

STATE OF CALIFORNIA  
BUSINESS, TRANSPORTATION AND HOUSING AGENCY  
DEPARTMENT OF CORPORATIONS

TO: **Toshiaki Kawaguchi**  
**U.S. Railway Research Institute, Ltd.**  
**21785 Ticonderoga Lane**  
**Lake Forest, CA 92630**

**DESIST AND REFRAIN ORDER**

**(For violations of sections 25110 and 25401 of the Corporations Code)**

The California Corporations Commissioner finds that:

1. At all relevant times herein, Toshiaki Kawaguchi (“Kawaguchi”) was the President of U.S. Railway Research Institute, Ltd. (“U.S. Railway”).

2. At all relevant times herein, U.S. Railway was a California corporation. U.S. Railway was incorporated on July 5, 1988, and located at 21785 Ticonderoga Lane, Lake Forest, California 92630. On March 1, 1994, U.S. Railway was suspended by the Franchise Tax Board. On June 2, 2005, U.S. Railway reinstated its corporate status by obtaining a Franchise Tax Board Revivor.

3. Beginning in around December 2000 and continuing through September 2005, Kawaguchi and U.S. Railway offered and sold securities in the form of common stock in U.S. Railway to approximately eleven investors in excess of \$1 million. Kawaguchi told investors that U.S. Railway was an offshoot company of Japan’s bullet train and that investment money would buy land to build railroads that would enable the stock to sell at around \$75-\$100. Kawaguchi obtained this investment money by soliciting mostly unsophisticated and vulnerable seniors.

4. In connection with the offer and sale of these securities, Kawaguchi and U.S. Railway made, or caused to be made, misrepresentations of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. These misrepresentations and omissions included, but are not limited to the following:

1 a. Investors were not told that Kawaguchi and U.S. Railway were not licensed to  
2 solicit investments;

3 b. Investors were not told that their investor money would be used by Kawaguchi  
4 to pay his personal expenses and that none of their money would actually be invested;

5 c. Investors were not told that the corporate status of U.S. Railway was  
6 suspended from March 1, 1994 through June 1, 2005; and

7 d. Kawaguchi showed investors corporate documents for U.S. Railway, leading  
8 investors to believe that U.S. Railway was incorporated and legitimate.

9 Based on the foregoing findings, the California Corporations Commissioner is of the opinion  
10 that the securities in the form of common stock in U.S. Railway offered and sold by Kawaguchi and  
11 U.S. Railway are securities subject to qualification under the California Corporate Securities Law of  
12 1968 (“CSL”) and are being or have been offered or sold without being qualified or exempt, in  
13 violation of Section 25110 of the CSL.

14 Pursuant to Section 25532 of the CSL, Toshiaki Kawaguchi and U.S. Railway Research  
15 Institute, Ltd. are hereby ordered to desist and refrain from the further offer or sale in the State of  
16 California of securities, including, but not limited to common stock unless and until qualification has  
17 been made under said law or unless exempt.

18 Further, the California Corporations Commissioner is of the opinion that the securities offered  
19 and sold by Kawaguchi and U.S. Railway were offered and sold in this state by means of written or  
20 oral communications that included untrue statements of material fact or omitted to state material facts  
21 necessary in order to make the statements made, in the light of the circumstances under which they  
22 were made, not misleading, in violation of section 25401 of the CSL.

23 Pursuant to Section 25532 of the Corporate Securities Law of 1968, Toshiaki Kawaguchi and  
24 U.S. Railway Research Institute, Ltd. are hereby ordered to desist and refrain from offering or selling  
25 or buying or offering to buy any security in the State of California, including, but not limited to,  
26 common stock by means of any written or oral communication which includes an untrue statement of  
27 a material fact or omits to state a material fact necessary in order to make the statements made, in the  
28 light of the circumstances under which they were made, not misleading.

1           This Order is necessary, in the public interest, for the protection of investors and consistent  
2 with the purposes, policies, and provisions of the California Securities Law.

3 Dated:           June 14, 2006  
4                   Los Angeles, California

5                                   PRESTON DuFAUCHARD  
6                                   California Corporations Commissioner

7                                   By \_\_\_\_\_  
8                                   ALAN S. WEINGER  
9                                   Supervising Counsel  
10                                  Enforcement Division

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