

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- :

VLADISLAV STEVEN ZUBKIS, ET AL., :

Defendants. :

No. 97 Civ. 8086 (JGK/KNF)

FINAL JUDGMENT OF
PERMANENT INJUNCTIVE
AND OTHER RELIEF AGAINST
VLADISLAV STEVEN ZUBKIS

#01,1258

DOC #128

Plaintiff Securities and Exchange Commission (the "Commission") having commenced this action by filing a complaint on October 31, 1997 (the "Complaint") against, *inter alia*, defendant Vladimir Steven Zubkis ("Zubkis"), seeking permanent injunctive and other relief, charging Zubkis with violations of Sections 5(a) and (c) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77e(a) and (c), Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5, and Sections 15(a) and (c)(1) of the Exchange Act, 15 U.S.C. § 78o(a) and (c)(1), and Rules 15c1-2, 15c1-5, and 15c1-6 promulgated thereunder, 17 C.F.R. §§ 240.15c1-2, 240.15c1-5, and 240.15c1-6; and the Court having entered a summary judgment as to liability against Zubkis pursuant to Fed. R. Civ. P. 56; and the Court then having referred this action to Magistrate Judge Kevin Nathaniel Fox to conduct an inquest and to report to the Court thereon; and Magistrate Judge Fox having filed a Report and Recommendation; and the Court having reviewed such Report and Recommendation; and it appearing that judgment should enter thereon and that there is no just reason for delaying the entry of this Final Judgment as to Zubkis:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Zubkis hereby is permanently enjoined and restrained from, directly or indirectly, singly or in concert:

- (a) making use of any means or instruments of transportation or communication in interstate commerce or through the mails to sell a security, through the use or medium of any prospectus or otherwise unless a registration statement is in effect with the Commission as to such security or an exemption or safe-harbor is applicable;
- (b) carrying or causing to be carried through the mails or in interstate commerce, by any means or instrument of transportation, any security for the purpose of sale or for delivery after sale unless a registration statement is in effect with the Commission for such security or an exemption or safe-harbor is applicable; or
- (c) making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the medium of any prospectus or otherwise any security, unless a registration statement is in effect with the Commission for such security or an exemption or safe-harbor is applicable, or while the registration statement is the subject of a refusal order or stop order or proceeding or examination under Section 8 of the Securities Act, 15 U.S.C. § 77h,

in violation of Sections 5(a) and (c) of the Securities Act, 15 U.S.C. § 77e(a) and (c).

II.

IT IS FURTHER HEREBY ORDERED, ADJUDGED, AND DECREED that Zubkis is permanently restrained and enjoined, directly or indirectly, singly or in concert, in the offer or sale of any securities, by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, from:

- (a) employing any device, scheme, or artifice to defraud;
- (b) obtaining money or property by means of any untrue statement of a material fact or any omission necessary to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon any purchaser,

in violation of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

III.

IT IS FURTHER HEREBY ORDERED, ADJUDGED, AND DECREED that Zubkis is permanently restrained and enjoined, directly and indirectly, singly and in concert, in connection with the purchase or sale of any security, by the use of any means or instrumentality of interstate commerce or of the mails, or any facility of any national securities exchange, from:

- (a) employing any device, scheme, or artifice to defraud;
- (b) obtaining money or property by means of any untrue statement of a material fact or any omission necessary to state a material fact necessary in order to make the

statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon any purchaser,

in violation of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

IV.

IT IS FURTHER HEREBY ORDERED, ADJUDGED, AND DECREED that Zubkis is permanently restrained and enjoined, directly or indirectly, singly or in concert, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange, from effecting any transaction in, or inducing or attempting to induce the purchase or sale of, any security unless Zubkis is registered as a broker or dealer pursuant to Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b), in violation of Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

V.

IT IS FURTHER HEREBY ORDERED, ADJUDGED, AND DECREED that Zubkis is permanently restrained and enjoined, directly or indirectly, singly or in concert, from making use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of any security (other than commercial paper, banker's acceptances, or commercial bills) otherwise than on a national securities exchange of which it is a member by means of any manipulative, deceptive, or other fraudulent device or contrivance. Without limiting the foregoing, "manipulative, deceptive, or other

fraudulent device or contrivance" shall include, but not be limited to (i) any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person; (ii) any untrue statement of a material fact and omitting or failing to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; (iii) any act as a broker, dealer, or municipal securities dealer controlled by, controlling, or under common control with, the issuer of any security, designed to effect with or for the account of a customer any transaction in, or to induce the purchase or sale by such customer of, such security unless such broker, dealer, or municipal securities dealer, before entering into any contract with or for such customer for the purchase or sale of such security, discloses to such customer the existence of such control, and unless such disclosure, if not made in writing, is supplemented by the giving or sending of written disclosure at or before the completion of the transaction; and (iv) any act as a broker who is acting for a customer or for both such customer and some other person, or as a dealer or municipal securities dealer who receives or has promise of receiving a fee from a customer for advising such customer with respect to securities, designed to effect with or for the account of such customer any transaction in, or to induce the purchase or sale by such customer of, any security in the primary or secondary distribution of which such broker, dealer, or municipal securities dealer is participating or is otherwise financially interested unless such broker, dealer, or municipal securities dealer, at or before the completion of each such transaction gives or sends to such customer written notification of the existence of such participation or interest, in violation of Section 15(c)(1) of the Exchange Act, 15 U.S.C. § 78q(c)(1), and of Rules 15c1-2, 15c1-5, and 15c1-6, 17 C.F.R. §§ 240.15c1-2, 15c1-5, and 15c1-6.

VI.

IT IS FURTHER HEREBY ORDERED, ADJUDGED, AND DECREED that this Final Judgment is binding upon Zubkis, his agents, servants, employees, and attorneys, and upon those persons in active concert or participation with him who receive actual notice of this Final Judgment by personal service or otherwise.

VII.

IT IS FURTHER HEREBY ORDERED, ADJUDGED, AND DECREED that Zubkis disgorge \$12,544,313.25, representing the amounts received by him from the sale of securities of the defendant Stella Bella Corporation, U.S.A., now known as International Brands, Inc., and/or securities of Z-3 Capital Corporation in violation of the federal securities laws as described in the Complaint, together with prejudgment interest of \$9,034,418.14, for a total of \$21,578,731.39. Zubkis shall be jointly and severally liable for a total of \$7,038,901.53 of this amount together with the defendant Z-3 Capital Corporation. Zubkis shall, within thirty (30) days of the entry of this Final Judgment, pay disgorgement and prejudgment interest in the total amount of \$21,578,731.39 to the United States Treasury. Such payment shall be (A) made by United States postal money order, certified check, bank cashier's check, or bank money order; (B) be made payable to the Securities and Exchange Commission; (C) be hand delivered or mailed to the Comptroller, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop O-3, Alexandria, Virginia 22312; and (D) submitted under cover letter that identifies Zubkis as a defendant in this action, the caption and docket number of this action, and a copy of which cover letter and payment shall be sent to Wayne M. Carlin, Regional Director, Securities

and Exchange Commission, Northeast Regional Office, 7 World Trade Center, 13th Floor, New York, New York 10048.

VIII.

IT IS FURTHER HEREBY ORDERED, ADJUDGED, AND DECREED:

- (a) That the Court makes a specific finding that Zubkis's conduct demonstrates substantial unfitness for him to serve as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d) (a "Public Company"), and the Court therefore grants the Commission relief pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e), and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2).
- (b) Pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e), and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2), Zubkis is hereby permanently prohibited from acting as an officer or director of any Public Company.

IX.

IT IS FURTHER HEREBY ORDERED, ADJUDGED, AND DECREED that the

Court shall retain jurisdiction of this matter for all purposes.

X.

IT IS FURTHER HEREBY ORDERED, ADJUDGED, AND DECREED that there being no just reason for delay, the Clerk of the Court is hereby directed to enter this Final Judgment pursuant to Fed. R. Civ. P. 54(b).

Dated: New York, New York

6/21, 2001

 6. Koeltl
JOHN G. KOELTL
UNITED STATES DISTRICT JUDGE

THIS DOCUMENT WAS ENTERED

CLERK'S OFFICE

7/2/01