten years ago or
16 something. I really don't know.
17 Q. Mid, early 2000s, mid-2000s?
18 A. Yes. I would guess in that time period.
19 Q. And you said you got to know -- you heard of Mr.
20 Crawford through an acquaintance of yours?
21 A. Yes.
22 Q. And did you eventually speak with Mr. Crawford?
23 A. I don't think I've ever spoke -- I might've met him
24 once or twice, but mostly phone calls, and
25 obviously mostly e-mails.

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1 Q. And what was the purpose of your phone calls and
2 e-mails with Mr. Crawford?
3 A. Just to be an investor in different companies that
4 he represented, start-up companies, and I just
5 thought that was something that he had background
6 in. And Ken Solie, a friend of mine, also had
7 invested with him and told me that he knew him. So
8 I went to the Bixby -- basically the Bixby
9 presentation was probably the first thing I did
10 see.
11 Q. Do you recall if you reached out to Mr. Crawford or
12 he reached out to you for your first interaction?
13 A. I do not recall.
14 Q. And is he the one that introduced you to the
15 potential to invest in Bixby?
16 A. Yes. He sent me all the materials.
17 Q. What do you recall him sending you regarding Bixby?
18 A. They had like a three-ring binder of how -- the
19 background on Robert Walker and the people involved
20 in the company and what they were trying to
21 accomplish.
22 Q. Do you recall having any discussion with Mr.
23 Crawford on the phone regarding the potential to
24 invest in Bixby?
25 A. Oh, yeah, a number of times.

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1 Q. And what do you recall about those conversations?
2 A. Oh, just about the positive nature of the Bixby
3 Company and Robert Walker's track history with the
4 companies he had been involved with and, you know,
5 that he would be a good leader to run this company,
6 so it would probably be a good investment.
7 Q. And did Mr. Crawford recommend you invest in Bixby?
8 A. Yes.
9 Q. Did he discuss any other details about your
10 potential investment, such as how much to invest?
11 A. Yeah. The amount discussed was \$80,000 at the
12 time, and then they offered like matching stock,
13 you know, nonvoting stock, you know, something like
14 that, different enticements like that to help us
15 buy that Bixby stock.
16 Q. And the 80,000, is that a number that you came up
17 with or is that something that was recommended to
18 you?
19 A. At the presentation it's a number I came up with
20 and by what I heard on the stage and stuff like
21 that.
22 Q. And where was this -- this was a presentation about
23 the opportunity to invest in Bixby?
24 A. Right. And it was at -- I think it actually was at
25 the Bixby headquarters over on 81 and 694.

Page 13

1 Q. And how did you learn about this presentation at
2 the Bixby headquarters?
3 A. Through Paul Crawford's office, e-mails.
4 Q. And it sounds like your primary interaction with
5 Mr. Crawford was via e-mail?
6 A. Correct.
7 Q. Did Mr. Crawford have an office that you know
8 about?
9 A. He had one. I don't think I've ever been there.
10 Q. Do you know if he had a business that he operated
11 through, or an entity he operated through?
12 A. Well, I think, yeah. It was like Crawford
13 Investments or whatever. Just, you know, having a
14 friend that vouched for him, it was -- you just
15 kinda didn't question it.
16 Q. And at that presentation at the Bixby headquarters,
17 do you recall if Mr. Crawford talked at all?
18 A. I don't remember. It's a long time ago.
19 Q. Okay. Do you know if Mr. Crawford was a registered
20 broker?
21 A. I don't know.
22 Q. Did you ever discuss that with him?
23 A. No. Never thought of it.
24 Q. How did you get the -- you said you got some
25 information from Mr. Crawford, a three-ring binder,

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1 some background on the company?
2 A. Right.
3 Q. Do you recall how you received the agreement that
4 you would've signed to purchase the stock?
5 A. Like through the mail. I mean, it was just sent to
6 me and I sent it back.
7 Q. Would that have been a subscription agreement?
8 A. Yeah.
9 Q. Did you receive that from Mr. Crawford?
10 A. Yes.
11 Q. And when you filled that out, did you return it to
12 Mr. Crawford?
13 A. Yes.
14 Q. And how did you -- do you recall how you paid for
15 your investment?
16 A. With a check.
17 Q. Do you recall who you provided that check to?
18 A. I mailed it to Mr. Crawford.
19 Q. And why did you mail it to Mr. Crawford?
20 A. Because he sent me the information from Bixby.
21 Q. Did you anticipate he would forward it on to the
22 company?
23 A. Yes.
24 Q. Was the check made out to Mr. Crawford, do you
25 recall?

Page 15

1 A. I think it was made out to Bixby. I would have to
2 go back and look.
3 Q. Your intent in sending the check to Mr. Crawford
4 was that he would eventually forward it on to the
5 company?
6 A. Correct.
7 (Whereupon, Plaintiff's Exhibit Number
8 2 was marked for identification.)
9 BY MR. STOCKWELL:
10 Q. Let me show you what I'm going to mark as
11 Plaintiff's Exhibit Number 2. And for the record,
12 am I correct that Plaintiff's Exhibit Number 2 is,
13 ignoring the top portion, which is information that
14 you provided to us, is an e-mail, e-mail chain.
15 The last e-mail is from a Paul Crawford dated July
16 21st, 2011 to Harry Haluptzok; is that right?
17 A. Correct.
18 Q. And underneath that last e-mail it says, Harry,
19 This e-mail went out today. You have 50,000 Bixby
20 common shares that you paid \$1.60 each for, and
21 then in parentheses 80,000, and then signed Paul.
22 You received this e-mail from Mr.
23 Crawford?
24 A. Yes.
25 Q. And you recognize that e-mail address,

Page 16

1 pc@crawcap.com, is Mr. Crawford's e-mail?
2 A. Yes.
3 Q. And what is he forwarding on to you in addition to
4 indicating how many shares you required and how
5 much you paid for?
6 A. What else is he forwarding to me?
7 Q. Yes.
8 A. Just other investment opportunities. Are you
9 talking specifically about this?
10 Q. Sorry, yeah. Specifically to Exhibit 2. What does
11 he forward on the very bottom of the page?
12 A. News flash to Bixby shareholders and note holders.
13 Q. Is this a communication that you would receive from
14 Mr. Crawford about the goings on with the company?
15 A. Yes.
16 Q. And looking back at the top e-mail, is this
17 accurate that you purchased 50,000 common shares at
18 \$1.60 for a total of \$80,000?
19 A. Yes.
20 Q. Was Mr. Crawford at all involved in helping
21 establish the share price of \$1.60, do you recall?
22 A. I couldn't tell you if he was or wasn't.
23 Q. You don't recall him being involved in any of the
24 negotiations between you and Bixby about that price
25 ?

Page 17

1 A. No.
2 (Whereupon, Plaintiff's Exhibit Number
3 3 was marked for identification.)
4 **BY MR. STOCKWELL:**
5 **Q. Let me show the witness what I have marked as**
6 **Plaintiff's Exhibit Number 3. For the record, is**
7 **Plaintiff's Exhibit 3, again ignoring the top**
8 **portion which is information that you forwarded on**
9 **to the SEC, an e-mail from Paul Crawford dated May**
10 **29th, 2011 to yourself and other individuals with**
11 **the subject of Bixby Energy Systems Shareholder**
12 **Letter?**
13 A. Yes.
14 **Q. This is an e-mail that you received from Mr.**
15 **Crawford?**
16 A. Yes.
17 **Q. Do you recognize any of the other names in the To**
18 **line here? There is many names here.**
19 A. All the names here?
20 **Q. Yes. Do you recognize any of those individuals**
21 **eyeballing them?**
22 A. I just remember Bradley Smegal. He was sitting
23 next to me during the presentation. He was an
24 investor for somebody else. He had nothing to do
25 with Bixby, of course. I really didn't know any of

Page 18

1 these people other than -- yeah. I don't actually
2 know anybody else on this list.
3 **Q. Okay. So these were not close family friends of**
4 **yours or close acquaintances?**
5 A. No. I don't know any of them.
6 **Q. And Mr. Crawford, was he -- would you consider him**
7 **a close friend or acquaintance, anything like that?**
8 A. No. Not at all.
9 **Q. And Mr. Crawford indicates in this e-mail he**
10 **attaches a letter from Gil -- I'm not even going to**
11 **try to pronounce it. It's spelled G-U-T-K --**
12 A. Gutknecht.
13 **Q. G-U-T-K-N-E-C-H-T, Ron Kincer, K-I-N-E-R, and Jim**
14 **Bergeron, B-E-R-G-E-R-O-N, who constitute the**
15 **entire Bixby Board of Directors. Is that your**
16 **understanding of who those three individuals were?**
17 A. Yes.
18 **Q. And as he indicates, Some of you may have already**
19 **received this letter and photo of the first system**
20 **that is now being put in place for testing in**
21 **China.**
22 He goes on and states, This is the
23 best news regarding Bixby that we could have
24 expected. And he goes on to describe some of the
25 information about Bixby.

Page 19

1 Is this typical of some of the e-mails
2 that you would receive from Mr. Crawford regarding
3 Bixby?
4 A. Yes.
5 **Q. He would be providing information about what is**
6 **going on with Bixby and indicate good news?**
7 A. Exactly, yes.
8 **Q. Was this typical of information e-mails that you**
9 **would receive from Mr. Crawford for other potential**
10 **investments beyond Bixby?**
11 A. Yes.
12 **Q. And would the news that Mr. Crawford would forward**
13 **on to you typically be positive news?**
14 A. Right. As you can see toward the end of the
15 letter, he's trying to sell -- you know, the
16 warrants that -- exercising warrants and stuff like
17 that. Just it kinda brings it all back.
18 **Q. And you're referring to the last paragraph of this**
19 **e-mail?**
20 A. Right.
21 **Q. And he indicates there, I am going to ask Gil and**
22 **both Rons -- do you know who Gil and both Rons are?**
23 A. Yes. The two gentlemen in the front here, the
24 Bixby board.
25 **Q. I am going to ask Gil and both Rons if we can get**

Page 20

1 an extension on the exercise date of the warrants
2 which is Tuesday, May 31st.
3 Do you recall if you owned warrants in
4 addition to the stock that you purchased?
5 A. I am not sure. I just -- I don't think -- I just
6 don't remember.
7 **Q. Okay. He goes on and says, What would help me is**
8 **if those of you who have acquired the warrants from**
9 **me would let me know if you are interested in**
10 **exercising these \$2 warrants by Tuesday if my**
11 **request is denied. And then in bold, The situation**
12 **at Bixby right now is exactly what we were hoping**
13 **for and is a good reason to consider exercising**
14 **your warrants.**
15 A. Right.
16 **Q. Do you understand what Mr. Crawford was referring**
17 **to that --**
18 A. I think the stock that they may have given us
19 warrants that we could for free, I think, or we
20 would buy these warrants and then we would exercise
21 them to buy more of the stock. And I was just
22 kinda worried of the whole deal and had no interest
23 in investing any more money into it.
24 **Q. So you did not exercise any more warrants as far as**
25 **you recall?**

Page 21

1 A. No. As far as I recall, I didn't.
 2 Q. And you did not take Mr. Crawford's advice here
 3 that it was a good reason and good timing to
 4 exercise these warrants?
 5 A. No.
 6 Q. Was this typical, though, of e-mails that Mr.
 7 Crawford would provide to you, that he would give
 8 advice about exercising warrants at particular
 9 times?
 10 A. Sure.
 11 Q. Was it also consistent with e-mails in which he
 12 would indicate that he might be able to improve on
 13 an investment by talking with the company?
 14 A. I think he was trying to sell me on buying more of
 15 the stock and using these warrants to buy more. So
 16 it seemed like a salesman trying to get more
 17 commission to me at that point, so I was just not
 18 interested in it.
 19 Q. And are you aware if Mr. Crawford received a
 20 commission from soliciting your investment in
 21 Bixby?
 22 A. I am not aware of it, but I'm -- I just assumed he
 23 did.
 24 Q. Why do you assume that?
 25 A. Because why would he do it otherwise?

Page 23

1 at \$1 per share which is half of the original \$2
 2 per share exercise price. Let me know if you want
 3 to take advantage of this offer.
 4 Did you understand this to be the
 5 opportunity to exercise warrants at a reduced price
 6 from the \$2 we saw earlier?
 7 A. Yes. That's the way I understood it.
 8 Q. And was this consistent with communications you got
 9 from Mr. Crawford that he would update you if there
 10 was an opportunity to invest at a better price than
 11 previously?
 12 A. Yes.
 13 Q. Did you take advantage of this opportunity to
 14 invest in exercise warrants at \$1 per share as
 15 opposed to \$2 per share?
 16 A. I don't remember doing anything more, no.
 17 (Whereupon, Plaintiff's Exhibit Number
 18 5 was marked for identification.)
 19 BY MR. STOCKWELL:
 20 Q. Let me show the witness what I have marked as
 21 Plaintiff's Exhibit Number 5. For the record, is
 22 this an e-mail from Paul Crawford to you and other
 23 individuals dated September 30th, 2011 with the
 24 subject Bixby Energy Systems?
 25 A. Yes.

Page 22

1 Q. No one works for free?
 2 A. Exactly.
 3 (Whereupon, Plaintiff's Exhibit Number
 4 4 was marked for identification.)
 5 BY MR. STOCKWELL:
 6 Q. Let me show the witness what I have marked as
 7 Plaintiff's Exhibit Number 4. And Paul, just for
 8 your knowledge, I'll probably be using some of
 9 these same exhibits with the next witness, same
 10 exhibit numbering, so I'm not going to renumber
 11 them.
 12 MR. ENGH: Perfect.
 13 BY MR. STOCKWELL:
 14 Q. For the record, is Plaintiff's Exhibit 4 yet
 15 another e-mail from Mr. Crawford to you and other
 16 individuals, this time dated September 7th, 2011,
 17 with the subject Bixby Energy Update?
 18 A. Yes.
 19 Q. And did you receive this e-mail from Mr. Crawford?
 20 A. Yes.
 21 Q. And at the bottom Mr. Crawford again gives an
 22 update regarding Bixby; is that right?
 23 A. Correct.
 24 Q. And he states that there is still time if any of
 25 the warrant holders wish to exercise their warrants

Page 24

1 Q. And did you receive this e-mail from Mr. Crawford?
 2 A. To the best of my recollection, yes.
 3 Q. At least your name is indicated there on the
 4 recipients of this e-mail?
 5 A. Right.
 6 Q. And Mr. Crawford attaches a special shareholder
 7 meeting report; is that right?
 8 A. Yes.
 9 Q. And in this e-mail Mr. Crawford discusses what he
 10 learned at a Bixby shareholder meeting that was
 11 held on a Thursday; is that right?
 12 A. Yes.
 13 Q. And some of the information that he's providing
 14 regarding the criminal investigation of Bixby and
 15 some of its individuals?
 16 A. Yes.
 17 Q. And it discusses Bixby reveals a prosecution deal
 18 agreed to by management?
 19 A. Yes.
 20 Q. And looking at the bottom portion of that first
 21 paragraph, he indicates, The U.S. Attorney in
 22 conjunction with the SEC in essence has agreed that
 23 the new management is and will continue to operate
 24 the business free of any continuing investigation
 25 for a period of 3 years. This is what is called a

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1 deferred prosecution agreement. The bottom line is
2 that, will the authorities are pursuing former
3 management individuals and fund raisers but will
4 defer any further action -- I think he probably
5 meant to say with the authorities. Is that your
6 understanding?
7 A. Yes.
8 Q. With the authorities. And looking at this e-mail,
9 does Mr. Crawford indicate whether he was one of
10 the, quote, unquote, fund raisers that was being
11 looked at by authorities?
12 A. No, he did not. I was not aware that he was
13 involved in the investigation.
14 Q. At the second to last -- or the last full
15 paragraph, does Mr. Crawford again talk about the
16 need for the company to raise more capital?
17 A. Yes.
18 Q. And again he talks about warrants that are going to
19 expire and the company will allow investors to
20 convert their warrants at half the \$2 per share
21 price which is just \$1?
22 A. Right.
23 Q. And if you intend to exercise your warrants you
24 better decide very soon before they close it off.
25 Is that right?

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1 A. Correct.
2 Q. Is that consistent with the communications you got
3 from Mr. Crawford about the opportunity to exercise
4 warrants at a discount and the time frame in which
5 to exercise those warrants?
6 A. Yes.
7 Q. And did you take advantage of this discounted
8 warrant price?
9 A. I do not think I did.
10 (Whereupon, Plaintiff's Exhibit Number
11 6 was marked for identification.)
12 BY MR. STOCKWELL:
13 Q. Show the witness what's been marked as Plaintiff's
14 Exhibit Number 6. Is this yet another e-mail from
15 Mr. Crawford to you and other individuals dated
16 October 8th, 2011 regarding Bixby?
17 A. Yes.
18 Q. And what was the main source of information for you
19 regarding what was going on at Bixby while you were
20 an investor?
21 A. Just the e-mails from Paul Crawford's office
22 mostly. And Bixby did have a newsletter, but I was
23 getting it sometimes, sometimes I wasn't, so --
24 Q. Safe to say Mr. Crawford was the --
25 A. Pretty much gave me all the updates.

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1 Q. -- primary source of information about what was
2 going on at Bixby?
3 A. Yes.
4 Q. And looking at the first, the top e-mail, does Mr.
5 Crawford again send updates on Bixby tests in
6 China?
7 A. Yes.
8 Q. And he again wanted to remind any of you who owned
9 warrants that they were still live in May, that
10 there was still time for you to exercise \$2
11 warrants for \$1. Please let me know if you want to
12 now turn warrants into shares of Bixby before the
13 special warrant holiday ends.
14 A. Right.
15 Q. Do you know what he means by live?
16 A. I assume just still have value of -- you know,
17 they're still worth \$1 per share. You can still
18 buy it at that price.
19 Q. And did you in fact take advantage of the special
20 warrant holiday here for Bixby shares?
21 A. Not that I remember, no.
22 (Whereupon, Plaintiff's Exhibit Number
23 7 was marked for identification.)
24 BY MR. STOCKWELL:
25 Q. Let me show the witness what's marked as

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1 Plaintiff's Exhibit Number 7. Is this an e-mail
2 from Mr. Crawford to you -- well, I guess to you
3 dated December 26, 2011?
4 A. Yes.
5 Q. And you received this e-mail from Mr. Crawford?
6 A. Yes.
7 Q. And the subject is SEC Filing, re: Bixby Energy
8 Systems?
9 A. Right.
10 Q. In the first paragraph Mr. Crawford writes, This
11 letter is being sent to my friends, colleagues and
12 clients to explain to them the circumstances of the
13 S.E.C.'s (Securities & Exchange Commission) filing
14 of a Civil complaint requesting an Order of
15 Permanent injunction prohibiting me and Crawford
16 Capital from raising capital, disgorgement of any
17 fees paid by Bixby and civil penalties against me
18 and other persons who assisted Bixby Energy
19 Systems, Inc. in raising capital. Do you see that
20 there?
21 A. Yes.
22 Q. Based on your prior testimony, I am assuming that
23 you didn't consider yourself a friend or colleague
24 of Mr. Crawford?
25 A. Definitely not.

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1 Q. You would fall into the client category; is that
2 right?
3 A. Correct.
4 Q. Is this the first time that you heard of Mr.
5 Crawford being part of a civil complaint by the
6 SEC?
7 A. First written information I had that he was.
8 Q. Okay. And this is -- appears to be about a couple
9 months after that prior e-mail we saw which he
10 indicated that certain fund raisers were under
11 investigation?
12 A. Yes.
13 Q. Is that right?
14 A. Right.
15 Q. In that e-mail he did not indicate he was under
16 investigation, but here he does indicate that the
17 SEC has actually filed a complaint against him; is
18 that right?
19 A. Right.
20 Q. Beyond this e-mail, did you ever have any other
21 discussions with Mr. Crawford about the SEC
22 investigation or SEC complaint against him?
23 A. I don't know if we ever talked in person about it.
24 I was -- I talked to him, and I don't remember
25 the -- you know, I was concerned about it, you

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1 know. And I suppose this is a letter to try to
2 make his investors relax a little bit and that he
3 wasn't a criminal, there wasn't a criminal matter
4 for him, it was a civil complaint. So I don't
5 know.
6 Q. And that's what's discussed in that second
7 paragraph?
8 A. In this letter, yeah.
9 Q. Were you at all concerned about the fact that he
10 had not previously informed you that he was under
11 investigation by the SEC?
12 A. I was concerned about the whole Bixby situation,
13 and it just seemed to be -- you know, I just had a
14 third sense that something was wrong way back, and
15 everything that I got in the e-mails and everything
16 that I was forwarded, my fear that it was not a
17 legitimate deal.
18 Q. And what do you recall in the e-mails and
19 information you got that raised those concerns?
20 A. Well, just having, you know, stock available,
21 everybody always wanting to sell you more, sell you
22 more, and then the problems they were running into,
23 and it just didn't seem like a normal company that
24 was making money. It was -- it just started to
25 seem not correct.

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1 Q. Looking at the third paragraph -- we have a knock
2 on the door for a second here and Mr. Polish is
3 entering the room after a brief exit.
4 Looking at the third paragraph, Mr.
5 Crawford writes, The S.E.C. has numerous rules and
6 regulations regarding the activities of registered
7 brokers and other rules for fund raisers,
8 consultants, etc. that are not registered brokers.
9 Do you see that?
10 A. Yes.
11 Q. I have built a good reputation over 20 years of
12 consulting with early stage companies and assisting
13 them in raising capital and I will vigorously
14 defend our rights to continue to do so. Do you see
15 that?
16 A. Yes.
17 Q. He then indicates, I was a registered broker from
18 1969 to 1997, and then he writes, In 1997 I decided
19 that I could do a much better job in raising money
20 for early stage companies if I didn't have a
21 securities license and subsequently decided I would
22 not reapply for a registered broker's license.
23 Did you know Mr. Crawford was a
24 registered broker from 1969 to 1997 prior to seeing
25 this e-mail?

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1 A. No.
2 Q. And do you know why he decided, either based on
3 this e-mail or other conversations with him, that
4 he could do a better job in raising money for early
5 stage companies if he did not have a securities
6 license?
7 A. I don't know why he decided that. And I -- it was
8 just more wood on the fire of my discontent about
9 how everything was going.
10 Q. And I assume you didn't have any other
11 conversations with Mr. Crawford regarding his
12 decision to forgo keeping his securities license as
13 a registered broker?
14 A. No, I did not.
15 Q. And in paragraph four Mr. Crawford discusses
16 Crawford Capital and its operations and how much
17 money it's raised for early stage companies. Is
18 that consistent with some of the communications you
19 received from Mr. Crawford about what Crawford
20 Capital did and some of the advantages you would
21 have by working with Crawford Capital?
22 A. Yes.
23 Q. And he goes on and indicates that, Furthermore,
24 most of the capital that I helped Bixby raise was
25 raised between 2003 and 2005. Do you see that

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1 about five lines down?
 2 A. Yes.
 3 Q. Is that consistent with when you believe you would
 4 have invested with Bixby, between 2003 and 2005?
 5 A. Yes.
 6 Q. And then Mr. Crawford attaches a submission that he
 7 sent to the SEC; is that right?
 8 A. Yes.
 9 Q. Did you review that submission as well?
 10 A. I was aware it was there, but I did not spend much
 11 time with it.
 12 Q. Was it your practice if Mr. Crawford sent you
 13 information in an e-mail with attachments that you
 14 would review it and take a look at it at least?
 15 A. Or, you know, just read the first paragraph or two
 16 and see if I was really interested in what he was
 17 sending me.
 18 Q. And if you were not interested, you would not
 19 really look any further at it?
 20 A. No. Some of them I threw away, some of them I
 21 kept. I could be a candidate for president.
 22 Q. You don't have your own e-mail server, do you?
 23 A. Yes, I do.
 24 (Whereupon, Plaintiff's Exhibit Number
 25 8 was marked for identification.)

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1 50 cents?
 2 A. No. I think it was mostly in c-mails.
 3 Q. Do you recall taking him up on his offer to get a
 4 deal for you regarding additional Bixby shares?
 5 A. I do not think I did anything with him.
 6 Q. Was this type of e-mail consistent with Mr.
 7 Crawford indicating he might be able to get a deal
 8 for you regarding discounted shares of stock from
 9 an issuer?
 10 A. Yes.
 11 Q. I think you said that Mr. Crawford also solicited
 12 your investment in other companies, is that right,
 13 beyond Bixby?
 14 A. Yes.
 15 Q. And did you take him up on his recommendations to
 16 invest in other companies besides Bixby?
 17 A. No, I did not.
 18 Q. Do you remember a company called Disc Motion?
 19 A. I remember some e-mails relating to it, yes.
 20 Q. And what do you recall about Disc Motion, if
 21 anything?
 22 A. Well, I had such a bad taste in my mouth about
 23 Bixby that any company he sent me I was a little
 24 hesitant to invest in, so I really was not
 25 interested.

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1 **BY MR. STOCKWELL:**
 2 Q. Let me show the witness what's been marked as
 3 Plaintiff's Exhibit Number 8. And for the record,
 4 this is an e-mail from Mr. Crawford, it indicates
 5 to Mr. Crawford with a date of February 26, 2012,
 6 Subject, Letter from Bixby Energy Systems; is that
 7 correct?
 8 A. Yes.
 9 Q. Do you recall seeing this e-mail?
 10 A. Yes.
 11 Q. And in this e-mail Mr. Crawford attaches a letter
 12 from Bixby and indicates, As you can read in the
 13 attached Bixby Letter they are struggling
 14 financially. They are doing everything they can
 15 but the S.E.C. apparently won't let them make any
 16 solicitations to raise capital other than through
 17 the exercise of warrants.
 18 And then at the very end he writes,
 19 Would any of you be interested if I could get a
 20 deal for you to acquire Bixby shares for 50-cents?
 21 Do you see that?
 22 A. Yes.
 23 Q. Did you have any other discussions with Mr.
 24 Crawford about his ability to get a deal for you
 25 regarding acquiring additional shares of Bixby for

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1 (Whereupon, Plaintiff's Exhibit Number
 2 9 was marked for identification.)
 3 **BY MR. STOCKWELL:**
 4 Q. Let me show you what's been marked as Plaintiff's
 5 Exhibit Number 9. Is this an e-mail from Mr.
 6 Crawford to you and others dated March 1st - I'm
 7 sorry, March 11, 2007 with the subject line Disc
 8 Motion?
 9 A. Yes.
 10 Q. And did you receive this e-mail from Mr. Crawford?
 11 A. To the best of my recollection, yes.
 12 Q. And in the e-mail Mr. Crawford indicates that he is
 13 hosting a box lunch meeting at my office at noon on
 14 Tuesday, March 13th for a very exciting opportunity
 15 in a revolutionary new device to replace spinal
 16 discs.
 17 At the end of that paragraph he says,
 18 This product could be a blockbuster in a very short
 19 period of time.
 20 Do you recall if this was the first
 21 time you heard about Disc Motion as a potential
 22 exciting opportunity?
 23 A. Yes.
 24 Q. And is this information that you solicited from Mr.
 25 Crawford?

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1 A. No.
 2 Q. He sent this to you without your requesting it; is
 3 that right?
 4 A. Correct.
 5 Q. And again looking at the list of individuals in the
 6 To line, do you recognize any of those individuals?
 7 A. No, I really don't.
 8 Q. Was it common for Mr. Crawford to indicate that he
 9 was hosting lunch meetings or other type of
 10 meetings at his office to introduce exciting
 11 opportunities such as Disc Motion?
 12 A. Yes. I was aware he did that.
 13 Q. And did you attend any of those?
 14 A. Never did.
 15 Q. Was it typical for Mr. Crawford to indicate that
 16 potential investments could be a blockbuster in a
 17 very short period of time?
 18 A. Yes. It was a typical selling point.
 19 Q. And at the very end he also indicates that he is
 20 hosting two other meetings if you can't make the
 21 Tuesday meeting; is that right?
 22 A. Yes.
 23 Q. And I assume you did not attend either of those
 24 meetings either; is that right?
 25 A. No.

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1 Q. Was it typical for Mr. Crawford for companies
 2 beyond Bixby to send you information on companies
 3 unsolicited?
 4 A. It was typical for Mr. Crawford to send me
 5 information, yes.
 6 Q. Without you asking for it?
 7 A. Right.
 8 (Whereupon, Plaintiff's Exhibit Number
 9 10 was marked for identification.)
 10 BY MR. STOCKWELL:
 11 Q. Show the witness Plaintiff's Exhibit Number 10. Is
 12 this an e-mail from Mr. Crawford again to you and
 13 others dated March 20th, 2007 with the subject New
 14 Opportunity?
 15 A. Yes.
 16 Q. And was this again another e-mail regarding the
 17 opportunity to invest in Disc Motion Technologies?
 18 A. Yes.
 19 Q. And consistent with the prior e-mail, I am assuming
 20 you did not request this information but Mr.
 21 Crawford sent it to you nonetheless?
 22 A. Yes.
 23 Q. Was it typical to receive multiple e-mails on an
 24 investment even if you hadn't indicated an interest
 25 in that from Mr. Crawford?

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1 A. Yes.
 2 Q. And in here Mr. Crawford provides information about
 3 Disc Motion and attaches a business profile; is
 4 that right?
 5 A. Yes.
 6 Q. And is this typical of some of the information you
 7 would receive from Mr. Crawford about potential new
 8 investments?
 9 A. Yes.
 10 Q. In the last paragraph Mr. Crawford indicates, Some
 11 of you may be familiar with the huge success of
 12 Spine-Tech who developed and launched the first
 13 spinal fusion cage system in the early 90's, went
 14 public and then was acquired in December of 1997 by
 15 Sulzer, S-U-L-Z-E-R. Early investors cashed out at
 16 an 80 multiple.
 17 Do you understand what he means by
 18 early investors cashed out at an 80 multiple?
 19 A. Sure. Eighty times what they put into the
 20 investment.
 21 Q. And was this typical of Mr. Crawford's
 22 solicitations to you that he would indicate
 23 potential returns on investments if you invested?
 24 A. Yes.
 25 Q. And did you take him up on this opportunity to

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1 invest in Disc Motion?
 2 A. No.
 3 Q. At the very end he also indicates not just that he
 4 is attaching information, but if you want more
 5 information in a PPM, that he could send it to you.
 6 Do you know what a PPM is?
 7 A. No. I just -- I don't know what it is.
 8 Performance report, I imagine, or something like
 9 that.
 10 Q. Was this typical of Mr. Crawford that he would ask
 11 if you wanted more information, that he could field
 12 inquiries from you and provide you with more
 13 information?
 14 A. Yes.
 15 Q. Do you recall the name of a company called
 16 Streamline?
 17 A. No.
 18 (Whereupon, Plaintiff's Exhibit Number
 19 11 was marked for identification.)
 20 BY MR. STOCKWELL:
 21 Q. Show the witness what's been marked as Plaintiff's
 22 Exhibit Number 11. And is Plaintiff's Exhibit
 23 Number 11 an e-mail from Mr. Crawford to you and
 24 others dated April 17th, 2013, subject line
 25 Streamline Investment Documents?

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1 A. Yes.
 2 Q. Was this information that you requested from Mr.
 3 Crawford?
 4 A. No.
 5 Q. Was that typical of information that he would
 6 provide to you?
 7 A. Yes.
 8 Q. And in the first paragraph he indicates, Attached
 9 is information on an exciting opportunity that I
 10 want to share with you. The business is called
 11 Streamline, Inc. I am planning on hosting a
 12 presentation lunch meeting for Streamline at my
 13 office as soon as possible.
 14 He goes on and indicates that he is
 15 attaching an investor brief and a summary of the
 16 savings that use of this device will produce for
 17 hospitals.
 18 Did you attend a presentation lunch
 19 regarding this investment?
 20 A. No.
 21 Q. Did you invest in Streamline at all?
 22 A. No.
 23 Q. Going on, Mr. Crawford says, I am going to tell you
 24 why I am so excited about this. And he goes on and
 25 discusses the opportunity to invest in Streamline.

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1 Is this consistent with information
 2 you received from Mr. Crawford on investments?
 3 A. Yes.
 4 Q. And any reason you did not invest in Streamline?
 5 A. You know, beginning of the bad taste on the Bixby
 6 investment, so I was just leery of anything he sent
 7 me.
 8 Q. I don't think I asked you this, but what was the
 9 return on your Bixby investment?
 10 A. I lost everything.
 11 Q. At the end of that large paragraph in the middle
 12 Mr. Crawford says, I predict that the Streamline
 13 transport system will scale very fast and will be
 14 bought out at a tremendous premium within a few
 15 years. The minimum investment is \$25,000. This
 16 system could quickly replace all the existing
 17 IV-Pole, P-O-L-E, systems all over the world. It
 18 is a huge market.
 19 Do you understand what Mr. Crawford
 20 indicates when he says that Streamline will scale
 21 very fast?
 22 A. Yes. It will increase in value very rapidly and --
 23 but, you know, reading this, it's just like I
 24 thought on most of his e-mails, he was a salesman
 25 trying to sell his investment.

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1 Q. And do you know the significance of the fact that
 2 Streamline could be bought out at a tremendous
 3 premium within a few years?
 4 A. I understood what he was implying, yes, that it
 5 would be a good investment with a multiple return.
 6 Q. Is that consistent with Mr. Crawford's pitches to
 7 you regarding investments?
 8 A. On all investments, yeah.
 9 (Whereupon, Plaintiff's Exhibit Number
 10 12 was marked for identification.)
 11 BY MR. STOCKWELL:
 12 Q. Let me show you what's marked as Plaintiff's
 13 Exhibit 12. For the record, is this an e-mail that
 14 you received from Mr. Crawford on May 28th, 2013,
 15 subject line Streamline?
 16 A. Yes.
 17 Q. And again is this information about a potential
 18 investment in Streamline that Mr. Crawford has
 19 given to you?
 20 A. Yes.
 21 Q. Do you know why he sent to you this second e-mail
 22 regarding Streamline?
 23 A. Trying to sell me on it, I imagine.
 24 Q. You don't recall requesting any further information
 25 about Streamline after that first e-mail we saw?

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1 A. No.
 2 Q. And looking at the second page, at the very top in
 3 bold and underlined, Mr. Crawford says, I predict
 4 that the Streamline transport system will scale
 5 very fast and will be bought out at a tremendous
 6 premium within a few years.
 7 Is that consistent with what we saw in
 8 the prior e-mail?
 9 A. Yes.
 10 Q. In this e-mail he also adds which should return to
 11 shareholders a multiple of 6 to 30 to one.
 12 Do you understand what he means by
 13 should return to shareholders a multiple of 6 to 30
 14 to one?
 15 A. Yes.
 16 Q. What does he mean by that?
 17 A. Six to 30 times your investment return.
 18 Q. And was that something that you were interested in
 19 based on this e-mail?
 20 A. I was not interested at all, but it's just sales
 21 talk.
 22 Q. Was that consistent with Mr. Crawford's pitches to
 23 you that he would provide a potential return on
 24 investment?
 25 A. Yes.

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1 Q. And was that return that he would pitch typically a
2 significant return?
3 A. Pretty much always, yes.
4 Q. Was it typical that that return would be relatively
5 quick, in this case within a few years?
6 A. Yes.
7 Q. And do you know what changed between that first
8 e-mail which was dated April 17th to this e-mail
9 which is May 28th to allow Mr. Crawford to give you
10 a specific potential return on investment?
11 A. I do not know what changed.
12 Q. Looking at the next paragraph, does Mr. Crawford
13 discuss the Minnesota Angel Tax Credit?
14 A. Yes.
15 Q. Do you understand what that is?
16 A. I've heard of it before, but I've never taken
17 advantage of it.
18 Q. And do you recall on occasion Mr. Crawford giving
19 advice about being able to take advantage of that
20 tax credit in relationship to investments that you
21 make through him?
22 A. Yeah. This investment, yes.
23 Q. Do you recall discussing that any further with Mr.
24 Crawford on this or any other investments, the tax
25 credit aspect of it?

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1 A. Back at that time I may have talked to him about
2 it, but I just don't remember having called him
3 because I wasn't interested.
4 Q. And in that same paragraph Mr. Crawford says that
5 he has asked them. Do you understand who "them"
6 is?
7 A. I imagine the state.
8 Q. To allow investors to invest by acquiring a
9 convertible debenture that will be converted in
10 early 2014 when it will then be eligible for the
11 2014 Minnesota Angel Tax Credit Program.
12 Do you understand what he's talking
13 about there?
14 A. Obviously that you'd get some type of return from
15 the Minnesota Angel Tax Credit Program. But like I
16 said, I had concerns about Bixby, so anything that
17 he told me was -- I wasn't comfortable with.
18 Q. Is this consistent with other communications that
19 Mr. Crawford would at times say that he's inquired
20 with in this case the state or with other companies
21 on your behalf about potential benefits he might be
22 able to get for you?
23 A. I remember in this case, but I don't -- I don't
24 remember him mentioning the Angel Tax Credit in
25 other programs.

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1 (Whereupon, Plaintiff's Exhibit Number
2 13 was marked for identification.)
3 BY MR. STOCKWELL:
4 Q. Show you what's marked as Plaintiff's Exhibit 13.
5 Is Plaintiff's Exhibit 13 an e-mail from Mr.
6 Crawford to you and others on July 8th, 2013
7 regarding Streamline Information?
8 A. Yes.
9 Q. And again, is this information that you requested
10 from Mr. Crawford?
11 A. No.
12 Q. And attached to this e-mail are several documents,
13 including a Confidential Private Placement
14 Memorandum; is that right?
15 A. Yes.
16 Q. A business plan, and some other financing
17 documents; is that right?
18 A. Correct.
19 Q. Is this typical information that Mr. Crawford would
20 send to you on potential investments?
21 A. Not this much information.
22 Q. Do you know why in this case he provided you all
23 this information even though you hadn't expressed
24 any interest in investing?
25 A. I have no idea why he would send this much.

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1 Q. The Private Placement Memorandum, do you recall
2 receiving something similar to this from Mr.
3 Crawford regarding your investment in Bixby?
4 A. Did I receive this kind of information with Bixby?
5 Q. Yes.
6 A. I received quite a bit of information from him, and
7 possibly -- the only thing I'm thinking here is
8 maybe if I talked to him about the Minnesota Angel
9 Tax Credit, he may have thought I had interest in
10 this company, and that's probably why -- I would
11 guess why he would send me this much information.
12 I didn't get this much information on Bixby.
13 Q. The information that you got from Bixby, though,
14 when you first invested, was that information you
15 got from Mr. Crawford?
16 A. Yes.
17 Q. I'm about to switch to another topic. Do you want
18 to take a quick five-minute break?
19 A. I'm good if you guys are good.
20 MR. STOCKWELL: Paul?
21 MR. ENGH: I'm fine.
22 MR. STOCKWELL: All right. Well,
23 we'll continue on. I don't have a whole lot more.
24 BY MR. STOCKWELL:
25 Q. Do you recall the name of a company called Neuro

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1 Stimulation, Inc.?

2 A. Not specifically, no.

3 (Whereupon, Plaintiff's Exhibit Number

4 14 was marked for identification.)

5 BY MR. STOCKWELL:

6 Q. Let me show you what's marked as Plaintiff's

7 Exhibit 14. Is this an e-mail from Paul Crawford

8 to you and others on October 23rd, 2006 with a

9 subject Neuro Stimulation, Inc.?

10 A. Yes.

11 Q. And is this information you requested from Mr.

12 Crawford?

13 A. No.

14 Q. Is this how you learned about an opportunity to

15 invest in a company called Neuro Stimulation, Inc.?

16 A. Yes.

17 Q. Do you recall discussing this at all any further

18 with Mr. Crawford beyond this e-mail?

19 A. No.

20 Q. And again, at the very bottom he indicates that he

21 is going to be hosting two box lunch investor

22 meetings at his office at noon on Tuesday, October

23 31st and on Tuesday, November 14th. Did you attend

24 those meetings?

25 A. No.

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1 Q. And at the very beginning he says, I am very

2 pleased to announce that I have been retained by

3 Neuro Stimulation, Inc. (NSI) to assist them in

4 raising a small amount of capital to launch an

5 incredible new Transcutaneous Electrical Nerve

6 Stimulation System -- and that's

7 T-R-A-N-S-C-U-T-A-E-E-O-U-S -- for the treatment of

8 chronic back pain.

9 Do you know what Mr. Crawford meant by

10 being retained by Neuro Stimulation, Inc.?

11 A. It would be implied by this e-mail that he was

12 hired by Neuro Stimulation to raise capital for

13 them.

14 Q. And was that consistent with your understanding

15 with other companies, that Mr. Crawford was not --

16 did you know if Mr. Crawford was actually employed

17 by any of these companies?

18 A. No. I thought he just worked on a commission

19 basis.

20 Q. And that would be through his company Crawford

21 Capital?

22 A. Correct.

23 Q. In that same paragraph Mr. Crawford talks about the

24 fact that Neuro Stimulation, Inc.'s device will

25 quickly pass through the FDA and be approved for

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1 sale in the over-the-counter (OTC) market.

2 Do you understand the significance of

3 being approved for sale in the over-the-counter

4 market?

5 A. Yes, I do.

6 Q. What do you understand about that?

7 A. There would be -- usually I imagine it's a real

8 long process, you know, one to three years, and if

9 you can get it done quickly, you'd beat everybody

10 else to the market, and of course it makes your

11 company grow faster.

12 Q. Looking at the third paragraph, Mr. Crawford

13 indicates that they -- do you understand that to be

14 Neuro Stimulation, Inc.?

15 A. Yes.

16 Q. Need only \$1.5 million to complete the design and

17 produce several working prototypes and to establish

18 manufacturing, initial marketing and distribution.

19 Is that typical that Mr. Crawford

20 would indicate how much capital the companies were

21 trying to raise?

22 A. Yes.

23 Q. He then he indicates, The deal I have made with NSI

24 is that my, quote, syndicate, unquote, will acquire

25 20 percent of the company for the initial \$1.5

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1 million and then can duplicate that amount after

2 NSI proves efficacy of the technology which would

3 mean the syndicate, in quotes, would then own 40%

4 of the company.

5 Did he ever in regards to your

6 investment with Bixby reference you as being part

7 of a syndicate of investors that he had?

8 A. No.

9 Q. Do you know what he's referring to regarding this

10 syndicate?

11 A. I have no idea where he'd come up with that. He

12 may think of all the people that bought from him in

13 the past as part of his people or something. I

14 don't know.

15 Q. And with regard to the companies that he would

16 pitch to you, would he often indicate a special

17 deal he could get for his investors that might not

18 be available for other investors?

19 A. I don't think he implied that it was a special

20 deal. It was just a deal, the way I took it.

21 Q. Do you recall anything like that regarding your

22 investment with Bixby?

23 A. No. I just thought of it as a broker selling stock

24 in a company, you know, or a broker trying to get

25 me to invest in a company.

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1 Q. Do you recall the name of a company called
2 FourCubed, F-O-U-R-C-U-B-E-D?
3 A. I don't remember that.
4 (Whereupon, Plaintiff's Exhibit
5 Number 15 was marked for identification.)
6 BY MR. STOCKWELL:
7 Q. Let me show the witness what's marked as
8 Plaintiff's Exhibit 15. Is Plaintiff's Exhibit 15
9 yet another e-mail from Mr. Crawford to you on
10 March 3rd, 2014 regarding a company called
11 FourCubed?
12 A. Yes.
13 Q. And is this information that you asked for from Mr.
14 Crawford?
15 A. No.
16 Q. Is this how you learned about an opportunity to
17 invest with a company called FourCubed?
18 A. Yes.
19 Q. And in the very first sentence Mr. Crawford says,
20 There is not any early stage deal that I have ever
21 been involved with that is more predictable to have
22 a very successful outcome in a very short time
23 frame than FourCubed.
24 Based on Mr. Crawford's statement
25 there, did you invest in FourCubed based on his

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1 optimism?
2 A. No.
3 Q. And why is that?
4 A. Because of my past experience with other companies.
5 Q. At the very end of the e-mail on page 3, I will
6 refer you to the last -- the top sentence there,
7 The least I expect is that FourCubed will grow by a
8 factor of 5 to 9 times its current valuation over
9 the next two to three years.
10 Do you understand what he means by
11 that?
12 A. Yeah. He thinks that seven million dollar value is
13 going to move to 35 to 63 million dollars.
14 Q. And based on that prediction of future growth and
15 performance, did you decide to invest in this
16 company?
17 A. No, I did not.
18 Q. Was that prediction of future growth and
19 performance typical of Mr. Crawford's pitches to
20 you?
21 A. Yes.
22 Q. And again, in the next sentence he indicates this
23 is a unique opportunity which will scale very fast.
24 Is that similar language we've seen in other
25 e-mails?

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1 A. Yes.
2 Q. And one more topic. Do you recognize the name of a
3 company called LocalLoop, L-O-C-A-L-L-O-O-P?
4 A. Yes.
5 Q. And how do you recognize the name LocalLoop?
6 A. I just got an e-mail from Crawford a couple days
7 ago.
8 Q. And what was that e-mail regarding?
9 A. The purchasing of -- or making an investment in
10 LocalLoop.
11 Q. And was that the first time you heard of LocalLoop?
12 A. Yes.
13 (Whereupon, Plaintiff's Exhibit Number
14 16 was marked for identification.)
15 BY MR. STOCKWELL:
16 Q. Let me show the witness Plaintiff's Exhibit 16. Is
17 Plaintiff's Exhibit 16 an e-mail from Mr. Crawford
18 to you and others dated September 8th, 2014,
19 subject line Tuesday update; is that right?
20 A. Yes.
21 Q. And is this an e-mail talking about the company
22 LocalLoop?
23 A. Yes.
24 Q. And does this refresh your recollection as to the
25 first time you heard about LocalLoop?

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1 A. Yes.
2 Q. And did you invest in LocalLoop based on Mr.
3 Crawford's recommendation?
4 A. No.
5 Q. Was that for the same reasons you discussed
6 previously?
7 A. Yes.
8 Q. And again, is this information about LocalLoop
9 information that you requested from Mr. Crawford or
10 information he sent to you without you requesting
11 it?
12 A. Information that he sent to me without me
13 requesting it.
14 Q. Turning to the second page, the top paragraph in
15 the middle, Mr. Crawford says, LocalLoop is
16 sneaking up on the rural 4G marketplace and it is
17 about to turn into a tsunami. That will then
18 trigger interest among Private Equity firms, Hedge
19 Funds and major Wall Street brokerage firms.
20 LocalLoop is about to really blast-off. It is a
21 very good time for investors who aren't yet a
22 LocalLoop shareholder to invest before it is too
23 late. And, it is a great time for existing
24 investors to increase their percentage ownership.
25 You decided not to invest in LocalLoop

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1 despite the fact that it could turn into a tsunami
2 and was about to really blast off?
3 A. Yes.
4 Q. Is that for the same reasons you discussed
5 previously?
6 A. Yes.
7 Q. Is this, although a little bit more colorful
8 language, similar language that Mr. Crawford would
9 use for other investments?
10 A. Yes.
11 Q. In the next paragraph he also says that, I want to
12 point out that LocalLoop is the kind of investment
13 that is ideal to be held in a Roth IRA.
14 Do you understand why LocalLoop may be
15 an ideal investment to hold in a Roth IRA?
16 A. He's just implying that it will grow rapidly.
17 Q. Was this typical of Mr. Crawford to suggest where
18 to hold certain types of investment investments?
19 A. I don't remember him saying that in the past. I do
20 not remember him saying that in the past.
21 Q. And in the next paragraph he indicates, I may be
22 able to offer a significant discount for a large
23 investment of between \$250,000 and \$500,000.
24 Is that consistent with other e-mails
25 you've seen from Mr. Crawford where he is able to

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1 offer a significant discount to a particular
2 investment?
3 A. Yes. The later e-mails.
4 Q. Did you ever attend any meetings or any other
5 discussions with Mr. Crawford regarding LocalLoop?
6 A. No.
7 Q. Any other investment opportunities you recall Mr.
8 Crawford pitching to you besides the ones we have
9 reviewed?
10 A. No. I kept, like I said, a number of the e-mails,
11 but I just had no interest because of my past
12 experience with Bixby and how it all went down.
13 MR. STOCKWELL: That's all I have.
14 EXAMINATION
15 BY MR. ENGH:
16 Q. I've got a couple questions for you.
17 A. Sure.
18 Q. Haluptzok?
19 A. Haluptzok.
20 Q. Haluptzok. Is that Finnish?
21 A. Czech.
22 Q. Czech. Well, again, my name is Paul Engh. I
23 represent Mr. Crawford. I appreciate you being
24 here. I've got a couple questions for you.
25 A. Okay.

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1 Q. Mr. Solie, how do you spell his last name?
2 A. S-O-L-I-E.
3 Q. He is a good friend of yours, I take it?
4 A. Yes.
5 Q. A trusted associate?
6 A. Yes.
7 Q. And he was the one who referred Mr. Crawford?
8 A. Yes.
9 Q. Had he had good luck with Mr. Crawford's offerings
10 in the past, as far as you know?
11 A. He said he had a couple investments with him that
12 had worked out for him.
13 Q. How soon after you spoke with Mr. Solie did you
14 make your investment in Bixby; do you recall?
15 A. I would guess it was within a year.
16 Q. You had never met Mr. Crawford personally?
17 A. I don't remember meeting him.
18 Q. And I think you indicated that you had never been
19 to his office on Main Street here?
20 A. No.
21 Q. Had you ever spoken to him over the telephone?
22 A. Yes.
23 Q. How often did you do that?
24 A. At the beginning with the Bixby thing quite a few
25 times, and then a few e-mails would, like I said,

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1 on the Angel Tax Credit, some things that he would
2 say in a letter that would peak my interest and I
3 would call him and question him about.
4 Q. And he was responsive to your questions, I assume?
5 A. Yes.
6 Q. You're aware that he was not working for Bixby or
7 not an employee; is that correct?
8 A. Right.
9 Q. He was not on the management team, right?
10 A. That's what I thought.
11 Q. And what he did was tell you about a meeting you
12 could go to where Mr. Walker would present the
13 Bixby plan and the Bixby vision of the company?
14 A. Yes.
15 Q. So he suggested you go to the meeting and you did;
16 is that right?
17 A. Yes.
18 Q. Was Mr. Crawford at the meeting himself, do you
19 recall?
20 A. I thought he was there, but I never did talk to
21 him.
22 Q. That was the meeting where Mr. Walker gave his own
23 pitch as to why you should invest in Bixby; is that
24 right?
25 A. Correct.

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1 Q. And he had a certain gravitas because he had had
2 success as a bedding manufacturer; is that correct?
3 A. Correct. Select Comfort.
4 Q. Select Comfort, which is still an ongoing company,
5 as far as you know?
6 A. Correct.
7 Q. So you found Mr. Walker to be persuasive and gave
8 \$80,000?
9 A. Yes.
10 Q. The check was to Bixby, right?
11 A. Yes.
12 Q. Well, I assume it wasn't to Crawford, right?
13 A. No. It was to Bixby.
14 Q. Do you know the difference between a broker and a
15 finder in terms of investors?
16 A. Not really. I just assume they're both the same,
17 but --
18 Q. Well, you had the sensation, though Mr. Crawford
19 may not have communicated it to you, that he was
20 attempting to solicit investors in the various
21 companies; is that correct?
22 A. Correct.
23 Q. But that he had no management in any of these
24 companies, right?
25 A. Correct.

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1 Q. Yeah.
2 A. Like 13 or 14 companies.
3 Q. Have you done that through other individuals like
4 Mr. Crawford who have solicited your investment?
5 A. No.
6 Q. How have you invested your --
7 A. I personally bought all the companies myself, or
8 created the companies.
9 Q. I thought I heard you say your main source of
10 income or the main company was this John's Auto
11 Parts; is that right?
12 A. Yes.
13 Q. That was your economic engine for 40 years, --
14 A. Yes.
15 Q. -- for want of a better phrase?
16 A. Right.
17 Q. Were you selling new parts or aftermarket parts?
18 A. Both. Plus service and tires and used auto parts.
19 Q. This is up in Andover, is it?
20 A. Blaine.
21 Q. Did you have a number of stores or just one?
22 A. No. One main store. I had five locations at one
23 time, owned five different companies and combined
24 them into one large company.
25 Q. Did Mr. Crawford -- going back to Bixby investment,

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1 Q. So he was a salesman?
2 A. Right.
3 Q. Trying to raise capital for the various businesses;
4 is that right?
5 A. Correct.
6 Q. And somehow he found you through Mr. Solie?
7 A. Correct.
8 Q. And pursued you in these e-mails over a certain
9 period of time?
10 A. Yup.
11 Q. I assume other individuals in the marketplace
12 pursue you for investment opportunities as well?
13 A. Yes.
14 Q. And you are an investor in private companies?
15 A. Not very many.
16 Q. A few?
17 A. I mean, do I buy stocks? Yes, I buy a lot of
18 stock. But as far as investing in companies
19 themselves, not very often.
20 Q. Most of the stocks you buy I assume are on NASDAQ
21 in the open market?
22 A. Yeah.
23 Q. And how many private companies have you bought
24 stock in, sir?
25 A. For myself?

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1 sorry for the diversion -- did he ever ask you what
2 your individual needs were or what your other
3 investments were in terms of other companies you
4 had stakes in?
5 A. He may have asked me if I had other investments,
6 but that would be the extent of my conversation
7 with him.
8 Q. Did he ever engage in financial planning with you?
9 A. No.
10 Q. Nor did you invite him to do that?
11 A. No.
12 Q. Did he ever discuss with you your financial needs
13 outside of pitching these various companies to you?
14 A. No. Pretty much pitching the companies.
15 Q. Did he ever discuss with you your risk tolerance?
16 A. Yes.
17 Q. And what were the discussions about your risk
18 tolerance?
19 A. Just, you know, this investment may take some time
20 to develop, you know, three to five years or
21 whatever, and that type of thing. But I mean
22 basic --
23 Q. He was hopeful for Bixby himself?
24 A. Yes.
25 Q. And you, too, were hopeful for Bixby and everybody

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Harold Haluptzok
April 1, 2015

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1 else who invested was hopeful for Bixby; fair
 2 enough?
 3 A. Right.
 4 Q. Obviously you don't write \$80,000 checks to lose
 5 them?
 6 A. Right.
 7 Q. You indicated that you didn't know what his
 8 commission was or finder's fee was or however he
 9 got paid for this. Do you have a sense from your
 10 experience as an investor how much he did pay or
 11 how much he did make on your \$80,000 investment?
 12 A. I would guess he made ten percent.
 13 Q. Would that be fairly standard in the business?
 14 A. I would guess on this type of investment.
 15 Q. Were you impressed by the fact that Gil Gutknecht
 16 was at one point running Bixby and was the author
 17 of certain letters that were forwarded to you by
 18 Mr. Crawford?
 19 A. Later on I was, yes. At first I wasn't aware he
 20 was involved.
 21 Q. The fact that he got involved gave you at least
 22 some comfort that Bixby might survive the storms;
 23 is that correct?
 24 A. Yes.
 25 Q. And for the record, we know that Gil Gutknecht, for

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1 interested in investing in subsequent companies
 2 that were pitched to you?
 3 A. Probably would have been, yes.
 4 Q. Did you do your own independent research on any of
 5 these companies; LocalLoop, FourCubed, Neuro
 6 Stimulation?
 7 A. No.
 8 Q. One of a hundred e-mails, and you just got rid of
 9 it; fair enough?
 10 A. Yeah.
 11 Q. And in these e-mails, when Mr. Crawford is
 12 predicting good things for the company, and you've
 13 gone over each one, but I won't spend time again
 14 with you, I mean he's basically stating his high
 15 hopes for the investors of the company as well; is
 16 that right?
 17 A. Correct.
 18 Q. Which is, as you knew, part of his sales technique?
 19 A. Yes.
 20 Q. One moment. Did you find his e-mails to you that
 21 you discarded to be overly aggressive or were they
 22 merely stating an opportunity for you?
 23 A. Stating an opportunity.
 24 Q. How frequent did they come? I know you erased
 25 some.

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1 those of you from Illinois, used to be a United
 2 States Congressman from southern Minnesota; fair
 3 enough?
 4 A. Yes.
 5 Q. In the Rochester area, Albert Lea, southern edge?
 6 A. Right.
 7 Q. And held that position for a number of terms until
 8 he was defeated; is that right?
 9 A. Right.
 10 Q. And on the Bixby shares, do you assume that Mr.
 11 Crawford got his own information from Bixby
 12 employees, including Mr. Walker?
 13 A. Yes.
 14 Q. You didn't look at yourself as being an individual
 15 client of Mr. Crawford?
 16 A. No.
 17 Q. You looked at him as an individual who found
 18 companies for people to invest in; fair enough?
 19 A. Yes.
 20 Q. And when you decided not to invest in any further
 21 companies, it was, as you have indicated, mostly
 22 because you were soured on Bixby; is that right?
 23 A. Yes.
 24 Q. And had you made money on Bixby, -- and this is a
 25 speculation, I suppose -- would you have been more

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1 A. At least every month or two I would definitely get
 2 e-mails from him.
 3 MR. ENGH: Thank you. I have no
 4 further questions.
 5 THE WITNESS: Thank you.
 6 MR. STOCKWELL: No further questions
 7 from us.
 8 MR. POLISH: We'll reserve signature.
 9 (Whereupon, the deposition was
 10 adjourned at 11:20 a.m.)
 11
 12
 13
 14

 15 HAROLD HALUPTZOK
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1 STATE OF MINNESOTA }
2 COUNTY OF HENNEPIN }

3 I hereby certify that the witness in the
4 foregoing deposition, Harold Haluptzok, was by me
5 duly sworn to testify to the truth, the whole truth
6 and nothing but the truth, in the within-entitled
7 cause; that said deposition was taken at the time
8 and place herein named; and that the deposition is
9 a true record of the witness's testimony as
10 reported by me, a duly certified shorthand reporter
11 and a disinterested person, and was thereafter
12 transcribed into typewriting by computer.

13 I further certify that I am not
14 interested in the outcome of the said action, nor
15 connected with nor related to any of the parties in
16 said action, nor to their respective counsel.

17 IN WITNESS WHEREOF, I have hereunto set my
18 hand this 7th day of April, 2015.

19 Reading and signing was:

20 requested waived not requested

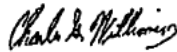
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Charles G. Williamson, Court Reporter

EXHIBIT 15

EXHIBIT A

FORM OF SUBSCRIPTION AGREEMENT,
LETTER OF INVESTMENT INTENT AND LOCK-UP

Bixby Energy Systems, Inc.
14295 James Road
Rogers, Minnesota 55374

Ladies and Gentlemen:

The undersigned (the "Subscriber") hereby subscribes to purchase 125,000 shares (the "Shares") of the common stock, \$.001 par value (the "Common Stock"), of Bixby Energy Systems, Inc., a Delaware corporation (the "Company"), for a purchase price of \$0.80 per share and upon the other terms and conditions set forth below. A check or other payment payable to "Bixby Energy Systems, Inc." in the amount of \$ 100,000 for the Shares is also delivered herewith. The Subscriber acknowledges that the Company is relying upon the accuracy and completeness of the representations contained herein in complying with its obligations under applicable securities laws and that a subscription for Shares may be rejected for any reason.

The Subscriber acknowledges and represents as follows:

1. The Subscriber has received copies of all documents and any other information requested from the Company and has had an opportunity to ask questions of and receive answers from the management of the Company concerning the terms and conditions of the Offering and to obtain any additional information desired or has elected to waive such opportunity. The Subscriber confirms that the Subscriber is fully informed regarding the financial condition of the Company, the administration of its business affairs and its prospects for the future, and that the Company makes no assurance whatsoever concerning the present and prospective value of the Shares to be acquired.
2. The Subscriber realizes that the Shares, as an investment, are speculative and involve a high degree of risk. The Subscriber believes that an investment in the Shares is suitable for the Subscriber based upon the Subscriber's investment objectives and financial needs, and the Subscriber has the financial means to undertake the risks of an investment in the Shares, to hold the Shares for an indefinite period of time, and to withstand a complete loss of the Subscriber's investment in the Shares.
3. The Subscriber, either alone or with the assistance of a professional advisor, has such knowledge and experience in financial and business matters that the Subscriber is capable of evaluating the merits and risks of an investment in the Shares. The Subscriber has obtained, to the extent deemed necessary, personal professional advice with respect to the risks inherent in, and the suitability of, an investment in the Shares in light of the Subscriber's financial condition and investment needs.
4. The Shares are being purchased by the Subscriber for investment purposes in the Subscriber's name solely for Subscriber's own beneficial interest and not as nominee for, or for the beneficial interest of, or with the intention to transfer to, any other person, trust or organization.
5. The Subscriber acknowledges that (a) the Subscriber must bear the economic risk of an investment in the Shares for an indefinite period of time because the Shares have not been registered under the Securities Act of 1933 or any applicable state securities laws and therefore may not be sold, transferred, assigned or otherwise disposed of unless such disposition is subsequently registered under such laws or exemptions from such registrations are available, and (b) a legend will be placed on the certificate evidencing the Shares stating that the Shares have not been registered under the Securities Act of 1933 and referencing the restrictions on the transferability of the Shares.
6. The Subscriber is a bona fide resident of the State of Minnesota.

_____ PLTF. _____
 _____ DEFT. Bixby Energy Systems, Inc.
EXHIBIT 19
 WITNESS Bohw
 CONSISTING OF 4 PAGES
 DATE 4-1-15
 BEHMK REPORTING AND VIDEO SERVICES, INC.

Subscription Agreement Page - 1

7. The Subscriber is an "accredited investor" within the meaning of Rule 501 under the Securities Act of 1933, coming within the category or categories marked below. For any category marked, the Subscriber has truthfully set forth the factual basis or reason the undersigned comes within that category. ALL INFORMATION IN RESPONSE TO THIS PARAGRAPH WILL BE KEPT STRICTLY CONFIDENTIAL. The Subscriber agrees to furnish any additional information that the Company deems necessary in order to verify the answers set forth below.

- The Subscriber is a director or executive officer of the Company.
- The Subscriber is an individual with a net worth, or joint net worth with spouse, presently exceeding \$1,000,000.
- The Subscriber is an individual who either (i) had an income in excess of \$200,000 in each of the two most recent years and who reasonably expects income in excess of \$200,000 the current year, or (ii) had a joint income with spouse in excess of \$300,000 in each of the two most recent years 2000 and who reasonably expect a joint income in excess of \$300,000 in the current year.
- The Subscriber is a corporation, partnership, business trust or a non-profit organization within the meaning of Section 501(c)(3) of the Internal Revenue Code that was not formed for the purpose of acquiring the securities of the Company, and that has total assets in excess of \$5,000,000.
- Other (please specify).

8. If the Subscriber is not an individual, (a) the Subscriber was not organized for the specific purpose of acquiring the Shares, and (b) this Subscription Agreement has been duly authorized by all necessary action on the part of the Subscriber, has been duly executed by an authorized officer or representative of the Subscriber and is a legal, valid, and binding obligation of the Subscriber enforceable in accordance with its terms.

9. The Subscriber desires that the Shares be held as follows (check one):

- | | |
|--|--|
| (a) <input type="checkbox"/> Individual Ownership | (f) <input type="checkbox"/> Corporation* |
| (b) <input type="checkbox"/> Community Property | (g) <input checked="" type="checkbox"/> Trust* |
| (c) <input type="checkbox"/> Jr. Tenant with Right of Survivorship
(both parties must sign) | (h) <input type="checkbox"/> Limited Liability Company |
| (d) <input type="checkbox"/> Partnership* | (i) <input type="checkbox"/> Other (please describe) |
| (e) <input type="checkbox"/> Tenants in Common | |

*If Shares are being subscribed for by an entity, the Certificate of Signatory at the end of this agreement must also be completed.

10. The undersigned understands that the Company is planning, but does not guarantee, to undertake an initial public offering (the "Offering") of its Common Stock at some point in the future. As a beneficial owner of the Common Stock being offered, the undersigned understands that the certain underwriters or other third parties will require that the undersigned enter into a "lock up" arrangement restricting transfers of any shares of Common Stock beneficially owned by the undersigned at the time of the Offering (the "Shares").

Accordingly, in consideration of the Offering and for other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned hereby agrees that the undersigned will not, directly or indirectly, sell any shares during the Offering or otherwise sell, transfer, assign, pledge or hypothecate any of the Shares for a period of

one hundred eighty (180) days after the effective date of the Company's Registration Statement. The undersigned acknowledges that the foregoing restriction will not be waived in any circumstance by the Company.

The undersigned agrees and consents to the entry of stop transfer instructions with the transfer agent for the Common Stock against any transfer of shares by the undersigned in contravention of this agreement. Further, the undersigned understands that each of the underwriters of the Offering and the Company will rely upon the representations set forth in this letter in proceeding with the Offering, and that the agreements of the undersigned contained herein are irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

Dated: November 3, 2007

2 [Signature]
Signature M. BOHN

Signature M. BOHN

TRUSTEE

Title (if applicable)*

GARY BOHN
Name Typed or Printed

[Redacted Address]

Address

SHAKOPEE, MN 55379
City, State and Zip Code

City, State and Zip Code

[Redacted] - [Redacted] - 4809
Phone Number

Phone Number

[Redacted] 7891
Tax Identification or Social Security Number

Tax Identification or Social Security Number

Signature

Title (if applicable)*

Name Typed or Printed

Address

City, State and Zip Code

Alternate Phone Number

Tax Identification or Social Security Number

This Subscription Agreement is accepted by the Company as of _____, _____.

Bixby Energy Systems, Inc., a Delaware corporation

By: _____

Its: _____

CERTIFICATE OF SIGNATORY

(to be completed if the Shares are being subscribed for by an entity)

I, GARY BROWN LIVING TRUST, am the TRUSTEE of
(the "Entity").

I certify that I am empowered and duly authorized by the Entity to execute and carry out the terms of the Subscription Agreement and to purchase and hold the Shares, and certify further that the Subscription Agreement has been duly and validly executed on behalf of the Entity and constitutes a legal and binding obligation of the Entity.

IN WITNESS WHEREOF, I have set my hand this 3rd day of November, 2003

Gary M. Bell
(Signature)

EXHIBIT 16

[REDACTED]

From: "Paul Crawford" <pc@crawcap.com> <pc@crawcap.com>
Sent: Monday, September 25, 2006 3:07 PM
To: "Staley Gentry"; "Ron Runck"; "Rick Brimacomb"; "rick anderson"; "Richard Anderson"; "manish agarwal"; "Larry Karkela"; "Larry Hopfenspirger"; "Judy Wright"; "John Scheef"; "John Kuhrmeyer"; "John Fitzgerald"; "Jerry & Mary Jacoby"; "Gerry Mueller"; "George Holden"; "Gary Brummer"; "Gary Bohn"; "Frank Dosal"; "Ernie DeLanghe"; "Dr. Phil Sweetser"; "Doug Selander"; "Don Schreifels"; "Don Patrie"; "Dick Parry"; "Dave Fernald"; "Dan Neisen"; "cush"; "Carl & Jan Kuhrmeyer"; "Byron Johnson"; "Bob & Ruth Bringer"; "Bo Schiller"; "Bill Degnan"; "Bill Crawford"; "Joe Mooney"
Subject: investor update

I have scheduled an investor meeting at Bixby's new facilities in Brooklyn Park at 10:00 a.m., Thursday, October 5th. Their business is ramping up very rapidly and it is very likely they will generate \$40 million in revenues in this fiscal year compared to \$8.3 million last year and less than \$3 million in the prior year.

The new UBB corn/wood pellet system is being very well received. The development of their new Omni furnace system is going well and should be ready for shipment in 2008. The Omni Furnace, which will run on corn, wood pellets or Bixby biomass pellets, will cover a homes heating and air-conditioning, heat the hot water and generate enough electricity to cover the electrical needs of an average home. Bob Walker will also tell us about their plans to acquire a biomass (waste) energy fuel pellet facility

They are close to completing the financing deal that will allow their shares to be traded on the NASDAQ market. There is a very limited time to invest in Bixby at \$1.60 per share with 50% warrant coverage.

To get to Bixby's new facility you go north of 694/94 on Hwy 169 to the first exit (77th Ave N., Co Rd 130). Turn right and then make an immediate right on Mendelssohn Drive (which parallels along the east side of Hwy 169) and then turn left into the 2nd driveway. Bixby is on your right as you enter the driveway and the main entrance is marked. Their phone number is 763-428-1806.

Please let me know if you plan to attend the meeting. And let me know if you know of anyone else who would like to learn more about this very exciting alternative energy investment opportunity. I think that Bob Walker will have another winner with Bixby as he did with Select Comfort and the revolutionary Sleep Number Bed.

Regards,
Paul Crawford
Crawford Capital
(612)676-1436

EXHIBIT 22 PLIF.
WITNESS Bohn DEFT.
CONSISTING OF 1 PAGES
DATE 4-1-15
BEHMK READING AND VIDEO SERVICES, INC.

EXHIBIT 17

In The Matter Of:
U.S. Securities and Exchange Commission v.
Gary A. Collyard, et al.

Staley M. Gentry
March 30, 2015

Behmke Reporting and Video Services, Inc.
160 Spear Street, Suite 300
San Francisco, California 94105
(415) 597-5600

U.S. Securities and Exchange Commission v.
Gary A. Collyard, et al.

Staley M. Gentry
March 30, 2015

Page 1

1 UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF MINNESOTA
3
4 -----
5 UNITED STATES SECURITIES AND)
6 EXCHANGE COMMISSION,)
7 Plaintiff,)
8) CASE NO.
9 v.) 11-cv-3656 (JNE/JJK)
10)
11 GARY A. COLLYARD, ET AL.)
12 Defendants)
13 -----
14
15
16 DEPOSITION OF STALEY M. GENTRY
17 MONDAY, MARCH 30, 2015
18
19
20
21 BEHMK REPORTING AND VIDEO SERVICES, INC.
22 BY: REGINA TOPPINS
23 160 SPEAR STREET, SUITE 300
24 SAN FRANCISCO, CALIFORNIA 94105
25 (415) 597-5600

Page 3

1 APPEARANCES OF COUNSEL:
2 ON BEHALF OF THE PLAINTIFF:
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8 Telephone: (312) 353-6884
9 Email: polishj@sec.gov
10 stockwellt@sec.gov
11
12 ON BEHALF OF THE DEFENDANT PAUL CRAWFORD:
13 BY: PAUL ENGH, ATTORNEY AT LAW (Telephonically)
14 220 South 6th Street, Suite 215
15 Minneapolis, Minnesota 55402
16 Telephone: (612) 252-1100
17 Email: engh4@aol.com
18
19 ALSO PRESENT:
20 PAUL CRAWFORD (Telephonically)
21
22
23
24
25

Page 2

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5
6
7
8 DEPOSITION OF STALEY M. GENTRY, taken on behalf
9 of Plaintiff, at the offices of The U.S. Attorney's
10 office, 310 New Bern Avenue, Suite 800, Raleigh, North
11 Carolina 27601, commencing 12:32 P.M., MONDAY, MARCH 30,
12 2015 before Regina Toppins, Notary Public, in and for the
13 State of North Carolina, pursuant to Subpoena.
14
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5 Examination by MR. ENGH 90
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U.S. Securities and Exchange Commission v.
Gary A. Collyard, et al.

Staley M. Gentry
March 30, 2015

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EXHIBITS				EXHIBITS - (CONTINUED)			
STALEY M. GENTRY				STALEY M. GENTRY			
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STALEY M. GENTRY				STALEY M. GENTRY,			
Number	Description	Page		having been duly sworn, testifies as follows:			
Exhibit 12	E-mail of 8/24/2011 - 2 pages	46		DIRECT EXAMINATION			
Exhibit 13	E-mail of 10/13/2006 - 1 page	48		5	BY MR. POLISH:		
Exhibit 14	E-mail of 10/31/2006 - 3 pages	50		6	Q. Good afternoon, Mr. Gentry.		
Exhibit 15	E-mail of 11/24/2007 - 1 page	53		7	A. Good afternoon.		
Exhibit 16	E-mail of 3/11/2007 - 1 page	57		8	Q. My name is Jonathan Polish. I'm an attorney with		
Exhibit 17	E-mail of 10/9/2007 - 3 pages	59		9	the United States Securities and Exchange Commission.		
Exhibit 18	E-mail of 10/24/2007 - 3 pages	61		10	With me is my colleague, Timothy Stockwell. And we -		
Exhibit 19	E-mail of 11/28/2007 - 1 page	64		11	let me give you a document which I'm marking as Staley		
Exhibit 20	E-mail of 11/29/2007 - 1 page	65		12	Exhibit 1.		
Exhibit 21	E-mail of 8/19/2010 - 4 pages	66		13	MR. POLISH: And I'm putting in front of the		
Exhibit 22	E-mail of 6/27/2010 - 3 pages	70		14	witness, Mr. Engh -- and why don't we identify the		
				15	people who are participating telephonically for the		
				16	record.		
				17	MR. ENGH: Well, my name is Paul Engh on		
				18	behalf of Mr. Crawford. He's here as well.		
				19	MR. POLISH: Very good.		
				20	I've just handed the witness a document		
				21	entitled Subpoena To Testify At A Deposition in a		
				22	Civil Action.		
				23	[The referred to document was marked for		
				24	identification as Exhibit Number 1.]		
				25	BY MR. POLISH:		

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1 Q. Mr. Gentry, are you appearing pursuant to the
 2 subpoena that I've just put in front of you that's
 3 marked as Staley Exhibit 1?
 4 A. Yes.
 5 Q. And, actually, I apologize. Let me take that
 6 back and put your last name since maybe it's a little
 7 informal to mark it as Staley. So now it's Staley
 8 Gentry Exhibit 1. Is that the subpoena pursuant to
 9 which you're appearing today?
 10 A. Yes.
 11 Q. Why don't you tell us a little bit about
 12 yourself. Why don't we start with your post-secondary
 13 education.
 14 A. Went to Duke and finished there in 1963. And
 15 worked for a couple of years for The Kendall Company as
 16 a financial analyst.
 17 Q. And can you spell that?
 18 A. K-E-N-D-A-L-L.
 19 MR. ENGH: Excuse me, could Mr. Gentry speak
 20 up a little bit?
 21 MR. POLISH: And I'm going to move the phone
 22 closer to the deponent too.
 23 MR. ENGH: Thank you.
 24 BY MR. POLISH:
 25 Q. And before we continue, did you get a degree from

Page 10

1 Duke?
 2 A. Yes, in Accounting.
 3 Q. In Accounting; a Bachelor's degree?
 4 A. Yes.
 5 Q. Okay.
 6 A. Then I lived in Western North Carolina for 4
 7 years and went into highway construction business with
 8 my first father-in-law, and we did that for 4 years.
 9 Sold the business. I moved to Florida and was a
 10 comptroller for a manufacturing outfit for 1 year. And
 11 then in 1969 I moved to Minnesota and went in business
 12 with one of my old Duke fraternity brothers. We bought
 13 a Texaco service station on the east side of St. Paul,
 14 and then after 4 months he wanted out, so I ran that
 15 until '76.
 16 1976 I went to work for the Equitable as a life
 17 insurance agent and became a District Manager for them
 18 in '78; a Branch Manager for them in 1986. In '91 moved
 19 to Raleigh as the Branch Manager for Eastern North
 20 Carolina. And, let's see, '99 became a Divisional
 21 President and ran North Carolina, Western Virginia and
 22 South Carolina. And then in 2001 moved to California
 23 and ran the Northwest for two years, and came back to
 24 Chicago and ran the Midwest for three years.
 25 And then I retired in 2000 -- my actual last year

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1 of working was 2006. I had a buyout in 2007, and I
 2 retired in 2008.
 3 Q. And where do you reside now? Where do you live?
 4 A. In Raleigh, North Carolina.
 5 Q. In Raleigh, North Carolina?
 6 A. Yes, sir.
 7 Q. Are you familiar with Paul Crawford?
 8 A. Yes.
 9 Q. You recognize that Mr. Crawford is a Defendant in
 10 the matter that you've been subpoenaed in conjunction
 11 with?
 12 A. Yes.
 13 Q. Okay. How did you first meet Mr. Crawford?
 14 A. I think through John Kuhmeyer.
 15 Q. And can you spell that for the record?
 16 A. K-U-H-R-M-E-Y-E-R. And I called Paul about a
 17 company that John was involved with in I think
 18 Cambridge, Minnesota called Bixby, and that was my first
 19 contact with Paul.
 20 Q. And did you and Mr. Crawford speak about Bixby?
 21 A. Well, yes, I think we did.
 22 Q. And, ultimately, did Mr. Crawford provide you
 23 with information concerning Bixby?
 24 A. I think so.
 25 Q. I'm going to put in front of you a document

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1 that's been marked as Commission Exhibit Gentry 2. And
 2 for the record and for Mr. Engh's benefit it appears to
 3 be a color brochure that says High-Tech Energy Low Cost
 4 Comfort.
 5 [The referred to document was marked for
 6 identification as Exhibit Number 2.]
 7 Is this a document that looks familiar?
 8 A. As best as I recall, I did see this, yes.
 9 Q. And how did you see this? Who gave it to you?
 10 A. Well, if I got it, I got it from Paul.
 11 Q. And when you refer to Paul in this deposition,
 12 you're referring to Paul Crawford?
 13 A. Yes.
 14 Q. Okay. And did you and Mr. Crawford have
 15 conversations about Bixby?
 16 A. I think so, yes.
 17 Q. Do you recall whether or not had he offered any
 18 recommendation about whether you should invest in Bixby?
 19 A. Well, I think he thought that it was going to be
 20 a profitable venture.
 21 Q. What makes you think that that's what he thought?
 22 A. Well, the thing that sort of impressed me was the
 23 guy that was running Bixby had also done the Sleep Bed
 24 company, and I figured if he had taken that one to where
 25 it had gone, that this would probably be potentially a

Page 13

1 good investment.
 2 Q. And did Mr. Crawford himself make any
 3 recommendations to you about whether or not it was a
 4 good investment?
 5 A. I can't say that I remember that.
 6 Q. Okay. Ultimately, did you invest in Bixby
 7 Energy?
 8 A. Yes, I did.
 9 Q. I'm going to hand you what's been marked as
 10 Gentry Exhibit 3.
 11 A. Yeah.
 12 [The referred to document was marked for
 13 identification as Exhibit Number 3.]
 14 Q. It is a check. Does that look familiar?
 15 A. Yes.
 16 Q. Okay. Is that a check representing your
 17 investment in Bixby Energy Systems?
 18 A. Yes, it is.
 19 Q. Is that your signature on the lower right-hand
 20 side?
 21 A. Yes, it is.
 22 Q. And what does the memo say, the memo line, can
 23 you read that?
 24 A. 50,000 shares.
 25 Q. And do you recall actually purchasing 50,000

Page 15

1 A. Yes.
 2 Q. And those e-mails concerned -- did those e-mails
 3 concern Bixby?
 4 A. I did get some, yes.
 5 Q. Did they also concern other companies?
 6 A. Yes.
 7 Q. And, generally speaking, we're going to be
 8 looking at some e-mails, but can you generally describe
 9 what kind of e-mails you recall receiving from
 10 Mr. Crawford?
 11 A. I think the thing I remember about Bixby was the
 12 opportunity, if you want to call it that, to exercise
 13 some warrants, which I never did. And it seemed like
 14 there was -- if there was any e-mails coming, it was
 15 upbeat that things are, you know, you're looking for the
 16 positives that were going to happen.
 17 Q. And what was your takeaway as a result of the
 18 e-mails that you received from Mr. Crawford?
 19 A. Well, I'm kind of a Missouri type, show me, don't
 20 tell me. And I wasn't about to put any more money in.
 21 Q. Okay. Well, why don't we take a look at some
 22 specific e-mails. By the way, do you recall what your
 23 e-mail address was? Did you have only have one e-mail
 24 address at that time?
 25 A. It was just staley.gentry@axa-advisors.com.

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1 shares of Bixby Energy?
 2 A. Well, I figured I did when I wrote this check,
 3 yeah.
 4 Q. Let me -- you can put that to one side.
 5 I'm going to hand you a document that's being
 6 marked as Gentry Exhibit 4.
 7 [The referred to document was marked for
 8 identification as Exhibit Number 4.]
 9 MR. POLISH: And, Paul, for your benefit --
 10 well, Paul, and, Paul, that is a -- it appears to be a
 11 stock certificate with emblazed in Bixby Energy
 12 Systems at the top.
 13 BY MR. POLISH:
 14 Q. Do you recall, Mr. Gentry, receiving the document
 15 that's been marked as Gentry Exhibit 4?
 16 A. I don't remember getting this, but I must have.
 17 Q. Okay, but you don't recall one way or the other?
 18 A. No.
 19 Q. But is this consistent with your recollection of
 20 having received 50,000 shares, common shares, of Bixby
 21 Energy Systems?
 22 A. Yes.
 23 Q. Good. You can put that to one side.
 24 Did you receive e-mails from Mr. Crawford on
 25 occasion?

Page 16

1 Q. And you didn't have a personal e-mail address?
 2 A. No.
 3 Q. So, if Mr. Crawford sent any e-mails to you, he
 4 sent it to your axa account; is that right?
 5 A. Yes.
 6 Q. Okay. So, I'm going to hand you a document
 7 that's been marked as Gentry Exhibit 5. And for the
 8 record, Gentry Exhibit 5 appears to be an e-mail sent
 9 from Mr. Crawford on August 3rd, 2006, and the Subject
 10 line is Summary of Letter to investors.
 11 [The referred to document was marked for
 12 identification as Exhibit Number 5.]
 13 Do you see that, Mr. Gentry?
 14 A. Yes.
 15 Q. Okay. And do you see that you recall that
 16 Mr. Crawford sent this e-mail to a number of people,
 17 including to you?
 18 A. Yes.
 19 Q. Okay. And one of the people is William Degnan.
 20 Do you see that?
 21 A. Yes.
 22 Q. And it's William.Degnan@axa-equitable.com; do you
 23 see that?
 24 A. Yes.
 25 Q. And axa-equitable.com, was that also your e-mail

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Staley M. Gentry
March 30, 2015

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1 extension?
 2 A. Yes.
 3 Q. Do you know who William Degnan was?
 4 A. Yes, I do.
 5 Q. Who was Mr. Degnan?
 6 A. He was -- I don't know what his capacity was at
 7 this particular time, but he's a guy that I hired when I
 8 was the Branch Manager in Minnesota.
 9 Q. And so, you worked with him in Minnesota?
 10 A. Yes.
 11 Q. Do you see Mr. Crawford also sent an e-mail
 12 apparently to Manish Agarwal, A-G-A-R-W-A-L?
 13 A. Right.
 14 Q. Who was Manish?
 15 A. He was a home office guy for the Equitable, and I
 16 never worked directly with him.
 17 Q. Okay. Next is John Kuhrmeyer. Is that the
 18 person you referenced earlier during this deposition?
 19 A. Yes, I hired him also into Equitable when I was
 20 in Minnesota.
 21 Q. And is Mr. Kuhrmeyer the one who made the
 22 introduction between you and Mr. Crawford?
 23 A. Yes. As far as I remember, that was my
 24 connection, yes.
 25 Q. And then you're on this e-mail exchange too,

Page 19

1 jump from \$1.6 million in revenues in fiscal 2005, to
 2 \$8.3 million in fiscal 2006 and \$40 million in fiscal
 3 2007."
 4 Do you see that?
 5 A. Yes, I do.
 6 Q. "They expect to be publicly traded by early next
 7 year if their self-underwriting plan is executed as
 8 planned."
 9 Do you see that?
 10 A. Yes.
 11 Q. Do you recall having conversations with
 12 Mr. Crawford after you invested in Bixby about Bixby?
 13 A. You know, I can't remember that far back with any
 14 specifics, no.
 15 Q. But you recall reading e-mails that he would send
 16 you about the progress of Bixby?
 17 A. Sure.
 18 Q. Okay, you could set that to one side.
 19 Let me now hand you a document that's been marked
 20 as Gentry Exhibit 6. And for the record, that is an
 21 e-mail from -- apparently from Mr. Crawford, dated
 22 September 25, 2006, and it is entitled Investor Update.
 23 [The referred to document was marked for
 24 identification as Exhibit Number 6.]
 25 A. Um-hmm.

Page 18

1 right?
 2 A. Yes.
 3 Q. Okay. And this was August 3rd, 2006. Had you
 4 already invested in Bixby at that point in time?
 5 A. I think so.
 6 Q. And the e-mail begins: "Bill."
 7 Do you have an understanding of who Bill was?
 8 A. Bill Degnan.
 9 Q. "Not a lot of news since I sent my last e-mail.
 10 They have completed their move into a much larger
 11 facility. Orders are rolling in and currently stand at
 12 about \$30 million."
 13 And it continues, but do you see that?
 14 A. Yes.
 15 Q. Do you recall whether Mr. Crawford would give you
 16 updates about the status of companies that you had
 17 invested in through him?
 18 A. I think periodically, yes.
 19 Q. And I'd like to skip to the last paragraph.
 20 "They are doing everything right."
 21 What was your understanding of who they
 22 were?
 23 A. Bixby.
 24 Q. Bixby.
 25 "They're doing everything right and will

Page 20

1 Q. And was this an e-mail that Mr. Crawford sent you
 2 and others on September 25, 2006?
 3 A. Yes.
 4 Q. Okay. And it begins:
 5 "I have scheduled an investor meeting at
 6 Bixby's new facilities in Brooklyn Park at 10:00 a.m.,
 7 Thursday, October 5th."
 8 Do you see that?
 9 A. Yes.
 10 Q. Do you recall that Mr. Crawford from time to time
 11 would set up and host meetings with investors for Bixby
 12 and other companies?
 13 A. Yes.
 14 Q. Now, where were you located in September 2006?
 15 Like, what city?
 16 A. I was still in Chicago.
 17 Q. You were in Chicago?
 18 A. Yes.
 19 Q. Okay. And do you have an understanding of where
 20 Brooklyn Park was?
 21 A. Yes.
 22 Q. Where was it?
 23 A. That's in the north side of Minneapolis.
 24 Q. Okay. So, for this did you take a --
 25 A. No.

Page 21

1 Q. You did not travel to Minneapolis in order to
 2 attend this meeting?
 3 A. No.
 4 Q. Okay. And Mr. Crawford continues:
 5 "Their business is ramping up very rapidly
 6 and it is very likely they will generate \$40 million
 7 in revenues in this fiscal year compared to \$8.3
 8 million last year, and less than \$3 million in the
 9 prior year."
 10 You see that?
 11 A. Yes.
 12 Q. And, again, do you recall getting updates like
 13 this from Mr. Crawford about Bixby?
 14 A. Sure.
 15 Q. Okay. He continues:
 16 "This new UBB corn/wood pellet system is
 17 being very well received."
 18 Do you see that?
 19 A. Yes.
 20 Q. Do you recall other than e-mails from
 21 Mr. Crawford -- well, let me ask you this. What was the
 22 way that you kept yourself apprised of how Bixby was
 23 doing?
 24 A. Through whatever Paul sent.
 25 Q. Okay. The next paragraph reads:

Page 22

1 "They are close to completing the financing
 2 deal that will allow their shares to be traded on the
 3 NAZDAQ market."
 4 Now, did you have an understanding of what
 5 the significance of shares being traded on the NAZDAQ
 6 market?
 7 A. Sure.
 8 Q. And what was your understanding of what the
 9 significance of that would have been?
 10 A. Well, if they went public, obviously we would be
 11 able to -- the shares would be tradeable so I could buy
 12 and sell.
 13 Q. And was that something that you considered to be
 14 important?
 15 A. Sure.
 16 Q. Why?
 17 A. Because then you had access to getting rid of
 18 your shares if you wanted to, or buying more.
 19 Q. Then, in this e-mail marked as Exhibit 6,
 20 Mr. Crawford continues:
 21 "There is a very limited time to invest in
 22 Bixby at \$1.60 per share with 50% warrant coverage."
 23 Do you see that?
 24 A. Yes.
 25 Q. What was your understanding of what Mr. Crawford

Page 23

1 meant when he wrote that there's a time to invest in
 2 Bixby at \$1.60 per share with 50% warrant coverage?
 3 A. I figured that that meant I could invest more
 4 money and then in the future I could have some warrants
 5 that I could exercise.
 6 Q. What's your understanding of what a warrant is?
 7 A. It's like a stock option.
 8 Q. And if you exercise that option, what would you
 9 get?
 10 A. More shares.
 11 Q. At?
 12 A. At a good price.
 13 Q. Got it.
 14 The last sentence, the last two sentences of this
 15 e-mail from Mr. Crawford reads:
 16 "And let me know if you know of anyone else
 17 who would like to learn more about this very exciting
 18 alternative energy investment opportunity."
 19 Do you recall Mr. Crawford asking you if you
 20 could refer to him other potential investors?
 21 A. I -- I --
 22 Q. Other than this e-mail?
 23 A. Yeah, I don't remember him asking specifically
 24 for references, no.
 25 Q. Then it continues:

Page 24

1 "I think that Bob Walker will have another
 2 winner with Bixby as he did with Select Comfort and
 3 the revolutionary Sleep Number Bed."
 4 Is this what you were referencing when you
 5 talked about the prior success of Mr. Walker?
 6 A. Yes.
 7 Q. Do you recall if Mr. Crawford was the one who
 8 told you about Mr. Walker's connection to Select
 9 Comfort?
 10 A. I think that's where I got that information, yes.
 11 Q. Very good. You could put that to one side.
 12 I'm now going to hand you what has been marked as
 13 Gentry Exhibit 7. For the record, Exhibit 7 is a
 14 document authored by Mr. Crawford and transmitted on
 15 December 30th, 2006, and it is -- the Subject line is
 16 Bixby proxy.
 17 [The referred to document was marked for
 18 identification as Exhibit Number 7.]
 19 This was an e-mail that Mr. Crawford sent
 20 you and others on December 30th, 2006?
 21 A. Um-hmm.
 22 Q. Let me -- it's important for the court reporter
 23 that you say "yes" or "no".
 24 A. Yes, yes. December 30th it looks like.
 25 Q. I'm sorry, December 30th, 2006. And there was an

Page 25

1 attachment, which, unfortunately, I don't have here, but
2 you see under Attachments there's a field that says
3 BobProxy.doc?
4 A. Yes.
5 Q. D-O-C. And then there's another document
6 attached apparently that's titled
7 ShareholderAction12-20-06.doc. Do you see that?
8 A. Yes.
9 Q. And Mr. Crawford writes to you and others:
10 "Bob Walker has recently encountered
11 opposition from the other two Bixby Board Members."
12 Do you see that?
13 A. Yes.
14 Q. Do you recall that there was a conflict among and
15 between Board Members at Bixby?
16 A. Yes, I remember that.
17 Q. And you remember that because Mr. Crawford
18 advised you of that?
19 A. Correct.
20 Q. Okay. Mr. Crawford continues:
21 "Bob wants to appoint Kenneth Casavant and
22 James Bergeron." Casavant is C-A-S-A-V-A-N-T, and
23 James Bergeron, B-E-R-G-E-R-O-N, "to replace Wendall
24 King," and Wendall is W-E-N-D-A-L-L, King, "and Arnold
25 Angeloni," A-N-G-E-L-O-N-I.

Page 27

1 the Board.
2 Q. Okay. Then he asks:
3 "I am asking that you please sign both the
4 attached Proxy and Minutes of Action of The
5 Shareholders documents and then fax both of the signed
6 docs to Bob Walker." And then there's a fax number.
7 Do you see that?
8 A. Yes.
9 Q. Okay. Do you recall looking at the attachments
10 to this e-mail?
11 A. I can't say that I remember that.
12 Q. Okay. Do you recall whether you printed them out
13 and sent them as Mr. Crawford requested?
14 A. I would think that I probably did, but I can't
15 say that for sure.
16 Q. Okay. Do you recall whether whatever you would
17 have sent already had the votes, the document already
18 had votes cast, like, preselected for Mr. Casavant and
19 Mr. Bergeron?
20 A. That I do not remember.
21 Q. Okay, you can put that to one side.
22 I'm going to hand you a document that's been
23 marked as Gentry Exhibit 8. It is an e-mail that was
24 apparently written by Mr. Crawford, dated September 30,
25 2011, and the Subject line is FW: Bixby Energy Systems.

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1 You see that?
2 A. Yes.
3 Q. Okay. Then Mr. Crawford continues:
4 "Mr. Casavant and Mr. Bergeron between them
5 have more than \$2.5 million invested in Bixby.
6 Mr. King and Mr. Angeloni have nothing invested in
7 Bixby."
8 You see that?
9 A. Yes.
10 Q. He continues:
11 "The current situation has occurred due to
12 the recent death of John Carlson who was a big
13 supporter of Bob Walker." He continues.
14 "The board recently passed a resolution to
15 terminate all borrowing or fund raising activities
16 until the completion of a forensic audit that will
17 cost at least \$500,000. Management believes that this
18 is a big waste of money at a very critical time for
19 the company as they are close to closing on some
20 significant new financing."
21 Do you see that?
22 A. Yes.
23 Q. What was your understanding of what Mr. Crawford
24 meant when he said management?
25 A. Well, I guess I figured that was Bob Walker and

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1 [The referred to document was marked for
2 identification as Exhibit Number 8.]
3 Was this an e-mail that Mr. Crawford sent
4 you? Do you see your name towards the bottom of this
5 distribution list?
6 A. Yes.
7 Q. Okay. Is this an e-mail that Mr. Crawford sent
8 you and others on September 30th, 2011?
9 A. Yes.
10 Q. Okay. And I want to focus your attention on the
11 last paragraph, and about three lines down Mr. Crawford
12 writes:
13 "They are totally out of money and still
14 have \$400,000 of the \$500,000 left to raise before
15 they close the extension of warrants that were still
16 live when they took over the company."
17 Do you see that?
18 A. Yes.
19 Q. Okay. Mr. Crawford then continues:
20 "These include the warrants that I had that
21 actually expired on May 31st, 2011."
22 Do you see that?
23 A. Yes.
24 Q. Then it continues:
25 "The will," I assume that means they will;

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1 was that your understanding?
 2 A. Yes.
 3 Q. "The," or they, "will still allow investors to
 4 convert their warrants at half of the \$2 share price
 5 which is just \$1."
 6 Do you see that?
 7 A. Yes.
 8 Q. What was your understanding of what Mr. Crawford
 9 meant by that?
 10 A. Well, it sounds like you're being able to buy
 11 more shares at a discounted price.
 12 Q. Like a half off sale?
 13 A. Right.
 14 Q. "There seemed to be a lot of interest among many
 15 of the investors at the meeting so, if you intend to
 16 exercise your warrants you better decide very soon
 17 before they close it off."
 18 Do you see that?
 19 A. Yes.
 20 Q. So, did you -- was this the kind -- do you recall
 21 receiving other e-mails from Mr. Crawford that included
 22 opportunities like this to get warrants or options at
 23 heavily discounted rates?
 24 A. Yeah, it seemed to me that happened with some
 25 degree of frequency.

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1 Q. And do you recall that Mr. Crawford would
 2 recommend that you take advantage of offers like this?
 3 A. Yes.
 4 Q. And do you recall whether you took advantage of
 5 this discounted offer?
 6 A. I know I did not.
 7 Q. Okay. Then it continues:
 8 "With this in mind I will let you know the
 9 results of these next two tests in the next few days."
 10 And if you look above, do you see there are
 11 references to various tests of the Bixby technology?
 12 A. Right.
 13 Q. Okay, why don't we put this to one side. And
 14 then do you see that it attaches an article from the
 15 Star Tribune?
 16 A. Yes.
 17 Q. And the article concerns some legal proceedings
 18 with Bixby; do you see that?
 19 A. Yes.
 20 Q. And do you recall receiving that?
 21 A. Yes.
 22 Q. You could put that to one side.
 23 A. (Witness complying.)
 24 Q. By the way, we never talked about guidelines or
 25 whatever, but whenever you need a break, you tell me and

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1 you'll get a break, okay?
 2 A. Okay, thank you.
 3 Q. And we'll take a break in about 5 minutes if
 4 that's okay with you?
 5 A. Sure.
 6 Q. So that my colleague can tell me what I'm doing
 7 wrong.
 8 I've handed you a document that's been marked as
 9 Gentry Exhibit 9. It's an e-mail. Apparently was
 10 transmitted on October 8th, 2011.
 11 [The referred to document was marked for
 12 identification as Exhibit Number 9.]
 13 Do you see that towards the bottom you're
 14 part of the distribution list?
 15 A. Yes.
 16 Q. And this was an e-mail that was sent to you and
 17 others by Paul Crawford on October 8th, 2011?
 18 A. Yes.
 19 Q. And the title is FW: Bixby Energy Systems -
 20 China Update. Do you see that?
 21 A. Yes.
 22 Q. Now, do you recall that in Gentry Exhibit 8 there
 23 had been a reference, Mr. Crawford had said that he will
 24 let you know the results of these next two tests in the
 25 next few days?

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1 A. Right.
 2 Q. And now it's from September 30th, 2011, right?
 3 A. Yes.
 4 Q. And now this is an e-mail from October 8th, 2011;
 5 you see that?
 6 A. Yes.
 7 Q. And Mr. Crawford writes:
 8 "I hope all of you read this latest
 9 announcement on the Bixby tests in China."
 10 Do you see that?
 11 A. Yes.
 12 Q. And were you aware that there was some testing in
 13 China then?
 14 A. Yes.
 15 Q. And what was the basis for your awareness for
 16 that?
 17 A. Just communication I'd gotten from Paul.
 18 Q. Okay. And he writes:
 19 "They probably need just one or two more
 20 demonstrations that will prove up the technology and
 21 trigger a lot of good firm orders."
 22 Do you see that?
 23 A. Yes.
 24 Q. I want to -- and then he continues:
 25 "I want to remind any of you who own

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1 warrants that we're still "live" in May that there is
 2 still time for you to exercise \$2 warrants for \$1."
 3 Do you see that?
 4 A. Yes.
 5 Q. What was your understanding of what Mr. Crawford
 6 meant when he said those who own warrants that were
 7 still "live" in May?
 8 A. They were just extending the opportunity to
 9 invest at half price.
 10 Q. Right. And so, what was your understanding of
 11 why Mr. Crawford was alerting you to this opportunity?
 12 A. It was getting pretty obvious that they were
 13 running out of money.
 14 Q. And was Mr. Crawford requesting more investments
 15 from you and others in Bixby?
 16 A. I think so, yes.
 17 Q. Please -- and then he completes his e-mail by
 18 saying:
 19 "Please let me know if you want to now turn
 20 warrants into shares at Bixby before the special
 21 warrant holiday ends."
 22 You see that?
 23 A. Yes.
 24 Q. And, Mr. Gentry, did you ever take advantage of
 25 the special warrant holiday?

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1 going to switch gears here.
 2 Do you recall that Mr. Crawford from time to time
 3 would gauge your interest in other investment
 4 opportunities above and beyond Bixby?
 5 A. Yes.
 6 Q. And did you recall that you actually invested in
 7 some and you took passes on others?
 8 A. Correct.
 9 Q. I'm going to pass you document that's been marked
 10 as Gentry Exhibit 10. It is a -- do you see that this
 11 was an e-mail that was written by Mr. Crawford and sent
 12 on February 12th, 2008?
 13 A. Yes.
 14 [The referred to document was marked for
 15 identification as Exhibit Number 10.]
 16 Q. Do you see that it was sent to a group of people,
 17 including you?
 18 A. Yes.
 19 Q. And the subject line -- well, there really
 20 doesn't appear to be a subject line; do you see that?
 21 A. Yes.
 22 Q. But the first, let me read the first sentence.
 23 "The following information is principally
 24 about LocaLoop."
 25 Do you see that?

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1 A. No.
 2 Q. So, it ended and you never took advantage of that
 3 holiday?
 4 A. I did not.
 5 MR. POLISH: Okay, why don't we take a
 6 five-minute break and let's go off the record.
 7 MR. ENGH: Okay. What time do you have,
 8 John? We're going to step out the room here.
 9 MR. POLISH: Well, we won't start without
 10 you. How about it's about 5 after, so why don't we
 11 start, you know, 10 after.
 12 MR. ENGH: Got 12:03 on mine.
 13 MR. POLISH: All right, fine. So, we're
 14 taking a five-minute break. We're off the record.
 15 (RECESS TAKEN FROM 1:04 P.M. TO 1:12 P.M.)
 16 BY MR. POLISH:
 17 Q. Mr. Gentry, do you recall getting the initial
 18 documents that you signed before you invested in Bixby?
 19 A. I don't remember.
 20 Q. Okay, but you recall that you received documents
 21 like a subscription agreement and so forth?
 22 A. Yes.
 23 Q. And who provided you with those documents?
 24 A. I don't know.
 25 Q. Okay. I'm going to hand you -- let's -- we're

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1 A. Yes.
 2 Q. Do you recall that one of the investment
 3 opportunities that Mr. Crawford made available to you
 4 concerned LocaLoop?
 5 A. Yes.
 6 Q. By the way, do you know whether Mr. Crawford --
 7 did you ever have an understanding of whether
 8 Mr. Crawford was an employee at Bixby, or what capacity
 9 he was introducing these investment opportunities to
 10 you?
 11 A. I thought he was just acting as a broker.
 12 Q. And you were a broker, correct?
 13 A. Yes.
 14 Q. So, what was the basis for your understanding
 15 that he was acting as a broker?
 16 A. Well, I didn't think he was an employee of Bixby.
 17 Q. And what about LocaLoop, did you have an
 18 understanding of whether he was an employee of LocaLoop?
 19 A. I did not get involved in the LocaLoop, so I had
 20 no idea what his involvement was there.
 21 Q. What about any of the other companies that he
 22 pitched you on, do you have any reason to believe he was
 23 an employee of any of those other companies?
 24 A. I didn't think he was an employee, but I thought
 25 he was an investor in Empathic. That's the only one

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1 that I had any thought about that he might be an
2 investor in.
3 Q. So, the e-mail in front of you, the first
4 sentence we have read. Then it goes on:
5 "The information about the new emerging
6 wireless world will also bode well for Space Data."
7 Do you see that?
8 A. Yes.
9 Q. Do you have an understanding of what Mr. Crawford
10 meant when he said Space Data?
11 A. No.
12 Q. Okay. He writes:
13 "Give me a call after you read this and I
14 will explain what and why these events will also be
15 very big for Space Data."
16 Did you ever give Mr. Crawford a call
17 immediately after you read this e-mail?
18 A. No.
19 Q. By the way, it probably is going to be somewhat
20 easier if you let me finish my question just because you
21 never know what twists and turns it might take.
22 A. Okay, I'm sorry.
23 Q. No, it happens. No big deal.
24 Let me take you down to the last full paragraph,
25 or the second to last paragraph on page 1 that begins

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1 LocaLoop software; do you see that?
2 A. Yes.
3 Q. Mr. Crawford writes:
4 "LocaLoop software to manage mobile and
5 fixed WiMAX networks is fully developed and will ramp
6 up revenues very fast."
7 Do you see that?
8 A. Yes.
9 Q. By the way, was this consistent with other
10 instances when Mr. Crawford would be predicting the
11 future performance of a company he wanted you to invest
12 in?
13 A. I would think so.
14 Q. Do you recall seeing other e-mails where
15 Mr. Crawford made these kinds of predictions with future
16 performance?
17 A. Well, we talked about some of that with the Bixby
18 stuff, yeah.
19 Q. Do you recall above and beyond Bixby that he
20 would do that with other companies he pitched you on?
21 A. Well, definitely with Empathic, yes.
22 Q. Okay, and we're going to get that.
23 Mr. Crawford continues:
24 "If that happens then one or more of the
25 businesses seeking to become a leader in the new

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1 connectivity generation will try and acquire LocaLoop."
2 Do you see that?
3 A. Yes.
4 Q. "LocaLoop software will give wireless carriers
5 the capability to profitably provide high-speed broad
6 band connectivity. If we are right then early investors
7 could make a big score very fast."
8 Do you see that?
9 A. Yes.
10 Q. Was this consistent with the kind of e-mails you
11 received from Mr. Crawford?
12 A. Yes.
13 Q. And then at the end Mr. Crawford writes:
14 "Attached is more information about
15 LocaLoop. Let me know if you are interested in
16 participating in the initial offering."
17 Do you see that?
18 A. Yes.
19 Q. And did you follow-up with Mr. Crawford about
20 this LocaLoop opportunity?
21 A. No, I did not.
22 Q. Okay. I'm going to hand you a document that's
23 been marked as Gentry Exhibit 11. It is an e-mail dated
24 September 7th, 2010.
25 [The referred to document was marked for

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1 identification as Exhibit Number 11.]
2 Do you see that?
3 A. Yes.
4 Q. And do you see that your name is one of the
5 recipients?
6 A. Yes.
7 Q. Did Mr. Crawford send you and others this e-mail
8 on September 7th, 2010?
9 A. Yes.
10 Q. The subject is LocaLoop 4G Investment
11 Opportunity; do you see that?
12 A. Yes.
13 Q. Okay. And let's look at the second paragraph
14 together. Mr. Crawford writes:
15 "I am also an entrepreneur and a visionary,
16 but I am not a techie."
17 Do you see that?
18 A. Yes.
19 Q. Do you have an understanding of what Mr. Crawford
20 meant? Well, what's your understanding of what the word
21 techie means?
22 A. Well, that he's highly technical.
23 Q. Yeah. So, if you're not a techie, you're not
24 highly technical; is that fair to say?
25 A. Right.

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1 Q. "I founded Cellcom," one word, C-E-L-L-C-O-M,
 2 "the first cellular phone system in the Twin Cities in
 3 1981 that," it says, "started operating in 1983 as
 4 MCI/Cellcom."
 5 Do you see that?
 6 A. Yes.
 7 Q. Is it your understanding that he meant to write
 8 started operating?
 9 A. Yes.
 10 Q. Okay.
 11 "Later it changed its name to Cellular One
 12 of Minnesota and was sold to McCaw," M, lower case C,
 13 capital C, A-W, "Communications in 1986 for a very
 14 nice profit."
 15 Do you see that?
 16 A. Yes.
 17 Q. He then writes:
 18 "It was subsequently sold by McCaw and today
 19 it is AT&T Wireless."
 20 You see that's what he wrote?
 21 A. Yes.
 22 Q. He then writes:
 23 "This is a very successful investment and I
 24 thought it would be one of the biggest opportunities I
 25 would ever see."

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1 A. No.
 2 Q. If you look at the -- if you look at the top of
 3 the e-mail, do you see that there's sort of a
 4 letterhead?
 5 A. Yes.
 6 Q. And what does that letterhead read?
 7 A. Crawford Capital Corp.
 8 Q. Right. And then if you look on page 2, do you
 9 see that there's sort of a signature line?
 10 A. Yes.
 11 Q. And it says Paul Crawford, and underneath it what
 12 does it say?
 13 A. President and CEO.
 14 Q. And so, does that give you an idea of who the
 15 principal behind Crawford Capital is?
 16 A. Yes.
 17 Q. Who is that?
 18 A. Paul Crawford.
 19 Q. Yeah. And if you look at the e-mail address that
 20 Mr. Crawford was sending this e-mail from, can you read
 21 what that is?
 22 A. PC at, I guess that would be CrawfordCapital.com.
 23 Q. So, is it your understanding Crawcap stands for
 24 Crawford Capital?
 25 A. Yes.

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1 You see that?
 2 A. Yes.
 3 Q. Then he writes:
 4 "It turned out I was wrong because the
 5 opportunity we have today is much bigger than that
 6 was."
 7 You see that?
 8 A. Yes.
 9 Q. What was your understanding of what opportunity
 10 we have today Mr. Crawford was referring to?
 11 A. To buy into this Localoop or whatever this, yeah,
 12 Localoop, to buy into Localoop.
 13 Q. Right. That was your understanding of what he
 14 meant by the opportunity we have today?
 15 A. Yes.
 16 Q. Okay. And, again, do you recall other e-mails
 17 where Mr. Crawford uses this kind of hyperbole to
 18 describe an investment opportunity?
 19 A. I would think, yes.
 20 Q. Towards the bottom of the page Mr. Crawford
 21 writes:
 22 "Crawford Capital has created a new
 23 investment that we call a Success Note."
 24 Now, let me stop right there. Do you have
 25 an understanding of what Crawford Capital is?

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1 Q. So, he writes:
 2 "Crawford Capital has created a new
 3 investment that we call a Success Note that will allow
 4 investors to step into one of the hottest events in
 5 communications since the evolution of mobile
 6 communications."
 7 Do you see that?
 8 A. Yes.
 9 Q. And do you -- were you aware that Crawford
 10 Capital was creating investment vehicles?
 11 A. No.
 12 Q. Did you ever call Mr. Crawford and ask for more
 13 information what about this Success Note was?
 14 A. No.
 15 Q. "This evolutionary event is already under way and
 16 you can participate in it."
 17 Do you see that's what it goes on to read?
 18 A. Yes.
 19 Q. "This can best be described as the merger of
 20 mobile, 4G, high-speed, WiMAX communications and the
 21 Internet."
 22 Do you see that?
 23 A. Yes.
 24 Q. It says:
 25 "Be sure to read the attached information

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Staley M. Gentry
March 30, 2015

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1 and then contact us to provide you with Private
2 Placement Memorandum and additional information."
3 Do you see that?
4 A. Yes.
5 Q. What was your understanding of what Mr. Crawford
6 meant when he said you can contact us to get a Private
7 Placement Memorandum?
8 A. I figured it was if I wanted to invest, all I had
9 to do was call Paul.
10 Q. That sounds like a motto, call Paul.
11 Okay, we're done with Exhibit 11.
12 Now, actually, do you see that there was an
13 attachment to the e-mail that is marked as Exhibit 11?
14 It says Attachments, and it says LocalLoop Inc Investment
15 Summary?
16 A. Yes.
17 Q. And it goes on.
18 Do you recall that the information you got about
19 the companies Mr. Crawford was pitching would be
20 provided by Mr. Crawford often as attachments to these
21 e-mails?
22 A. Yes.
23 Q. Okay, thank you.
24 I'm going to hand you a document that's been
25 marked as Gentry Exhibit 12. Do you see that this was

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1 A. Yes.
2 Q. He writes:
3 "You can buy shares in the current round at
4 a \$1 per share plus you receive a five-year warrant to
5 receive an additional share for \$1 for each dollar you
6 invest which really doubles your upside."
7 Do you see that?
8 A. Yes.
9 Q. Can you explain to me what your understanding
10 was of what Mr. Crawford was saying here?
11 A. Yeah, for every buck you put in now, if it goes
12 up, you can exercise your warrant and buy more shares
13 for a buck share.
14 Q. And, again, you declined this particular offer;
15 is that right?
16 A. Yes, yes, yes.
17 Q. Okay. Okay, let's move on to --
18 MR. POLISH: And, by the way, Paul, if you
19 want, you can -- I can tell you when I'm changing
20 topics and you can reserve your cross-examination, or
21 you can chime in. You know, whatever.
22 MR. ENGH: No, I'll just reserve for the
23 end. How's that?
24 MR. POLISH: Okay, that's a good deal.
25 BY MR. POLISH:

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1 an e-mail that was drafted on August -- no. Do you see
2 that this was an e-mail with a date of August 24th,
3 2011?
4 A. Yes.
5 Q. Do you see that your name appears on the
6 distribution list towards the bottom?
7 A. Yes.
8 Q. Do you recall that this was an e-mail
9 Mr. Crawford sent you on August 24, 2011?
10 A. Yes.
11 Q. Okay. And the Subject line says: FW: Recent
12 News about; do you see that?
13 A. Yes.
14 [The referred to document was marked for
15 identification as Exhibit Number 12.]
16 Q. And focusing on the last, the very last
17 paragraph of this e-mail, do you see it reads:
18 "LocalLoop will be a hot publicly traded
19 stock or will be acquired sometime within the next 18
20 to 24 months."
21 Do you see that?
22 A. Yes.
23 Q. Again, do you recall that this was consistent
24 with other predictions Mr. Crawford made when he was
25 trying to sell you on an investment?

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1 Q. Do you recall that another company that
2 Mr. Crawford e-mailed you about was called Space Data?
3 A. Yes.
4 Q. I want to hand you a document that's been
5 marked -- and I apologize, I inadvertently highlighted a
6 part of this, but just for the record, the original is
7 not highlighted, but if you look at Gentry Exhibit 13,
8 do you see that's an e-mail that was sent by
9 Mr. Crawford to you and others on October 13, 2006?
10 A. Yes.
11 [The referred to document was marked for
12 identification as Exhibit Number 13.]
13 Q. And the title is Investor lunch meeting?
14 A. Yes.
15 Q. Do you recall that Mr. Crawford offered free
16 lunch seminars when he was offering investment
17 opportunities from time to time?
18 A. Yes.
19 Q. Did you ever go to these free lunch seminars?
20 A. No.
21 Q. He, Mr. Crawford, writes:
22 "I am hosting a box lunch meeting for Space
23 Data investors at my office on Tuesday, October 24th
24 at noon in my office."
25 Do you see that?

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1 A. Yes.
 2 Q. Were you a Space Data investor at this time?
 3 A. No.
 4 Q. Did you ever become a Space Data investor?
 5 A. No.
 6 Q. Okay. So, if you look at the second paragraph,
 7 it reads:
 8 "This meeting is principally for existing
 9 shareholders but let us know if you know of someone
 10 who would like to consider becoming an investor."
 11 Do you see that?
 12 A. Yes.
 13 Q. Okay. So, did you have an understanding of
 14 whether prospective investors could attend these lunch
 15 seminars?
 16 A. Well, that's kind of what he's asking.
 17 Q. And you, in fact, were invited to this lunch
 18 seminar, right?
 19 A. Correct.
 20 Q. But you were not a Space Data stockholder as of
 21 yet, right?
 22 A. No.
 23 MR. STOCKWELL: You want a clean copy of
 24 that one?
 25 MR. POLISH: What's that?

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1 MR. STOCKWELL: You want a clean copy of
 2 that?
 3 MR. POLISH: That's a fine idea.
 4 For the record, I'm going mark a clean copy
 5 of the e-mail that we just discussed as Gentry Exhibit
 6 13. Thanks.
 7 BY MR. POLISH:
 8 Q. All right, Mr. Gentry, I'm going to hand you what
 9 will be marked -- you might sense a rhyme and a reason
 10 to this -- I'm going to hand you what's being marked as
 11 Gentry Exhibit 14, and it's an e-mail. Do you see that
 12 this was an e-mail sent to you and others by
 13 Mr. Crawford on October 31st, 2006?
 14 A. Yes.
 15 [The referred to document was marked for
 16 identification as Exhibit Number 14.]
 17 Q. And the Subject is Update; do you see that?
 18 A. Yes.
 19 Q. Okay. And below that is an e-mail that
 20 Mr. Crawford had sent to -- that Mr. Crawford had
 21 authored and it talks about Space Data; do you see that?
 22 A. Yes.
 23 Q. And it reads:
 24 "I wish all of you could have attended the
 25 October 24th Space Data lunch meeting."

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1 Do you see that?
 2 A. Yes.
 3 Q. Okay. Can you turn to the second page, and let's
 4 look at the bottom where and the third paragraph from
 5 the bottom begins lastly; do you see that?
 6 A. Yes.
 7 Q. And Mr. Crawford writes:
 8 "Lastly, we discussed possibly liquidating
 9 events."
 10 You see he wrote that?
 11 A. Yes.
 12 Q. "First of all representatives of NAZDAQ have met
 13 with the company and have expressed their interest in
 14 taking the company public."
 15 You see that?
 16 A. Yes.
 17 Q. Again, could you share with us what's the
 18 significance to you of representatives of NAZDAQ
 19 expressing interest of taking a company public?
 20 A. I don't think NAZDAQ takes companies public.
 21 Q. Okay. So, I guess you wouldn't consider that
 22 particularly significant at all?
 23 A. (Witness shaking head left and right.)
 24 Q. Is that a no?
 25 A. Yes.

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1 Q. He then continues:
 2 "I agree with the Knoblauchs," or I don't
 3 know, do you know how that's pronounced? It's spelled
 4 K-N-O-B-L-A-C-H-S, "who believe it is too early to
 5 consider going public."
 6 Do you see he writes that?
 7 A. Yes.
 8 Q. He writes:
 9 "However, a major sale of some of their
 10 spectrum and/or a sale of the military business
 11 opportunity could be big enough to allow for the
 12 payout of very sizable dividends that as I explained
 13 earlier would be passed through without first be
 14 tasked to the company because of its S Corp. status."
 15 Do you see that?
 16 A. Yes.
 17 Q. Okay. And then he writes:
 18 "Let me know if you or someone you know
 19 would be interested in getting more information about
 20 the loan deal."
 21 Do you see that?
 22 A. Yes.
 23 Q. And do you see up above there's a reference to a
 24 three-year loan deal that was being offered?
 25 A. Yes.

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1 Q. And the loan yield is 11.375% --
 2 A. Yes.
 3 Q. -- payable monthly.
 4 He writes:
 5 I am very excited about what is going on
 6 with data space (SIC), and I think the next year or
 7 two will validate our high expectations.
 8 You see that?
 9 A. Yes.
 10 Q. And then it says, "Regards, Paul Crawford." And
 11 then do you see it says underneath Crawford Capital?
 12 A. Yes.
 13 Q. And after reading this did you follow-up on
 14 whether Space Data would be an appropriate investment
 15 for you?
 16 A. It was not an appropriate investment for me.
 17 Q. Okay. I'm going to hand you a document that's
 18 been marked as Gentry Exhibit 15. It's an e-mail. Do
 19 you see that it was sent to you and others?
 20 A. Yes.
 21 Q. Do you see it was sent by Mr. Crawford to you and
 22 others on November 24th, 2006?
 23 A. Yes.
 24 [The referred to document was marked for
 25 identification as Exhibit Number 15.]

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1 Do you see that?
 2 A. Yes.
 3 Q. "Some of the shareholders I have spoken to have
 4 told me that they can borrow money at less than prime.
 5 If you can borrow \$250,000 at say 7.25% (1% below the
 6 current prime rate) and then loan it to Space Data
 7 through the L.L.C., you will be paid 11.375%."
 8 Do you see that?
 9 A. Yes.
 10 Q. "It would cost you \$1510 per month and you would
 11 receive \$2370 per month in interest payments," without
 12 -- strike that, "leaving you with \$860 in your pocket."
 13 You see that?
 14 A. Yes.
 15 Q. "Plus you would be issued 3,158, 5-year, \$9.50
 16 Space Data warrants."
 17 Do you see that?
 18 A. Yes.
 19 Q. Do you recall being offered other deals,
 20 investment opportunities like that by Mr. Crawford?
 21 A. I -- I can't say that I recall having any others.
 22 Q. Was this something that appealed to you?
 23 A. No.
 24 Q. Did you ever -- so, you never took Mr. Crawford
 25 up on this opportunity?

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1 Q. Okay. And it reads:
 2 "The Knoblauchs."
 3 Do you have an understanding of who the
 4 Knoblauchs were?
 5 A. No.
 6 Q. "The Knoblauchs believe that the balance of the
 7 money raised through the SKY 50 L.L.C. will provide
 8 sufficient additional working capital for Space Data to
 9 complete its mission and for the company to sustain
 10 profitable operations by late 2007."
 11 Do you see that?
 12 A. Yes.
 13 Q. Okay. And then if you look at the fourth
 14 paragraph down, Mr. Crawford writes:
 15 "It appears that the U.S. Air Force is
 16 moving at a faster pace in terms of committing
 17 portions of the \$49 million contract to specific
 18 projects in Iraq and Afghanistan. This is good for
 19 Space Data."
 20 Do you see that?
 21 A. Yes.
 22 Q. Okay. Then he writes:
 23 "If you want to consider this special SKY 50
 24 deal the key for any of you is what interest rate you
 25 will be charged by your lender."

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1 A. No.
 2 Q. Do you recall having any conversations with
 3 Mr. Crawford about this opportunity?
 4 A. No.
 5 MR. STOCKWELL: If you can go back to that
 6 exhibit for a second. Looking at the last paragraph,
 7 Mr. Crawford states that he has attached a
 8 Subscription Agreement and Letter of Investment Intent
 9 and a SKY 50 LLC Agreement.
 10 THE WITNESS: Okay.
 11 MR. STOCKWELL: Was that consistent with the
 12 investments that you did do with Mr. Crawford that he
 13 would provide you the Subscription Agreement and other
 14 information to help you invest?
 15 THE WITNESS: I would think, yes.
 16 MR. STOCKWELL: That would have been the
 17 case with Bixby?
 18 THE WITNESS: You know, I can't say for
 19 sure, but I would think that's the way it came down.
 20 MR. STOCKWELL: Thank you.
 21 BY MR. POLISH:
 22 Q. Do you recall a company called Disc Motion?
 23 A. Yes.
 24 Q. Was that one that you ultimately invested in?
 25 A. Yes.

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1 Q. Was Mr. Crawford the person who introduced you to
2 that investment opportunity?
3 A. Yes.
4 Q. Do you recall how he first introduced you to that
5 opportunity?
6 A. No.
7 Q. Let me hand you a document that's been marked
8 Gentry Exhibit 16.
9 [The referred to document was marked for
10 identification as Exhibit Number 16.]
11 Do you see that you were one of the
12 recipients of this e-mail?
13 A. Yes.
14 Q. Is this an e-mail that Mr. Crawford sent you and
15 others on March 11th, 2007?
16 A. Yes.
17 Q. And what is the Subject line?
18 A. Disc Motion.
19 Q. And he writes:
20 "I am hosting a box lunch meeting at my
21 office at noon on Tuesday, March 13th for a very
22 exciting opportunity in a revolutionary new device to
23 replace spinal discs."
24 Do you see that?
25 A. Yes.

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1 Q. Now, you did not attend this lunch meeting,
2 right?
3 A. No.
4 Q. Do you recall having a conversation with
5 Mr. Crawford about this opportunity?
6 A. Not specifically, no. I don't remember.
7 Q. Okay. Let me hand you a document that's been
8 marked as Gentry Exhibit 17. It is -- do you see that
9 it's an e-mail, dated October 9th, 2007?
10 A. Yes.
11 Q. And do you see that it is from Mr. Crawford to
12 you?
13 A. Yes.
14 [The referred to document was marked for
15 identification as Exhibit Number 17.]
16 Q. And the Subject line is CONFIDENTIAL Message from
17 Paul Macafee, M-A-C-A-F-E-E; do you see that?
18 A. Yes.
19 Q. Do you have an understanding of who Mr. Macafee
20 is?
21 A. No.
22 Q. Okay. And this is an e-mail just to you, right?
23 A. Correct.
24 Q. And Mr. Crawford writes:
25 "Staley, Are you interested in getting more

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1 Q. Mr. Gentry, does this refresh your recollection
2 of how it was that Mr. Crawford introduced you to this
3 investment opportunity?
4 A. I guess it was through this e-mail.
5 Q. Can you think of any other ways he would have
6 done so?
7 A. No.
8 Q. Okay.
9 "The name of the company is Disc Motion
10 Technologies. They are the first company to have
11 literally created an artificial joint for the spine."
12 He writes, "It is fully tested and will be ready for
13 sale in one year."
14 Do you see that?
15 A. Yes.
16 Q. What's your recollection of why you chose to
17 invest in this company?
18 A. Well, it sounded like it was something that would
19 take right off.
20 Q. Do you see at the end of this paragraph
21 Mr. Crawford writes:
22 "This product could be a blockbuster in a
23 very short period of time."
24 Do you see that?
25 A. Yes.

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1 information on Disc Motion? John Kuhmeyer and Bill
2 Degnan are both interested in it."
3 Can you remind us of who John Kuhmeyer and
4 Bill Degnan are?
5 A. They were two Equitable associates of mine.
6 Q. And by Equitable you mean the company?
7 A. Correct.
8 Q. Okay. And you write -- and Mr. Crawford writes:
9 "Below is some recent info concerning Disc
10 Motion."
11 Do you see that?
12 A. Yes.
13 Q. Then he writes:
14 "Please keep the following information
15 confidential."
16 Do you see that?
17 A. Yes.
18 Q. Do you have any understanding of why you were
19 supposed to keep that information, this information
20 confidential?
21 A. Not really.
22 Q. The last sentence says:
23 "You are going to enjoy being a part of this
24 and it is going to be big."
25 Do you see that?

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1 A. Yes.
2 Q. And then it's signed, Paul.
3 Do you recall whether it was after this e-mail
4 that you invested in Disc Motion?
5 A. Yes, it was after this e-mail.
6 Q. Let me hand you – you can put that to one side,
7 and I'm going to hand you a document that's going to be
8 marked Gentry Exhibit 18.
9 [The referred to document was marked for
10 identification as Exhibit Number 18.]
11 And for the record, do you see this is an
12 e-mail, dated October 24th, 2007?
13 A. Yes.
14 Q. And this is from Mr. Crawford just to you; do you
15 see that?
16 A. Yes.
17 Q. And what's the Subject line?
18 A. Disc Motion Update.
19 Q. Right. And then do you see there's an attachment
20 to the e-mail?
21 A. Yes.
22 Q. There's a reference to an attachment?
23 A. Yes.
24 Q. And we don't have the attachment, but it reads
25 Disc Motion Patent Landscape Report Final; do you see

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1 A. Yes.
2 Q. And then he continues:
3 "I remind investors that the overall risk is
4 in high risk, early stage investment is somewhat
5 mitigated by having more than one."
6 Do you see that?
7 A. Yes.
8 Q. And then Mr. Crawford writes:
9 "The ultimate success of one of these type
10 investments should be big enough to cover the cost of
11 several of these type of investments."
12 Do you see that?
13 A. Yes.
14 Q. What was your understanding of what Mr. Crawford
15 meant by this?
16 A. Spread your risk.
17 Q. And by doing so do you have an understanding of
18 what the result would be if you invested in several
19 high-risk early stage investments?
20 A. Well, hopefully one of them would pan out.
21 Q. And did this investment pan out?
22 A. No.
23 Q. Did any of your investments with Mr. Crawford pan
24 out?
25 A. Not yet.

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1 that?
2 A. Yes.
3 Q. Do you have an understanding of what this
4 document concerned, what the Disc Motion patent was?
5 A. I would think it was the patent of the use of the
6 device they were going to implant.
7 Q. And the e-mail reads, Mr. Crawford writes:
8 "Staley, following and attached is more
9 information about Disc Motion. John received
10 authorization from compliance for his investment in
11 Disc Motion."
12 Do you have an understanding of who John
13 was?
14 A. Yes.
15 Q. Who was that?
16 A. John Kuhmeyer.
17 Q. And do you have an understanding of what
18 Mr. Crawford meant when he wrote compliance for his
19 investment in Disc Motion?
20 A. Yes, being brokers with Equitable we had to get
21 compliance approval for any outside investments.
22 Q. And then the second paragraph says:
23 "Please let me know if you plan to proceed
24 with your own investment in Disc Motion."
25 Do you see that?

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1 Q. Let me – you could put that to one side. I'm
2 going to hand you a document that is being marked as
3 Gentry Exhibit 19.
4 [The referred to document was marked for
5 identification as Exhibit Number 19.]
6 For the record, this is an e-mail that's
7 dated November 28th, 2007. Do you see this was an
8 e-mail sent by Mr. Crawford to you on that date?
9 A. Yes.
10 Q. And the Subject line is Disc Motion?
11 A. Yes.
12 Q. And it says:
13 "Staley, did you decide to invest in Disc
14 Motion? Regards, Paul Crawford."
15 Do you see that?
16 A. Yes.
17 Q. And did you? Well, let me – and did you respond
18 to him in some form, either in writing, or verbally?
19 A. Must have responded to him verbally.
20 Q. So, you gave him a call?
21 A. I think so.
22 Q. I'm going to hand you what's been marked as
23 Gentry Exhibit 20, and it is the following day, November
24 29th, 2007, right?
25 A. Yes.

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1 Q. And it's Paul Crawford e-mails you on that date,
 2 right?
 3 A. Yes.
 4 Q. And the Subject line is Disc Motion Info?
 5 A. Yes.
 6 [The referred to document was marked for
 7 identification as Exhibit Number 20.]
 8 Q. And he writes:
 9 "Staley, your check (personal is ok) should
 10 be payable to Disc Motion Technologies, Inc."
 11 Do you see that?
 12 A. Yes.
 13 Q. "Send it along with your forms to Disc Motion,"
 14 and then it goes on.
 15 Do you recall what was your understanding of what
 16 Mr. Crawford meant by your forms?
 17 A. The stuff that was the attachment to that
 18 previous e-mail.
 19 Q. And I don't see any attachment to the previous
 20 e-mail, Exhibit 19, but it is your recollection that
 21 Mr. Crawford had sent you an e-mail with attachments
 22 that were the forms that he's referencing in Exhibit 20?
 23 A. Yes.
 24 Q. Okay. And he says in Exhibit 20:
 25 "I believe you have made a wise decision to

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1 Q. You see that?
 2 And it reads:
 3 "Following." And this was after you had
 4 invested in Disc Motion, correct?
 5 A. Yes.
 6 Q. Okay. And Mr. Crawford writes:
 7 "Following are a number of e-mails between
 8 me, Jud Carlson," and -- strike that.
 9 "Following are a number of e-mails between
 10 me, Jud Carlson, a number of renowned European spine
 11 doctors and distributors."
 12 Do you see that?
 13 A. Yes.
 14 Q. Mr. Crawford writes:
 15 "Disc Motion will ramp up very fast from
 16 here."
 17 Do you see that?
 18 A. Yes.
 19 Q. What was your reaction when you read that Disc
 20 Motion will ramp up very fast from here? Did you view
 21 that as a positive sign?
 22 A. For sure.
 23 Q. Mr. Crawford then goes on:
 24 "The patient who had the first DMT implant
 25 about three" weeks ago --

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1 be involved with Disc Motion."
 2 Do you see that?
 3 A. Yes.
 4 Q. And he writes:
 5 "I will be sending out an update on what is
 6 going on with Bixby."
 7 You see that?
 8 A. Yes.
 9 Q. And ultimately apparently you did return your
 10 forms, and you did make an investment in Disc Motion?
 11 A. Yes.
 12 Q. And that was an opportunity that had been
 13 presented to you by Mr. Crawford?
 14 A. Yes.
 15 Q. Let me hand you a document. This is being marked
 16 as Gentry Exhibit 21. And for the record, Exhibit 21 is
 17 an e-mail, dated August 19th, 2008.
 18 [The referred to document was marked for
 19 identification as Exhibit Number 21.]
 20 Do you see that it was sent by Mr. Crawford
 21 to you and others on that date?
 22 A. Yes.
 23 Q. And the Subject line is Disc Motion Technologies
 24 Meeting?
 25 A. Yes.

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1 A. Three months ago.
 2 Q. Sorry, "three months ago continues to have no
 3 problems and she and her doctors are truly amazed that
 4 she is doing so well and shows no recurrence of her
 5 debilitating back pain."
 6 Do you see that?
 7 A. Yes.
 8 Q. Do you have an understanding of what DMT implant
 9 means?
 10 A. I figured that was that device that they were
 11 putting in, so.
 12 Q. That was made by Disc Motion Technologies?
 13 A. Yes.
 14 Q. Then it continues, Mr. Crawford continues:
 15 "You will note that I have invited Jud to
 16 preside at a meeting at my office to fully update
 17 you."
 18 Do you see that?
 19 A. Yes.
 20 Q. "I have also asked him to please save some of the
 21 next offering for my people."
 22 Do you see that?
 23 A. Yes.
 24 Q. Do you have an understanding what Mr. Crawford
 25 meant by my people?

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1 A. I would think his personal investors.
 2 Q. Did you view yourself as one of Mr. Crawford's
 3 people?
 4 A. I guess so.
 5 Q. Okay.
 6 "It is priced at just \$1.50 per share."
 7 Do you see that?
 8 A. Yes.
 9 Q. Was it your understanding that that was a premium
 10 or a discounted price for, you know, special investors?
 11 What was your understanding of the significance of \$1.50
 12 per share?
 13 A. I don't think I looked at it as a discounted
 14 price.
 15 Q. Okay. Then Mr. Crawford writes:
 16 "I have never had a medical device make so
 17 much progress in so little time and to be tracking so
 18 well."
 19 Do you see that?
 20 A. Yes.
 21 Q. Did you view that statement as a positive sign?
 22 A. Sure.
 23 Q. Did that make you feel enthusiastic about your
 24 investment?
 25 A. Sure.

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1 Q. And, ultimately, again, where were you in August
 2 of 2008 --
 3 A. I was --
 4 Q. -- geographically?
 5 A. I was back in North Carolina.
 6 Q. North Carolina. So, you did not attend this
 7 meeting?
 8 A. No.
 9 Q. Okay. We are almost done with this topic.
 10 Should we labor on for another few minutes, or do you
 11 need a break?
 12 A. I'm fine.
 13 Q. Okay, I admire your endurance.
 14 I'm going to hand you a document that's been
 15 marked as Gentry Exhibit 22.
 16 [The referred to document was marked for
 17 identification as Exhibit Number 22.]
 18 Do you see this is an e-mail that was
 19 written by Mr. Crawford and transmitted apparently on
 20 June 27th, 2010?
 21 A. Yes.
 22 Q. Do you see that among those it was sent to was
 23 you?
 24 A. Yes.
 25 Q. And what's the Subject line?

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1 A. Disc Motion Update - More Bullish Than Ever.
 2 Q. What's your understanding of what more bullish
 3 means?
 4 A. Got to be good news.
 5 Q. Is that sort of a term of art in the line of work
 6 you were in?
 7 A. Yes.
 8 Q. And if you're bullish, what does that mean in the
 9 line of work of a broker dealer?
 10 A. Well, you would think that it means increase in
 11 stock prices.
 12 Q. Mr. Crawford writes:
 13 "Following is an e-mail I received from Rick
 14 Brimacomb." It's B-R-I-M-A-C-O-M, like Mary, B, "who
 15 has collaborated with me in the fund raising for Disc
 16 Motion."
 17 What was your understanding of what
 18 Mr. Crawford meant when he said that Rick Brimacomb
 19 had collaborated with him in the fund raising for Disc
 20 Motion?
 21 A. I have no idea.
 22 Q. Was it your understanding that fund raising has
 23 something to do with investment dollars?
 24 A. Yes.
 25 Q. "Most of you who invested in the earliest round

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1 of funding for Disc Motion paid \$1 per share swapped
 2 those shares along with an added half as much as your
 3 original investment combined into a convertible
 4 debenture with a conversion option of no more than \$1.50
 5 per share."
 6 Do you see that?
 7 A. Yes.
 8 Q. Do you have any understanding of what that meant?
 9 A. Not really.
 10 Q. All right. So, today do you understand what that
 11 means?
 12 A. No.
 13 Q. Okay. Do you understand whether you were in the
 14 earliest round of funding?
 15 A. I thought I was.
 16 Q. Okay. So, do you recall engaging in this swap or
 17 conversion or whatever it was that was being described?
 18 A. No, I don't remember that.
 19 Q. Okay. Then Mr. Crawford continues:
 20 "They are raising," and do you have an
 21 understanding of what Mr. Crawford meant by they?
 22 A. I would think that would be Disc Motion.
 23 Q. "They are raising another \$5 million plus at just
 24 \$0.50 per share."
 25 Do you see that?

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1 A. Yes.
 2 Q. "What that means is that your conversion option
 3 now is at \$0.50 per share too."
 4 Do you see that?
 5 A. Yes.
 6 Q. "They had to lower the price because even though
 7 the technology is strong the market for private
 8 placements was dead."
 9 Do you see that?
 10 A. Yes.
 11 Q. "Not only have they continued to have amazing
 12 results from 100% of the 65 patients they have treated
 13 so far but they also have substantially improved the
 14 device and the tools the doctors use to insert the
 15 devices and have substantially reduced the manufacturing
 16 costs."
 17 Do you see that?
 18 A. Yes.
 19 Q. What was your feeling when you read this?
 20 A. Sounds pretty good.
 21 Q. Were you enthusiastic about your investment in
 22 Disc Motion -
 23 A. Yes.
 24 Q. - after reading this?
 25 A. Yes.

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1 Q. "Read through Rick's letter and click on the link
 2 and the video to learn more about what is going on."
 3 Do you see that?
 4 A. Yes.
 5 Q. Mr. Crawford then writes:
 6 "I definitely recommend that all investors
 7 invest in this very cheap \$0.50 round."
 8 Do you see that?
 9 A. Yes.
 10 Q. Did you take Mr. Crawford up on his
 11 recommendation that all investors invest in this very
 12 cheap \$0.50 round?
 13 A. No, I did not.
 14 Q. "Please call me if you have any questions."
 15 Did you call Mr. Crawford?
 16 A. No.
 17 Q. I'll note that there's an attachment to the
 18 e-mail. There's about -- it's some sort of update about
 19 Disc Motion Technologies. Did you review that?
 20 A. Yes.
 21 Q. As a general matter, was it a practice to review
 22 the materials that Mr. Crawford sent you about companies
 23 that you invested in?
 24 A. Yes.
 25 Q. Was that your major source of information about

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1 such investments?
 2 A. Yes.
 3 Q. Okay, one last exhibit that I'd like to mark and
 4 show you concerning disc management. I'm going to mark
 5 it as Gentry Exhibit 23, and it is an e-mail dated the
 6 4th of July 2010. July 4th, 2010.
 7 [The referred to document was marked for
 8 identification as Exhibit Number 23.]
 9 And do you see that Paul Crawford is sending
 10 this to you and others on July 4th, 2010?
 11 A. Yes.
 12 Q. And the subject, what is the Subject line?
 13 A. New Offering.
 14 Q. New Offering.
 15 And Mr. Crawford writes:
 16 "Attached is a copy of the letter that
 17 investors received from Disc Motion on June 22nd,
 18 2010."
 19 Do you see that?
 20 A. Yes.
 21 Q. Do you see then a few sentences down Mr. Crawford
 22 writes:
 23 "They already have a really great product
 24 and expect to be able to improve the tools and
 25 procedures for the docs which will result in good

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1 outcomes and much shorter procedures."
 2 Do you see that?
 3 A. Yes.
 4 Q. Then at the end Mr. Crawford writes:
 5 "Despite all the success they have shown so
 6 far they have priced this round at half the price of
 7 the first round."
 8 Do you see that?
 9 A. Yes.
 10 Q. "This is a steal at \$0.50 per share."
 11 Do you see that?
 12 A. Yes.
 13 Q. Okay. So, did you find this opportunity being
 14 presented by Mr. Crawford appealing?
 15 A. No.
 16 Q. Did you take advantage of the steal of a deal?
 17 A. No, I did not.
 18 Q. Okay, you can put that to one side.
 19 MR. POLISH: Why don't we take -- it's been
 20 about 45 minutes -- why don't we -- how about, Paul,
 21 and, Paul, we come back at 5 after the hour?
 22 MR. ENGH: Okay.
 23 (RECESS TAKEN FROM 1:57 P.M. TO 2:05 P.M.)
 24 MR. POLISH: We can go on the record
 25 whenever you want. Let's go back on the record.

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1 BY MR. POLISH:
2 Q. Mr. Gentry, you referenced a company called
3 Empathic?
4 A. Yes.
5 Q. Do you recall that?
6 A. Yes.
7 Q. Was that a company -- how did you get introduced
8 to this company?
9 A. Through Paul.
10 Q. And did you come to invest in it?
11 A. Yes.
12 Q. I'd like to mark and hand you a document that has
13 been marked as, actually, I'm going to mark it as Gentry
14 Exhibit 24.
15 [The referred to document was marked for
16 identification as Exhibit Number 24.]
17 And do you see this is an e-mail from
18 Mr. Crawford directly solely to you, apparently dated
19 October 11th, 2011?
20 A. Yes.
21 Q. And the Subject line is Empathic?
22 A. Yes.
23 Q. Do you have a recollection of what Empathic --
24 what -- what kind of company it was, what its product
25 was?

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1 A. Yes, software company, and they do software for
2 mental health professionals.
3 Q. Interesting.
4 And how did you -- do you recall how Mr. Crawford
5 introduced you to the company? Was it through an
6 e-mail?
7 A. I think it was through an e-mail.
8 Q. And do you recall whether he sent you the
9 documents that were necessary for you to sign before you
10 could invest in the company?
11 A. I'm sure he did.
12 Q. And you did that?
13 A. Yes.
14 Q. And this e-mail concerns your investment in
15 Empathic?
16 A. Yes.
17 Q. Mr. Crawford writes:
18 "Staley, You have invested in three
19 different Empathic Clinical Suites rounds."
20 Do you see that?
21 A. Yes.
22 Q. What's your understanding of what Mr. Crawford
23 meant by that?
24 A. It's three different times that they've gone out
25 to the market to raise money.

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1 Q. He continues:
2 "You invested \$50,050 in the very first
3 round and acquired 175 shares at a price of \$286 per
4 share."
5 That's what he writes?
6 A. Yes.
7 Q. Is that consistent with your recollection of what
8 you invested in the first round?
9 A. Yes.
10 Q. He continues:
11 "You invested \$112,500 in the 2nd round
12 which is called the Secured Convertible loan from
13 which you are accruing interest and the loan comes due
14 on March 31st, 2012."
15 Do you see that?
16 A. Yes.
17 Q. Was that consistent with the amount that you
18 invested in the second go round?
19 A. Yes.
20 Q. And is that also consistent with the form in
21 which your investment took?
22 A. Yes.
23 Q. What is your understanding of a Secured
24 Convertible loan?
25 A. That it's guaranteed, and that I have the option

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1 to convert it at some point in the future and it's
2 paying me interest.
3 Q. Now, and you could convert it from debt into
4 equity?
5 A. Yes.
6 Q. Mr. Crawford continued:
7 "If you convert that loan at maturity you
8 would be paid the interest and would convert into
9 298.2 shares at \$595.24 per share."
10 Do you see that?
11 A. Yes.
12 Q. And was that consistent with your understanding
13 of what the convertible component was for the 2nd round?
14 A. As far as I remember, yeah.
15 Q. "If you convert that loan at maturity you would
16 be paid," -- oh, I already read that.
17 "However, you can decide now to literally swap
18 that deal and have all \$112,500 converted into 393.35
19 shares."
20 Do you see that?
21 A. Yes.
22 Q. He writes:
23 "You also invested \$100,000 in the 3rd round
24 Bridge Loan deal, which under its terms could be
25 converted into shares at \$450 per share or a total of

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1 233.33 shares."
2 Do you see that?
3 A. Yes.
4 Q. So, you had you engaged in a 3rd round of
5 investments in Empathic, right?
6 A. Correct.
7 Q. And does this comport with your recollection that
8 you invested \$112,500 the third time around?
9 A. Yes, the second time around, and then 100 grand
10 the third time around.
11 Q. Oh, \$100,000 the third time around?
12 A. Yes.
13 Q. And it's a Bridge Loan?
14 A. Yes.
15 Q. What's your understanding of a Bridge Loan? Is
16 that the same as a -- how is a bridge loan different
17 than a secured convertible loan?
18 A. I thought it was just a loan to carry us through
19 a certain period of time and then it would be paid back.
20 Q. "However, that round had a stipulation that the
21 conversion price would be adjusted if capital raised in
22 the next round (i.e. round 4) at a lower price. The new
23 price is the original share price of \$286 per share
24 therefore you were automatically be converted at that
25 price so the \$100,000 would amount to 349.65 shares."

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1 A. Yes.
2 Q. Okay. And it says:
3 "Here's the summary of the above," and then
4 there's some sort of table listed?
5 A. Right.
6 Q. Then he goes on:
7 "We need to raise at least \$50,000 this
8 week."
9 Do you see that?
10 A. Yes.
11 Q. "Any new investment is also priced at just \$286
12 per share which is the original price and the price upon
13 which you can own all your shares pursuant to your
14 conversion of all the loans."
15 Do you see that?
16 A. Yes.
17 Q. "I am trying to get commitments from some of the
18 larger investors to at least cover the current monthly
19 short fall of \$50,000 by committing to a monthly
20 subscription of \$5,000 to \$10,000 for a few months. In
21 addition, the first \$250,000 invested in Round 4 will
22 earn a bonus of 10% warrants at the same price per
23 share."
24 Do you see that?
25 A. Yes.

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1 Q. "Empathic is getting close to where we want them
2 to be."
3 That's what he wrote, right?
4 A. Correct.
5 Q. "Please call me when you have a chance."
6 So, did you view -- what was your reaction to
7 this?
8 A. I honestly don't remember.
9 Q. Did you end up taking advantage of this Round 4
10 opportunity?
11 A. I do not remember.
12 Q. Okay. So, you don't know whether or not you were
13 in this bonus of 10% warrants?
14 A. No.
15 Q. And you don't know if you were able to get the
16 \$286 per share offer?
17 A. I do not remember.
18 Q. Okay. Let me mark for you -- let me hand you a
19 document that is being marked as Gentry Exhibit 25.
20 [The referred to document was marked for
21 identification as Exhibit Number 25.]
22 And do you see that this is an e-mail that
23 Paul Crawford sent you on February 13th, 2012?
24 A. Yes.
25 Q. And he talks about the status of the company; do

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1 you see that?
2 A. Yes.
3 Q. And then at the end at the bottom he writes:
4 "What does this all mean?"
5 Do you see that?
6 A. Yes.
7 Q. And he continues:
8 "It means that we now can see "the light at
9 the end of the tunnel" and Empathic should be there
10 before the end of 2012."
11 Do you see that?
12 A. Yes.
13 Q. It says:
14 "Debra is starting to expand sales and
15 marketing staff on a commission basis, and will start
16 to ramp up operations as the number of new clinicians
17 and monthly revenues increase."
18 Do you see that?
19 A. Yes.
20 Q. And do you have an understanding of who Debra is?
21 A. Yes.
22 Q. Who is Debra?
23 A. Debra is -- I think her title is CEO of Empathic.
24 Q. And when Mr. Crawford told you that we can now
25 see the light at the end of the tunnel, and that

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1 Empathic should be there before the end of 2012, what
2 was your reaction to that?
3 A. Well, that my reaction to that is they're going
4 to be cash flow positive and not have to be asking for
5 money anymore.
6 Q. So, did you view that as a positive development?
7 A. I sure did.
8 Q. I'd like you to look at page 1 of Exhibit 25. Do
9 you see there's an attachment?
10 A. Yes.
11 Q. And the attachment says staley.doc, D-O-C?
12 A. Yes.
13 Q. And if you'll look at the last page, I'll
14 represent to you that that's the attachment --
15 A. Yes.
16 Q. -- the last page of Exhibit 25. And do you see
17 this is a letter written by Paul to you?
18 A. Yes.
19 Q. And was it your -- was it your understanding Paul
20 was?
21 A. Paul Crawford.
22 Q. Yeah. And do you see here that he writes in the
23 middle of that page:
24 "I am suggesting that you consider adding an
25 additional \$47,500 in this 4th round, which is also

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1 invest a total of \$160,000 in this round and then the
2 company would repay your \$112,500 loan."
3 Do you see that?
4 A. Yes.
5 Q. So, what was your understanding of what would
6 happen if you did what he was suggesting?
7 A. If I gave him 160 grand, I would get 112.5 back.
8 Q. Right away?
9 A. Yes.
10 Q. Was that your understanding?
11 A. Yes.
12 Q. "The new \$160,00 investment would be eligible for
13 a refundable tax credit from the State of Minnesota."
14 What was your understanding of this tax credit?
15 A. They have that deed program in Minnesota that if
16 you invest, the state gives you back cash.
17 Q. And did you have an understanding of whether or
18 not this investment was eligible for that tax credit?
19 A. It was my understanding that it was.
20 Q. And what was the basis for that understanding?
21 A. Because Paul told me that.
22 Q. "You would recover 25% or \$40,000 from the State
23 of Minnesota."
24 Do you see that?
25 A. Yes.

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1 priced at \$286 per share."
2 Do you see that?
3 A. Yes.
4 Q. And then in the next paragraph he writes:
5 "By doing this you in effect will have
6 substantially increased your equity because all your
7 investments would be at the original \$286 share
8 price."
9 Do you see that?
10 A. Yes.
11 Q. "Note that repricing all the shares will increase
12 your shares and percentage ownership substantially even
13 before accounting for the value of the \$40,000 credit."
14 Do you see that?
15 A. Yes.
16 Q. Okay. And, actually, I'd like to go back. I'm
17 sorry to do this to you, but the paragraph before that,
18 we read the first sentence:
19 "I am suggesting that you consider adding an
20 additional \$47,500 in this 4th round which is also
21 priced at \$286 per share."
22 Do you see that?
23 A. Yes.
24 Q. And then goes on:
25 However, the best way to do this is to

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1 Q. "We cannot facilitate the transaction until you
2 are approved by Minnesota."
3 Do you see that?
4 A. Yes.
5 Q. And do you recall whether you ended up taking
6 advantage of this tax credit for this investment?
7 A. Yes, I did.
8 Q. And do you remember whether you engaged in this
9 4th round?
10 A. Yes.
11 Q. And then he, Paul, continues:
12 "By doing this you in effect will have
13 substantially increased your equity because all of
14 your investments would be at the original \$286 share
15 price."
16 Right?
17 A. Right.
18 Q. Then at the bottom he writes:
19 "Assuming we raise the entire \$1 million 4th
20 round which we very likely won't, we will have only
21 29,000 fully diluted shares outstanding."
22 Do you see that?
23 A. Yes.
24 Q. "What you hold now is 713.65 shares which equates
25 to 2.46% equity ownership."

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1 Do you see that?

2 A. Yes.

3 Q. "If you do what I am proposing here your equity

4 will increase to 1084.08 shares which is 3.74% and your

5 out-of-pocket net would only be \$7,500 more than what

6 you have invested so far."

7 Do you see that?

8 A. Yes.

9 Q. What did you think about this opportunity? Was

10 this something that you viewed as a good investment

11 opportunity?

12 A. Yeah, I thought it would be.

13 Q. Let me hand you what is being marked as Gentry

14 Exhibit 26.

15 [The referred to document was marked for

16 identification as Exhibit Number 26.]

17 It's a series of e-mails, and the one at the

18 top is from you; do you see that?

19 A. Yeah.

20 Q. And it was sent on what date?

21 A. On February 14th, 2012.

22 Q. And who is it being sent to?

23 A. Paul Crawford.

24 Q. And the Subject line is Empathic Update & Tax

25 Credit I-N-F.?

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1 A. Yeah.

2 Q. Okay. And can you read what you wrote?

3 A. "Paul, last e-mail you sent regarding dilution.

4 1.81% diluted to 1.63. Additional hundred grand 1.00.

5 2.63, which you say now is 2.46. Do not understand why

6 the more I put in the longer time goes buy, the more I

7 get diluted. I always thought 2 plus 2 = 4."

8 Q. So, what did you mean by that?

9 A. Well, I didn't quite understand where all this

10 dilution was coming from.

11 Q. And do you recall how Mr. Crawford responded?

12 A. That was four years ago, so I don't really

13 remember.

14 Q. Okay. Do you remember what your current -- the

15 current state of this investment? Is this still a

16 company that's doing business?

17 A. Yes, but it's still not cash flow positive.

18 Q. Are you still an investor?

19 A. Yes, I hope.

20 Q. When was the last time you received any update on

21 the status of the company?

22 A. I called Debra about 3 weeks ago because I hadn't

23 heard anything from them for about 6 months.

24 Q. And can you tell me what you told Debra and what

25 Debra told you?

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1 A. Well, I just asked her how things were going, and

2 she sent me an update and it was kind of more of the

3 same. If you remember, these previous e-mails in 2011

4 were talking about light at the end of the tunnel and

5 we're going to be cash flow positive by the end of the

6 year, and the company is still not cash flow positive.

7 Q. I'd like to mark one final exhibit for you. I'm

8 handing you a document that's been marked as Gentry

9 Exhibit 27.

10 [The referred to document was marked for

11 identification as Exhibit Number 27.]

12 Do you recall that Mr. Crawford offered you

13 an investment opportunity in a company called

14 Streamline, Inc.?

15 A. I do not recall this.

16 Q. Okay.

17 MR. POLISH: And for the record, Paul, this

18 was an e-mail that we got that we just got. I didn't

19 include it in what I sent you, but I'll e-mail you a

20 copy of it. I apologize.

21 BY MR. POLISH:

22 Q. This was -- do you see your -- that this -- an

23 e-mail was sent by Paul Crawford to a number of people,

24 including you?

25 A. Yes.

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1 Q. On April 17th, 2013?

2 A. Yes.

3 Q. And Mr. Crawford writes:

4 "Attached is information on an exciting

5 opportunity that I want to share with you."

6 Do you see that?

7 A. Yes.

8 Q. "The business is called Streamline, Inc. I am

9 planning on hosting a presentation lunch meeting for the

10 Streamline at my office as soon as possible. I need you

11 to respond and let me know if you would be interested in

12 attending a meeting to learn more about Streamline."

13 Do you see that?

14 A. Yes.

15 Q. Then later on he writes:

16 "I'm going to tell you why I am so excited

17 about this."

18 You see that?

19 A. Yes.

20 Q. "It is a fully developed product patent applied

21 and they already have orders and production is set."

22 Do you see that?

23 A. Yes.

24 Q. "They are raising a total of \$840,000 through the

25 issuance of 1,307,692 shares at just \$0.65 cents per

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1 share."
 2 Do you see that?
 3 A. Yes.
 4 Q. Do you see at the end he says:
 5 "I predict that the Streamline Transport
 6 System will scale very fast and will be bought at a
 7 tremendous premium within a few years."
 8 Do you see that?
 9 A. Yes.
 10 Q. "The minimum investment is \$25,000. This system
 11 could quickly replace all of the existing IV pole
 12 systems all over the world. It is a huge market."
 13 Do you see that?
 14 A. Yes.
 15 Q. Did you -- do you recall and do you see that
 16 there was some attached information called an Investors
 17 Brief --
 18 A. Yes.
 19 Q. -- concerning Streamline?
 20 Do you recall whether you invested in this
 21 opportunity?
 22 A. I did not.
 23 MR. POLISH: We have no further questions at
 24 this time.
 25 MR. ENGH: Mr. Gentry, I have a couple

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1 A. I know that.
 2 Q. Used to work for Minnesota and I used to watch
 3 him in high school.
 4 A. He's a good player.
 5 Q. Along with all the other college scouts that were
 6 there. So, we're all very excited about his success.
 7 A. So are we.
 8 Q. Okay, in any event, have you ever met
 9 Mr. Crawford personally?
 10 A. No.
 11 Q. Okay. So, all your interactions that you've
 12 discussed with us have been either on an e-mail basis,
 13 or a telephonic basis; am I right about that?
 14 A. That's correct.
 15 Q. You basically have three investments here that he
 16 has encouraged you to make. One was with Bixby; am I
 17 right about that?
 18 A. Correct.
 19 Q. And one was Disc Motion; am I right about that?
 20 A. Yes, sir.
 21 Q. Okay. And the final one was with Empathic. That
 22 was clearly the most expensive of your investments; am I
 23 right?
 24 A. Yes, sir.
 25 Q. You have made these investments willingly and

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1 questions for you.
 2 CROSS EXAMINATION
 3 BY MR. ENGH:
 4 Q. Again, my name is Paul Engh. I'm a lawyer here
 5 in Minneapolis, and I represent Mr. Crawford.
 6 I think you said you were an alumni of Duke
 7 University; am I right about that?
 8 A. Yes, sir.
 9 Q. I want to congratulate you on Duke's wonderful
 10 victory over Ohio.
 11 A. Pretty good victory; wasn't it?
 12 Q. I also wish you best of luck against Michigan
 13 State.
 14 A. I'll be there.
 15 MR. POLISH: I want to join in that
 16 congratulations.
 17 BY MR. ENGH:
 18 Q. I am looking forward to those two coaches walking
 19 the sidelines together. That will be almost worth the
 20 show on TV.
 21 A. Yeah, it will be.
 22 Q. Well, let me ask you a couple of questions,
 23 though, if I may. Although, we could go into Duke for
 24 another half hour. Jones, by the way, is from Apple
 25 Valley.

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1 voluntarily; is that right?
 2 A. Yes.
 3 Q. You were by your own estimation a fairly
 4 sophisticated man in terms of investments?
 5 A. I don't know how sophisticated, but I knew what I
 6 was doing I guess.
 7 Q. Okay. So, with Bixby one of the reasons you
 8 invested was that Bob Walker was running the company; is
 9 that correct?
 10 A. Yes.
 11 Q. And Mr. Walker had a tremendous success with
 12 Sleep Comfort mattresses; is that right?
 13 A. Yes.
 14 Q. He had taken that company public and made a
 15 fortune on it; am I right about that?
 16 A. I suppose you're right.
 17 Q. Okay. Did you ever meet Mr. Walker personally?
 18 A. No, I did not.
 19 Q. Did you ever go to any of his sales pitches or
 20 his presentations personally?
 21 A. No, I did not.
 22 Q. I assume that you never went to Mr. Crawford's
 23 office, even though I think you've been asked that same
 24 question multiple times, but did you ever come to
 25 Minneapolis to see him at his office?

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1 A. No, I did not.
 2 Q. And regarding Bixby, you thought, at least
 3 according to the questions that my colleague and friend
 4 asked you, that he was serving as a broker for Bixby; is
 5 that right?
 6 A. Yes.
 7 Q. You didn't have any awareness, did you, that he
 8 was employed by Bixby?
 9 A. No.
 10 Q. Do you have any understanding that he was
 11 employed by Bixby today as you sit there?
 12 A. I have no idea.
 13 Q. Okay. Do you know how he was compensated for
 14 your purchases if he was compensated at all with Bixby?
 15 A. No, I do not.
 16 Q. You're assuming that he was paid a fee of some
 17 kind; isn't that right?
 18 A. Yes.
 19 Q. Were you invoiced when you paid -- were you ever
 20 invoiced by Bixby when you paid for stock, the stocks,
 21 or invested in Bixby in any event?
 22 A. No.
 23 Q. Do you know the difference between a finder's fee
 24 and a broker's fee?
 25 A. Yeah, I think so.

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1 Q. What is your memory as to when he left the
 2 company?
 3 A. I don't have any recollection of the time.
 4 Q. Okay. And when he asked if you would like to
 5 make certain additional purchases involving the warrant
 6 we discussed, you declined; is that right?
 7 A. Yes.
 8 Q. Did Mr. Crawford ever indicate to you that he was
 9 receiving a broker's fee as opposed to a finder's fee in
 10 this case?
 11 A. No.
 12 Q. In fact, you don't know which fee he received; do
 13 you?
 14 A. No, I do not.
 15 Q. Do you know what percentage of a fee that he got?
 16 A. Have no idea.
 17 Q. It was your understanding, or at least your
 18 assumption, sir, that he was receiving some kind of fee
 19 for lining you up with these Bixby investments; is that
 20 true?
 21 A. Yeah. I don't think many people work for free.
 22 Q. That's true, nor do you for that matter, nor did
 23 you, I should say, during your work life; is that right?
 24 A. I would say that I worked pretty hard for my
 25 dough.

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1 Q. What is your understanding of what a finder's fee
 2 is compared to a broker's fee?
 3 A. Somebody just pays me for bringing an investor
 4 in.
 5 Q. It would appear from the e-mails that we reviewed
 6 that there were a number of investors that received the
 7 same e-mail that you did; is that right?
 8 A. Yes.
 9 Q. Okay. And it would appear, without going into
 10 too much detail on each e-mail, that each of these
 11 individuals were being requested or suggested by
 12 Mr. Walker that they invest in Bixby; is that right?
 13 A. Yes.
 14 Q. And it would appear that each of those
 15 individuals were similarly situated to you; that is to
 16 say that they were presented with the same opportunity
 17 that you were?
 18 A. I would assume, yes.
 19 Q. And your ultimate investment remained at \$50,000;
 20 isn't that correct?
 21 A. No, it was 80,000.
 22 Q. 80,000, I'm sorry.
 23 Were you aware of when Mr. Walker left the
 24 company?
 25 A. Yes.

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1 Q. Sure. And a lot of the pitches made in this
 2 investment is ripe now that it would be a good
 3 investment to make now is fairly typical of a closing
 4 device and that the seller would like the buyer to close
 5 the transaction. You're familiar with this idea of
 6 closing; aren't you?
 7 A. Yeah, I think I'm familiar with that.
 8 Q. Well, you've got to close the deal to be in
 9 sales. You've got to be a closer; don't you?
 10 A. That's correct.
 11 Q. You've got to get to the mutual yes; don't you?
 12 A. Yeah.
 13 Q. Fair enough?
 14 A. Yes, sir.
 15 Q. And what he was trying to do is make you -- make,
 16 at least encourage you to make a decision on your own;
 17 is that right?
 18 A. I would assume that was it, yes.
 19 Q. And for each one of these companies you made your
 20 own decisions, and sometimes you said yes, and sometimes
 21 you said no, right?
 22 A. Correct.
 23 Q. Even though the pitch he made to close was
 24 similar on each investment, at least according to the
 25 questions that Mr. Polish asked you; is that right?

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1 A. I would say so, yes.
 2 Q. And one of the reasons you stayed with Bixby is
 3 that you're aware that a former United States
 4 Representative, Gill Goodnick, was attempting to right
 5 the company after Walker had left; am I right about
 6 that?
 7 A. I didn't have a choice about staying with them.
 8 Q. Well, you are aware, though, that former United
 9 States Representative from southern Minnesota, Gill
 10 Goodnick, was involved in trying to make the company go;
 11 were you not?
 12 A. Yes, yes.
 13 Q. And his involvement had nothing to do with
 14 Mr. Crawford's; is that correct?
 15 A. I have no idea.
 16 Q. All right. And a lot of these e-mails that we
 17 have sent, what essentially Mr. Crawford was doing was
 18 relaying information that he himself had gotten from
 19 Bixby to make sure you were updated as to what your
 20 investment was doing and what the products were doing;
 21 fair enough?
 22 A. Yes.
 23 Q. Would you assume that Mr. Walker got his
 24 information from Bixby, the company?
 25 MR. POLISH: Objection; foundation.

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1 investment by you; isn't that right?
 2 A. Yes.
 3 Q. No one twisted your arm, correct?
 4 A. Not that I felt.
 5 Q. And it sounds like a good deal. It sounds like
 6 an innovative medical device that would ease pain for
 7 many people who suffered chronic back pain; isn't that
 8 right?
 9 A. Yeah. Never seen a bad projection, man.
 10 Q. I didn't understand you. What did you say?
 11 A. I said I've never seen a bad projection. Yeah,
 12 they're all to come.
 13 Q. Okay. And in the sales world that you live in
 14 there's a certain amount of optimism that prevails;
 15 isn't that correct?
 16 A. No, I was selling life insurance; that's a lot of
 17 pessimism.
 18 Q. Well, you're never wrong, as Mr. Crawford tells
 19 me, but you still have an underwriting procedure in life
 20 insurance when you assume that a person's going to last
 21 so long, and that's how you evaluate the product; isn't
 22 that right?
 23 A. That's correct.
 24 Q. Based upon optimistic projections at times
 25 because you never know how long someone's going to last,

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1 BY MR. ENGH:
 2 Q. You can answer the question in light of the
 3 objection.
 4 A. I mean, I would assume that since Walker was
 5 running the company, he knew what was going on. So,
 6 whatever he passed out of there, you'd have to take at
 7 face value.
 8 Q. All right. In good faith as well, true?
 9 A. Yes.
 10 Q. Now, the Disc Motion company, how much money did
 11 you put into that?
 12 A. 25.
 13 Q. Did you reinvest?
 14 A. I put another 5 in at the end because Paul told
 15 me I was going to lose my 25, but if I put 5 more in, I
 16 would at least have a stake in the sale of the patent if
 17 they sold the patent.
 18 Q. Okay. And I understand that that investment has
 19 not worked out for you?
 20 A. That would be a correct statement.
 21 Q. Okay. And you're not terribly happy about that
 22 it sounds to me from hearing your voice, fair enough?
 23 A. Well, I mean, nobody likes to lose money.
 24 Q. That's correct.
 25 And with Disc Motion that was a willing

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1 fair enough?
 2 A. Or how short they're going to last.
 3 Q. That's true.
 4 A. That's why you buy insurance.
 5 Q. Right. And in terms of meetings attended, we
 6 talked about Mr. Crawford's meetings at his office in
 7 Minneapolis. Did you attend any Disc Motion meetings?
 8 A. No.
 9 Q. Did you ever talk to the executives of that
 10 company?
 11 A. No.
 12 Q. And during the time you were making these
 13 investments and between, it appears, 2007 and 2010, it
 14 would be fair to say that the economy was in a depressed
 15 state and credit was tight; isn't that correct?
 16 A. Yeah.
 17 Q. And at one of the briefings private placement was
 18 difficult, at least according to the e-mails, and the
 19 credit was tight all over the country; is that not
 20 correct?
 21 A. I would assume, sure.
 22 Q. And you were trying to find investments for your
 23 money that would have a higher yield than the stock
 24 market had, which tanked in 2007 and 2008, and wasn't
 25 really doing anything for a number of years, fair

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1 enough?
 2 A. Sure.
 3 MR. POLISH: Object to form.
 4 BY MR. ENGH:
 5 Q. Now, Empathic is that software company, and you
 6 mentioned someone named Debra as the CEO. Do you recall
 7 Debra's last name?
 8 A. Lindell.
 9 Q. I'm sorry, what was the last name, could you tell
 10 me again?
 11 A. I think it's L-I-N-D-E-L-L.
 12 Q. All right. Were you aware if Mr. Crawford got
 13 any commission whatsoever for encouraging you to buy
 14 Empathic stock or any other kind of Empathic note that
 15 we discussed?
 16 A. It was my understanding that Paul had ownership
 17 in Empathic.
 18 Q. Well, my question is, then, given his ownership
 19 interest, do you know if he got a commission on anything
 20 that you put into the company?
 21 A. Like I said earlier, I don't think anybody works
 22 for free.
 23 Q. Okay, but do you know in this situation whether
 24 he got any commission from Empathic, yes or no?
 25 A. I have no idea.

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1 (RECESS TAKEN FROM 2:39 P.M. TO 2:41 P.M.)
 2 BY MR. ENGH:
 3 Q. Okay, I've got just a couple more questions for
 4 you, sir.
 5 A. Okay.
 6 Q. We talked about Space Data; that was a company
 7 that you didn't invest in, right?
 8 A. Correct.
 9 Q. There was a family name called Knoblach; you
 10 remember those from the e-mails?
 11 A. Yes.
 12 Q. Did you know whether the Knoblauchs runs Space
 13 Data?
 14 A. I have no idea.
 15 Q. Are you aware that Space Data is an ongoing
 16 company?
 17 A. No.
 18 MR. ENGH: I have no further questions,
 19 John.
 20 MR. POLISH: Nor do I.
 21 Well, thanks very much, Mr. Gentry, for your
 22 time. We all appreciate it.
 23 Thanks, Paul and Paul. We'll be seeing you.
 24 (DEPOSITION CONCLUDED AT 2:41 P.M.)
 25

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1 Q. Okay. And it's still a company that's on going,
 2 but it's cash flow negative as you say, right?
 3 A. That's my understanding.
 4 Q. You thought it was a good idea good enough for
 5 you to put a lot of money into it, though?
 6 A. Well, I was encouraged to do that.
 7 Q. But you made your own decision?
 8 A. Yeah, I did, but as you saw, that e-mail in 2011
 9 said we expect to be -- we expect to be cash flow
 10 positive by the end of the year.
 11 Q. Okay. Do you know if it's Mr. Crawford's fault
 12 personally that it was not cash flow positive by the end
 13 of the year?
 14 A. Well, I would hope not.
 15 Q. Okay. And this Streamline investment, do you
 16 know to this day whether that company is profitable?
 17 A. I have no idea who Streamline is.
 18 Q. Okay. That was the last company I think we
 19 talked about, and that's the one you didn't invest in,
 20 fair enough?
 21 A. Yes.
 22 MR. ENGH: Let me take a short break here,
 23 John. for just a couple of minutes, and then I think
 24 we can wrap this up.
 25 MR. POLISH: Sounds good to me.

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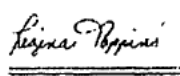
1 STATE OF NORTH CAROLINA)
 2 COUNTY OF DURHAM)
 3 I hereby certify that the witness in the
 4 foregoing deposition, STALEY M. GENTRY, was by me duly
 5 sworn to testify to the truth, the whole truth and
 6 nothing but the truth, in the within-entitled cause;
 7 that said deposition was taken at the time and place
 8 herein named; and that the deposition is a true record
 9 of the witness's testimony as reported by me, a duly
 10 certified shorthand reporter and a disinterested
 11 person, and was thereafter transcribed into typewriting
 12 by computer.
 13 I further certify that I am not interested in
 14 the outcome of the said action, nor connected with nor
 15 related to any of the parties in said action, nor to
 16 their respective counsel.
 17 IN WITNESS WHEREOF, I have hereunto set my
 18 hand this 30th day of March, 2015.
 19 Reading and Signing was:
 20 ___ requested ___X___ waived ___ not requested
 21
 22 
 23 _____
 24 Regina Toppins, Notary Public
 25 Notary Number: 200626300019

EXHIBIT 18

Deana Mclean

From: Paul Crawford [pc@crowcap.com]
Sent: Wednesday, May 31, 2006 4:20 PM
To: Dennis Desender
Subject: Latest List of Investors

Attachments: Bixby Prospect List.xls



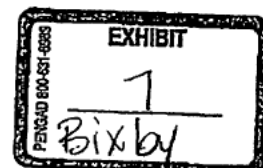
Bixby Prospect
List.xls (17 KB...

Dennis,

Attached is the final list of investors. I will bring the last two checks from Roland Stinski and Dick Parry on Friday. We will also discuss a NY hedge fund that may be interested in participating in your next major round.

See you on Friday.

Paul Crawford



BIX061114

EXHIBIT 19

CRAWFORD CAPITAL CORP.
125 S.E. MAIN ST., SUITE 270
MINNEAPOLIS, MN 55414

June 19, 2006

Dennis Descender
Bixby Energy Systems
9300 75th Ave. N.

Dear Dennis:

Attached is a copy of my May 31st letter regarding the 92,613, \$2 warrants that are owed to Crawford Capital and me. I am gifting some of these options as follows:

██████ warrants to Douglas C. Selander, ██████ 3263, ██████ Minnetonka, MN 55343.

██████ warrants to Joseph Mooney, ██████ 3964, ██████ Minneapolis, Mn 55414

██████ warrants to Brian R. Crawford, ██████ 8854, ██████ Spring Lake Park, MN 55432

██████ warrants to Jack and Michelle Angerhofer, jointly, ██████ 8555, ██████ Spring Lake Park, MN 55432

██████ warrants to Wilfred H. Crawford, ██████ 1170, ██████ Minneapolis, MN 55414

██████ warrants to Dolores E. Crawford, ██████ 4688, ██████ Spring Lake Park, MN 55432

██████ of the remaining warrants should be issued to Crawford Capital Corp., ██████ 5264, 125 Main St. S.E., Suite 270, Minneapolis, MN 55414

██████ warrants to Dan Neisen, ██████ 9772, ██████ Belle Plaine, MN 56011

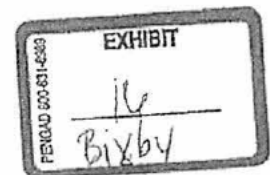
██████ of the remaining warrants should be issued to Paul D. Crawford, ██████ 5481, ██████ Spring Lake Park, MN 55432.

2000 Less

Enclosed is John Scheef's Bixby stock certificate and warrant document. His name is misspelled; the correct spelling is John Scheef not John Sheef. Please call me if you have any questions. Please forward the replacement certificates directly to him.

Sincerely,

Paul Crawford



BIX104146

EXHIBIT 20

[REDACTED]

[REDACTED]

----- Forwarded message -----

From: Paul Crawford <pc@crawcap.com>

Date: Wed, Sep 7, 2011 at 5:11 PM

Subject: FW: Bixby Energy Update

To: "Bill Degnan (bill degnan)" <william.degnan@axa-advisors.com>, Bill Hoagland <bhoagland@squidink.com>, Bob & Ruth Bringer <[REDACTED]>, Bob Hildreth <bob@esp.com>, Bradley Smegal <bradleysmegal@mac.com>, "Carl & Jan Kuhrmeyer (Carl & Jan Kuhrmeyer)" <[REDACTED]>, "chris degross <[REDACTED]>, "cush (cush)" <[REDACTED]>, Dan Mayer <daniel.e.mayer@stifel.com>, Dan Neisen <info@neisens.com>, Dave Fernald <[REDACTED]>, Dick Parry <[REDACTED]>, Doug Selander <[REDACTED]>, "Dr. Phil Sweetser (Dr. Phil Sweetser)" <[REDACTED]>, "Ernie DeLanghe (Ernie DeLanghe)" <ed@caliberproductsinc.com>, "Frank Dosal (Frank Dosal)" <[REDACTED]>, "Gary Bohn (Gary Bohn)" <[REDACTED]>, george holden <GHolden@holdenmarketing.com>, "Haluptzok, Harry" <HarryH@johnsauto.com>, Jerry & Mary Jacoby <[REDACTED]>, joe Kowalcik <joe@kowalaw.com>, Joel Dixon <[REDACTED]>, John Fitzgerald <[REDACTED]>, "John Kuhrmeyer (john Kuhrmeyer)" <john.kuhrmeyer@axa-advisors.com>, John Scheef <john.scheef@usbank.com>, judy holden wright <wrightapp@sbcglobal.net>, "Larry Karkela (larry karkela)" <[REDACTED]>, manish agarwal <manish.agarwal@axa-financial.com>, Mick Thorland <mick@venturemortgage.com>, "rick anderson (rick anderson)" <[REDACTED]>, "Rollie Stinski (Rollie Stinski)" <[REDACTED]>, Ron Runck <[REDACTED]>, Staley Gentry <staley.gentry@axa-equitable.com>, Tim Kocina <wehaulmoving@netzero.net>, [REDACTED]

Attached is the recent email update from Bixby. Some of you may have already seen this. They are moving ahead as fast as they can at all three test sites in China. There is still time if any of the warrant holders wish to exercise their warrants at \$1 per share which is half of the original \$2 per share exercise price. Let me know if you want to take advantage of this offer.

Paul Crawford

(ofc) 612-676-1436

EXHIBIT 4 PLTF. DEFT.
WITNESS Haluptzok
CONSISTING OF 2 PAGES
DATE 4-1-15
BEHMK REPORTING AND VIDEO SERVICES, INC.

(cell) 612-308-6466

China Update – September 7, 2011

Progress is being made at all three sites in China. Here is the status of each site:

- **Changzhi** – Replacement parts are completed. They are being transported with our crews. Installation of the new seal will begin September 12th and we expect to introduce coal to the unit by September 15th.
 - **Ordos** – Installation has moved forward. The Bixby unit and the necessary ancillary equipment are on schedule with first operation on or about September 20th.
 - **Xilihot** – Team will visit the site on Saturday, September 10th to validate and assess status of site. Current goal is to have unit operational by late September to early October. A definitive timeline will be determined upon completion of the site assessment. We want to assured that all ancillary infrastructure (electrical, water, etc.) will be completed so we do not run into the same problems that have experienced in Changzhi.

Thank you,

Rebekah R. Scherer

Investor Relations

763-404-7800

Bixby Energy - "Redefining the Future of Energy"

www.bixbyenergy.com

Please Note: This communication may contain sensitive information which, if released generally, could compromise future negotiations for the rights to Bixby Technology. Please do not disseminate or forward without the written permission of Bixby Energy. Thank you.

EXHIBIT 21

[Redacted]

From: Paul Crawford <pc@crawcap.com>
Sent: Friday, September 30, 2011 3:39 PM
To: Degnan, William; Bill Hoagland; 'Bob & Ruth Bringer'; 'Bob Hildreth'; 'Bradley Smegal'; 'Carl & Jan Kuhrmeyer (Carl & Jan Kuhrmeyer)'; [Redacted] 'chris degross'; 'cush (cush)'; 'Dan Mayer'; 'Dan Neisen'; 'Dave Fernald'; 'Dick Parry'; 'Doug Selander'; 'Dr. Phil Sweetser (Dr. Phil Sweetser)'; 'Ernie DeLanghe (Ernie DeLanghe)'; 'Frank Dosal (Frank Dosal)'; 'Gary Bohn (Gary Bohn)'; 'george holden'; gg [Redacted] 'Harry Haluptzok'; 'Jerry & Mary Jacoby'; [Redacted] 'Joe Kowalcik'; Joel Dixon; 'John Fitzgerald'; Kuhrmeyer, John; 'John Scheef'; 'judy holden wright'; 'Larry Karkela (Larry karkela)'; Agarwal, Manish; 'Mick Thorsland'; 'rick anderson (rick anderson)'; 'Rollie Stinski (Rollie Stinski)'; 'Ron Runck'; 'Ronald Govin \ [Redacted]'; Gentry, Staley; Tim Kocina; [Redacted]
Subject: FW: Bixby Energy Systems
Attachments: Special Shareholder Meeting Report.pdf

I attended the Bixby shareholder meeting on Thursday. It was one of the best shareholder meetings I ever attended. It was very well attended and it appeared to me that almost everyone in attendance left feeling pretty good about Bixby. There was an article about the meeting in the Friday, September 30, 2011 Business Section of the *Minneapolis Star Tribune* titled Bixby reveals a prosecution deal written by reporter Dan Browning who attended the meeting. The title of the article needs some clarification. As you know new management led by Gil Gutknecht and Tom Bergeron took control of Bixby in early May. The U.S. Attorney in conjunction with the SEC in essence has agreed that the new management is and will continue to operate the business free of any continuing investigation for a period of 3 years. This is what is called a "deferred prosecution agreement. The bottom line is that, will the authorities are pursuing former management individuals and fund raisers but will defer any further action with the Company so as to allow the new team to pursue their business for the benefit of all shareholders.

I wish all of you had been able to attend the meeting. They had a Skype video conference meeting with Ron Baker who heads the Bixby technology team in the construction and testing of the three systems that are now up in three different locations in China. They have been in China for 3-months and said they will be home in 30 days. In other words, they expect to conclude the required tests within the next 30 days and it is possible the pivotal 1st burn will happen within the next 2 to 5 days. They also had a Skype video conference with the leadership of GPU. Jason Moore, chief executive of GPU spoke glowingly about why the Bixby technology is so important to China and his confidence that the system does and will work. His enthusiasm is supported by the fact that GPU has made several no interest loans to Bixby to cover the cost of the China trials.

Ron Kinner who is Bixby CFO had recently completed a full audit of the company from the start to September 30, 2011 that covered every single dollar of capital and a detailed analysis of the assets and liabilities. I can arrange to have them forward copies of the financials if you wish. They are totally out of money and still have \$400,000 of the \$500,000 left to raise before they close the extension of warrants that were still live when they took over the company. These include the warrants that I had that actually expired on May 31, 2011. The will still allow investors to convert their warrants at half of the \$2 per share price which is just \$1. There seemed to be a lot of interest among many of the investors at the meeting so, if you intend to exercise your warrants you better decide very soon before they close it off. With this in mind I will let you know of the results of these next two tests in the next few days.

You can read the the *Star Tribune* article which follows below here.

Regards,
 Paul Crawford

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 WITNESS Haluptzok
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 DATE 4-1-15
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(ofc) 612-676-1436

(cell) 612-308-6466

This Article from www.startribune.com has been sent to you by paul

Please note, the sender's identity has not been verified.

The full Article, with any associated images and links can be viewed here:

Troubled Bixby reveals a prosecution deal

DAN BROWNING, Star Tribune

Bixby Energy's board members told more than 300 investors Thursday that the Minnesota company's much-ballyhooed coal-to-natural gas technology is within days of proving itself in China.

"Today, we're on the verge of a very important milestone, not only for Bixby, but also for the world," former U.S. Rep. Gil Gutknecht, a Bixby investor and chairman of the board, said at the meeting in Medina.

He said if Bixby's technology can produce natural gas from "some of the dirtiest coal in the world" using little water and producing no harmful emissions, it would change the worldwide energy picture.

"The truth of the matter is, the potential in China is almost unimaginable," Gutknecht said. But back home, he and other directors of the Ramsey, Minn., company acknowledged, the picture isn't so rosy.

The private company is down to just four employees, said Ron Kinner, Bixby's controller. It's so broke that it can't afford to pay auditors to complete its 2011 financial statements. And because the company lacks money to pay its lawyers, it hasn't acted on an offer from federal prosecutors that would let Bixby avoid criminal prosecution.

The meeting of Bixby shareholders, warrant holders and lenders was the first in about five years, said Gutknecht, who became chairman in May after the ouster of the troubled company's founder, Bob Walker.

The board allowed a Star Tribune reporter to attend the meeting on the condition that the paper not reveal specific financial figures. Suffice it to say, the company's in the red.

In addition, the U.S. Securities and Exchange Commission and the U.S. attorney's office in Minnesota are investigating the company's past fundraising and business practices. One former fundraiser has pleaded guilty to securities fraud and has implicated a former Bixby officer, believed to be Walker.

Walker, who remains a shareholder, has denied any wrongdoing.

Concern for shareholders

Jim Bergeron, a University of Chicago-trained economist and businessman who's been an investor in Bixby for seven years and a board member for nearly five, said the company is working closely with government investigators. "They are particularly concerned about the shareholders," he said more than once.

Bergeron revealed that federal prosecutors offered the company a "deferred prosecution agreement," which would allow it to continue operating as the current management struggles to turn things around. "Although the government believes Bixby has misbehaved in the past, if the current management obeys all laws and regulations going forward, it will forgo any prosecution for three years," Bergeron said of the proposed agreement. At that point, he said, if the company has kept its nose clean, the government would drop any

criminal prosecution. The bargain applies only to the company, though, Bergeron said. "It will not apply to any individuals."

Ron Baker, Bixby's point man in Changzhi, China, made an appearance via video conference. He described setbacks trying to launch the technology, from power and water problems to language difficulties. But Baker said his team has the experience to deal with whatever comes up.

"It's not their first rodeo," he said.

'Ready to run'

Baker said Bixby's make-or-break tests of two coal-gasification units, in Changzhi and Ordos, would take place between Friday and Sunday. "The first two machines are ready to run," he said, prompting applause.

Jason Moore, chief executive of Global Partners Unified, a Nevada-based company that is marketing the technology in China and propping up Bixby with no-interest loans, spoke to the shareholders from Beijing. He said China was the perfect market for Bixby because it has little natural gas, huge stores of low-grade coal, scant water resources, and government mandates to clean up the environment.

"The potential is extremely strong. It's just a matter of getting our first system up and running," Moore said. Gutknecht said it could open the door to more sales in China and other countries.

Though some shareholders challenged the board members for the company's past missteps, most seemed satisfied by what they heard.

"It can't be any worse," said Tim Druk, of Maple Grove. "I think the product works, and it's there for someone to take it. The biggest problem is, we need someone that has the capital to take it in the right direction."

Dan Browning • 612-673-4493

EXHIBIT 22

[REDACTED]

From: Paul Crawford <pc@crawcap.com>
Sent: Saturday, October 08, 2011 4:33 PM
To: Degnan, William; Bill Hoagland; 'Bob & Ruth Bringer'; 'Bob Hildreth'; 'Bradley Smegal'; 'Carl & Jan Kuhrmeyer (Carl & Jan Kuhrmeyer)'; [REDACTED] chris degross; 'cush (cush)'; 'Dan Mayer'; 'Dan Neisen'; 'Dave Fernald'; 'Dick Parry'; 'Doug Selander'; 'Dr. Phil Sweetser (Dr. Phil Sweetser)'; 'Ernie DeLanghe (Ernie DeLanghe)'; 'Frank Dosal (Frank Dosal)'; 'Gary Bohn (Gary Bohn)'; 'george holden'; [REDACTED] Harry Haluptzok; 'Jerry & Mary Jacoby'; [REDACTED] 'joe Kowalcik; Joel Dixon; John Fitzgerald; Kuhrmeyer, John; 'John Scheef'; 'judy holden wright'; 'Larry Karkela (larry karkela)'; Agarwal, Manish; 'Mick Thorsland'; 'rick anderson (rick anderson)'; 'Rollie Stinski (Rollie Stinski)'; 'Ron Runck'; 'Ronald Govin [REDACTED]'; Gentry, Staley; Tim Kocina; travisplut@yahoo.com
Subject: FW: Bixby Energy Systems - China Update
Attachments: Raw Gas 10-06-2011.jpg

I hope all of you read this latest announcement on the Bixby tests in China. They probably need just one or two more demonstrations that will prove up the technology and trigger a lot of good, firm orders. I want to remind any of you who own warrants that were still "live" in May that there is still time for you to exercise \$2 warrants for \$1. Please let me know if you want to now turn warrants into shares of Bixby before the special warrant holiday ends.

Regards,
 Paul Crawford
 (ofc) 612-676-1436
 (cell) [REDACTED]

From: Rebekah R. Scherer [mailto:rebekahs@bixbyenergy.com]
Sent: Thursday, October 06, 2011 1:05 PM
To: Rebekah R. Scherer
Subject: Bixby Energy Systems - China Update

China Update

The unit in Ordos was successfully run again today. Approximately 6 tons of coal was processed this time. The machine ran well and we produced a lot of gas. There is a problem with the flare process so the gas was just vented into the atmosphere. In the attached picture you can see the gas venting into the atmosphere (it was quite windy and is coming off at 90 degree angle). Work is in progress to fix the flare issue. We will run the unit again tomorrow after these adjustments have been completed.

Enjoy your day,

Rebekah R. Scherer
 Investor Relations
 763-404-7800
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www.bixbyenergy.com

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EXHIBIT 23

[REDACTED]

[REDACTED]

[REDACTED]

EXHIBIT 3 PLTF.
WITNESS Haluptzok DEFT.
CONSISTING OF 5 PAGES
DATE 4-1-15
BEHMKR REPORTING AND VIDEO SERVICES, INC.

----- Forwarded message -----

From: Paul Crawford <pc@crawcap.com>

Date: Sun, May 29, 2011 at 4:07 PM

Subject: FW: Bixby Energy Systems Shareholder Letter

To: "Bill Degnan (bill degnan)" <william.degnan@axa-advisors.com>, Bill Hoagland <bhoagland@squidink.com>, Bob & Ruth Bringer <[REDACTED]>, Bob Hildreth <bob@esp.com>, Bradley Smegal <bradleysmegal@mac.com>, "Carl & Jan Kuhrmeyer (Carl & Jan Kuhrmeyer)" <[REDACTED]>, chris degross <[REDACTED]>, "cush (cush)" <[REDACTED]>, Dan Mayer <daniel.e.mayer@stifcl.com>, Dan Neisen <info@neisens.com>, Dave Fernald <dbferald@q.com>, Dick Parry <[REDACTED]>, Doug Selander <[REDACTED]>, "Dr. Phil Sweetser (Dr. Phil Sweetser)" <[REDACTED]>, "Ernie DeLanghe (Ernie DeLanghe)" <ed@caliberproductsinc.com>, "Frank Dosal (Frank Dosal)" <[REDACTED]>, "Gary Bohn (Gary Bohn)" <[REDACTED]>, george holden <GHolden@holdenmarketing.com>, "Haluptzok, Harry" <HarryH@johnsauto.com>, Jerry & Mary Jacoby <[REDACTED]>, joe Kowalcik <joe@kowalaw.com>, Joe Mooney <joe.mooney@compuware.com>, Joel Dixon <[REDACTED]>, John Fitzgerald <[REDACTED]>, "John Kuhrmeyer (john Kuhrmeyer)" <john.kuhrmeyer@axa-advisors.com>, John Scheef <john.scheef@usbank.com>, judy holden wright <wrightapp@sbcglobal.net>, "Larry Karkela (larry karkela)" <[REDACTED]>, manish agarwal <manish.agarwal@axa-financial.com>, Mick Thorland <mick@venturemortgage.com>, "rick anderson (rick anderson)" <rick@france44.com>, "Rollie Stinski (Rollie Stinski)" <[REDACTED]>, Ron Runck <[REDACTED]>, Ronald Govin <[REDACTED]>, Staley Gentry <staley.gentry@axa-equitable.com>, Tim Kocina <wehaulmoving@netzero.net>, [REDACTED]

PLAINTIFF'S
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Attached is a letter from Gil Gutknecht, Ron Kiner and Jim Bergeron who constitute the entire current Bixby Board of Directors. Some of you may have already received this letter and photo of the first system that is now being put in place for testing in China.

This is the best news regarding Bixby that we could have expected. In the letter they expect to have the "first gas" from the test unit by late June or early July. They have made a very wise decision to change the deal with GPU. GPU will

continuing to be Bixby's exclusive representative in China and also a holder of a license to use Bixby's technology. What is different now is that GPU will be responsible for the manufacturing, selling, installing and servicing of Bixby units in China. Gil told me that just the transportation for the systems from the U.S. to China cost more than \$85,000 each and took as much as 60-days to deliver. GPU has already arranged for manufacturing in China and it will be much less expensive than having them manufactured here. They essentially are outsourcing the manufacturing which means the company does not need millions of dollars of front end capital to cover manufacturing costs. Bixby now has just two managers, Ron Kinner and Ron Baker. They also have hired back Rebekah Scherer who was my contact at Bixby for transferring Bixby warrants to some of you. I had told Gil to please hire here because she has all of the shareholders and warrant holders information.

Even more important is that GPU has committed to fund all expenses to get the five test units to China and up and running. They are also providing limited working capital for day to day expenses until the first unit is operating successfully.

What I was concerned about was whether or not they would need to raise additional capital to survive. The arrangements they have with GPU at this point makes it unnecessary that they raise additional capital now. Note that GPU says they will provide limited working capital "until the first unit is operating successfully." We all invested in Bixby because of the great technology only to recently learn that the previous management was overspending and over committing as they had to raise capital to keep the company alive and pay themselves.

I am going to ask Gil and both Ron's if we can get an extension on the exercise date of the warrants which is Tuesday, May 31st. What would help me is if those of you who have acquired the warrants from me would let me know if you are interest in exercising these \$2 warrants by Tuesday if my request is denied. The situation at Bixby right now is exactly what we were hoping for and is a good reason to consider exercising your warrants. We got a reprieve in the nick of time. There will not be any BS coming from the new management. Please let me know before mid day Tuesday of what you want to do.

Regards,

Paul Crawford

(ofc) 612-676-1436

(cell) [REDACTED]

6

From: Rebekah R. Scherer
Sent: Friday, May 27, 2011 2:25
To: Rebekah R. Scherer
Subject: Bixby Energy Systems Shareholder Letter

Dear Shareholder -

Attached is a letter to all shareholders. We have also attached a picture showing the installation of our first test unit in China.

Best regards,

Rebekah Scherer

Rebekah R. Scherer

IP/Investor Relations

763-404-7800

M-W 7:00-3:30 Th 8:00- 4:30 F 8:00-12:00

Bixby Energy - "Redefining the Future of Energy"

www.bixbyenergy.com



May 27, 2011

To our fellow shareholders:

In line with our commitment to keep you informed, the following is a recap of activities since our last letter.

First, our main objective has been to get machines finished and installed. It is critical that we have our test units up and running in China. We can report that the fourth test unit will be shipped to China this week. Progress is continuing on the installation of our first test unit in China. Our current expectations are that we will have "first gas" from this test unit by late June or early July. We will continue to update you on the status of all of our test units in future communications.

Second, last week we and our attorneys met with GPU principals and its attorneys to fashion an updated agreement. There were extensive meetings throughout the week and we were able to craft a revised agreement. Under the revised agreement, GPU will continue to be our exclusive representative for the People's Republic of China. Bixby will license its technology to GPU and they will be responsible for the manufacturing, selling, installing and servicing Bixby units in China. Appropriate controls are written into the agreement including regular reporting, onsite inspections by Bixby and legal remedies to assure we are protected going forward. The agreement is structured so that there are initially minimum quarterly payments then switching to minimum annual payments. The agreement also fully protects Bixby's current and future intellectual property in China. Before GPU can deliver our technology to a customer, the customer must also agree in writing to protect our intellectual property.

Bixby personnel will be providing technical support and oversight including regular audits and inspections. Bixby personnel will be assisting GPU in setting up manufacturing operations. As part of our contract discussions with GPU, they have committed to fund all expenses to get the five test units to China and up and running. They have also committed to supply some very limited working capital for day to day expenses until the first unit is operating successfully. Then, Bixby will receive the licensing fee on additional units. This financing is in the form of interest free loans to be paid back gradually as we receive licensing fees downstream.

Based on the monies that will be provided, it was mutually determined that it was not practical to engage Matrix Associates as the outside management firm for Bixby. Matrix gave us some initial advice but did not provide any interim management for the Company. Accordingly, we will have minimal staff for the near term. Ron Kinner will continue as CFO and be responsible for the day to day running of the business. Ron Baker will be responsible for all field operations. We will have one or two other staff to assist in the office.

Since we are now operating with a very lean staff, we cannot answer all your questions as quickly as we would like. Permit us to deal with two questions that have been raised in response

6893 139th Lane NW, Ramsey, MN

Phone: 763-404-7800 Fax: 763-421-2777

Bixby Energy Systems, Page 2

from shareholders. First, we were asked about our plans to go public. The honest answer is that there are a number of compliance issues that will need to be resolved with the Securities and Exchange Commission and other agencies before that can happen. This will take time and money and, therefore, may not be completed this year. We believe that building a solid business model with a real revenue stream is our top priority and is in the best interest of all of our stakeholders.

Another question was about the timing of a shareholder meeting. We are committed to holding a meeting as soon as it is practical. We are advised by counsel that we will need to comply with all SEC regulations before we can hold a shareholders' meeting. This will be costly and take time. Your patience is appreciated and we will provide updates on the status of a shareholder meeting.

In regards to Bixby's intellectual property, our patent attorneys are continuing to do the necessary filings to protect our technology. We have a filing due for the EU and a few other countries, We will be using our limited resources to complete these filings.

Our entire focus for the foreseeable future will be to get the five test units up and running in China and clean up our legacy problems. If we can accomplish this, we will have proven technology and have established a solid base from which to grow. We will continue to update you on the status of all of our endeavors as soon as we have solid information to report.

Best Regards,

Bixby Board

Gil Gutmecht, Chairman
Ron Kinner
Jim Bergeron

EXHIBIT 24

[REDACTED]

From: Paul Crawford <pc@crowcap.com>
Sent: Sunday, February 26, 2012 1:13 PM
To: Paul Crawford
Subject: FW: Letter from Bixby Energy Systems
Attachments: Bixby Letter 2012-02-24.pdf

As you can read in the attached Bixby Letter they are struggling financially. They are doing everything they can but the S.E.C. apparently won't let them make any solicitations to raise capital other than through the exercise of warrants. GPU has invested millions into this technology. What they are doing now is assessing and redesigning portions of the entire coal handling system and the chiller and modifying the coal gasification system. Would any of you be interested if I could get a deal for you to acquire Bixby shares for 50-cents?

Regards,
Paul Crawford

From: Rebekah R. Scherer [mailto:rebekahs@bixbyenergy.com]
Sent: Friday, February 24, 2012 3:58 PM
To: Rebekah R. Scherer
Subject: Letter from Bixby Energy Systems

Please see the attached communication from the Bixby Energy Board of Directors.

Please Note: This communication may contain sensitive information which, if released generally, could compromise future negotiations for the rights to Bixby Technology. Please do not disseminate or forward without the written permission of Bixby Energy. Thank you.

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DATE 4-1-15
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February 24, 2012

Dear Fellow Shareholders and Note Holders:

We continue to work through the modifications that will be necessary to make our unit and the gas operation fully operational in China. Discussions with various suppliers and fabricators are nearly complete. Several pieces will take 6 to 8 weeks to construct here in the US. These parts will then need to be shipped to China and cleared through customs (another 3 to 5 weeks). We then need to install and startup which could be another 4 weeks. In all with contingencies for delays, it could be July or August before we have everything set and operating in Ordos, Inner Mongolia. Our team is working hard to coordinate all of the activities that are necessary and monitoring progress as the required equipment is completed. Ron Baker is now in China for a week to review matters so that work can proceed to prepare the site for the additional installations.

Our current situation has delayed our ability to complete agreements with other potential customers including Great Northern Resources in the US. The due diligence process is taking longer than anticipated. We are working with each interested party to complete an agreement.

Bixby continues to struggle with cash flow. We have been unable to meet our commitments to our attorneys, other vendors and our small staff. We are also faced with covering our much reduced operating costs to keep the Bixby doors open. We have not paid our staff this week and without further funding Bixby will need to suspend operations for some period of time.

Bixby has struggled to get to this point and we still have a rough road ahead of us. But we will continue to work on all issues facing Bixby and to complete the successful installation of our technology.

Sincerely,

Gil Gutknecht, Chairman
Jim Bergeron
Ron Kinner
Dave Merhar

Bixby Energy Systems, Inc.
Redefining the Future of Energy

8803 139th Lane N.W.
Ramsey, Minnesota 55303
Phone: 763.404.7800 Fax: 763.421.2777
www.bixbyenergy.com

EXHIBIT 25

Brandi Weckman

Garry Bohn's daughter / file with Bixby

From: "Paul Crawford" <pc@crawcap.com>
 To: "Ron Runck" <[REDACTED]>; "Garry Jacoby" <jmjac@springfield-sanborn.net>; "Dr. Phil Sweetser" <[REDACTED]>; "Robert Reese" <[REDACTED]>; "Richard Anderson" <[REDACTED]>; "Gary Bohn" <[REDACTED]>; "frank dosal" <[REDACTED]>; "dan Neisen" <[REDACTED]>; "Ernie DeLanghe" <[REDACTED]>; "ross gramstad" <ross.gramstad@wamu.net>; <jryan@johnryan.com>; <[REDACTED]>
 Cc: "joe mooney" <joemooney@visl.com>
 Sent: Thursday, April 15, 2004 3:43 PM
 Subject: Bixby Energy Systems

We are arranging an investor guaranteed credit line deal through Excel Bank for Bixby Energy Systems. The terms of this deal are attached along with other information that most of you have seen before. We believe that this is an extraordinary opportunity that you should consider. The principal reason for the credit line is to support the manufacturing and sale of their very popular com and pellet space heater stove and the development of their first home furnace that, in its first iteration, will enable rural home owners, who today heat their home with propane or fuel oil, to have an option to use either biomass or propane/fuel oil.

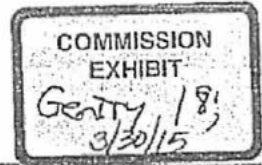
Please let me know of your interest in participating in the credit line deal.

Regards,
 Paul Crawford

EXHIBIT 21 PLIF.
 WITNESS Bohn DEFT.
 CONSISTING OF 1 PAGES
 DATE 4-1-15
 BEHMK REPORTING AND VIDEO SERVICES, INC.

4/16/2004

EXHIBIT 26



From: Paul Crawford <pc@crowcap.com>
Sent: Wednesday, October 24, 2007 4:08 PM
To: staley.gentry@axa-equitable.com
Subject: FW: Disc Motion Update
Attachments: Disc_Motion_Patent_Landscape_Report_vx_final.doc

Staley,

Following and attached is more information about Disc Motion. John received authorization from compliance for his investment in Disc Motion. I advised him to complete the subscription agreement and send it along with his check directly to Disc Motion.

Please let me know if you plan to proceed with your own investment in Disc Motion. I remind investors that the overall risk in high risk, early stage investments is somewhat mitigated by having more than one. The ultimate success of one of these type investments should be big enough to cover the cost of several of these type of investments.

Regards,
Paul Crawford

Following is a quick update on the progress of Disc Motion Technologies (DMT) - see attached for an investor newsletter. The Company has continued to make progress and I believe has all the ingredients to be a huge success.

A) Current Round of Financing

DMT has raised about \$3.5M in this round of financing. They are targeting \$5M and the additional monies have been identified. There are a number of individuals and an institution who is through the due diligence phase, have verbally committed and should push DMT over the top within the next few weeks. As I have mentioned before, several top spine surgeons throughout the world have invested in the Company and many of them have signed on as members of Disc Motion Medical Advisory Board as well. The Company is attending a major trade show this week and they expect to receive additional investment dollars from more spine surgeons.

B) Regulatory / Human Implants

Following the approval of Disc Motion's 510K filing with the FDA and CE Mark overseas, the Company expects to have its first human implants in

Q1
of 2008.

C) Exit Opportunities

The major medical companies are all aggressively pursuing acquisitions within the spine device market. The growth characteristics of the spine category dwarf the opportunity within the more established markets.

Read

through the Market Activity section on page 3 of the investor newsletter to learn about some of the recent acquisitions.

D) Distribution

DMT has already signed up 14 international distributors and they have commitments from more than 20 spine doctors who are ready to start using the TrueDyne Posterior Dynamic Stabilizer (PDS) and the TrueDyne Dynamic Pedicle Screws (DPS.)

E) CEO Search

Jud Carlson was brought into DMT in Jan. of '06 to set up the Company in the US and to raise capital - he has accomplished both goals (a total of over \$5M raised to date) and will remain with the Company through at least the end of '08. In an effort to strengthen the team, a recruiting firm has been hired to find a new CEO. DMT is looking for someone with at least ten years in the spinal device industry and CEO experience, so it will be a positive for the Company. As this search may be a 6 month process, Jud will spend most of '08 as President and will help the transition along. Jud is in his mid 60s, the next phase of the Company needs a younger CEO who is ready to build the mgt team, lead the market launch internationally and drive the U.S. clinical trials.

F) Dr. Andy Cuppucino

For those of you who follow the NFL, you may recall a Buffalo Bills player having a spinal injury about 1.5 months ago. Dr. Andy Cuppucino (an investor in DMT and a member of the clinical advisory board) is the doc who attended to Kevin Everett and performed the spinal surgery. After an initial prognosis that was quite bleak, Mr. Everett is recovering nicely and is expected to regain full use of his limbs. Dr. Cuppucino is credited with the care that is pointing toward a very positive outcome.

G) Medtronic's Approval of Cervical Disc

Earlier this fall, Medtronic announced that it received approval from the FDA on its Prestige cervical disc implant. Fridley-based Medtronic said the device, which is implanted in the neck to treat degenerative disc disease, serves as an alternative to a spinal fusion treatment.

We believe this is a very positive development, and Medtronic will benefit by being the only company with an FDA approved cervical disc. Cervical discs are implanted with the same surgical approach as cervical fusions, anteriorly. So the controversy between anterior and posterior surgical approaches you have in lumbar does not exist in cervical.

This will provide proof that disc replacement is a better therapy than a fusion by showing better initial results, then long-term showing that the adjacent segments don't degenerate like they do with a fusion. Which translates to the same benefit for lumbar with the right approach, posterior. In Europe, cervical discs are already rapidly cannablizing the cervical fusion market.

G) Summary

Disc Motion is an attractive opportunity and I encourage you to consider an investment for a number of reasons:

- game changing technology
- large and rapidly growing market
- well respected team and clinical advisory board
- technologies with patents pending (see attached IP report)
- many aggressive acquirors
- early market acceptance of the solution
- this round is almost complete and will most likely be the last opportunity for angels to invest.

Thanks for your time and interest, and let me know if you'd like to discuss this exciting Company further.

—
Regards,

Rick

Rick Brimacomb
Founder
Brimacomb & Associates, LLC
Minneapolis
612.803.3169
rick@brimacomb.com
www.brimacomb.com

EXHIBIT 27



From: Paul Crawford <pc@crawcap.com>
 Sent: Wednesday, April 17, 2013 7:01 PM
 To: Ron Runck; Dave & Barbara Curry; Anil & Laura Nanda; Bill Hoagland; Bill Crawford; Degnan, William; Bob Emfield; [REDACTED]; Bob Hildreth; Butch Sprenger; chenconst@aol.com; Cindy fishman; Cush Minar; Dan Neisen; Dave Fernald; Dave Brading; Don Schreifels; Phil; Gary Bohn; Gary Kruggel; Gary Leonard; George Holden; Gerald [REDACTED]; [REDACTED]; [REDACTED]; Jim Drake; Kuhmeyer, [REDACTED]; Kevin Bauer; [REDACTED]; Michael McKay; Mick Thorsland; Mike Sullivan; [REDACTED] Paul Gentilini; Rick Anderson; robert.storm@mchsi.com; Robin Edgar; Gentry, Staley; Steve Bruggeman; Steve Katalinich; Guy
 Cc: Bill Crawford; pblankenshipIII@streamlinesafe.com; Patrick Kullmann
 Subject: FW: Streamline Investment Documents
 Attachments: Streamline Investor Brief 04.08.2013.pdf; Streamline ISS ROI03.pdf

Attached is information on an exciting opportunity that I want to share with you. The business is called Streamline, Inc. I am planning on hosting a presentation lunch meeting for Streamline at my office as soon as possible. I need you to respond and let me know if you would be interested in attending a meeting to learn more about Streamline.

Attached is an Investor Brief and a summary of the savings that use of this device will produce for hospitals. Before you read anything you should first go to the following link to see a You Tube video of the device in use.

Video: <http://www.youtube.com/watch?v=vria1Rmljcc>

I am going to tell you why I am so excited about this. It is a fully developed product, patent applied, and they already have orders and production is set. They are raising a total of \$840,000 through the issuance of 1,307,692 shares at just 65¢ per share. At the conclusion of this round they will have only 4,452,389 shares outstanding. Thus the market capitalization is only \$2.89 million post this round. Their principal market is the ICU's in hospitals all over the world. They have applied for CE approval and are filing a 510K for approval in the U.S. The evolution of multiple 24-hour portable monitoring devices along with medical bags, etc. that must move with the patient have made the currently available transport systems (IV-Poles) very unstable and top-heavy. The result is that today it requires more than one staff member to transport a patient along with the IV-Pole. This device eliminates the need for more than one staff person and will reduce the growing number of patient transport accidents. Just the reduction in staff time will cover the hospitals cost for this device in less than a year. Plus Streamline has a lease program whereby the hospital administrator can sign on without waiting on approval for a purchase. I predict that the Streamline transport system will scale very fast and will be bought out at a tremendous premium within a few years. The minimum investment is \$25,000. This system could quickly replace all the existing IV-Pole systems all over the world. It is a huge market.

Please let me know if you would like to attend a presentation meeting to learn more about Streamline. You can also visit their website to learn more about this exciting product. The link to the website follows below.

Website: <http://streamlinesafe.com/>

Please respond ASAP.

EXHIBIT 11 PLIF.
 WITNESS Halupr zok DEPT.
 CONSISTING OF 5 PAGES
 DATE 4-1-13
 BEHME REPORTING AND VIDEO SERVICES, INC.

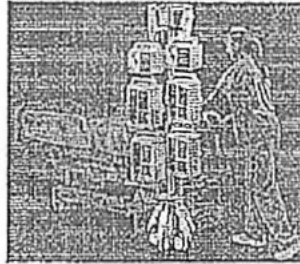
Regards,
Paul Crawford
Crawford Capital
(ofc) 612-676-1436
[REDACTED]



Investor's Brief

Company Profile

Streamline™ was founded as a Minnesota C Corporation, with a mission to develop and commercialize the first medical device specifically designed for managing a patient's diagnostic and treatment equipment during intra-hospital transports. Intra-hospital transport occurs when a patient is transferred to another department, testing, imaging or other treatment or diagnostic location in the hospital as required. Streamline has completed a successful pilot launch and is now ready to conduct a controlled full launch into the U.S. market. Successful regional sales have already occurred, proving proof of concept commercially. Streamline's Infusion Suspension System™ (ISS) technology was invented by the company's co-founder, Peter Blankenship.



Streamline ISS In Patient Transport

System™ (ISS) technology was

Clinical and Market Need

In the U.S. there are more than 5,700 hospitals that transport an average of 110 patients a day, or 40,000 patients per year per hospital. Traditional IV poles accompany most patients during a hospital stay, and support the majority of their equipment. These IV poles are unstable, cumbersome and have remained virtually unchanged for over a century. Today high-tech infusion pumps deliver medications to patients and are bigger in size and weight, as they are required to perform more functions and track more data. Traditional IV poles have

not kept up with these changes because they are now required to support weight in excess of 100 pounds of equipment. These IV pumps have multiple infusion lines going directly into the patient's vascular system. Since traditional and standard IV poles are not designed to handle the growing load, more staff are required to help manage the patient's equipment during transportation to another hospital location. Transporting a single patient can temporarily require the direct assistance of multiple nurses, whose valuable time is wasted, and results in



Current Intra-hospital Transport Problem

them being pulled away from their other patients. The current method for transporting has led to IV lines that are "snagged" as transport and nursing staff attempt to move the patient. This situation exposes the patient to the risk of bloodstream infections and injuries. With a more than 12% mortality rate and 250,000 cases of bloodstream infections annually, the method for moving patients and their critical equipment needs to change. As the demand for healthcare continues to rise, providers are feeling the pressure of operational inefficiencies, higher costs, labor shortages, and the need for patient and staff safety.

Management Team
 Patrick Kullmann, MBA, CEO
 Rick Schultz, MBA, COO
 Carisa Schultz, CPA
 Peter Blankenship,
 President, Co-Founder
 Sam Blankenship,
 Operations, Co-Founder

Board of Directors
 Rick Schultz, Chairman
 Peter Blankenship
 Patrick Kullmann
 Jim Albrecht
 Jerry Nye
 John Blank

Legal Team
 IP: Larkin Hoffman
 General Counsel:
 Gray Plant Mooty

Contact Information
 Peter Blankenship
pblankenship@streamlinesafe.com
 [Redacted]
www.StreamlineSafe.com

Company Location
 574 Prairie Center Drive
 #135-159
 Eden Prairie, MN 55344



Investor's Brief

Technology Offering

Streamline's IV Suspension System (ISS) creates a fast, easy transport method that requires less staff and is safer for the patient and hospital employee. The two-part system automatically attaches, and securely locks, the patient's equipment to their transport device (e.g. bed, wheelchair, gurney) with the simple touch of a conveniently located pedal. By securing the equipment next to the patient the chance of an IV line pull is greatly reduced, as is the chance of incurring a life-threatening bloodstream infection. This also eliminates the need for an additional caregiver to assist transporting the equipment, as the system now becomes part of the transport device. This allows one caregiver to use both hands to push the patient, promoting proper ergonomics. As the size and amount of equipment accompanying patients continues to grow, this new method for managing and transporting patients and their equipment is needed.

Management Team

The founders and management team have a significant number of combined years of experience in the patient transportation field and the commercialization process for medical technologies, in all of the required functional areas for success. The management team, Board of Directors, and contract service providers have many years of medical device experience with large corporations and early stage startups, with successful exits for products in the U.S., EU and Asian markets.

Funding Status

To date the company has raised approximately \$1 million to complete product development and other pre-market release activities successfully. We are seeking to raise an additional \$850,000 in a final round. With these funds, we will continue an already successful start to the U.S. launch, and begin the European launch. Streamline is organized as a virtual company and has demonstrated outstanding use of resources by engaging the best in class contract personnel, maintaining a disciplined focus on milestone achievement and carefully managing expenses. The company's plan includes fully incorporating these capital-efficient procedures in the future as well.

Financial Summary

Streamline believes that it is well positioned to exhibit a significant revenue growth trajectory and attractive margin profile. Streamline's market studies support an ASP of \$3,949 for the product. Streamline would provide combined revenue of \$91 million in its fifth year of selling, a gross margin of 68% and a standard margin of 61%. The Company expects to reach operating breakeven on a month to month basis in February of 2014.

Business Opportunity Summary

Streamline ISS Intra-Hospital Transport System is a class I 510k exempt device. It offers an outstanding opportunity for providing patient and caregiver safety and improving the efficiency of the hospital staff in the face of critical nursing shortages. The market opportunity, combined with the exceptional technology and cost savings, creates a business opportunity with very significant return in value to patients, providers, investors and other partners. The Streamline ISS is one of the most significant solutions in a high demand market area.

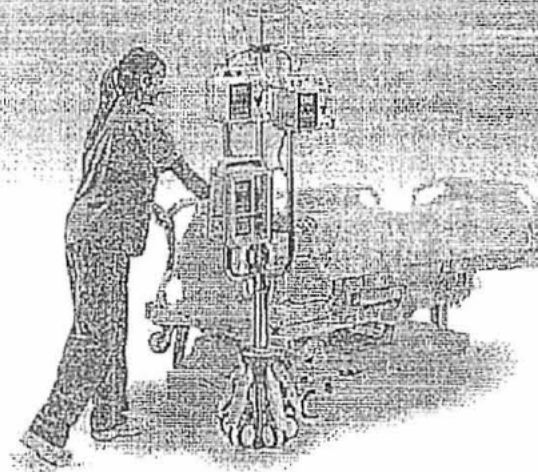
Streamline, ISS are Trademarks of Streamline

Confidential

Streamline

Patient Transport Transformed

Economic Benefits of the Streamline IV Suspension System (ISS)



TRANSPORT COST SAVINGS

Based on 275 bed hospital. Avg. cost of \$31.71/employee/transport. - Nursing Economics

Avg. transports/Day	Labor Cost/Day	ISS Savings/Day	Savings/Year
120	\$7,950	\$2,650	\$967,250

SAVINGS BY DEPARTMENT

Beds Per Department	Avg. transports/Day	Savings Per Year
10	4.4	\$35,071.74
20	8.7	\$70,143.48
30	13.0	\$105,215.22
40	17.4	\$140,286.96
50	21.7	\$175,358.70

STAFF INJURY SAVINGS

- ❑ Workman's Comp
- ❑ Lost Work Days
- ❑ Repetitive Use Injury
- ❑ Musculoskeletal Disorders
- ❑ Workplace Fatigue
- ❑ Medical Bills

PATIENT RISK SAVINGS

- ❑ IV Line Pulls
- ❑ Blood Stream Infection
- ❑ IV Contamination
- ❑ IV Restarts

Reduction of the Nurse Staff Required for Patient Transport

Based on 275 bed hospital. Avg. cost of \$31.71/employee/transport. - Nursing Economics

34%

See the Streamline IV Suspension System in operation:

StreamlineSafe.com

866-345-8898

info@streamlinesafe.com

EXHIBIT 28

[REDACTED]

[REDACTED]

[REDACTED]

----- Forwarded message -----
From: Paul Crawford <pc@crowcap.com>
Date: Tue, May 28, 2013 at 7:32 PM
Subject: FW: Streamline
To: Harry Haluptzok <[REDACTED]>

Harry,

EXHIBIT 12 PLIF. DEFT.
WITNESS Haluptzok
CONSISTING OF 2 PAGES
DATE 4-1-15
BEHMKKE REPORTING AND VIDEO SERVICES, INC.

I don't remember if I sent you an earlier version of this email a few weeks ago but a lot has changed since then that you should know about. First look at the short, 1.45 minute You Tube audio/video about Streamline. Just enter You Tube in your search browser. That will bring you to the You Tube site. At the top of the page is a horizontal search column where you just enter "Streamline transport system" and that will bring you to several videos. Click on the one that is titled Streamline ISS - Patient Transport Transformed. Also, be sure to look at the attached Investor Brief.

I am going to tell you why I am so excited about this. It is a fully developed patented product, regulator approved, they already have orders and production and distribution are set. They are raising a total of \$840,000 through the issuance of 1,307,692 shares at just 65¢ per share. They only have about \$500,000 of the offering left. At the conclusion of this round they will have only 4,452,389 shares outstanding. Thus the market capitalization is only \$2.89 million post this round. Their principal market is the ICU's and critical care units in hospitals all over the world. They have been approved by the FDA, will have CE approval shortly and, as I said, they already have orders. The evolution of a myriad of 24-hour portable pumps/monitoring devices along with medical bags, etc. that must move with the patient have made the existing transport systems (IV-Poles) very unstable and top-heavy. The result is that today it requires more than one staff member to transport a patient along with the IV-Pole(s). This device eliminates the need for more than one staff person and will reduce the growing number of patient transport accidents. Just the reduction in staff time will cover the hospitals cost for this device within a few weeks of use. Plus Streamline has a lease program whereby the hospital administrator can sign on without waiting on approval for a purchase which only costs \$111 per month

for each transport system. I predict that the Streamline transport system will scale very fast and will be bought out at a tremendous premium within a few years which should return to shareholders a multiple of 6 to 30 to one. This system could quickly replace all the existing IV-Pole systems all over the world. It is a huge market. They have also been in discussions with other hospital equipment providers who are interested in co-marketing of their transport systems. I believe that this is very likely to happen with businesses that are selling the portable pumps and monitors. They will have the first of this type agreement within a few weeks.

The minimum investment is \$25,000. They were qualified to offer the Minnesota Angel Tax Credit which is worth 25% of what an investor invests. However, since the 2013 allocation is fully allocated, I have asked them to allow investors to invest by acquiring a convertible debenture that will be converted in early 2014 when it will then be eligible for the 2014 Minnesota Angel Tax Credit Program. The credit is available to any investor and does not require that they are a Minnesota taxpayer. The credit is what is called a "refundable credit" which means that, if there is no tax obligation, the State of Minnesota sends a check to the investor. This part of the deal would occur at the beginning of the following year (2015).

In summary, here you have a proven product where there is an obvious need that will improve patient safety and reduce manpower in the transport of critically ill patients and there are no regulatory hurdles. The average major U.S. hospital transports an average of 110 critical care patients per day. The payback here to the hospital is immediate from the reduction of staff needed to transport these patients. You can own 1% of streamline (44,525 shares) today for \$28,941. The gross profit margin is 61%+. The company projects to achieve a breakeven by July 2014 and to scale revenues to almost \$100 million by the end of 2016.

They have an excellent Business Plan and presentation that leaves little doubt that they will grow very fast. Be sure to read the attached two page Investor's Brief. Give me a call after you read this and the attachment and let me know if you want to attend an investor presentation at my office in early June.

By the way, you should do a search of your own by searching "IV Poles." There are numerous IV pole designs that sell for a few hundred dollars to more than \$3000 but there is nothing available that is designed to meet the need for improved stability and that are also designed to easily and quickly attach directly to the bed when a critical care patient is being transported. Streamline's product is a breakthrough, more efficient innovation that will improve patient care and safety.

Paul Crawford

(ofc) 612-676-1436

(cell) [REDACTED]

EXHIBIT 29

From: Paul Crawford <pc@crowcap.com>
 Sent: Tuesday, March 20, 2007 5:20 PM
 To: William_Degnan (William_Degnan); Alex & Lucy Levitan (Alex & Lucy Levitan); Bill Crawford; Bo Schiller (Bo Schiller); Bob & Lori Emfield; Bob & Ruth Bringer; Bob Anderson; Bob Hildreth; Carl & Jan Kuhrmeyer (Carl & Jan Kuhrmeyer); dan bruggeman (dan bruggeman); Dan Mayer; Dan Neisen (Dan Neisen); Dave Fernald (Dave Fernald); Debbie Fallon (Debbie Fallon); Don Schreifels (don schreifels); donald degnan, DDS (donald degnan, DDS); donald degnan, II (donald degnan, II); Doug Selander (Doug Selander); Dr. Phil Sweetser (Dr. Phil Sweetser); George Holden; Gerry Mueller; Haluptzok Harry; Howard Crawford (Howard Crawford); James Lehman; Jeff Dobbs (Jeff Dobbs); Jerry Cowan; Jerry Trooien (Jerry Trooien); Jerry Trooien; Jim Ahmann (jim ahmann); John Kuhrmeyer (john Kuhrmeyer); Josef Kuhn (Josef Kuhn); Ken Larson; Larry Hopfenspirger; Larry Karkela (larry karkela); Lowell Hellervik; Neil Konietzko; Nick Kuhn; Richard Anderson; Rick Brimacombe; Rollie Stinski (Rollie Stinski); Ron Randall; Ron Runck; Steve Bruggeman; virgil & Bonnie Brenny; W. Guy Spriggs; William bruggeman, III (William bruggeman, III); 'joe mooney'
 Subject: New Oportunity
 Attachments: A Disc Motion Biz Profile 3 06 07 (2).doc

Attached is a short summary on Disc Motion Technologies. Disc Motion has developed the first fully functional artificial joint for the lumbar spine which could very likely replace a major segment of the spinal fusion market which today is a \$3 billion market. There are two components to their system – the TrueDisc system and the TrueDyne PDS (posterior dynamic stabilizer). It is the first posterior-implanted artificial disc. The result is that patients will retain mobility and flexibility unlike any fusion device; and most surgeons will choose this surgical approach over the current anterior approach through the stomach. Disc Motion's devices are covered by eight pending patents, supported by positive patentability and freedom to practice opinions. They have completed the engineering and development of the devices and have begun producing them.

The TrueDyne PDS will very quickly replace the rigid stabilizer rods that are commonly used in most fusion procedures. The PDS device alone will have a much wider market than the TrueDisc. The TrueDyne PDS will be quickly approved by the FDA under a 510K filing and they will start selling it later this year in both Europe and the US. They have commitments from a large number of spinal surgeons, many of whom are early investors in the Company, who have committed to regular use of the TrueDyne as soon as the device is approved by the FDA. The first company with a PDS device quickly ramped up to over \$80 million in annual sales and the Disc Motion PDS is considered superior by all surgeons who have compared the two devices.

Some of you may be familiar with the huge success of Spine-Tech who developed and launched the first spinal fusion cage system in the early 90's, went public and then was acquired in December 1997 by Sulzer. Early investors cashed out at an 80 multiple. Disc Motion is a paradigm-shift in the current technology used for degenerative spinal problems and it could make obsolete all existing technologies and surgical procedures including Spine-Tech's. Be sure to read the attached summary and then let me know if you want me to send you more information and a PPM. The current \$4 million offering will not last very long.

Regards,
 Paul Crawford
 Crawford Capital Corp.
 125 S.E. Main St., Suite 270
 Minneapolis, MN 55414

EXHIBIT 10 PLTF.
 WITNESS Haluptzok DEFT.
 CONSISTING OF 3 PAGES
 DATE 4-1-15
 BEHMKR REPORTING AND VIDEO SERVICES, INC.

(ofc) 612-676-1436
(fax) 612-676-1438
(cel) [REDACTED]



DISC MOTION TECHNOLOGIES BUSINESS PROFILE

COMPANY INFORMATION

Disc Motion Technologies
 1900 Corporate Blvd.
 Suite 400E
 Boca Raton, FL 33431

561-988-6846
jc@discmotion.com
www.discmotion.com

Year Founded – 2003

Industry Sector: Orthopedic Device

Funding Sought: \$4.0 million

Use of Funds: Product development, testing European clinicals/mktg.

MANAGEMENT

Jud Carlson, Pres & CEO
 Manoj Krishna, MD – Founder and Chairman
 Tai Friesem, MD – Founder
 Vijay Goel, PhD – Bioengineer
 Steven Brown-Director of Product Development

MILESTONES

2003 – filed first patent for a second generation cervical and lumbar disc replacement

2004 – filed a second patent on a posterior lumbar arthroplasty system

2005 – filed for a third patent on a posterior facet joint

2006-Development completed; pre-production started. 9 new patents.

2007-Sales and clinical use projected to start in second half of 2007.

MARKET – Disc Motion Technologies ("Disc Motion" or the "Company") is a spinal device company established for the purpose of designing, patenting, developing and commercializing the next generation of motion preservation devices to treat degenerative conditions of the lumbar and cervical spine. The Company's devices are based on the concept of restoring true physiological motion of the spine, called spinal arthroplasty. Due to the clinical advantages of spinal arthroplasty, it is projected to replace spinal fusion and grow the spinal implant market from \$5 billion to \$15 billion. The company's founders gained significant clinical experience and recognized major shortcomings, now well known, with first and second generation spinal arthroplasty devices, including artificial discs and dynamic stabilization systems.

To overcome the shortcomings of the earlier generation of spinal arthroplasty devices, the company has designed and developed the first total spinal motion segment preservation system, called the True TSMS. The principal novel feature of this system is its capacity to be inserted in a manner much simpler than existing spinal arthroplasty systems. It features the first posterior-implanted artificial disc, TrueDisc PL, and a posterior dynamic stabilizer, TrueDyne PDS that also serves as a semi-rigid lumbar fusion system. The True TSMS System as the first to address all pain generators in a spinal motion segment, the disc, the facet and the nerve roots; with the TrueDisc-PL offering a patented, new, dual-radius, ball-socket design that allows the paired discs to be implanted in a non-parallel alignment which is surgically easier and offers the more familiar posterior surgical approach to spine surgeons.

It is estimated that only approximately 5% of patients who might be candidates for spinal disc replacement surgery are appropriately indicated for the currently utilized anteriorly based arthroplasty systems. That is because the current systems do not provide any relief for pain generated from arthritic facet joints or nerve compression. The currently available disc replacements need to be inserted from the anterior approach, or front, with the assistance of a general surgeon. Spine surgeons typically prefer working from the posterior, or back, for safety and efficiency. The Disc Motion Technologies implants allow for arthroplasty from the posterior approach. This technology is simpler to use than current disc replacement systems, safer, and indicated for a much larger number of patients and broader array of spinal conditions.



COMPETITION - The market for spinal implants is highly concentrated, with the four largest companies, Medtronic, Johnson & Johnson, Synthes Stratec and Stryker accounting for roughly 80% of the market. As these firms look to expand their product portfolios, they look to smaller spine companies to provide novel technologies, creating a unique opportunity for smaller, entrepreneurial companies to develop and commercialize novel approaches to spinal device development. First "player" technology like that offered by Disc Motion has attracted early, premium acquisitions.

FINANCES

This summary represents the Company's anticipated use of funds over the next 48 months. In the next year, the company will have validated all devices, achieved CE Mark approval to start sales in Europe, 510K approval of the TrueDyne PDS with regard to its use in fusion so sales will begin in the US and will be entering OUS.

PROJECTIONS

	2006	2007	2008	2009	2010
Revenue	\$0.0	\$500k	\$5.0M	\$20.0M	\$100.0M
Expenses	\$1.1M	\$2.6M	\$8.8M	\$18.0M	\$47.0M
Net Income	\$(874K)	\$(2.6M)	\$(6.3M)	\$(6.0M)	\$13.0M

EXHIBIT 30

[REDACTED]

[REDACTED]

----- Forwarded message -----
From: Paul Crawford <pc@crowcap.com>
Date: Mon, Mar 3, 2014 at 12:03 PM
Subject: FW: FourCubed
To: Paul Crawford <pc@crowcap.com>

EXHIBIT 15 PLTF.
WITNESS Hauptzok DEFT.
CONSISTING OF 12 PAGES
DATE 4-1-15
BEHMK REPORTING AND VIDEO SERVICES, INC.

There is not any early stage deal that I have ever been involved with that is more predictable to have a very successful outcome in a very short time frame than FourCubed. Those of you who know me well know that I am a visionary and a believer in John Nesbitt's 1980's book *Megatrends* wherein he essentially said that you don't need a "crystal ball" to see the future, because the future is in the stories and articles in your newspaper and other publications today. Another way to say this is "follow the money." Attached is a recent *Forbes*'s article titled The Biggest Bet Ever by Nathan Vardi. The article goes on to say "In November George Soros, John Paulson and Leon Cooperman, three of the most successful hedge fund managers ever, quietly participated in a rights offering and became major shareholders in Caesars Acquisition Company (Symbol CACQ), a spinoff from casino company Caesars Entertainment that has ownership in just Caesars' online gambling assets. Their stakes – previously unreported – are all part of an unprecedented bet on the future of the \$60 billion casino business in America, as states from New Jersey to Delaware and Nevada legalize a practice that the Department of Justice said was illegal just two years ago." Online casino gambling is predicted to be more than double the size of the brick-and-mortar casinos gross revenues worldwide within just a few years. This is the reason that brick & mortar casinos are betting big on Internet gambling and consider it the "new gambling frontier."

The question is how does this apply to FourCubed? FourCubed is not in the gambling business, as such, but they are a leader in the linking of poker players to both online and casino poker games. FourCubed has been operating very profitably every year since they started in 2005. FourCubed owns online assets including Poker Affiliate Solutions which is the largest online poker referral site today. They have a proprietary database of over 1 million registered users and over 15,000 gaming centric affiliate marketers with over 6000 websites. FourCubed's customers include many brick-and-mortar casinos including Caesars who already is big in online gaming through Caesars Acquisition Company as I indicated earlier.

Between 2005 and the end of 2013 FourCubed grossed more than \$100 million in revenues that produced an average of 38% in gross profit margins just from affiliate referral fees. Today 4Cubed over an average month sends out 1 million emails, has 468,287 page views, 156,840 actual visitors and 4362 real money players engaged in playing poker at any given time of the day. In a single month in the past they have produced more than \$900,000 in average advertising revenues and \$250,000 in Player Promotions. Just their average monthly advertising revenues should more than double year over year each of the next 5 years. The amount of Player Promotions will multiply 5 to 10 times in the next 4 to 5 years. And the number of players could increase at a greater rate than the Player Promotions. Today the most populated state to step into the online gambling arena is New Jersey. California will shortly sign up followed by Pennsylvania. It was announced just a few days ago that New Jersey and Delaware are teaming up to provide a service that will make it easier for other States to offer online gambling in their states using the NJ/Del platform. This platform will provide assurances as to the trustworthiness of the games and insures that players are not going to be duped. Chris Carlson attended a recent online gambling conference in London in early February. He had several meetings including a meeting with the Caesar's people. They have been so pleased with the quality of the links provided by FourCubed that they increased their fee to 4Cubed per "click" from 45¢ to \$4.50. This is a huge confirmation of the quality of 4Cubed's linkages.

Chris Carlson recently met with a person from Minnesota who has made more money for himself and investors in casino gambling enterprises over the last 20 years than anybody else in Minnesota. I cannot disclose who that is but I can tell you that person is close to committing to invest more than \$1.5 million in 4Cubed. There is only \$2.4 million left of the 2014 Minnesota Angel Tax Credit allocation. If you haven't already filed for approval to participate in the 2014 tax credit program then you are probably too late. If you have applied and been approved then there may still be time to file an allocation request. If that is approved then your tax credit is set aside and you have up to 60-days to consummate the investment and retain the 25% refundable tax credit. We do know that the Minnesota Legislature is planning to pass a bill to allot funds for the Angel Tax Credit for 2015 through 2020. The people at DEED have also requested that the legislature include a special additional allotment for 2014.

Remember, Chris Carlson has been running a very successful affiliate business linking poker players with both online and brick-and-mortar poker games. He is raising capital to acquire other online businesses including one of his biggest competitors. Chris is seizing this golden opportunity that is here now as the online gambling industry explodes thanks to new legislation that is being driven by state legislators seeking new sources of taxes. 4Cubed is an already established profitable online gambler aggregator business yet it has the huge upside that we all expect from a start-up. It is a "timing" deal that is well timed to the evolution of online casinos (i.e. more money will be bet online than is bet in brick-and-mortar casinos in just a few years.)

You should visit FourCubed's website at <http://fourcubed.com>. Then click on Portfolio Overview and next click on FourCubed Properties. That will bring you to several of their sites including Poker Affiliate Solutions (PAS) that has more than 9,000 affiliate marketers and 500,000 referred players, Poker Affiliate Listings (PAL) that has 1.3 million users, Online Poker Reports with over 7900 registered users and Your Poker Cash with 600,000 registered users. You can also see and learn about his very qualified team. If you believe that the Internet is going to become a big online investment opportunity you can invest in Caesar's Acquisition Company which, at \$13.80 has a \$1.87 billion market cap and/or you can also invest in FourCubed which today

is valued at just \$7 million. The least I expect is that FourCubed will grow by a factor of 5 to 9 times its current valuation over the next two to three years.

Attached is additional information about this unique opportunity which will scale very fast. Be sure to read through the attachments too. And please contact me right away to answer your questions or to let me know what you want to do.

Regards,

Paul Crawford

(ofc) 612-676-1436

[REDACTED]

STRATEGIES

GAMBLING

The Biggest Bet Ever

George Soros, John Paulson and Leon Cooperman have secretly moved into battle mode against Sheldon Adelson. The stakes: the future of gambling in America.

BY HAYMAN YARDI

In November George Soros, John Paulson and Leon Cooperman, three of the most successful hedge fund managers ever, quietly participated in a rights offering and became major shareholders in Caesars Acquisition Co., a spinoff from casino company Caesars Entertainment that has ownership in Caesars' online gambling assets.

Their stakes—previously unreported—are all part of an unprecedented bet on the future of the \$60 billion casino business in America, as states from New Jersey to Delaware and Nevada legalize a practice that the Department of Justice said was illegal just two years ago. They were joined by billionaire private equity managers Leon Black, David Bonderman, Marc Rowan and Joshua Harris, whose two respective buyout firms are the biggest shareholders in Caesars Entertainment and doubled down by investing a combined \$484 million in Caesars' online gambling vehicle.

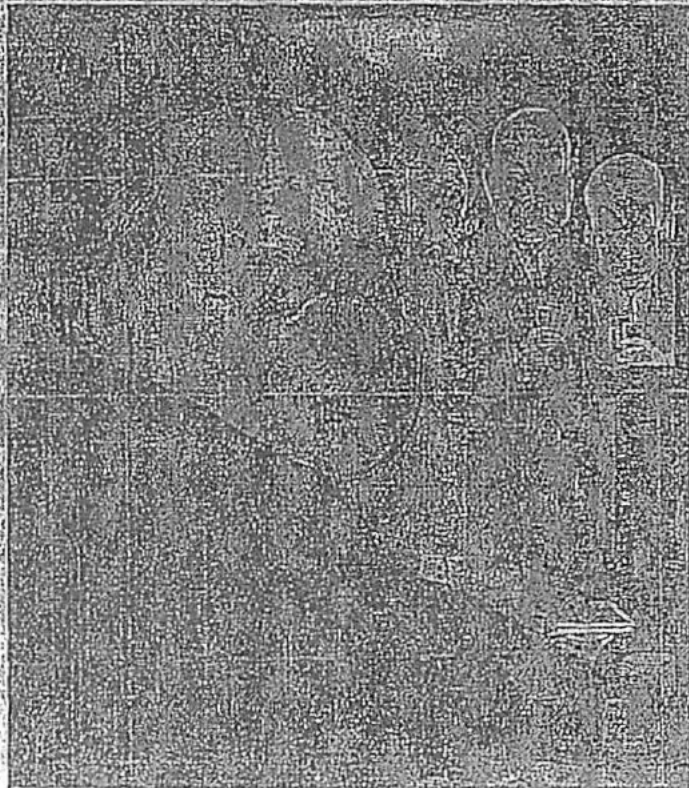
Already a roster of billionaires, from brothers Lorenzo and Frank Fertitta, who control the Ultimate Fighting Championship, to MGM Resorts' biggest shareholder, billionaire Kirk Kerkorian, are betting big on online gambling's comeback.

There's just one problem with all of this: Sheldon Adelson. The very week that Caesars' online gambling play started trading on the Nasdaq, Adelson, the nation's fifth-richest man—and one of the country's biggest political donors—thanks to his vast casino holdings, unleashed an army of lawyers and lobbyists on Washington and state capitals, telling FORBES he will “spend whatever it takes” to stop online gambling in America.

His advocacy group—the Coalition to Stop Internet Gambling—is already up and running, and is working to get state attorneys

general to sign a petition against online gambling. He's hired former New York governor George Pataki, together with former Arkansas senator Blanche Lincoln and former Denver mayor Wellington Webb to lead the lobbying effort. “There is no reason to put a casino on everybody's kitchen table, in the bed of every young person, whether they are underage or of age, or on mobile phones,” says Adelson. “I don't want people to be addicted.”

So far, the markets are betting he'll lose.



Shares of Caesars' online gambling spinoff are up more than 30% from their rights offering price. But while Adelson's moralistic stance may be laughable to opponents, given the potential long-term threat a shift to online gambling poses to his industry, they still take it seriously. His Las Vegas Sands, with a recent stock market valuation of \$60 billion, is worth more than all the other U.S. casino companies combined. Adelson spent some \$100 million unsuccessfully trying to get a Republican into the White House in 2012.

"What I have heard Adelson say is, 'I am very rich, and I don't like Internet gaming,' and those things are true," says Mitch Garber, CEO of Caesars Acquisition Co. But "Sheldon's eyes are closed to the fact that all goods and services are ultimately going to be purchased on the Internet."

For years online gambling in America belonged to offshore companies willing to take on the federal government, which declared all online gambling to be illegal. In 2003 online poker took off when Christopher Money-maker, an unknown accountant from Tennessee, qualified

"Sheldon's eyes are closed to the fact that all goods and services are going to be purchased on the Internet."

in an online tournament for the main event at the World Series of Poker and won poker's top prize, together with \$2.5 million. Online poker companies became big sponsors of poker programming on cable outlets like the Travel Channel and ESPN. By 2005 the company that ruled the U.S. online poker market, Gibraltar-based PartyGaming, conducted an IPO on the London Stock Exchange that made its American founder, Ruth Parasol, the nation's richest self-made woman. A year later then-billionaire Calvin Ayre, who ran a sports-betting website from Costa Rica, was featured on FORBES magazine's cover with the headline "Catch Me If You Can."

But in the fall of 2006 Congress passed the Unlawful Internet Gambling Enforcement Act (UIGEA), strengthening the Justice Department's tools to go after online gambling firms operating in the U.S. Some companies, like PartyGaming, quickly ceased their U.S.

operations, leaving the then \$1.4 billion U.S. online poker market dominated by two offshore companies, PokerStars and Full Tilt Poker, which profited immensely because of the high-margin nature of the business. But federal prosecutors and agents kept investigating the companies, seizing their funds and eventually in 2011 shutting down the websites of the major online poker companies that cater to the U.S. and indicting their founders. In the weeks that followed Full Tilt collapsed amid accusations made by the U.S. Attorney in Manhattan that it was operating a Ponzi scheme. PokerStars settled the civil charges the government filed against it by paying \$731 million, but its founder, Isai Scheinberg, who is not a U.S. citizen (he's Israeli-Canadian), has not come to the U.S. to face the criminal charges filed against him. The government also indicted Ayre, a Canadian who has also not returned to the U.S.

Not long after shutting down the offshore operators, the Department of Justice reversed its long-held opinion that all forms of online gambling are illegal, unflinching states that wanted to regulate and tax online gambling except sports betting. Sensing profits, the billionaires followed.

Why the turnaround? Expensive lobbyists and lawyers are a big part of the answer. Since 2007, for instance, former New York senator Alfonse D'Amato has been paid to be chairman of the Poker Players Alliance. That Washington lobby group received funding from the Interactive Gaming Council, a Vancouver group backed by firms including Full Tilt Poker. The American Gaming Association, the casino industry's powerful lobby, is now backing online gambling with everything it's got.

The stakes are huge. Private equity firms Apollo Global Management and TPG are still trying to salvage their 2006 LBO of the company that left it saddled with \$28 billion in debt. They see online gambling as a way to make up for Caesars' missing out on Macau, the biggest casino revolution in decades.

So while Adelson's limitless money—and his willingness to spend it—may slow the momentum for online gambling by blocking its spread into big states like California and Florida, the odds of him stopping it or bullying his rivals out of the game are slim. He's got lots of chips, but all the other players at the table do, too. **13**

EXECUTIVE SUMMARY

NET LOSSES



The New Jersey Nets' move to Brooklyn was a brilliant financial maneuver, boosting the team's value 43% to \$530 million, ninth highest in the NBA. In *The Rise and Fall of the Brooklyn Nets: The Highs and Lows of NBA Basketball's Historic First Season in the Borough* (Scrivener) we see how the Nets hoped to move away from "the idea of New Jersey" and toward making "Brooklyn" more a state of mind than a mere spot on a map. Unfortunately, the book doesn't dig very deep. Instead, Appleman offers a game-by-game refresh of the season, it's more than just box scores; the author weaves in quotes and stories from his time reporting on the team—but it adds little to the up-and-down narrative fans already know. Still, for Nets' faithful dealing with the current difficult season, it's at least a return to a more optimistic time.

—Chris Smith

The Journey of Online Gaming

Online poker launched in 1997. In the early 2000's there were new online poker rooms launching every few weeks. Most of these rooms were located in Costa Rica or on the Mohawk Territory of Kahnawake, sovereign tribal land located just outside Montreal, Quebec. The Mohawk Territory is home to the oldest online gaming regulator known as the Kahnawake Gaming Commission.

European Union (EU) laws created an interesting situation for the online gambling industry. EU members were reluctant to create their own legislation that would regulate or ban online poker due to the legal status in other member nations. These issues started to see a resolution when Malta became the first EU country to regulate online gambling in 2004.

The Malta Lotteries and Gaming Authority provided a safe haven for regulation to companies wishing to operate in the EU and abroad. It also provided a tax friendly environment for players and operators. This is due to EU agreements where the most tax friendly country's law applies to transactions that cross borders and Malta provided tax relief to players in high tax countries.

Today there are nearly a dozen EU nations that regulate online poker in some way. Some members separate their player pools from other country's player pools. This practice is known as ring fencing and occurs in France, Italy and Spain. Other nations simply tax operators that accept bets from their residents but allow them to play with international player pools.

United States Moves in Opposite Direction

There was much debate about the legality of online poker in the US. There was no federal law on the books that specifically addressed poker played over the Internet. The US Department of Justice (DOJ) often pointed to the Wire Act of 1961 as the law that outlawed online poker and casino games. The main fault of this argument by the DOJ was that the Wire Act only mentions interstate sports betting. It makes no mention of other forms of gambling.

Unlawful Internet Gambling Enforcement Act

In 2006, the federal government decided that it wanted to settle the online gambling issue once and for all. The Unlawful Internet Gambling Enforcement Act was introduced to the US House of Representatives. Its original version passed by a vote of 317-93 on July 11, 2006. The bill did not have enough support in the US Senate and never went up for a vote on its own merits.

Senate Majority Bill Frist, who is a major gambling opponent, attached a similar bill to the Safe Port Act. The unrelated gambling language was never read and most US lawmakers did not know it was even attached to the Safe Port Act until after the Senate passed the bill at the midnight hour. The Safe Port Act passed the Senate by a vote of 98-0 and the House by a vote of 421-2 on September 30, 2006. President Bush signed the Safe Port Act into law on October 13, 2006.

The UIGEA did not make anything new illegal, it made it unlawful for banks to process illegal online gambling transactions without defining what was actually illegal. The UIGEA required a second violation. It was assumed at the time that the Wire Act made all forms of online gambling illegal

and this gave liability to the banks if they knowingly processed transactions for any online gaming companies.

Online Poker Companies Leave US Market

The online poker industry awakened on October 1, 2006 to an uncertain legal environment in the United States. Some online poker rooms left the US immediately, while others waited to see if President George W. Bush would actually sign the bill into law. Once President Bush signed the bill on October 13, 2006, other companies ceased their US facing business.

Four Major Brands Stayed in Market

While Party Poker, iPoker, Ogame, and other primarily European facing online poker companies left the US market, four big names continued to operate. PokerStars, Full Tilt Poker, Ultimate Bet and Absolute Poker continued servicing US players, as did many smaller operators. This created two very distinct online poker markets, one that accepted US players, and another that accepted players only from the rest of the world.

Black Friday

The first four years after the UIGEA passage saw little change in the industry. PokerStars and Full Tilt Poker thrived as the number one and two rooms respectively. There were some payment processing issues, but all appeared to be normal until April 15, 2011. That day, known as Black Friday in the online poker world, saw an indictment unsealed against PokerStars, Full Tilt Poker and Absolute Poker. Assets were seized and officers of these companies were accused of violating the UIGEA and state gambling laws. Several payment processors were also indicted.

Wire Act Clarified

The DOJ had used the Wire Act as their proof that online poker was illegal. A new opinion of this law was released in December 2011. This opinion stated that the Wire Act did not apply to online poker, casinos or lotteries if it was explicitly legal under state laws. Intrastate online poker was already known to be legal if regulated by states, but this opened the door for interstate compacts.

States That Have Passed Online Gaming Regulations

Three states have legalized online poker within their borders. One state has live online poker at this time, although it seems certain that there will be regulated online poker in all of these states in 2013.

Nevada

Nevada dealt the historic first online gambling hand in the United States on April 30, 2013. Nevada also became the first state to create online poker regulations in December 2011. The Nevada Gaming Control Board was given this power in July 2011 by the state legislature. A total of 23 companies have been approved as licensees in the state and many more are in various stages of the suitability process. These include casino operators, software companies, slot machine

manufacturers, affiliates and Internet security companies. Online sports' betting has been live in Nevada since 2010.

Delaware

Delaware took a different approach than Nevada. The Delaware Lottery will manage the online gambling industry, which includes online poker, lottery tickets and casino games. This was approved by the Delaware Legislature in June 2012. Delaware has received applications from 14 companies and will determine which of these operators will become licensed in the state by June 30, 2013. Delaware expects to have online gambling live by September 30, 2013.

New Jersey

New Jersey became the third state to legalize online poker in February 2013. New Jersey also passed online casino regulations. Atlantic City casino companies will manage all online gambling operations. The state hopes to revive Atlantic City's struggling casino market that fell to number three in terms of gaming revenue behind Pennsylvania in 2012. New Jersey had the opportunity to be the first state to regulate online gambling in January 2011. That bill was vetoed by Governor Chris Christie due to state constitutional concerns that require all gambling to be located in Atlantic City. It appears that two years later Governor Christie dismissed those concerns as he signed a similar bill into law.

States with active online poker bills

California

The state has two live bills seeking to regulate online poker – SB 51 and SB 678, but there has been a near-total lack of new information regarding either in the last two months or so. SB 678 remains a placeholder bill, providing little in the way of specifics. SB 51 is a reintroduction of a bill that failed to gain traction in 2012.

Illinois

SB1739 is the much talked about bill that would bring a variety of regulated online gambling to Illinois, including poker. The bill remains the subject of much debate among Illinois politicians and members of the state's land-based gambling industry.

Meanwhile, another bill related to online gambling – SB1955 – has been amended to broaden the scope of online games the Illinois Lottery can offer. The bill was originally designed to allow the Illinois Lottery to offer Lucky Day Lotto, My3, Pick 3, and Pick 4 games online, but the amendment expands that list to all "draw-based" games.

What's a "draw-based" game for the purposes of this bill? Per the amendment text: "games where a series of numbers or characters are determined to be the winning numbers or characters by a mechanical or computerized random number generator at a drawing time specified by the Department."

Massachusetts

A recent amendment to the state's budget bill in the House seeks to regulate online poker.

No recent movement on either of other two bills, one for online casino games and one for online lottery sales, that remains in committee.

Texas

A number of poker-related bills are in play. But even backers think the prospects of any gambling expansion in Texas are slim.

Where Does Online Gaming Go From Here?

Nevada has just begun dealing online gaming hands(4/30/2013), while two other states have passed online gambling legislation. More states are sure to pass their own legislation in the search for additional taxable sources. Nevada and New Jersey are in a race to operationalize online gaming to become the hubs for this emerging ecommerce sector in the US. NJ recent legislation calls for legalization of online casinos as well as poker. Sports betting will be soon to follow. Logic and the market has dictated that online poker will regulate first with casino and then other forms of online gambling to follow.

After the States have intrastate regulations understood, interstate and potentially cross country compacts will be established to provide a larger liquidity pool for players in online poker. This is similar to seen now with interstate lotteries and Powerball, which generate gigantic prize pools and draw massive participation.

FourCubed is uniquely positioned to deliver valuable gamers to online gaming operators. Our primary focus has been specifically in the online poker world. This lines up with the path of regulation. We also have experience generating online casino traffic, which will be valuable in the future as the regulatory path unfolds.

We have developed highly valued assets, tools, and methods for developing new and sticky Internet traffic related to online gaming. The value of these will increase dramatically in the newly regulated markets of the USA.

FOURCUBED-ONLINE GAMBLING SERVICE

The two most important elements for an exceptional and very likely to be a huge successful deal, are the quality and experience of the principals and the timing to non-controllable events. The right people at the right place and time can be characterized as the "perfect storm." This is the reason that I am very excited about FourCubed. It is the right opportunity at exactly the right time and is empowered because of the success already achieved in this market segment by FourCubed's founder, Chris Carlson starting in 2005.

What are the events I am speaking of? I am speaking about the fact that almost every state in the U.S. is looking for sources of new tax revenues combined with recent new federal regulations that permit online gambling. You would not know about these events unless you had been following what has been going on in the online gambling world. In 2005 Chris Carlson launched FourCubed which became a very profitable online business that earns fees by linking poker players with reputable online poker games. He recently was introduced to me by Rick Brimacomb. We met at my office and he told me about these events that, curiously enough, I had been following with a lot of interest. He explained his plan and I immediately committed to help him raise the \$800,000 he needs to take advantage of the tremendous opportunity presented by the evolution today of online gambling. There is no speculation on what is going on and where it is going and Chris' business is going to become one of the fastest growing and most profitable online businesses you will ever see or hear about.

When Chris came to me he told me how he had started an online affiliate marketing business that had scaled to more than 8000 websites referring gamblers to 700+ Poker playing sites over eight years that produced \$100 million in transaction fees for FourCubed. Just between 2008 and 2010 FourCubed grew from \$7.9 million to \$13 million in gross revenue and net operating income grew from \$643,000 to \$871,000. During that same time period growth of the World online gambling market grew from just under \$9 billion to more than \$35.8 billion while the U.S. online gambling market grew from \$8 billion to \$11.9 billion by the middle of 2011 and then everything collapsed. That happened because the U.S. Department of Justice ruled in April 2011 that using credit cards for online gambling was a chargeable felony pursuant to money laundering regulations. That ruling ended online gambling participation for U.S. citizens. It also eliminated U.S. citizens from playing online poker which cut FourCubed's business by 40%. Despite this setback, FourCubed still remained profitable due to the large number of foreign poker players in Chris' affiliate network. Then in December 2011 the DOJ issued an opinion letter on the Wire Act that completely overruled the April decision and opened the door to each state to determine if online gambling could be made available in their state.

The biggest thing going on now, as a result of the DOJ action, is that more and more states are realizing that they now have the right to allow online gambling and that they can tax it. In addition, the major casino operators in Las Vegas and New Jersey now see a big opportunity for them to establish virtual, online casinos. What this tells us is that legal online gambling is going

to explode worldwide. Chris Carlson has been in touch with all the major casinos because they are aware of his business which brought poker players into both online as well as "brick-and-mortar casino poker games. Several major casinos are now seeking his help and advice in recruiting gamblers as numerous virtual online casinos are going to be launched starting in 2014. The major casino operators expect online gambling to grow much faster than their conventional brick-and-mortar operations which have seen their revenues declining for the last several years. There have been many news articles recently about the growing number of states that are moving fast because online gambling will be a major source of new tax revenues. Attached is a pdf copy of a recent article in *Business Week* titled The Case for Legalizing Online Gambling. The lead paragraph states "In a victory for fun, liberty, and sound fiscal policy, New Jersey has become the third state after Delaware and Nevada to permit online gambling within its borders. A dozen or so other states will consider doing so next year. By 2023, according to a forecast by Bloomberg Industries, annual online gambling revenue could reach \$23 billion nationwide. In a just world, it would be legal in all 50 states." There are two bills in Congress. One would legalize all forms of online gambling, except sports betting and would be federally regulated. The second bill proposes a 4 percent federal tax on operators and permits states to collect up to an additional 8 percent. It is expected that the two bills will be combined. The article describes it this way. **"Finally a federally regulated system would help move online gambling toward licensed-and taxed-domestic operators. Gamblers could be assured that their financial transactions are safe and legal and that the games aren't rigged. Public officials, meanwhile, would be rewarded with a windfall: Taxing online wagers could lead to as much as \$41 billion in revenue over 10 years."**

FourCubed is in the right place at the right time and will substantially profit from this new opportunity. Chris' already successful business connecting poker players with online games will be expanded to all other online gambling games including craps, blackjack, roulette, baccarat, video poker and very likely virtual slot machines.

He has set in motion a number of new initiatives including acquiring his biggest competitor which will more than double the number of gamblers actively involved in just the poker affiliations. He is also going to expand the affiliate referral business into new casino games and sports betting. He is also preparing to build specific apps for online gambling through smart devices like iPhones and all other handheld devices.

To accomplish all of this he needs to add additional staff to increase his search, social and email marketing campaigns. He also needs to deploy the latest analytic data gathering capabilities which are essential for attracting advertisers and he has already booked \$250,000 in new add revenues. And, he needs more staff for the casino advisory side of his business that will work directly with casinos all over the world in helping them all get a piece of this huge pie.

FourCubed will be a leader in the emergence of online gambling. And they are way ahead of anyone else in the lucrative gambler affiliate referral side of the business and the major casino

operations will ultimate want to acquire his business. This is one of the best opportunities you will ever have seen because of its timing to current events. It is as I stated in the beginning of this narative, The perfect storm. And what I especially like about FourCubed is that it is a sound, cloud based, virtual business that can scale very fast.

While this is an early stage opportunity it is the first one that I have been involved with that has been operating profitably since it was launched in 2005 and the timing of this deal couldn't be any better.

Regards,
Paul Crawford
Crawford Capital Corp
(ofc) 612-676-1436
[REDACTED]

EXHIBIT 31

[REDACTED]

From: "Paul Crawford" <pc@crawcap.com> <pc@crawcap.com>
Sent: Friday, October 13, 2006 3:51 PM
To: "William_Degnan (William_Degnan)"; "Bill Crawford"; "Bob & Ruth Bringer"; "Bob Anderson"; "Bob Hildreth"; "Carl & Jan Kuhmeyer (Carl & Jan Kuhmeyer)"; "cush (cush)"; "dan bruggeman (dan bruggeman)"; "Dan Mayer"; "Dan Neisen (Dan Neisen)"; "david anderson (david anderson)"; "Debbie Fallon (Debbie Fallon)"; "Denny Magers (denny magers)"; "Dick Parry (Dick Parry)"; "Don Schreifels (don schreifels)"; "donald degnan, DDS (donald degnan, DDS)"; "donald degnan, II (donald degnan, II)"; "Dr. Phil Sweetser (Dr. Phil Sweetser)"; "Gary Brummer (gary brummer)"; "George Holden" <612-269-7456>; "Gmeyer@Townnews.Com"; "jim ahmann (jim ahmann)"; "John Kuhmeyer (john kuhmeyer)"; "John Leffler (John Leffler)"; "judy holden wright"; "Larry Hopfenspirger"; "Larry Karkela (larry karkela)"; "mary magers (mary magers)"; "Mick Thorsland"; "Neal Konietzko"; "Nick Kuhn"; "Richard Anderson"; "rick anderson (rick anderson)"; "Rick Brimacomb"; "Rollie Stinski (Rollie Stinski)"; "Staley Gentry"; "Steve Bruggeman"; "W. Guy Spriggs"; "William bruggeman, III (William bruggeman, III)"
Subject: Investor lunch meeting

I am hosting a box lunch meeting for Space Data Investors at my office on Tuesday, October 24th at noon in my office. Jim Knoblach, who is the new COO for Space Data, will be conducting the meeting. They have lots of news including information about the additional spectrum they acquired in the FCC Auction 66 which closed in late September. They will also give us more details on the \$49 million military contract.

This meeting is principally for existing shareholders but let us know if you know of someone who would like to consider becoming an investor.

If you haven't been to my new office we are now located immediately above the Pracna Restaurant in St. Anthony Main. Our address is 125 S.E. Main St., Suite 270. There is a parking ramp immediately behind us on 3rd Ave S.E. between University Ave S.E. and 2nd St. S.E., just one block SE of Central Ave. Take the elevator down to the Tunnel (marked as T) which will bring you directly into our building. Head toward the Pracna sign and turn right to the elevator. Exit the elevator on the 2nd floor and our office is immediately to your right.

If you have any questions call me at my office at 612-676-1436.

Regards,
Paul Crawford

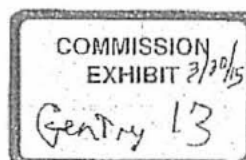


EXHIBIT 32

From: "Paul Crawford" <pc@crawcap.com> <pc@crawcap.com>
Sent: Sunday, March 11, 2007 1:55 PM
To: "William Degnan (William Degnan)"; "Bill Crawford"; "Bob & Ruth Bringer"; "Bob Anderson"; "bob emfield (bob emfield)"; "Bob Hildreth"; "Carl & Jan Kuhmeyer (Carl & Jan Kuhmeyer)"; "cush (cush)"; "dan bruggeman (dan bruggeman)"; "Dan Mayer"; "Dan Neisen (Dan Neisen)"; "David Anderson (david anderson)"; "Debbie Fallon (Debbie Fallon)"; "Denny Magers (denny magers)"; "Dick Parry (Dick Parry)"; "Don Schreifels (don schreifels)"; "donald degnan, DDS (donald degnan, DDS)"; "donald degnan, II (donald degnan, II)"; "Dr. Phil Sweetser (Dr. Phil Sweetser)"; "Gary Bohn"; "Gary Brummer (gary brummer)"; "Gerry Mueller"; "Jim Ahmann (jim ahmann)"; "John Kuhmeyer (John Kuhmeyer)"; "John Leffler (John Leffler)"; "Judy holden wright"; "Larry Hopfenspirger"; "Larry Karkela (larry karkela)"; "mary magers"; "Mick Thorsland"; "Neil Konjetzko"; "Nick Kuhn"; "Richard Anderson"; "rick anderson (rick anderson)"; "Rick Brimacomb"; "Rollie Stinski (Rollie Stinski)"; "Staley Gentry"; "Steve Bruggeman"; "W. Guy Spriggs"; "William bruggeman, III (William bruggeman, III)"; "george holden"; "Brad Smegal (brad smegal)"; "Dave Fernald (Dave Fernald)"; "Ernie DeLanghe (Ernie DeLanghe)"; "Frank Dosal (Frank Dosal)"; "Harry Haluptzok"; "Jerry & Mary Jacoby"; "Joe Mooney"; "John Fitzgerald (John Fitzgerald)"; "John Scheel"; "manish agarwal"; "Ron Runck"
Subject: Disc Motion

I am hosting a box lunch meeting at my office at noon on Tuesday, March 13th for a very exciting opportunity in a revolutionary new device to replace spinal discs. The name of the company is Disc Motion Technologies. They are the first company to have literally created an artificial joint for the spine. It is fully tested and will be ready for sale in one year. It is the first spinal implant device to overcome the demobilization problem with most all spinal surgeries which practically always require the fusing of two or more vertebrae. It provides complete mobility and stabilization. This product could be a blockbuster in a very short period of time.

According to *Orthopedics This Week* the Spine Care market in 2005 was a \$3 billion marketplace and is expected to grow to \$15 billion by 2015. Disc Motion's technology is a major paradigm-shift in the effective treatment of patients needing surgery to eliminate the significant pain from nerve impingement from deteriorated discs. Jud Carlson, President and CEO, will be presenting.

I am sorry that I couldn't get this information to you sooner. However, if you can't make the Tuesday lunch meeting at my office there are two more meetings as follows:

A 7:00 a.m. breakfast meeting at the Minneapolis Club on Tuesday March 13th hosted by Rick Brimacomb.
A noon lunch meeting at the Minneapolis Club on Wednesday, March 14th hosted by Rick Brimacomb.

You definitely should take the time to learn about Disc Motion. Let me know if you plan on attending one of the meetings or if not, if you would like to receive more information. Also let me know if you need directions to either meeting.

Regards,
Paul Crawford
Crawford Capital Corp.
125 Main St. S.E., Suite 270
Minneapolis, MN 55414
(o/c) 612-676-1436
(fax) 612-676-1438

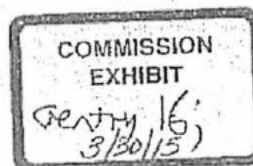


EXHIBIT 33

From: Paul Crawford <pc@crawcap.com>
Sent: Monday, October 23, 2006 4:44 PM
To: cush (cush); Gerry Mueller; Bob & Ruth Bringer; Bob & Lori Emfield; Haluptzok Harry; Bradley.Smegal@wachoviasec.com; Bob Hildreth; Steve Bruggeman; 'Ron Runck'; Richard Anderson; 'Schreifels, Don'; Neil Konietzko; Lowell Hellervik; Joy Lindsay; John Kuhrmeyer (john Kuhrmeyer); collinsparadise@msn.com; [REDACTED]
Subject: Neuro Stimulation, Inc.
Attachments: NSI_Executive Summary_Business Plan_July 2006.doc

I am very pleased to announce that I have been retained by Neuro Stimulation, Inc. (NSI) to assist them in raising a small amount of capital to launch an incredible new Transcutaneous Electrical Nerve Stimulation System (TENS) for the treatment of chronic back pain. There are more than 51 million chronic back pain sufferers just in the U.S. TENS technology has been around for a long time and is an approved technology to eliminate a patient's severe and chronic pain by interrupting the signal to the brain. NSI's new portable TENS device is so simple to use it will quickly pass through the FDA and be approved for sale in the over-the-counter (OTC) market. NSI's portable TENS is a quantum leap in the technology used in existing wearable back pain TENS devices.

What I especially like about their device and the technology is that it incorporates a special carbon impregnated thin film that provides the interface between the users back and the device. This disposable component can only be used once and will retail for just under \$2. The cost is reimbursed pursuant to existing codes for patients that have a prescription. The company will have a working prototype of the system within 5 to 8 months and will quickly pass all regulatory hurdles and begin selling the device within 12 to 15 months.

They need only \$1.5 million to complete the design and produce several working prototypes and to establish manufacturing, initial marketing and distribution. The deal I have made with NSI is that my "syndicate" will acquire 20% of the company for the initial \$1.5 million and then can duplicate that amount after NSI proves efficacy of the technology which would mean the "syndicate" would then own 40% of the company.

If NSI's portable TENS device can penetrate as little as 5% of the 51 million chronic back pain sufferers their annual sales of the disposable film alone would exceed \$100 million and would generate more than \$70 million in gross profits. The approval process will be fast because TENS is an approved and widely used treatment for pain. Because the device does not need a trained technician to apply it, it will be approved for sale over-the-counter. In the OTC market they could sell many more people than the 51 million people who require treatment of relief from chronic back pain.

Once NSI has successfully launched the back pain device they will begin the process of applying their technology to other devices to treat other chronic pain conditions such as restless leg syndrome, carpal tunnel syndrome, chronic neck and shoulder pain, cluster and migraine headache pain, etc. In addition they have some great ideas to improve implanted TENS devices. Implanted TENS is one of the fastest growing segments in the medical device industry.

I am hosting two box lunch investor meetings at my office at noon on Tuesday, October 31st and on Tuesday, November 14th.

I have attached a copy of their Executive Summary for your review. Be sure to take the time to read the biographical information for the principals on pages 18 through 22. Let me know if you can attend one of the box lunch meetings. And let me know if you need directions to my new office at St. Anthony Main.

Regards,
 Paul Crawford
 (ofc) 612-676-1436

EXHIBIT 14 PLTF.
 WITNESS Haluptzok DEFT.
 CONSISTING OF 1 PAGES
 DATE 4-1-15
 BEHMKER REPORTING AND VIDEO SERVICES, INC.

EXHIBIT 34

[REDACTED]

From: "Paul Crawford" <pc@crawcap.com> <pc@crawcap.com>
Sent: Friday, November 24, 2006 12:42 PM
To: "William_Degnan (William_Degnan)"; "Bill Crawford"; "Bob & Ruth Bringer"; "Bob Anderson"; "bob emfield (bob emfield)"; "Bob Hildreth"; "Carl & Jan Kuhrmeyer (Carl & Jan Kuhrmeyer)"; "cush (cush)"; "dan bruggeman (dan bruggeman)"; "Dan Mayer"; "Dan Neisen (Dan Neisen)"; "david anderson (david anderson)"; "Debbie Fallon (Debbie Fallon)"; "Denny Magers (denny magers)"; "Dick Parry (Dick Parry)"; "Don Schreifels (don schreifels)"; "donald degnan, DDS (donald degnan, DDS)"; "donald degnan, II (donald degnan, II)"; "Dr. Phil Sweetser (Dr. Phil Sweetser)"; "Gary Bohn (Gary Bohn)"; "Gary Brummer (gary brummer)"; "Gmeyer@Townnews.Com"; "Jim Ahmann (jim ahmann)"; "John Kuhrmeyer (john kuhrmeyer)"; "John Leffler (John Leffler)"; "judy holden wright"; "Larry Hopfenspienger"; "Larry Karkela (larry karkela)"; "mary magers"; "Mick Thorland"; "Neil Konietzko"; "Nick Kuhn"; "Richard Anderson"; "rick anderson (rick anderson)"; "Rick Brimacombe"; "Rollie Stinski (Rollie Stinski)"; "Staley Gentry"; "Steve Bruggeman"; "W. Guy Spriggs"; "William bruggeman, III (William bruggeman, III)"; "george holden"
Cc: "Gerald Knoblach"; "Jim Knoblach"
Subject: SKY 50 loan deal
Attachments: SKY50 FINANCING TERMS.doc; Knoblach, Sky Fifty, LLC Subscription Agreement.DOC; sky 50.doc.DOC

Attached are three documents -- The SKY 50 Financing Terms summary, and then two documents that have to be signed if you decide to participate in the special loan deal.

The Knoblauchs believe that the balance of the money raised through the SKY 50 L.L.C. will provide sufficient additional working capital for Space Data to complete its mission and for the company to sustain profitable operations by late 2007.

\$38.76 of the \$50 million loan to Space Data through SKY 50 has already been raised and Space Data has been making monthly interest payments since July. Interest only payments will continue to be made until June 2007 when they will begin making monthly interest plus principal payments until June 2009 when the loan will balloon. Space Data has no other significant debt other than the loan from Sky 50. 100% of the spectrum is pledged as collateral for this loan. The most recent appraised value of the spectrum is \$120 million.

It appears that the U.S. Air Force is moving at a faster pace in terms of committing portions of the \$49 million contract to specific projects in Iraq and Afghanistan. This is good for Space Data.

If you want to consider this special Sky 50 loan deal the key for any of you is what interest rate you will be charged by your lender. Some of the shareholders I have spoken to have told me that they can borrow money at less than prime. If you can borrow \$250,000 at say 7.25% (1% below the current prime rate) and then loan it to Space Data through the L.L.C. you will be paid 11.375%. It would cost you \$1510 per month and you would receive \$2370 per month in interest payments leaving you with \$860 in your pocket. Plus you would be issued 3,158, 5-year, \$9.50 Space Data warrants.

If you are interested contact me or either Jim or Jerry Knoblach at 480-722-2100 and complete the attached Subscription Agreement and Letter of Investment Intent and the Sky 50 LLC Agreement and send them directly to Space Data.

Regards,
Paul Crawford
Crawford Capital corp.
(612) 676-1436

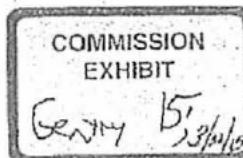


EXHIBIT 35

[REDACTED]

From: Paul Crawford <pc@crowcap.com>
Sent: Wednesday, August 24, 2011 6:10 PM
To: 'Anil & Laura Nanda'; bhoagland@squidink.com; 'Bill Crawford'; 'Bill Degan (bill degnan)'; 'bill mcguigan'; 'Bob & Ruth Bringer'; Bob Hildreth; butch@destiny-homes.com; 'Carl Torarp'; [REDACTED]; 'cush (cush)'; Dale Meierbachtol; 'Dan Nelsen'; 'Dave Fernald'; 'Dorr Estes'; 'Don Schreifels (don schreifels)'; 'Doug Selander'; 'Gary Bohn (gary@bohnowell.com)'; 'Gary Kruggel'; Gary Minard; 'george holden'; [REDACTED]; 'Jerry Cowan'; jlbehinke@frontiernet.net; Joe Kowalcik; Joel Dixon; John & Julee Rimarcik; 'John Fitzgerald'; 'John Kuhmeyer (john Kuhmeyer)'; 'John Lefler'; john.meierbachtol; 'Karen Brown'; karl bohn; Kevin Bauer; [REDACTED].com; 'Larry Hopfenspirger'; 'Larry Karkela (larry karkela)'; 'Lowell Hellervik'; 'Mark & Judy Wilodson'; 'michael McKay'; 'Mick Thorland'; 'Mike & Susan Sullivan'; 'paul gentelini'; paul@allstarfinancial.com; 'Richard Sommerstad'; 'rick anderson (rick anderson)'; 'Robert (Bob) Klefsaas'; robert.storm@mchsi.com; 'Ron Runck'; [REDACTED]; Ryan Albrecht; 'Staley Gentry'; Steve Bruggeman; steve@cooperativedairy.com; 'Tim Kocina'; travisplut@yahoo.com; W. Guy Spriggs
Subject: FW: Recent News about
Attachments: \$53 B in US 4G could spell \$151B contribution to GDP and 771000 jobs 8-22-2011.doc; Why Software Is Eating The World 8-20-2011.doc

Attached is a copy of a new report from Deloitte stating that the mobile industry could invest up to \$53 billion in "4G" networks between 2012 and 2016, contributing up to \$151 billion in gross domestic product growth and creating up to 771,000 jobs. Also attached is an article by Marc Andreessen titled Why Software Is Eating The World. These articles are more validation of the evolution of the next generation of mobile, 4G communications and the huge potential from the development of "cloud" based software services.

If you Google Marc Andreessen you will read on Wikipedia the following, "is an American entrepreneur, investor, software engineer and multi-millionaire best known as co-author of Mosaic, the first widely-used web browser, and co-founder of Netscape Communications Corporation. He founded and later sold the software company Opsware to Hewlett-Packard. He is also a co-founder of Ning, a company which provides a platform for social-networking websites. He sits on the board of directors of Facebook, eBay, and HP, among others. Andreessen is a frequent keynote speaker and guest at silicon Valley conferences."

The essence of what he is stating in this article is that the future of America is in the creation of software based enterprises. I have underlined the important points he cites but I want to quote two of these. At the bottom of the first page of the attachment he says "But too much of the debate is still around financial valuation, as opposed to the underlying intrinsic value of the best of Silicon Valley's new companies. My own theory is that we are in the middle of a dramatic and broad technological and economic shift in which software companies are poised to take over large swathes of the economy." Towards the end of this article he states "Instead of constantly questioning their valuations, let's seek to understand how the new generation of technology companies are doing what they do, what the broader consequences are for businesses and the economy and what we can collectively do to expand the number of innovative new software companies created in the U.S. and around the world. That's the big opportunity. I know where I'm putting my money." The "cloud" is all about being connected to the Internet. Localoop is a "cloud" based enterprise that provides a high-speed, 4G mobile Internet connection in underserved areas.

Localoop will be a hot publicly traded stock or will be acquired sometime within the next 18 to 24 months. You can buy shares in the current round at a \$1 per share plus you receive a 5-year warrant to acquire an additional share for \$1 for each dollar you invest which really doubles your upside.

COMMISSION
 EXHIBIT
 Gentry 12j
 3/30/15

Regards,
Paul Crawford
Crawford Capital

EXHIBIT 36

[REDACTED]

[REDACTED]

EXHIBIT 16 PLTF.
WITNESS Haluptzok DEFT.
CONSISTING OF 3 PAGES
DATE 4-1-15
BEHMKE REPORTING AND VIDEO SERVICES, INC.

----- Forwarded message -----
From: Paul Crawford <pc@crowcap.com>
Date: Mon, Sep 8, 2014 at 4:30 PM
Subject: FW: FW: Tuesday update

To: Anil & Laura Nanda <ananda@lsuhsc.edu>, Bob & Ruth Bringer [REDACTED],
[REDACTED], brink@nikestorage.com, butch@destiny-homes.com, chris degross,
Cindy Fishman <[REDACTED]>, Dale Meierbachtol <[REDACTED]>,
<[REDACTED]>, Dan Mayer <daniel.e.mayer@stifel.com>, "Dr. Phil Sweetser" <[REDACTED]>,
[GHolden@holdenmarketing.com](mailto:george holden <GHolden@holdenmarketing.com>)>, Harry Haluptzok <[REDACTED]>, joe
Kowalcik <joe@kowalaw.com>, Joel Dixon <[REDACTED]>, Karen Brown <[REDACTED]>, karl
bohn <[REDACTED]>, Kevin Bauer <[REDACTED]>, Larry Hopfenspirger <[REDACTED]>,
>, mark fogarty <mark.fogarty@paulnet.net>, Pat Fischer <[REDACTED]>,
paul@myagentpaul.net, Ryan Albrecht <[REDACTED]>, Staley Gentry
<staley.gentry@axa-equitable.com>
Cc: Carl-Johan Torarp <cjtorarp@localoop.com>

Localoop currently forecasts that by the end of this year they will have produced approximately \$2+ million in revenues and have signed agreements with a total of 29 rural operators. They project to generate \$18 million in revenues and 143 signed deals by the end of 2015 and \$60 million in revenues and 401 deals by the end of 2016 (see attached summary). They also project to become profitable by the 4th Q of 2015. As of September 1, 2014 they already have 12 signed customer agreements and expect to add at least another 7 rural customers by the end of September. It appears that they are very likely to exceed their projections. They are also reassessing their revenue numbers because revenues are scaling at a faster rate than they projected. To put all of this in perspective they launched their current marketing strategy at the Las Vegas Wisपालooza 2013 Conference in mid October last year. Between then and the end of August 2014 they have signed up 12 clients and, as I said, in September alone they expect to sign at least another 7 new contracts. Some of the early sign-ups were proof-of-concept trials and some of those are now expanding their service coverage area.

The Wisपालooza 2014 Conference (WISPA – Wireless Internet Service Provider’s Association) in Las Vegas is coming up again on October 12th through October 18th. Last year was the first time that Localoop had their

own booth which was adjacent to Runcom's booth and it was one of the most active booths at that Conference and that is where many of these new customers came from. They expect that during this year's WISPA Conference they will meet many more new rural operator/prospects which will speed up the pace of new customer signups. Localoop is sneaking up on the rural 4G marketplace and it is about to turn into a tsunami. That will then trigger interest among Private Equity firms, Hedge Funds and major Wall Street brokerage firms. Localoop is about to really blast-off. It is a very good time for investors who aren't yet a Localoop shareholder to invest before it is too late. And, it is a great time for existing investors to increase their percentage ownership. Another thing that an investor should consider is to increase their equity ownership by exercising some of their warrants now. Warrants that you own that are exercisable at \$1.67 or higher (originally \$2.50 prior to 3 for 2 forward split) are eligible for a substantial discount if exercised now.

I want to point out that Localoop is the kind of investment that is ideal to be held in a Roth IRA. The business is growing rapidly and must raise at least \$500,000 to support their growth through December. They are on budget but behind on the capital raising.

I may be able to offer a significant discount for a large investment of between \$250,000 and \$500,000. However, it would have to be a solid deal when it is submitted.

Incidentally, Carl is a Member of the CTIA (formerly called the Cellular Telecommunications Industry Association) which today is referred to as The Wireless Association. He is attending their Conference in Las Vegas this week. He has several appointments with carriers and industry suppliers while he is there. I wouldn't be surprised that he might meet up with some private equity groups (PEG's). I do know that PEG's are looking for unique structured debt deals to deploy substantial amounts of cash from pension funds, insurance companies and banks. I have been telling many of you that U.S. PEG's alone have in excess of \$1.5 Trillion in cash to deploy today. One of my portfolio companies has just been offered a big deal from a PEG. And, I think there will be more such offerings coming to more of my portfolio companies.

Regards,


Paul Crawford

(ofc) 612-676-1436

(cell) [REDACTED]



LocalLoop, Inc Investors' Summary

<u>KEY CONTACT INFO</u>	<u>BUSINESS SUMMARY</u>	<u>MARKET NEEDS</u>																								
<p>CEO: Carl-Johan Torarp +1.612.327.3303 cjtorarp@localloop.com</p>	<p>LocalLoop, Inc was incorporated with the mission to close the digital divide in the US; a solution that would be truly disruptive to the incumbent powers in the market.</p>	<ul style="list-style-type: none"> US broadband penetration only at 60% 50 million US households without broadband Internet; 20 million rural 3-6K rural communications service providers target market 																								
<p><u>VALUE PROPOSITION</u></p> <ul style="list-style-type: none"> no investment required by operator in core network functionality (SDN,NFV) pay-as-you-grow model revolutionize rural business and service delivery, leapfrogs legacy model synKro™ platform enabled subscriber-desired services, operator-desired processes turnkey technical, marketing and services capabilities 	<p>Today it is an internet software & service company selling the synKro™ co-branded, cloud-technology driven turnkey 4G+ business solution to service providers delivering mobile & fixed broadband internet to rural users.</p> <p>Localloop has designed a single cloud service to manage the business of 4G+ broadband internet for every rural carrier in the world to use at the same time.</p> <p>SynKro Southwest (wholly owned by LocalLoop) is our rural 4G service provider upstart in Minnesota, and provides reference/test capability.</p> <p>Currently seven US operators are implementing synKro-based platform</p>	<p><u>FINANCIAL PROJECTIONS</u> (\$ in millions)</p> <table border="1" data-bbox="998 754 1315 883"> <thead> <tr> <th></th> <th>2014</th> <th>2015</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>2.6</td> <td>18.0</td> <td>60.8</td> </tr> <tr> <td>Expenses</td> <td>5.2</td> <td>18.5</td> <td>48.1</td> </tr> <tr> <td>EBITDA</td> <td>(2.6)</td> <td>(0.5)</td> <td>11.7</td> </tr> <tr> <td>Operators</td> <td>29</td> <td>143</td> <td>401</td> </tr> <tr> <td>Subscribers</td> <td>2300</td> <td>30K</td> <td>133K</td> </tr> </tbody> </table> <p>key points:</p> <ul style="list-style-type: none"> expenses primarily development and sales 2015-16 rate of 10-15 closes per sales employee per year year-end 2016 run rate of over \$1M per employee monthly cash flow positive at month 16 		2014	2015	2016	Revenue	2.6	18.0	60.8	Expenses	5.2	18.5	48.1	EBITDA	(2.6)	(0.5)	11.7	Operators	29	143	401	Subscribers	2300	30K	133K
	2014	2015	2016																							
Revenue	2.6	18.0	60.8																							
Expenses	5.2	18.5	48.1																							
EBITDA	(2.6)	(0.5)	11.7																							
Operators	29	143	401																							
Subscribers	2300	30K	133K																							
<p><u>IP & TECHNOLOGY</u></p> <ul style="list-style-type: none"> four patents awarded technology incorporated into service offerings cloud-based; Microsoft Azure gold level partner OSS/BSS/NMS with integrated NOC functions revolutionary mobility engine incorporated V1.8.5 released BWA tech-agnostic 	<p><u>MILESTONES AND SUCCESSES</u></p> <ul style="list-style-type: none"> synKro platform developed and in active service first operating venture with FTTP partner experienced leadership team key 4G hardware vendor certification started high subscriber satisfaction results eight months of direct sales efforts achieved 7 new operator sales 	<p><u>INVESTORS VALUE/ROI</u></p> <ul style="list-style-type: none"> growth/expansion capital needed technology and market ready; market traction gained; only execution risk substantial vertical market interest not yet addressed huge international opportunities un tapped no other institutions in yet 																								

For information only – not for general investor solicitation at this time

EXHIBIT 37



From: Paul Crawford <pc@crawcap.com>
Sent: Sunday, June 27, 2010 4:43 PM
To: 'Anil & Laura Nanda'; 'Bill Crawford'; 'Bill Degnan (bill degnan)'; 'bill mcguigan'; 'Bob & Ruth Bringer'; 'Carl Torarp'; 'cush (cush)'; 'Dan Neisen'; 'Dave Fernald'; 'Denny Magers'; 'Don Estes'; 'Don Schreifels (don schreifels)'; 'Doug Selander'; 'Gary Bohn (gary@bohnwell.com)'; 'Gary Kruggel'; 'Gary Minard (Gary Minard)'; 'george holden'; 'gg.mueller@comcast.net'; 'Jerry Cowan'; 'jbehnke@frontiernet.net'; 'John Fitzgerald'; 'John Kuhmeyer (John Kuhmeyer)'; 'John Leffler'; 'Karen Brown'; 'Larry Hopfenspirger'; 'Larry Karkela (larry karkela)'; 'Lowell Hellervik'; 'mark karstrum'; 'michael McKay'; 'Mick Thorsland'; 'Mike & Susan Sullivan'; 'Richard Sommerstad'; 'robert.storm@mchsi.com'; 'Ron Runck'; 'Staley Gentry'; 'steve@cooperativedairy.com'; 'Tim Kocina'; 'W. Guy Spriggs'
Subject: FW: Disc Motion Update - More Bullish Than Ever

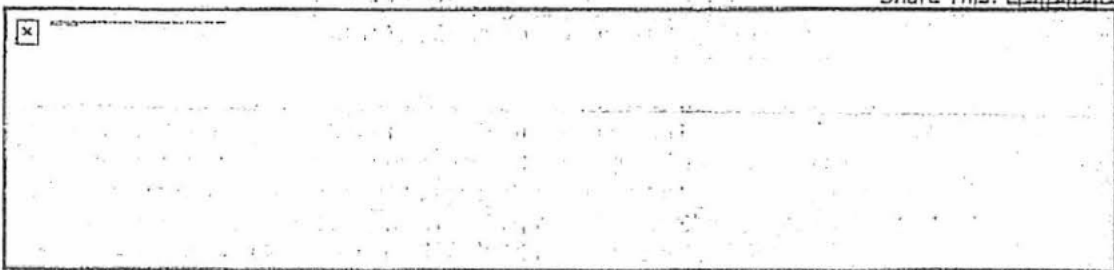
Following is an email I received from Rick Brimacombe who has collaborated with me in the fund raising for Disc Motion. Most of you who invested in the earliest round of funding for Disc Motion paid \$1 per share swapped those shares along with an added half as much as your original investment combined into a convertible debenture with a conversion option of no more than \$1.50 per share. They are raising another \$5+ million at just \$0.50 per share. What that means is that your conversion option now is at \$0.50 per share too. They had to lower the price because, even though the technology is strong, the market for private placements was dead. Not only have they continued to have amazing results from 100% of the 65 patients they have treated so far but they also have substantially improved the device and the tools the doctors use to insert the devices and have substantially reduced the manufacturing costs. Read through Rick's letter and click on the link and the video to learn more about what is going on. I definitely recommend that all investors invest in this very cheap \$0.50 round.

Please call me if you have any questions.

Paul

If you're having trouble viewing this email, you may see it [online](#).

Share This:

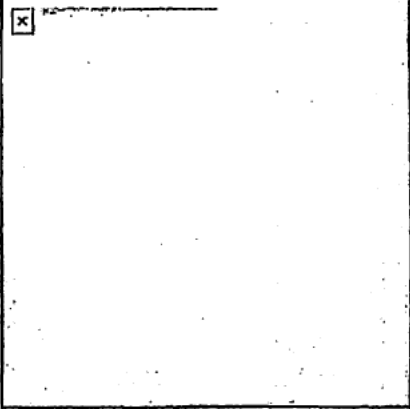


COMMISSION
EXHIBIT
Gentry 22
3/30/15

**Update and New Financing Round
for Disc Motion Technologies**

Situation Overview

In late 2006, I was introduced to Disc Motion by a successful long-time venture capitalist friend of mine. After assessing the Company I came to believe that the founding doctors had identified a special opportunity - unique game changing technology in multiple large and growing markets - residing in a competitive landscape that lacked attractive medical solutions (spinal fusion and anterior disc replacement.) At the time, however, Disc Motion (DMT) only had a novel concept for addressing the \$1.0+ billion disc replacement market.



Fast forward three and a half years and DMT has made huge strides as an organization. The Company has evolved from a concept, to finalizing their initial products, to implanting over 60 patients and most importantly generating nearly a half a million dollars in revenue in 2009. That is a long way to go in a short period of time - and with only a modest amount of money for a medical device start-up.

So while the Company continues to make progress and has been extremely successful clinically, DMT is in need of some additional capital. Putting aside the risk associated with raising capital in a tight market, I am more bullish about the Company's prospects than I have ever been. With that said, DMT will be launching a new offering soon and I will be sharing additional information with you shortly.

In the interim, however, please click this link:

Disc Motion June 2010 Fundraising Efforts - for a more complete update on the Company's progress, the next offering and additional DMT news.

Also, please feel free to contact me (612.803.3169 or rick@brimacomb.com) if you have any questions, as I am happy to speak or meet with you individually.

New Patient Video

The following video is from a new patient who received the TSMS system back in March. After five years of back pain and losing all feeling in her leg, she thought she "couldn't go on like that" any longer and decided to have her disc replaced. Four days after surgery the 41 year-old woman was reporting no pain in her back. See her enthusiastic reaction in the following YouTube clip:

http://www.youtube.com/watch?v=DIX2EX5LTI&feature=player_embedded

Additional Information

If you are interested in learning more about Disc Motion Technologies, check out www.discmotion.com or please feel free to contact Rick Brimacomb at 612.803.3169 or rick@brimacomb.com.

TCF Tower, Suite # 1600 • 121 South Eighth Street • Minneapolis, MN 55402
rick@brimacomb.com • 612 803 3169 • www.brimacomb.com



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[manage your preferences](#) | [opt out](#) using TrueRemove®.

Got this as a forward? [Sign up](#) to receive our future emails.

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EXHIBIT 38

From: Paul Crawford <pc@crawcap.com>
Sent: Sunday, July 04, 2010 5:51 PM
To: ananda@lsuhsc.edu; 'Bill Crawford'; 'Bill Degnan (bill degnan)'; 'Bob & Lori Emfield'; 'Bob & Ruth Bringer'; 'Bruce Lambrecht'; 'cush (cush)'; 'Dan Mayer'; 'Dave Fernald'; 'Don Schreifels (don schreifels)'; 'donald degnan, DDS (donald degnan, DDS)'; 'donald degnan, II (donald degnan, II)'; 'Dr. Phil Sweetser (Dr. Phil Sweetser)'; 'George Holden'; 'Gerry Mueller'; 'James Lehman'; 'Jerry Cowan'; 'John & Julee Rimarcik'; 'John Kuhrmeyer (john kuhrmeyer)'; 'Josef Kuhn (Josef Kuhn)'; 'karen brown'; 'Larry Karkela (larry karkela)'; 'laura4law@aol.com'; 'Lowell Hellervik'; 'michael McKay'; 'Mick Thorland'; 'Nick Kuhn'; 'Richard Anderson'; 'rick brimacomb'; 'robert.storm@mchsl.com'; 'Ron Runck'; 'Staley Gentry'; 'Steve Bruggeman'; 'W. Guy Spriggs'
Subject: FW: New Offering
Attachments: A 2010 Spine Market DMT Biz Powerpoint (4).ppt; Stockholder Letter June 22 2010.pdf

Attached is a copy of the letter that investors received from Disc Motlon on June 22, 2010. While they are continuing to show unbelievable success on their lumbar spine device they are not standing pat. The attached letter from Andy Greenberg explains in detail about new developments including improvements to the installation technology. They already have a really great product and expect to be able to improve the tools and procedures for the Doc's which will result in good outcomes and much shorter procedures.

In addition they are devising ways to reduce the cost and improve the margins.

Despite all the success they have shown so far they have priced this round at half the price of the first round. This is a steal at \$0.50 per share.

Regards,
Paul Crawford

Rick & Paul,

Here is the new powerpoint that explains all of the details of the offering.
We will not touch the funds received until we hit \$1.8M in financing, which is the budget required to advance the company to significant revenues and clinical data. I have also attached another copy of the stockholder letter for Paul.

Best regards,

Jud

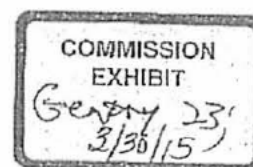


EXHIBIT 39



From: Paul Crawford. <pc@crawcap.com>
Sent: Monday, February 13, 2012 5:55 PM
To: Gentry, Staley
Subject: FW: Empathic Update & Tax Credit Inf.
Attachments: staley.doc

Staley,

2011 was a defining year for Empathic and a year in which they learned a lot about their business. In the second quarter Debra decided that they had to find ways to reduce their burn rate which had scaled to almost \$150,000 per month. That required some changes and reductions in management and staff. Among the management changes Debra terminated Dan Latham. She has turned over the issues of Dan's contract to an attorney who is working on a workable settlement. By the end of 2011 she had reduced the monthly burn rate to approximately \$80,000. And monthly revenues, which as recently as last May were only \$8000, had grown to almost \$35,000 as of January this year. The total number of Empathic subscribers numbered 180 at the end of 2010 and totaled 442 at the end of 2011.

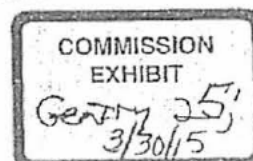
They are now beginning to sign up larger practices. Debra reviewed their pricing model and a few weeks ago made a decision, based on the economics of the system, to change the fee structure from \$125 + a fee for claims to a flat \$300 per month fee per clinician. This new pricing model is not subject to the monthly ups and downs of clinician business and will allow Empathic to more accurately project revenues. A clinic in Rockford Illinois that has 9 clinicians, signed up on February 2nd and will be paying \$3300 per month and a \$4000 set up fee. Empathic has a growing number of larger practices in the pipeline. They estimate that the increased pricing model should bring them to positive cash flow by adding another 160 subscribers or just 20 more clinics at the \$3300 per month level.

Probably the most significant event in 2011 was the endorsement of Empathic Clinical Suites by two of the most prominent continuing education lecturers in the mental health field; Dr. A Steven Frankel (psychology) and Dr. Jerald Piaget (psychiatry). I also introduced Empathic to United Health and Debra gave an online presentation to their Behavior Health Group based in California. Once Empathic adds some more features to ECS they will then meet with them again. Debra also has had several discussions with Pearson. Pearson has more than \$8 billion per year in revenues and views Empathic as a possible distribution channel for them. If we had a reseller deal with them it would add additional revenues for ECS.

More and more of Empathic's clinicians are relating to other therapists how ECS has helped their practices improve their bottom line. Here are a few examples:

- Charles Kodmer, PhD and Associates reported a 27% reduction in problem claims thus increasing revenues and income.
- Zoe Trifilo-Pfaffman reported a 50% decrease in administrative expenses.
- Joan Calandra, PhD reported a 14% increase in revenue without increasing client time.
- Stewart Jackson, PhD, reported an increase of revenues of 65% and a decrease in administrative expense of 85%.

What does this all mean? It means that we now can see "the light at the end of the tunnel" and Empathic should be there before the end of 2012. Debra is starting to expand sales and marketing staff on a commission basis, and will start to ramp up operations as the number of new clinicians and monthly revenues increase.



Lastly, they have recently been approved to offer investor's access to the Minnesota Angel Tax Credit. I am also pursuing grants and low interest loans that Empathic might be eligible for that are available for early stage endeavors. I can furnish you the documents that you need to file with the State of Minnesota.

Be sure to read the attached summary about the conversion of your Empathic loans.

Regards,
Paul Crawford
Crawford Capital Corp
125 Main St. S.E., Suite 270
Minneapolis, MN 55414
(ofc) 612-676-1436
(cell) [REDACTED]

Staley,

In addition to the \$50,500 you invested in the original offering at \$286 per share, you have the following outstanding loans to Empathic:

\$100,000 loaned in February 2011 in the 3rd Round Bridge Loan with a conversion price at \$450 share
~~\$112,500~~ loaned in the 2010 Secured Debenture (2 investments; \$50,000, \$62,500)

\$212,500

~~\$+50,050~~ original investment

\$262,500 currently out-of-pocket for everything

The \$100,000 in the 3rd Round has already been converted into shares at the \$286 price which is a substantial reduction from the \$450 per share price.

I am suggesting that you consider adding an additional \$47,500 in this 4th Round which is also priced at \$286 per share. However, the best way to do this is to invest a total of \$160,000 in this round and then the Company would repay your \$112,500 loan. The new \$160,000 investment would be eligible for a refundable tax credit from the State of Minnesota. You would recover 25% or \$40,000 from the State of Minnesota. We cannot facilitate the transaction until you are approved by Minnesota.

By doing this you in effect will have substantially increased your equity because all your investments would be at the original \$286 share price. Note that repricing all the shares will increase your shares and percentage ownership substantially even before accounting for the value of the \$40,000 credit.

Here's what you had before and after my proposed adjustments:

<u>Amount</u>	<u>Originally</u>	<u>Now</u>	<u>Proposed</u>
\$50,050	175 shares @ \$286	175 shares	175 shares
\$112,500	189 shares @ \$595	189 shares	393.35 shs
\$100,000	233.33 shs @ \$450	349.65 shs	349.65 shs
<u>\$47,500</u>			<u>166.08 shs</u>
\$310,050	597.33	713.65	1084.08
\$-40,000			
\$270,000 Out-of-pocket			

Assuming we raise the entire \$1 million 4th round, which we very likely won't, we will have only 29,000 fully diluted shares outstanding. What you hold now is 713.65 shares which equates to 2.46% equity ownership. If you do what I am proposing here your equity will increase to 1084.08 shares which is 3.74% and your out-of-pocket net would only be \$7,500 more than what you have invested so far.

Paul

EXHIBIT 40

From: Paul Crawford <pc@crawcap.com>
Sent: Thursday, May 22, 2008 2:34 PM
To: William_Degnan (William_Degnan); Bill Crawford; Bob & Lori Emfield; Bob & Ruth Bringer; Bob Anderson; Brad Smegal (brad smegal); Carl & Jan Kuhrmeyer (Carl & Jan Kuhrmeyer); cush (cush); Dave Fernald; Dr. Phil Sweetser (Dr. Phil Sweetser); Gary Bohn (gary@bohnwell.com); George Holden; Gerry Mueller; Jerry Cowan; John Kuhrmeyer (john Kuhrmeyer); Josef Kuhn (Josef Kuhn); 'judy holden wright'; Larry Karkela (larry karkela); Richard Anderson; Rick Brimacomb; Steve Bruggeman; W. Guy Spriggs rick@brimacomb.com
Cc:
Subject: ALung
Attachments: ALung investor letter may 2008.doc 2.doc

I hope that you will consider immediately increasing your investment in ALung. It is urgent that ALung bring in at least \$250,000 of the \$1 million bridge loan immediately. I am hoping that investors from our group will increase their investment by a factor of at least 25% of their existing investment. If you are willing to do that we can raise the additional \$250,000 that, when combined with the \$250,000 they have in commitments from other investors including the founders, will give them the \$500,000 they need to break escrow and to trigger the \$500,000 investment committed by Gerry McGinnis. ALung's technology will save lives and improve the quality of life for patients suffering from major breathing problems. The Hemolung was tested by the Army and they are extremely excited about the results and will be doing their own human trials later this year. The Hemolung device has passed all animal trials and will be tested on humans later this year pursuant to the requirements of the FDA. The problem is not in the technology which is fully developed and ready to go once they have been shown to be effective in the first few human trials. The problem is that they are critically short of the capital they need to support the human clinical trials. And it is vital that we get the bridge round done before June 1st. I need you to commit to invest in the bridge loan. The loan will accrue 14% annual interest and will convert into stock at a 10% discount of the price per share in the subsequent Series A Preferred Round. Some of you have already sent in your additional investment but we need more to get to the \$250,000.

I will call you to see if you are willing to support Alung in this critical round of capital? There is no question that there is a need for this device. They really need your help. Please let me know if you need any more information. I have also attached a copy of the email that I sent to you early in May which highlights many of the recent developments.

Regards,
Paul

EXHIBIT 24 PLIF.
WITNESS Bohn DEPT.
CONSISTING OF 3 PAGES
DATE 4-1-15
BEHMK REPORTING AND VIDEO SERVICES, INC.

ALung's technology is fully developed and is now going through the regulatory (FDA) process. The last letter you received from ALung in February had a lot of new information about the technology, patents, etc. I have attached a copy of that letter for you to reference concerning some of my comments below:

1. The Hemolung console has successfully been upgraded with new user interface software.
2. ALung conducted and concluded four more Good Laboratory Practice sheep studies as required by the FDA.
3. They have filed an IDE (Investigational Device Exemption) with the FDA which was required to begin their human clinical trials.
4. Brooke Army Medical Center, which purchased a Hemolung Console and 6 Hemolung devices, conducted a study on 6 pigs to see how effective the use of the Hemolung device would be in overcoming damage to the pig's lungs from the debilitating effect of a high-powered projectile or exposure to lethal gas. Those tests showed that the Hemolung device provided significant enough lung function to sustain life, maintaining 50% lung function.
5. They have filed additional patents for the Hemolung device in Europe, Japan, India, China, Australia and Canada
6. They indicated that they will need to conclude a bridge round of at least \$1 million to cover them while they wait for other possible investments from institutions. Drapper Fisher, Radius Ventures and Heron Capital are some of the companies that are currently doing due-diligence on ALung.
7. ALung is continuing to receive grants from the DOD. The DOD's total grants since the inception of the initial catheter exceed \$15 million, \$5 million of which has been granted directly to ALung since they commercialized the technology from the University of Pittsburgh.

Gerald G. McGinnis, Executive Chairman and founder of Respiroics, a leader in the sales of ventilators and other breathing devices including CPAP and BIPAP devices for the treatment of obstructive sleep apnea, has just joined ALung's Board. Respiroics was recently acquired by Philips Medical for over \$4 billion dollars. Philips Medical is a potential acquirer of ALung as are other critical care companies. Mr. McGinnis has committed to invest \$500,000 in ALung. He has invested \$150,000 and will put in the balance of his commitment as soon as we have concluded a minimum of a matching \$500,000. He is also helping them find other investors.

The terms for this bridge round, set by Mr. McGinnis, is a convertible debt loan, which matures in June 2009. This is a loan that earns 14% interest per annum and converts into stock at a 10% discount to the price per share of the Series A Convertible Preferred stock round that will follow.

If you have ever seen anyone on a ventilator you will know how dreadful but necessary they are. ALung's Hemolung device is connected to a patient in the same, proven way that a patient is connected to a kidney dialysis system and will be a much better and more humane way to treat patients with life threatening breathing disorders. Dr. Bachinsky

from Brooke Army Medical Center, Fort Sam Houston, Texas has hands-on experience with acute hemodialysis, and he thinks that the Hemolung system is actually a lot easier to use.

Public Health officials continue to worry about the potential devastation that would occur as the result of a major breakout of avian flu. This would be a disastrous pandemic that could kill millions of people. Today no one could stop such an event but there is no doubt that ALung's Hemolung would help save a lot of victims providing the units were widely available.

The Hemolung device works like a miniature heart/lung machine. A patient's blood is shunted to the device. The device then removes the CO2 and infuses oxygen into the blood while the patient is awake and alert.

ALung has come a long way and could have their first sales in Europe, South America and the Far East by early next year. Like all new medical devices they need money to get it to the next level. With proper funding they could have the first successful use of the device in living humans before the end of this year. This will be a huge milestone.

Please consider adding to your investment. Every dollar we raise in this deal could produce two dollars of vital capital as a result of Gerald McGinnis's commitment. This is an urgent need. There is nothing wrong with their technology but, like most all early stage companies, the struggle is in raising needed capital at very critical times in order to keep the ball rolling. Please let me know if you plan to attend the meeting. And let me know if you can not only increase your investment but that you can do so very quickly.

Regards,
Paul Crawford
Crawford Capital
125 Main St., S.E., Suite 270
Minneapolis, MN 55414
(ofc) 612-676-1436
(fax) 612-676-1438
(cel) [REDACTED]

EXHIBIT 41

From: Paul Crawford <pc@crawcap.com>
Sent: Monday, January 13, 2014 12:39 PM
To: garkathben@gmail.com; Gentry, Staley; David G. Brading; Dr. Phil Sweetser; Anil & Laura Nanda; bhoagland@squidink.com; Bill Crawford; Degnan, William; Bob & Ruth Bringer; Bob Emfield; Bob Hildreth; Brian Crawford; butch@destiny-homes.com; cathywagamon@gmail.com; chenanconst@aol.com; Cindy Fishman; cush (cush); Dan Neisen; Dave Fernald; djcurry886@yahoo.com; Don Estes; Don Schreifels (don schreifels); Doug Selander; Gary Bohn (gary@bohnwell.com); Gary Kruggel; Gary Leonard; Gary Minard; george holden; Gerry Mueller; halla3@aol.com; janez bencina; Jerry Cowan; Jim Drake; jlbehne@frontiernet.net; John & Julee Rimarcik; John Fitzgerald; Kuhrmeyer, John; Karen Brown; karl bohn; Kevin Bauer; kimbaerenwald@hotmail.com; larry fischer; Larry Hopfenspirger; Larry Karkela; Lowell hellervik; Mark & Judy Wilodson; michael McKay; Michelle & Jack Angerhofer; Mick Thorland; Mike & Susan Sullivan; pat wagamon; paul gentelini; pureview@aim.com; Richard Sommerstad; rick anderson (rick anderson); rjwolszon@aol.com; robert.storm@mchsl.com; Robin Edgar; Ron Runck; rons.soc@comcast.net; Ryan Albrecht; Scott Long; sharon arndt; Gentry, Staley; Steve Bruggeman; steve@cooperativedairy.com; Tim Kocina; travisplut@yahoo.com; W. Guy Spriggs
Subject: Mn Angel Tax Credit Annual Report

This is my 2nd email to investors who have earned Minnesota Angel Tax Credits. If you invested in Localoop or Empathic in 2011, 2012 and 2013 that was approved by MN DEED then you must file an Annual Report to MN DEED no later than January 31, 2014. The filing fee is \$100. Filings made after January 31, 2014 will have to pay an additional \$500 penalty. This is the first year you can complete the forms online at the DEED website. You can either enter Minnesota Angel Tax Credit in your search browser or click on the following link. The link brings you to the right place and you just click on Investor. If you use the search you will get to the 1st Page of DEEDs web site and then you must first click on TO APPLY.

<https://www.google.com/#q=mn+angel+tax+credit+program&safe=off>

Once you're on the For Investor page you just scroll down to STEP FOUR. Then click on Investor Annual Report. You fill out Section I and be sure to enter 2013 as the year. You then go to Section II and list out each of the investments made between 2011 and 2013 including date, name of business and amount of investment. IT will automatically total the amount in you are entering the information online.

Section B is for listing any investments you made that no longer are held due to the failure of the business. Localoop and Empathic are still in business through 2013.

Section III, Certification is where you sign and then print out the form and mail with your \$100 check to MN DEED (the address is at the bottom of page 20).

If you have any questions on the investments you made you can contact me. I will not be available for a few days but, instead you can call Bruce Brillhart at Localoop (612-597-5882) or Carl Torarp at 612-327-3303. For Empathic you will have to contact Debra Lindell at 763-464-1168.

Regards,
 Paul Crawford
 Crawford Capital Corp
 (ofc) 612-676-1436

EXHIBIT	<u>26</u>	PLTF.
WITNESS	<u>Bohn</u>	DEFT.
CONSISTING OF	<u>2</u>	PAGES
DATE	<u>4-1-15</u>	
BEHMKER REPORTING AND VIDEO SERVICES, INC.		

(cell) [REDACTED]

EXHIBIT 42

[REDACTED]

From: Paul Crawford <pc@crawcap.com>
Sent: Tuesday, September 07, 2010 8:53 AM
To: 'Anil & Laura Nanda'; 'Bill Crawford'; 'Bill Degnan (bill degnan)'; 'bill mcguigan'; 'Bob & Ruth Bringer'; 'Carl Torarp'; 'cush (cush)'; 'Dan Neisen'; 'Dave Fernald'; 'Denny Magers'; 'Don Estes'; 'Don Schreifels (don schreifels)'; 'Doug Selander'; 'Gary Bohn (gary@bohnwell.com)'; 'Gary Kruggel'; 'Gary Minard (Gary Minard)'; 'george holden'; [REDACTED] 'Jerry Cowan'; 'jbehne@frontiernet.net'; 'John Fitzgerald'; 'John Kuhmeyer (john kuhmeyer)'; 'John Leffler'; 'Karen Brown'; 'Larry Hopfenspirger'; 'Larry Karkela (larry karkela)'; 'Lowell Hellervik'; 'mark karstrum'; 'michael McKay'; 'Mick Thorsland'; 'Mike & Susan Sullivan'; 'paul@allstarfinancial.com'; 'Richard Sommerstad'; 'Robert (Bob) Klefsaas'; 'robert.storm@mchsi.com'; 'Ron Runck'; 'Staley Gentry'; 'steve@cooperatedairy.com'; 'Tim Kociha'; 'W. Guy Spriggs'
Cc: 'Michelle Angerhofer'; 'Carl-Johan Torarp'
Subject: LocalLoop 4G Investment Opportunity
Attachments: LocalLoop Inc Investment Summary PDC 2010-08-27.pdf

CRAWFORD CAPITAL CORP
125 Main St. S.E., Suite 270
Minneapolis, MN 55414
(ofc) 612-676-1436

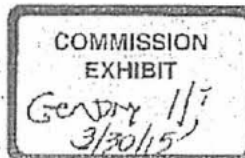
Dear Investor,

Crawford Capital Corp is listed in *Twin Cities Business Journal* as the 8th largest Venture Capital firm in Minnesota. Crawford Capital specializes in very early stage companies, principally located in Minnesota. We like to say that we create jobs the old fashioned way by raising capital at the earliest stage of the idea. Crawford Capital has a very active and growing portfolio of developing businesses.

I am also an entrepreneur and a visionary but I am not a techle. I founded Cellcom, the first cellular phone system in the Twin Cities in 1981 that started operating in 1983 as MCI/Cellcom, later it changed its name to Cellular One of Minnesota and was sold to McCaw Communications in 1986 for a very nice profit. It was subsequently sold by McCaw and today it is AT&T Wireless. This was a very successful investment and I thought it would be one of the biggest opportunities I would ever see. It turned out I was wrong because the opportunity we have today is much bigger than that was.

Attached is a brief on a company you will want to know about. This Company is called LocalLoop, Inc. There are more details in the attached information but I can tell you that 4G, Mobile Communications is a bigger innovation in communications than the first cellular networks were. Most people today are addicted to their cell phone and handheld devices and, as a result, there are more cell phones in use today in the U.S. and the World than the older landline phones.

We all know that the capital markets are in disarray and are a long way from achieving stability. Interest paid on bank or money market accounts are extremely low. The entire real estate market is in upheaval. This is one of many reasons why many investors are taking the time to look for alternative investments in these perilous times. Crawford Capital has created a new investment that we call a Success Note that will allow investors to step into one of the hottest events in communications since the evolution of mobile communications. This evolutionary event is already underway and you can participate in it. This can best be described as the merger of mobile, 4G, high-speed, WiMAX communications and the Internet. Be sure to read the attached information and then contact us to provide you with Private Placement Memorandum and additional information.



Sincerely,

Paul Crawford
President & CEO

EXHIBIT 43

Crawford Capital Corporation (default.htm)

CONNECT: (.httpresponse)...

[HOME \(DEFAULT.HTM\)](#)

[BLOG \(BLOG/DEFAULT.HTM\)](#)

[CURRENT PROJECTS \(CURRENT-PROJECTS.HTML\)](#)

[CONTACT US \(CONTACT-US.HTML\)](#)

Get a glimpse of some of our portfolio companies.

Crawford Capital has been assisting early stage companies in raising capital since 1990. Paul Crawford is both a venture capitalist and an entrepreneur, and has been working with developing businesses since the late 70's.

[CONTACT US \(contact-us.html\)](#)

Portfolio Companies

LocalLoop, Inc. (localloop-inc.html) | www.LocalLoop.com (.http://www.localloop.com/default.htm)

LocalLoop has launched their beta/demo site in St. Louis Park, a suburb of Minneapolis, MN. It is the beta site where they now demonstrate their revolutionary software solution for managing multiple networks throughout the world with all the resources in the "cloud."

Empathic Software | www.Empathic.com (.http://www.empathic.com/default.htm)

Empathic's patented software as a service (SaaS) was initially developed principally for marriage and family clinical psychologists and was completed and launched in mid 2010. It is capitalized as an LLC and projects to produce more than \$90 million in net income between late 2011 through the end of 2014.

Sports Director Online (SDO) (sdo--sports-director-online.html) | www.SportsDir.com (.http://www.sportsdir.com/default.htm)

SDO is the most comprehensive online services for managing all aspects of organized youth sports and activities. SDO's SaaS services is given to Recreation Programs and amateur youth athletic leagues. The database is organized so that every user, when they click into the site, gets exactly the information that is important to them.

Nutri-Innovations (nutri-innovations.html)

Nutri Innovations, LLC (NI) formed in July 2006. The Company has a portfolio of patented technology relating to increasing the profitability of dairy enterprises.

Biothera | www.Biothera.com (.http://www.biothera.com/default.htm)

Biothera is a biotechnology company dedicated to improving immune health. We are developing a natural glucan polysaccharide that engages and directs natural innate immune system responses.

To learn more about these opportunities contact Paul Crawford at Crawford Capital Corp. pc@crowcap.com (mslto:pc@crowcap.com). (ofc) 612-676-1438 (cell) [REDACTED]

U. S. SECURITIES AND EXCHANGE COMMISSION

Investigation # C-07672

DECLARATION OF Russell Castillo

Pursuant to 28 U.S.C. Section 1746, the undersigned states as follows:

1. My name is Russell Castillo I am over twenty-one years of age and have personal knowledge of the matters set forth herein.
2. I am assigned as an IT Specialist to the U.S. Securities and Exchange Commission's Division of Enforcement in Washington, D.C. As part of my duties I am tasked to conduct a Website Capture.
3. In support of investigation number C-07672, and at the direction of my supervisor, I was tasked to conduct Website/video capture of the following URL's.

<http://www.crawcap.com/>

<http://www.saasware.com/>

4. To complete the above mentioned website/video capture the following tools were used:

Offline Explorer Pro 6

5. After each website/video was captured, a CD/DVD containing the identified web capture was produced to
or
After each website/video was captured for the above criteria, It was stored on a network share in which the location was provided by Sruthi Koneru. The location that was provided is as follows:

\\ad\en\dataexchange\HQtoCHRO_dropoff\Webcapture

6. Any additional comments related to this Website/video capture are provided below:

I declare under penalty of perjury that the foregoing is true, correct, and made in good faith.

Russell Castillo
[Analyst Name]

Executed on this 4th day of March 2015.

EXHIBIT 44

Crawford Capital Corporation (default.htm)

CONNECT: (.http://www.nutriinnov.com)

[HOME \(DEFAULT.HTM\)](#)

[BLOG \(BLOG/DEFAULT.HTM\)](#)

[CURRENT PROJECTS \(CURRENT-PROJECTS.HTM\)](#)

[CONTACT US \(CONTACT-US.HTML\)](#)

[Back to 'Current Projects' \(current-projects.html\)](#)

[Contact Us \(contact-us.html\)](#)

Nutri-Innovations

Nutri-Innovations is the first "social Network" for dairy cows. The founder, James Beck, who has a strong background in animal feed spent 5-years developing what is now a proprietary, cloud based service that is comprised of unique algorithms and software that makes it possible for dairies to more efficiently group the cows in their herd and to separate certain cows that are identified as having what is called "an insulin response." Extensive trials over 5-years at a large Wisconsin dairy have shown, and now are proven by usage among a growing number of dairies in California and Wisconsin, that these methods will reduce feed costs, increase a cow's daily milk output, lead to happier cows and also will reduce culling rates which also adds value to the bottom line of a dairy. An investor who owns a non-dilutable 1% equity interest (\$40,000 investment) could earn cash distributions of \$20,000+ per year from just 100,000 cows which would be slightly more than 1% of the 9 million cows milked every day in the U.S. alone.



[More information at www.nutri-innovations.com \(. /www.nutri-innovations.com/default.htm\).](#)

U. S. SECURITIES AND EXCHANGE COMMISSION

Investigation # C-07672

DECLARATION OF Russell Castillo

Pursuant to 28 U.S.C. Section 1746, the undersigned states as follows:

1. My name is Russell Castillo I am over twenty-one years of age and have personal knowledge of the matters set forth herein.
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<http://www.crawcap.com/>

<http://www.saasware.com/>

4. To complete the above mentioned website/video capture the following tools were used:
Offline Explorer Pro 6
5. After each website/video was captured, a CD/DVD containing the identified web capture was produced to
or
After each website/video was captured for the above criteria, It was stored on a network share in which the location was provided by Sruthi Koneru. The location that was provided is as follows:

\\ad\enfd\exchange\HQtoCHRO_dropoff\Webcapture

6. Any additional comments related to this Website/video capture are provided below:

I declare under penalty of perjury that the foregoing is true, correct, and made in good faith.

Russell Castillo
[Analyst Name]

Executed on this 4th day of March 2015.

EXHIBIT 45

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Plaintiff,

v.

Civ. Act. No. 11-cv-3656 (JNE/JJK)

GARY A. COLLYARD, COLLYARD
GROUP, LLC, PAUL D. CRAWFORD,
CRAWFORD CAPITAL CORP., RONALD
MUSICH, JOSHUA J. SINGER, MICHAEL
B. SPADINO, MARKETING CONCEPTS,
INC., AND CHRISTOPHER C. WEIDES,

Defendants.

DECLARATION OF TIMOTHY J. STOCKWELL

1. I, Timothy J. Stockwell, am an Attorney with the United States Securities and Exchange Commission ("Commission") in its Chicago Regional Office, located at 175 West Jackson Boulevard, Suite 900, Chicago, Illinois 60604. I have been employed as an Attorney by the Commission since December 2014. I have been assigned to the litigation matter of *SEC v. Collyard, et al.*, 11-CV-3656, since December 2014.

2. I make this Declaration in support of the Commission's Motion for Summary Judgment Against Defendants Paul D. Crawford and Crawford Capital Corporation.

3. On August 10, 2015, my former co-counsel on the case, Senior Attorney Thu B. Ta, received the attached email from Brad Holt, forwarding an email from Paul

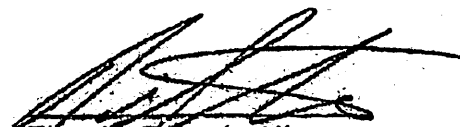
Crawford (email address pc@crowcap.com) dated August 10, 2015. The attached email is a true and accurate copy of the email forwarded to Ms. Ta by Mr. Holt.

4. The Commission has communicated with Mr. Holt in the past regarding emails and other information he obtained regarding the activities of Paul Crawford and Crawford Capital Corporation.

* * *

I, Timothy J. Stockwell, declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

Executed on 16 September, 2015.


Timothy J. Stockwell

Stockwell, Timothy J

From: Brad <[REDACTED]>
Sent: Monday, August 10, 2015 7:48 PM
To: Ta, Thu Bao
Subject: Fw: SaaSware Highway & eSmartBadge

----- Original message -----

From: Douglas Selander
Date: Mon, Aug 10, 2015 6:45 PM
To: Brad Holt;
Subject: Fw: SaaSware Highway & eSmartBadge

----- Forwarded Message -----

From: Paul Crawford <pc@crawcap.com>
To: Paul Crawford <pc@crawcap.com>
Sent: Monday, August 10, 2015 2:42 PM
Subject: FW: SaaSware Highway & eSmartBadge

I started SaaSware Highway in 2011. SaaSwarehighway.com (www.saasware.com) was created to be an incubator for early stage "cloud" based enterprises. However, we were never able to provide a significant capital base because of the continuing effects of the recession. We did raise a small amount of capital that allowed SaaSware Highway to acquire and hold some small interests in some of the "cloud" based enterprises that I launched between 2008 and 2012. These SaaSware Highway holdings' include Empathic Clinical Suites, Localoop, Inc., Sports Director Online (SDO) and esmartBadge (eSB). Both Empathic and Localoop are producing revenues and are trending to profitability however they still need capital to support their growth.

In 1998 I founded and launched Commission Junction. The earliest investors in CJ paid as little as 40¢ per share. A large number invested in the fast 2nd round that was priced at \$1 per share. Within 18 months its value had soared when the Company received a \$40 Million investment that valued CJ at \$100 Million which was almost \$12 per share. One of SaaSware Highway's current portfolio companies is on the verge of running up even faster than CJ did. It is called eSmartBadge. SaaSware Highway has a significant ownership interest in Sports Director Online (SDO) and EsmartBadge (eSB) which was initially developed as a component of SDO.

Doug Crystal, who is from Cleveland, is both the founder and developer of SDO and eSmartBadge which are both apps. Early this year he introduced his eSB app to USA Football (the largest youth football association in the world). They liked it a lot and they just participated in a trial beta run with eSB and are working out the integration plan for full deployment in 2016. Doug was put in contact with a company that handles the electronic forms for over 100 schools and they are introducing eSB to a group of their schools to begin the beta process by integrating eSB into these schools this fall. Then in 2016 they will launch to all of the schools they work with. Initially Doug thought that his "virtual" badges would sell for 50¢ each. The market feedback is that eSB can charge \$1 per badge for a smartbadge that covers up to a 90-day term and \$2.50 for an annual term. There are two additional vertical market channels that he is also working with. These include a convention organizing business and a remote personal tracking business venture.

One of the big reasons that Commission Junction grew so fast was that it became a platform upon which entrepreneurs could build their own business. And that is precisely why eSmartBadge is going to experience the same exciting growth rate that CJ did. The "tip-off" here is the instant interest eSB is getting from multiple channels of distribution. In other words, the marketing pathway is gathering its own steam (momentum) just as CJ did. And because of this effect the marketing challenge is lessened and the cost for getting it into the marketplace will be lessened too.

To be part of this you simply invest in SaaSware Highway. But here's the "Hot" deal. You will be issued a share of SaaSware Highway and a half share of eSmartBadge for each dollar you invest in SaaSware Highway. The minimum investment is \$10,000. An investment totaling \$25,000 will earn a bonus of 12,500, 5-year term, \$2 SaaSware Highway warrants with a "cashless option." The maximum being raised in this round is \$500,000. This is another investor's dream opportunity that will grow quickly like CJ did. It is an investment you should want to be part of. And, eSmartBadge will very likely be your first investment in an app business that could become one of those exciting app stories. Some of the capital we are raising here will be used by SaaSware Highway to acquire more shares of eSB and to acquire shares of another exciting new online business called Engage. The value of SaaSware Highway will also grow because it already owns a significant number of shares of eSB along with shares of Empathic, LocalLoop and Sports Director Online and hopes to add Engage to their portfolio too. You can visit the eSB website at www.esmartbadge.com and Engage at www.engage.co (.co, not .com).

Let me know if you are interested in getting in on the ground floor of SaaSware Highway, eSmartBadge, Sports Director Online and possibly Engage.

Regards,
Paul Crawford
(ofc) 612-676-1436
(cell) [REDACTED]

EXHIBIT 46

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Plaintiff,

v.

Civ. Act. No. 11-cv-3656 (JNE/JJK)

GARY A. COLLYARD, COLLYARD
GROUP, LLC, PAUL D. CRAWFORD,
CRAWFORD CAPITAL CORP., RONALD
MUSICH, JOSHUA J. SINGER, MICHAEL
B. SPADINO, MARKETING CONCEPTS,
INC., AND CHRISTOPHER C. WEIDES,

Defendants.

DECLARATION OF LUZ M. AGUILAR

1. I, Luz M. Aguilar, am a Senior Accountant with the United States Securities and Exchange Commission ("Commission") in its Chicago Regional Office, located at 175 West Jackson Boulevard, Suite 900, Chicago, Illinois 60604. I have been employed as an accountant by the Commission since November 1991. My official duties with the Commission include participating in fact-finding inquiries and investigations to determine whether the federal securities laws have been, are presently being, or are about to be violated, and assisting in the Commission's litigation of enforcement actions.

2. I received a Bachelor of Science Degree in Accounting from the University of Illinois at Chicago. I am a registered Certified Public Accountant.

3. I was assigned to assist the Commission's attorneys in litigating the above-captioned case. In connection with this assignment I reviewed Paul Crawford's testimony dated March 2, 2011 and documents produced by Crawford ("Crawford") regarding funds he and his company, Crawford Capital Corporation ("CCC") received from Bixby Energy Systems Inc. ("Bixby").

4. Records I reviewed show that from February 2004 to November 2006, Paul Crawford and his company, CCC, received \$240,000 from Bixby. *See* Exh. 12.

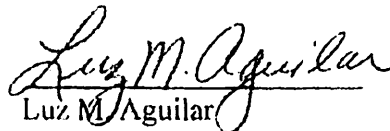
5. At the request of the Commission's attorneys, I calculated prejudgment interest on the \$240,000 received by Crawford and CCC from Bixby. The prejudgment interest was calculated applying the interest rate, adjusted quarterly, used by the IRS for computation of interest on underpayment of taxes. *See* 26 U.S.C. § 6621(a)(2). Interest was compounded quarterly beginning on the end of the first quarter in which the first transfer was processed.

6. As of September 30, 2015, I calculated the prejudgment interest on \$240,000 to be \$128,692.22. I have attached a copy of my prejudgment interest calculation hereto.

* * *

I, Luz M. Aguilar, declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

Executed on 16 September, 2015.


Luz M. Aguilar

Funds from Bixby Energy Systems

Date	Check #	Amount	Quarterly	Description
02/09/04	10746	8,000.00		Crawford, Paul
03/16/04	11036	9,800.00		Crawford Capital Corp.
03/30/04	11112	5,200.00	23,000.00	Crawford Capital Corp.
05/27/04	11413	10,800.00		Crawford Capital Corp.
06/14/04	11607	4,000.00	14,800.00	Crawford Capital Corp.
07/20/04	11776	7,500.00		Crawford Capital Corp.
08/19/04	12197	5,000.00	12,500.00	Crawford Capital Corp.
04/14/06	6672	3,200.00		Crawford Capital Corp.
04/15/06	Bill	3,200.00		Crawford Capital Corp.
04/28/06	Bill	8,000.00		Crawford Capital Corp.
04/28/06	6781	8,000.00		Crawford Capital Corp.
05/01/06	Bill	18,450.00		Crawford Capital Corp.
05/15/06	Bill	18,450.00		Crawford Capital Corp.
05/16/06	7036	36,900.00		Crawford Capital Corp.
06/02/06	7257	42,000.00	138,200.00	Crawford Capital Corp.
07/26/06	Bill	16,000.00		Crawford Capital Corp.
07/28/06	7747	16,000.00		Crawford Capital Corp.
08/03/06	Bill	8,000.00		Crawford Capital Corp.
08/03/06	7835	8,000.00	48,000.00	Crawford Capital Corp.
11/15/06	Bill	1,750.00		Crawford Capital Corp.
11/28/06	8671	1,750.00	3,500.00	Crawford Capital Corp.
		240,000.00		Total

**PREJUDGMENT INTEREST CALCULATIONS
for Crawford**

PERIOD	(1) ANNUAL RATE	(2) PERIOD RATE	(3) PERIOD INTEREST	(4) PERIOD AMOUNT	(5) TOTAL
As of 3/31/04				23,000.00	23,000.00
04/01/04 to 06/30/04	5%	1.25%	287.50	14,800.00	38,087.50
07/01/04 to 09/30/04	4%	1.00%	380.88	12,500.00	50,968.38
10/01/04 to 12/31/04	5%	1.25%	637.10		51,605.48
01/01/05 to 03/31/05	5%	1.25%	645.07		52,250.55
04/01/05 to 06/30/05	6%	1.50%	783.76		53,034.31
07/01/05 to 09/30/05	6%	1.50%	795.51		53,829.82
10/01/05 to 12/31/05	7%	1.75%	942.02		54,771.84
01/01/06 to 03/31/06	7%	1.75%	958.51		55,730.35
04/01/06 to 06/30/06	7%	1.75%	975.28	138,200.00	194,905.63
07/01/06 to 09/30/06	8%	2.00%	3,898.11	48,000.00	246,803.74
10/01/06 to 12/31/06	8%	2.00%	4,936.07	3,500.00	255,239.82
01/01/07 to 03/31/07	8%	2.00%	5,104.80		260,344.62
04/01/07 to 06/30/07	8%	2.00%	5,206.89		265,551.51
07/01/07 to 09/30/07	8%	2.00%	5,311.03		270,862.54
10/01/07 to 12/31/07	8%	2.00%	5,417.25		276,279.79
01/01/08 to 03/31/08	7%	1.75%	4,834.90		281,114.68
04/01/08 to 06/30/08	6%	1.50%	4,218.72		285,331.40
07/01/08 to 09/30/08	5%	1.25%	3,566.64		288,898.05
10/01/08 to 12/31/08	6%	1.50%	4,333.47		293,231.52
01/01/09 to 03/31/09	6%	1.25%	3,885.39		296,896.91
04/01/09 to 06/30/09	4%	1.00%	2,988.97		299,865.88
07/01/09 to 09/30/09	4%	1.00%	2,998.66		302,864.54
10/01/09 to 12/31/09	4%	1.00%	3,028.65		305,893.19
01/01/10 to 03/31/10	4%	1.00%	3,058.93		308,952.12
04/01/10 to 06/30/10	4%	1.00%	3,089.52		312,041.64
07/01/10 to 09/30/10	4%	1.00%	3,120.42		315,162.05
10/01/10 to 12/31/10	4%	1.00%	3,151.62		318,313.68
01/01/11 to 03/31/11	3%	0.75%	2,387.35		320,701.03
04/01/11 to 06/30/11	4%	1.00%	3,207.01		323,908.04
07/01/11 to 09/30/11	4%	1.00%	3,239.08		327,147.12
10/01/11 to 12/31/11	3%	0.75%	2,453.60		329,600.72
01/01/12 to 03/31/12	3%	0.75%	2,472.01		332,072.73
04/01/12 to 06/30/12	3%	0.75%	2,490.55		334,563.27
07/01/12 to 09/30/12	3%	0.75%	2,509.22		337,072.50
10/01/12 to 12/31/12	3%	0.75%	2,528.04		339,600.54
01/01/13 to 03/31/13	3%	0.75%	2,547.00		342,147.55
04/01/13 to 06/30/13	3%	0.75%	2,566.11		344,713.65
07/01/13 to 09/30/13	3%	0.75%	2,585.35		347,299.00
10/01/13 to 12/31/13	3%	0.75%	2,604.74		349,903.75
01/01/14 to 03/31/14	3%	0.75%	2,624.28		352,528.02
04/01/14 to 06/30/14	3%	0.75%	2,643.96		355,171.99
07/01/14 to 09/30/14	3%	0.75%	2,663.79		357,835.77
10/01/14 to 12/31/14	3%	0.75%	2,683.77		360,519.54
01/01/15 to 03/31/15	3%	0.75%	2,703.90		363,223.44
04/01/15 to 01/27/15	3%	0.75%	2,724.18		365,947.62
07/01/15 to 09/30/15	3%	0.75%	2,744.61		368,692.22

DISBURGEMENT SUMMARY	
TOTAL DISBURGEMENT AMOUNT	240,000.00
TOTAL INTEREST	128,692.22
	<u>368,692.22</u>

NOTES

- (1) Interest rates for underpayments published quarterly by the Internal Revenue Service in accordance with Section 6521
- (2) Interest rate to be used in the calculation. For example, the rate for the period ending December 2008, is 6% divided by 4
- (3) The interest amount calculated for the period which equals the preceding period total multiplied by the period interest rate.
- (4) The amount of disbursement for the period
- (5) Total is the preceding period total plus the interest calculated for the period, plus the period amount.

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA
11-CV-3656 (JNE/JJK)

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION

Plaintiff,

vs.

GARY A. COLLYARD, COLLYARD
GROUP, LLC, PAUL D. CRAWFORD,
CRAWFORD CAPITAL CORP.,
RONALD MUSICH, JOSHUA J. SINGER,
MICHAEL B. SPADINO, MARKETING
CONCEPTS, INC., AND
CHRISTOPHER C. WEIDES

PAUL D. CRAWFORD AND
CRAWFORD CAPITAL CORP.'S
MEMORANDUM IN
OPPOSITION TO THE S.E.C.'S
MOTION FOR SUMMARY
JUDGMENT

There are two impediments to the SEC's motion. Mr. Crawford and his company were finders. And too much time passed before SEC filed suit.

Since 1981, Mr. Crawford has worked "with very early stage companies in assisting them in their planning for raising capital." SEC Exhs. 2 and 5; Deposition of Paul D. Crawford, at pp. 16-17. Mr. Crawford is the sole owner of Crawford Capital; he has no employees. *Id.* at 17. He does not act as an investment advisor. *Id.* at 18.

He learned about Bixby twelve years ago, in 2003, by attending a

presentation at its office in Rodgers, Minnesota, and there he met Robert Walker, who was once famous for all the right reasons. Id. at 20. At the time, Bixby was “manufacturing and in development and so release a very unique design of corn stove.” Id. at 20. Mr. Crawford was hardly alone in his optimism. Former Congressman Gill Gutnecht, among others, also promoted the company. SEC Exh. 6.

Mr. Crawford, now eighty-years old, entered into a consulting agreement with Bixby “sometime in 2004.” Id. at 22. Under that agreement, “I received compensation which I considered were finder’s fees.” Id. at 25. He was not an employee. Id. at 22. What he did was connect “high net worth individuals who [were] interested in investing in early stage companies,” to Bixby. Individuals, emphasized Mr. Crawford, who had “at least a million-dollar net worth” and were “earning between \$200 and \$300,000 dollars a year. And people who understand the risks of investing . . .” Id. at 27.

Mr. Crawford was “very impressed with Bob Walker, and the whole idea of alternative energy was hot, and I will say at the time it was a very well received investment opportunity by the people I suggested it to.” Id. at 29. He invited potential investors to Bixby presentations, “dozens” in number. Id. at 86. He told those he found the investment was high risk. Id. at 48.

Mr. Crawford asked Bixby to send private placement memoranda to these potential investors. Id. at 36. In turn the investors he found would buy shares from Bixby directly. Id. at 43. Occasionally Mr. Crawford would deliver to Bixby the investment checks. Id. at 49. But he never represented himself as a registered broker. Id. at 61. Mr. Crawford himself invested \$20,000.00. Id. at 31.

Mr. Crawford's finder's fees, 10% of the sum the investors purchased in Bixby stock, came to \$240,000.00. Id. at 51, 63; SEC Exhs. 12 and 46. In some instances, the fee was less, at 3%, for transactions involving defendant Christopher Wiedes. Id. at 70.

Some investors purchased additional Bixby stock. Those later investments did not result in any income for Mr. Crawford, however. Id. at 56. "If the investors subsequently invested, that was their decision beyond my finder's fee for finding them," he said. Id. at 57.

Mr. Crawford lost his own investment Bixby. It was a disappointment shared the investors he found, several of whom were deposed.

Take, for example, Gary Bohn, who was convinced by Walker's presentations to invest, Id. at 56, and wrote a check for \$100,000.00. Id. at 30. Bohn didn't employ Mr. Crawford as a personal financial advisor, Id. at 54, and understood that a commission would be received. Id. at 55. For his part, Mr.

Crawford was not aggressively suggesting the stock. Id. at 57. Mr. Bohn was aware of the risks, and took them. Id. at 57-58.

Harold Haluptzok invested in several “start-up companies” suggested by Mr. Crawford. Exh. 14, at 11. Mr. Haluptzok said “[i]t was typical for Mr. Crawford to send me information,” Id. at 38, and did so with Bixby. Id. at 11. Thereafter, he invested \$80,000.00. Id. at 12. There was no evidence Crawford set the price of the Bixby stock, at \$1.60. Id. at 16. Mr. Haluptzok assumed Mr. Crawford received a commission of 10%. Id. at 21, 65. “Because why would he do it otherwise?” Id. at 21. Mr. Haluptzok never met Mr. Crawford personally. Id. at 59. He knew he wasn’t an employee of Bixby. Id. at 60.

Mr. Haluptzok, like many investors, was swayed to invest in Bixby in light of Robert Walker’s earlier and legitimate success with Select Comfort, a bedding manufacturer; that business triumph was the sizzle that sold the Bixby steak as it were. Id. at 61. Mr. Haluptzok knew Mr. Crawford had no management position in Bixby. Id. at 61. And he knew Crawford’s role was to raise capital. Id. at 62. Crawford never engaged in financial planning, nor did he discuss Mr. Haluptzok’s personal needs. Id. at 64. They were both hopeful for Bixby’s once bright future. Id. at 64-65. The choice to invest left open. Id. at 67.

In sum, Mr. Haluptzok was asked this question and gave the following

answer: Q: "You looked at [Mr. Crawford] as an individual who found companies for people to invest in; fair enough? A: Yes." Id. at 66.

Staley M. Gentry was told by Mr. Crawford that Bixby was "going to be a profitable venture." SEC Exh. 17, at p. 12. Mr. Gentry was impressed by the fact that "the guy that was running Bixby had also done the sleep bed company, and I figured if he had taken that one to where it had gone, that this would probably be potentially a good investment." Id. at 12-13. Mr. Gentry bought 50,000 shares. About Mr. Crawford, Staley said, "I didn't think he was an employee of Bixby." He'd never personally met Mr. Crawford. Id. at 95. He could not say Mr. Crawford was a broker or a finder, and didn't ask. Id. at 99.

Standards for Summary Judgement

You wouldn't think so by reading the SEC's brief, but the facts and inferences are construed in Mr. Crawford's favor. If there are, as here, genuine questions of material fact, the motion should be denied. Anderson v. Liberty Lobby, 477 U.S. 242, 255 (1986); Rule 56 (c), Fed.R.Civ.P.

Mr. Crawford's testimony, and the testimony of the investors he found, establishes sufficient proof that a "reasonable trier of fact could return a verdict" in his favor. Herring v. Canada Life Assurance Company, 207 F.3rd 1026, 1028 (8th Cir. 2000). Mr. Crawford has the right to present his factual defense to the

jury, to have his day in Court, see generally, Celotex Corp. v. Catrett, 477 U.S. 317, 324 (1986). The “better course” here is to proceed to trial. Anderson, 477 U.S. at 255.

The finder defense and the supporting facts

“Whether someone is acting as a broker-dealer is one of the more nebulous questions in U.S. Securities regulation.” John L. Orcutt, “Improving the Efficiency of the Angel Finance Market: A Proposal to Expand the Intermediary Role of Finders in the Private Capital Raising Setting,” 37 Arizona State Law Journal, 860, 902 (2005). “[O]nce one leaves the confines of brokerage firms,” Professor Orcutt explains, “the analysis gets much more difficult.” Id. at 903. “Are Private Placement Finders Broker-dealers?” Orcutt asks. That inquiry, this Court’s initial inquiry as well, does “not provide for a simple answer.” Id.

As Professor Orcutt points out that the SEC has allowed for a finder exception, which “has developed” over time. Id. at 904. The SEC has carved out the exception primarily by using of what are called “no-action” letters. And though it doesn’t say so in its prolix memorandum, the SEC has established its own internal guidelines that measure whether someone like Mr. Crawford was actually “involved in negotiations between the issuer and the investor,” and whether he provided advice as to the “merits of the investment.” Id. at 905

(citation omitted). And whether, of critical import, Mr. Crawford held himself out as a broker, Id. at 903, which he most assuredly did not.

Other scholars have discerned a similar ennui. “[I]t is not always easy to tell when a finder’s activities would require broker-dealer registration.” Thomas Lee Hazen, *Treatise on the Law of Securities Regulation*, Sec. 14.4[2][G], at 228 (6th Ed. 2005)(collecting the cases and the SEC’s no-action letters). In his 2015 supplement, Professor Hazen notes, on the one hand, the SEC’s “narrow view” of the finder’s exception; on the other, that the exemption has continued vitality. Supplement at p. 52, n. 135.05 (citing Sinclair & Co. LLC v. Pursuit Inv. Management, LLC, 903 N.Y.S. 2d 395 (App. Div. 2010); and Clay Martin, “Murders and Executions: The SEC’s Regrettable Reluctance to Formalize a Finder’s Exception in M and A Transactions,” 89 N.C.L. Rev. 16 (2011)).

It should come as no surprise, then, that the scholars have suggested a case-by-case approach. It’s “the best way to allow for distinguishing between finders acting as broker-dealers and those not actively engaging in ‘effecting transactions in securities.’” John Polanin, “The ‘Finder’s’ Exception from Federal Broker Dealer Registration,” 50 *Catholic University Law Review*, 787, 827 (1991).

A case by case approach is, of course, the same thing as a fact bound approach. The finder/broker dialectic remains a fact question.

Given the sui generis response of the SEC to defining and permitting finder's fees, the case law limited. The Eighth Circuit has yet to weigh in on the distinction. The seminal case is S.E.C. v. Kramer, 778 F. Supp. 2d 1320 (M.D. Fla. 2011), SEC Memorandum at p. 24. The SEC lost Kramer at trial, pooh poohing in Florida the same factual defenses that Mr. Crawford raises in Minnesota.

In Kramer, Mr. Kramer and his partner, Mr. Baker, signed an agreement with a company named Skyway Aircraft to serve as finders. Mr. Baker introduced officials from Skyway to "Broker-dealers and invited potential investors both to Skyway's aircraft demonstrations and to Skyway's headquarters." Id. at 1331. Because he thought Skyway a good investment, Mr. Kramer brought his own shares, and encouraged others to do so. Id. at 1332. He did not have a securities license. Some of the investors purchased Skyway shares through Scottrade, E*trade, and Merrill Lynch. Id. at 1333.

After Skyway failed, the SEC alleged violations of Sec. 15(a)(1) against Baker and Kramer, and sought disgorgement. Their defense: A finder is not the same as a broker-dealer, and they were the former. The District Court agreed.

The factors that determine whether an individual is a broker-dealer, the Kramer Court noted, include "whether a person (1) works as an employee of the

issuer, (2) receives a commission rather than a salary, (3) sells or earlier sold securities of another issuer, (4) participates in negotiations between the issuer and an investor, (5) provides either advice or a valuation as to the merit of an investment, and (6) actively (rather than passively) finds investors.” Id. at 1334 (citations omitted).

Reviewing additional case law, Kramer recognized the “so-called ‘finder’s exception’ that permits a person or entity to ‘perform a narrow scope of activities without triggering the broker/dealer registration requirements.’” Id. at 1336 (quoting Cornhusker Energy Lexington, LLC v. Prospect St. Ventures, 2006 WL 262095 at p. 6 (D. Neb. 2006)).

The Kramer Court focused on the question of whether Kramer and Baker analyzed the buyer’s “financial needs.” Id. They did not. Moreover, their flat percentage commission-based compensation did transform their finder status into something entirely different. Id. (citing David A. Lipton, 15 Broker-Dealer Regulations Sec. 1:18)). “Merely bringing together the parties to transactions even those involving the purchase and sale of securities, is not enough” to warrant the broker registration requirement, is Kramer’s central teaching. Id. at 1336 (quoting Apex Global Partners, Inc., v. Kaye/Bassman Intern, Corp. 2009 WL 2777869 at p. 3 (N.D. Tex 2009)).

In rejecting the SEC's factual claims, the Court specifically found, on the contested facts, that Mr. Kramer's "conduct consisted of nothing more than bringing together the parties to a transaction." There was no evidence of a price negotiation. That the investors visited the company's headquarters and heard received sales pitches there was not determinative. Mr. Kramer's own expressed belief in Skyway as a quality investment did not prove he was a broker, either. Id. at 1339.

Nor did the consulting agreement, which encouraged the bringing in of investors, doom the finder's defense. Id.

The SEC did not perfect an appeal in Kramer. The Agency takes issue with the decision, calling it an aberration, without having exercised further review.

The merits

The SEC bears the burden of proving a violation of the registration requirement. SEC v. Ginsburg, 362 F.3d 1292, 1298 (11th Cir. 2004). Kramer and the scholars recognize Mr. Crawford has a defense. The Exchange's subjective view – that the finder's claim here has no merit, SEC Memorandum at pp. 23-25 – is belied by Mr. Crawford's testimony, and testimony of those he introduced to the promise of Bixby. Mr. Crawford has made the factual predicate.

A finder he is.

Note the following:

-Mr. Crawford was never an employee of Bixby, rather a consultant on an agreed upon commission. Those who invested assumed he was paid accordingly, the 10% figure far from unfathomable.

-Mr. Crawford was not compensated if the investor bought additional shares.

-Mr. Crawford was not a financial advisor to the investors. To the extent one of the investors felt that he was, remains a question of fact.

-The investors bought directly from Bixby.

-Mr. Crawford did not negotiate price between Bixby and the investors.

-Mr. Crawford believed the investment a good one, and plunked down \$20,000.00 of his own money.

-Mr. Crawford told the SEC in his deposition that he was not a broker but a finder.

The SEC counters that Mr. Crawford invited investors to meetings at Bixby, provided promotional material, and made suggestions for additional investments. Memorandum at p. 25. But these same facts were present in Kramer. Where Mr. Kramer urged his investors to read Skyway literature delivered to them. Where he, too, thought the investment was a good one, and received a commission for the Skyway sales.

And here, as in Kramer, there is no evidence that Mr. Crawford “possessed authority over the accounts of others,” or convinced any investor to “entrust him with assets.” Id. at 1339. Also here, as in Kramer, there is no evidence that Mr. Crawford contacted a broker to sell Bixby securities. Id. at 1340.

The factual distinction between a broker and finder may well be nebulous, but it is one for the jury to decide.

Statute of Limitations

The SEC has anticipated the issue. Memorandum at 28 n. 13. The five-year statute of limitations applies where the SEC seeks relief for “any civil fine, penalty, or forfeiture, pecuniary or otherwise.” 28 U.S.C. 2462. The five-year clock begins when the conduct giving rise to the SEC’s claim occurs. Gabelli v. SEC, 133 S.Ct. 1216, 1222 (2013). Here it is that moment when Mr. Crawford last offered the alleged security as an investment. Id.

There is no delayed discovery exception. See SEC v. Graham, 21 F. Supp. 3rd 1300, 1309 (S.D. Fla. 2014). The five-year statute applies as well to disgorgement. Id. at 1309-10. The SEC has appealed Graham, but unless overruled it provides guidance here. The decision may be in conflict, though, with SEC v. Rind, 991 F.2d 1486 (9th Cir.), cert. denied, 510 U.S. 963 (1993). The Supreme Court has not reached the issue. Gabelli, 133 S.Ct. at 1220 n. 1.

The SEC's Complaint was filed on December 21, 2011. Docket Entry 1. The central claim is that in 2006, Bixby's audit committee became aware of the finder's fees paid. A draft report of the investigation suggested a violation of securities laws. Id. at para. 24. According to the complaint, Mr. Crawford's involvement in Bixby investments was from "February 2004 to November 2006." Id. at para. 33.

Five years passed before the SEC initiated this action.

Dated: October 7, 2015

Respectfully submitted,

/s/ Paul Engh

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Lawyer for Mr. Paul D. Crawford and
Crawford Capital Corp.

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES SECURITIES	:
AND EXCHANGE COMMISSION,	:
	:
Plaintiff,	:
	:
v.	: Civ. Act. No. 11-cv-3656 (JNE/JJK)
	:
GARY A. COLLYARD, COLLYARD	:
GROUP, LLC, PAUL D. CRAWFORD,	:
CRAWFORD CAPITAL CORP., RONALD	:
MUSICH, JOSHUA J. SINGER, MICHAEL	:
B. SPADINO, MARKETING CONCEPTS,	:
INC., AND CHRISTOPHER C. WEIDES,	:
	:
Defendants.	:

**PLAINTIFF SECURITIES AND EXCHANGE COMMISSION’S REPLY
MEMORANDUM IN SUPPORT OF ITS MOTION FOR
SUMMARY JUDGMENT AGAINST DEFENDANTS
PAUL D. CRAWFORD AND CRAWFORD CAPITAL CORP.**

In their opposition Crawford and CCC do not raise any genuine issues of material fact; rather they merely dispute the applicable law and the legal analysis of the undisputed facts. The Court, rather than a jury, is required to decide such legal issues. Further, Crawford’s and CCC’s reliance on one, out-of-jurisdiction district court case that is unlikely to survive appellate review does not mean that “too much time passed before SEC filed suit.” Doc. No. 173 at 1. Instead, the statute of limitations does not preclude the SEC’s case and summary judgment is appropriate.

ARGUMENT

I. SUMMARY JUDGMENT IS REQUIRED WHEN THE ONLY ISSUE IS THE INTERPRETATION OF UNDISPUTED FACTS

Crawford and CCC are correct that the facts and inferences are construed in their favor. *See, e.g., Robert Johnson Grain Co. v. Chemical Interchange Co.*, 541 F.2d 207 (8th Cir. 1976). However, they ignore the obvious proposition that when the only issues to be decided in a case are issues of law, summary judgment should be granted. As stated by the Eighth Circuit, “[s]ummary judgment is proper where there is a question of law but no issue of facts. Grant of the motion is not precluded because the question of law is important, difficult or complicated.” *Aho v. Erie Mining Co.*, 466 F.2d 539, 541 (8th Cir. 1972); *see also Cearley v. General Am. Transp. Corp.*, 186 F.3d 887, 889 (8th Cir. 1999) (“Where the unresolved issues are primarily legal rather than factual, summary judgment is particularly appropriate.”). Further, “where the only conflict is as to what legal conclusions should be drawn from the undisputed facts, a summary judgment should be entered.” *Aho*, 466 F.2d at 541. Contrary to Crawford’s and CCC’s claims, summary judgment in unregistered broker cases – when, as here, material facts are not in dispute – is appropriate and routinely granted in favor of the SEC by courts across the country. *See, e.g., SEC v. Imperiali, Inc.*, 594 Fed.Appx. 957, 961 (11th Cir. Dec. 2, 2014); *SEC v. George*, 426 F.3d 786, 797 (6th Cir. 2005); *SEC v. Stratocomm Corp.*, 2 F. Supp. 3d 240, 262-63 (N.D.N.Y. 2014); *SEC v. Art Intellect, Inc.*, 2013 WL 840048, *20-21 (D. Utah March 6, 2013); *SEC v. Gagnon*, 2012 WL 994892, *11 (E.D. Mich. March 22, 2012); *SEC v. Montana*, 464 F. Supp. 2d 772, 785 (S.D. Ind. 2006); *SEC v. Martino*, 255 F.

Supp. 2d 268, 283-84 (S.D.N.Y. 2003); *SEC v. Corporate Relations Group, Inc.*, 2003 WL 25570113, *17-18 (M.D. Fla. March 28, 2003); *SEC v. Kenton Capital Ltd.*, 69 F. Supp. 2d 1, 12-13 (D.D.C. 1998).

A. THERE ARE NO GENUINE ISSUES OF MATERIAL FACT

As made clear by their opposition, there are no material facts or inferences that are in dispute. Among other facts, Crawford and CCC do not dispute that (1) Crawford and CCC actively, rather than passively, found over 50 investors; (2) Crawford invited investors to meetings at Bixby and provided Bixby promotional material; (2) Crawford and CCC received \$240,000 in transaction-based compensation for soliciting over 50 Bixby investors who purchased over \$2 million Bixby securities; (3) Crawford recommended that investors purchase Bixby stock (including additional investments) and advised investors regarding the nature of the investment; (4) Crawford handled investor funds by receiving checks from investors; and (5) Crawford and CCC solicited investors for many other issuers.

Crawford's and CCC's attempts to create material issues of fact are disingenuous. For example, Crawford's self-serving testimony that he thought he was a "finder" is irrelevant given the lack of a scienter element. The fact that Crawford invested in Bixby himself is also irrelevant. Equally moot is the fact that he never told any potential investor that he was acting as a broker, especially considering Crawford's history as a registered stock broker and the evidence – unchallenged by Crawford – that he knew he had "securities issues" by soliciting Bixby investments and therefore operated on a "handshake deal." *See* Exhs. 3 and 8.

Finally, the SEC does not contest several of the facts cited by Crawford and CCC, such as the fact that Crawford was not employed by Bixby, that Crawford never possessed authority over the accounts of others, or that Crawford never contacted any other broker to sell Bixby securities. These are not disputed issues of material facts, but rather only some of the less important factors certain courts look to when determining whether an individual acted as an unregistered broker.¹ Further, at least one court has found the fact a defendant was not employed by the issuer to weigh in *favor* of finding he was a broker. *See Martino*, 255 F. Supp. 2d at 284 (finding that unregistered broker had written agreements with clients describing “consulting” services that plainly described “brokerage services”);² *compare George*, 426 F.3d at 797 (affirming grant of summary judgment for SEC regarding unregistered broker status despite fact defendant was not employed by the issuer).

Instead of raising issues of material fact, Crawford and CCC merely argue that such facts establish under *SEC v. Kramer*, 778 F. Supp. 2d 1320 (M.D. Fla. 2011) – an out-of-jurisdiction district court case that is far from the seminal case in this area – that they were “finders” rather than brokers. Since the only question is what legal

¹ As discussed in the opening brief, although the listed factors are not exhaustive and no one consideration is universally dispositive, transaction-based compensation is most commonly discussed as the key factor. *Cornhusker Energy Lexington LLC v. Prospect St. Ventures*, 2006 WL 2620985 at *6 (D. Neb. Sept. 12, 2006) (transaction-based compensation is “one of the hallmarks of being a broker-dealer”).

² This is exactly why Crawford, because of his “securities issues,” operated on a “handshake deal” instead of a written agreement.

conclusions are to be drawn from an established set of facts, summary judgment is required.

B. CRAWFORD AND CCC RELY EXCLUSIVELY ON NON-PRECEDENTIAL AUTHORITY AND A DISTINGUISHABLE CASE

In opposing summary judgment, Crawford and CCC first rely heavily on scholarly articles. As this court is well aware, although scholarly articles may be helpful at times, they do not carry the weight of prior judicial decisions. Although discussing SEC “no-action” letters generally, Crawford and CCC fail to cite any specific “no-action” letter supporting their position.³ Furthermore, when analyzing the case law, Crawford and CCC rely exclusively on *Kramer*, an out-of-district case that conflicts with virtually every other case on the issue. *Kramer* is especially in conflict with other authorities (including cases within the same circuit) regarding the significance of the solicitation of investments and the receipt of transaction-based compensation when determining broker activity. *See, e.g., Imperiali*, 594 Fed.Appx. at 961; *George*, 426 F.3d at 797; *SEC v. U.S. Pension Trust Corp.*, 2010 WL 3894082, *20-21 (S.D. Fla. Sept. 10, 2010); *Corporate Relations Group*, 2003 WL 25570113, at *17-18.

Kramer is also easily distinguishable on its facts. In *Kramer*, the issuer (Skyway) never retained the alleged unregistered broker (defendant Kramer), who was

³ SEC “no-action” letters also have no binding effect on the SEC and therefore no precedential value. Securities Act Release No. 5098 (Oct. 7, 1970), 35 Fed.Reg. 17,779 (1970) (“[No-action ... responses by the staff are subject to reconsideration and should not be regarded as precedents binding on the [SEC].)”; *see also Amalgamated Clothing & Textile Workers Union v. SEC*, 15 F.3d 254, 257 (2d Cir.1994) (finding even when affirmed by the SEC, staff no-action letters are interpretive because they do not bind the SEC, the parties, or the courts).

paid by another party (Baker) who Skyway had retained to obtain financing. 778 F. Supp. 2d at 1338-40. Kramer then merely introduced a registered broker, Talib, to Baker and drove Talib to Skyway's headquarters. *Id.* at 1339. The court held that this activity – merely bringing together the parties to a transaction – did not qualify Kramer as a broker. *Id.*

In addition, Kramer only told a small, close group of approximately ten friends and intimates about Skyway, and merely opined that Skyway seemed like a good investment and directed attention to Skyway's website and press releases. *Id.* at 1339-40. Baker then requested that Kramer collect and send to Baker reports of purchases of Skyway shares. *Id.* at 1340. In exchange for such reports, Kramer was compensated through Baker in the form of Baker's shares of Skyway stock. *Id.*

Unlike in Kramer, Crawford and CCC had a direct contractual relationship with, and were paid directly by Bixby for selling stock. Also unlike in *Kramer*, Crawford's investors were (or became) his clients, were not merely "friends and intimates," and numbered over fifty. And as detailed throughout the SEC's Motion, Crawford did much more than merely bring two parties together to a transaction, or share his opinion that Bixby was a good company and refer potential investors to Bixby's website and press release. The undisputed facts establish, among other things, that Crawford (1) actively and aggressively pursued clients across the country, (2) provided advice and information about investing in Bixby, (3) discussed the details of the transactions with investors, (4) sponsored investor meetings with Bixby, (5) distributed promotional material, (6) helped fill out subscription agreements, (7) handled client funds, and (8) sold the securities of

other issuers. *Compare id.* at 1340 (finding that the SEC failed to present similar admissible evidence as to Kramer). This case is fundamentally different from the situation at issue in *Kramer*. The court should find that Crawford and CCC acted as unregistered brokers as a matter of law and impose appropriate remedies.

II. STATUTE OF LIMITATIONS IS NO DEFENSE

Crawford's and CCC's statute of limitations defense, which relies exclusively on an outlier out-of-circuit district court decision unlikely to survive appellate review, should be rejected. By its express wording, 28 U.S.C. § 2462 applies only where the SEC seeks relief that a court deems punitive – “any civil fine, penalty, or forfeiture, pecuniary or otherwise.” On the other hand, where the relief sought is equitable or remedial, § 2462 does not apply.

A. SECTION 2462 DOES NOT APPLY TO EQUITABLE RELIEF

Courts routinely hold that § 2462 does not limit the time for the SEC to file claims seeking equitable or remedial relief such as disgorgement, permanent injunctions, or officer and director bars. *See, e.g., SEC v. Quinlan*, 373 Fed.Appx. 581, 588 (6th Cir. 2010) (affirming district court's conclusion that “the risk to the investing public outweighed the severe collateral consequences of the equitable relief, and, therefore, that the permanent injunction and officer and director bar were remedial rather than punitive.”); *Riordan v. SEC*, 627 F.3d 1230, 1234-35 (D.C. Cir. 2010) (disgorgement and cease-and-desist order not subject to five-year statute of limitations); *Zacharias v. SEC*, 569 F.3d 458, 471-72 (D.C. Cir. 2009) (“[A]n ‘order to disgorge is not a punitive measure; it is intended primarily to prevent unjust enrichment.’”) (citations omitted); *SEC*

v. Rind, 991 F.2d 1486, 1492 (9th Cir. 1993) (declining to impose a limitations period in SEC enforcement actions seeking injunctions and disgorgement); *SEC v. Kelly*, 663 F. Supp. 2d 276, 286-87 (S.D.N.Y. 2009) (“[T]he great weight of the case law in this jurisdiction supports the SEC’s contention that equitable remedies are exempted from section 2462’s limitations period.”).

In an analogous situation, this Court recently found that § 2462 does not apply to government claims for equitable relief for violations of the Clean Water Act. In *United States v. Mlaskoch*, 2014 WL 1281523 (D. Minn. March 31, 2014), Chief Judge Tunheim found that § 2462 did not apply to the United States’ claims for injunctive and remedial relief, even if it would preclude the recovery of damages. *Id.* at *11-13. Judge Tunheim wrote: “Courts interpreting the scope of § [2462] have determined that by its terms § [2462] “does not bar equitable remedies.” *Id.* at *11 (quoting *Sierra Club v. Otter Tail Power Co.*, 615 F.3d 1008, 1018 (8th Cir. 2010) and citing *United States v. Telluride Co.*, 146 F.3d 1241, 1245 (10th Cir. 1998) and *United States v. Banks*, 115 F.3d 916, 919 (11th Cir. 1997)).

And when interpreting a different statute of limitations provision, the Eighth Circuit has held that such statute did not apply to an equitable claim for injunction relief. See *Allen v. Amalgamated Transit Union Local 788*, 554 F.2d 876, 881-82 (8th Cir. 1977) (finding that Missouri’s five-year statute of limitations for breach of written contracts was inapplicable to plaintiff’s equitable claim for injunctive relief) (citing *Holmberg v. Armbrecht*, 327 U.S. 392 (1946)).

B. GRAHAM IS AN OUTLIER THAT WAS WRONGLY DECIDED

Crawford and CCC rely exclusively on *SEC v. Graham*, 21 F. Supp. 3d 1300, 1309 (S.D. Fla. 2014) for the contrary proposition that the five-year statute of limitations also applies to disgorgement. The *Graham* decision is currently on appeal with the Eleventh Circuit, with oral argument scheduled for November 4, 2015. See Eleventh Circuit Docket No. 14-13562. Simply stated, *Graham* is an outlier and unlikely to survive appellate review. It conflicts with every case cited above and even Eleventh Circuit precedent, including *Nat'l Parks and Conservation Ass'n, Inc. v. Tenn. Valley Auth.*, 502 F.3d 1316, 1326 (11th Cir. 2007) (finding that a five-year statute "applies only to claims for legal relief; it does not apply to equitable remedies") and *Banks*, 115 F.3d at 919 (holding that the government's enforcement action seeking to enjoin future conduct was a claim for equitable relief not subject to § 2462). The recent Supreme Court decision *Gabelli v. SEC*, 133 S.Ct. 1216 (2013), relied on by the *Graham* court, does not support the result. In *Gabelli*, the Supreme Court did not address the applicability of § 2462 and specifically noted that its holding did not extend to injunctive relief and disgorgement claims. *Id.* at 1220 n.1, 1224.

Further, at least two other recent cases decided after *Graham* declined to follow its decision and found in favor of the SEC on this issue. See *SEC v. Funinaga*, 2014 WL 4977334, at *6 (D. Nev. Oct. 3, 2014) (refusing to follow *Graham* and finding *Gabelli* inapplicable in holding that § 2462 does not apply to disgorgement claims) and *SEC v. Lecroy*, 2014 WL 4403147, at *1 n.1, 5 (N.D. Ala. Sept. 5, 2014) (relying on *Nat'l Parks and Conservation Ass'n* and *Banks* in denying defendant's motions for leave to file a

motion to dismiss and for summary judgment on statute of limitations claim because § 2462 does not apply to equitable remedies of disgorgement and injunctive relief). Indeed, Chief Judge Tunheim in *Malaskoch* did not even discuss *Gabelli* when finding § 2462 inapplicable to injunctive relief.

Additionally, two separate SEC Administrative Law Judges have also recently come to the same conclusion that § 2462 does not apply to equitable remedies. *See In the Matter of Anthony, Jr., et al.*, File No. 3-15514, 2015 WL 779516, at *79-80 (Initial Decision Feb. 25, 2015) (stating that *Graham* “is not controlling law and is an outlier, even among subsequent district court cases, including one in the Eleventh Circuit,” citing *LeCroy* and *Funinaga*, and finding that *Gabelli* “simply does not address the situation at issue here”); *In the Matter of Malouf*, File No. 3-15918, 2015 WL 1534396, at *35-36 (Initial Decision April 7, 2015) (stating that the court is not persuaded by the *Graham* reasoning that “the longstanding precedents on the pertinent limitations period were swept aside, in effect by the Supreme Court’s decision in *Gabelli*, which specifically noted that its holding did not extend to injunctive relief and disgorgement claims.”).

C. CRAWFORD AND CCC ACTED AS UNREGISTERED BROKERS WITHIN THE STATUORY PERIOD

Finally, even if a five-year statute of limitations applies to all forms of relief, as late as 2011 and 2012, Crawford, through CCC, acted as an unregistered broker by actively soliciting Bixby investments and the exercise of warrants. For example, on May 29, September 7, September 30, and October 8, 2011, Crawford solicited clients to exercise Bixby warrants. *See Exhs. 20-23.* And on February 26, 2012, Crawford

solicited clients to purchase Bixby shares. *See* Exh. 24. Therefore, as Crawford's misconduct continued as late as 2012, months *after* the filing of this action, § 2462 does not preclude any of the relief sought by the SEC.

CONCLUSION

For the reasons set forth above, the SEC respectfully requests that the Court enter summary judgment on liability against Defendants Paul Crawford and Crawford Capital Corporation on Count I of the Amended Complaint, enter permanent injunctions against them, and order monetary sanctions of disgorgement, prejudgment interest, and civil penalties.

Dated: October 21, 2015

Respectfully submitted,

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Attorneys for Plaintiff

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

United States Securities and Exchange
Commission,

Plaintiff,

v.

Case No. 11-CV-3656 (JNE/JJK)
ORDER

Gary A. Collyard, Collyard Group, LLC,
Paul D. Crawford, Crawford Capital Corp.,
Ronald Musich, Joshua J. Singer, Michael
B. Spadino, Marketing Concepts, Inc., and
Christopher C. Weides,

Defendants.

I. Background

The SEC brought this action on December 21, 2011 alleging that at various points between 2001 and 2010, the defendants violated Section 15(a) of the Securities Exchange Act of 1934, 15 U.S.C. § 78o(a), by acting as unregistered brokers in offering and selling the securities of Bixby Energy Systems, Inc. (“Bixby”). Compl. ¶¶ 1-5, 38-40, Dkt. No. 1. The SEC alleged that defendants Gary A. Collyard (“Collyard”) and Collyard Group, LLC (“Collyard Group”) further violated the securities laws by making material misrepresentations and omissions regarding Bixby in connection with the offer and sale of Bixby securities. Am. Compl. ¶¶ 40-44, 48-54, Dkt. No. 95.

Collyard Group, Paul D. Crawford (“Crawford”), and Crawford Capital Corp. (“CCC”) are the only defendants still contesting the merits of the allegations. In April 2015, the Court granted summary judgment against Collyard Group’s owner, Collyard, on each of the counts alleged against him. Dkt. No. 149. The other five defendants settled.

Three motions by the SEC are currently before the Court: (A) a motion for summary judgment against Crawford and CCC (“Crawford Motion”) (*see* Dkt. Nos. 165 [SEC-CCC Br.], 173 [Opp.], 179 [Reply]), (B) a renewed motion for summary judgment against Collyard Group (“Collyard Group Motion”) (*see* Dkt. No. 159 [SEC-CG Br.]), and (C) a motion for monetary relief against defendant Christopher C. Weides (“Weides Motion”) (*see* Dkt. No. 154 [SEC-CW Br.]).

II. Analysis

Summary judgment is proper if “the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a). To support an assertion that a fact cannot be or is genuinely disputed, a party must cite “to particular parts of materials in the record,” show “that the materials cited do not establish the absence or presence of a genuine dispute,” or show “that an adverse party cannot produce admissible evidence to support the fact.” Fed. R. Civ. P. 56(c)(1)(A)-(B). “The court need consider only the cited materials, but it may consider other materials in the record.” Fed. R. Civ. P. 56(c)(3). In determining whether summary judgment is appropriate, a court must view genuinely disputed facts in the light most favorable to the nonmovant, *Ricci v. DeStefano*, 557 U.S. 557, 586 (2009), and draw all justifiable inferences from the evidence in the nonmovant’s favor, *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986).

A. Crawford Motion

The SEC alleges that Crawford and his company CCC each violated Section 15(a) by acting as unregistered brokers in connection with the offer and sale of Bixby securities from approximately February 2004 through November 2006. Am. Compl. ¶¶ 3-5, 6, 35, 46-47. Section 15(a) makes it unlawful for a broker 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 . . . unless such broker or dealer is registered” with the SEC in accordance with Section 15(b). 15 U.S.C. § 78o(a).

Crawford and CCC deny “acting as a broker or a broker[-]dealer” and assert as defenses that they acted as a “finder,” not a broker, and that the action is time-barred. Answer ¶ 27, defenses ¶¶ 1-2, Dkt. No. 46. They admit that they “received fees of \$240,000 February 2004 to November 2006.” *Id.* ¶ 33.¹

All of the following facts are uncontested.² Crawford made an initial investment of around \$20,000 in Bixby. Opp. 3. For some period of time, pursuant to an agreement with co-defendant Weides, who had an agreement with Bixby, Crawford began referring other investors to Bixby, and Weides paid him a 3% commission on each referral’s investment. Opp. 3; SEC-CCC Br. Ex. 2, Crawford Dep. 71:7-17, 73:20-23. Crawford then entered into a consulting agreement directly with Bixby pursuant to which Bixby paid a 10% fee on any investments made by persons whom Crawford “found” and referred to Bixby. Opp. 2-3. He was not a Bixby employee. Opp. 2; SEC-CCC Br. Ex. 2, Crawford Dep. 22:4-15. Crawford and CCC received \$240,000 in fees from Bixby, representing 10% of the investments that his “clients,” as he called them, made in Bixby. Opp. at 3; SEC-CCC Br. Ex. 2, Crawford Dep. 25:15-27:14, 51:21-53:5;

¹ Crawford answered the original complaint, but not the amended complaint. As the SEC acknowledged, the amended complaint only added allegations against Collyard and Collyard Group and did not change any allegations against Crawford or CCC. The SEC did not seek any consequences for Crawford or CCC’s failure to answer the amended complaint.

² The SEC did not authenticate the documents it submitted as exhibits, but no defendant challenges their authenticity. The Crawford defendants, in fact, rely on some of the exhibits. Therefore, to the extent that the exhibits submitted by the SEC support the facts it contends they support, and to the extent that no party cites to conflicting facts in the record, the Court considers those facts to be undisputed for purposes of these motions. Fed. R. Civ. P. 56(e)(2).

SEC-CCC Br. Ex. 12. Bixby paid these fees in the amounts of \$8,000 to Crawford and \$232,000 to CCC. SEC-CCC Br. Ex. 12; *id.* Ex. 2, Crawford Dep. 49:23-50:4.

Crawford's efforts to connect investors with Bixby were significant and multi-faceted. He invited potential investors to Bixby presentations. Opp. 2; SEC-CCC Br. Ex. 2, Crawford Dep. 30:11-17. He also emailed CCC clients regularly, unsolicited, to suggest investments in Bixby or other companies—typically in glowing terms predicting, for example, “blockbuster” sales in “a very short period of time.” SEC-CCC Br. Ex. 13, Bohn Dep. 27:14-28:10, 33:22-34:17, 35:23-37:8; *id.* Ex. 14, Haluptzok Dep. 42:11-44:25. Some of his other emails to CCC clients provided follow-up information on their investments and urged them to exercise warrants to purchase more stock. *Id.* Ex. 13, Bohn Dep. 29:20-30:1, 31:22-32:14; *id.* Ex. 14, Haluptzok Dep. 18:18-21:10, 22:14-23:12, 25:14-26:6. He also provided advice to CCC clients about how to take advantage of tax credits. *Id.* Ex. 13, Bohn Dep. 46:10-47:12; *id.* Ex. 14, Haluptzok Dep. 45:12-22. In addition to these solicitations, Crawford asked Bixby to send private placement memoranda to the potential investors he had identified. Opp. 3. Sometimes the investors purchased their shares directly from Bixby, but sometimes they gave Crawford their checks made out to Bixby, and Crawford passed the checks to Bixby to finalize the investments. *Id.* at 3; SEC-CCC Br. Ex. 2, Crawford Dep. 43:9-14, 49:3-13; *id.* Ex. 13, Bohn Dep. 23:7-16; *id.* Ex. 14, Haluptzok Dep. 14:14-23; *id.* Ex. 18. Crawford also, on at least one occasion, assisted a client in completing the subscription agreement for his investment and forwarded the agreement to Bixby. *Id.* Ex. 13, Bohn Dep. 20:13-21:13. He also represented to CCC clients that he could negotiate prices of Bixby stock. *E.g.*, *id.* Ex. 14, Haluptzok Dep. 34:11-35:10; Ex. 24.³ And he,

³ In his opposition, Crawford asserts, without citing to any evidence, that he did not negotiate price between Bixby and the investors. Opp. 11. Mere assertions do not create a genuine dispute; Crawford was required to cite “to particular parts of materials in the record.” Fed. R. Civ. P. 56(c)(1).

at least once, informed CCC clients that the firm could arrange a Bixby-related credit line deal for them on “extraordinary” terms. *Id.* Ex. 13, Bohn Dep. 25:19-26:17.

Although Crawford was registered as a broker earlier in his career, his license was suspended in 1996 on the grounds that he had sold unregistered securities, and he never reinstated it. SEC-CCC Br. Ex. 2, Crawford Dep. 10:15-12:3; *see also* Answer ¶ 12. CCC was also not registered pursuant to Section 15(b) during the relevant time period. SEC-CCC Br. Ex. 2, Crawford Dep. 16:22-24.

i. Whether Crawford Acted as an Unregistered Broker

The Exchange Act defines “broker” as “any person *engaged in the business of effecting transactions* in securities for the account of others,” with certain exceptions not relevant here. 15 U.S.C. § 78c(a)(4)(A) (emphasis added). The cases focus on what it means to be “engaged in the business” and to “effect[] transactions.” It is uncontested that the Bixby stock purchased by Crawford-referred investors was a security. The parties differ, however, on whether Crawford was acting as a broker within the meaning of Sections 3 and 15(a) or as a “finder” not subject to Section 15(b)’s registration requirement.

There is a dearth of binding case law on the question of what it means to act as a broker. The parties cite only non-binding cases, mostly from district courts outside of the Eighth Circuit, and scholarly articles. The Court has found only one decision in this circuit addressing the question, and its discussion was brief. *SEC v. Ridenour*, 913 F.2d 515, 517 (8th Cir. 1990). The *Ridenour* court affirmed the holding that the defendant was a broker-dealer because of his “level of activity”—engaging in “a series of transactions” involving securities over two years—and the fact that he “attempted to obtain and keep a regular clientele” for his deals, which he negotiated.

Id.

One of the more commonly cited cases on this question held that whether a person was acting as a broker is informed by multiple factors: whether the person “1) is an employee of the issuer; 2) received commissions as opposed to a salary; 3) is selling, or previously sold, the securities of other issuers; 4) is involved in negotiations between the issuer and the investor; 5) makes valuations as to the merits of the investment or gives advice; and 6) is an active rather than passive finder of investors.” *SEC v. Hansen*, No. 83 Civ. 3692, 1984 WL 2413, at *10 (S.D.N.Y. Apr. 6, 1984). In that case, Hansen was not an employee; he was a contractor paid by commission. *Id.* at *11. He had previously sold securities on behalf of another issuer and had applied for broker-dealer registration but was denied. *Id.* He “was an active and aggressive finder of investors,” seeking them out through advertisements, hosting seminars, and frequently sending potential investors letters “which extolled the virtues” of the issuer and the investment programs it was offering. *Id.* at *2, *11. He also “frequently gave those investors extensive advice with regard to the merits of the [investment] programs,” telling them, for example, that “they would receive large returns on any capital invested” and providing estimates of potential returns. *Id.* at *3, *11. Even though the court did not find that he had engaged in negotiations with the issuer on behalf of potential investors, the court found that these facts, in addition to the fact that he “regularly participated at key points in the chain of distribution of the [] securities,” *id.* at *10, added up to a conclusion that Hansen acted as a broker, *id.* at *11.

Many courts have adopted some or all of the so-called *Hansen* factors. *E.g.*, *SEC v. StratoComm Corp.*, 2 F. Supp. 3d 240, 262 (N.D.N.Y. 2014) (considering the *Hansen* factors regarding solicitation, negotiations, and transaction-based compensation); *Landegger v. Cohen*, No. 11-cv-01760-WJM-CBS, 2013 WL 5444052, at *5 (D. Colo. Sept. 30, 2013) (citing *Hansen*); *SEC v. Art Intellect, Inc.*, No. 2:11-CV-357, 2013 WL 840048, at *20 (D. Utah Mar. 6,

2013) (citing the following *Hansen* factors: “solicitation of investors to purchase securities, involvement in negotiations between the issuer and the investor, and receipt of transaction-related compensation”); *SEC v. Offill*, No. 3:07-CV-1643-D, 2012 WL 246061, at *7 (N.D. Tex. Jan. 26, 2012) (same); *SEC v. Kramer*, 778 F. Supp. 2d 1320, 1334 (M.D. Fla. 2011) (citing all *Hansen* factors); *Found. Ventures, LLC v. F2G, Ltd*, No. 08 Civ. 10066 (PKL), 2010 WL 3187294, at *5 (S.D.N.Y. Aug. 11, 2010) (citing *Hansen*); *Salamon v. Teleplus Enters., Inc.*, No. Civ. 05-2058 (WHW), 2008 WL 2277094, at *8 (D.N.J. June 2, 2008) (quoting *SEC v. Martino*, 255 F. Supp. 2d 268, 283 (S.D.N.Y. 2003) (quoting *Hansen*)); cf. John L. Orcutt, *Improving the Efficiency of the Angel Finance Market*, 37 Ariz. St. L.J. 861, 906, 908, 914-16 (2005) (explaining that making investment recommendations, participating in negotiations, receiving transaction-based compensation, actively locating potential investors, having previously sold securities, and assisting others in settling securities transactions are all indications of broker activity); John Polanin, Jr., *The “Finder’s” Exception from Federal Broker-Dealer Registration*, 40 Cath. U. L. Rev. 787, 827 (1991) (“Conducting sales efforts, making recommendations about securities, participating in negotiations between buyers and sellers of securities, holding investors’ funds or securities, and receiving transaction-based compensation are hallmarks of the broker-dealer. Engaging in any one of these activities may be sufficient to require registration if carried on with any degree of regularity.”).

For example, in *Martino*, citing the *Hansen* factors, the district court held at summary judgment that the defendants “plainly acted as brokers” when they regularly and affirmatively solicited investors, acted as “middlemen” between the investors and issuers, were not employees of the issuers, received transaction-based commissions, “participated in the sale of stock of

numerous issuers over a period of several years,” and assisted in negotiating the stock sales at issue. 255 F. Supp. 2d at 283-84.

Other courts have considered slightly different or additional factors, including “handling customer funds and securities, participating in the order-taking or order-routing process, and extending or arranging for the extension of credit in connection with a securities transaction.” *Art Intellect*, 2013 WL 840048, at *20 (citing, e.g., *Mass. Fin. Servs. Inc. v. Sec. Investor Prot. Corp.*, 411 F. Supp. 411, 415 (D. Mass. 1976)). Other factors may include “analyzing the financial needs of an issuer,” “recommending or designing financing methods,” discussing “details of securities transactions,” and recommending an investment. *Kramer*, 778 F. Supp. 2d at 1334 (quoting *Cornhusker Energy Lexington, LLC v. Prospect St. Ventures*, 2006 WL 2620985, *6 (D. Neb. 2006)).

The Sixth Circuit affirmed the use of the following factors, mostly adopted from *Hansen*: “regular participation in securities transactions, employment with the issuer of the securities, payment by commission as opposed to salary, history of selling the securities of other issuers, involvement in advice to investors[,] and active recruitment of investors.” *SEC v. George*, 426 F.3d 786, 797 (6th Cir. 2005). In *George*, a defendant argued that he was not employed by the issuer (which other courts typically construe as supporting a finding that the defendant is a broker) and that he did not receive compensation because he lost money through his own investment. *Id.* The Sixth Circuit found that even if it accepted those arguments, the SEC’s evidence that he “was regularly involved in communications with and recruitment of investors for the purchase of securities” would suffice to support the entry of summary judgment against him. *Id.* (citing *SEC v. Kenton Capital, Ltd.*, 69 F.Supp.2d 1, 13 (D.D.C. 1998)).

Hansen also found that the alleged broker must have had “a certain regularity of participation in securities transactions at key points in the chain of distribution.” 1984 WL 2413, at *10 (internal citation omitted); *see also Found. Ventures*, 2010 WL 3187294, at *5; *Salamon*, 2008 WL 2277094, at *8 (quoting *Martino*, 255 F.Supp.2d at 283) (quoting *Hansen*). The “regularity of participation” has been measured by “such factors as the dollar amount of securities sold” and “the extent to which advertisement and investor solicitation were used.” *Kenton*, 69 F. Supp. 2d at 13. This analysis appears to bear on whether the defendant has “engaged in the business.” Some courts consider the regularity of a defendant’s participation to be a primary signifier. *Kramer*, 778 F. Supp. 2d at 1334; *Landegger*, 2013 WL 5444052, at *5 (citing *Kenton*, 69 F. Supp. 2d at 12). The Eighth Circuit’s attention to the *Ridenour* defendant’s “level of activity” is particularly instructive. 913 F.2d at 517.

Others courts place great weight on whether the defendant received commissions, considering the receipt of transaction-based compensation to be “one of the hallmarks of broker status.” *Kramer*, 778 F. Supp. 2d at 1334 (quoting *Cornhusker*, 2006 WL 2620985, at *6); *Landegger*, 2013 WL 5444052, at *5. The “underlying concern [is] that such compensation represents a potential incentive for abusive sales practices that registration is intended to regulate and prevent.” *Landegger*, 2013 WL 5444052, at *5; *see also Orcutt, supra*, at 908.

Most courts do not require the SEC to establish each of the various cited factors in order to prevail on summary judgment, but rather determine that some combination of factors establishes that the defendant acted as a broker. *See, e.g., George*, 426 F.3d at 797 (discussed above); *StratoComm Corp.*, 2 F. Supp. 3d at 263 (granting summary judgment against a defendant who solicited investors, “relayed terms of the transactions and handled related paperwork,” and received transaction-based compensation); *Art Intellect*, 2013 WL 840048, at

*21 (granting summary judgment against defendants on Section 15(a)(1) claims based on the defendants' active solicitations of investors); *Kenton*, 69 F. Supp. 2d at 12-13 (awarding summary judgment to the SEC based on the defendants' active solicitation of investors and the volume of their business—receiving pledges to invest from over forty individuals, twelve of whom actually invested); *Hansen*, 1984 WL 2413, at *10-11 (discussed above). *But see SEC v. U.S. Pension Trust Corp.*, 2009 WL 2365702, at *9 (S.D. Fla. July 30, 2009).

Considering the factors discussed above, including the Eighth Circuit's emphasis on the defendant's "level of activity" and maintenance of a client base in *Ridenour*, the Court easily concludes based on this record that Crawford was acting as a broker. The undisputed facts establish that Crawford was not a Bixby employee and that he and CCC received transaction-based commissions summing up to at least \$240,000, signifying the large volumes that his clients invested in Bixby. Crawford maintained a list of investor clients, and he actively solicited these clients to invest or reinvest in Bixby and other issuers. In doing so, he frequently offered optimistic assessments of the issuer and potential returns on an investment, and on occasion even provided tax advice and offered to arrange for a credit line for clients. He also interposed himself as an intermediary between the clients and Bixby at key points of the transaction, including at times handling client funds. Further, he at times assisted clients in filling out the Bixby subscription agreements, accepted the clients' investment checks and sent them to Bixby, and sent regular informational updates about Bixby along with solicitations for the clients to invest further in Bixby stock. In addition, a CCC client testified that Crawford offered to negotiate special prices for his clients to purchase more stock through warrant exercises. Viewed as a whole and in the light most favorable to him, the undisputed facts could only support a

finding by a reasonable factfinder that Crawford violated Section 15(a) by acting as a broker in connection with the offer and sale of Bixby securities.

The SEC has also met its burden with regard to CCC. Crawford was CCC's sole owner and its only employee during the relevant time. *See* Opp. 1 (citing SEC-CCC Br. Ex. 2, Crawford Dep. 17). Correspondence submitted by the SEC in support of its motion shows that Crawford communicated with investors and with Bixby in his capacity as CCC's owner and/or employee. *E.g.*, SEC-CCC Br. Exs. 9, 10, 16. In addition, Bixby paid nearly all of the undisputed \$240,000 in commission payments to CCC, with only \$8,000 going to Crawford personally. Crawford's broker activity can thus be imputed to CCC. *Vohs v. Miller*, 323 F. Supp. 2d 965, 972 (D. Minn. 2004); *Martino*, 255 F. Supp. 2d at 283; *see also Kenton*, 69 F. Supp. 2d at 5, 13 (finding both a company and its president liable where the president made all of the company's decisions).

Crawford's primary substantive defense relies entirely on *SEC v. Kramer*, 778 F. Supp. 2d 1320 (M.D. Fla. 2011), and a few scholarly articles to establish what he construes as a "finder's exception" to Section 15(a) liability. Crawford is correct that courts and the SEC have at times declined to find Section 15(a) liability where a defendant acted as a finder by "[m]erely bringing together the parties to transactions." *Id.* at 1336. But that characterization does not apply to the facts in this case. Crawford and CCC were much more actively involved in soliciting the client base, recommending that clients invest (and reinvest) in Bixby and other issuers, and assisting with the logistics of the investment, including handling clients' checks. In *Kramer*, unlike here, the court found that the defendant never received transaction-based compensation from the issuer directly as a result of referring investors to the company, and also credited testimony that the defendant recommended the investment only to "a small but close

group” of friends and intimates, not a client base. 778 F. Supp. 2d at 1339-40. In contrast, Crawford and CCC admittedly targeted clients and received commissions based on those clients’ investments in Bixby.

Crawford also insists that because he believed he was a finder, he was thus not subject to the registration requirement, implying that scienter is an element of a Section 15(a) claim, but he offers no authority for this suggestion. The statute makes no reference to scienter. 15 U.S.C. § 78o(a). And courts have held that scienter is not a requirement for liability. *E.g.*, *Art Intellect*, 2013 WL 840048, at *20; *Offill*, 2012 WL 246061, at *6; *Martino*, 255 F. Supp. 2d at 283. But even if he did not believe he was violating the law, Crawford was formerly a registered broker and must be charged with familiarity with the regulatory scheme. He was at least reckless in failing to renew his license when he continued in the business of soliciting investors for early-stage companies, accepting a commission on those investments, and engaging in other activities typical of brokers. In fact, the SEC points to evidence that Crawford was aware of “securities issues” related to his agreement with Bixby, which supports an inference that Crawford knew he was violating the securities laws. SEC-CCC Br. Ex. 2, Crawford Dep. 59:10-60:13; *id.* Ex. 8. Crawford cites nothing in the record to create a genuine dispute over this evidence.

The SEC has met its burden of showing that it is entitled to judgment as a matter of law on the question of whether Crawford and CCC acted as unregistered brokers. Therefore, summary judgment is merited against both defendants.

ii. Statute of Limitations Defense

Crawford also argues that the SEC’s claims against him are barred by the five-year statute of limitations imposed by 28 U.S.C. § 2462. That statute provides that “an action, suit or proceeding for the enforcement of any civil fine, penalty, or forfeiture, pecuniary or otherwise,

shall not be entertained unless commenced within five years from the date when the claim first accrued” 28 U.S.C. § 2462.

Section 2462 plainly bars any request for civil penalties based on alleged violations that occurred more than five years before a lawsuit was filed. The SEC does not contest this legal conclusion, but asserts that evidence in the record shows that Crawford and CCC continued to act as unregistered brokers by actively soliciting Bixby investments and the exercise of warrants as late as 2011 and 2012. Reply 10-11. The Amended Complaint, however, does not allege continuing violations by Crawford or CCC into 2012. Rather, although it generally alleges that Bixby sold securities from 2001 to 2010, as to Crawford and CCC specifically, it alleges only that these two defendants sold Bixby securities “[f]rom approximately February 2004 to November 2006” Am. Compl. ¶ 35. The SEC filed its complaint in December 2011.

Therefore, the SEC’s request for civil penalties is barred by Section 2462 because it is based on violations alleged to have occurred up until November 2006. *See Gabelli v. SEC*, 133 S. Ct. 1216, 1220, 1224 (2013).

The Court does not agree, however, with Crawford’s contention that the entire complaint, including the SEC’s requests for disgorgement and a permanent injunction, is time-barred as against him. Crawford, noting that the Supreme Court expressly declined to reach this question in *Gabelli*, 133 S. Ct. at 1220 n.1, asks this Court to follow a Southern District of Florida case to determine post-*Gabelli* that Section 2462 extends to claims for disgorgement and injunctive relief. *SEC v. Graham*, 21 F. Supp. 3d 1300, 1309-10 (S.D. Fla. 2014). But that decision is something of an outlier. *See SEC v. Quinlan*, 373 Fed. Appx. 581, 589 (6th Cir. 2010) (affirming the district court’s holding that the injunction sought was remedial rather than punitive and therefore “not a ‘penalty’ subject to § 2462’s five-year statute of limitations”); *Sierra Club v.*

Otter Tail Power Co., 615 F.3d 1008, 1018 (8th Cir. 2010) (“28 U.S.C. § 2462 by its terms . . . does not bar equitable remedies.”); *Riordan v. SEC*, 627 F.3d 1230, 1234-35 (D.C. Cir. 2010) (holding that Section 2462 did not prevent the SEC from seeking disgorgement of profits related to alleged violations outside the five-year statute of limitations and also did not bar a cease-and-desist order); *United States v. Mlaskoch*, Civ. No. 10-2669 (JRT/LIB), 2014 WL 1281523, at *12-13 (D. Minn. Mar. 31, 2014) (holding that Section 2462 did not bar the government’s claims for injunctive or remedial relief); *SEC v. Geswein*, 2 F. Supp. 3d 1074, 1084 (N.D. Ohio 2014) (refusing to reconsider its holding that Section 2462 did not apply to the SEC’s claims for injunctive relief and disgorgement); *SEC v. Kelly*, 663 F. Supp. 2d 276, 287 (S.D.N.Y. 2009) (“[S]ection 2462’s statute of limitations applies to the SEC’s request for civil penalties but not to its request for permanent injunctive relief, disgorgement, or an officer and director bar.”); *see also SEC v. Rind*, 991 F.2d 1486, 1491-92 (9th Cir. 1993) (holding that no statute of limitations limited the government’s requests for disgorgement and an injunction).

Crawford’s invitation to read into Section 2462 a limitation on requests for equitable relief as well as “any civil fine, penalty, or forfeiture” runs counter to “the well-established rule that ‘an action on behalf of the United States in its governmental capacity . . . is subject to no time limitation, in the absence of congressional enactment clearly imposing it.’” *Mlaskoch*, 2014 WL 1281523, at *12 (quoting *United States v. Banks*, 115 F.3d 916, 919 (11th Cir. 1997)). It also conflicts with the canon of construction that statutes of limitation that arguably could apply to the government “must receive a strict construction in favor of the Government.” *Id.* (quoting *United States v. Findett Corp.*, 220 F.3d 842, 848 (8th Cir. 2000)). Such an interpretation would also fail to recognize that civil penalties are “a different kind of relief” than relief that, for example, seeks to “restore the status quo.” *Gabelli*, 133 S. Ct. at 1223.

Many courts state categorically that Section 2462 does not bar equitable relief, without engaging in a fact-specific analysis to determine whether the equitable relief sought in each case is punitive or remedial in nature, but many other courts undertake the fact-specific analysis. *Quinlan*, 373 Fed. Appx. at 587 (collecting cases for both the categorical and fact-specific approaches); *SEC v. Wyly*, 950 F. Supp. 2d 547, 558 (S.D.N.Y. 2013) (same). For example, even in *Graham*, the case Crawford relies on, the district court based its holding at least in part on its factual finding that the SEC's requests were punitive, including the request for injunctive relief "where, as here, no evidence (or allegations) of any continuing harm or wrongdoing has been presented." 21 F. Supp. 3d at 1310.

In this case, the record amply supports the conclusion under either a categorical or fact-specific analysis that the SEC's requests for disgorgement, prejudgment interest, and injunctive relief are not barred by Section 2462. Unlike in *Graham*, the SEC cites evidence showing that Crawford and CCC are reasonably likely to violate Section 15(a) again unless enjoined. See *infra* Section II(A)(iii). The SEC's evidence and argument demonstrates that it seeks the injunction not to penalize, but rather to protect the investing public from future Section 15(a) violations by these defendants. See *Quinlan*, 373 Fed. Appx. at 588; see also *SEC v. Quan*, No. CIV. 11-723 ADM/JSM, 2014 WL 4670923, at *11 (D. Minn. Sept. 19, 2014), *amended*, 2014 WL 6982914 (D. Minn. Dec. 10, 2014) ("The purpose of the injunctive relief is to protect the investing public and to enforce the securities laws."). As for the request for disgorgement, this type of relief is equitable, not punitive—it "merely requires the return of wrongfully obtained profits; it does not result in any actual economic penalty or act as a financial disincentive to engage in securities fraud." *SEC v. Brown*, 658 F.3d 858, 860-61 (8th Cir. 2011) (quoting *Kenton*, 69 F.Supp.2d at 17); see also *SEC v. O'Hagan*, 901 F. Supp. 1461, 1472 (D. Minn.

1995) (“Disgorgement has long been held to be within the district court’s equitable powers under the Exchange Act.”). An award of prejudgment interest is also an equitable remedy that seeks to prevent unjust enrichment. *SEC v. Teo*, 746 F.3d 90, 109 (3d Cir. 2014); *O’Hagan*, 901 F. Supp. at 1473.

The Court is satisfied that the SEC’s requests for injunctive relief, disgorgement, and prejudgment interest are not a “civil fine, penalty, or forfeiture” limited by Section 2462. *E.g.*, *Quinlan*, 373 Fed. Appx. at 589; *Mlaskoch*, 2014 WL 1281523, at *12-13.

iii. Remedies

The Court now turns to the SEC’s requests for a permanent injunction against Crawford and CCC and an order for disgorgement and prejudgment interest.

A “permanent injunction requires the SEC to prove that the defendant violated the law and that there is a reasonable likelihood of future violations.” *SEC v. Gruenberg*, 989 F.2d 977, 978 (8th Cir. 1993). The undisputed facts show that over a period of years, Crawford and CCC acted as unregistered brokers, garnering at least \$240,000 in commissions from over \$2 million of investments by their clients. Their pattern of behavior was not an isolated incident, but rather was integral to their entire business model, which persuades the Court that the behavior is reasonably likely to recur. *SEC v. Capital Sols. Monthly Income Fund, LP*, 28 F. Supp. 3d 887, 893 (D. Minn. 2014); *O’Hagan*, 901 F. Supp. at 1473. The SEC also cites undisputed deposition testimony showing that Crawford and CCC continued to act as brokers, soliciting clients to invest or re-invest in Bixby as late as 2011 and 2012, even after the SEC filed its complaint. SEC-CCC Br. Ex. 14, Haluptzok Dep. 26:13-27:14, 34:2-22; *id.* Ex. 17, Gentry Dep. 31:8-33:16. Crawford also was previously disciplined for violations of the rules governing broker-dealers with a sanction suspending his broker-dealer license, and it is undisputed that he chose not to

renew his license after the suspension was lifted, even though he was familiar with the registration requirement. These facts further support the conclusion that Crawford may continue to flout the securities laws in his continued role as CCC's owner. *See Gruenberg*, 989 F.2d at 978 ("evidence of past violations provides basis for inference that future violations may occur"). Crawford and CCC also continue to contest liability, insisting that their actions fall within a "finder's exception" to Section 15(b) requirements and that they should be free to continue their business, which supports an inference that they may continue to operate as purported "finders" unless enjoined. *See Quinlan*, 373 Fed. Appx. at 588; *Capital Sols.*, 28 F. Supp. 3d at 895. In sum, it appears reasonably likely that Crawford and CCC will violate the securities laws in the future, and a permanent injunction is therefore appropriate and necessary to prevent the likelihood that they will otherwise violate Section 15(a) again. *Gruenberg*, 989 F.2d at 978.

The SEC also seeks disgorgement of the \$240,000 that Crawford and CCC received as commissions for their clients' investments in Bixby. This total amount is undisputed, as is the source and the fact that these payments were commissions. Opp. 2-3; Answer ¶ 33. As explained above, although Crawford and CCC earned these commissions in 2004-2006, Section 2462 does not prevent the government from seeking disgorgement of these amounts. Disgorgement prevents unjust enrichment by requiring the return of wrongfully acquired profits. *Brown*, 658 F.3d at 860-61. Therefore, disgorgement of the \$240,000 is appropriate.⁴

Prejudgment interest also prevents a defendant from profiting from securities violations. *O'Hagan*, 901 F. Supp. at 1473. "It is within the District Court's equitable discretion to decide

⁴ The SEC did not specify how it seeks to have the Court allocate the total disgorgement amount between the two defendants or whether it seeks an imposition of joint and several liability; this question also may affect the imposition of prejudgment interest. Without further clarification on these points, the Court will not impose entry of judgment on the SEC's motion for disgorgement and prejudgment interest as against Crawford and CCC. The SEC may submit a supplemental memorandum addressing solely these questions on or before January 6, 2016, with responses due January 20, 2016.

whether payment of interest should be ordered, and to decide upon both the interest rate and the period of time on which the interest will be calculated.” *SEC v. Teo*, 746 F.3d 90, 109 (3d Cir. 2014) (citing *SEC v. First Jersey Secs., Inc.*, 101 F.3d 1450, 1476 (2d Cir.1996)). In deciding whether an award of prejudgment interest is warranted, a court should consider “(i) the need to fully compensate the wronged party for actual damages suffered, (ii) considerations of fairness and the relative equities of the award, (iii) the remedial purpose of the statute involved, and/or (iv) such other general principles as are deemed relevant by the court.” *First Jersey*, 101 F.3d at 1476 (citing *Wickham Contracting Co. v. Local Union No. 3*, 955 F.2d 831, 833-34 (2d Cir. 1992)); *see also Kenton*, 69 F. Supp. 2d at 16. There is precedent for ordering interest at the IRS underpayment rate through the entry of judgment when the defendant has had control over the unlawful gains for the entire period. *Teo*, 746 F.3d at 109; *First Jersey*, 101 F.3d at 1477; *Kenton*, 69 F. Supp. 2d at 16-17.

Crawford does not specifically challenge the request for prejudgment interest, but insists generally that all of the SEC’s claims for relief were time-barred under Section 2462. As explained above, the Court concludes that the SEC’s requests for equitable relief do not fall within Section 2462’s limitations. Nor was any “delay” by the SEC in bringing suit so great as to raise fairness concerns with regard to the time period on which the SEC asks the Court to calculate interest. Had the SEC filed its suit merely a month earlier, it would have been within five years of the last date of Crawford’s violations (November 2006). Therefore, any alleged delay on the SEC’s part has not unduly extended the length of time for which the SEC seeks prejudgment interest. *See First Jersey*, 101 F.3d at 1476. Moreover, Crawford and CCC do not argue that they did not have control of the \$240,000 of fees during the entire period, nor do they offer any other reason why the requested award might be unfair. For these reasons, an award of

prejudgment interest on the Bixby fees that Crawford and CCC must disgorge is reasonable and warranted to prevent them from profiting from their Section 15(a) violations.

B. Collyard Group Motion

Before the Court is the SEC's second motion for summary judgment against Collyard Group. The Amended Complaint alleges that Collyard Group and Collyard, who "owned and controlled" the company, acted as unregistered brokers in connection with the offer and sale of Bixby securities in violation of 15 U.S.C. § 78o(a), and knowingly made material misrepresentations and omissions in violation of 15 U.S.C. §§ 77q(a)(2) and 78j(b) and Rule 10b-5(b). Am. Compl. ¶¶ 12-13, 30-31, 34, 40-54. Earlier this year, the Court granted summary judgment against Collyard on collateral estoppel grounds in light of his guilty plea in a parallel criminal action, but found that the SEC had not explained how Collyard's guilty plea established that Collyard Group violated the securities laws as alleged. Dkt. No. 149, at 4.

The SEC's renewed motion adequately supports the conclusion that Collyard's liability for the violations alleged in the Amended Complaint should be imputed to Collyard Group. A business entity can be held liable for the securities law violations of its agents. *Cummings v. Paramount Partners, LP*, 715 F. Supp. 2d 880, 906 (D. Minn. 2010) (imposing securities fraud liability on a limited partnership because it "is an inanimate entity that can act only through its agents"); *SEC v. Haligiannis*, 470 F. Supp. 2d 373, 381-82 (S.D.N.Y. 2007) (holding at summary judgment that an officer's liability for securities law violations should be imputed to the entity defendants, including a limited liability company); *Vohs v. Miller*, 323 F. Supp. 2d 965, 972 (D. Minn. 2004); *see also Egan v. United States*, 137 F.2d 369, 379-80 (8th Cir. 1943) (upholding jury verdict that a corporation was liable for the criminal acts of its officers "acting, although illegally, within the scope of their employment").

The SEC cites a document in the record, signed by Collyard, showing that he was the “sole member/sole manager” of Collyard Group, was its registered agent, and was “the manager or other person exercising the principal functions of the chief manager” of Collyard Group. SEC-CG Br. Ex. 7. In addition, by failing to respond in a timely manner to requests for admission properly served by the SEC on Collyard Group’s attorney of record, Collyard Group conclusively admitted that Collyard was the sole owner, officer, and employee of Collyard Group; that he “made all decisions concerning Collyard Group;” that he “maintained total control of Collyard Group;” and that he was the sole recipient of any of its profits. SEC-CG Br. Ex. 5 ¶¶ 1-2, 4, 6-8; *id.* Ex. 6; *Luick v. Graybar Elec. Co.*, 473 F.2d 1360, 1362 (8th Cir. 1973) (“Unanswered requests for admissions render the matter requested conclusively established for the purpose of that suit.”).

Given the near-inseparability of Collyard and Collyard Group as established by undisputed evidence and admissions, the Court concludes that Collyard’s liability for the securities law violations alleged in the Amended Complaint should be imputed to Collyard Group to the extent that he was acting on its behalf. To that end, the SEC notes Collyard Group’s admissions that “[w]hile Collyard was engaging in the malfeasance set forth in his plea agreement,” upon which this Court relied in holding Collyard liable in this action, “he was doing so in his capacity as a principal of Collyard Group,” and he “used Collyard Group as an instrumentality in furtherance of the malfeasance set forth in his plea agreement” SEC Ex. 5 ¶¶ 26-27. The SEC also cites evidence showing that Collyard, through a Collyard Group email address, pursued compensation from Bixby in connection with “the funding raised to date,” and that Bixby paid Collyard Group \$415,654 in “[n]onemployee compensation” in 2006. SEC-CG Br. Exs. 9-10. Because Collyard Group does not oppose the SEC’s motion, this evidence is

undisputed. It is also undisputed that Collyard Group has never been registered as a broker or associated with a registered broker. For these reasons, the Court determines that the SEC is entitled to judgment as a matter of law against Collyard Group on Counts I, II, and III of the Amended Complaint. *See Soliman v. Johanns*, 412 F.3d 920, 922-23 (8th Cir. 2005) (determining that entry of summary judgment was proper despite a party's failure to respond to the motion).

The SEC seeks a permanent injunction against Collyard Group. The SEC must show "that the defendant violated the law and that there is a reasonable likelihood of future violations." *Gruenberg*, 989 F.2d at 978. Here, the SEC fails to support the second point. The documents it submitted show that Collyard Group has been administratively terminated and that its sole owner and officer was sentenced in 2013 to serve ten years in prison. SEC-CG Br. Exs. 3, 5 ¶ 24, 7. Moreover, this Court has already permanently enjoined Collyard from future violations of the relevant securities laws, Dkt. No. 149, at 5-6, and the SEC has taken the position that Collyard Group has no other officers, members, or employees. Therefore, the SEC's request for a permanent injunction against Collyard Group is denied.

C. Weides Motion

On April 7, 2015, in accordance with defendant Christopher C. Weides' ("Weides") consent agreement with the SEC ("Consent"), the Court entered judgment against Weides and permanently enjoined him from future violations of Section 15(a). Dkt. No. 150. Consistent with the Consent, the Court ordered that Weides was "liable for disgorgement of \$177,000, representing profits gained as a result of the conduct alleged in the complaint, plus prejudgment interest of \$71,752," but determined that it would "set the specific amounts of disgorgement and prejudgment interest to be paid, if any and . . . also determine whether to impose civil penalties

... and in what amounts, at a separate hearing upon due notice and motion by the SEC.” *Id.* Weides would be able to present evidence at the hearing, and the SEC would be able to conduct further discovery “for the purposes of determining the amount of ill-gotten gains and civil penalties, if any.” *Id.*

In the Consent, Weides agreed that “solely for the purposes of such motion” to determine the amounts of disgorgement, prejudgment interest, and civil penalty, if any, “the allegations of the complaint shall be accepted and deemed true by the Court.” *Id.* Ex. A ¶ 4.

The SEC’s current motion seeks an award of \$177,000 in disgorgement, prejudgment interest of \$71,752.17, and an appropriate civil penalty. SEC-CW Br. 6.

Consistent with the Consent, the Court deems all of the following allegations to be true. In the Amended Complaint, the SEC alleged that Weides violated Section 15(a) by acting as an unregistered broker in selling over \$1.9 million in Bixby securities from 2003 to 2006 and receiving at least \$177,000 in cash commissions as compensation. Am. Compl. ¶¶ 4, 6, 38, 46. Weides had previously been associated with registered broker-dealers, but was not during the relevant period. *Id.* ¶ 20. By acting as an unregistered broker, Weides deprived investors who purchased Bixby shares through him of the protections afforded by the registration and regulation of brokers under the federal securities laws. *Id.* ¶ 4. In or around 2010, “Weides also acted as an intermediary in the sale of Bixby securities in several secondary market transactions” by “contact[ing] several Bixby investors to solicit their interest in selling their Bixby shares and coordinat[ing] the transfer of ownership of Bixby securities to new purchasers.” *Id.* ¶ 39. The SEC does not specifically allege that Weides was compensated for his actions in 2010 or that he caused losses to any of the new purchasers or sellers.

The Court finds that disgorgement and an award of prejudgment interest are appropriate in order to prevent Weides from profiting from his ill-gotten gains. *SEC v. Brown*, 658 F.3d 858, 860-61 (8th Cir. 2011); *SEC v. O'Hagan*, 901 F. Supp. 1461, 1472-73 (D. Minn. 1995). For purposes of this motion only, the Court accepts that Weides received at least \$177,000 as compensation for his violations of the securities laws from 2003 to 2006. Pursuant to this Court's April 7, 2015 Order, he is also liable for \$71,752.17 in prejudgment interest. Dkt. No. 150. Weides does not oppose the SEC's motion for monetary relief.⁵ Accordingly, the Court finds that disgorgement in the amount of \$177,000, with prejudgment interest in the amount of \$71,752.17, is merited.

The Court declines, however, to order Weides to pay a civil penalty. As explained above, the Court cannot grant civil penalties based on defendants' actions more than five years before the SEC filed the complaint. 28 U.S.C. § 2462; *Gabelli v. SEC*, 133 S. Ct. 1216, 1220, 1224 (2013). Although the SEC argues that "Weides profited significantly from acting as an unregistered broker-dealer," SEC-CW Br. 5, the only profits it cites relate to Weides' activities wholly or predominantly during a time period beyond the statute of limitations. The Court accepts that Weides' Section 15(a) violations from 2003 to 2006 caused investors to pay over \$1.9 million for Bixby securities, and that Weides earned at least \$177,000 in cash commissions from these sales. Am. Compl. ¶ 38. But the Court will not award a civil penalty based on Weides' actions before December 2006, and the SEC has not specified what losses or ill-gotten gains, if any, stem specifically from Weides' conduct during December of 2006, the only time

⁵ After the SEC filed the Weides Motion, Weides' counsel moved to withdraw from the representation, and her motion was granted, over Weides' objection, upon a finding that "[t]here is no evidence to suggest that Weides cannot competently represent himself" at the hearing on the Weides Motion, "[n]or was there any evidence submitted to convince [the presiding magistrate judge] that allowing withdrawal would significantly delay the resolution of this case." Oct. 27, 2015 Order, at 3, Dkt. No. 182. Weides did not subsequently file any documents *pro se*.

period within the statute of limitations. *See Riordan*, 627 F.3d at 1234 (noting that the SEC's request for civil penalties "pose[d] no statute of limitations problem" because it was based solely on defendant's activities during the time period falling within the statute of limitations). No gains or losses specifically connected to Weides' actions in 2010 have been brought to the Court's attention. On the record before it, the Court denies the SEC's request to impose civil penalties on Weides.

III. Order

Based on the files, records, and proceedings herein, and for the reasons stated above, IT IS ORDERED THAT:

1. The SEC's motion for summary judgment against Paul D. Crawford and Crawford Capital Corp. [Dkt. No. 163] is GRANTED IN PART and DENIED IN PART. Entry of summary judgment against Paul D. Crawford and Crawford Capital Corp. on Count I of the Amended Complaint is ORDERED. The Court further GRANTS the SEC's request for injunctive relief, but DENIES its request for civil penalties.
2. Defendants Paul D. Crawford and Crawford Capital Corp., and each of them, and all officers, agents, servants, employees, attorneys, and persons in active concert or participation with either or both of them who receive actual notice of this Order by personal service or otherwise are permanently restrained and enjoined from violating Section 15(a) of the Securities Exchange Act of 1934 by 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, any security (other than an exempted security or commercial paper, bankers' acceptances, or commercial bills) without being registered in accordance with Section 15(b) of the Exchange Act.
3. The SEC's renewed motion for summary judgment against Collyard Group, LLC [Dkt. No. 157] is GRANTED IN PART and DENIED IN PART. Entry of summary judgment is ORDERED. The Court DENIES the SEC's request for a permanent injunction.
4. The SEC's motion for monetary relief against Christopher C. Weides [Dkt. No. 151] is GRANTED IN PART and DENIED IN PART. The Court GRANTS the SEC's requests for disgorgement and prejudgment interest, but DENIES its request for civil penalties.
5. Defendant Christopher C. Weides is liable for disgorgement of \$177,000, together with prejudgment interest in the amount of \$71,752.17. Payments of such judgment shall be made to the Clerk of this Court.

LET JUDGMENT BE ENTERED ACCORDINGLY.

Dated: December 9, 2015

s/ Joan N. Ericksen
JOAN N. ERICKSEN
United States District Judge

UNITED STATES DISTRICT COURT
District of Minnesota

United States Securities and Exchange
Commission,

JUDGMENT IN A CIVIL CASE

Plaintiff,

v.

Case Number: 11-cv-3656 (JNE/JJK)

Gary A. Collyard, Collyard Group, LLC,
Paul D. Crawford, Crawford Capital Corp.,
Ronald Musich, Joshua J. Singer, Michael
B. Spadino, Marketing Concepts, Inc., and
Christopher C. Weides,

Defendants.

Jury Verdict. This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

Decision by Court. This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED THAT:

1. The SEC's motion for summary judgment against Paul D. Crawford and Crawford Capital Corp. [Dkt. No. 163] is **GRANTED IN PART** and **DENIED IN PART**. Entry of summary judgment against Paul D. Crawford and Crawford Capital Corp. on Count I of the Amended Complaint is **ORDERED**. The Court further **GRANTS** the SEC's request for injunctive relief, but **DENIES** its request for civil penalties.
2. Defendants Paul D. Crawford and Crawford Capital Corp., and each of them and all officers, agents, servants, employees, attorneys, and persons in active concert or participation with either or both of them who receive notice of this Order by personal service or otherwise are permanently restrained and enjoined from violating Section 15(a) of the Securities Exchange Act of 1934 by 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, any security (other than an exempted security or commercial paper, bankers' acceptances, or commercial bills) without being registered in accordance with Section 15(b) of the Exchange Act.
3. The SEC's renewed motion for summary judgment against Collyard Group, LLC [Dkt. No. 157] is **GRANTED IN PART** and **DENIED IN PART**. Entry of summary judgment is **ORDERED**. The Court **DENIES** the SEC's request for a permanent injunction.

4. The SEC's motion for monetary relief against Christopher C. Weides [Dkt. No. 151] is GRANTED IN PART and DENIED IN PART. The Court GRANTS the SEC's request for disgorgement and prejudgment interest, but DENIES its request for civil penalties.
5. Defendant Christopher C. Weides is liable for disgorgement of \$177,000, together with prejudgment interest in the amount of \$71,752.17. Payments of such judgment shall be made to the Clerk of this Court.

Date: December 9, 2015

RICHARD D. SLETTEN, CLERK

s/April Murch

(By)

April Murch, Deputy Clerk

UNITED STATES DISTRICT COURT
District of Minnesota

United States Securities and Exchange
Commission

Plaintiff,

v.

JUDGMENT IN A CIVIL CASE

Case Number: 11-cv-03656-JNE-JJK

Gary A. Collyard, Collyard Group, LLC, Paul
D. Crawford, Crawford Capital Corp., Ronald
Musich, Joshua J. Singer, Michael B. Spadino,
Marketing Concepts, Inc., and Christopher C.
Weides,

Defendant(s).

Jury Verdict. This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

Decision by Court. This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED THAT:

1. Defendants, Paul D. Crawford ("Crawford") and Crawford Capital Corp. ("CCC"), are jointly and severally liable for disgorgement of \$240,000, together with prejudgment interest in the amount of \$128,692.22.
2. Defendants, Paul D. Crawford ("Crawford") and Crawford Capital Corp. ("CCC"), shall satisfy this obligation by paying disgorgement of \$240,000 and prejudgment interest of \$128,692.22 to the SEC within 14 days after entry of this Judgment.
3. Defendants, Paul D. Crawford ("Crawford") and Crawford Capital Corp. ("CCC"), may transmit payment electronically to the SEC, 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>. Defendants may also pay by certified check, bank cashier's check, or United States postal money order payable to the SEC, which shall be delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

and shall be accompanied by a letter identifying the case title, civil action number, and name of this Court; Defendant Crawford or CCC (as applicable) as a defendant in this action; and specifying that payment is made pursuant to this Judgment.

4. Defendants, Paul D. Crawford ("Crawford") and Crawford Capital Corp. ("CCC"), shall simultaneously transmit photocopies of evidence of payment and case identifying information to the SEC's counsel in this action. By making this payment, Defendants, Paul D. Crawford ("Crawford") and Crawford Capital Corp. ("CCC"), relinquish all legal and equitable right, title, and interest in such funds and no part of the funds shall be returned to Defendants, Paul D. Crawford ("Crawford") and Crawford Capital Corp. ("CCC"). The SEC shall send the funds paid pursuant to this Judgment to the United States Treasury.

5. The SEC may enforce the Court's judgment for disgorgement and prejudgment interest by moving for civil contempt (and/or through other collection procedures authorized by law) at any time after 14 days following entry of this Final Judgment. Defendants, Paul D. Crawford ("Crawford") and Crawford Capital Corp. ("CCC"), shall jointly and severally pay postjudgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961.

6. The Court shall retain jurisdiction of this matter for all purposes, including, but not limited to, enforcement of the terms of this Judgment.

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

Date: 1/28/2016

RICHARD D. SLETTEN, CLERK

s/Thomas Schappa

(By)

Thomas Schappa, Deputy Clerk