

IN THE CIRCUIT COURT OF PULASKI COUNTY, ARKANSAS
SIXTH DIVISION

A. HEATH ABSHURE, ARKANSAS SECURITIES COMMISSIONER

Plaintiff

v.

Case No. CV2009-5346-6

CLEAN TECHNOLOGY INTERNATIONAL
CORPORATION; DIAMOND CAPITAL
CORPORATION; WILLIAM DARRELL LAINHART,
INDIVIDUALLY, AND AS TRUSTEE OF
CAPITAL HERITAGE IRREVOCABLE TRUST AND
CAPITAL HERITAGE REVOCABLE TRUST;
IRENE M. F. LAINHART; REX ROBERTSON;
AND JAMES STEAD, JR.

FILED 11/08/10 14:19:50
Pat O'Brien Pulaski Circuit Clerk
CR3

Defendants

and

CAPITAL HERITAGE IRREVOCABLE TRUST
CAPITAL HERITAGE REVOCABLE TRUST

Relief Defendants

PERMANENT INJUNCTION AND
ORDER OF DISGORGEMENT

The plaintiff and the separate defendants Diamond Capital Corporation ("DCC"), William Darrell Lainhart ("D. Lainhart"), Irene M. F. Lainhart ("M. Lainhart"), Capital Heritage Irrevocable Trust ("CHIT") and Capital Heritage Revocable Trust ("CHRT"), have agreed to a settlement of this matter. DCC, CHIT, and CHRT agree to the settlement through the action of the receiver appointed for DCC, CHIT and CHRT by the Court on November 13, 2009, (Receiver). D. Lainhart and M. Lainhart, proceeding *pro se*, agree to the settlement individually. Accordingly, taking into account the agreement of these parties to settle this matter, the pleadings and the evidence presented to the Court, the Court enters this order disposing of this case as it

pertains to these defendants. For purposes of this order, DCC, D. Lainhart, M. Lainhart, CHIT and CHRT shall collectively be referred to as the Lainhart Group.

FINDINGS OF FACT

1. At all times pertinent hereto, CTIC, DCC, CHIT and CHRT have been under the control of or controlled by D. Lainhart.
2. Beginning sometime in 1993 and continuing thereafter, the Lainhart Group, especially D. Lainhart, individually or through DCC, offered and sold shares of common stock of CTIC (CTIC Shares) to residents of Arkansas and other states.
3. The CTIC Shares are securities as defined in Ark. Code Ann. § 23-42-102(15)(A)(2).
4. At the time of the offers and sales of the CTIC Shares by D. Lainhart, the CTIC Shares were not registered or exempt from registration as required by the Arkansas Securities Act (Act) at Ark. Code Ann. § 23-42-501.
5. At the time of the offers and sales of the CTIC shares by D. Lainhart, D. Lainhart was not registered as a broker-dealer, agent of a broker-dealer or agent of the issuer with the Arkansas Securities Department (Department) in accordance with the Act, a violation of Ark. Code Ann. § 23-42-301(a).
6. In connection with such offers and sales of CTIC Shares, D. Lainhart represented to some prospective purchasers that the money they invested would be used for the benefit of CTIC, when in fact D. Lainhart intended to and did use substantially all of the sales proceeds for his and M. Lainhart's personal benefit.
7. In connection with such offers and sales of CTIC Shares, D. Lainhart represented to some prospective purchasers that an initial public offering of CTIC stock was imminent—within a

matter of weeks or months—and the prospective purchasers would then be able to sell the CTIC Shares D. Lainhart was offering and selling to them and realize a profit of many times the purchase price.

8. A majority of assets currently held by the Lainhart Group were procured with funds realized from the proceeds of sales of CTIC Shares noted in ¶¶ 2 - 4.

CONCLUSIONS OF LAW

9. The offer and sale of CTIC Shares by the Lainhart Group, especially, D. Lainhart, as noted in ¶¶ 2, 3 and 4, were the sale of unregistered securities, a violation of Ark. Code Ann. § 23-42-501.
10. At the time of the offers and sales of CTIC Shares by D. Lainhart, D. Lainhart was not registered as a broker-dealer, agent of a broker-dealer or agent of the issuer with the Department. His actions in offering and selling the CTIC Shares was a violation of Ark. Code Ann. § 23-42-301(a).
11. The representations made by D. Lainhart in ¶¶ 6 and 7 were made in connection with the offer or sale of securities. These representations constituted securities fraud and were violations of Ark. Code Ann. § 23-42-507.

ORDER

Having found the violations of the Act set out above, the Court orders the following:

1. **RESTRICTIONS ON SECURITIES DEALINGS.** The Lainhart Group is hereby restrained and permanently enjoined from engaging in any of the following activities:
 - a. Offering or selling any securities;
 - b. Transacting business as a broker-dealer or agent;

- c. Employing any device, scheme or artifice to defraud in connection with the offer, sale and/or purchase of securities;
 - d. Making untrue statements of material facts in connection with the offer, sale and/or purchase of securities;
 - e. Omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, in connection with the offer or sale or purchase of securities; and
 - f. Engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the offer, sale or purchase of securities.
2. CANCELLATION OF CTIC SHARES. Upon the entry of this order, each member of the Lainhart Group shall submit to CTIC a ledger identifying the stock certificates for any CTIC Shares owned directly or indirectly, legally or beneficially, by that person or entity and the number of CTIC Shares represented by each stock certificate. Also upon the entry of this order, D. Lainhart and M. Lainhart shall deliver to CTIC any stock certificates representing CTIC Shares owned directly or indirectly, legally or beneficially, by that person, such shares to be endorsed in blank or accompanied by an irrevocable stock power to CTIC. D. Lainhart and M. Lainhart are hereby prohibited from transferring any CTIC Shares other than in accordance with this paragraph. Submission of CTIC Shares shall be by delivery to the Receiver, who shall hold the CTIC Shares pending the election of new management of CTIC.
3. DISGORGEMENT. As restitution and relief for wrongdoing, the Lainhart Group will relinquish and transfer by any means appropriate any claim to (a) all property presently under

the receivership of the Receiver and (b) all other property in the actual or constructive possession of the Lainhart Group, including but not limited to the property on the attached exhibit. Notwithstanding this provision, ~~the Lainhart Group~~ ^{SOME LAINHART AND LAKE LAUREL} will retain the following 7/7 property:

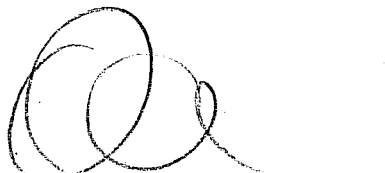
- a. two vehicles, the 2003 Cadillac Escalade identified by VIN, 1GYEK63N13R214256, and the 1993 Ford pickup truck identified by VIN, 1FTHX26M8PKB64177
- b. the real property located at 72 Shoshoni Drive, Sherwood, Arkansas, the legal description of which is:

Lot 406 Section C Indianhead Lake Estates Subdivision in the City of Sherwood, Pulaski County, Arkansas, and a part of Lot 407 Section C Indianhead Lake Estates: begin at the southwesterly corner of Lot 406, being a common corner with Lot 407, thence north 20 degrees 33 minutes east, 84.9 feet along the common line of said lots to the right of line of Ponca Point, thence south 72 degrees 33 minutes west 13.2 feet along said right of way (chord) to a point, thence south 12 degrees 50 minutes west to the point of beginning;

and;

- c. any personal effects within the house situated on that real property.
4. CHANGE OF MANAGEMENT OF CTIC. Upon the entry of this order, to which all members of the Lainhart Group have agreed and consented, all members of the Lainhart Group are deemed to have resigned from all positions of management of CTIC. Upon the entry of this order, all members of the Lainhart Group will immediately deliver to CTIC written resignations from any management position currently held with CTIC and all documents pertaining to CTIC over which any member of the Lainhart Group maintains possession, custody or control by delivery of the same to the Receiver, who shall hold those documents for new management of CTIC.

IT IS SO ORDERED this 8th day of October, 2010.

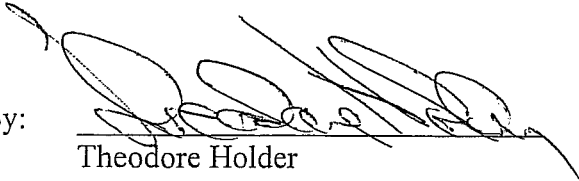
A handwritten signature in black ink, consisting of several overlapping loops and a trailing line, positioned above a horizontal line.

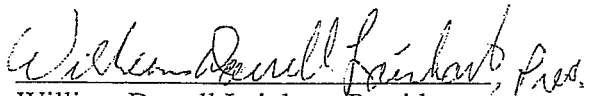
Timothy Davis Fox
CIRCUIT JUDGE

Approved as to Form and Content:

A. Heath Abshure,
Arkansas Securities Commissioner

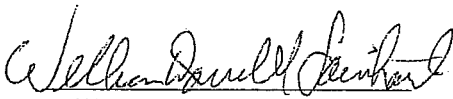
Clean Technology International Corporation

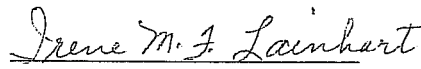
By: 
Theodore Holder
Attorney for Plaintiff

By: 
William Darrell Lainhart, President

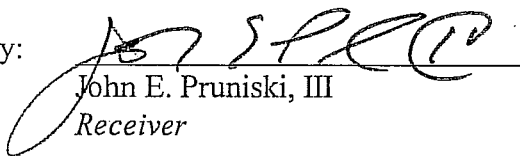
William Darrell Lainhart

Irene M. F. Lainhart

By: 
William Darrell Lainhart
Pro Se

By: 
Irene M. F. Lainhart
Pro Se

Diamond Capital Corporation
Capital Heritage Irrevocable Trust
Capital Heritage Revocable Trust

By: 
John E. Pruniski, III
Receiver

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EXHIBIT TO PERMANENT INJUNCTION AND
ORDER OF DISGORGEMENT

The following is a list of property referred to in ¶ 3 of the Order section of the Permanent Injunction and Order of Disgorgement, subtitled DISGORGEMENT:

1. 1986 Mercedes 450 SL
2. 1996 Chevy Impala maroon SS
3. Golf cart - 2 new club cars with additions
4. 2006 Jabot o-turn Lawn Mower
5. Bush Hog and 2020 John Deere Tractor
6. Tools
7. 1985 Ford Pick up with Camper
8. 1988 Ford F 700 Bucket Truck
9. The Lodge (Little Switzerland Property)
10. Vehicle mounted welder etc.
11. 2 Nissan outboard motors
12. Diesel 4 inch water pump on trailer

13. 2 four wheelers
14. 2 stroke 1998 Yamaha Bear 4 wheeler
15. 4 stroke Polaris Sportsman 4 wheeler 2000 Polaris 500
16. Jabot RTV 9000 Diesel 4 wheel drive Utility veh.
17. 1998 Polaris 4 wheeler
18. Polaris Ranger 6 wheel off road vehicle (2001)
19. Kawasaki 4 wheeler
20. 1 Flat bottomed boat fully rigged with outboard motor, live wells, with trailer
21. F- 150 Ford Pick up-Camouflage 1984
22. Black and Silver Bronco 1989
23. Red 1986 Ford Bronco
24. Pontoon boat - 18 footer
25. 1996-7 Brown F 250 Diesel Extended Cab Truck
26. 1 motorcycle trailer
27. 1994 Link belt excavator model LS 3400C series 2
28. 1977 Rolls Royce
29. 1930 Chevrolet 2 door coupe, VIN 9AD17607
30. 1997 Lincoln Continental Mark VIII, VIN 1LNLM92V8VY719712