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UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ROBERT A. BERLACHER,
LANCASTER INVESTMENT PARTNERS, L.P.,
NORTHWOOD CAPITAL PARTNERS, L.P.,
CABERNET PARTNERS, L.P.,
CHARDONNAY PARTNERS, L.P.,
INSIGNIA PARTNERS, L.P.,
VFT SPECIAL VENTURES, LTD.,
LIP ADVISORS, LLC,
NCP ADVISORS, LLC, and
RAB INVESTMENT COMPANY, LLC

Defendants.

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07 3800

Civil Action No.

A TRUE COPY CERTIFIED TO FROM THE RECORD
DATE: SEP 13 2007
ATTEST: Steve Tomas
DEPUTY CLERK, UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA

COMPLAINT

Plaintiff, the Securities and Exchange Commission ("Commission"), alleges as follows:

SUMMARY OF ALLEGATIONS

1. Defendants perpetrated an unlawful trading scheme to evade the registration requirements of the federal securities laws in connection with at least ten unregistered securities offerings, which are commonly referred to as "PIPEs" (Private Investments in Public Equities). From 2000 through 2005, Defendant Robert A. Berlacher ("Berlacher") served as the managing partner and chief investment officer of defendant entities Lancaster Investment Partners, L.P., Northwood Capital Partners, L.P., Cabernet Partners, L.P., Chardonnay Partners, L.P., VFT Special Ventures, Ltd., LIP Advisors, LLC, NCP Advisors, LLC, and RAB Investment

Company, LLC, and was a signatory and financial adviser to Insignia Partners, L.P. (collectively, "Lancaster") (Berlacher and Lancaster collectively, "Defendants"). The Lancaster funds were all controlled by Berlacher, who used them interchangeably in the context of carrying out the unlawful trading scheme. From 2000 to 2005, Lancaster realized more than $1.7 million in ill-gotten gains as a result of the unlawful trading scheme, which violated the antifraud and registration provisions of the federal securities laws.

2. Typically, Defendants learned about PIPE transactions from placement agents who offered issuer securities to Defendants and other hedge funds in private offerings. In connection with Defendants' purchase of securities from the issuer in the unregistered PIPE transactions, Defendants sold short the issuer's stock. As a condition of the PIPE transactions, the issuer promised to file with the Commission a resale registration statement that, once effective, would permit Defendants to sell the issuer securities that they had acquired through a PIPE transaction. Later, once the Commission declared the resale registration statement effective, Defendants used the PIPE shares to cover the short positions — a practice prohibited by the registration provisions of the federal securities laws. To avoid detection and regulatory scrutiny, Defendants employed a variety of deceptive trading techniques, including wash sales, matched orders, and pre-arranged trades, to make it appear that they were covering their short sales with open market shares, when, in fact, Defendants were on both sides of the transactions and were covering with their PIPE shares.

3. "Selling short" is a technique used by investors to, among other things, take advantage of an anticipated decline in the price of a stock. In general, a "short seller" sells shares of stock that he or she does not own, ultimately "covering" the sale with shares that the

seller purchases at a later date. The "short seller" hopes that he or she can purchase the stock to cover the short sale at a lower price.

4. Defendants' unlawful PIPE investment strategy and deceptive trading scheme involved at least ten issuers that sought PIPE financing (collectively, "the PIPE Issuers"). During the relevant period, the common stock of each PIPE Issuer was registered with the Commission pursuant to either Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934 ("Exchange Act") and was quoted on the NASDAQ National Market, or traded on the New York Stock Exchange or the Over-The-Counter Bulletin Board.

5. In connection with at least ten transactions, Defendants also made materially false representations to the PIPE Issuers. As a precondition of participation in a PIPE, Defendants had to represent that they would not sell, transfer, or dispose of the PIPE shares other than in compliance with the registration provisions of the Securities Act of 1933 ("Securities Act"). At the time Defendants learned about the PIPE offerings, however, they intended to distribute the restricted PIPE securities in violation of the registration provisions of the Securities Act.

6. On at least one occasion, Defendants also engaged in illegal insider trading by selling short issuer securities on the basis of material, non-public information prior to the public announcement of the PIPE transaction notwithstanding their agreement and duty to keep information about the PIPE confidential and to refrain from trading prior to the public announcement of the PIPE.

7. The Commission requests that: (a) each Defendant be enjoined from engaging in future violations of the antifraud and other provisions of the federal securities laws as alleged herein; (b) each Defendant disgorge, with prejudgment interest, the illegal profits and proceeds

obtained as a result of the actions described herein; and (c) each Defendant pay a civil monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

JURISDICTION AND VENUE

8. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. §§ 77t(b) and 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

9. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

10. Defendants, directly or indirectly, made use of the means or instruments of transportation or communication in, or the instrumentalities of, interstate commerce, or of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices, and courses of business alleged herein.

11. Venue is proper in this District because certain of the transactions, acts, practices, and courses of business occurred within the Eastern District of Pennsylvania. Among other things, Berlacher resides in Villanova, Pennsylvania, eight of the Defendants have their principal place of business in King of Prussia, Pennsylvania, and Defendant Insignia Partners, L.P. has its principal place of business in Bryn Mawr, Pennsylvania. A number of Defendants' securities transactions were executed and/or cleared through an affiliated broker-dealer located in King of Prussia, Pennsylvania. Two of the PIPE Issuers have their principal place of business within the Eastern District of Pennsylvania. In addition, there are material witnesses who reside, and have

their principal places of business, within the Eastern District of Pennsylvania.

12. Defendants, directly or indirectly, have engaged in, and unless restrained and enjoined by this Court will continue to engage in, transactions, acts, practices, and courses of business that violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and Sections 5(a), 5(b), and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(b), and 77e(c)].

DEFENDANTS

13. **Robert A. Berlacher**, age 53, resides in Villanova, Pennsylvania. During the relevant period, Berlacher was the managing partner and chief investment officer of Lancaster Investment Partners, L.P., Northwood Capital Partners, L.P., Cabernet Partners, L.P., Chardonnay Partners, L.P., VFT Special Ventures, Ltd., LIP Advisors, LLC, NCP Advisors, LLC, and RAB Investment Company, LLC. Berlacher was also a signatory and financial adviser to Insignia Partners, L.P.

14. **Lancaster Investment Partners, L.P.**, a Pennsylvania limited partnership, is a hedge fund. LIP Advisors, LLC is the fund's general partner. Its principal place of business is in King of Prussia, Pennsylvania.

15. **Northwood Capital Partners, L.P.**, a Delaware limited partnership, is a hedge fund. NCP Advisors, LLC is the fund's investment adviser. Its principal place of business is in King of Prussia, Pennsylvania.

16. **Cabernet Partners, L.P.**, a Pennsylvania limited partnership, is a hedge fund. Robert A. Berlacher and his wife, Julie T. Berlacher, are the only limited partners. RAB

Investment Company, LLC, is the general partner, of which Robert A. Berlacher is the sole managing member. Its principal place of business is in King of Prussia, Pennsylvania.

17. **Chardonnay Partners, L.P.**, a Pennsylvania limited partnership, is a hedge fund. Robert A. Berlacher's six children are the only limited partners. RAB Investment Company, LLC, is the general partner, of which Robert A. Berlacher is the sole managing member. Its principal place of business is in King of Prussia, Pennsylvania.

18. **Insignia Partners, L.P.**, a Pennsylvania limited partnership, is a hedge fund. Its general partner is Ballyshannon Partners, Inc. Robert A. Berlacher is a signatory and is financial adviser to the fund. Its principal place of business is in Bryn Mawr, Pennsylvania.

19. **VFT Special Ventures, Ltd.**, a hedge fund and a Pennsylvania limited partnership, is wholly owned by EGE Holdings, Ltd. Robert A. Berlacher owns approximately 20% of EGE Holdings, Ltd., which also owns Emerging Growth Equities, Ltd., a registered broker-dealer, and EGE Advisors, Ltd., a registered investment adviser, both of which are based in King of Prussia, Pennsylvania. Its principal place of business is in King of Prussia, Pennsylvania.

20. **LIP Advisors, LLC**, a Pennsylvania limited liability company, is the general partner of Lancaster Investment Partners, L.P. Robert A. Berlacher is one of its managing members. Its principal place of business is in King of Prussia, Pennsylvania.

21. **NCP Advisors, LLC**, a Delaware limited liability company, is the investment adviser of Northwood Capital Partners, L.P. Robert A. Berlacher is its managing member. Its principal place of business is in King of Prussia, Pennsylvania.

22. **RAB Investment Company, LLC**, a Pennsylvania limited liability company, is

the general partner of Cabernet Partners, L.P. and Chardonnay Partners, L.P. and is managed by Robert A. Berlacher. Its principal place of business is in King of Prussia, Pennsylvania.

STATEMENT OF FACTS

I. PIPEs Background

23. Issuers utilize the PIPEs market when more traditional means of financing, such as a registered repeat offering, are for various reasons impractical. PIPE securities are generally issued pursuant to Section 4(2) of the Securities Act or Regulation D under the Securities Act, which provide an exemption from registration for a nonpublic offering by an issuer. Because PIPEs are unregistered offerings, PIPE investors receive restricted securities when a transaction closes. Before investors can publicly trade those restricted securities, the issuer must file, and the Commission must declare effective, a resale registration statement, a process that may take 60 to 120 days to complete. PIPE investors therefore must wait a certain period of time before they can publicly trade the securities that they received in the PIPE. And even after the securities are publicly tradeable, they may only be sold when accompanied by an issuer prospectus. To compensate investors for this temporary illiquidity, PIPE issuers customarily offer the restricted securities at a discount to market price.

24. Many PIPE investors "hedge" their investment by selling short the PIPE issuer's securities before the resale registration statement is declared effective.

25. The short positions established to "hedge" a PIPE investment before the PIPE shares are tradeable must ultimately be covered with open market shares of the issuer. The actual shares purchased in the PIPE transaction may not be used to cover a pre-effective date short position (i.e., a short position established prior to the Commission declaring the resale

registration statement effective), even after the registration statement for the PIPE shares is effective. This is because shares used to cover a short sale are deemed to have been sold when the short sale was made. Defendants violated Sections 5(a), 5(b), and 5(c) of the Securities Act by covering their pre-effective date short positions with the actual shares received in the PIPE.

26. Berlacher knew or was reckless in not knowing that the lawful way to cover those short positions that were established to "hedge" PIPE investments was to purchase open market shares, but he chose instead to cover his pre-effective date short positions with PIPE shares in order to avoid exposing the trades to market risk. This unlawful trading scheme enabled Defendants to profit from PIPE offerings without incurring corresponding market risk.

II. The Unlawful Trading Scheme and Unregistered Sale of Shares

27. During the period 2000 through 2005, Berlacher implemented the unlawful trading scheme that enabled Lancaster to invest in and profit from PIPE offerings without incurring market risk. His strategy was simple: upon learning of a PIPE offering, to sell short as much as possible (up to the amount of Lancaster's restricted PIPE allocation) prior to the Commission declaring the resale registration statement effective and then to cover those short positions using the PIPE shares.

28. In each of the ten transactions listed below, Defendants employed an unlawful trading strategy in violation of the antifraud and registration provisions of the federal securities laws:

	PIPE Issuer	Closing Date	Shares
1	Amtech Systems, Inc.	09/13/2000	49,300
2	NaPro BioTherapeutics, Inc.	11/16/2000	100,000
3	Orthovita, Inc.	03/16/2001	100,000
4	Conductus, Inc.	05/22/2001	200,000
5	Central European Distribution Corporation	03/12/2002	50,000
6	Neoware, Inc.	05/21/2002	50,000
7	Meade Instruments Corp.	10/28/2002	100,000
8	Radyne ComStream, Inc.	02/17/2004	104,000
9	Sento Corporation	03/31/2004	15,000
10	Smith Micro Software, Inc.	02/18/2005	75,000

29. Defendants engaged in the unlawful trading scheme in connection with each of the above-listed PIPE offerings, garnering a total of approximately $1.7 million in ill-gotten gains for Lancaster. These ill-gotten gains inflated Lancaster's assets under management and performance, which consequently led Berlacher to receive improper performance fees and compensation.

30. When Defendants sold short the PIPE Issuers' securities, there was not a resale registration statement in effect for the PIPE shares and no exemption from registration applied to the sales of those shares.

31. Once Defendants had established their short positions, they waited until the Commission declared effective the resale registration statement and then began to use their PIPE shares to cover the short positions in violation of Sections 5(a), 5(b), and 5(c) of the Securities Act.

32. To close out the short positions, Defendants engaged in deceptive trading techniques – wash sales, matched orders, and pre-arranged trades – to create the false appearance that the PIPE shares being used to cover the short positions were market shares. Specifically, in

certain instances, Berlacher entered an order to sell a specific number of PIPE shares with an initial broker-dealer (broker-dealer A). He would simultaneously, or nearly simultaneously, place a buy order for the same number of shares with a second broker-dealer (broker-dealer B), at which Lancaster's short position resided, and instruct broker-dealer A to sell his PIPE shares to broker-dealer B. The buy and sell orders would meet and broker-dealer B would use the PIPE shares that Lancaster had just purchased from itself to close out the pre-effective date short position.

33. "Wash sales" are transactions involving no change in beneficial ownership. "Matched orders" are orders for the purchase or sale of a security that are entered with the knowledge that orders of substantially the same size, at substantially the same time and price, have been or will be entered by the same or different persons.

34. Although the manner of establishing and covering the short positions differed from deal to deal, the Smith Micro Software, Inc. ("Smith Micro") PIPE offering that closed on February 18, 2005 illustrates Defendants' basic trading strategy: Lancaster invested $640,000 in the offering, receiving 100,000 restricted Smith Micro shares at $6.40 per share – a discount of approximately 17% from Smith Micro's then-market price of approximately $7.73 per share.

35. Defendants sold short 75,000 shares at $7.73 share, garnering proceeds of approximately $579,750. These short sales were placed prior to the registration statement being declared effective – indeed, the short sales were placed on February 15, 2005, minutes after the Defendants learned of the PIPE transaction.

36. Once the Commission declared the resale registration statement effective, Defendants, as described above, engaged in wash sales and matched orders to create the false

appearance that they were using market shares to cover the 75,000 share short position when in fact they used their PIPE shares. Lancaster's profit was therefore locked in at the moment its short sales were executed prior to the effective date of the resale registration statement: the $579,750 short sale proceeds minus the $480,000 investment (75,000 shares at the discounted PIPE price of $6.40 per share), for a net profit of $99,750.

37. Defendants engaged in similar trading in connection with the March 2004 Sento Corporation ("Sento") PIPE offering. Defendant Northwood Capital Partners, L.P. invested $528,000 in the offering, receiving 50,000 restricted Sento shares at $10.56 per share – a discount of approximately 16% from Sento's then-market price of approximately $12.53 per share.

38. Defendants sold short 5,000 shares at $17.25 per share, 4,000 shares at $15.60 per share, and 6,000 shares at $15.78 per share, garnering proceeds of approximately $243,300. These short sales were placed prior to the registration statement for the PIPE shares being declared effective.

39. Once the Commission declared the resale registration statement effective, Defendants, as described above, engaged in wash sales and matched orders to create the false appearance that they were using market shares to cover the 15,000 share short position when in fact they used their PIPE shares. Defendant Northwood Capital Partners, L.P.'s profit was therefore locked in at the moment its short sales were executed prior to the effective date of the resale registration statement: the $243,300 short sale proceeds minus the $158,400 investment (15,000 shares at the discounted PIPE price of $10.56 per share), for a net profit of $84,930.

40. By selling short the PIPE Issuers' securities before the effective date of the resale

registration statement for the PIPE shares and covering those short positions with the PIPE shares after the resale registration statement became effective, Defendants sold the PIPE shares prior to their effective registration. In addition, Defendants failed to deliver an issuer prospectus to the purchasers of the securities as required by the Securities Act.

III. Defendants Made Materially False Representations to the PIPE Issuers

41. As a necessary part of the unlawful trading scheme, Berlacher intentionally made materially false representations to the PIPE Issuers to induce them to sell their securities to Lancaster. Each securities purchase agreement between the PIPE Issuers and Lancaster contained a provision in which Lancaster represented that it was purchasing the PIPE securities for its own account and without any present intention of distributing the securities.

42. This representation was material to the PIPE Issuers, who, as the stock purchase agreements made clear, relied on the investors' representations in order to qualify for an exemption from the registration requirements for their private offering. Without securing such representations, the PIPE Issuers could not have permitted Defendants to participate in the offering because the PIPE Issuers would not have qualified for a registration exemption.

43. Berlacher signed these securities purchase agreements despite knowing or recklessly not knowing that Lancaster (i) was not purchasing the PIPE securities for its own account, and (ii) had a present intention to distribute the PIPE securities through its short selling and covering with the PIPE shares in violation of Sections 5(a), 5(b), and 5(c) of the Securities Act.

44. These were not the only material misrepresentations Defendants made to the PIPE Issuers. For example, in connection with the Smith Micro PIPE, Berlacher signed a stock

purchase agreement, dated as of February 18, 2005, in which he represented that he and his funds had not engaged in any short sales in between the time he was contacted by the placement agent and the time the PIPE closed. This statement was false – Berlacher had sold short Smith Micro securities almost immediately after being contacted by the placement agent.

45. Berlacher had been contacted by the placement agent no later than February 15, 2005 at 11:45 a.m. Approximately ten minutes later, at approximately 11:55 a.m., Berlacher, on behalf of Northwood Capital Partners, L.P., placed a 25,000 share short sale order for Smith Micro; he placed two additional 25,000 Smith Micro short sale orders that day, thereby accumulating a 75,000 share short position by the close of trading on February 15, 2005. The PIPE did not close and was not publicly announced until February 18, 2005.

46. As additional evidence of Berlacher's reckless disregard of the accuracy of representations he made to the PIPE Issuers, in connection with two additional PIPE offerings (Hollywood Media Corp. and International Displayworks, Inc.), Berlacher, on behalf of several of the Lancaster funds, made material misrepresentations to the issuers and/or their agents to obtain information about the PIPEs and, in connection with International Displayworks, Inc., Berlacher additionally made material misrepresentations about his funds' trading activity. For each, Berlacher, as a condition precedent to learning about the PIPEs, agreed to keep the PIPE information confidential and not to trade on it until after the public announcement. In both instances, however, Berlacher and the relevant funds traded in the securities of Hollywood Media Corp. and International Displayworks, Inc. despite having represented to the issuer and/or its agents that it would not do so. As to International Displayworks, Berlacher also signed the securities purchase agreement in which he falsely represented that he had not engaged in any

transactions in the company's securities after being contacted about the offering when he had in fact done so.

IV. Insider Trading

47. Defendants Berlacher, Lancaster Partners, L.P., Cabernet Partners, L.P., Chardonnay Partners, L.P., Insignia Partners, L.P., LIP Advisors, LLC, and RAB Investment Company, LLC (collectively, "the insider trading Defendants") also engaged in unlawful insider trading in connection with the Radyne ComStream, Inc. ("Radyne") PIPE offering by selling short Radyne securities prior to the public announcement on the basis of material, nonpublic information about the Radyne PIPE in breach of a duty to keep that information confidential.

48. In connection with the Radyne PIPE, the placement agent, Roth Capital Partners, LLC ("Roth"), solicited investors, including the insider trading Defendants.

49. On January 28, 2004, a Roth salesperson ("Salesperson A") contacted Berlacher about the Radyne PIPE. Consistent with his practice, Salesperson A informed Berlacher that Roth was working on a PIPE transaction and that the PIPE information he had was confidential and, if disclosed to Berlacher, would restrict Berlacher from trading in the PIPE issuer's securities and from discussing the transaction with others until it was publicly announced.

50. Consistent with his practice, Salesperson A told Berlacher that if Berlacher wanted to hear the PIPE information, he first had to agree to keep the information confidential and not to trade on it or discuss it with others until it was publicly announced. Berlacher agreed to keep the PIPE information confidential and agreed not to trade in the PIPE issuer's securities or to discuss the transaction with others until it was publicly announced.

51. The insider trading Defendants also received offering documents containing

language that required them to maintain the information contained therein in confidence and to refrain from trading on that information prior to the public announcement of the offering.

52. On January 30, 2004, Roth emailed Berlacher a Radyne Investment Proposal and Investment Presentation. The email's subject is "CONFIDENTIAL – RADYNE COMSTREAM." The text of the emailed stated: "Per request [of] [the Roth salesperson] I have attached the Investment Proposal and Investor Presentation. Please note that this is intended for you only and should not be distributed to others." Attached to the email was a document titled "CONFIDENTIAL INVESTMENT PROPOSAL." Page one of the document contained the following language:

> This Proposal is submitted to prospective investors on a confidential basis and is for their informational use solely in connection with the offering described herein. The disclosure of any of the information contained herein or its use for any other purpose except with Radyne ComStream's prior written consent is prohibited. This Proposal may not be reproduced, in whole or in part, and it is accepted with the understanding that it will be returned on request if the recipient does not purchase the common stock offered hereby or if the recipient's subscription is not accepted or if the offering is terminated.

53. The Radyne stock purchase agreement, signed by the insider trading Defendants on February 12, 2004, also contained language confirming the confidential nature of the transaction. Section 2.1, "Representations and Warranties of the Company," subsection (j), titled "Disclosure," stated in relevant part: "Except for this transaction, the Company confirms that neither it nor, to its knowledge, any person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that the Company believes constitutes material, non-public information." (emphasis added) Likewise Section 2.2, "Representations and Warranties of the Seller," subsection (g), titled "Non-Public Information," stated in relevant part: "Except for this transaction, no Seller or any person acting on its behalf has provided any

Purchaser or its agents or counsel with any information that constitutes material, non-public information regarding the Company or its business." (emphasis added)

54. The insider trading Defendants breached their duty to maintain the information about the PIPE in confidence by accumulating a 114,000 share short position in Radyne as of February 2, 2004, through short sales of 40,000 shares on January 28, 2004, 60,000 shares on January 30, 2004, and 14,000 shares on February 2, 2004.

55. The insider trading Defendants further materially misrepresented to Radyne in the Radyne stock purchase agreement that, as of February 12, 2004, they "[did] not hold a short position, directly or indirectly, in any shares of the Company's stock," when in fact the insider trading Defendants held a 114,000 share short position.

56. The insider trading Defendants made the short sales of 114,000 shares of Radyne stock on the basis of the material nonpublic information provided to them in confidence in connection with the Radyne PIPE offering, in anticipation that the information would have a negative impact on the Radyne stock price.

57. The Radyne PIPE was publicly announced before the markets opened on February 17, 2004.

58. Radyne's stock price declined significantly following the announcement of the PIPE transaction.

59. Having received material nonpublic information concerning Radyne after having agreed to maintain that information in confidence and not to trade on it or discuss it, the insider trading Defendants owed a duty of trust and confidence to Radyne and/or its agents.

60. By the conduct set forth above, the insider trading Defendants breached that duty

of trust and confidence.

61. As a result, the insider trading Defendants made substantial unlawful profits.

FIRST CLAIM FOR RELIEF

INSIDER TRADING AND FRAUD
Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

62. The Commission realleges and reincorporates paragraphs 1 through 61 as if fully set forth herein.

63. From at least 2000 through 2005, Defendants, with scienter, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omissions to state material facts necessary in order to make the statement made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit.

64. By reason of their actions alleged herein, Defendants each violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5] and unless restrained and enjoined will continue to do so.

SECOND CLAIM FOR RELIEF

INSIDER TRADING
Violations of Section 17(a)(1) of the Securities Act

65. The Commission realleges and reincorporates paragraphs 1 through 64 as if fully set forth herein.

66. During 2004, the insider trading Defendants, with scienter, by use of the means or

instrumentalities of interstate commerce or of the mails, in the offer or sale of securities, directly or indirectly employed devices, schemes or artifices to defraud in violation of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

67. By reason of their actions alleged herein, the insider trading Defendants each violated Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)] and unless restrained and enjoined will continue to do so.

THIRD CLAIM FOR RELIEF

INSIDER TRADING
Violations of Section 17(a)(2) and (3) of the Securities Act

68. The Commission realleges and reincorporates paragraphs 1 through 67 as if fully set forth herein.

69. During 2004, the insider trading Defendants, by use of the means or instrumentalities of interstate commerce or of the mails, in the offer or sale of securities: (a) obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (b) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of the securities offered and sold by the defendants.

70. By reason of their actions alleged herein, the insider trading Defendants each violated Section 17(a)(2) and (3) of the Securities Act [15 U.S.C. § 77q(a)(2) and (3)] and unless restrained and enjoined will continue to do so.

FOURTH CLAIM FOR RELIEF

REGISTRATION AND PROSPECTUS DELIVERY
Violations of Sections 5(a), 5(b), and 5(c) of the Securities Act

71. The Commission realleges and reincorporates paragraphs 1 through 70 as if fully set forth herein.

72. From at least 2000 through 2005, Defendants, directly or indirectly: (a) without a registration statement in effect as to the securities, (i) made use of the means or instruments of transportation or communication or the mails to sell such securities through the use or medium of a prospectus or otherwise, or (ii) carried or caused to be carried through the mails, or in interstate commerce, by any means or instruments of transportation, such securities for the purpose of sale or for delivery after sale; (b) carried or caused to be carried through the mails or in interstate commerce securities for the purpose of sale or for delivery after sale without being accompanied or preceded by a prospectus; and (c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of a prospectus or otherwise securities for which a registration statement had not been filed as to such securities.

73. By reason of their actions alleged herein, Defendants each violated Sections 5(a), 5(b), and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(b), and 77e(c)] and unless restrained and enjoined will continue to do so.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a final judgment:

I.

Permanently restraining and enjoining Defendants Robert A. Berlacher, Lancaster Investment Partners, L.P., Northwood Capital Partners, L.P., Cabernet Partners, L.P., Chardonnay Partners, L.P., Insignia Partners, L.P., VFT Special Ventures, Ltd., LIP Advisors, LLC, NCP Advisors, LLC, and RAB Investment Company, LLC from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Sections 5(a), 5(b), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(b), 77e(c), and 77q(a)];

II.

Ordering Defendants Robert A. Berlacher, Lancaster Investment Partners, L.P., Northwood Capital Partners, L.P., Cabernet Partners, L.P., Chardonnay Partners, L.P., Insignia Partners, L.P., VFT Special Ventures, Ltd., LIP Advisors, LLC, NCP Advisors, LLC, and RAB Investment Company, LLC to disgorge the profits and proceeds they obtained as a result of their actions alleged herein and to pay prejudgment interest thereon;

III.

Ordering Defendants Robert A. Berlacher, Lancaster Investment Partners, L.P., Northwood Capital Partners, L.P., Cabernet Partners, L.P., Chardonnay Partners, L.P., Insignia Partners, L.P., VFT Special Ventures, Ltd., LIP Advisors, LLC, NCP Advisors, LLC, and RAB

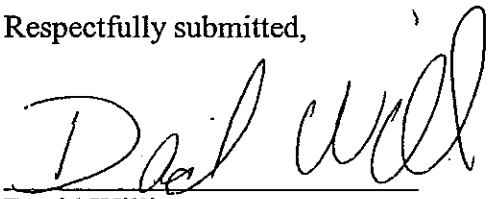
Investment Company, LLC to pay a civil monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and

IV.

Granting such other relief as this Court may deem just and proper.

Dated: September 13, 2007

Respectfully submitted,



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