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FILED
Clerk of the Superior Court

OCT 20 2010

By: R. CERSOSIMO, Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN DIEGO

THE PEOPLE OF THE STATE OF)	CASE No.: 37-2008-00088219-CU-SL-CTL
CALIFORNIA, by and through the California)	
Corporations Commissioner,)	[PROPOSED] DEFAULT JUDGMENT BY
Plaintiff,)	COURT
v.)	
)	HON. LUIS R. VARGAS
BRIDGE HARBOR MANAGEMENT, INC., a)	DEPARTMENT 63
suspended California corporation; CREATIVE)	
INSURANCE CONCEPTS, INC., a California)	
corporation; KATHLEEN SHAVE, an individual;)	
RUSSELL MILLARD, an individual,)	
)	
Defendants,)	
)	
And Relief Defendants.)	
)	

[PROPOSED] DEFAULT JUDGMENT BY COURT

1 Plaintiff People of the State of California, by and through the California Corporations
2 Commissioner (“Commissioner”), filed this action to enjoin defendants from violating the Corporate
3 Securities Law of 1968, California Corporations Code section 25000 *et. seq.*,¹ and for other ancillary
4 relief. The Second Amended Complaint was filed on November 12, 2010. Defendants Creative
5 Insurance Concepts, Inc. (“CIC”), Kathleen Shave (“Shave”) and Bridge Harbor Management, Inc.
6 (“Bridge Harbor”) failed to respond to the complaint, and their default was entered on December 26,
7 2008. Defendant Russell Millard (“Millard”) answered the complaint, denying all wrongdoing, and
8 the case proceeded against Defendant Millard.

9 The matter came before the Court for trial on February 1, 2010 before the Honorable Luis R.
10 Vargas, Judge of the Superior Court of the State of California for the County of San Diego. Plaintiff
11 was represented by Jennifer A. Granat, Senior Corporations Counsel, Michelle Lipton, Senior
12 Corporations Counsel and Joyce Tsai, Corporations Counsel. Defendant Millard was represented by
13 Alvin M. Gomez, Gomez Law Group. The presentation of evidence concluded on March 10, 2010.
14 Closing argument was held on May 10, 2010, following which the parties submitted written post
15 argument briefings. The matter was taken under submission on July 22, 2010.

16 On September 21, 2010, the Court issued a Memorandum of Decision (“Decision”), attached
17 hereto as Exhibit 1 and incorporated herein by reference. As set forth in the Decision, the Court
18 found in favor of Plaintiff on its claims for violations of sections 25110, 25401 and 25230 against
19 Defendant Millard. On the First Cause of Action for violation of section 25110 (sale of unqualified
20 securities), the Court found Millard liable for 30 violations; on the Second Cause of Action for
21 violation of section 25401 (securities fraud), the Court found Millard liable for 30 violations; and on
22 the Third Cause of Action for violation of section 25230 (unlicensed investment adviser), the Court
23 found Millard liable for 30 violations.
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25 Further, the Court found that Millard was a “control” person of CIC, and that he substantially
26 assisted defendants Shave and Bridge Harbor in the entire Bridge Harbor note scheme. Therefore,
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28 ¹ All statutory references are to the California Corporations Code unless otherwise noted.

1 the Court found Millard jointly and severally liable with defendants CIC, Shave and Bridge Harbor
2 under section 25403 for all 92 violations of sections 25110 and 25401.

3 Following the issuance of the Decision, Plaintiff submitted additional evidence pursuant to
4 Code of Civil Procedure section 585. The Court finds that in addition to the misrepresentations and
5 omissions set forth in the Decision, Plaintiff proved by a preponderance of the evidence that the
6 Bridge Harbor note scheme operated as a classic Ponzi scheme, with new investor money used to
7 pay prior investors, in violation of section 25401. Specifically, Plaintiff proved the following
8 misrepresentations and omissions of material fact, in violation of section 25401:

9 a. Defendants represented that the investment in Bridge Harbor notes would be used by
10 Bridge Harbor for short-term needs and to expand current businesses. In fact, the money was used
11 to pay prior investors in a Ponzi scheme.

12 b. Defendants misrepresented that investors would receive regular monthly interest
13 payments with money generated from profits.

14 c. Defendants misrepresented that investors would receive the return of their principal at
15 the end of the investment term, unless the investment was extended by mutual written agreement.

16 d. Investors were not told that Bridge Harbor's corporate status had been suspended.

17 **NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED** that:
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19 1. Defendants Creative Insurance Concepts, Inc., Kathleen Shave and Bridge Harbor
20 Management, Inc., and their agents, employees, attorneys in fact and all persons acting in concert or
21 participating with them, are permanently enjoined from directly or indirectly:

22 a. Violating California Corporations Code section 25110 by offering to sell, selling,
23 arranging for the sale, issuing, engaging in the business of selling, negotiating for the sale of, or
24 otherwise in any way dealing or participating in the offer or sale of, any security of any kind,
25 including but not limited to the corporate and promissory notes described in the Decision, unless
26 such security or transaction is qualified by the Commissioner pursuant to the Corporate Securities
27 Law of 1968; and
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1 b. Violating California Corporations Code section 25401 by offering to sell, selling,
2 offering to buy or buying any security of any kind, including but not limited to the corporate and
3 promissory notes described in the Decision, by means of any written or oral communication, which
4 contains any untrue statements of any material fact or omits or fails to state any material fact
5 necessary in order to make the statements made, in light of the circumstances under which they are
6 made, not misleading, including but not limited to the misrepresentations and omissions alleged
7 herein and in the Decision.

8 2. Defendants Creative Insurance Concepts, Inc., Kathleen Shave and Bridge Harbor
9 Management, Inc., jointly and severally with Defendant Russell Millard, are ordered to pay restitution
10 in the amount of \$7,180,076, within thirty (30) days of entry of judgment, as follows: full restitution
11 to each of the 58 investors (for each of 92 transactions) set forth on Attachment A of the Decision,
12 attached hereto, in the amounts set forth thereon (where an investor was paid in full, no restitution is
13 due). Each time a payment is made pursuant to this order, the payor shall file a notice with the
14 Commissioner by U.S. Mail, attention Jennifer A. Granat, at Plaintiff's address of record in this
15 action, which shall identify: the name of the investor (and/or the name of the estate, as applicable),
16 amount of payment, date of payment, method of payment, and remaining amount of restitution due
17 and owing to the investor.

18 3. Defendants Creative Insurance Concepts, Inc., Kathleen Shave and Bridge Harbor
19 Management, Inc., jointly and severally with Defendant Russell Millard, are ordered to pay the
20 Commissioner civil penalties in the amount of \$25,000 per violation, within thirty (30) days of entry
21 of judgment, as follows:

- 22 a. \$2.3 million for 92 violations of section 25110; and
23 b. \$2.3 million for 92 violations of section 25401.

24 4. Interest shall accrue on all restitution and civil penalties at the legal rate (10%) from
25 the date hereof.
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1 5. This court will retain jurisdiction of this action in order to implement and carry out the
2 terms of all orders and decrees that may be entered herein or to entertain any suitable application or
3 motion by Plaintiff for additional relief within the jurisdiction of this Court.
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5 **IT IS SO ORDERED:**
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7 Dated: OCT 20, 2010

8 HON. LUIS R. VARGAS, JUDGE OF THE
9 SUPERIOR COURT
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