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9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **WESTERN DIVISION**

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13 **SECURITIES AND EXCHANGE**
COMMISSION,

14 Plaintiff,

15 vs.

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17 **STEPHEN C. SAYRE, INDEPENDENT**
FINANCIAL REPORTS, INC., and
18 **SILVER SCREEN INDUSTRIES, INC.,**

19 Defendants.

Case No.: CV 00-03800 MMM

ORDER (1) APPOINTING A TAX
ADMINISTRATOR; (2) DIRECTING
THE TURNOVER OF FROZEN
FUNDS; (3) OF DEPOSIT; AND (4)
APPOINTING A DISTRIBUTION
AGENT

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1 Plaintiff Securities and Exchange Commission (“Commission”) having
2 moved for orders (1) appointing a tax administrator; (2) appointing a distribution
3 agent, (3) directing the turnover of frozen funds; and additionally for an order of
4 deposit (“Motion”); the Court having considered the Commission’s Motion, all
5 supporting papers, and all other papers filed in the proceedings in this action, and
6 the Court having jurisdiction over the parties and the subject matter hereof, and
7 being fully advised in the premises, and good cause appearing therefore:

8 I.

9 IT IS HEREBY ORDERED that, the Commission’s Motion is GRANTED
10 pursuant to the court’s order dated November 12, 2009.

11 II.

12 IT IS FURTHER ORDERED that

13 1. Damasco & Associates LLP (“Damasco”) is appointed as Tax
14 Administrator to execute all income tax reporting requirements, including the
15 preparation of filing of tax returns, with respect to the funds under this Court’s
16 jurisdiction in this matter (the “Distribution Fund”).

17 2. Damasco shall be designated the administrator of the Distribution
18 Fund, pursuant to Section 468B(g) of the Internal Revenue Code, 26 U.S.C. §
19 468B(g), and related regulations, 26 C.F.R. §§ 1.468B-1 through 1.468B-5, and
20 shall satisfy the administrative requirements imposed by those regulations,
21 including, but not limited to, (a) obtaining a taxpayer identification number, (b)
22 filing applicable federal, state, and local tax returns and paying taxes reported
23 thereon out of the Distribution Fund, and (c) satisfying any information, reporting,
24 or withholding requirements imposed on distributions from the Distribution Fund.
25 The Tax Administrator shall contemporaneously provide copies of all such filings
26 to the Commission’s counsel of record.

27 3. The Tax Administrator shall, at such times as the Tax Administrator
28 deems necessary to fulfill the tax obligations of the Distribution Fund, request that

1 the Commission's counsel of record file with the Court a motion, supported by the
2 Tax Administrator's declaration of the amount of taxes due, to transfer funds from
3 the Settlement Fund on deposit with the Court to pay any tax obligations of the
4 Distribution Fund.

5 4. The Tax Administrator shall be entitled to charge reasonable fees for
6 tax compliance services and related expenses in accordance with its agreement
7 with the Commission. The Tax Administrator shall, at such times as the Tax
8 Administrator deems appropriate, submit a declaration of fees and expenses to the
9 Commission's counsel of record for submission to the Court for approval and for
10 payment from the Settlement Fund. No fees or expenses may be paid absent the
11 Court's prior approval.

12 5. At least ten (10) days before any application to pay fees and expenses
13 is filed with the Court, the Tax Administrator shall provide the Commission
14 counsel of record with a draft of the supporting declaration for review. If the
15 Commission has any corrections or objections to the declaration, the Tax
16 Administrator and the Commission's counsel shall attempt to resolve them on a
17 consensual basis. If a resolution is not reached, the Commission may submit with
18 the application any objections along with the Tax Administrator's response thereto.

19 6. A Distribution Fund is created and shall be comprised of and include
20 the entire amount presently contained in the Court's registry established by the
21 Clerk of the Court in this matter, and those funds to be deposited with the Clerk of
22 Court from JPMorganChase Account Number XXX-XXX846-1 in the name of
23 Diversified American Industries, Inc. ("Diversified Account"), minus appropriate
24 expenses incurred in establishing and maintaining the account or that are ordered
25 by the Court to be paid to satisfy the fund's tax-related obligations.

26 7. Gilardi & Co., LLC, located at 3301 Kerner Boulevard, San Rafael,
27 California, 94901, is appointed distribution agent ("Distribution Agent").

28 8 Within ninety (90) days of entry of this Order, the Distribution Agent

1 shall prepare a detailed Distribution Plan, not unacceptable to the Commission
2 staff, and shall consult with the Commission staff in the preparation of the plan,
3 which shall be submitted to the Court for approval. The Distribution Agent may,
4 after consultation with the Commission staff and with Court approval, engage
5 third-party professionals and service providers necessary to the Distribution
6 Agent's performance of its duties. These third parties shall be compensated from
7 the Distribution Fund, but only with this Court's approval.

8 9. The Distribution Agent, on behalf of the Distribution Fund, shall take
9 all necessary steps to coordinate any necessary tax filings with Damasco, which is
10 appointed by the Court as the Tax Administrator in this matter.

11 10. The Distribution Agent is entitled to be paid from the Distribution
12 Fund all reasonable costs, fees, and other expenses incurred in the performance of
13 its duties at the rates provided in its proposal to the Commission's counsel of
14 record.

15 11. At least ten (10) days before any application by the Distribution Agent
16 to pay fees and expenses is filed with the Court, the Distribution Agent shall
17 provide to the Commission's counsel of record a draft of the application for
18 review, which shall include the appropriate supporting documentation to justify the
19 expense of services rendered. Charges for services shall include (a) the date of the
20 service; (b) the name or initials of the individual rendering the service; (c) a
21 description of the service; (d) the hourly rate; (e) the time charged; and (f) the total
22 amount (rate multiplied by time). The description of the service or activity should
23 be brief and informative. Expenses shall be supported by invoices. If not apparent
24 on the face of the invoice, the application shall include a description of the expense
25 and the date the expense was incurred. If the Commission has any corrections or
26 objections to the payment request, the Distribution Agent and the Commission's
27 counsel shall attempt to resolve them on a consensual basis. If a resolution is not
28 reached, the Commission may submit with the motion any objections along with

1 the Distribution Agent's response thereto.

2 12. All of the Distribution Agent's payment requests must be approved by
3 the Court before payment from the Distribution Fund may be made. The Court
4 shall review the reasonableness of the costs, fees, and expenses in determining
5 whether, in its discretion, such payment will be approved.

6 13. The Distribution Agent is entitled to rely on all outstanding rules of
7 law and court orders and shall not be liable to anyone for its own good faith
8 compliance with any order, rule, law, judgment, or decree, nor shall it be liable for
9 complying with the orders of this Court. In no event shall it be liable to the
10 defendant in this action for its good faith compliance with its duties and
11 responsibilities under this Order, nor shall it be liable to anyone for any action
12 taken or omitted by it except upon a finding by this Court that it acted or failed to
13 act as a result of misfeasance, bad faith, gross negligence, or in reckless disregard
14 of its duties.

15 14. The Court may remove the Distribution Agent at any time and replace
16 it with successors. If the Distribution Agent resigns, it must notify the
17 Commission's staff and the Court in writing, and the resignation shall not be
18 effective until the Court has appointed a successor. The Distribution Agent shall
19 then follow such instructions as the successor or the Court gives in turning over
20 custody, control, and management of the Distribution Fund and other property
21 collected pursuant to this Court's orders or any Distribution Plan approved in this
22 case.

23 15. All proceedings with respect to the administration, processing and
24 determination of claims and the determination of all controversies pertaining to the
25 Distribution Fund or any Distribution Plan approved in this case, shall be subject to
26 the exclusive jurisdiction of this Court.


27 16. JPMorganChase shall transfer all of the funds held in Account
28 Number XXXXXXXXXXXX8461 in the name of Diversified American Industries,

1 Inc., in the amount of \$25,596.89, to the Commission by certified check made
2 payable to Clerk—United States District Court and include the case number of this
3 action. JPMorganChase shall transmit the certified check to counsel for the
4 Securities and Exchange Commission in this action at its Los Angeles Regional
5 Office, 5670 Wilshire Boulevard, 11th Floor, Los Angeles, CA 90036, Attention:
6 Trial Unit.

7 17. The Clerk of the Court is hereby authorized, in accordance with FRCP
8 67 and Local Rules L.R. 67-1 and 67.2, to deposit into an interest-bearing account
9 funds deposited by or on behalf of the Commission from JPMorgan Chase in the
10 amount of \$25,596.89. The Clerk of Court is further authorized and directed by
11 the foregoing Rules to deduct from the income earned on the amounts deposited a
12 registry fee not to exceed the amount prescribed by the Judicial Conference of the
13 United States.

14 IT IS SO ORDERED.

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16 DATED: January 20, 2010

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19 The Honorable Margaret M. Morrow
20 UNITED STATES DISTRICT JUDGE
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