

WHISTLEBLOWER REPORT TO SECURITIES AND EXCHANGE COMMISSION REGARDING MICROCAP FRAUD SCHEME INVOLVING [“THE OLD MAN”] AND OTHERS

This report is about a network of microcap fraud and several pump and dump schemes run by and involving [the Old Man], [“Darrell”], [“Cirrus”], [“Vanmicheal”], and [Hammering]; and, more recently involving [the Old Man]’s oldest son, [“the Old Man, Jr., a/k/a “Randy”)].

The facts reported are based on the personal knowledge of [“Sam”] (“Complainant”), who learned information directly from [the Old Man] and [Darrell] and from independent investigation. Complainant was an independent contractor for [Cambridge] Funding in the 2007-2009 timeframe, and reported suspected violations directly to [the Old Man] numerous times beginning in August 2009 all the way through 2017. [The Old Man] disregarded the reports because he was responsible for many of the violations himself and/or aided and abetted others in violations.

Background

In the early-1990s the FBI raided [Cambridge] Funding Corporation in Houston, Texas, resulting in a twenty seven count indictment against [Cambridge] principals including federal charges of bank fraud, bank bribery, bank larceny, and other criminal charges. Exhibit (“Exh.”) 1. [“Cirrus”] and [“Hammering”] were two of the three principals charged.

Two of the few (if not only) individuals not included in the indictment were [the Old Man], a former bank president, and his close friend and residential mortgage broker, [Darrell]. [The Old Man] and [Darrell] later opened respective sole proprietorships in a shared office suite. The charges against [Cirrus], [Hammering], and the others were eventually dismissed due to prosecutorial misconduct.

Years later, [The Old Man] and [Darrell] became the face of an allegedly new company, also called “[Cambridge] Funding Corporation” (“[Cambridge] Funding”). [Cambridge] Funding publicly traded under [XXFD] as penny stocks on the OTC market and described itself to the investing public as an “Asset Resolution company specializing in the purchase and management of individual and bulk loan portfolios consisting primarily of Sub-Performing, and Non-Performing Residential and Commercial loans.” Exh. 2. [Darrell] was the CEO and [the Old Man] was the President.

[Cambridge] Funding claimed to buy underperforming loans at steep discounts to then sell them at higher prices and/or hold the performing loans until maturity for the yield. That was how shareholders were supposed to make money.

Meanwhile, [the Old Man] and [Darrell] sold their individually owned mortgage brokerages to [Cambridge] Funding in exchange for over 20 million shares each plus other remuneration. This gave them control over large blocks of [Cambridge] Funding’s free trading shares. Next, [the Old Man] organized and implemented promotional campaigns on behalf of the company, replete with press releases, business journal articles, newsletters, and email blasts, to artificially pump up the price and trading volume of company shares. The campaigns were designed to lead investors to buy [Cambridge] Funding shares based on false representations that

the company was acquiring significant loan portfolios and raising capital to continue purchasing portfolios on an all-cash basis. Though [Darrell]'s name was all over the releases, the actual authors were [the Old Man] and [Vanmichael].

In reality, the company was doing no such thing. Instead of buying significant loan portfolios, [the Old Man] was consistently turning away potential and legitimate deals valued in the hundreds of millions of dollars from sellers such as CitiBank, Bank of America, Morgan Stanley and Bayview Capital, just to name a few, and instead only invested in a small fraction of much lower value portfolios, many of which were nonperforming.

After pumping the stocks, [the Old Man] and [Darrell] dumped them by selling large volumes of [Cambridge] Funding's stock to innocent investors. [Cambridge] Funding's stock price would then drop, resulting in losses to the investing public.

[The Old Man] and [Darrell] were running a stock market manipulation scheme that artificially inflated the stock price of a publicly traded company through manipulative trading and other fraudulent means. Meanwhile, in the background, they had reconnected with [Cirrus] and [Hammering], who were also intricately involved in the same scheme as well as others that followed the same pattern. It could be said that [Cirrus]'s microcap fraud business model operated like a franchise, with others following the same pattern of deception as [Cirrus], just using different names for the companies, but always using press releases to artificially inflate the value of stock so that the principals could profit from innocent investors when they dumped their shares.

The following tables detail persons and companies of interest that will be discussed in more detail in the detailed timeline in the next section.

Persons of Interest

NAME	COMPANIES	ROLE (IF KNOWN)
"The Old Man"	[Cambridge] Funding Corporation (1989-1991)	Senior management
	████████ Capital Corporation (1992-1998; 2001-2007)	President
	██████ Commercial Mortgage (1996-current)	Owner/President
	██████ Title ██████ (2001-2004)	Co-Owner/Director
	[Cambridge] Funding Corporation "II" (2007-2009)	President
	████████ ██████ Solutions Inc. (2009-2010)	
	████████ Acquisitions II (2008-2009)	Director/President/Secretary
	████████ Investment Corp. (2009-2010)	Director/President/Secretary

	[Cambridge] Mortgage Solutions (2009-current)	Co-Owner/President
	[REDACTED] Commercial Mortgage (a/k/a [REDACTED] Mortgage Corporation (current)	Co-Owner/President
[Darrell]	[Cambridge] Funding Corporation (1989-1991)	Senior management
	[REDACTED] Capital Corporation (1992-1998; 2001-2007)	Owner/President
	[REDACTED] Financial Corporation (1996-current)	Owner/President
	[REDACTED] Title [REDACTED] (2001-2004)	Co-Owner/Director
	[Cambridge] Funding Corporation "II" (2007-2009)	CEO/Director
	[REDACTED] [REDACTED] Solutions Inc. (2009-2010)	
	[REDACTED] Acquisitions II (2008-2009)	Director/Treasurer
	[REDACTED] Investment Corp. (2009-2010)	Director/Treasurer
	[Cambridge] Mortgage Solutions (2009-current)	Co-Owner/President
	[REDACTED] Financial (post-[Cambridge] Funding's purchase of same)	Owner/President
	[Cambridge] Management Capital, LLC	Chief Executive Officer
[Vanmichael]	[Cambridge] Funding Corporation "II" (2007-2009)	Head of Customer Relations
	[REDACTED] Corp.	
	[REDACTED] Securities Corp. (private company associated with [REDACTED].pk/[REDACTED].pk, [REDACTED].pk/[REDACTED].pk, [REDACTED].pk/[REDACTED].pk/[REDACTED].pk, [REDACTED].pk/[REDACTED].pk)	
	NATIONAL [REDACTED] INC. ([REDACTED].pk) fka [REDACTED] INC. ([REDACTED].pk) (until September 4, 2008) fka [REDACTED] INC. ([REDACTED].pk) (until September 6, 2007) fka [REDACTED] [REDACTED] (until November 21, 2006)	

[Cirrus]	[Cambridge] Funding Corporation (1989-1991)	Principal
	██████████, Inc. (1991-unknown)	Director
	██████████ [Cirrus] Corporation (1997-unknown)	Treasurer
	██████████ of ██████████, Inc. (1998-unknown)	Unknown
	The ██████████ Corporation (1998-unknown)	President
	██████████ ██████████ Corp. (2004-current; private company associated with ██████████.pk/██████████.pk, ██████████.pk/██████████.pk, ██████████.pk/██████████.pk)	Director
	██████████, Inc. (██████████.pk, f/k/a ██████████.pk, ██████████, Inc., ██████████, Inc.)	Unknown
	NATIONAL ██████████, INC. (██████████.pk) fka ██████████, INC. (██████████.pk) (until September 4, 2008) fka ██████████, INC. (██████████.pk) (until September 6, 2007) fka ██████████ (until November 21, 2006)	Unknown
	██████████ CORP (██████████.pk) fka ██████████ SOLUTIONS, INC. (UNTIL 6/18/2008) fka ██████████ (UNTIL 8/20/2004) fka ██████████ (until 2/6/2003)	Unknown
	[Cambridge] Funding of Texas	Unknown
[Hammering]	[Cambridge] Funding Corporation “II” (2007-2009)	Unknown
	██████████ Corp.	President and CEO
	██████████ Corporation	Unknown
[Hammering]	[Cambridge] Funding Corporation (1989-1991)	Unknown

	██████████ Ranch, Inc.	Unknown
	██████████ Corporation	Unknown
	██████████ & ██████████	President and CEO
	██████████, Inc.	Unknown
	██████████ L.L.C.	Unknown
	██████████ Capital ██████████, L.P.	Managing Partner
	██████████ ██████████ Management Group	Unknown
	██████████, Inc.	Unknown

COMPANY NAME	ADDRESS & PHONE NUMBER	PEOPLE
[Cambridge] Funding Corp (the original 1989-91 version)	████████████████████ ████████████████████	[Cirrus] [Hammering] [the Old Man] Darrell Others
██████████ Capital Corporation	████████████████████ ████████████████████ ████████████████████	[the Old Man] [Darrell]
██████████ Commercial Mortgage (the original)	████████████████████ ████████████████████ ████████████████████ ████████████████████ ████████████████████	[the Old Man]
██████████ Financial Corporation	████████████████████ ████████████████████ ████████████████████	[Darrell]

[Cambridge] Funding Corp (2007 version)		[the Old Man] [Darrell]
[Bay Methanol] Corporation		[Cirrus] [Hammering] [the Old Man] [Darrell] [Vanmichael]
[Bay] Alternative Energy Corp ([REDACTED]:OTC US)		[Vanmichael] [Cirrus] Kathleen Delaney Others
[REDACTED] Solutions Inc.		[the Old Man] [Darrell] [Vanmichael]
[REDACTED] Investment Corporation (f/k/a [REDACTED] Acquisitions II, Inc.)		[the Old Man] [Darrell]
[Cambridge] Mortgage Solutions, Inc.		[the Old Man] [Darrell] [Randy].
[REDACTED] Commercial Mortgage (Post-Sale to [REDACTED])		[the Old Man] [Darrell]

[Cambridge] Funding, a/k/a [redacted] Mortgage Corporation)	[redacted] [redacted] [redacted]	[Cathleen, the Old Man's latest wife]
[Lattice] Industries		[redacted], CEO [the Old Man], Jr.

TIMELINE AND SUMMARY OF FACTS:

In the 1970s, [the Old Man] became the youngest bank president in [redacted] Commerce Bank's history. A banking prodigy of sorts, he was bank president by age 28, a feat that would be virtually unheard of these days. In the 1980s, he traded in his title as bank president to pursue more lucrative ventures.

One of his earlier ventures was an auto accessory retail franchise that catered to luxury auto owners called [redacted], Inc. Exh. 3. [The Old Man] used the fact that he owned that franchise to justify driving a black Porche with gold-plated hubcaps. It's worth noting that business failed.

After trying a few other endeavors, [the Old Man] eventually landed at a company loosely in the business of acquiring and selling loans. One day [the Old Man] returned from a business trip to find a team of men wearing navy blue windbreakers with "FBI" on the back carrying out boxes of documents from the company's offices. These boxes contained evidence that was later used to indict nearly every other person at [the Old Man]'s office on federal charges of bank fraud, bank bribery, bank larceny, and twenty four other criminal charges. Exh. 1. Somehow this former bank president and his friend, [Darrell], were two of the only (if not the only) people out of the entire company who were not indicted.

After watching their jobs end with an FBI raid and their bosses receiving criminal indictments, [the Old Man] and [Darrell] went to work for themselves.

From 1992-1998, they worked together in a company called [redacted] Capital Corporation, a mortgage brokerage business owned by [Darrell] and run by both [the Old Man] and [Darrell]. Exh. 4. Although public records show [Darrell] as having been President of [redacted] Capital (Exh. 4), long after [redacted] Capital closed its doors, [Cambridge] Funding II press releases would tell the investing public that [the Old Man] was that company's president (see, e.g., Exh. [redacted]).

[The Old Man] and [Darrell] also each opened his own one-man mortgage brokerage firm; they always shared office space and they worked very closely together. [Darrell] focused on residential real estate mortgages through his company, [redacted] Financial Corporation (Exh. 5), while [the Old Man] handled both residential and commercial loans. [The Old Man]'s company name changed slightly over the years from San [redacted] Homes, L.L.C., to San [redacted] Commercial Mortgage, to San [redacted] Mortgage Company, but it was always a very similar

sounding name with the same operation as its basic function—[the Old Man] brokering mortgages involving either residential or commercial real estate. Exh. 6.

Neither [the Old Man] nor [Darrell] had any experience in trading loans or buying and selling loan portfolios, aside from the 18 mos.-2 years they spent at the original [Cambridge] Funding; they were run-of-the-mill mortgage brokers. They did, however, dabble in various side companies through the years, some of which may have had the appearance of being legitimate business ventures, but most likely were serving as tax evasion and/or money laundering vehicles. The following graphic shows just one example of relationships between [the Old Man] and [Darrell]'s various companies, before they reconvened in the second version of [Cambridge] Funding:

[IMAGE REDACTED]

Exh. 7.

In addition to brokering loans through their respective brokerages, typically for the same handful of clients, in 2001 [the Old Man] and [Darrell] also bought a title insurance company they called [REDACTED] Title Services, Inc. to run alongside their mortgage businesses. Exh. 8. Though neither one had experience running a title company, they bought the company so that they could make money off of title fees on deals that closed at their title company, in addition to the fees they would bring in for mortgages they each brokered. They hired one escrow officer and ran the company in similar fashion to the way they ran their other companies—cutting as many corners as possible whether doing so was legal or not.

Complainant has personal knowledge regarding the activities at [REDACTED] Title Services because he worked at the title company in 2001-2002. Having just graduated from college and having no prior experience in the industry, Complainant worked as an escrow assistant and simultaneously began studying to get his real estate broker's license. Despite the lack of experience, it didn't take long for Complainant to notice troubling activities underfoot at the title company. As a starting point, the escrow officer was not actually doing anything with files after closings. This meant title insurance policies were not being obtained, loan instruments were not being recorded, and none of the other actions a title company is supposed to take were being taken. But that was just the tip of the iceberg. From contracts with dubiously missing earnest money to predatory lending practices to blatant straw buyer schemes, Complainant soon saw that the escrow officer handling day-to-day activities was, at best, a veritable train wreck, and quite likely was an outright criminal. When Complainant expressed his concerns to [the Old Man], including his concern that he had personally witnessed a closing that he suspected was an illegal straw man deal, [the Old Man] deflected the complaint and denied any wrongdoing. ([The Old Man] was in the habit of covering for others' illegal activities, however. At the time, one of his repeat clients was [Mr. L], who pled guilty to running one of Houston's largest prostitution rings. [the Old Man] knew what he did, but, as with others whose company he kept, he did not care as long as he was making money off of him.)

Not long after, [the Old Man] and [Darrell] hired a second escrow officer to help with the files. It took her all of one day to catch onto the same troubling issues Complainant had identified. Within a week, she told [the Old Man] that he needed to fire the other escrow officer, or she was leaving. She ended up leaving anyway, realizing that if she did not, she would end up getting blamed for what was very clearly illegal activity that carries prison sentences with it. Complainant left with her and went to work for another title company.

Years later, Complainant learned that both the escrow officer (Machell Halstead) and one of the people at that particular closing that Complainant suspected of being a straw man deal (Fred Batts), were criminally indicted for mortgage fraud. Exhs. 9 and 10.

[The Old Man] and [Darrell] got out of the title insurance business in or around 2004 and continued running their mortgage brokerages.

By Spring 2007, [the Old Man] and [Darrell] were involved in what they were telling everyone was a new company, but which had the same name as the original [Cambridge] Funding that closed after the FBI raid and criminal indictments in the early 1990s. Complainant learned of the second version of [Cambridge] Funding in 2007, when he read an article in the Houston Chronicle about this “new” company with the same name and involving again, [the Old Man] and [Darrell].

Over the course of approximately 2 years, [Cambridge] Funding released numerous press releases containing materially false and misleading statements or omissions. Most of the press releases were drafted or reviewed by [Cambridge] Funding’s President, [the Old Man], and/or its head of Customer Relations, [Vanmichael]. The press releases falsely portrayed [Cambridge] Funding as a thriving business operation, claiming that [Cambridge] had purchased over \$1B in loan portfolios at steep discounts and that the majority of the portfolios were performing, which would result in up to a 70-90% return on investment for investors. These claims were false.

The following timeline provides details regarding [the Old Man], [Darrell], [Cirrus], [Hammering], and [Vanmichael]’s pump and dump schemes through [Cambridge] Funding and other entities. Sample press releases are included as well as other publicly availability information. These sources are not intended to be representative of all the press releases issued or all publicly available information. Details regarding why certain statements were false or misleading (which are not publicly available and are being submitted for the first time in this document) are based on Complainant’s personal knowledge, having either observed certain events at the time personally, or having been told information contemporaneously by [the Old Man] and/or [Darrell] about these events.

1. May 24, 2007¹ (XXFD): [Cambridge] Funding issues a press release titled “[Cambridge] Funding to Acquire Assets.” *See* Exh. 11.

- a. The press release announces the launch of [Cambridge] Funding’s “asset management program for subprime mortgage portfolios,” in which the company “will focus on

¹ For convenience, dates throughout this timeline are often followed by a parenthetical abbreviation to indicate which company is associated with the particular event being described.

acquiring and rehabilitating subprime mortgage portfolios in the secondary mortgage market.”

- b. [Darrell], described in the press release as “[Cambridge]’s CEO,” is quoted as saying, among other things, “We intend to capture the upside of a down market with the potential of producing 15% to 40% gains on each portfolio asset we acquire.”
- c. The press release also refers to the original [Cambridge] Funding: “In the 1990’s the [Cambridge] Funding team traded over \$1 billion in portfolio assets and gained valuable experience that should relate to today’s market.”
- d. The press release does not say how long [Cambridge] Funding has been in existence, but suggests it had been operating and was just now opening a new asset management program. It also suggests the company was operating in the 1990s. There is no distinction made between the original [Cambridge] Funding that was shut down after criminal indictments issued and this [Cambridge] Funding.
- e. The phone number for [Cambridge] Funding listed on the press release, [REDACTED], is the same phone number San [REDACTED] Mortgage Company ([the Old Man]’s one man mortgage company) had been using since 1996 (Exh. 6). It is also the same number [REDACTED] Financial Corporation ([Darrell]’s one man mortgage company) was using at the time. It is also the same number [REDACTED] Capital Corporation used, [Darrell] and [the Old Man]’s other mortgage company that they opened shortly after the original [Cambridge] Funding Corporation closed its doors in the early 1990s. Exh. 4.

2. June 03, 2007 ([XXFD]): [Cambridge]’s website homepage makes the following statements:

- a. “Senior Management at [Cambridge] has facilitated loan sales in excess of **One Billion Dollars (\$1B)**” and “We have traded billions of dollars of financial assets as principal and agent, and have relationships with hundreds of financial institutions and loan investors nationwide.” See Exh. 12.
 - i. On information and belief, “Senior Management” refers to [the Old Man], [Darrell], [Cirrus], and [Hammering]—all of whom were part of the original [Cambridge] Funding and two of whom ([Cirrus] and [Hammering]) were criminally indicted for their activities there, yet none of their identities are revealed on the website other than [Darrell], who is listed as the only contact throughout the whole website.
 - ii. Who is the “we” in “we have traded billions of dollars of financial assets”? If this is a reference, again, to the original [Cambridge] Funding, then it is noteworthy that the website does not disclose that fact to its investors. If, however, this is a different company than the original [Cambridge] Funding, then how could it have already traded billions of dollars when the company only appeared to become active less than two weeks prior.

- a. “We have arranged several hundred million dollars in private financings in the last several years, and have relationships with numerous capital sources for all types of financing.” *See* Exh. 12.
 - i. Importantly, arranging financing is not the business model disclosed to the public by [Cambridge] Funding.
 - ii. Again, who is the “we” that has “arranged” all of these financings? If it is the new [Cambridge] Funding, which has only been around for a few months, then how could they also have “arranged” all of these private financings “in the last several years.” Also, this statement suggests a variety in the types of financings arranged. This statement is also false. The only financings arranged by [Darrell] in the years leading up to this were residential real estate mortgages and the occasional commercial real estate mortgage that he would partner on with [the Old Man]. Meanwhile, the only financings arranged by [the Old Man] were residential and commercial real estate mortgages.

3. June 15, 2007 ([XXFD]): [Cambridge] announces (in another press release) opening new headquarters in Houston. *See* Exh. 13.

- a. According to the press release, “The new headquarters will accommodate the company’s space and personnel requirements as the company develops new business volume during the implementation of its acquisition strategy.” The personnel consisted of two people, [the Old Man] and [Darrell]. The “headquarters” consisted of the same four-office suite where [the Old Man] and [Darrell] had operated their respective sole proprietor mortgage brokerage firms for four years leading up to this point.
- b. The phone number for [Cambridge] Funding listed on the press release, [REDACTED], was the same phone number as San [REDACTED] Commercial Mortgage ([the Old Man]’s one man mortgage company) and [REDACTED] Financial Corporation ([Darrell]’s one man mortgage company). Exhs. 5 and 6.
- c. [Darrell], “CEO of [Cambridge] Funding Corp.” is quoted in the press release as saying, “[t]he new headquarters will provide a base for the expansion of the company and the implementation of its growth plan...We are positioning ourselves for rapid expansion in business volume. Being able to expand our office space as the company grows will keep the operations running smoothly even as we transition through our planned growth phase.” They did not move into new headquarters or expand their space—they stayed in the same office space they had occupied for the previous 4 years. This was not a “new headquarters.”
- d. Subsequently, a year later, [Cambridge] Funding moved to [REDACTED], where [the Old Man] and [Darrell] used an office suite controlled by [Cirrux] and directly adjacent to [Cirrux]’s own office. [Cirrux] controlled a block of

suites in that building, and the office-suite [the Old Man] and [Darrell] moved into was the same size as the office suite they had previously occupied.

- 4. June 18, 2007 ([XXFD]):** [Cambridge] Funding issues another press release, titled “[Cambridge] Funding Appoints New CEO” (Exh. 14), announcing the appointment of [Darrell] as CEO and Executive director, even though he had already been issuing press releases on behalf of the company since May. *See* Exh. 11.

- a. According to the press release, “Prior to taking the helm of [Cambridge] Funding [Darrell] owned Huntington Financial Corporation, a Houston-based company that originated mortgage loans and engaged in the sale of mortgage portfolios.”
- b. The press release also describes as his experience, “During the mortgage crisis of the early 1990's, [Darrell] managed the acquisition, restructuring and resale of over \$750 million in secondary mortgage assets.” This is another reference to [Darrell]’s involvement in the original [Cambridge] Funding.

- 5. June 20, 2007 ([XXFD]):** [Cambridge]’s website’s “Assets” Page makes the following affirmative claims:

- a. “[Cambridge] Funding has strong in-house research and analytical capabilities for the support of our trading and transaction marketing activities. We also maintain databases and files of information to support needed research efforts. We have conducted research in many different industries, including Technology, Medical, Communications, the Internet and others.” Exh. 15.
 - i. The first two statements are false. There were no such “in-house research and analytical capabilities” – [the Old Man] and [Darrell] were the only ones sitting in that office. There also were no databases and files “to support needed research efforts.” As far as having “conducted research in many different industries,” other than spending time surfing the internet and reading the paper, there was no such research conducted.
 - ii. The third statement regarding having “conducted research in many different industries” aside from not really making any sense (they “conducted research in...the Internet”?), is irrelevant to the business model [Cambridge] Funding has told the investing public they are carrying out.
- b. “We have also structured and placed several securitization transactions backed by assets and receivables. We were among the very first financial firms to structure and place auto lease backed securitizations. We have done other securitization transaction types as well.” Exh. 15.
 - i. These statements are also false and/or materially misleading. Aside from the first sentence being so ambiguous and vague as to be meaningless and, therefore, misleading, for a company that is supposed to be dealing in the subprime mortgage loan market, auto-lease backed securitizations are completely irrelevant. [Cambridge] Funding was not in the auto-lease backed

securitizations market, nor were [the Old Man] or [Darrell] ever in that market. The statement about being “among the very first financial firms to structure and place auto lease backed securitizations” is completely false, and is yet another example of [the Old Man] throwing in random statements to make it seem as though the company was engaged in a multitude of financially related activities, so that investors would believe [Cambridge] Funding was more legitimate than it ever was.

c. “We are familiar with a wide range of financial structuring techniques and are able to place transactions in excess of \$200 million.” Exh. 15.

i. Again, this is meaningless fluff--how were they “able” to “place” such transactions? [the Old Man] and [Darrell] have no track record of placing transactions of \$100 million, let alone \$200 million. And, again, this is describing brokerage services, which is a completely different business than what [Cambridge] Funding was telling the investing public they were doing.

6. June 20, 2007 ([XXFD]): [Cambridge] Funding Announces Intent to Acquire San [REDACTED] Commercial Mortgage [the Old Man’s one-man mortgage company] (BIZ). Exh. 16.

a. [Cambridge] Funding announced having entered into a Letter of Intent to acquire San Felipe Commercial Mortgage, “a Houston-based mortgage service company that will energize [Cambridge]’s sub-prime financing and trading business.”

b. San [REDACTED] Commercial Mortgage was [the Old Man]’s solo commercial and residential mortgage firm that he had been running in the same office space with [Darrell], who meanwhile ran his own one-man operation, [REDACTED] Financial, since the first [Cambridge] Funding went out of business.

c. According to the June 20 press release, the acquisition of San [REDACTED] Commercial Mortgage would “energize [Cambridge]’s sub-prime financing and trading business,” and, according to [Cambridge]’s CEO [Darrell], it would also “accelerate [[Cambridge]’s] growth and strengthen [their] team of professionals.” The inclusion of “financing” here is also misleading. [Cambridge] Funding was telling investors it was in the business of acquiring and selling whole loans as a principal, not as a broker for someone else seeking financing. In fact, in another press release, [Cambridge] Funding touted that they dealt directly with the selling institutions and had eliminated brokers and middle men from the equation.

d. As was common with [Cambridge] Funding press releases, they end the release quoting other people in the financial sector talking generally about the market, and having nothing specifically to do with [Cambridge] Funding. In other words, filler.

e. Also, as with other press releases, [Cambridge] lists the same telephone number as San [REDACTED] Commercial Mortgage [(the Old Man’s one-man mortgage company)] and [REDACTED] Financial [(Darrell’s one-man mortgage company)] even though, according to the press releases so far, neither of these entities has been acquired.

- f. What the press release does not say is who owns San [REDACTED], nor does the press release reveal the relationship between [Cambridge] Funding's CEO and the owner of San [REDACTED]. The truth was that San [REDACTED] Commercial Mortgage was owned by [the Old Man] (CEO [Darrell]'s close friend and office mate) and with that company [the Old Man] only ever had 2-3 clients that he rotated through as repeat customers with re-financings every few years. The purchase of [REDACTED], [the Old Man's] small time one-man mortgage brokerage, was completely inconsistent with [Cambridge] Funding's stated business model, which was to buy large loan portfolios at a discount and then sell them at a higher price to reap substantial returns on investment.
 - g. What is also missing from any reports to the SEC after the purchase of [REDACTED] is the disclosure to investors regarding [the Old Man]'s continued operation of [REDACTED] while at [Cambridge] Funding or the fact that [the Old Man] continued to pay himself 100% of the fees he would have previously earned as the mortgage broker from loans he closed under the "[REDACTED]" name while [Cambridge] Funding purportedly owned [REDACTED]. [Cambridge] Funding never reported receiving any of these funds, nor did [Cambridge] Funding report paying [the Old Man] these funds. The decision to pay [the Old Man] was made by [the Old Man] and intentionally concealed from investors.
7. **June 25, 2007 (XXFD):** [Cambridge] Funding issues another press release, "[Cambridge] Funding to Acquire Houston-Based [REDACTED] Financial" [(Darrell's one-man mortgage company)]. Exh. 17.
- a. [Cambridge] Funding announced having entered into a Letter of Intent to acquire [REDACTED] Financial, "a Houston-based commercial and residential mortgage broker."
 - b. [REDACTED] Financial is described as having been founded in 1998 as "a mortgage-financing broker for real estate developers, investors and private owners throughout the state of Texas."
 - c. The press release continues, "[REDACTED] provides financing for development, construction and permanent financing of commercial and residential developments representing over ten national lenders with traditional and non-traditional lenders."
 - i. In reality, when [Darrell] owned and ran [REDACTED] and a commercial deal would come in the door, he would defer to [the Old Man] to take it and handle it.
 - d. [Darrell] is quoted as saying "Our board and management strongly believe that this acquisition is in the best long-term interests of our shareholders, clients and employees," however nowhere does the press release even hint at the fact that [REDACTED] Financial is [Darrell]'s company.
 - e. The press release says nothing about the relationship between [Darrell] and [REDACTED], namely that [Darrell] owns [REDACTED]. Nor does the press release reveal the relationship between [Cambridge], [Darrell], and [the Old Man]. The

“board and management” here consist of [Darrell], [the Old Man], [Cirrus] and possibly [Hammering]. None of this is disclosed either. Why would the acquisition of a one-man brokerage firm benefit the investors of publicly traded [Cambridge] Funding, which is in the business of acquiring and selling loan portfolios; particularly, when the one man firm is going to continue operating as a one man firm that keeps all fees generated to himself and not invested in the company.

- f. Also, notice how quickly these decisions to buy companies are being made. Where is the due diligence? Why are these events happening so quickly? These schemes have a short shelf life; those choreographing this scheme knew that and acted quickly to make as much as they could before anyone could detect what was happening.
- 8. June 27, 2007 ([XXFD]):** [Cambridge] Funding issues another press release, “[Cambridge] Funding Welcomes [the Old Man] as New President,” announcing [the Old Man] joining the company as President. Exh. 18.

The press release touts his most recent experience having been owning and managing San [REDACTED] Commercial Mortgage, a company [Cambridge]Funding had recently announced an intent to acquire.

According to the press release, [the Old Man] “was also a part of the management team working with [Darrell] in the 1990’s that sold over \$750 million in secondary mortgage assets.” This is a reference to the original [Cambridge] Funding that was raided by the FBI and that ended after twenty seven criminal indictments issued against its principals.

- 9. June 29, 2007 ([XXFD]):** [Cambridge]’s website “Trading” Page (as it existed on this date) (Exh. 19) makes the following statements:

- a. “We have been actively trading performing and non-performing loans for over 10 years. During that time we have participated in placing portfolios and individual assets in excess of \$100 million and as small as under \$1 million. We have assisted our clients in the sale of loan portfolios, which include residential and commercial real estate loans, business loans and secured and unsecured consumer loans.” Exh. 19.
- b. All of these statements are false. First, this company had only been around for a few months so the statement that they had been “actively trading...for over 10 years” was false. Also, they were not traders, they were mortgage brokers, so they were not “actively trading...loans.” The statement about having participated in placing portfolios “in excess of \$100 million” is also false.

- 10. June 30, 2007 ([XXFD]):** [Cambridge]’s website’s “Capital” Page (Exh. 20) makes the following affirmative claims:

- a. “[Cambridge] Funding Corporation is active in arranging capital for companies and projects through private placements with institutional and professional investors.” Exh. 20.

- i. “Arranging capital” is another way of saying that they brokered loans, i.e., third party placement of loans. This is a completely different business model than what [Cambridge] Funding claims to have on its homepage and in press releases.
- b. “Capital rounds we raise may range in size from about \$2 million to over \$25 million, based on the needs and stage of the client company. We are in contact with hundreds of capital sources nationwide covering all types of financings. We have been involved in transactions totaling in the hundreds of millions of dollars. Some areas in which are especially active include venture capital, specialty financial services and real estate.” Exh. 20.
 - i. Again, this is not [Cambridge] Funding’s business model. They are saying they have raised money for other people, which is brokering. The numbers here also do not make sense based on other representations. Why are they talking about placing money for others when [Cambridge] Funding is supposed to be acquiring loan portfolios.
 - ii. Being “in contact” with hundreds of financing sources is also meaningless and, therefore, misleading.
 - iii. They have not been involved in transactions totaling in the hundreds of millions of dollars in the brokerage capacity – the “hundreds of millions of dollars” reference is actually to the original [Cambridge Funding], which was not a brokerage. In other words, they are mixing up statements in a way to lead investors to believe they have much more experience than they really had.
- c. “We have numerous sources and types of capital that we can match with a client’s needs, including venture capital, mezzanine or subordinated debt, buyout or acquisition financing, growth equity, bridge financing, joint venture, and aggressive senior financing.” Exh. 20.
 - i. This is yet another way of restating that they are brokers. Again, brokerage services is not [Cambridge] Funding’s business model.
- d. “We also represent companies in other types of significant transactions, which include mergers and acquisitions, the structuring of joint ventures or significant asset purchases and sales.”
 - i. This statement is also false. These other types of “significant transactions” are aimed at completely different industries that they did not actually have any experience in. For example, [the Old Man] and [Darrell] had never done any work in mergers & acquisitions. These false statements are also simply completely irrelevant to what [Cambridge] Funding was supposed to be doing. The only reason for including these types of statements was to make it appear to the investing public that [Cambridge] Funding was engaged in a multitude of financial services to increase investor confidence in dealing with

[Cambridge] Funding. The truth was [Cambridge] Funding had no such experience and was not capable of actually offering any of these services.

- e. “[Cambridge] Funding has been involved in several rounds of fundraising as intermediary for sponsors of institutional limited partnership capital pools.”
 - i. This is another way of saying they brokered loans; again, not the business model OF claimed to have on its homepage. This continues the pattern of blatant lies. There were no institutional limited partnerships. They are using these terms to mislead the investing public to believe that they have more sophisticated experience than they actually had.

11. July 6, 2007 ([XXFD]): [Cambridge] adds to its home page a ticker style banner showing their press releases as news. The following are snapshots of the page captured from Internet Archives (Exh. 21):

[IMAGES REDACTED]

12. August 13, 2007 ([XXFD]): [Cambridge] issues another press release that is picked up and commented on in an article by Housingwire titled “Where Some See ‘Mortgage Crisis,’ Others See (Sub) Prime Opportunity.” Exh. 22.

According to the article,

The company said in the release that it believes it can turn a 30 percent profit buying bulk whole loan portfolios at 65 cents of face value, which the company said equate to 60 percent LTV by their appraisals -- even more interesting, company president [the Old Man] said in the statement that "financing for us seems readily available."

[Cambridge] Funding was reporting that it was already capitalized, yet its president is referring to “financing” that “seems readily available” – what does “financing for us seems readily available” mean, and why does a company that is fully capitalized need financing? [the Old Man]’s statement is a tacit admission that [Cambridge] Funding was misrepresenting itself to the public.

13. August 14, 2007 ([XXET]): In the midst of [Cambridge] Funding issuing its numerous press releases, [Cirrus] and [Vanmichael] are also busy issuing press releases for another company they are now also running out of the same office next door to [the Old Man] and [Darrell], named [Bay Methanol] Corporation (Pinksheets [XXET]). Exhs. 23 and 24.

Perhaps the change in ownership was influenced in part by the civil complaint filed earlier in the year against [XXET] and its former principals, including [REDACTED], Jack [REDACTED], [REDACTED], former CEO [REDACTED], and others, in which plaintiff [REDACTED] Technologies accused the defendants of federal RICO violations, fraud, violation of the Texas State Bribery Act and other various violations, or maybe one had nothing to do with the other. Exh. 25.

Regardless, on the heels of the dismissal of [REDACTED] Technologies's civil complaint (which occurred on June 26, 2007) due to APT having a dispute with its counsel and not retaining new counsel within the court-imposed deadline, by August 14, 2007, [XXET] apparently (and inexplicably) is under new management with [Cirrus] as President. Carrying out his well-established model of issuing press release after press release, [Cirrus] issues one of his typical meaningless press releases on August 14, 2007, announcing that "[Bay Methanol] Completes Site Selection for Ethanol Production Plant." Exh. 23.

In the press release he claims that [XXET] had just signed the initial contract near China Texas for land located adjacent to rail and highway transportation facilities "to provide for the efficient delivery of food stocks and shipping of finished ethanol products." If they did actually enter into such a contract, they either did not close on the contract or it was not recorded, as Jefferson County Appraisal District has no record of such a contract ever having been recorded.

Also notably missing from this press release is any explanation regarding when [Cirrus] became new President. Just the year before, [XXET] announced the addition of three new "seasoned executives" to its management, including CEO and President, [REDACTED]. Exh. 23. [REDACTED] served as [XXET]'s President and CEO for less than a year.

14. August 27, 2007 ([XXFD]): [Cambridge] issues a press release titled "[Cambridge] Funding Acquires Another Mortgage Portfolio." Exh. 26.

- a. Two months to the day after being named President of [Cambridge] Funding, [the Old Man] quotes himself in this press release numerous times and makes the following misrepresentations.
 - i. Representation: "Because these portfolios of loans are real estate-backed, the opportunity to purchase them at significant discounts provides a platform from which very attractive profits can be generated," [the Old Man], President of [Cambridge] Funding Corp., said. "In this particular case, all of the loans are performing, have never been late and we are buying them at a discount sufficient to yield approximately 13% while we hold them."

Reality: The reference to "portfolios" suggests they were buying numerous portfolios—they were not. By this time they may have purchased one small portfolio. The statement that loans were performing and "have never been late" is also false—many were non-performing and many were late. One example was a house that had been used to manufacture methamphetamines that they gave back to the county because they did not want to pay property taxes. So, in addition to misleading the public into believing they were buying more than they were buying, they were also not disclosing to the public that there was no due diligence being performed prior to the few deals they did close.

- ii. Representation: “Mortgage market meltdown comments from the likes of CitiGroup (NYSE:C), Bear Stearns (NYSE:BSC) and Bank of America (NYSE:BAC), as well as multiple conversations with personal contacts in the industry, suggest that opportunities available to [Cambridge] will increase exponentially over the coming months.”

Reality: [The Old Man] refers to market giants CitiGroup, Bear Stearns, and Bank of America as though they had anything to do with him or [Cambridge] Funding. They did not. The reality was that [the Old Man] and [Darrell] had no idea how to go about finding loan portfolios; they had less than a handful of brokers coming to them, only one of which was bringing direct deals from real sources rather than being a broker in a chain of other brokers. The statement “opportunities available to [Cambridge] will increase exponentially over the coming months” was also false, since [Cambridge] Funding did not have enough money to buy any significant portfolio at this point and was only interested in generating press releases to affect stock price.

- b. Instead of [Darrell] being listed as the contact for [Cambridge] as was done in prior press releases, now [Vanmichael] is listed, with the title “Corporate Relations” and the same phone number 713-975-9602.
- c. The fact that [Vanmichael] is involved is another direct connection to serial pump and dump operator, [Cirrus]. [Vanmichael] was another one of [Cirrus]’s associates. When Complainant asked [the Old Man] why [Vanmichael]’s name was suddenly appearing on press releases, [the Old Man] described [Vanmichael] as “[Cirrus]’s guy” and explained that [Cirrus] sent [Vanmichael] over to help with the press releases and make sure they were being done “correctly”. [Vanmichael]’s involvement with [Cambridge] Funding ties [Cirrus] directly to the whole operation.

15. September 29, 2007 ([XXFD]): [the Old Man] and [Darrell] are featured in an article in the Houston Chronicle titled “[Cambridge] funding sweeps up behind loan crisis” (Exh. 27), where the two are touted as having “a strategy regarding the subprime lending crisis.”

Material Misrepresentations and Omissions Regarding Who is Involved at [Cambridge] Funding

The article starts with:

“Years ago [Cambridge] Funding helped clean up after the savings and loan crisis, buying up loans from failed thrifts and reselling them. This summer, three former employees of the firm regrouped and formed a public company under the same name to clean up after the subprime mess.”

Exh. 27.

Though the article names [the Old Man] and [Darrell], it does not name the third former employee. The third former employee is [Cirrus]. Instead, [the Old Man] refers

to having “one common shareholder and one common employee we’ve hired from a title company.”

That employee that they hired from “a title company” was April Bogan. Bogan was a convicted felon with no relevant experience.

Material Misrepresentations and Omissions Regarding What [Cambridge] Funding has Purchased and its Value

According to the article:

So far [Cambridge] has bought about \$5 million worth of loans, including a \$3 million portfolio it bought from GMAC for 50 cents on the dollar.

It looks at up to \$2 billion worth of loans every week, [Darrell] said, but the company doesn't always bid on everything.

The loans bought so far have balances of \$57,000 to \$600,000, though they average about \$180,000, he said.

Much of what [Cambridge] has bought so far has included borrowers with strong credit scores and no defaults.

Exh. 27.

The statement that they looked at “up to \$2 billion worth of loans every week” was completely false. They were not capable of or willing to look at \$2 billion worth of loans within a week. \$2 billion/\$180k average loan (the amount [Darrell] said the loan balances averaged at) would mean they were processing 11,111 loans every week. To process 11,111 loans a week, spending only 15 minutes per loan, and assuming 40 hours a week spent only on this task, [Cambridge] Funding would have needed to have more than 17 employees dedicated full time. The reality was that [Cambridge] Funding had only two people working full time, [the Old Man] and [Darrell], and [the Old Man] was the only person who even looked at loans and even then, not with any meaningful analysis, which is how they ended up with deals such as the meth house they gave back to the county, referenced above.

Additionally, they did not bid on most things, and anything that they would bid on they would purposely bid unreasonably low, at .38-.40 on the dollar for example, so that they could claim that they were looking at loans.

Regarding the final statement “much of what [Cambridge] has bought so far has included borrowers with strong credit scores and no defaults,” that is also not true. There were a number of defaults. In addition to the meth house example above, there was another loan on a house in Southern California in which the homeowner was on active duty in the military and defaulted. [the Old Man] and [Darrell] would have foreclosed on him, but there was a law that prevented foreclosure against those on active duty in the military. [the Old Man] and [Darrell] chased his mother around to try and get her to pay.

So not only was this an example of a loan that went into default, but it also showed that [the Old Man] and [Darrell] didn't even have staff to take care of these types of issues, let alone to process more than 11,000 loans a week.

Material Misrepresentations and Omissions Regarding the Relationship between current [Cambridge] Funding and the original [Cambridge] Funding

The article notes that both [the Old Man] and [Darrell] traded loans at the original [Cambridge] and that the original [Cambridge] closed after prosecutors brought indictments related to bank fraud against executives and attorneys associated with the company. According to the article, [the Old Man] and [Darrell] said they “left before the company closed and are unsure of exactly why it shuttered.” These statements are both false—[the Old Man] and [Darrell] were still with the company when it closed and knew exactly why it closed after being raided by the FBI.

On one hand [the Old Man] and [Darrell] seem to want to take credit for what they believe serves them about the original [Cambridge] Funding by talking about having former employees from the original [Cambridge] Funding, yet in the next paragraph they are distancing themselves and claiming to basically not know anything about the unsavory parts of the original [Cambridge] Funding, namely that its principals were nearly all charged with multiple counts of bank fraud and other crimes. [The Old Man]'s feigned ignorance is particularly misleading because he arrived at the [Cambridge] Funding offices after being on a business trip for [Cambridge] Funding, and found the FBI carrying out boxes of evidence.

[The Old Man] is then quoted as explaining that, “[t]he only connection this company has to that one is [Darrell] and I worked there,” and “That would be like saying we worked at Exxon and are now doing gas trades.” The statement “the only connection”...is [Darrell] and I worked there” is also false and misleading—another connection is that the “new” [Cambridge] Funding also has [Cirrus] and possibly [Hammering] involved, both of whom were principals from the original [Cambridge] Funding who were indicted after the FBI raid. Notably, [the Old Man] refers to “three employees” but does not name the third one; that is because he is referring to [Cirrus] and he knows that if he refers to [Cirrus], people might realize that there is much more in common between the original and this new [Cambridge] Funding; that this new venture is essentially a sequel to the original, but with fewer players and a slightly different (yet still illegal) scheme.

Another problem with this representation is that nearly every [Cambridge] Funding press release and its website makes specific references to the original [Cambridge] and suggests that investors should trust this [Cambridge] Funding because of experience that, if it actually existed, could only have occurred during the time of the original [Cambridge] Funding.

- 16. October 9, 2007 (XXET):** [Cirrus] and [Vanmichael] issue another [Bay Methanol] press release, titled “[Bay Methanol] Corporation Engages [REDACTED] Energy” (Exh. 28), announcing the engagement of [REDACTED] Energy Consultants “to develop viable alternative energy projects and

valuating potential takeover candidates.” According to the press release, [REDACTED] Energy Consultants was “an alternative energy-consulting group with experience in international trade and negotiations,” whose president was none other than [REDACTED] [REDACTED], [XXET]’s former CEO and President who quietly disappeared from [XXET]’s management just 2 months before when suddenly [Cirruss] and [Vanmichael] appeared as the voices of [XXET] on [XXET]’s press releases. In the October 2007 press release there is no mention of the relationship between [XXET] and [REDACTED] or that he is the former CEO and president—instead he is passed off as though he is a completely independent third party.

[Cirruss] is quoted as CEO and [Vanmichael] is listed as the contact for [XXET].

- 17. October 11, 2007 ([XXET]):** As of this date, [Cirruss], [Vanmichael] and [REDACTED] [REDACTED] are listed on the [XXET] website as its “leadership.” Exh. 29. Note the visual similarity between the look and feel of the [XXET] website and the [XXFD] website in the below side-by-side comparison:

[Cambridge] Funding Website in July 2007	[Bay Methanol] Website in October 2007
[IMAGE REDACTED]	[IMAGE REDACTED]

- 18. February 11, 2008 ([XXET]):** [Cirruss] and [Vanmichael] issue another [XXET] press release, “[Bay Methanol] Sees Growing Investment in Alternative Energy” (Exh. 30), which quotes [Cirruss] on how [XXET] “sees new investment pushing alternative energy into the mainstream”. The press release does not say anything specific about what [XXET] is doing or will do; it largely focuses on announcements by a completely unrelated organization, Cambridge Research Associates and others. Again, as with [XXFD] press releases, highlighting what else is going on in the world as though to suggest that unrelated activities somehow promise pending success by the company issuing the press release.
- 19. February 15, 2008 (Accelerated Acquisitions):** [The Old Man] and [Darrell] create “[REDACTED] Acquisitions II, Inc.,” which was incorporated in the state of Delaware on February 15, 2008 “for the purpose of raising capital that is intended to be used in connection with its business plan which may include a possible merger, acquisition or other business combination with an operating business.” Exh. 31 ([REDACTED] Investment 10K at 3).
- 20. February 28 2008 ([XXFD]):** [Cambridge] issues another press release, this one titled “[Cambridge] Hedge Fund – New VP of Business Development” (Exh. 32), announcing the addition of [REDACTED] as Vice President – Business Development, who the press release says will focus on marketing [XXFD]’s “new [Cambridge] Opportunistic Mortgage Fund, a hedge fund structure that is purchasing residential and commercial mortgage notes as substantial discounts from face value.”
- a. [REDACTED] was a felon and had no experience in the hedge fund industry. Her prior job was doing “marketing” for a title insurance company, in other words entertaining realtors to persuade them to use the title company she worked for. Who was she going to market this hedge fund to?

- b. [Cambridge] Opportunistic Mortgage Fund was another meaningless program that did nothing.

21. March 20, 2008 ([XXFD]): [Cambridge] issues another press release, this one titled, “[Cambridge] Funding closes on USD100m fundraising target,” in which they claim [Cambridge] had “already received its first group of investors and the first segregated sub-account has been fully subscribed.” Exh. 33.

- a. This statement is false. Where did the \$100M go? Where did the money go when [Cambridge] Funding became [REDACTED] Solutions, Inc.? It is not reported anywhere because it did not exist.
- b. The statement that “the first segregated sub-account has been fully subscribed” is also false. [Cambridge] did not have enough investors to even purchase a loan portfolio valued at \$700K, let alone anything remotely close to \$100M. For that reason, [the Old Man] and [Darrell] had to obtain financing from [REDACTED] Community Bank, which they then defaulted on, borrowed money from [Cirrux] to pay off that loan, and then defaulted on [Cirrux], who sued them. *See Jack [REDACTED] and [REDACTED] Corp. vs. [REDACTED]/[the Old Man]/[Darrell]*, Civ. Case No. 2012-[REDACTED], [REDACTED] County, [REDACTED] Complaint.

One of the only loan portfolios [Cambridge] Funding did buy was valued at approximately \$700,000, a far cry from the representations [Cambridge] Funding was making to the public about investing in loan portfolios valued in the hundreds of millions of dollars. And, despite representations to the public that they had equity partners who could immediately fund the purchase of hundreds of millions of dollars of portfolios, [Cambridge] Funding had to take out a loan from a community bank ([REDACTED] Community Bank) to fund this purchase.

Then, despite claims that the company and its equity partners had hundreds of millions of dollars to spend on these loan portfolios, the company nearly defaulted on the loan. To pay off the loan debt, [the Old Man], through a successor to [Cambridge] Funding called [REDACTED] Solutions, Inc. borrowed \$350,000 from [Cirrux]. [the Old Man] subsequently never paid [Cirrux] back, which resulted in a lawsuit. *See Jack [REDACTED] and [REDACTED] Corp. vs. [REDACTED]/[the Old Man]/[Darrell]*, Civ. Case No. 2012-[REDACTED], [REDACTED] County, [REDACTED] Complaint.

- c. Despite having only announced the opening of its “headquarters” 9 months earlier, [Cambridge] claimed in this press release that, “By purchasing portfolios of mortgages at discounts as high as 70 per cent then restructuring the loans, [Cambridge] was able to announce that the 2007 annualised return on its portfolio of loans exceeded 90 per cent.” Exh. 33. This was not possible. The only loans [Cambridge] purchased in 2007 were in the third or fourth quarter, and most were non-performing, which means there could not have been a 90% return.
- d. Again, [Darrell] and [the Old Man] are both quoted in the release, telling the public that investors could profit by participating in [Cambridge] Funding programs.
- e. The release ends with the statement, “The firm’s management has facilitated rehabilitated loan sales exceeding USD1bn.” The “firm’s management” according to

the press release consisted of [Darrell] and [the Old Man], who, according to press releases had only been with the company for 8-9 months at this point. The reference to sales having been in excess of USD1bn was an indirect reference to the original [Cambridge] Funding that had been shut down by the FBI.

- f. They had only had the company going since the summer of 2007, yet claimed to have already purchased portfolios of mortgages and to have had 90 percent returns.

22. April – October 28, 2008 ([XXET]): [Cirrus] and [Vanmichael] increase their press release activities with [XXET], issuing at least weekly press releases announcing every mundane and meaningless detail to starting operations, as though every step involved in ordinary setting up operations was a significant event, yet without actually accomplishing any kind of real production. The evolution of the non-events can be seen in the following summary of “[Methanol] Market News, Events and Information” pulled from their website as it still existed on February 1, 2009, according to Internet Archives. Exh. 34.

[WEBPAGE IMAGES WITH 30 PRESS RELEASES REDACTED]

See also Exh. 35 (summary of more press releases). Among the events that occur during the flurry of press release activity, on June 10, 2008, [Vanmichael] takes over as “new Interim CEO of [Bay Methanol]” and sends a lengthy letter to investors, pledging how he will do things moving forward to ensure the success of the company. Exh. 36. Brief mention is also made of the “retirement” of [Cirrus] from the company.

23. June 18, 2008 ([XXFD]): Another [Cambridge] press release is picked up by Housingwire. Apparently in the press release [Cambridge] was claiming that it was beginning to offer “individual performing mortgage loans for sale to accredited investors.” *See* Exh. 37.

24. December 8, 2008 ([XXFD]): From [XXXXXX].blogspot.com/2008/12/[Cambridge]-funding-corporation-hedge-fund.html (Exh. 38):

[Cambridge] announced the signing of a Letter of Intent to acquire \$40 million in new properties into its hedge fund, The [Cambridge] Opportunistic Mortgage Fund, Ltd. “We expect this to be a first step in a series of profitable asset acquisitions over the next several months,” noted [Darrell], CEO.

The assets are being acquired from [REDACTED] Capital Partners, LP, a Houston-based investment company. “We expect [Cambridge] to manage and maximize these assets for us as the economy turns around. This should be a win-win for

both our investors and [Cambridge]'s shareholders," stated [Hammering], Managing Partner of [REDACTED].

[Cambridge] will manage this portfolio of properties to maturity or sale. "We have demonstrated our ability to help Americans stay in their homes and protect equity values while making attractive returns for our company," added [Darrell]. "this is a big step forward in our plan to build value for our shareholders by acquiring assets at attractive values and managing them to realize profits," he concluded.

In an era when major banks such as Bank of America (BAC) are seeking to find outside expertise to manage real property assets under stress, [Cambridge] stands poised to profit and add value for shareholders by delivering strategic solutions to investors and owners of financial assets.

Key misrepresentations and omissions:

- First there is a glaring contradiction between what [Hammering] says will be done with the \$40million in new properties and what [Darrell] says will be done with these assets. [Darrell] (on behalf of [Cambridge]) talks about this being "a first step in a series of profitable asset acquisitions" and says "this is a big step forward in our plan to build value for our shareholders by acquiring assets..." Meanwhile, [Hammering] says that he and [REDACTED] "expect [Cambridge] to manage and maximize these assets for us as the economy turns around. The press release also says "[Cambridge] will manage this portfolio of properties to maturity or sale." Which is it? Is [Cambridge] acquiring assets or is it managing them? And if they are now "managing" assets, when did this become a service that [Cambridge] Funding had *any* experience in? The truth is [Cambridge] was not in the business of managing loan portfolios and none of the people behind the scenes had any experience in managing loan portfolios. Putting aside the contradiction between whether [Cambridge] was acquiring assets or merely managing them for [REDACTED], where did all of these assets go?
- Additionally, this press release is a definitive tie to [Hammering], another of the original [Cambridge] Funding principals who was indicted for bank fraud.
 - [Hammering] was also involved in suspicious dealings that caught the attention of the Houston Business Journal in 1999 involving a company called [REDACTED] & [REDACTED]. Exh. 60. He also had the audacity to falsely claim to be the man responsible for founding the original [REDACTED] & [REDACTED], a company that was responsible for fighting fires during the first Gulf war in the early 1990s. [Hammering] had nothing to do with the original [REDACTED] & [REDACTED]; he bought the company as a shell many years later and pretended to have been involved in it from the beginning.
 - [Hammering] is also the man who, according to [the Old Man], hired a hit man to kill his brother in law in the early 1990s. [The Old Man] told Complainant in 1991-1992 that [Hammering] had recently admitted to having arranged the murder of his brother in law. According to [the Old Man], [Hammering] claimed

to have been justified in doing so because his brother-in-law had physically abused [Hammering]'s sister. The way the murder was carried out was a man went to the house where the brother-in-law lived, knocked on the door, was let in by one of their children, and shot the brother-in-law in the head. The shooter was never found.

- [Hammering] currently lists himself as Chief Executive Officer and Chairman at [REDACTED], LLC
- Again, the press release ends with more fluff discussions about other institutions having nothing to do with [Cambridge] Funding. This time, the press release refers to “major banks such as Bank of America” making a point that is completely irrelevant.
- Key question: what ever happened to the \$40million in properties?

25. February 20, 2009 (OMSI): [The Old Man] and [Darrell] form “[Cambridge] Mortgage Solutions, Inc.” (Exh. 39), which in the fall of 2016 described itself as “a successor-in-interest to [Cambridge] Funding Corporation” (Exh. 40, Original Complaint in Case 4:16-cv-03211)

26. March – July 2009 ([XXET]): [Bay Methanol] changes its name to [REDACTED] Energy Corporation (Pinksheets [REDACTED]) (Exh. 41), and by July 31, the SEC suspends [REDACTED]'s trading. See SEC Release No. 60[REDACTED] (“The Commission temporarily suspended trading in these securities because of questions regarding the accuracy of statements made by [REDACTED] Energy Corporation in press releases to investors and on its website concerning the quality of the company’s technology and the company’s business prospects and agreements.”).

27. March - August 2009 ([XXFD]): [Cambridge] Funding changes its name to [REDACTED] Solutions, Inc., which was also traded on the pink sheets ([REDACTED].pk). Exh. 42. The name change occurred either in March/April or August 2009, depending on the source.

For a company that was doing as well as [Cambridge] Funding claimed to be doing, this name change made no sense, particularly given how much [Cambridge] Funding relied on name recognition connected to the original [Cambridge] Funding. Based on comments made by [the Old Man] at the time, the reason the reason for this name change was to avoid detection by the SEC or FBI.

According to [REDACTED]'s unaudited financial statement of January 2010:

“Until our reorganization in April, 2009, the Company was operated as [Cambridge] Funding Corp whose business was to buy, rehabilitate and sell residential mortgages. As is explained in Note 5, in March, 2009 we sold the assets of [Cambridge] Mortgage Corp., subject to certain of its liabilities to [Cambridge] Mortgage Solutions, Inc. After this sale, we had no assets.”

Exh. 43.

[Cambridge] Mortgage Solutions, Inc. had just been created by [the Old Man] and [Darrell] the month before the sale of assets allegedly occurred. [The Old Man] and [Darrell], therefore, were selling assets to themselves. Publicly available information confirms their involvement in both companies, as well as their continued ownership of their respective solo brokerage firms, [REDACTED] and [REDACTED]:

[IMAGE REDACTED]

(available at [redacted])

[The Old Man] used [REDACTED], which also shared the same address as [Cambridge] Funding, to run another pump and dump scheme. Significantly, [the Old Man] had absolutely no experience in healthcare. On information and belief, they changed to [REDACTED] to avoid scrutiny from the SEC and FBI for their activities with [Cambridge] Funding. After all, if [Cambridge] Funding had been succeeding in the way they were telling the investing public they were, why would there be a need to change the name?

28. At around this time, [the Old Man] confided to Complainant that he was concerned about his phones being tapped and that he would not want Wayne Dolcefino, a local investigative journalist, to be looking at anything he was doing.
29. **August 14, 2009 (Accelerated Acquisitions/Remuda):** [The Old Man] and [Darrell] change the name of “[REDACTED] Acquisitions II, Inc.,” to “[REDACTED] Investment Corporation” (Exh. 31). [The Old Man] bragged to Complainant about the name change to “[REDACTED]” and the significance of the name – a “[REDACTED]” is a trail rider’s back-up horse. [The Old Man] named the company “[REDACTED]” because he viewed it as his ‘back-up horse’ for [Cambridge] Funding.
30. **September 9, 2009 (Accelerated Acquisitions/Remuda):** [The Old Man] and [Darrell]’s [REDACTED] Investment Corporation decided to change its business plan, which they reported to the SEC as the company “now intend[ing] to invest in mortgage loans throughout the United States. The Company also intends to purchase performing, sub-performing and non-performing commercial and residential mortgages at discounts from face value, but there is no guarantee that it may be able to do so. The Company then intends to liquidate mortgages.” Exh. 31 ([REDACTED] Investment 10K at 3). It is unclear the precise relationship this entity had with the other pump and dump schemes—the intent in its creation may have been as a laundering outfit—what appears from the SEC filings is that the company never did fulfill its stated intent.
31. After [Cambridge] Funding, [REDACTED], and [REDACTED] Investment had all closed, [the Old Man] confided in Complainant that he believed that [Cirrus] had made off with \$20 million from the [Cambridge] Funding stock manipulation scheme.

33. October 2016 (OMSI): [Cambridge] Mortgage Solutions, Inc. (██████) files a lawsuit against a couple to recover damages on a promissory note the couple allegedly defaulted on. Exh. 40.

- Additionally, [REDACTED] [REDACTED] in [REDACTED], [REDACTED], is not to be confused with [REDACTED] [REDACTED] in Fort Lauderdale or West Palm Beach, FL. [REDACTED] [REDACTED] in Florida appears to be a diagnostics company that has been in existence since 2014 and is owned and/or run by [REDACTED] [REDACTED], [REDACTED], and [REDACTED]. Exh. 44. Their website can be found at [REDACTED] and below is a snapshot of their home page:

The “██████████ LLC” that [the Old Man], Jr. allegedly worked for in the 2016-2017 time frame is a privately held company in ██████████, ████, owned by an individual named ██████████ ██████████, and according to public records (shown below) has 2 employees and apparently has no website of its own:

[IMAGE REDACTED]

Exh. 46.

According to public records, there is one [REDACTED] in [REDACTED] that has the same phone number as [REDACTED] LLC in [REDACTED], ([REDACTED]) [REDACTED]:

[IMAGES REDACTED]

Exh. 47.

According to CorporationWiki, there is one [REDACTED] in [REDACTED], [REDACTED], and he, like [the Old Man], is also in the mortgage industry. [REDACTED] works for [REDACTED] Home Mortgage, Inc.:

[IMAGE REDACTED]

Exh. 48.

34. Early Spring 2017: [The Old Man] and [Randy] traveled to [REDACTED], [REDACTED], together, to meet with one or more individuals connected to [REDACTED] and/or [Lattice] Industries. It is unclear why [the Old Man] was involved in these meetings unless he had some connection to the business [Randy] was entering, which itself creates unanswered questions as [the Old Man] is a mortgage broker and [Randy] is an attorney, so there is no apparent overlap between their industries..

35. May/June 2017: [Randy] moved to [REDACTED], purportedly to work for [REDACTED] LLC; however, within weeks or months he was inexplicably working for a [REDACTED]-based company named [Lattice] Industries. Even though [Lattice] is based in [REDACTED] and has no physical ties or office locations in [REDACTED], [Randy] somehow stays in [REDACTED] while becoming “President” of one of [Lattice]’s subsidiaries. Meanwhile, he reported to the [REDACTED] Bar in 2017 and 2018 that he had another law firm, [His Last Name] Law Firm PLLC, with his primary practice area being in [REDACTED], while his address on the [REDACTED] Bar website is listed as [REDACTED] Dr. Unit [REDACTED], [REDACTED], to this current day. Exh. 49. This is [the Old Man]’s private residence. [Randy] has never lived at this address and there is not and has never been a law firm at that address. [Randy] has continued to represent to the [REDACTED] Bar that he is operating a private practice at his father’s address in [REDACTED], while having a practice area in Austin, even though he is living and working in [REDACTED], for [Lattice] Industries.

36. October 2018: [REDACTED] Commercial Mortgage (“[REDACTED]”, a/k/a [REDACTED] Mortgage Corporation) is operating its website again, the same website with the same information that

was posted back in 2005, listing the same properties and sales as was listed in 2004-2005. Exhs. 50 and 51.

- a. Current day public records show [the Old Man] as the owner of [REDACTED] and [Darrell] as the owner of [REDACTED] Financial; however, there are no records or reports to the SEC showing [Cambridge] Funding Corporation having sold either entity back to [the Old Man] and [Darrell], how much each paid, or how [Cambridge] Funding investors reaped any financial benefit from the sale of either entity.
- b. A comparison of the [REDACTED] website today to versions that were on the internet in 2005 show [the Old Man] making the same representations today as he did in 2005—the same clients and sales as he had from more than 13 years ago show up on the website today as though they are current.
- c. Curiously, public reports also show [Cathleen, the Old Man's latest wife] as a principal of [REDACTED] Commercial Mortgage even though she is not a licensed agent or broker. Exh. 52.

37. [Lattice] Industries (2017-2018) and [Randy] ([the Old Man], Jr.)

As though playing from the same playbook as [the Old Man] and his cohorts, [Randy] has joined up with [Lattice] Industries, as “President” of “[Lattice] Healthcare” and “[REDACTED] Apps”.

According to the About page from the [Lattice] Industries website ([www.\[Lattice\]ind.com/About](http://www.[Lattice]ind.com/About), Exh. 53), [Randy] is described as follows:

[The Old Man], Jr., President, [Lattice] Healthcare and Bright City, an attorney by trade, has broad experience leading teams in sales organizations. As an attorney, Mr. [His Last Name] represented both private and public-sector entities across a wide spectrum of issues. Mr. [His Last Name] has represented both Fortune 100 companies and small businesses in litigation involving product liability issues, business disputes, and wrongful terminations. Mr. [His Last Name] also spent a significant amount of time working directly for a multi-national Fortune 500 company in the medical device industry. [Randy]'s tenure at this healthcare company included a role as both the lead commercial attorney and the Human Resources leader for the U.S. Sales Division, a division with more than \$2.6 Billion in annual revenue and more than 1,600 employees. [Randy] graduated from [REDACTED] with a Bachelor of Business Administration (finance) and he obtained his Juris Doctorate degree, with honors, from [REDACTED].

This biography is full of false statements. [Randy] had no experience “leading teams in sales organizations” prior to joining [Lattice], let alone “broad experience” as claimed in the above bio, because he has no experience at all working in any kind of sales organization. [Randy]'s entire employment history consisted of a smattering of legal jobs that he could not hold onto for any significant length of time. The following is a summary of [Randy]'s employment history as he now describes it on his LinkedIn page:

- [REDACTED] from August 2001-July 2003
- [REDACTED] from July 2003-April 2007 (employment law)
- [REDACTED] from April 2007-March 2008 ([REDACTED] was a law school friend)
- [REDACTED] – March 2008-August 2014
- Teacher Retirement System of [REDACTED] – Assistant General Counsel – 2014-2016
- [REDACTED] [REDACTED] – General Counsel & Chief Compliance Officer 2016-2017
- [Lattice] Industries, Inc. – 2017-Present

Because Complainant is [Randy]’s brother, Complainant is privy to more information than [Randy] would have the public know about his own employment history, which is also how Complainant knows a number of the statements made by [Lattice] and [Randy] are false. The following information is based on Complainant’s personal knowledge.

Immediately following law school, [Randy] began working for the law firm [REDACTED], where he lasted for less than 2 years due to personality conflicts. He then worked for a few years as an employment lawyer for a couple of private firms, including one belonging to one of his law school friends, where he lasted for less than a year.

He then worked in various iterations of the Human Resources department of [REDACTED], where he was shuffled around from group to group until he was ultimately fired, again, for causing personality conflicts. This was a [REDACTED], not a “company in the medical device industry” as claimed above. And contrary to the representations above regarding the division having “more than 1,600 employees,” [Randy]’s responsibilities were not to manage or oversee the 1,600 employees.

He then worked at the [REDACTED] Teacher Retirement Fund, again, focusing on employment law, and again unable to hold that position for more than two years, during which he spent most of his time not having enough work to do and pretending to look busy, yet cashing government paychecks. Within 2 years, he changed jobs to [REDACTED] LLC in [REDACTED], [REDACTED], which, despite having only 2 employees and generating roughly \$80,000 in revenues, somehow had the capacity to have a “General Counsel and Chief Compliance Officer.” Complainant believes there is more to this story than he has been told and given [the Old Man]’s involvement, this merits more investigation.

Somehow within a matter of weeks or months after moving to [REDACTED] [REDACTED] to work for [REDACTED] [REDACTED] [REDACTED], [Randy] ended up working for [Lattice] Industries, and landed a job with them as ‘President’ of “[Lattice] Healthcare.” Following in the footsteps of [the Old Man] and [Darrell], [Randy] joined a publicly traded company that also relied heavily on frequent press releases.

38. [Lattice] Industries Press Releases 2017-2018:

To illustrate the frequency with which [Lattice] Industries has issued press releases (which echoes in similarity to [Cambridge] Funding, [Bay Methanol], and the other pump

and dump schemes described above), the following is a summary of press releases issued since October 23, 2017, the month after [Randy] joined the company.

Since then the company has issued a total of at least 57 press releases in just over a year (Exh. 54).

DATE	PRESS RELEASE
Oct 23, 2017	██████ Solutions Strengthens its Sales Distribution Network with Acquisition of ██████
Nov 10, 2017	██████ Solutions Attains Facility and Exclusive Licensing for Advanced ██████ Technology
Nov 16, 2017	██████ Innovations Attended and Provided Public Comment at Quarterly Biomass Research and Development Meeting
Nov 20, 2017	██████ Solutions Closes Three Acquisitions to Enhance its Technology Footprint
Nov 30, 2017	██████ Solutions Completes Acquisition for Innovative Biomaterials Business
Dec 4, 2017	██████ Solutions' Technology Division Signs Agreement with a Tennessee Community Hospital
Dec 5, 2017	██████ Solutions' [Lattice] Innovations Launches Commercialization Plans for Biomass Processing Facility
Dec 18, 2017	██████ Solutions' Biomass Processing Technology Looking at Ways to Reduce the Risk of Forest Fires
Jan 8, 2018	██████ Solutions' [Lattice] Innovations Awarded \$3 Million Biorefinery Grant from the USDA
Jan 16, 2018	██████ Solutions' [Lattice] Innovations Executes License for Proprietary Biofuel Process Technology
Jan 24, 2018	██████ Solutions Acquires ██████, a Medical Waste Disposal Business
Feb 7, 2018	██████ Solutions' [Lattice] Innovations Reports Strong Performance Results for its Bio-Based Composite
Feb 8, 2018	██████ Solutions' [Lattice] Innovations Partners with ██████
Feb 20, 2018	██████ Solutions Executes Agreement to Sell its Solid Waste Management Assets

Feb 22, 2018	██████ Solutions Announces \$2.25 Million Private Offering
Mar 7, 2018	██████ Solutions' [Lattice] Innovations Featured in Compounding World
Mar 14, 2018	██████ Solutions' [Lattice] Innovations Strikes Partnerships in Florida to Create Biomass Value from Rogued Citrus Trees and Byproducts
Mar 22, 2018	██████ Solutions' [Lattice] Industries to Acquire a Transactional Virtual Currency Company
Apr 16, 2018	██████ Solutions' [Lattice] Innovations to Attend and Present at Premier Biomass Processing Conference
Apr 25, 2018	██████ Solutions Closes Sale of Waste Assets and Transitions to [Lattice] Industries
May 1, 2018	[Lattice] Industries Secures Agreement with ██████ County General Hospital
May 3, 2018	[Lattice] Industries is Now Traded as Nasdaq: ██████, Previously ██████
May 14, 2018	[Lattice] Industries Secures Commitments from Long Term Care Partners Covering 27 Facilities
May 21, 2018	[Lattice] Industries Nearing Completion of its First Federal Laboratory
May 22, 2018	[Lattice] Industries Narrows Site Selection to Six States for Construction of Advanced New Biorefining Facilities
May 24, 2018	[Lattice] Industries Joins Plastics Industry Association Bioplastic Division
May 29, 2018	[Lattice] Industries Acquires 49% Stake in ██████
May 31, 2018	[Lattice] Industries Acquires Clean Technology Licensing Business
Jun 1, 2018	[Lattice] Industries Converts Corn Ethanol Coproducts into Biobased Grocery Bags
Jun 4, 2018	[Lattice] Industries Partners with New Representative Group
Jun 6, 2018	[Lattice] Completes Strategic Investment in Noveda Technologies
Jun 28, 2018	[Lattice] Industries Applauds Proposed EPA Increase in Advanced Biofuel Production
Jul 11, 2018	[Lattice] Industries Adds Volume for Commercial Lab Unit

Jul 16, 2018	[Lattice] Industries to Purchase Site for First Commercial Biorefinery
Jul 17, 2018	[Lattice] Industries Taps Timber Industry Leader for Procurement of Raw Materials
Jul 27, 2018	[Lattice] Industries Announces Technologies Division Leadership and Launch of Healthcare Website
Aug 6, 2018	[Lattice] Industries Provides Restructuring Update
Aug 7, 2018	[Lattice] Industries Obtains CLIA Certification for its First Internally Developed Federal Lab
Aug 8, 2018	[Lattice] Industries Acquires Pharmaceutical Destruction Business
Aug 9, 2018	[Lattice] Industries to Use Sunlight and Water to Convert CO2 into Renewable Fuel
Aug 21, 2018	[Lattice] Industries Reports Improved Balance Sheet and Continues Focus for Building Shareholder Value with Increased Stockholders Equity
Sep 4, 2018	[Lattice] Industries Continues to Improve Balance Sheet and Stockholders Equity
Sep 4, 2018	[Lattice] Industries Regains Compliance with NASDAQ's Minimum Shareholders' Equity Rule
Sep 5, 2018	[Lattice] Industries Joint Venture Partner Files Appeal in Patent Infringement Case
Sep 10, 2018	[Lattice] Industries Executes Purchase Agreement to Acquire Custom Cable Services, Inc.
Sep 13, 2018	[Lattice] Industries Provides Clarification on Preferred Shares
Sep 20, 2018	[Lattice] Industries to Host Shareholder Update Conference Call on Wednesday, September 26
Oct 4, 2018	[Lattice] Industries Granted 180-Day Extension to Comply with NASDAQ'S Minimum Bid Price Requirement
Oct 8, 2018	[Lattice] Industries Partners with [REDACTED] Medical Center of [REDACTED], [REDACTED]
Oct 10, 2018	President Trump's Ethanol Expansion has Immediate Positive Impact on [Lattice] Industries

Oct 16, 2018	[Lattice] Industries Strengthens its Executive Management Team
Oct 22, 2018	[Lattice] Industries Secures Medicare License for [REDACTED] Toxicology Lab
Oct 31, 2018	[Lattice] Industries Adding Volume for Commercial Labs
Nov 5, 2018	[Lattice] Industries Launches Video Series to Demonstrate Bio-Based Technologies and Discuss Targeted End Use Products
Nov 19, 2018	[Lattice] Industries Presents Second Video Providing an Overview of its Biomass Process Technology and R&D Facility Capabilities
Nov 29, 2018	[Lattice] Industries Announces Launch of Its New App “[REDACTED]”
Nov 30, 2018	[Lattice] Industries Receives Notice from Nasdaq, Issues Business Update

39. May 31, 2018 Press Release: “[Lattice] Industries Acquires Clean Technology Licensing Business” (Exh. 55):

“[Lattice] Industries Inc. (NASDAQ: [REDACTED]) (the “Company” or “[Lattice]”), a diversified innovation and technology holding company, today announced its execution and closing on a series of transactions with [REDACTED] Corporation (“[REDACTED]”) effective May 25, 2018, resulting in the Company’s acquisition of an 80% stake in [REDACTED] LLC (“[REDACTED]”), a new joint venture company that holds the rights to an expansive portfolio of clean technologies and manages an existing engineering and licensing business. “

Exh. 55.

[Lattice] announces having invested at least \$18 million in large part to invest in a patent portfolio. After making a series of representations regarding how valuable they believe the portfolio to be, they make the following statements:

[REDACTED] suffered a setback in 2014, that has created an extraordinary opportunity for [Lattice], when, without having conducted a trial or holding a hearing on the merits, the District Court issued a summary judgment decision ruling that a 2003 bench test was proof that the patents-in-suit were reduced to practice and therefore invalid. Based thereon, the District Court made a later determination that the patents-in-suit were obtained by inequitable conduct. Those determinations and other related and derivative rulings, as well as all of the defendants’ adverse claims, were submitted to the United States Patent and Trademark Office (“USPTO”) as part of the prosecution of several additional post-ruling corn oil extraction patents. The USPTO allowed those patents after considering the very information that the District Court relied upon for its prior rulings. [REDACTED] has filed a Notice of Appeal seeking reversal of each of the adverse rulings, and appeal briefs will be filed in the coming months.

Exh. 55.

[Lattice] would have investors believe that this “setback” was relatively insignificant by the way they describe the district court’s summary judgment decision ruling “without having conducted a trial or holding a hearing on the merits.” What [Lattice] does not tell its investors is that the attorneys for all sides in this Multi-District Litigation that [Lattice] initiated, submitted briefs over the course of approximately a year before the court decided that a hearing was not necessary and instead considered all the evidence submitted.

[Lattice] also leads one to believe that they were entitled to a hearing, which they were not. [Lattice] also does not mention the 233-page opinion issued by the District Court (Exh. 56), in which the court carefully considered all claims, including [REDACTED]’s claims, and resoundingly concluded that the defendants [REDACTED] accused of infringing its patents did not infringe, as a matter of law, and further found [REDACTED]’s patents invalid on multiple grounds including on-sale bar under 35 U.S.C. 102(b), anticipation by other prior art references under 35 U.S.C. 102(a) and (e), obviousness in view of prior art references under 35 U.S.C. 103, indefiniteness under 35 U.S.C. 112, and lack of proper inventorship. Any one of these grounds kills a patent, yet the court found multiple grounds.

[Lattice] further glosses over material facts by stating that “[b]ased [on the summary judgment rulings], the District Court made a later determination that the patents-in-suit were obtained by inequitable conduct.” That is not true either. The District Court held a full bench trial on the issue of inequitable conduct, which means [REDACTED] had the opportunity to and did in fact present evidence and was heard in court on the claims that the defendants made against [REDACTED] alleging that [REDACTED] and its attorneys fraudulently obtained the patents by committing “inequitable conduct” on the United States Patent & Trademark Office, a finding that not only requires specific intent to deceive the USPTO, but that must be shown by clear and convincing evidence – a much higher burden than the regular preponderance of the evidence standard that was applied to [REDACTED]’s infringement claims that it could not establish on summary judgment.

[Lattice] further suggests it had someone at the company qualified to assess the value of this acquisition, when, in fact, the only person who even had a title remotely close to something sounding like it could have any remote connection to intellectual property matters was [Randy], who has absolutely no experience in intellectual property. From what can be seen based on publicly available information, none of [Lattice]’s management has any experience in IP matters either. Buying a company whose patent portfolio has been found to be invalid and who also has a trial order finding that the patents were procured by committing fraud on the United States Patent Office, yet representing it as though there was a mere “setback” is a material misrepresentation. i

40. July 27, 2018 [Lattice] Press Release (Exh. 57)

[Lattice] Industries Inc. (NASDAQ: [REDACTED]) (the “Company” or “[Lattice]”), an integrated technology and innovations holding company, today announced that [Randy] has been appointed as the President of its Technologies Division, which includes both the [Lattice] Healthcare division as well as the

[Lattice] mobile apps division, and that it has launched its new [Lattice] Healthcare website ([www.\[Lattice\]healthcare.com](http://www.[Lattice]healthcare.com)).

[Randy], an attorney by trade who has worked for the Company since September of last year, has broad experience leading teams in sales organizations. As an attorney, [Randy] represented both private and public-sector entities across a wide spectrum of issues. [Randy] also spent a significant amount of time working directly for a multi-national Fortune 500 company in the medical device industry. [Randy]'s tenure at this healthcare company included a role as both the lead commercial attorney and the Human Resources leader for the U.S. Sales Division, a division with more than \$2.6 Billion in annual revenue and more than 1,600 employees. [REDACTED], VP of Product Marketing, and [REDACTED], Director of Operations, also joined the Company in September of 2016. [REDACTED] is responsible for developing marketing and product strategies and communications to assist with sales and revenue growth, and [REDACTED] leads the operational functions for the Healthcare division.

These statements are false. [Randy] has absolutely no experience working for or in a sales organization, nor does he have any experience working for a technology company. He has never developed any technology, nor does he have the touted experience of “leading teams in sales organizations,” which is irrelevant to managing a technology company any way. [Randy] also was not “the lead commercial attorney” at a “Fortune 500 company in the medical device industry” either – he worked in the human resources department at a hospital. These misrepresentations are material because they lead the investing public to believe that [Lattice] has someone qualified at the helm when, in fact, they do not.

41. October 22, 2018 – [Lattice] releases yet another press release (Exh. 58), this time announcing having received a Medicare license to operate a toxicology laboratory in [REDACTED]. In its statement, [REDACTED] makes the following statement about [Randy]:

“With further lab and infrastructure build out and a concentrated effort by our contracted sales force, I believe we can double our expected revenue in the next 12 to 18 months. Our work over the preceding months to position [Lattice] for significant revenue growth in the Healthcare division is beginning to pay off. [Randy], the Healthcare division President, has a strong background leading teams in sales organizations, including in a Fortune 500 organization that had more than \$2.6 Billion in annual revenue and more than 1,500 employees. The work that [REDACTED] and his team are doing is just beginning to scratch the surface of what we can accomplish in Healthcare,” continued [REDACTED].

Again, [Lattice] is recycling the same false information about [Randy] and his experience. Moreover, to characterize “[REDACTED] and his team” is also misleading since it appears as though [REDACTED] works out of his house in South Carolina, in a different state from where [Lattice] is located. It is also noteworthy that [Lattice] does not identify the specific facility or provide any verifiable information regarding the alleged toxicology lab they will be operating in [REDACTED]. Also, [Lattice] fails to mention to investors that the president of its Healthcare division has no experience whatsoever in managing laboratories either.

42. October 31, 2018 – [Lattice] releases another press release relating to the activities of [Lattice] Healthcare in [REDACTED]. “New Clinic and Increased Volume Expected to Provide Immediate Revenue Growth” (Exh. 59).

In this press release, they claim to have reached an agreement with a regional medical clinic in [REDACTED] that treats patients suffering from chronic pain to process its blood samples through the labs that [Lattice] Healthcare manages.

[Randy] is quoted a couple of times in this press release and proves to have a similar style to his father, [the Old Man], eloquently meaningless:

“I’m pleased with the Healthcare team’s ability to grow our business through excellent customer service for our physician customers and their patients,” said [Randy], President of the Company’s Healthcare Division. “The addition of this new clinic to our existing customer base should allow us to grow our revenue immediately, which will have a direct impact to our shareholders. We believe that an account of this size can generate upwards of \$1 million dollars in annualized revenue.”

“[Lattice] continues to leverage our sales expertise to build partnerships with rural hospitals while getting access to volumes with pain clinics, long term care facilities, and physician practices, including primary care physicians,” stated [Randy].

It’s unclear what “sales expertise” [Randy] is referring to here. If he is referring to his own sales experience, as touted in his biography and in prior press releases, then that is a misrepresentation, since [Randy] did not hold any sales jobs prior to being employed by [Lattice]. None of his previous jobs had anything to do with sales. [Lattice] fails to identify any specific alleged partnerships that it has built, and makes the confusingly vague references to “volumes” without identifying what those volumes consist of.

[Lattice]’s false statements are misleading the public. The pattern of press releases to artificially inflate stock prices follows the same trend as every other microcap fraud scheme. For example, the same week that [Lattice] released its October 8, 2018 press release, titled “[Lattice] Industries Partners with [REDACTED] Medical Center of [REDACTED],” the stock price spiked to above \$0.40/share, the highest it had been in a year. By the following week, and two days after announcing “[Lattice] Industries Strengthens its Executive Management Team,” stock prices had dropped back down to under \$0.30/share.

Conclusion

[Lattice] has been on the SEC’s radar for some time for failing to comply with reporting requirements. This report includes inside information regarding material false statements being made by the company to artificially lull investors into a false sense of security, as well as inside information regarding various other companies prior to [Lattice]. It is Complainant’s sincere hope that this information leads to the investigation and successful prosecution of those involved, including [the Old Man] and [the Old Man], Jr. Complainant further will assist in any capacity possible to aid the investigation if the SEC so desires.