

1 Christine Ryall, Esq. (Pro Hac Vice)  
John Dunfee, Esq. (Pro Hac Vice)  
2 1155 21st Street, N.W.  
Washington, D.C. 20581  
3 202-418-5318 / cryall@cftc.gov (Ryall)  
202-418-5396 / jdunfee@cftc.gov (Dunfee)  
4 202-418-5531 (fax)

FILED  
CLERK, U.S. DISTRICT COURT  
NOV 29 2006  
CENTRAL DISTRICT OF CALIFORNIA  
BY [Signature] DEPUTY

5 Kent A. Kawakami (CA Bar. No. 149803)  
Local Counsel  
6 US Attorney's Office, Civil Div.  
300 North Los Angeles St.  
7 Los Angeles, CA 90012  
(213) 894-4858  
8 FAX (213) 894-2380

Priority   
Send   
Enter   
Closed   
JS-5/JS-6   
JS-2/JS-3   
Scan Only

9 Attorneys for Plaintiff  
Commodity Futures Trading Commission

LOGGED

2006 NOV 28 PM 3:57  
U.S. DISTRICT COURT  
CENTRAL DIST. OF CALIF.  
LOS ANGELES

[Signature]

11 UNITED STATES DISTRICT COURT  
12 CENTRAL DISTRICT OF CALIFORNIA

13 Commodity Futures Trading Commission,  
14 Plaintiff,  
15  
16 Emerald Worldwide Holdings, Inc.,  
17 et al.  
18 Defendants.

) Case No. CV03-8339 AHM (Ex)  
)  
)  
)  
) CONSENT ORDER OF  
) DISGORGEMENT AGAINST RELIEF  
) DEFENDANTS ACE CAPITAL  
) ADVISORY GROUP, INC.,  
) LYNNWOOD JEN AND ESTHER  
) PRANOLO  
)  
)  
)

DOCKETED ON CM  
NOV 30 2006  
BY [Signature] 006

19 I.

20 INTRODUCTION

21 On May 10, 2004, Plaintiff, Commodity Futures Trading Commission  
22 ("CFTC") filed its First Amended Complaint against Defendants Emerald  
23 Worldwide Holdings, Inc. (Emerald), City Trust and Investment Co. Ltd.  
24 (CTI), Jian Zhuang (Zhuang) and Hao Jan Lu (Lu) alleging that, through  
25 the fraudulent solicitation of retail customers to deposit funds in  
26 United States bank accounts to trade illegal off-exchange foreign

179

SCANNED

1 currency futures contracts in the United States, Emerald and CTI  
2 violated Sections 4(a), 4b(a)(2) and 4h of the Commodity Exchange Act  
3 ("Act"), 7 U.S.C. §§ 6(a), 6b(a)(2) and 6h, and CFTC Regulation  
4 1.1(b), 17 C.F.R. §1.1(b). The First Amended Complaint further  
5 alleged that Emerald, CTI, Lu and Zhuang violated Section 4b(a)(2) of  
6 the Act and CFTC Regulation 1.1(b) by misappropriating customer funds  
7 deposited into Emerald's United States bank accounts. Relief  
8 Defendants Lynnwood Jen (Jen), Esther Pranolo (Pranolo), ACE Capital  
9 Advisory Group, Inc. (ACE Capital) and ACE Emerald W. Holding, Inc.  
10 (ACE Emerald) were not charged with any violation of law, but with  
11 having obtained funds to which they were not entitled and which were  
12 derived from the defendants' violations.

13 The Court entered default judgment against relief defendant ACE  
14 Emerald on March 15, 2005, and against defendant CTI on April 19,  
15 2005. On July 5, 2005, the Court issued an order granting summary  
16 judgment on liability as to defendants Emerald, Zhuang and Lu and as  
17 to relief defendant Pranolo. Partial summary judgment was granted as  
18 to relief defendant Jen. Summary judgment was denied as to relief  
19 defendant ACE Capital.

20 II.

21 CONSENTS AND AGREEMENTS

22 To effect settlement of the matters alleged in the First Amended  
23 Complaint against the Relief Defendants ACE Capital, Jen and Pranolo  
24 without a trial on the merits or any further judicial proceedings, ACE  
25 Capital, Jen and Pranolo:

26

SCANNED

1           1.     Consent to the entry of this *Consent Order of Equitable*  
2 *Relief Against Relief Defendants ACE Capital Advisory Group, Inc.,*  
3 *Lynnwood Jen and Esther Pranolo ("Order")*.

4           2.     Affirm that ACE Capital, Jen and Pranolo have agreed to  
5 this Order voluntarily, and that no promise or threat has been made by  
6 the Commission or any member, officer, agent or representative  
7 thereof, or by any person, to induce consent to this Order, other than  
8 as set forth specifically herein;

9           3.     Admit that this Court has jurisdiction over them and the  
10 subject matter of this action pursuant to Section 6c of the Act, 7  
11 U.S.C. § 13a-1 (2002);

12           4.     Admit that venue properly lies with this Court pursuant to  
13 Section 6c of the Act, 7 U.S.C. §13a-1 (2002);

14           5.     Waive:

15                 (a)   all claims that they may possess under the Equal  
16 Access to Justice Act, 5 U.S.C. § 504 (2000) and 28 U.S.C. § 2412  
17 (2000);

18                 (b)   any claim of Double Jeopardy based upon the  
19 institution of this proceeding or the entry in this proceeding of any  
20 order imposing a civil monetary penalty or any other relief; and

21                 (c)   all rights of appeal in this action;

22           6.     Consent to the continued jurisdiction of this Court for the  
23 purpose of enforcing the terms and conditions of this Order and for  
24 any other purposes relevant to this case;

25           7.     Agree that neither ACE Capital, Jen or Pranolo nor their  
26 agents, employees or representatives acting under their control shall

1 take any action or make any public statement denying, directly or  
2 indirectly, any allegations in the Complaint or findings in this  
3 Order, or creating or tending to create the impression that the  
4 Complaint or findings in this order are without factual basis;  
5 provided, however, that nothing in this provision shall affect ACE  
6 Capital's, Jen's or Pranolo's: i) testimonial obligations, or ii)  
7 right to take legal positions in other proceedings to which the  
8 Commission is not a party. ACE Capital, Jen and Pranolo will  
9 undertake all steps to assure that all of their agents, employees and  
10 representatives understand and comply with this agreement.

11 8. ACE Capital, Jen and Pranolo do not consent to the use of  
12 this Order, or the findings of fact or conclusions of law, as the sole  
13 basis for any other proceeding brought by the CFTC, other than a  
14 proceeding in bankruptcy relating to ACE Capital, Jen or Pranolo, to  
15 enforce the terms of this Order. Solely with respect to any  
16 bankruptcy proceeding relating to ACE Capital, Jen or Pranolo or any  
17 proceeding to enforce this Order, ACE Capital, Jen and Pranolo agree  
18 that the allegations of the Complaint and the findings in this Order  
19 shall be taken as true and correct and be given preclusive effect,  
20 without further proof. Furthermore, ACE Capital, Jen and Pranolo  
21 agree to provide immediate notice to this Court and the CFTC by  
22 certified mail of any bankruptcy proceeding filed by, on behalf of, or  
23 against them.

24 9. The Court, being fully advised in the premises, finds that  
25 there is good cause for the entry of this Order and that there is no  
26 just reason for delay. The Court therefore directs the entry of

1 Findings of Fact, Conclusions of Law and a permanent injunction and  
2 ancillary equitable relief, pursuant to Section 6c of the Act, 7  
3 U.S.C. § 13a-1 (2002), as set forth herein.

4 III.

5 FINDINGS AND CONCLUSIONS

6 10. This Court has subject matter jurisdiction over this action  
7 and the allegations in the Complaint pursuant to Section 6c(a) of the  
8 Act, 7 U.S.C. § 13a-1(a) (2002).

9 11. This Court has personal jurisdiction over ACE Capital, Jen  
10 and Pranolo pursuant to Section 6c(a) of the Act, 7 U.S.C. § 13a-1(a)  
11 (2002).

12 12. Venue properly lies with this Court pursuant to Section 6c  
13 of the Act, 7 U.S.C. § 13a-1(e) (2002), because ACE Capital, Jen and  
14 Pranolo resided in and transacted business in the Central District of  
15 California.

16 13. Plaintiff Commodity Futures Trading Commission is an  
17 independent federal regulatory agency that is charged with  
18 responsibility for administering and enforcing the provisions of the  
19 Act, as amended, 7 U.S.C. §§ 1 et seq. (2002), and the Regulations  
20 promulgated thereunder.

21 14. Relief Defendant ACE Capital is a California corporation  
22 whose registered business address is 8855 Valley Blvd. #205, Rosemead,  
23 California 91770. ACE Capital has never been registered with the CFTC  
24 in any capacity.

25  
26

1           15. Relief Defendant Jen is an individual who resides in Los  
2 Angeles County, California. Jen has never been registered with the  
3 CFTC in any capacity.

4           16. Relief Defendant Pranolo is an individual who resides in  
5 Los Angeles County, California. Jen has never been registered with  
6 the CFTC in any capacity.

7           17. From at least December 1, 2003, through April 14, 2004, ACE  
8 Capital had generated no earnings from its own business.

9           18. From at least December 1, 2003, through April 14, 2004,  
10 Emerald and CTI began to direct customers to deposit funds into U.S.  
11 bank accounts in the names of relief defendants ACE Capital and ACE  
12 Emerald (some of which were transferred to ACE Capital). These  
13 customer funds were obtained as a result of Emerald's and CTI's  
14 violations of the anti-fraud provision of the Act.

15           19. From at least December 1, 2003, through April 14, 2004, ACE  
16 Capital received thirty-nine thousand, one hundred ninety-four dollars  
17 and ninety six cents (\$39,194.96) of Emerald/CTI customers' funds.

18           20. ACE Capital did not have and does not have any legitimate  
19 entitlement or claim, as an investor or otherwise, to that thirty-nine  
20 thousand, one hundred ninety-four dollars and ninety six cents  
21 (\$39,194.96) of customers' funds.

22           21. Jen and Pranolo are or were officers of ACE Capital and are  
23 or were signatories to its bank accounts.

24           22. Jen received ten thousand dollars (\$10,000) of Emerald/CTI  
25 customers' funds, as found in this Court's Order of Summary Judgment  
26 entered July 5, 2005.

SCANNED

1 23. Jen did not have and does not have any legitimate  
2 entitlement or claim, as an investor or otherwise, to that ten  
3 thousand dollars (\$10,000) of customers' funds.

4 24. Pranolo received fifty-five thousand, eight hundred ninety-  
5 seven dollars and seventy-nine cents (\$55,897.79) of Emerald/CTI  
6 customers' funds, as found in this Court's Order of Summary Judgment  
7 entered July 5, 2005.

8 25. Pranolo did not have and does not have any legitimate  
9 entitlement or claim, as an investor or otherwise, to that fifty-five  
10 thousand eight hundred ninety-seven dollars and seventy-nine cents  
11 (\$55,897.79) in customers' funds.

12 26. A relief defendant should disgorge those funds and assets,  
13 or the value of the benefit he received from those funds or assets,  
14 which are traceable to the defendants' fraud. *CFTC v. Kimberlynn  
15 Creek Ranch, Inc.*, 276 F.3d 187 (4<sup>th</sup> Cir. 2002) (concluding that once a  
16 district court has subject matter jurisdiction over an underlying  
17 enforcement action, the district court has the authority to recover  
18 tainted funds that have been traced to relief defendants).

19 IV.

20 ORDER OF DISGORGEMENT

21 IT IS HEREBY ORDERED that:

22 27. ACE Capital shall disgorge the amount of thirty-nine  
23 thousand one hundred ninety-four dollars and ninety six cents  
24 (\$39,194.96).

25  
26

1           28. Jen shall disgorge the total amount of ten thousand dollars  
2 (\$10,000), as ordered in this Court's Order of Summary Judgment  
3 entered July 5, 2005.

4           29. Pranolo shall disgorge the total amount of fifty-five  
5 thousand eight hundred ninety-seven dollars and seventy-nine  
6 cents (\$55,897.79), as ordered in this Court's Order of Summary  
7 Judgment entered July 5, 2005.

8           30. ACE Capital, Jen and Pranolo shall pay these disgorgement  
9 amounts to the Clerk of this Court within thirty (30) days of the date  
10 of this Order. Payment shall be accompanied by a cover letter  
11 identifying the payer by name, setting forth the title and civil  
12 action number of this action and the name of this Court, and  
13 specifying that payment is made pursuant to this Order. The payer  
14 shall simultaneously transmit photocopies of such payment and letter  
15 to the CFTC's counsel in this action.

16           31. Citibank is hereby authorized and directed to transfer all  
17 funds held, pursuant to this Court's May 11, 2004, asset freeze order,  
18 in account number \*\*\*\*\*7993 in the name of ACE Capital Advisory Group  
19 Inc. to the Clerk of this Court within thirty (30) days of service of  
20 this Order. Payment shall be accompanied by a cover letter  
21 identifying Citibank by name, the title and civil action number of  
22 this action and the name of this Court and specifying that payment is  
23 made pursuant to this Order. Citibank shall simultaneously transmit  
24 photocopies of such payment and letter to the CFTC's counsel in this  
25 action. ACE Capital, Jen and Pranolo shall provide full cooperation  
26 in ensuring that the Clerk of Court receives any such funds. The





1 entered against ACE Capital, Jen and Pranolo, imposing a freeze on  
2 their assets, shall no longer be in effect.

3 36. Entire Agreement and Amendments: This Order incorporates  
4 all of the terms and conditions of the settlement among the parties  
5 hereto. Nothing shall serve to amend or modify this Order in any  
6 respect whatsoever, unless: (1) reduced to writing; (2) signed by all  
7 parties hereto; and (3) approved by order of this Court.

8 37. Invalidation: If any provision of this Order, or the  
9 application of any provisions or circumstances is held invalid, the  
10 remainder of the Order and the application of the provision to any  
11 other person or circumstance shall not be affected by the holding.

12 38. Waiver: The failure of any party hereto or of any customer  
13 at any time or times to require performance of any provision hereof  
14 shall in no manner affect the right of such party at a later time to  
15 enforce the same or any other provision of this Order. No waiver in  
16 one or more instances of the breach of any provision contained in this  
17 Order shall be deemed to be or construed as a further or continuing  
18 waiver of such breach or waiver of the breach of any other provision  
19 of this Order.

20 39. Acknowledgements: Upon being served with copies of this  
21 Order after entry by the Court, the Defendants shall sign  
22 acknowledgments of such service and serve such acknowledgments on the  
23 Court and the Commission within seven (7) calendar days.

24 40. Continuing Jurisdiction of this Court: This Court shall  
25 retain jurisdiction of this cause to assure compliance with this Order  
26 and for all other purposes related to this action.

SCANNED

1 41. Authority: Jen hereby warrants that he is the  
2 Manager/Managing Director of ACE Capital, that this Order has been  
3 duly authorized by ACE Capital and he has been duly empowered to sign  
4 and submit it on behalf of ACE Capital.

5 42. There being no just reason for delay, the Clerk of the  
6 Court is hereby directed to enter judgment as to relief defendants ACE  
7 Capital, Jen and Pranolo as set forth in this Order.

8 Consented to: Lynnwood Jen Date: 6/30/06  
9 Lynnwood Jen, individually,  
10 and for and on behalf of  
11 ACE Capital Advisory Group, Inc.  
12 Relief Defendants

12 Consented to: Esther Pranolo Date: 6/30/06  
13 Esther Pranolo  
14 Relief Defendant

14 Approved by: Steven Krongold Date: 6/30/06  
15 Steven Krongold, Esq.  
16 Counsel for Relief Defendants  
17 ACE Capital Advisory Group Inc.,  
18 Lynnwood Jen and Esther Pranolo

18 Approved by: Christine M. Ryall Date: 11/27/06  
19 Christine M. Ryall, Esq.  
20 Counsel for Plaintiff  
21 Commodity Futures Trading Commission

21 IT IS SO ORDERED, in Los Angeles, California on this 28<sup>th</sup> day  
22 of November, 2006.

23  
24 A. Howard Matz  
25 A. Howard Matz  
26 UNITED STATES DISTRICT JUDGE

SCANNED

1 Presented by:

*Christine M Ryall*

2 Christine M. Ryall (Pro Hac Vice)

3 John Dunfee (Pro Hac Vice)

4 Commodity Futures Trading Commission

5 Division of Enforcement

6 1155 21st Street NW

7 Washington, DC 20581

8 (202) 418-5318 (Ryall)

9 (202) 418-5396 (Dunfee)

10 (202) 418-5520 (fax)

11 Attorneys for Plaintiff

12 COMMODITY FUTURES TRADING COMMISSION

13 CERTIFICATE OF SERVICE

14 I hereby certify that on November 27, 2006 a true and correct  
15 copy of the **CONSENT ORDER OF DISGORGEMENT AGAINST RELIEF DEFENDANTS  
16 ACE CAPITAL ADVISORY GROUP, INC., LYNNWOOD JEN AND ESTHER PRANOLO** was  
17 served by U.S. Mail, pre-paid, on the following persons:

18 Paul Cass  
19 3055 Wilshire Blvd., Ste. 900  
20 Los Angeles, CA 90010  
21 Counsel for Defendant Thomas Hao  
22 Jan Lu

23 David Wiechert  
24 107 Avenida l Miramar, Ste. A  
25 San Clemente, CA 92672  
26 Co-counsel for Defendants  
Emerald Worldwide Holdings, Inc.  
and Jian Zhuang

27 Thomas H. Bienert Jr.  
28 Bienert & Krongold  
29 105 Avenida Miramar #B  
30 San Clemente, CA 92672  
31 Counsel for Relief Defendants  
32 Lynnwood Jen, Ester Pranolo and  
33 ACE Capital Advisory Group Inc.

34 By: *Christine M Ryall*  
35 Christine M. Ryall

**NOTICE PARTY SERVICE LIST**

Case No. CVD3-8339-AHM Case Title COMMODITY FUTURES v. EMERALD  
 Title of Document CONSENT ORDER

Atty Sttlmnt Officer Panel Coordinator
BAP (Bankruptcy Appellate Panel)
Beck, Michael J (Clerk, MDL Panel)
BOP (Bureau of Prisons)
CA St Pub Defender (Calif. State PD)
CAAG (California Attorney General's Office - Keith H. Borjon, L.A. Death Penalty Coordinator)
Case Asgmt Admin (Case Assignment Administrator)
Catterson, Cathy (9 <sup>th</sup> Circuit Court of Appeal)
Chief Deputy Admin
Chief Deputy Ops
Clerk of Court
Death Penalty H/C (Law Clerks)
Dep In Chg E Div
Dep In Chg So Div
Federal Public Defender
<input checked="" type="checkbox"/> Fiscal Section
Intake Section, Criminal LA
Intake Section, Criminal SA
Intake Supervisor, Civil
Interpreter Section
PIA Clerk - Los Angeles (PIALA)
PIA Clerk - Riverside (PIAED)
PIA Clerk - Santa Ana (PIASA)
PSA - Los Angeles (PSALA)
PSA - Riverside (PSAED)
PSA - Santa Ana (PSASA)
Schnack, Randall (CJA Supervising Attorney)

Statistics Clerk
US Attorneys Office - Civil Division -L.A.
US Attorneys Office - Civil Division - S.A.
US Attorneys Office - Criminal Division -L.A.
US Attorneys Office - Criminal Division -S.A.
US Bankruptcy Court
US Marshal Service - Los Angeles (USMLA)
US Marshal Service - Riverside (USMED)
US Marshal Service -Santa Ana (USMSA)
US Probation Office (USPO)
US Trustee's Office
Warden, San Quentin State Prison, CA

<b>ADD NEW NOTICE PARTY</b> (if sending by fax, mailing address must also be provided)	
Name:	
Firm:	
Address (include suite or floor):	
*E-mail:	
*Fax No.:	

\* For CIVIL cases only

<b>JUDGE / MAGISTRATE JUDGE (list below):</b>

Initials of Deputy Clerk *BM*