



ARKANSAS SECURITIES DEPARTMENT

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ARKANSAS SECURITIES COMMISSIONER'S LAW SUIT AGAINST WM. DARRELL LAINHART AND OTHERS FOR SECURITIES FRAUD AND SALE OF UNREGISTERED SECURITIES SETTLED; MEETING OF SHAREHOLDERS OF CLEAN TECHNOLOGY INTERNATIONAL CORP. CALLED

On Monday, November 8, 2010, the parties settled a law suit filed on July 29, 2009, by Arkansas Securities Commissioner A. Heath Abshure in Pulaski County Circuit Court against Clean Technology International Corporation (CTIC), Diamond Capital Corporation (DCC), William Darrell Lainhart (Lainhart), his wife, Irene M. F. Lainhart, two trusts controlled by the Lainharts, Rex Robertson and James Stead, Jr. Pulaski County Circuit Judge Timothy Davis Fox had issued a temporary restraining order (TRO) against all defendants and an asset freeze against CTIC, DCC and the two trusts that was still in force against all defendants but CTIC. In November 2009, Fox appointed a receiver for DCC and two trusts but lifted the asset freeze as to CTIC. The primary bases of Abshure's complaint were the sale of unregistered securities and securities fraud in the sale of CTIC stock. Abshure alleged that Lainhart had sold CTIC stock for many years and collected approximately \$12.8 million in proceeds.

On Monday Lainhart and his wife agreed to a settlement of the matter. As part of the settlement, Fox issued two orders. In the Permanent Injunction and Order of Disgorgement Fox found that Lainhart had offered and sold unregistered securities while being unregistered to offer or sell securities by means of securities fraud. In regard to the fraud, the order specified two methods: 1) by telling investors that the money being raised by sales of CTIC stock would be used for CTIC when most of it was really being used for the Lainharts' personal benefit and 2) by telling investors that an initial public offering was imminent—within a matter of weeks or months—and the investor could make many times his investment after the stock “went public,” an event that never happened. In the remainder of this order Fox ordered the Lainharts to resign from all management positions in CTIC, return all corporate documents and transfer back to CTIC all stock held by them in CTIC. The Lainharts were ordered to disgorge all property to CTIC except for two vehicles, their home and the personal possessions and effects located in the home. Transfer to CTIC was accomplished by delivery to the receiver.

The second order agreed upon by the parties was an Order of Instructions for Receiver. In this order the receiver, John E. Pruniski, III, a North Little Rock attorney, was given several instructions designed to return CTIC to the remaining shareholders. The receiver, as the person in control of DCC, a corporation wholly owned and controlled by the Lainharts and the owner of

over 80% of the stock of CTIC, was ordered to call a special shareholders meeting for the purpose of electing new management of CTIC. After the election of new management, the receiver, who will be in control of all the CTIC stock controlled by the Lainharts in any way, will not vote those shares, leaving the selection of new management to remaining shareholders. After the election of new management, the receiver is to transfer to CTIC all property and stock he then possesses after filing an accounting with the court and receiving approval from the court of the accounting. Mr. Pruniski is sending that notice of shareholder meeting this week, giving shareholders notice of a special meeting to be held on December 4, 2010.

Copies of these orders can be obtained at the Arkansas Securities Department's website: www.state.ar.us/arsec/.