UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

SECURITIES AND EXCHANGE COMMISSION,	:	
Plaintiff,	:	Civil Action No. 1:11-cv-540
vs.	:	
JOHN RAFFLE AND DAVID APPLEGATE,	:	
Defendants,	:	
AND	:	
KATHY RAFFLE,	:	
Relief Defendant.	:	

COMPLAINT

Plaintiff United States Securities and Exchange Commission ("Commission") alleges:

SUMMARY

1. On February 9, 2011, the Commission instituted settled cease-and-desist proceedings against Austin-based ArthroCare Corporation for violating Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder. ArthroCare is a medical device company that develops, manufactures and markets minimally invasive surgical products. Among those products is a spine wand that assists treatment of patients with spinal injuries.

2. Two former ArthroCare executives, John Raffle and David Applegate, participated in a scheme to materially misstate certain of ArthroCare's publicly reported revenue

and earnings, primarily through "channel-stuffing" spine wands and other improper sales practices. The Commission brings this action against Raffle and Applegate seeking permanent injunctive relief, a five-year officer-and-director bar, and disgorgement of ill-gotten gains. The Commission further seeks an order requiring Relief Defendant Kathy Raffle to disgorge ill-gotten gains she received under a September 2009 divorce agreement with Raffle.

JURISDICTION AND VENUE

3. This Court has jurisdiction over this action under Section 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 78u(a)] and Section 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78aa]. Defendants have, directly or indirectly, made use of the means or instruments of transportation and communication, and the means or instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein. Venue is proper here because certain of the acts, practices, transactions and courses of business alleged herein occurred within the Western District of Texas.

DEFENDANTS

4. John Raffle, 41, was ArthroCare's former Senior Vice President of Strategic Business Units. Raffle resigned from ArthroCare on December 19, 2008.

5. David Applegate, 51, was ArthroCare's former Senior Vice President and General Manager, Spine Division. Applegate resigned from ArthroCare on December 19, 2008.

RELIEF DEFENDANT

6. Kathy Raffle, 42, resides in Austin, Texas, and was married to John Raffle for 19 years. Their divorce was finalized on September 2, 2009. Ms. Raffle is named only as a Relief Defendant, against whom no wrongdoing is alleged.

FACTS

A. Background

7. ArthroCare develops, manufactures and markets surgical products in three business units -- Sports Medicine, Spine, and Ear, Nose and Throat. Raffle oversaw ArthroCare's three business divisions, including the Spine unit. Applegate reported to Raffle, and managed the Spine unit.

B. DiscoCare

8. In 2004, sales in ArthroCare's spine unit stagnated because health insurers began declining reimbursement for the unit's primary device, the SpineWand. As a result, hospitals and other health care facilities did not purchase as many wands. One customer, however, had increased sales of the wand through a unique arrangement with a local personal injury law firm. This Florida-based customer – the Palm Beach Lakes Surgery Center ("PBLSC") – provided wands and treatment to the firm's clients (typically, accident victims) in return for an assignment of rights in subsequent settlements with the liability insurers. PBLSC invoiced the law firm for the wand and associated medical services, which the law firm then used as part of settlement negotiations with liability and workers' compensation insurers. When the insurer settled,

PBLSC got paid. This arrangement allowed PBLSC to move a high volume of SpineWands while circumventing reimbursement restrictions imposed by health insurers.

9. Hoping to replicate PBLSC's success on a broader scale, PBLSC's founder created DiscoCare with Applegate's assistance. DiscoCare hired a former top ArthroCare salesman to help run the company, along with a number of other former ArthroCare employees, several of whom remained on ArthroCare's payroll and insurance benefits program. DiscoCare also shared office space with an ArthroCare branch office. ArthroCare was DiscoCare's only supplier.

1. ArthroCare uses DiscoCare to reach revenue targets

10. On December 23, 2005, ArthroCare and DiscoCare executed their first distributor agreement. The agreement contained an initial stocking order of $975,000. Because the sale was not contingent upon DiscoCare's ability to re-sell them or obtain collection, ArthroCare recorded the revenue immediately upon shipment. The stocking order enabled ArthroCare to meet its Q4 2005 revenue expectations. Under the terms of the distribution agreement, DiscoCare was not required to place additional orders until Q3 2006.

11. Despite the order's size – the $975,000 order was by far ArthroCare's largest order that quarter – and DiscoCare's recent incorporation, Raffle refused requests by finance personnel to check DiscoCare's background and credit. Instead, the company gave DiscoCare lengthier payment terms than usually afforded to distributors.

12. A few months later, ArthroCare recognized it would fall short of Q1 2006 revenue target because of disappointing international sales. Around the same time, DiscoCare discovered that collections under its arrangement with the law firm were taking much longer than expected.

Consequently, DiscoCare lacked cash to pay ArthroCare, not only for future orders but also for the initial stocking order. Under the agreement at the time, DiscoCare was not obligated to buy any additional wands, and had not yet paid for the initial stocking order. Nevertheless, ArthroCare agreed to give DiscoCare expanded territory if DiscoCare agreed to purchase more wands. In connection with granting DiscoCare expanded territory rights, Raffle and Applegate asked DiscoCare to place another $975,000 order. DiscoCare agreed, and the purchase enabled ArthroCare to reach its revenue target for Q1 2006.

2. ArthroCare smoothes earnings with product returns

13. ArthroCare again turned to DiscoCare to fill a revenue shortfall in Q2 of 2006. The day before quarter-end, Raffle and Applegate asked DiscoCare to place a $500,000 order. DiscoCare agreed even though it did not need the wands (it still had an oversupply from the first quarter 2006) and was not obligated to make additional purchases.

14. The day after the quarter closed, Raffle realized ArthroCare did not need DiscoCare's order to reach its Q2 2006 target. Raffle promptly decided to "move" half of DiscoCare's $500,000 order to the third quarter. Because analysts expected ArthroCare's revenue to be "flat" from Q2 to Q3, Raffle noted the shifting of revenues "effectively give us [sic] headstart on Q3." Raffle then instructed DiscoCare to request a return through a process called Return Merchandise Authorization ("RMA"), to rescind its shipment. This violated ArthroCare's return policy, which only permitted returns when ArthroCare shipped incorrect or defective product. There were no incorrect or defective products here, since Raffle had selected the product DiscoCare received. DiscoCare complied with Raffle's request and sought to return the product via RMA.

15. Raffle then mislead ArthroCare accounting staff about the timing behind the RMA, telling them he had agreed to accept the RMA before Q2 closed and that the paperwork had merely gotten delayed "due to the last day of the quarter and then the holiday and my vacation this week." When ArthroCare's outside auditor questioned Raffle about the RMA, he mislead them, too, telling the auditor that the "distributors mistakenly bought incorrect items and/or quantities and [ArthroCare] agreed to accept returns in order to maintain good relations."

3. ArthroCare and DiscoCare execute a new distributor agreement

16. ArthroCare's Q3 sales again lagged behind projections. Consequently, Raffle and Applegate again asked DiscoCare to place a large order – $910,000 – on the final day of Q3. As with the prior quarter-end transactions, DiscoCare did not need, and did not expect to sell, the inventory in this order, and Arthrocare knew DiscoCare lacked the financial resources to pay for the inventory at the time it was shipped.

17. Around the same time, ArthroCare and DiscoCare executed a new distributor agreement dated November 1, 2006. A key provision in the new agreement was a "monthly service fee" payable to DiscoCare based on the number of wands sold and the average selling price of the wand, a provision suggested by Applegate and ultimately approved by Raffle. Under the new agreement, ArthroCare would credit half of the service fee every month against DiscoCare's outstanding receivable balance. The other half would be paid in cash to DiscoCare. The supposed purpose of this new fee was to compensate DiscoCare for distribution-related services – packaging, warehousing, restocking and the like – but DiscoCare had been providing these services without an extra fee for nearly a year at this point. The true purposes of the fee

were to provide DiscoCare much needed cash flow and to allow ArthroCare to reduce the DiscoCare receivable on its books and give it the appearance of performing.

18. The new agreement with DiscoCare also prompted a change in how ArthroCare recognized revenue from sales to DiscoCare. Previously, ArthroCare had recognized sales to DiscoCare as revenue immediately upon shipment, since DiscoCare's price for product was fixed and determinable. Under the new agreement, however, the price varied based on the source of payment to DiscoCare (*i.e.*, personal injury settlement, private health insurance, or workers' compensation). Accordingly, under the new agreement, ArthroCare was to recognize revenue from sales to DiscoCare only after "the case was completed," – when the underlying surgery had been performed – at which point the price was certain.

19. Almost immediately, ArthroCare sought to circumvent the new revenue recognition requirement. With less than a week left in 2006, Raffle noted that he needed to find $2 million in revenue to help the company meet its annual sales target. As usual, he and Applegate looked to DiscoCare as a solution. There were not enough cases that would be "completed" by year-end, however, to support recognizing this volume of revenue. Raffle and Applegate persuaded accounting personnel to record these additional sales to DiscoCare as revenue with the assurance that the case would be completed by the following quarter, rather than upon case completion. Raffle and Applegate also negotiated a retroactive price increase on sales to DiscoCare. This change increased the spine unit's revenue by 10% and the company's total revenue by 1%.

4. ArthroCare ships unnecessary "safety stock"

20. In March 2007, Applegate wanted to ship DiscoCare another stocking order to provide a cushion in case ArthroCare fell short of its quarterly revenue target. To accomplish this task, Applegate ghost-wrote a letter for DiscoCare claiming that DiscoCare needed to carry its own stock of inventory – a so-called "safety stock" – that would permit it to timely provide product to surgeons. This concern was fabricated; DiscoCare did not need a safety stock because it already carried excess inventory after buying large numbers of wands during 2006 to satisfy ArthroCare's demands. Nonetheless, ArthroCare shipped approximately $200,000 of Spine Wands as "safety stock" and, based on Applegate's ghost-written letter, recorded the revenue immediately upon shipment.

5. ArthroCare records revenue for non-existent cases

21. During the final days of Q2 2007, Raffle and Applegate monitored ArthroCare's revenue on a daily basis and concluded that they needed to ship DiscoCare approximately $2.1 million of product before quarter-end to meet analyst expectations for ArthroCare. Under ArthroCare's accounting policies, these sales could be recognized as revenue only if they were associated with approved cases that would be completed during the quarter. But DiscoCare had only $900,000 of approved cases that would be completed before quarter end. Raffle and Applegate, however, hid this fact from ArthroCare's accounting staff.

6. ArthroCare buys DiscoCare to avoid disclosing DiscoCare's growing receivable

22. During the second half of 2007, Raffle realized that DiscoCare's accounts receivable balance had ballooned to $13 million (or 19% of ArthroCare's total accounts receivable) and wondered if "this may force our hand [with regard to] buying them out early."

ArthroCare was also concerned that the DiscoCare receivable was negatively affecting the company's "days sales outstanding," a key metric tracked by analysts. In addition, the company was reluctant to reserve against the DiscoCare balance, because of the impact it would have on earnings.

23. ArthroCare's solution was to acquire DiscoCare, effective December 31, 2007. An acquisition would allow ArthroCare to eliminate the receivable on its consolidated balance sheet – afterward it became an intercompany balance – but would not erase prior sales to DiscoCare from ArthroCare's consolidated income statement. Raffle and Applegate, however, were not content with this outcome. Instead, before the acquisition was completed, Raffle and Applegate approved shipment of $1.5 million of spine wands to DiscoCare, even those in which surgery had not been approved, thereby increasing revenue before the acquisition. Simultaneously, they asked DiscoCare to delay selling the wands until after the acquisition closed, which would allow ArthroCare to book revenue on the same wands again when they were sold.

C. ArthroCare improperly recognizes revenue on sales to other distributors

1. ArthroCare "grosses up" revenue by mischaracterizing payments to other distributors

24. Historically, ArthroCare paid distributors commissions based on the volume of product ordered, and ArthroCare recorded the "net sale" – sales price minus the commission – as revenue in accordance with GAAP. However, to maximize revenue on sales to certain distributors, Raffle amended the compensation component of ArthroCare's distribution agreements, though the parties' relationship did not change.

25. Under the revised agreements, ArthroCare paid distributors a "marketing fee." The marketing fee allegedly differed from a commission because the fee compensated distributors for services rendered based on a number of variables, not just a strict mathematical calculation based on sales. The "formula" used to determine the marketing fee, however, was not spelled out in the distributor agreement. In fact, Raffle believed "it would be better to communicate the way in which we will work out the fee verbally, if they can live with that. If not, then perhaps a side letter that is not binding, but considered to be more of a good faith letter of how we would work together." ArthroCare recorded the gross amount of sales as revenue and expensed the marketing fee. Basically, this change enabled ArthroCare to increase revenue by the amount of the commission/marketing fee. In total, the gross-up allowed ArthroCare to inflate revenue by $4.5 million.

26. In fact, ArthroCare determined the amount of the marketing fee exactly like it determined commission payments. After an accountant questioned another marketing fee calculation, Raffle instructed his sales staff to tweak or round off the dollar amount of the payment to avoid future detection. Raffle also persuaded one distributor to pay list price for the product, rather than at discount, in exchange for an increased "marketing fee."

2. ArthroCare records revenue on sales it did not expect to collect

27. ArthroCare also reached revenue targets by shipping large orders to distributors it knew could not or would not be able to pay. One such distributor simply lacked the resources to pay for the product ArthroCare insisted it purchase, prompting Raffle to orally promise that this distributor only had to pay for product it re-sold. Even after the distributor advised that it was unable to re-sell product, ArthroCare continued to request that the distributor place increasingly

larger quarter-end orders and recorded the entire amount of the order as revenue upon shipment. The distributor paid ArthroCare only from the quarterly "marketing fees" it received based on the amount of product ordered. Basically, the distributor bought the products using ArthroCare's own money; its actual sales to end-users were negligible. For other distributors, ArthroCare agreed to provide rebates if they ultimately sold ArthroCare's products at a loss. By not seeking collection and by providing open-ended rebates to these distributors, ArthroCare did not have a fixed or determinable price for the goods it sold them. Therefore, ArthroCare should not have recognized revenue until the goods were used in surgery or sold to other customers.

D. ArthroCare included these material misstatements in Commission filings and public earnings releases

28. As a result of the foregoing, ArthroCare overstated (1) revenue by $19.3 million in 2006, $39.5 million in 2007, and $13.5 million in Q1 2008; and (2) net income by $4.0 million in 2006, $42.7 million in 2007, and $7.0 million in Q1 2008. ArthroCare violated these provisions by reporting materially misstated financial results in its 2005, 2006, and 2007 Form 10-Ks, in its Form 10-Qs for the quarters between the fourth quarter of 2005 through the first quarter of 2008, and in various Form 8-Ks incorporating press releases it filed during this period. Moreover, ArthroCare's misstated 2005 Form 10-K was incorporated by reference in a registration statement on Form S-8 that ArthroCare filed with the Commission on June 28, 2006. In addition, ArthroCare's misstated 2007 Form 10-K was incorporated by reference in a registration statement on Form S-8 that ArthroCare filed with the Commission on June 6, 2008.

29. The following tables reflect the impact of their wrongdoing on ArthroCare's revenues and earnings:

Impact on Total Revenues

(in thousands)

Period End	Filing Type	Originally Reported	As Restated	$ Difference	% Difference (of Restated)
12/31/06	10K	$263,001	$243,711	$19,290	7.9%
12/31/07	10K	$319,242	$279,716	$39,526	14.1%
03/31/08	10Q	$91,035	$77,553	$13,482	17.4%
		$673,278	**$600,980**	**$72,298**	

Impact on Net Income

(in thousands)

Period End	Filing Type	Originally Reported	As Restated	$ Difference	% Difference (of

					Restated)
12/31/06	10K	$31,675	$27,673	$4,002	14.5%
12/31/07	10K	$43,180	$491	$42,689	8694.3%
03/31/08	10Q	$9,264	$2,231	$7,033	315.2%
		$84,119	**$30,395**	**$53,724**	

FIRST CLAIM

Violations of Securities Act Section 17(a)
(Against Raffle and Applegate)

30. Paragraphs 1 through 29 are realleged and incorporated by reference.

31. Defendants Raffle and Applegate, in the offer or sale of securities, have (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which operate as a fraud or deceit upon purchasers, prospective purchasers, and other persons.

32. Defendants Raffle and Applegate engaged in the conduct described in this claim knowingly or with severe recklessness. In addition, Defendants Raffle and Applegate were negligent as they engaged in the conduct described in this claim.

33. By reason of the foregoing, Defendants Raffle and Applegate violated, and unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q].

SECOND CLAIM

Aiding and Abetting Arthocare's Violations of Exchange Act Section 10(b) and Rule 10b-5 (Against Raffle and Applegate)

34. Paragraphs 1 through 29 are realleged and incorporated by reference.

35. Based on the conduct alleged herein, Arthrocare violated Section 10(b) of the Exchange Act and Rule 10b-5 by filing materially misleading annual and quarterly reports with the Commission and by making public misrepresentations and omissions arising from the improper revenue recognition and schemes and fraudulent courses of business.

36. Defendants Raffle and Applegate, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance to Arthrocare in its violations of Section 10(b) and Rule 10b-5.

37. By reason of the foregoing, Defendants Raffle and Applegate aided and abetted Arthrocare's violations of, and unless enjoined, will aid and abet further violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

THIRD CLAIM

Violations of Rule 13b2-2 of the Exchange Act (Against Raffle)

38. Paragraphs 1 through 29 are re-alleged and incorporated by reference.

39. Defendant Raffle violated Rule 13b2-2 of the Exchange Act by, directly or indirectly:

> making or causing to be made a materially false or misleading statement to an accountant in connection with; or
>
> omitting to state, or causing another person to omit to state, any material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading, to an accountant in connection with:
>
> > any audit, review or examination of the financial statements of an issuer; or
> >
> > the preparation or filing of any document or report required to be filed with the Commission.

40. By reason of the foregoing, Defendant Raffle has violated and, unless enjoined, will continue to violate, Exchange Act Rule 13b2-2 [17 C.F.R. § 240.13b2-2].

FOURTH CLAIM

Violations of Exchange Act Section 13(b)(5) and Rule 13b2-1 (Against Raffle)

41. Paragraphs 1 through 29 are realleged and incorporated by reference.

42. Defendant Raffle violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] by knowingly circumventing or overriding or knowingly failing to implement a system of internal accounting controls at ArthroCare and knowingly falsifying ArthroCare's books and records.

43. Additionally, Defendant Raffle violated Exchange Act Rule 13b2-1 [17 C.F.R. § 240.13b2-1] by, directly or indirectly, falsifying or causing to be falsified, the books, records or accounts of ArthroCare subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

44. Unless enjoined, Defendant Raffle will continue to violate these provisions.

FIFTH CLAIM

Aiding and Abetting ArthroCare's Violations of Exchange Act Section 13(a) and Rules 12b-20, 13a-1, and 13a-13 (Against Raffle and Applegate)

45. Paragraphs 1 through 29 are realleged and incorporated by reference.

46. Based on the conduct alleged herein, ArthroCare violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder.

47. Defendants Raffle and Applegate, in the manner set forth above, knowingly or with recklessness provided substantial assistance to ArthroCare's violations of these provisions, as an issuer of a security registered pursuant to Section 12 of the Exchange Act, in its failing to file with the Commission, in accordance with rules and regulations the Commission has prescribed, information and documents required by the Commission to keep reasonably current the information and documents required to be included in or filed with an application or registration statement filed pursuant to Section 12 of the Exchange Act and annual reports and quarterly reports as the Commission has prescribed.

48. By reason of the foregoing, Defendants Raffle and Applegate aided and abetted ArthroCare's violations of, and unless restrained and enjoined, will aid and abet further violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-13].

SIXTH CLAIM

Aiding and Abetting ArthroCare's Violations of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B) (Against Raffle and Applegate)

49. Paragraphs 1 through 29 are realleged and incorporated by reference. Based on the conduct alleged herein, ArthroCare violated Section 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

50. Defendants Raffle and Applegate, in the manner set forth above, knowingly or with recklessness provided substantial assistance to ArthroCare in connection with its failure to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected ArthroCare's transactions and dispositions of its assets.

51. Defendants Raffle and Applegate, in the manner set forth above, knowingly or with recklessness provided substantial assistance to ArthroCare in connection with its failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles.

52. By reason of the foregoing, Defendants Raffle and Applegate aided and abetted ArthroCare's violation of, and unless restrained and enjoined, will aid and abet further violations of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. §§ 78m(b)(2)(A) and (b)(2)(B)].

SEVENTH CLAIM

Claim Against the Relief Defendant Kathy Raffle

53. Paragraphs 1 through 29 are realleged and incorporated by reference.

54. As set forth in this Complaint, Relief Defendant Kathy Raffle has received funds and assets from Defendant Raffle which are the proceeds of, or are traceable to the proceeds of, the unlawful activities of the Defendant Raffle, as alleged above.

55. Relief Defendant Kathy Raffle has obtained the funds and assets alleged above as part of and in furtherance of the securities violations alleged in paragraphs 1 through 29 and under the circumstances it is not just, equitable or conscionable for her to retain the funds and assets. As a consequence, Relief Defendant Kathy Raffle has been unjustly enriched.

RELIEF REQUESTED

For these reasons, the Commission respectfully requests that the Court enter a judgment:

(a) permanently enjoining Raffle from violating Section 17(a) of the Securities Act and Sections 10(b) and 13(b)(5) of the Exchange Act, and Rules 10b-5, 13b2-1 and 13b2-2 thereunder, and aiding and abetting violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules12b-20, 13a-1 and 13a-13 thereunder;

(b) ordering Raffle to disgorge $175,000;

(c) prohibiting Raffle under Section 20(e) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78l], from acting as an officer or director of any issuer that has a class of securities registered under Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports under Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)] for a period of five (5) years;

(d) permanently enjoining Applegate from violating Section 17(a) of the Securities Act and Sections 10(b) of the Exchange Act, and Rule 10b-5 thereunder, and aiding and abetting violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules12b-20, 13a-1 and 13a-13 thereunder;

(e) ordering Applegate to disgorge $55,000;

(f) prohibiting Applegate under Section 20(e) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78l], from acting as an officer or director of any issuer that has a class of securities registered under Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports under Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)] for a period of five (5) years;

(g) ordering Relief Defendant Kathy Raffle to disgorge $200,000; and

(h) granting such other relief as this Court may deem just or appropriate.

Dated: June 27, 2011

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