

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 11084 / July 20, 2022**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 95323 / July 20, 2022**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20932**

**In the Matter of**

**Health Insurance  
Innovations, Inc., now  
named Benefytt  
Technologies, Inc., and  
Gavin D. Southwell**

**Respondents.**

**ORDER  
INSTITUTING  
CEASE-AND-DESIST  
PROCEEDINGS, PURSUANT  
TO SECTION 8A OF THE  
SECURITIES ACT OF 1933  
AND SECTION 21C OF THE  
SECURITIES EXCHANGE  
ACT OF 1934, MAKING  
FINDINGS, AND  
IMPOSING A CEASE-AND-  
DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission” or “SEC”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Health Insurance Innovations, Inc., now named Benefytt Technologies, Inc. (“HII” or “Respondent”) and Gavin D. Southwell (“Southwell” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over Respondents and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of

1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents’ Offers, the Commission finds<sup>1</sup> that:

#### Summary

1. From March 2017 through March 2020, HII, a technology platform, billing administrator and distributor of short-term and limited health insurance products, and its CEO Southwell made a series of false and misleading statements to investors, which concealed extensive consumer complaints about products being sold through misrepresentations.

2. HII and Southwell falsely told investors that HII held its insurance distributors to its high compliance standards, which prohibited insurance agents from making misrepresentations to consumers. HII and Southwell falsely stated that HII had 99.99% consumer satisfaction and misleadingly stated that state departments of insurance received very few consumer complaints regarding HII. HII and Southwell understated the amount of business that had been generated by its most productive distributor, Simple Health Plans LLC (“Simple Health”), which amassed the most consumer complaints. HII and Southwell misrepresented that HII had terminated its relationship with a different distributor in 2016 for compliance failures, when in fact, HII re-hired this distributor despite continuing compliance problems. These statements were made in reports filed with the SEC, press releases, earnings calls and other communications with investors. Southwell also disseminated misleading information about HII’s compliance to research analysts and a subscription news service, which included the information in research reports and a news article that were distributed to investors.

3. In reality, throughout the time period, HII tracked tens of thousands of dissatisfied consumers complaining that third-party insurance agents that contracted with HII made misrepresentations to sell products, failed to cancel plans when consumers requested and charged consumers for products they did not authorize. Numerous consumers complained that these agents deceptively sold limited plans offered on HII’s platform under the guise of comprehensive medical insurance, leaving some consumers with unpaid medical bills when they sought treatment.

4. When Southwell joined HII in 2016, he learned that Simple Health and other HII distributors were misrepresenting to consumers the scope of coverage provided by insurance products and were not complying with HII’s compliance standards. Beginning in 2017, Southwell increased funding and staffing for the compliance department and encouraged tracking of complaints, monitoring of certain consumer calls, conducting secret shopping calls and agent training. But he continued to receive information indicating there were persistent problems at HII’s distributors and a large volume of consumer complaints. Nevertheless, Southwell failed to assess whether HII’s compliance

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<sup>1</sup> The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

efforts were effective before making misstatements to investors.

5. The Federal Trade Commission (“FTC”) filed an emergency action in late-October 2018 to shut down Simple Health for defrauding consumers. When HII publicly disclosed the FTC’s action on November 2, 2018, HII’s stock price dropped. HII and Southwell, however, never fully disclosed HII’s compliance problems and continued making false and misleading statements. In February 2019, while HII’s stock price was still inflated, Southwell sold shares of HII stock. In March 2019, HII’s stock price experienced another significant decline after Congress announced an investigation into how HII and others were marketing short-term insurance products to consumers.

6. HII and Southwell violated the antifraud provisions of Section 17(a)(2) and (3) of the Securities Act of 1933 (“Securities Act”), by making materially false and misleading statements that operated as a fraud upon investors. HII also violated, and Southwell caused HII’s violations of, the reporting provisions of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-11 thereunder, by filing with the Commission annual and current reports containing materially false and misleading statements.

### **Respondents**

7. **Health Insurance Innovations, Inc.**, which changed its name in March 2020 to Benefytt Technologies, Inc., is a Delaware corporation, headquartered in Tampa, Florida. From 2013 until August 2020, HII had a class of shares registered pursuant to Section 12(b) of the Exchange Act and filed periodic reports with the Commission. HII’s shares were listed and traded on the NASDAQ Global Market. HII filed Forms S-8, including on August 8, 2016 and August 4, 2017, to register securities to be offered pursuant to its Long Term Incentive Plan. Both Forms S-8 incorporated HII’s annual and current reports. HII granted restricted stock under the Incentive Plan on a number of occasions during the pendency of the misconduct. On August 31, 2020, HII terminated its registration of securities when it merged with several private funds managed by an investment adviser registered with the Commission.

8. **Gavin D. Southwell**, age 44, is a resident of Florida. Southwell became a consultant to HII in April 2016, was appointed President of HII in July 2016 and was HII’s Chief Executive Officer from November 2016 to August 12, 2021. Southwell served on HII’s Board of Directors and was a member of its Risk and Compliance Committee.

### **Related Entities**

9. **Simple Health Plans LLC** (also known as Health Benefits One LLC), a Florida limited liability company, was HII’s largest revenue generating distributor from at least 2015 through 2018. HII helped to fund Simple Health’s operations by providing loans (also called advanced commissions) of more than \$118 million from 2012 to 2019. Simple Health repaid HII from premium commissions on sales of insurance products on HII’s platform. On October 31, 2018, a federal judge ordered a halt to Simple Health’s operations as a result of a lawsuit brought by the FTC alleging that Simple Health routinely misled consumers into believing that they were purchasing comprehensive health insurance. On November 2, 2018, that order and the FTC lawsuit became public. On April 12, 2019, the court appointed receiver in the FTC’s case reported that Simple Health’s business was not legally viable because deception permeated the

entire relationship between Simple Health and its customers.

10. **Distributor A**, a Florida corporation, was another one of HII's distributors. HII repeatedly stated it had terminated its relationship with this distributor in 2016 for compliance failures. Despite continuing compliance problems, HII continued working with this distributor.

### **Facts**

#### **HII's Insurance-Related Business and Southwell's Role**

11. HII is a technology platform, billing administrator and distributor of short-term and limited health insurance plans and other related products. HII sold products directly to consumers and also had contractual relationships with third-party distributors that sold products to consumers. HII handled the customer service and billing functions for products sold through third-party distributors, had direct contact with consumers who purchased products offered on HII's platform, and tracked and received consumer complaints concerning products sold either directly or through distributors.

12. HII's platform provided consumers with access to short term and limited duration insurance plans, as well as limited indemnity benefit plans, life insurance plans and medical discount plans. These products provided minimal health benefits, did not cover pre-existing conditions, hospital care or prescriptions, and were not considered qualifying health coverage under the Affordable Care Act.

13. Southwell was in charge of HII's business. As Southwell himself explained to a board member in June 2018, "Every investor, every carrier, every distributor, every initiative we've done has been because of me. All the ideas are mine." Southwell also oversaw the compliance department, received compliance updates, was consulted on compliance issues and made key decisions linked to distributor compliance.

#### **HII and Southwell Misrepresented to Investors that HII Held Distributors to Its High Compliance Standards**

14. HII's compliance standards prohibited its representatives and third-party agents from making misrepresentations to consumers and charging consumers after they asked to cancel products, and required agents to comply with applicable laws, which similarly prohibited deceptive practices.

15. From 2017 to 2020, HII and Southwell falsely stated to investors that HII held its distributors to HII's high compliance standards and had terminated two non-compliant distributors. HII and Southwell also gave investors and a subscription news service the misleading impression that HII held distributors to its standards by providing detailed descriptions of how HII purportedly ensured distributor compliance, including: training agents; setting metrics; tracking complaints, cancellations and chargebacks (demands by dissatisfied consumers to their banks or credit card providers to return their money where the banks or credit card providers then charged HII for those amounts); conducting "secret shopping" calls (where an independent contractor anonymously contacts a distributor and

poses as a typical consumer seeking to purchase insurance); and terminating non-compliant distributors.

**16. HII and Southwell Made the Following Misstatements Regarding Holding Distributors to HII’s Standards:**

Date	Type	Content
May 4, 2017	Earnings Call	Southwell stated, “[w]hat we do after [adding new distributors] is we want to make sure that the distribution is meeting our compliance standards . . . and so we track them very closely over that initial period live, the number of sales, the number of cancellations, the number of customer service calls. There’s a lot of different metrics in there. So we wait a period of time after we’ve added new distribution, and we’ve ensured that the partnership is working the way that we want...”
August 3, 2017	Earnings Call	<p>Southwell stated that HII “drive[s] compliance to the highest standard . . . “[W]e set standards for all of our distribution”. “So the number of calls that people make to the customer service, number of escalated calls, the number of complaints, the number of cancellations, the number of chargebacks, we track this very closely. And if people can’t hit these metrics, then sadly they are not a partner of ours.”</p> <p>Southwell further stated “during ‘16, we had some very good, some very well performing distributors, who we no longer do business with, because we made a conscious decision we are going to operate in this market, a very highly regulated market in a way that means when we sit with departments of insurance or any other stakeholders, we are able to say we have the best customer service and the best compliance.”</p>
November 1, 2017	Form 8-K attaching a press release	<p>In a press release, which Southwell helped draft and approved, HII stated it was “upholding the highest standards in customer service and compliance [and] continu[ing] to enforce the Company’s policies and procedures with third-party distributors.”</p> <p>The press release detailed HII’s compliance measures including: (1) maintaining distributor-performance score cards measuring key metrics such as member complaints, escalations and chargebacks monthly; (2) conducting secret shopping to ensure adherence to HII’s best in class process and procedures; and (3) terminating two distributors in 2016 for not meeting compliance metrics and benchmarks.</p>

Date	Type	Content
December 2017	Southwell provided an interview to a news service, whose subscribers included investors	Southwell gave the misleading impression that HII held agents to its standards by claiming in an interview with a news service that HII trained agents and secret shopped distributors, and “we police [thousands of agents] very very carefully.” The news service included Southwell’s remarks in an article which was distributed to investors.
May 3, 2018	Earnings Call	Southwell described HII’s distributors as “highly-compliant” and stated, “as I’ve often explained, all of our partners must meet our very high standards to compliance and consumer satisfaction... The point that we always add in is anybody we deal with has to go through a process of training, of meeting and constantly hitting our compliance matrix, our market leading compliance.”
March 2, 2017 March 1, 2018 March 14, 2019 March 4, 2020	Forms 10-K for 2016, 2017, 2018 and 2019	HII’s 2016 annual report, which Southwell signed, represented, “We have terminated, and could continue to terminate relationships, with distributors for their failure to follow our compliance standards or their otherwise engaging in problematic business practices. In 2016, we terminated two of our largest distributors for failure to comply with our standards.”  HII made similar representations in the subsequent three annual reports, which Southwell signed.

17. Contrary to the above statements, HII’s compliance department documented extensive failures to comply with the company’s compliance standards and applicable laws. For example, between 2017 and mid-2019, HII documented more than 24,000 consumer complaints alleging that insurance agents: (1) made misrepresentations to consumers in order to sell products; (2) failed to cancel plans when consumers requested; and (3) charged consumers for products whose purchase they had not authorized. HII also monitored certain calls from consumers asking distributors to cancel products. A large percentage of those calls did not comply with HII’s standards and involved agent misrepresentations. In addition, HII had records of more than a dozen secret shopping calls to Simple Health and Distributor A in 2017 and 2018, all of which indicated that agents of these distributors used deceptive tactics to sell products.

18. In 2016, Southwell learned that Simple Health, Distributor A and other HII distributors were misrepresenting to consumers the scope of coverage provided by insurance

products and were not complying with HII’s compliance standards. Beginning in 2017, Southwell increased funding for the compliance department and encouraged tracking of complaints, monitoring of certain consumer calls, conducting secret shopping calls and agent training. Southwell, however, continued to receive information including emails, spreadsheets and PowerPoint presentations, indicating there were persistent problems at HII’s distributors and a large volume of consumer complaints.

19. For example, in July 2017, Southwell was notified that the Attorney General’s Office of Nebraska issued a scam alert against Simple Health for making misrepresentations to consumers who found it difficult to cancel services. On July 13, 2017, Southwell was forwarded emails from an HII vice president expressing concerns that a Nebraska newspaper was investigating Simple Health and stating she was “seeing high complaints and chargebacks overall.” In another example, on March 7, 2018, Southwell received a compliance update showing that HII’s distributors were failing to comply with HII’s standards when dealing with consumers who wanted to cancel their plans.

20. Additionally, starting in late-2016, Southwell was informed that HII continued to do business with agents associated with Distributor A, which it had supposedly terminated that same year. Southwell was informed that these agents were compliant when brought back, but he also received contradictory information showing agents associated with Distributor A continued to deceitfully sell insurance products offered on HII’s platform.

21. Notwithstanding the information Southwell received and had access to, he failed to assess whether HII’s compliance efforts were effective before falsely telling investors that HII held distributors to its high compliance standards and terminated non-compliant distributors.

**HII and Southwell Provided Investors False and Misleading Information about Consumer Satisfaction and Complaints**

22. HII and Southwell falsely told investors that virtually all consumers were satisfied and misleadingly stated that consumers had lodged only a few complaints against HII with state departments of insurance.

**23. HII and Southwell Made the Following Misstatements Regarding Consumer Satisfaction and Complaints:**

Date	Type	Content
August 3, 2017	Earnings Call	Southwell asserted that “our current customer satisfaction is 99.99%.”
March 1, 2018	Earnings Call	Southwell stated that “[h]ere at HIIQ, we are committed to the highest standards in compliance and customer service and maintaining our high level of consumer satisfaction,” which he had previously asserted was 99.99%.

Date	Type	Content
May 3, 2018	Earnings Call	Southwell stated: “This outstanding compliance performance at HIIQ continues in 2018 with only 6 Department of Insurance (DOI) complaints in the entire first quarter of 2018. . . [and] there was a total of 1, DOI complaint upheld against the company.”
August 2, 2018	Earnings Call	Southwell gave an update to the figures provided in May and said there were only 12 complaints to state departments of insurance, only 3 of which were upheld.
October 30, 2018	Earnings Call	Southwell asserted that HII could show state departments of insurance “a very happy consumer base, we can show them, a very low number of complaints, a very high number customer satisfaction.”
December 20, 2018	Presentation at Investor Analyst Day in New York City, in which Southwell participated	<p>HII stated that “[i]n terms of complaints, they are down with the Department of Insurance complaints at 15 YTD vs. 28 YTD 2017 and only 3 upheld vs. 4 last year.”</p> <p>A research analyst included HII’s presentation of the low number of departments of insurance complaints in his December 20, 2018 research report. The report was published and distributed to institutional investors and also sent to Southwell, who did not correct or supplement the misleading information.</p> <p>A different research analyst issued a December 21, 2018 report stating, “the most power chart of the day” included the low number of DOI complaints, which are “hardly an operating concern or a level that would give the short theses any credibility.”</p>
January 7, 2019 (Form 8-K) May 22, 2019	Investor Presentations (with one filed with Form 8-K)	HII stated there were 28 complaints to departments of insurance in 2017 with only 4 upheld and 15 complaints in 2018 with only 3 upheld.

24. From 2017 to mid-2019, HII documented more than 24,000 dissatisfied consumers complaining about agent misrepresentations, unauthorized billing and failures to cancel plans. HII also documented approximately 28,000 chargebacks. HII recognized that many of these



chargebacks may have been initiated by consumers who claimed the charges were not authorized. Thus, HII's and Southwell's above statements to investors concerned only a small fraction of the total number of consumer complaints and dissatisfied consumers that HII tracked. Moreover, investors were never told that HII itself, not the departments of insurance, designated certain complaints as "upheld" and HII made those designations without even contacting complaining consumers.

25. Before making the above statements, Southwell was on notice of a high number of complaints and chargebacks and a large number of dissatisfied consumers trying to cancel plans. For instance, in February 2017, Southwell received an email from an insurance carrier noting that consumer complaints were "becoming more prevalent and requiring more resources." In addition, by at least September 2017, Southwell had communicated with the Better Business Bureau about its "F" rating for HII, which was based on a pattern of consumer complaints alleging agent misrepresentations. In another example, in September 2017, Southwell received an email from HII's compliance and risk officers about a series of reports of consumers requesting cancellations, where the agents either refused to cancel or said the cancellations had been made when in fact they were not. Nevertheless, Southwell failed to determine the magnitude of complaints and chargebacks tracked by HII or otherwise verify that his statements about consumer satisfaction and complaints were accurate before making them.

### **HII and Southwell Understated the Amount of Sales Generated by Simple Health**

26. On a November 2, 2017 investor call, an analyst asked Southwell whether HII had any revenue concentration issues, such as any distributors that originated more than 10% of sales. Southwell responded, "in 2016, we terminated two large distributors which was about 16% of sales. And what I can confirm is that we don't have any third party distributor as large as the guys we . . . terminated back in 2016." Several months before the call, Southwell had received HII statistics showing that one distributor—Simple Health—generated significantly more sales than the two terminated distributors combined.

27. Additionally, after the FTC's action against Simple Health became public, on November 2, 2018, HII issued a press release, with Southwell's approval, stating that: (1) it was terminating its relationship with Simple Health; (2) Simple Health was one of 100 sales agencies working with HII; and (3) Simple Health was the agency of record for less than 10% of submitted policies in 2018. HII stated at its December 20, 2018 Investor Analyst day presentation that Simple Health contributed only 8.2% of submitted policies in 2018. Southwell knew these statements were provided to research analysts who included them in their research reports. HII's January 7, 2019 investor presentation, filed on Form 8-K, included a similar statement about Simple Health contributing 8.2% of submitted policies in 2018. The statements about the percentage of submitted policies were misleading because Simple Health accounted for well over 20% of HII's premiums, revenue and profits in just the first ten months of 2018, before Simple Health was shut down.

## **HII's and Southwell's False and Misleading Statements Were Material to Investors**

28. HII's and Southwell's false and misleading statements, which involved specific verifiable facts about its compliance and the amount of business generated by Simple Health, were material to investors.

29. In SEC filings, HII and Southwell repeatedly highlighted the importance of compliance as a competitive strength in the highly-regulated insurance industry. HII and Southwell also acknowledged in the SEC filings that the failure of third-party distributors to comply with applicable laws and regulations could adversely affect HII's business.

30. HII's and Southwell's false and misleading statements related to an important component of HII's business. For example, in May 2016, Southwell was notified by HII's then-president that Simple Health's compliance problem was HII's biggest financial risk. In 2017, Simple Health accounted for 31% of premiums collected by HII from consumers, 37% of HII's revenue and 27% of its profits. Southwell decided in September 2017 not to terminate Simple Health, after receiving an internal analysis showing termination would result in a significant loss of revenue and more than \$15 million in loans that Simple Health had not yet repaid to HII. From January through October 2018, when it was shut down by the FTC's action, Simple Health accounted for 21% of premiums collected by HII from consumers, 25% of HII's revenue and 20% of its profits.

31. Research analysts and the media included information they received from HII and Southwell about the company's compliance in their research reports and articles which were then distributed to investors.

32. The price of HII stock declined significantly after two negative news announcements. When the FTC's lawsuit against Simple Health became public on November 2, 2018, HII's stock price dropped 8.8% from the prior day's closing price. HII's stock price dropped an additional 14.4% the following trading day. After a March 13, 2019 congressional press release announcing an investigation into HII and other short-term health insurance sellers, HII's stock declined 17.2%.

### **Southwell's Sales of HII Stock**

33. Southwell sold 80,000 shares of HII stock in February 2019 for proceeds of \$3.2 million and profits of \$320,000 based on inflation in the stock price as a result of the misconduct detailed herein.

### **Violations**

34. In light of the information that Southwell received and had access to, Southwell and HII knew or should have known the statements described above in reports filed with the SEC, press releases, earnings calls and other communications with investors, research analysts and the media, were materially false and misleading.

35. As a result of the conduct described above, HII and Southwell violated Sections 17(a)(2) and (3) of the Securities Act, which prohibit, in the offer or sale of securities, materially false and misleading statements and practices that would operate as a fraud or deceit upon the purchasers of securities. Negligence is sufficient to establish violations of Sections 17(a)(2) and (3) of the Securities Act. *Aaron v. SEC*, 446 U.S. 680, 696-97 (1980).

36. As a result of the conduct described above, HII violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-11, which require every issuer of a security registered pursuant to Section 12 of the Exchange Act to file with the Commission accurate annual and current reports, which include such further information as may be necessary to make the required statements not misleading. Scierer is not required for a violation of the reporting provisions. *See SEC v. McNulty*, 137 F.3d 732, 740-41 (2d Cir. 1998).

37. As a result of the conduct described above, Southwell caused HII's violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-11 by signing and authorizing the issuance of annual and current reports, when he knew or should have known they were materially false and misleading. Negligence is sufficient for causing a primary violation that does not require scierer. *See KPMG, LLP v. SEC*, 289 F.3d 109, 120 (D.C. Cir. 2002)

### **Disgorgement**

38. The disgorgement and prejudgment interest ordered in Section IV.D below is consistent with equitable principles, does not exceed Southwell's net profits from his violations, and will be distributed to harmed investors to the extent feasible. The Commission will hold funds paid pursuant to paragraph IV.D in an account at the United States Treasury pending distribution. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

### **IV.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, HII and Southwell cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act and Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-11 thereunder.

B. Respondent HII shall, within 10 days of the entry of this Order, pay a civil penalty of \$11 million to the Securities and Exchange Commission. If timely payment is not made, interest shall accrue pursuant to 31 U.S.C. § 3717.

C. Respondent Southwell shall, within 10 days of the entry of this Order, pay a civil

money penalty in the amount of \$750,000 to the Securities and Exchange Commission. If timely payment is not made, interest shall accrue pursuant to 31 U.S.C. § 3717.

D. Respondent Southwell shall, within 10 days of the entry of this Order, pay disgorgement of \$320,000 and prejudgment interest of \$41,511 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

E. The foregoing payments must be made in one of the following ways:

(1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

(3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying HII or Southwell as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Lisa Deitch, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

F. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the disgorgement, prejudgment interest, and penalties referenced in paragraphs IV. B, C, and D, above. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against the Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this

proceeding.

**V.**

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Southwell, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Southwell under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Southwell of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman  
Secretary