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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE)	
COMMISSION,)	
	Plaintiff,)	<u>COMPLAINT</u>
)	
	v.)	ECF CASE
)	
GEORGE IVAKHNIK)	
and)	
The MOBILE STAR CORPORATION,)	
	Defendants.)	
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Plaintiff Securities and Exchange Commission (the “Commission”) alleges the following against defendants George Ivakhnik (“Ivakhnik”) and The Mobile Star Corporation (“Mobile Star”) (collectively, “Defendants”):

SUMMARY OF ALLEGATIONS

1. This action concerns a series of fraudulent misrepresentations about the business operations and finances of Mobile Star, a publicly traded microcap company. In the spring of 2012, Mobile Star and its Chief Executive Officer (“CEO”), Ivakhnik, issued a series of press

releases designed to make Mobile Star look like a successful company that had completed a number of transactions. These press releases included: (a) an April 9, 2012 press release announcing that Mobile Star had an engagement to help a northern California-based higher education institution restructure and secure financing; (b) a June 8, 2012 press release announcing that Mobile Star had entered into an agreement to obtain a ski resort and a 49 percent interest in a karaoke booth manufacturer; and (c) a June 12, 2012 press release announcing that Mobile Star had entered into an agreement to provide construction completion funds to an event center.

2. Yet, despite the picture of an active and successful business portrayed by these announcements, the reality was that the press releases were false and misleading, and that Mobile Star had no real business operations. In short, the agreements described in the press releases did not exist, and there were no factual bases for the statements included in the press releases. After these press releases were disseminated, the Commission suspended trading in Mobile Star shares on September 17, 2012 under Section 12(k) of the Exchange Act [15 U.S.C. 781(k)].

3. By virtue of the conduct alleged herein: (a) each of the Defendants, directly or indirectly, singly or in concert, has engaged in acts, practices and courses of business that constitute violations of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5]; (b) Ivakhnik aided and abetted Mobile Star’s violations 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]; and (c) Ivakhnik is liable as a controlling person under to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)] for Mobile Star’s violations 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].

4. Unless the Defendants are permanently restrained and enjoined, they will again engage in the acts, practices, and courses of business set forth in this complaint and in acts, practices, and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

5. The Commission brings this action pursuant to authority conferred by Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)] seeking to restrain and permanently enjoin the Defendants from engaging in the acts, practices, transactions and courses of business alleged herein.

6. The Commission also seeks a final judgment ordering the Defendants to disgorge their ill-gotten gains, together with prejudgment interest thereon, ordering Defendants to pay civil monetary penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], and imposing an officer-and-director bar under Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] and a penny stock bar under Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)] against Ivakhnik.

JURISDICTION AND VENUE

7. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331 and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

8. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b)(2) and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Certain of the events constituting or giving rise to the alleged violations occurred in the Southern District of New York. For instance, Mobile Star maintained an office in New York, New York during the time of the conduct at issue in this complaint.

9. In connection with the conduct alleged in this complaint, the Defendants, directly or indirectly, have made use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange.

DEFENDANTS

10. **Ivakhnik**, age 36, is a resident of Beverly Hills, California and has worked in New York, New York. Ivakhnik has been involved in numerous companies, including serving as the CEO and President of Mobile Star. Ivakhnik previously held a series 6 license (which expired in 2001), a series 7 license (which expired in 2006), and a series 66 license (which expired in 2006).

11. **Mobile Star** is a Delaware corporation that, at various times, has been headquartered in Beverly Hills, California and in New York, New York. Mobile Star, incorporated in 2007, initially purported to be in the business of developing a karaoke recording booth, though as of February 2012 its business operations purportedly included real estate investments. Mobile Star stock was previously quoted on OTC Link. At all relevant times, Mobile Star qualified as a penny stock because it did not meet any of the exceptions to the definition of “penny stock” in Section 3(a)(51) of the Exchange Act [15 U.S.C. § 78c(a)(51)] and Rule 3a51-1 [17 C.F.R. §240.3a51-1].

THE DEFENDANTS’ VIOLATIVE CONDUCT

Background

12. Ivakhnik joined Mobile Star in 2012. On February 14, 2012, Mobile Star announced Ivakhnik’s hiring as Director and CEO. On June 1, 2012, Mobile Star announced that Ivakhnik was appointed as President, Secretary, and Treasurer.

13. Throughout 2012, Mobile Star's periodic filings with the Commission confirmed that it was a developmental stage company with no revenues.

14. For example, in the March 2012 10-Q signed by Ivakhnik and dated May 21, 2012, Mobile Star reported an operating loss of \$54,000 for the three months ended March 31, 2012 and a cumulative loss of \$587,551 since inception. The March 2012 10-Q also included a going concern opinion, which noted that Mobile Star had limited revenue to cover its operating costs and did not have sufficient cash to meet its current business plan.

15. Similarly, in Mobile Star's Form 10-K for the year ended December 31, 2011, signed by Ivakhnik and filed on March 12, 2012 (erroneously dated as March 12, 2011), Mobile Star stated that "there is not enough cash on hand to fund our administrative and other operating expenses or our proposed research and development program for the next twelve months" ... and that because "we do not expect to have any cash flow from operations within the next twelve months, we will need to raise additional capital, which may be in the form of loans from current stockholders and/or from public and private equity offerings." This filing also stated that Mobile Star had only \$285 in cash and cash equivalents.

Mobile Star's False and Misleading Press Releases Issued When Ivakhnik Was CEO

16. Less than two months after Ivakhnik's hiring, Mobile Star and Ivakhnik issued press releases touting specific business developments with purportedly near term profit potential. As detailed below, these press releases included statements that lacked factual support and were materially misleading.

The April 9, 2012 Press Release

17. On April 9, 2012, Mobile Star issued a press release announcing a purported consulting arrangement with an educational institution. The press release stated that Mobile Star

was “pleased to announce a non-binding consulting engagement with a northern California-based higher education institution to help restructure and secure financing of real property assets through Mobile Star, Education and Real Estate Lending division.” The press release indicated that “[t]he terms of engagement are not made public at this time.” Further, the press release, in describing Mobile Star, stated that it was “an evolving company” and that “Ivakhnik, the new company's CEO, initiated board-approved additional business focuses to existing course of business, including acquisition and financing of companies.” The press release also quoted Ivakhnik as saying, “A major higher education institution turned to our management team for our financing consulting expertise.” Ivakhnik also was quoted as saying, “We have the right relationships and capacity to help companies across all socially responsible sectors of (sic) U.S. economy achieve financing goals.”

18. These statements were false. Mobile Star did not have any agreement with any educational institution, and Ivakhnik had no reason to believe that Mobile Star had such an agreement. For example, when asked about the agreement in sworn testimony, Ivakhnik could not even identify the education institution allegedly seeking Mobile Star’s assistance in restructuring and financing.

19. Finally, to the extent the press release implied that Mobile Star itself would provide the funding, the financial condition of Mobile Star indicates that Mobile Star did not have the present ability to provide financing to an entity seeking financing. As alleged above, Mobile Star’s 2012 quarterly filings indicated that the company had almost no assets. Ivakhnik made this representation despite knowing that MBST could not possibly provide such a massive amount of financing as was contemplated – which purportedly was approximately \$16-20 million – given Ivakhnik’s prior inability to successfully fund much smaller deals.

The June 8, 2012 Press Release

20. In a June 8, 2012 press release, Mobile Star claimed it had entered into an agreement to acquire interests in two projects: a ski resort development project outside of Buffalo, New York, and a world-wide karaoke booth manufacturer and distributor (the “Karaoke Manufacturer”).

21. The press release quoted Ivakhnik both concerning the resort development project and the agreement with the Karaoke Manufacturer. With regard to the resort development project, Ivakhnik was quoted as saying, “We are excited about the opportunity to participate in the resort development project. Our investment is secured by over 1,200 acres of entitled and permitted land specific for a ski and four-season resort.” With regard to the agreement with the Karaoke Manufacturer, Ivakhnik said, “My belief is that a healthy diversified portfolio of assets should have both defensive and cyclical assets. We are pleased to finally reach agreement on financial terms with [the Karaoke Manufacturer], and continue the development, marketing and distribution of karaoke booths in the United States and abroad.”

22. These statements were false. First, Mobile Star did not have an agreement to acquire a resort development project. Indeed, the actual purchaser of the ski resort contacted Mobile Star in response to the press release to emphasize that Mobile Star had no such agreement. The purchaser’s attorney sent Mobile Star a letter stating that the seller “has not entered into any agreement . . . and has never had any contact with Mobile Star Corp. or anyone affiliated with said company.” The letter also said, “Your representation of an agreement between yourselves and my client is fraudulent” and demanded that Mobile Start “file a press release retracting the previous release and stating that there is no agreement with [the seller] or

regarding any of [the seller's] properties.” Despite this letter, Mobile Star did not file a press release retracting the press release.

23. Second, Mobile Star's and Ivakhnik's statements regarding the Karaoke Manufacturer were also untrue. Mobile Star never entered into an agreement to acquire the Karaoke Manufacturer.

24. Finally, as alleged above, Mobile Star's dire financial condition at the time this press release was drafted would have prevented it from acquiring any properties.

The June 12, 2012 Press Release

25. Four days later, on June 12, 2012, Mobile Star issued another press release claiming that it had entered into an agreement to provide “construction completion funds” to a 22,000 square foot California-based event center in Long Beach, California. The press release also quoted Ivakhnik as follows: “The [event center] is an incredible event center that is under construction in the core entertainment district of Long Beach and near all the downtown action.” Ivakhnik was also quoted as saying, “This 22,000 square foot facility will be built with state of the art sound and stage equipment and will be an attraction certain to be a credit, pride, and a further draw for Long Beach's burgeoning entertainment district.”

26. These statements were false. Mobile Star did not have any agreement with an event center. In sworn testimony, although Ivakhnik claimed that he had negotiated to purchase the property and continue its use as an events center, he acknowledged that, contrary to the statements in the press release, Mobile Star did not negotiate to provide funding for the events center and no deal was ever completed.

Ivakhnik's Role in Drafting the Press Releases

27. Ivakhnik participated in the drafting of the April 9, June 8, and June 12, 2012 press releases, and the substance of the information in those press releases came from him. Ivakhnik also reviewed the final press releases to confirm that they were substantively accurate and authorized their dissemination.

Market Impact of the Misstatements

28. The series of press releases appear to be part of a typical attempt by penny stock companies to increase the price and volume of their stock. In this case, Defendants were partially successful.

29. The week prior to April 9, 2012, Mobile Star stock traded between \$0.07 and \$0.10 per share. Following the April 9, 2012 press release, Mobil Star's stock price rose to its high for 2012 of \$0.34 on April 12, 2012. It closed at \$0.2975 the next day, and remained elevated through May 15, 2012, when it closed at \$0.175.

30. Mobile Star's stock price traded between \$0.05 and \$0.095 through May 29, 2012, and thereafter the stock stopped trading.

31. But following the issuance of the June 8, 2012 press release, Mobile Star stock traded again on the next trading day, June 11, 2012. It then stopped trading again until June 29, 2012, and only traded sporadically thereafter.

Mobile Star Trading Suspension

32. On September 17, 2012, the Commission suspending trading in Mobile Star securities.

FIRST CLAIM FOR RELIEF

**Violations of Section 10(b) of the Exchange Act and Rule 10b-5
(Both Defendants)**

33. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 32.

34. The Defendants, directly or indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce or of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities, knowingly or recklessly, have: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material fact, or omitted to state material facts necessary in order to make statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices and courses of business which operated or would have operated as a fraud or deceit upon purchasers of securities and upon other persons.

35. By reason of the foregoing, the Defendants, singly or in concert, directly or indirectly, have violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

SECOND CLAIM FOR RELIEF

**Control Person and Aiding and Abetting Liability for
Mobile Star's Violations of Section 10(b) of the Exchange Act and Rule 10b-5
(Ivakhnik)**

36. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 35.

37. Mobile Star, directly or indirectly, singly or in concert, in the offer or sale, and in connection with the purchase or sale, of securities by the use of the means of instruments of transportation or communication in interstate commerce, or of the mails or the facilities of a national securities exchange, knowingly or recklessly has: (a) employed devices, schemes, or

artifices to defraud; (b) made, and obtained money or property by means of, untrue statements of a material fact or omitted to state, and obtained money or property by means of omissions of, a material fact necessary in order to make the statement made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser and upon other persons.

38. Mobile Star violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

39. At all times relevant hereto, Ivakhnik was a controlling person of Mobile Star for the purposes of Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

40. Ivakhnik knowingly or recklessly engaged in fraudulent conduct that resulted in Mobile Star's violations 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].

41. By engaging in the conduct alleged above, Ivakhnik knowingly or recklessly provided substantial assistance to, and was a culpable participant with, Mobile Star with respect to its violations 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].

42. By reason of the foregoing, Ivakhnik is liable (a) as a controlling person pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)] for Mobile Stars violations 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]; and (b) pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)] for aiding and abetting Mobile Star's violations 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].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court grant the following relief:

I.

Permanently enjoining Ivakhnik and Mobile Star from committing the violations of the federal securities laws alleged against them in this complaint, and permanently enjoining Ivakhnik from aiding and abetting or otherwise engaging in conduct that would make them secondarily liable for the violations of the federal securities laws alleged as to them in this complaint;

II.

Ordering Ivakhnik and Mobile Star to disgorge the ill-gotten gains received as a result of the violations alleged in this complaint, and ordering each of them to each pay prejudgment interest thereon.

III.

Ordering Ivakhnik and Mobile Star to pay civil monetary penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

IV.

Prohibiting Ivakhnik, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], from acting 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)];

V.

Prohibiting Ivakhnik, pursuant to Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)] from participating in an offering of penny stock, as defined in Section 3(a)(51) of the Exchange Act [15 U.S.C. § 78c(a)(51)] and Rule 3a51-1 [17 C.F.R. § 240.3a51-1]; and

VI.

Granting such other and further relief as the Court may deem just and proper.

Dated: September 15, 2015
New York, New York



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