



UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

GREENSTONE HOLDINGS, INC., et al.,

Defendants and Relief Defendants.

10 Civ. 1302 (MGC)

**~~PROPOSED~~ SUPERSEDING FINAL JUDGMENT AS TO
DEFENDANTS JOHN B. FROHLING AND VIRGINIA K. SOURLIS**

WHEREAS, on May 25, 2011, plaintiff Securities and Exchange Commission ("Commission") filed its Third Amended Complaint, which charges defendants John B. Frohling ("Frohling") and Virginia K. Sourlis ("Sourlis") with the following: (1) primary violations of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") (and Rule 10b-5 thereunder) against Frohling and Sourlis; (2) aiding-and-abetting violations of Section 10(b) and Rule 10b-5, pursuant to Exchange Act Section 20(e), against Frohling and Sourlis; (3) primary violations of Section 5 of the Securities Act of 1933 ("Securities Act") against Frohling and Sourlis; and (4) primary violations of Securities Act Section 17(a) against Frohling (DE 128);

WHEREAS, on March 28, 2012, the Court issued an Order granting the Commission's motion for partial summary judgment against Frohling for primary liability, holding him liable as a primary violator of Securities Act Sections 5 and 17(a); and as a primary violator of Exchange Act Section 10(b) and Rule 10b-5 thereunder (and leaving unresolved the Commission's Section 10(b) aiding-and-abetting claim against Frohling) (DE 192);

WHEREAS, on March 21, 2013, the Court held a hearing on the Commission's motion

seeking certain relief against defendant Frohling;

WHEREAS, on June 20, 2013, the Court issued a "Final Judgment" against Frohling, based on the above rulings and hearing, ordering certain relief against him (DE 258) (the "Frohling Final Judgment");

WHEREAS, on November 16, 2012, the Court held a hearing on the Commission's motion seeking partial summary judgment against Sourlis as a primary violator of Exchange Act Section 10(b) and Rule 10b-5 thereunder, and of Securities Act Section 5;

WHEREAS, on November 20, 2012, the Court issued an Order, based on the Court's oral opinion at the November 16, 2012 hearing: (1) holding Sourlis liable for aiding-and-abetting violations of Exchange Act Section 10(b) and Rule 10b-5 thereunder, pursuant to Exchange Act Section 20(e); and (2) denying the Commission's motion seeking primary liability against Sourlis under those provisions (but not dismissing that claim) (DE 226 & 227);

WHEREAS, on July 10, 2013, the Court granted the Commission's motion for summary judgment against Sourlis holding her liable as a primary violator of Securities Act Section 5 (DE 260);

WHEREAS, on April 2, 2014, the Court held a hearing on the Commission's motion seeking certain relief against defendant Sourlis;

WHEREAS, on June 19, 2014, the Court issued a "Final Judgment" against Sourlis based on the above rulings and hearings, ordering certain relief against her (DE 277) (the "Sourlis Final Judgment");

WHEREAS, defendants Frohling and Sourlis subsequently appealed the Frohling Final Judgment and the Sourlis Final Judgment to the United States Court of Appeals for the Second Circuit;

WHEREAS, the Commission cross-appealed the Court's denial of the Commission's motion for primary liability against Surlis under Exchange Act Section 10(b) and Rule 10b-5 thereunder;

WHEREAS, on June 9, 2015, the Second Circuit issued an Order remanding the matter; requesting that this Court consider further the unresolved Exchange Act Section 10(b) and Section 20(e) claims against Frohling (for aiding-and-abetting liability) and Surlis (for primary liability); and "for modification or supplementation of the record consistent with this order." *SEC v. Frohling, et al.*, Nos. 13-3191-cv, 14-2301-cv, 14-2937-cv (2nd Cir. June 9, 2015) ("Remand Order");

WHEREAS, on July 21, 2015, the Court held a hearing regarding the Remand Order and the unresolved Section 10(b) and Section 20(e) claims against Surlis and Frohling;

WHEREAS, on August 14, 2015, the Court issued an Order (DE 303): (1) modifying the Surlis Final Judgment such that Surlis is liable as both a primary violator and an aider and abettor under Exchange Act Section 10(b), Rule 10b-5 thereunder, and Exchange Act Section 20(e) (and also as a primary violator under Securities Act Section 5); and (2) directing the Commission to either "pursue . . . to finality or dismiss . . . from the case" its pending Exchange Act Section 10(b) and 20(e) aiding-and-abetting claim against Frohling (the "Frohling Aiding and Abetting Claim");

WHEREAS, on October 8, 2015, the Commission filed a motion to dismiss voluntarily the Frohling Aiding and Abetting Claim (DE 305);

WHEREAS, on November 12, 2015, the Court issued an Order granting the Commission's motion to dismiss, and dismissing, the Frohling Aiding and Abetting Claim (DE 307);

Based on the Court's findings of fact and conclusions of law set forth above, and in and

during the Court's March 28, 2012 Order (DE 192), March 21, 2013 hearing, November 16, 2012 hearing, November 20, 2012 Orders (DE 226 & 227), July 10, 2013 Order (DE 260), April 2, 2014 hearing, July 21, 2015 hearing, and August 14 and November 12, 2015 Orders (DE 303 & 307), all of which are incorporated in this Order with the same force and effect as if fully set forth herein;

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

I.

Defendants Frohling and Sourlis are permanently barred from participating in an offering of penny stock, including engaging in activities with a broker, dealer, or issuer for purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock. A penny stock is any equity security that has a price of less than five dollars, except as provided in Rule 3a51-1 under the Exchange Act [17 C.F.R. 240.3a51-1].

II.

Defendant Frohling is liable for disgorgement of \$87,082.97, prejudgment interest thereon in the amount of \$17,078.89, and a civil penalty in the amount of \$100,000.00 pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. Frohling shall satisfy this obligation by paying \$204,161.86 to the Securities and Exchange Commission within 14 days after entry of this Final Judgment.

III

Defendant Sourlis is liable for disgorgement of \$5,000.00, prejudgment interest thereon in the amount of \$2,284.83, and a civil penalty in the amount of \$50,000.00 pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15

U.S.C. § 78u(d)(3)]. Sourlis shall satisfy this obligation by paying \$57,284.83 to the Securities and Exchange Commission within 14 days after entry of this Final Judgment.

IV.

Defendants Frohling and Sourlis may transmit payment of their disgorgement, prejudgment interest, and civil penalties electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Defendants Frohling and Sourlis may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to Enterprise Services Center, Accounts Receivable Branch, 6500 South MacArthur Boulevard, Oklahoma City, OK 73169, and shall be accompanied by a letter identifying the case title, civil action number, and name of this Court; John Frohling or Virginia Sourlis as a defendant in this action; and specifying that payment is made pursuant to this Final Judgment.

V.

This Final Judgment supersedes and replaces the June 20, 2013 Frohling Final Judgment (DE 258) and the June 19, 2014 Sourlis Final Judgment (DE 277).

VI.

This Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Judgment.

Dated: November 25 2015

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The Honorable Miriam G. Cedarbaum
United States District Judge