



WHEREAS, on June 29, 2011, the Court entered an Order Permanently Enjoining Defendant Kowaleski from further violations of the federal securities laws and ordering other relief;

WHEREAS, the Commission moved the Court on August 24, 2011 to enter a final judgment against Kowalewski for disgorgement in the amount of \$8,420,923.45, plus \$193,610.40 in prejudgment interest as of August 24, 2011, as well as civil penalties in an appropriate amount to be determined by the Court pursuant to Section 20(d) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77t(d)], Section 21(d)(3) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78u(d)(3)] and Section 209(e) of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. § 80b-9(e)], as well as the Court’s June 29, 2011 Order (“Motion for Disgorgement”);

WHEREAS, the parties submitted briefs and evidence in connection with the Motion for Disgorgement;

WHEREAS, the Court, having reviewed all the filings submitted in connection with the Motion for Disgorgement, reviewed all other filings submitted in this action, and conducted a hearing on the Motion for Disgorgement on September 29, 2011;

**I.**

**IT IS HEREBY ORDERED, ADJUDGED AND DECREED** that Defendant Kowalewski is liable for disgorgement of \$8,420,923.45, plus prejudgment interest of \$211,385.34 as calculated as of the date of September 30, 2011, for a total of \$8,632,308.79, representing ill-gotten gains resulting from his conduct in violation of the federal securities laws. Defendant Kowalewski shall pay all amounts due under this paragraph within thirty days from the date of this Final Judgment by paying the funds to S. Gregory Hays, Receiver in this case. Defendant shall pay post-judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961.

**II.**

**IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED** that Defendant Kowalewski is further liable for and shall pay civil penalties in the additional amount of \$16,841,846.90 pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)]. Defendant shall satisfy this obligation by paying this entire amount within 30 days from the date of this Final Judgment by certified check, bank cashier's check, or United States postal money order payable to the Commission. The payment shall

be delivered to the Office of Financial Management, Securities and Exchange Commission, 100 F. Street, Stop 6042, Washington DC 20549, and shall be accompanied by a letter identifying Kowalewski as a defendant in this action, setting forth the title and civil action number of this action and the name of this Court, and specifying that payment is made pursuant to this Final Judgment, a copy of which letter and money order or check shall be sent to the Commission's attorneys of record in this action. Defendant shall pay post-judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961. Upon receipt of those funds, the Commission shall propose to the Court a plan of distributing those funds to investors.

### **Civil Contempt**

WHEREAS, pursuant to Orders of this Court dated January 6, 2011, January 26, 2011, and June 29, 2011, the Court, among other things, froze all the assets under Kowalewski's control (the "Freeze Orders");

WHEREAS, pursuant to Orders dated February 2, 2011 and March 8, 2011, the Court took exclusive jurisdiction and possession of, and appointed a Receiver for, Mr. Kowalewski's assets (the "Receiver Estate");

WHEREAS, the Commission, on August 29, 2011, brought a Second Emergency Application for an Order to Show Cause Why Defendant Stanley J.

Kowalewski Should Not Be Held in Contempt for Failing to Comply with the Court's Orders Freezing Assets;

WHEREAS, by consent, the Court entered on August 31, 2011 an Order on Plaintiff Securities and Exchange Commission's Emergency Second Application for Order to Show Cause ("August 31 Order") whereunder, among other things, the Court took the contempt motion under advisement until such time as the Commission or the Receiver notified the Court that the terms of that Order had not been complied with or that a ruling or further hearing was otherwise necessary;

WHEREAS, pursuant to the August 31 Order, Defendant Kowalewski agreed to undertake certain steps to restore the home located at 5802 Henson Farm Road, Summerfield, NC;

WHEREAS, on September 19, 2011, the Commission filed with the Court a Notice on Non-Compliance in connection with its earlier August 29, 2011 contempt motion and the August 31 Order asserting that Defendant Kowalewski had failed to comply with the Court's Freeze Orders and the August 31 Order and was in contempt;

WHEREAS, both parties filed submissions and evidence with regard to that Notice and the contempt;

WHEREAS, the Court having reviewed all the submissions and evidence submitted by the parties, and conducted a hearing on September 29, 2011 on the contempt issue;

**III.**

**IT IS HEREBY ORDERED** that Defendant Kowalewski is found in contempt of the Court's Freeze Orders and the Court's August 31 Order;

**IV.**

**IT IS HEREBY FURTHER ORDERED** that Defendant Kowalewski shall be incarcerated until he provides the Court with a verifiable affidavit or deposition testimony that satisfies the Court by accurately attesting to the exact location and all knowledge Kowalewski has regarding the location and disposition of the assets that are missing from the property located at 5802 Henson Farm Road, Summerville, NC 27358, and all the persons who might have knowledge of where any of those assets may be found.

V.

This Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment and Order on contempt.

**SO ORDERED**, this 30th day of September, 2011.

A handwritten signature in black ink, appearing to read "Timothy C. Batten, Sr.", written in a cursive style.

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TIMOTHY C. BATTEN, SR.  
UNITED STATES DISTRICT JUDGE