

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934

Release No. 74977 / May 15, 2015

ADMINISTRATIVE PROCEEDING

File No. 3-16538

In the Matter of

MITCHELL J. STEIN,

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS AND
IMPOSING TEMPORARY SUSPENSION
PURSUANT TO RULE 102(e)(3)(i) OF
THE COMMISSION'S RULES OF
PRACTICE**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against Mitchell J. Stein (“Respondent” or “Stein”) pursuant to Rule 102(e)(3)(i)¹ of the Commission’s Rules of Practice (17 C.F.R. § 200.102(e)(3)(i)).

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, temporarily suspend from appearing or practicing before it any attorney . . . who has been by name: (A) [p]ermanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating . . . any provision of the Federal securities laws or of the rules and regulations thereunder; or (B) [f]ound by any court of competent jurisdiction in an action brought by the Commission to which he or she is a party . . . to have violated (unless the violation was found not to have been willful) . . . any provision of the Federal securities laws or of the rules and regulations thereunder.

II.

The Commission finds that:

1. Mitchell J. Stein, 48, at all relevant times was an attorney who was admitted to practice in California.

2. On December 20, 2011, the Commission filed a complaint against Stein and others in the United States District Court for the Central District of California (the “Court”) alleging that Stein engaged in multiple counts of securities fraud related to the offering and sale of the common stock of Heart Tronics, Inc. (“Heart Tronics”) while acting as its outside counsel. *Securities and Exchange Commission v. Heart Tronics, Inc., et al.*, Case No. 8:09-CV-01962-JVS-AN (C.D. Cal.). Specifically, the complaint alleged that Stein orchestrated the repeated announcement of fictitious sales orders for Heart Tronics’ products in public filings, press releases and other public broadcasts to inflate the price of Heart Tronics’ stock; fabricated documents designed to make it appear that Heart Tronics had entered into viable sales offers; and defrauded an investor into making a substantial investment in Heart Tronics while pocketing the proceeds for his personal use. Through his conduct, the Commission alleged that Stein reaped millions in illegal profits.

3. On February 18, 2015, the Court granted, in part, the Commission’s motion for summary judgment against Stein. The Court found that Stein violated Section 17(a) of the Securities Act, Sections 10(b) and 13(b)(5) of the Exchange Act, Rules 10b-5 and 13b2-1thereunder; that he aided and abetted violations of Section 17(a) of the Securities Act, Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Exchange Act Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13; permanently enjoined him from further violations of those provisions; ordered Stein to disgorge \$5,378,581.61 in ill-gotten gains, together with \$697,833.91 in prejudgment interest, for a total of \$6,076,415.52, in addition to paying a \$5,378,581.61 civil penalty; and permanently barred him from serving as an officer or director of a publicly reporting company and from trading in penny stock. *Id.*

III.

Based upon the foregoing, the Commission finds that a court of competent jurisdiction has permanently enjoined Stein, an attorney, from violating the Federal securities laws within the meaning of Rule 102(e)(3)(i)(A) of the Commission’s Rules of Practice. The Commission also finds that a court of competent jurisdiction has found that Stein, an attorney, violated the Federal securities laws within the meaning of Rule 102(e)(3)(i)(B) of the Commission’s Rules of Practice. In view of these findings, the Commission deems it appropriate and in the public interest that Stein be temporarily suspended from appearing or practicing before the Commission.

IT IS HEREBY ORDERED that Stein be, and hereby is, temporarily suspended from

appearing or practicing before the Commission. This Order will be effective upon service on the Respondent.

IT IS FURTHER ORDERED that Stein may, within thirty days after service of this Order, file a petition with the Commission to lift the temporary suspension. If the Commission receives no petition within thirty days after service of the Order, the suspension will become permanent pursuant to Rule 102(e)(3)(ii).

If a petition is received within thirty days after service of this Order, the Commission will, within thirty days after the filing of the petition, either lift the temporary suspension, or set the matter down for hearing at a time and place to be designated by the Commission, or both. If a hearing is ordered, following the hearing, the Commission may lift the suspension, censure the petitioner, or disqualify the petitioner from appearing or practicing before the Commission for a period of time, or permanently, pursuant to Rule 102(e)(3)(iii).

This Order shall be served upon Stein personally or by certified mail at his last known address.

By the Commission.

Brent J. Fields
Secretary