

1 UNITED STATES DISTRICT COURT  
2 CENTRAL DISTRICT OF CALIFORNIA

3 SECURITIES AND EXCHANGE  
4 COMMISSION,

5  
6 Plaintiff,

7 vs.

8 HEART TRONICS, INC., MITCHELL  
9 JAY STEIN, WILLIE JAMES GAULT,  
10 J. ROWLAND PERKINS, II, MARTIN  
11 BERT CARTER, MARK CROSBY  
12 NEVDAHL, and RYAN ALLAN  
13 RAUCH,

14 Defendants,

15 TRACEY HAMPTON-STEIN, ARC  
16 FINANCE GROUP, LLC, ARC BLIND  
17 TRUST, THS BLIND TRUST, JAYMI  
18 BLIND TRUST, OAK TREE  
19 INVESTMENTS BLIND TRUST, WBT  
20 INVESTMENTS BLIND TRUST,  
21 CATCH 83 GENERAL PARTNERSHIP,  
22 and FIVE INVESTMENTS  
23 PARTNERSHIP,

24 Relief Defendants.

Case No. SACV11-1962-JVS(ANx)

**FINAL JUDGMENT AGAINST  
DEFENDANT STEIN IMPOSING  
PERMANENT INJUNCTIONS,  
PERMANENT OFFICER AND  
DIRECTOR BAR, PERMANENT  
PENNY STOCK BAR,  
DISGORGEMENT WITH  
PREJUDGMENT INTEREST,  
AND A CIVIL PENALTY**

25 Consistent with the Court's Order Granting in Part and Denying in Part of  
26 Plaintiff's Motion for Summary Judgment Against Defendant Mitchell J. Stein as  
27 to Claims One, Two, Three, Five, Seven, Eight and Nine (Docket No. 255)  
28 pursuant to Fed. R. Civ. P. 56, and the Plaintiff's request for leave to voluntarily  
dismiss with prejudice all other claims of the Complaint against this Defendant:

1 **I.**

2 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that  
3 Defendant Stein and Defendant’s agents, servants, employees, attorneys, and all  
4 persons in active concert or participation with them who receive actual notice of  
5 this Judgment by personal service or otherwise are permanently restrained and  
6 enjoined from violating, directly or indirectly, Section 10(b) of the Securities  
7 Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5  
8 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or  
9 instrumentality of interstate commerce, or of the mails, or of any facility of any  
10 national securities exchange, in connection with the purchase or sale of any  
11 security:

12 (a) to employ any device, scheme, or artifice to defraud;

13 (b) to make any untrue statement of a material fact or to omit to state a  
14 material fact necessary in order to make the statements made, in the light of the  
15 circumstances under which they were made, not misleading; or

16 (c) to engage in any act, practice, or course of business which operates or  
17 would operate as a fraud or deceit upon any person.

18 **II.**

19 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that  
20 Defendant Stein and Defendant’s agents, servants, employees, attorneys, and all  
21 persons in active concert or participation with them who receive actual notice of  
22 this Judgment by personal service or otherwise are permanently restrained and  
23 enjoined from violating, directly or indirectly, Section 17(a) of the Securities Act  
24 of 1933 (the “Securities Act”) [15 U.S.C. § 77q(a)] in the offer or sale of any  
25 security by the use of any means or instruments of transportation or  
26 communication in interstate commerce or by use of the mails:

27 (a) to employ any device, scheme, or artifice to defraud;

28

1 (b) to obtain money or property by means of any untrue statement of a  
2 material fact or any omission of a material fact necessary in order to  
3 make the statements made, in light of the circumstances under which  
4 they were made, not misleading; or

5 (c) to engage in any transaction, practice, or course of business which  
6 operates or would operate as a fraud or deceit upon the purchaser.

7 **III.**

8 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED THAT

9 Defendant Stein and Defendant's agents, servants, employees, attorneys, and all  
10 persons in active concert or participation with them who receive actual notice of  
11 this Judgment by personal service or otherwise are permanently restrained and  
12 enjoined from violating, directly or indirectly, Section 13(b)(5) of the Exchange  
13 Act [15 U.S.C. § 78m(b)(5)] by knowingly circumventing or failing to implement  
14 a system of internal accounting controls or knowingly falsifying any book, record,  
15 or account described in Section 13(b)(2) of the Exchange Act [15 U.S.C. §§  
16 78m(b)(2)].

17 **IV.**

18 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that

19 Defendant Stein and Defendants' agents, servants, employees, attorneys, and all  
20 persons in active concert or participation with them who receive actual notice of  
21 this Judgment by personal service or otherwise are permanently restrained and  
22 enjoined from violating, directly or indirectly, Rule 13b2-1 of the Exchange Act  
23 [17 C.F.R. § 240.13b2-1] by falsifying, or causing to be falsified, any book,  
24 record, or account described in Section 13(b)(2)(A) of the Exchange Act [15  
25 U.S.C § 78m(b)(2)(A)].

26 **V.**

27 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that

28 Defendant Stein and Defendant's agents, servants, employees, attorneys, and all

1 persons in active concert or participation with them who receive actual notice of  
2 this Judgment by personal service or otherwise are permanently restrained and  
3 enjoined from aiding and abetting any violation of Sections 13(a) of the Exchange  
4 Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1 and 13a-13 of the Exchange  
5 Act [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-13], including by  
6 knowingly providing substantial assistance to an issuer who files or causes to be  
7 filed with the Commission any periodic or current report pursuant to Section 13(a)  
8 and the rules and regulations promulgated thereunder, which contains any untrue  
9 statement of a material fact, or which omits to state a material fact necessary in  
10 order to make statements made, in light of the circumstances under which they  
11 were made, not misleading, or which fails to comply in any material respect with  
12 the requirements of Section 13(a) of the Exchange Act and the rules and  
13 regulations thereunder.

14 **VI.**

15 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that  
16 Defendant Stein and Defendant's agents, servants, employees and attorneys-in-  
17 fact, and all persons in active concert or participation with any of them, who  
18 receive actual notice of this Final Judgment, by personal service or otherwise, and  
19 each of them, are permanently enjoined and restrained from aiding and abetting  
20 any violation of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §  
21 78m(b)(2)(A)], by knowingly providing substantial assistance to any issuer which  
22 has a class of securities registered pursuant to Section 12 of the Exchange Act [15  
23 U.S.C. § 78l], or Section 15(d) of the Exchange Act [15 U.S.C. § 78o], in failing  
24 to make or keep books, records or accounts, which, in reasonable detail,  
25 accurately and fairly reflect the transactions and dispositions of the assets of the  
26 issuer.

1 **VII.**

2 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that  
3 Defendant Stein and Defendant's agents, servants, employees and attorneys-in-  
4 fact, and all persons in active concert or participation with any of them, who  
5 receive actual notice of this Final Judgment, by personal service or otherwise, and  
6 each of them, are permanently enjoined and restrained from aiding and abetting  
7 any violation of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. §  
8 78m(b)(2)(B)], by knowingly providing substantial assistance to any issuer which  
9 has a class of securities registered pursuant to Section 12 of the Exchange Act [15  
10 U.S.C. § 78l], or Section 15(d) of the Exchange Act [15 U.S.C. § 78o], in failing  
11 to devise and maintain a system of internal accounting controls sufficient to  
12 provide reasonable assurance that transactions are recorded as necessary to permit  
13 preparation of financial statements in conformity with generally accepted  
14 accounting principles or other applicable criteria, and to maintain accountability  
15 for assets.

16 **VIII.**

17 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that,  
18 pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] and  
19 Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)], Defendant Stein is  
20 permanently barred from: (i) acting as an officer or director of any issuer that has  
21 a class of securities registered pursuant to Section 12 of the Exchange Act [15  
22 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the  
23 Exchange Act [15 U.S.C. § 78o(d)]; and (ii) from participating in an offering of  
24 penny stock, including engaging in activities with a broker, dealer, or issuer for  
25 purposes of issuing, trading, or inducing or attempting to induce the purchase or  
26 sale of any penny stock. A penny stock is any equity security that has a price of  
27 less than five dollars, except as provided in Rule 3a51-1 under the Exchange Act  
28 [17 C.F.R. 240.3a51-1].

1 **IX.**

2 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that  
3 Defendant Stein is liable for disgorgement of \$5,378,581.61, representing profits  
4 gained as a result of the conduct alleged in the Complaint, together with  
5 prejudgment interest thereon in the amount of \$697,833.91; and that he is further  
6 liable for a civil penalty in the amount of \$5,378,581.61, pursuant to Section 20 of  
7 the Securities Act [15 U.S.C. § 77t(d)(2)] and Section 21 of the Exchange Act[15  
8 U.S.C. § 78u(d)(3)]. Defendant shall satisfy this obligation by paying  
9 \$11,454,997.13 to the Securities and Exchange Commission within 14 days after  
10 entry of this Judgment.

11 Defendant may transmit payment electronically to the Commission, which  
12 will provide detailed ACH transfer/Fedwire instructions upon request. Payment  
13 may also be made directly from a bank account via Pay.gov through the SEC  
14 website at <http://www.sec.gov/about/offices/ofm.htm>. Defendant may also pay by  
15 certified check, bank cashier's check, or United States postal money order payable  
16 to the Securities and Exchange Commission, which shall be delivered or mailed  
17 to:

18 Enterprise Services Center  
19 Accounts Receivable Branch  
20 6500 South MacArthur Boulevard  
21 Oklahoma City, OK 73169

22 and shall be accompanied by a letter identifying the case title, civil action number,  
23 and name of this Court; Mitchell J. Stein as a defendant in this action; and  
24 specifying that payment is made pursuant to this Judgment.

25 Defendant shall simultaneously transmit photocopies of evidence of  
26 payment and case identifying information to the Commission's counsel in this  
27 action. By making this payment, Defendant relinquishes all legal and equitable  
28 right, title, and interest in such funds and no part of the funds shall be returned to  
Defendant. The Commission shall send the funds paid pursuant to this Judgment

1 to the United States Treasury. Defendant shall pay post-judgment interest on any  
2 delinquent amounts pursuant to 28 USC § 1961.


3 **X.**

4 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this  
5 Court shall retain jurisdiction of this matter for the purposes of enforcing the  
6 terms of this Judgment and all order and decrees which may be entered herein and  
7 to entertain any suitable application or motion for additional relief within the  
8 jurisdiction of this Court.

9 **XI.**

10 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, there  
11 being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil  
12 Procedure, the Clerk of the Court is ordered to enter this Judgment forthwith and  
13 without further notice. Any remaining claims against the Defendant are dismissed  
14 with prejudice pursuant to Rule 42(a)(2) of the Federal Rules of Civil Procedure.

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18 Dated: March 03, 2015

  
HONORABLE JAMES V. SELNA  
UNITED STATES DISTRICT JUDGE