

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4773 / September 22, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-18200

In the Matter of

**Marshall G. Eichenauer, Jr. and
Sagent Wealth Management, LLC**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 203(e), 203(f)
AND 203(k) OF THE INVESTMENT
ADVISERS ACT OF 1940, MAKING
FINDINGS, AND IMPOSING REMEDIAL
SANCTIONS AND A CEASE-AND-DESIST
ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), against Marshall G. Eichenauer, Jr. and Sagent Wealth Management, LLC (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds that:

Summary

This matter concerns an investment adviser, Marshall Glen Eichenauer Jr. (“Eichenauer”), who, along with his advisory firm, Sagent Wealth Management LLC (“Sagent”), used money invested in a fund they managed to finance loans that personally benefitted Eichenauer. In doing so, Eichenauer and Sagent violated the Advisers Act’s anti-fraud protections by failing to disclose Eichenauer’s conflict of interest or obtain investors’ consent in causing the fund to make these loans.

Respondents

1. **Marshall Glen Eichenauer, Jr.**, age 56, is a resident of Laguna Beach, California. He is the founder, president, and is currently the sole owner of Sagent, an investment advisory firm. During the relevant period, Eichenauer was a majority owner of Sagent. Eichenauer is also the manager of Sagent Fund Management, LLC. From Sagent’s inception to the date of this recommendation, Eichenauer was the only person who provided investment advice on Sagent’s behalf. Eichenauer had ultimate authority over all firm investment decisions and the recommendations provided to clients. Eichenauer was compensated for his services through a salary and periodic distributions from Sagent. Eichenauer is currently the only investment adviser representative registered with Sagent, and has no known disciplinary history. Eichenauer currently holds a series 65 license. Before the relevant period, Eichenauer held series 7, 31, and 63 licenses, but he no longer holds these licenses.

2. **Sagent Wealth Management, LLC** is a California limited liability company with its principal place of business in Laguna Beach, California. Sagent, owned and managed by Eichenauer, is an investment advisory firm registered with the Commission. Eichenauer formed Sagent on September 3, 2010 as a replacement for a predecessor registered investment advisory firm owned by Eichenauer. During the relevant period, Eichenauer owned 80% of Sagent, and Sagent Private Investment Fund I, LLC owned 20% of Sagent. In Sagent’s Forms ADV filed in 2012 and 2013, Sagent and Eichenauer reported approximately \$100 million in regulatory assets under management from roughly 300 clients, consisting of approximately 750 to 800 accounts. In Sagent’s Forms ADV filed between 2014 and 2016, Sagent and Eichenauer reported approximately \$100 million regulatory assets under management from roughly 150 to 200 advisory clients, consisting of approximately 300 to 450 accounts. In its latest Form ADV, which was filed in March 2017, Sagent reported approximately \$100 million in regulatory assets under management and 100 advisory clients, consisting of 292 accounts.

Other Relevant Entities

3. **Sagent Private Investment Fund I, LLC** (“SPIF”) was a California limited liability company with its principal place of business in Laguna Beach, California. Eichenauer formed SPIF in May 24, 2010 as a private investment fund. When it was formed, SPIF acquired a 20% ownership interest in Eichenauer’s predecessor advisory firm. When Eichenauer transferred that firm’s registration to Sagent in September 2010, SPIF retained 20% ownership of Sagent. SPIF held its interest in Sagent until Sagent bought back the interest in

May 2016. On July 21, 2017, Eichenauer filed a certification of cancellation with the California Secretary of State to dissolve SPIF, and SPIF's entity status appears as cancelled on the California Secretary of State's website.

4. **Sagent Fund Management, LLC** ("SFM") was a California limited liability company with its principal place of business in Laguna Beach, California. Eichenauer formed SFM on May 24, 2010. It is the manager of SPIF; and Eichenauer, in turn, is the manager of SFM. SFM is listed as SPIF's investment adviser in Sagent's Form ADV and acted as SPIF's investment adviser. However, SFM contracted certain SPIF related investment advisory and management services to Sagent. Although SFM received advisory management fees from SPIF, SFM transferred the entirety of those fees to Eichenauer. SFM is not registered with the Commission in any capacity. On July 21, 2017, Eichenauer filed a certification of cancellation with the California Secretary of State to dissolve SFM, and SFM's entity status appears as cancelled on the California Secretary of State's website.

Background

A. The Formation of SPIF

5. As of 2010, Eichenauer and Sagent provided investment advisory services to about 300 clients. In May 2010, Eichenauer and Sagent formed SPIF. SPIF's investors included 34 of Sagent's advisory clients (the "advisory clients"), and another five investors (collectively with the advisory clients, the "SPIF investors"), with a total raised of \$1.5 million.

6. Of the \$1.5 million raised from SPIF investors, SPIF invested \$900,000 in Sagent. In exchange, SPIF received a 20% ownership stake in Sagent, and Sagent was required to pay SPIF a 10% preferred annual return of \$90,000, payable quarterly. Eichenauer retained ownership of the remaining 80% stake in Sagent.

7. After raising \$1.5 million and investing \$900,000 in Sagent, the rest of SPIF's capital raise – or \$600,000 – was to be held in cash and diversified investments such as mutual funds. This liquid balance, called the "Balanced Fund," was set aside so that SPIF could provide liquidity to its investors to the extent they sought to withdraw under a right of redemption that could be exercised "one time during each calendar quarter" based on Eichenauer and Sagent's "commercially reasonable best efforts" and subject to "the amount of available cash being held by [SPIF] at such time."

8. Eichenauer and Sagent formed SFM to be the manager of SPIF. Eichenauer was the manager of this management entity and thus controlled SPIF.

9. Throughout SPIF's existence, SPIF paid Eichenauer or Sagent advisory management fees of 1.25%, certain of them through SFM, based on the amount of SPIF assets under management. Also, per Sagent's operating agreement, Eichenauer was entitled to receive an annual distribution of \$450,000 in quarterly installments. Beginning in July 2012, Sagent paid Eichenauer an annual salary of \$100,000.

B. SPIF's Loans to Sagent

10. In 2011 and 2012, Sagent did not generate enough revenue to make Eichenauer's distribution payments for his 80% stake in Sagent. Eichenauer relied on Sagent's distribution payments for income, because he did not receive a salary from Sagent until July 2012.

11. Starting in March 2012, Eichenauer sold large portions of SPIF's publicly-traded securities in the "Balanced Fund" and loaned the proceeds to Sagent so that Sagent could, in turn, pay at least a portion of Eichenauer's distribution payments.

12. The loans were memorialized in five promissory notes that Eichenauer personally executed on both SPIF's and Sagent's behalf. SPIF's first promissory note to Sagent was issued in March 2012 for \$200,000. Sagent initially borrowed \$125,000 of that principal amount, and then borrowed the balance in four separate installments by September 2012.

13. Eichenauer executed four additional promissory notes in September 2012 (\$50,000), December 2012 (\$50,000), December 2013 (\$25,000), and January 2015 (\$25,000), totaling \$150,000. Sagent borrowed an additional \$126,650 against those four notes, which Eichenauer continued to fund by selling "Balanced Fund" holdings.

14. In all, between March 2012 and January 2015, SPIF loaned Sagent a total of \$326,650, eventually reducing SPIF's "Balanced Fund" to less than \$1,000 by January 2015.

15. Eichenauer personally received approximately half of the loan proceeds, \$166,400, during that period.

C. Respondents' Failure to Obtain Consent or Provide Full Disclosure of Eichenauer's Conflict of Interest

16. Eichenauer and Sagent failed to disclose Eichenauer's conflict of interest to SPIF investors in causing SPIF to use the Balanced Fund to lend Sagent money, the primary purpose of which was so Sagent could make distribution payments to Eichenauer.

17. Eichenauer and Sagent never sought or obtained consent from the advisory clients who had invested in SPIF before causing SPIF to make loans to Sagent. Sagent and Eichenauer also did not cause written disclosure to be provided to other SPIF investors or give them the chance to consent to the loans on behalf of SPIF. Nor did SPIF appoint an independent representative or independent board to act on behalf of SPIF before SPIF made loans to Sagent.

18. Before causing SPIF to make loans to Sagent, Eichenauer inquired of an attorney whether the consent of SPIF's investors was required before SPIF made the loans, given his conflict of interest. This attorney advised that, based on Sagent's and SPIF's operating agreements, the SPIF investors' consent was not required. However, Eichenauer did not seek or receive legal advice on whether or how to disclose his conflict of interest.

19. SPIF investors were not informed that SPIF was making the loans until after SPIF's initial March 2012 loan of \$125,000 to Sagent. SPIF investors were informed about the

loans in separate quarterly updates dated April 2012 and July 2012, and in an August 2012 webinar.

20. The April 2012 update simply described the terms of the March 2012 promissory note, noting, among other things, that: (1) Sagent “may borrow up to \$200,000 from SPIF at a rate of 8% per annum,” (2) Sagent “shall make interest only payments to SPIF quarterly,” (3) the promissory note “shall be due and payable in full on March 31st, 2017,” and (4) Sagent received \$125,000 from SPIF.

21. The July 2012 update was even more limited, noting that “the balance of the Secured Promissory Note was \$170,000” and that “the first interest payment of 8% per annum is scheduled to be paid to SPIF in July 2012.”

22. Eichenauer and Sagent did not elaborate any further on SPIF’s loans to Sagent until an August 2012 webinar for SPIF investors. There, Eichenauer described SPIF’s loans to Sagent as a “fixed investment ... that would pay a handsome rate of return,” without any disclosure to SPIF investors about Eichenauer’s conflict of interest that the primary purpose of the loans was to pay himself.

23. From March 2012 through January 2015, Eichenauer continued selling SPIF’s Balanced Fund holdings and loaning the proceeds to Sagent, a portion of which he used to pay himself, without disclosing his conflict of interest.

24. Although Eichenauer and Sagent disclosed to SPIF investors in quarterly updates throughout this period that SPIF’s loan balance to Sagent was increasing, and that the Balanced Fund’s amounts were decreasing, Eichenauer and Sagent failed to disclose Eichenauer’s conflict of interest that the primary purpose of each loan was to pay Eichenauer’s distribution.

25. From March 2012 to SPIF’s closure in May 2016, SPIF paid Eichenauer or Sagent \$15,380 in advisory management fees for managing the loans that Eichenauer and Sagent failed to disclose posed a conflict of interest.

26. In May 2016, during an ongoing examination by Office of Compliance Inspections and Examinations staff, Eichenauer and Sagent liquidated and closed SPIF. Sagent repurchased SPIF’s 20% equity ownership in Sagent at the original purchase price of \$900,000. Additionally, Sagent repaid the balance of SPIF’s loan to Sagent in the amount \$315,000. Afterwards, Eichenauer paid SPIF’s final expenses and closing audit, distributed the net proceeds to SPIF investors, and terminated SPIF.

Violations

27. As a result of the conduct described above, Sagent and Eichenauer willfully violated Section 206(2) of the Advisers Act, which makes it unlawful for any investment adviser, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, to “engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.”

28. As a result of the conduct described above, Sagent and Eichenauer willfully violated Section 206(3) of the Advisers Act, which makes it unlawful for any investment adviser, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, “acting as principal for his own account, knowingly to sell any security to or purchase any security from a client, or acting as broker for a person other than such client, knowingly to effect any sale or purchase of any security for the account of such client, without disclosing to such client in writing before the completion of such transaction the capacity in which he is acting and obtaining the consent of the client to such transaction.”

29. As a result of the conduct described above, Sagent and Eichenauer willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8(a)(1) thereunder, which make it unlawful for any investment adviser, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, “to engage in any act, practice, or course of business which is fraudulent, deceptive, or manipulative,” including to “make any untrue statement of a material fact or to omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the pooled investment vehicle.”

Undertakings

Respondents have undertaken to do as follows:

Payment to SPIF Investors

30. Respondents undertake, jointly and severally, to distribute, within 30 days of the date of entry of this Order, a total payment in the amount of \$16,110.31 (the “Distribution”) to compensate SPIF investors. This amount represents the advisory management fees that SPIF paid Eichenauer or Sagent for managing the loans that Eichenauer and Sagent failed to disclose posed a conflict of interest.

31. Respondents shall be responsible for administering the payment of the Distribution to the SPIF investors as described in Section IV. C below. On July 7, 2017, Respondents deposited the amount of the Distribution into an escrow account (the “Distribution Account”) and provided Commission staff with evidence of such deposit in a form that was not unacceptable to the Commission staff.

Independent Compliance Consultant

Respondent Sagent shall:

32. Retain, not later than 45 days after the date of this Order, at Sagent’s expense, an independent consultant not unacceptable to the Commission’s staff (the “Independent Consultant”). Sagent shall require the Independent Consultant to:

- a. conduct a comprehensive review of Sagent's current policies, procedures, and systems with respect to disclosure, custody, and compliance (collectively the "Policies/Systems");
- b. make recommendations for changes or improvements to the Policies/Systems and a procedure for implementing the recommended changes or improvements; and
- c. conduct an annual review, for each of the following two years from the date of the issuance of the Independent Consultant's initial report, to assess whether Sagent is complying with its revised Policies/Systems and whether the revised Policies/Systems are effective in achieving their stated purposes, and make additional recommendations for changes or improvements to the Policies/Systems, if needed.

33. No later than 10 days following the date of the Independent Consultant's engagement, provide to the Commission staff a copy of an engagement letter detailing the Independent Consultant's responsibilities pursuant to paragraph 7 above. To ensure independence, Sagent shall not have the authority to terminate the Independent Consultant without prior written approval of the Commission's staff.

34. Arrange for the Independent Consultant to issue its first report within 90 days after the date of the engagement. For the annual reviews conducted for each of the following two years, arrange for the Independent Consultant to issue each of these reports 365 days following the preceding report. Within 10 days after the issuance of each of the reports, Sagent shall require the Independent Consultant to submit to Robert Conrard, Associate Director of the Commission's Los Angeles Regional Office, a copy of the Independent Consultant's reports. The Independent Consultant's reports shall describe the review performed and the conclusions reached and shall include any recommendations deemed necessary to make the Policies/Systems adequate and address the deficiencies set forth in Section III of the Order.

35. Within 30 days of receipt of the Independent Consultant's reports, adopt all recommendations contained in the reports and remedy any deficiencies in its written policies, procedures, and systems; provided, however, that as to any recommendation that Sagent believes is unnecessary or inappropriate, Sagent may, within 15 days of receipt of the reports, advise the Independent Consultant in writing of any recommendations that it considers to be unnecessary or inappropriate and propose in writing an alternative policy or procedure designed to achieve the same objective or purpose.

36. With respect to any recommendation with which Sagent and the Independent Consultant do not agree, attempt in good faith to reach an agreement with the Independent Consultant within 30 days of receipt of the reports. In the event that Sagent and the Independent Consultant are unable to agree on an alternative proposal acceptable to the Commission's staff, Sagent will abide by the original recommendation of the Independent Consultant.

37. Within 30 days after the date of the Independent Consultant's second annual report, submit an affidavit to the Commission's staff stating that it has implemented any and all recommendations of the Independent Consultant, or explaining the circumstances under which it has not implemented such recommendations.

38. Cooperate fully with the Independent Consultant and provide the Independent Consultant with access to its files, books, records and personnel as reasonably requested for the Independent Consultant's review.

39. Require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Sagent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties under this Order shall not, without prior written consent of the Los Angeles Regional Office, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Sagent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

40. Certify, in writing, compliance with the undertaking(s) set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondents agree to provide such evidence. The certification and supporting material shall be submitted to Robert Conrad, Associate Director, Division of Enforcement, Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

Notice to SPIF Investors and Advisory Clients

41. Within 45 days of the entry of this Order, Respondents shall provide a copy of the Order to each of the SPIF investors and each of Sagent's existing advisory clients via mail, email, or such other method as may be acceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff. Sagent will also comply with all disclosure obligations under the Advisers Act concerning this Order, including providing a notification of this Order in the Item 2 "Material Changes Since Last Annual Update" section of any brochure required under Rule 204-3.

42. Respondents shall certify, in writing, their compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondents to provide such evidence. The certification and supporting material shall be submitted to Robert

Conrad, Associate Director, Division of Enforcement, Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than 60 days from the completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Sections 203(e), 203(f) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondents cease and desist from committing or causing any violations and any future violations of Sections 206(2), 206(3), and 206(4) of the Advisers Act and Rule 206(4)-8(a)(1) promulgated thereunder.

B. Respondents are censured.

C. Respondents shall pay, jointly and severally, disgorgement of \$15,380 and prejudgment interest of \$730.31, within 30 days of entry of the Order. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment shall be made as follows:

- (1) Submit to the Commission staff, within 15 days of the date of entry of this Order, a distribution plan ("Distribution Plan") for the staff's review and approval that identifies: (i) each SPIF investor who will receive a portion of the Distribution ("Eligible Investor"); (ii) the exact amount of that payment as to each Eligible Investor; and (iii) the methodology used to determine the exact amount of that payment as to each Eligible Investor. Respondents shall provide to the Commission staff such additional information and supporting documentation relating to the Distribution Plan as the Commission staff may request for the purpose of its review. No portion of the Distribution shall be paid to any investor account directly or indirectly in the name of or for the benefit of Respondent Sagent or Respondent Eichenauer. In the event of one or more objections by the Commission staff to Respondents' proposed Distribution Plan and/or any of its information or supporting documentation, Respondents shall submit a revised Distribution Plan for the review and approval of the Commission staff and/or additional information or supporting documentation within 5 days of the date that Respondent is notified of the objection, which revised Plan shall be subject to all of the provisions contained within this Order;
- (2) Within 30 days of the date of entry of this Order, complete payment of the Distribution to all Eligible Investors pursuant to the Distribution Plan that has been submitted to, reviewed, and approved by the Commission staff. If

the total amount otherwise payable to an investor is less than \$20.00, Respondents shall instead pay such amount to the Commission for transmittal to the United States Treasury as provided in this Order;

- (3) If Respondents do not distribute or return any portion of the Distribution for any reason, including an inability to locate an investor or any factors beyond Respondents' control, Respondents shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury in accordance with Exchange Act Section 21F(g)(3) after the final accounting provided for in this Order is approved by the Commission. Any such payment shall be made in accordance with Section IV. D. below;
- (4) Respondents shall be responsible for any and all tax compliance responsibilities associated with the Distribution and shall retain any professional services necessary. The costs and expenses of any such professional services shall be borne by Respondents and the payment of taxes applicable to the Distribution Account, if any, shall not be paid out of the Distribution funds. Respondents shall not be responsible for payment of any income taxes investors owe on any portion of the Distribution they receive;
- (5) Within 60 days after the date of entry of this Order, Respondents shall submit to the Commission staff a final accounting and certification of the disposition of the Distribution for Commission Approval. The final accounting and certification shall include, but not be limited to: (i) the amount paid to each payee; (ii) the date of each payment; (iii) the check number or other identifier of money transferred or proof of payment made; (iv) the date and amount of any returned payment; (v) a description of any effort to locate a prospective payee whose payment was returned; (vi) an affirmation that the amount paid to the current and former Eligible Investor represents a fair calculation of the Distribution; and (vii) any amounts to be forwarded to the Commission for transfer to the United States Treasury. Respondents shall submit proof and supporting documentation of such payments to the Commission staff upon request. Respondents shall cooperate with reasonable requests for information in connection with the accounting and certification; and
- (6) The Commission staff may extend any of the procedural dates set forth in this Subsection C. for good cause shown. Deadlines for dates relating to the Distribution Fund shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

D. Respondents shall, within 365 days of the entry of this Order, pay a civil money penalty in the amount of \$165,000, to the Securities and Exchange Commission, for transfer to

the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made in the following installments: (1) \$30,000 within 180 days of entry of the Order; (2) \$30,000 within 270 days of entry of the Order; (3) \$105,000 within 365 days of entry of the Order. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717. This penalty is owed jointly and severally by Respondents Eichenauer and Sagent. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Eichenauer and Sagent as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Robert Conrad, Associate Director, Division of Enforcement, Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071.

Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against either or both Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of \$181,110.31 in disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 and/or pursuant to 31 U.S.C. Section 3717, shall be due and payable immediately, without further application.

E. Respondents shall comply with the undertakings enumerated in paragraphs 30 through 42 above.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Eichenauer, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Eichenauer under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Eichenauer of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary