

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 53423 / March 6, 2006

Administrative Proceeding
File No. 3-12228

SEC INSTITUTES PENNY STOCK BAR PROCEEDING AGAINST JAMES E.
FRANKLIN BASED ON ENTRY OF INJUNCTION

The Commission issued today an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 (Exchange Act) (Order) against James E. Franklin (Franklin) to determine whether it is appropriate and in the public interest to bar Franklin from participating in an offering of a penny stock. The Commission's proceeding is based on a final judgment entered against Franklin in *Securities and Exchange Commission v. James E. Franklin, et al.*, CA No. 02CV0084 IEG (RBB) (S.D. Cal.). The Commission's Complaint alleged that beginning in 1997 and continuing into 1998, Franklin orchestrated a fraudulent scheme to tout at least seven stocks on an internet website, Red Hot Stocks. The Complaint alleged that Franklin acquired those stocks cheaply and then sold those shares after their price increased following false and misleading "profiles" on the companies which appeared on the Red Hot Stocks website. The Complaint alleged that Franklin and his company, Initial Public Offering Consultants, Inc. (IPO) entered into a consulting agreement with a profiled company, Easy Cellular, Inc., under which IPO agreed to raise capital and provide public and investor relations services. The Complaint alleged that Franklin arranged for the offer and sale of shares of Easy Cellular, a penny stock.

The Complaint alleged that Franklin violated Sections 5(a), 5(c), 17(a) and 17(b) of the Securities Act of 1933 (Securities Act), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

On December 15, 2005, the District Court for the Southern District of California, among other things, entered a final judgment against Franklin permanently enjoining him from violating Sections 5(a) and 5(c), 17(a) and 17(b) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

In the Commission's Order, the Division of Enforcement (Division) alleges that the securities of at least one of the companies that Franklin promoted and which were profiled on the Red Hot Stocks website, Easy Cellular, constituted a penny stock within the meaning of Section 3(a)(51) of the Exchange Act and Rule 3a51-1 thereunder. Further, the Division alleges that Franklin participated in an offering of a penny stock.

A hearing will be scheduled before an administrative law judge to determine whether the allegations contained in the Order are true, and in connection therewith, to afford Franklin an opportunity to establish defenses to such allegations, and to determine whether a penny stock bar is appropriate and in the public interest.

The Commission directed that an administrative law judge shall issue an initial decision in this matter within 210 days from the date of service of the Order.