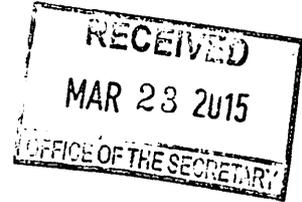


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**UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION**

**ADMINISTRATIVE PROCEEDING  
File No. 3-16357**

**In the Matter of**

**STUART E. RAWITT,**

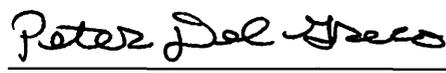
**Respondent.**

**DECLARATION OF PETER DEL GRECO IN  
SUPPORT OF MOTION BY DIVISION OF  
ENFORCEMENT FOR IMPOSITION OF  
REMEDIAL SANCTIONS AGAINST  
RESPONDENT STUART E. RAWITT**

I, Peter Del Greco, pursuant to 28 U.S.C. § 1746, declare as follows:

1. I am employed as Senior Counsel in the Securities and Exchange Commission's Division of Enforcement. I submit this declaration in support of the Division's Motion for Imposition of Remedial Sanctions Against Stuart E. Rawitt.
2. Attached hereto as Exhibit 1 is a court-certified copy of the Order Granting Plaintiff's Motion for default Judgment Against Defendant Stuart E. Rawitt that was issued in *SEC v. Braslau, et al.*, No. 2:14-cv-01290 (C.D. Cal.), the civil injunctive action giving rise to this administrative proceeding (the "Civil Action").
3. Attached hereto as Exhibit 2 is a court-certified copy of the Judgment of Permanent Injunction and Disgorgement, Prejudgment Interest and Civil Penalty that was entered against Rawitt in the Civil Action.
4. Attached hereto as Exhibit 3 is a true and correct copy of the Complaint filed by the Commission in the Civil Action.
5. Attached hereto as Exhibit 4 is a court-certified copy of the Plea Agreement for Defendant Stuart Rawitt and Exhibit A thereto, the Declaration of Stuart Rawitt, that was filed by Rawitt in *United States of America v. Braslau, et al.*, CR No. 14-44-RGK (C.D. Cal.), the parallel criminal action against Rawitt.

I declare under penalty of perjury that the foregoing is true and correct. Executed on March ~~20~~<sup>20</sup>, 2015 in Los Angeles, California.

  
\_\_\_\_\_  
Peter F. Del Greco

# EXHIBIT 1

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**United States District Court  
Central District of California**

**SECURITIES AND EXCHANGE  
COMMISSION,**

**Plaintiff,**

**v.**

**SAMUEL BRASLAU, RAND J.  
CHORTKOFF, and STUART E.  
RAWITT,**

**Defendants.**

Case No 2:14-cv-01290-ODW(AJWx)

**ORDER GRANTING PLAINTIFF'S  
MOTION FOR DEFAULT  
JUDGMENT AGAINST  
DEFENDANT STUART E. RAWITT**

**[36]**

**I. INTRODUCTION**

21 Samuel Braslau, Rand J. Chortkoff, and Stuart E. Rawitt fraudulently offered  
22 and sold securities to investors who were told their money would finance a multi-  
23 million dollar movie starring A-list celebrities that was "sure" to generate significant  
24 returns. (Compl. ¶ 1.) The movie was never made and, considering the large  
25 percentage of investor proceeds earmarked for purposes unrelated to making the  
26 movie, likely never could have been made. (*Id.*) The Securities Exchange  
27 Commission ("SEC") filed suit against Braslau, Chortkoff, and Rawitt for multiple  
28 violations of the Securities Act and the Securities Exchange Act. (ECF No. 1.) When

1 Rawitt failed to respond to the Complaint, default was entered and the SEC moved for  
2 entry of default judgment. (ECF No. 36.) For the reasons discussed below, the Court  
3 **GRANTS** the SEC’s Motion.<sup>1</sup> (*Id.*)

4 **II. FACTUAL ALLEGATIONS**

5 *1. Formation of the Fraud*

6 In 2010, Braslau and Chortkoff discussed acquiring several million dollars  
7 purportedly to finance the production of a movie. (Compl. ¶ 19.) In December 2010,  
8 Braslau formed Mutual Entertainment, LLC—a company that offered and sold  
9 securities in the form of “membership units” investors purchased ostensibly to finance  
10 the movie. (*Id.* ¶ 20.)

11 An unemployed actor was named the managing member of Mutual  
12 Entertainment, but Braslau exercised *de facto* control over the company, its finances,  
13 and operations. (*Id.* ¶ 21.) The actor-managing member and Braslau shared signature  
14 authority over Mutual Entertainment’s bank accounts, but Braslau transacted all the  
15 activity and did not share records of his transactions. (*Id.* ¶ 22.)

16 In January 2011, Mutual Entertainment contracted with a film director to  
17 purchase the rights to an unpublished story titled *Marcel*, later retitled *The Smuggler*,  
18 for “\$25,000 or 1% of the final going in budget, whichever amount is greater.” (*Id.*  
19 ¶ 23.) Film Shoot, LLC paid \$25,000 to Jasmine Pictures pursuant to this agreement.  
20 (*Id.*) An unemployed musician was named the managing member of Film Shoot, but  
21 Braslau exercised *de facto* control over the company, its finances, and operations. (*Id.*  
22 ¶ 42.) The musician-managing member and Braslau shared signature authority over  
23 Film Shoot’s bank accounts, but Braslau transacted all the activity and did not share  
24 records of his transactions. (*Id.*)

25 Mutual Entertainment contracted with the same director to direct the movie and  
26 agreed to finance the estimated \$3.5 million budget. (*Id.* ¶ 24.) The director was  
27

28 <sup>1</sup> After carefully considering the papers filed concerning the Motion, the Court deems the matter appropriate for decision without oral argument. Fed. R. Civ. P. 78; L.R. 7-15.

1 never used or paid. (*Id.*)

2 In February 2011, Mutual Entertainment contracted with Film Vergnuegen,  
3 Inc. to secure a producer. (*Id.* ¶ 25.) The producer was never used and was paid  
4 \$75,000. (*Id.*)

5 In March 2011, Mutual Entertainment began offering and selling up to \$7.5  
6 million of securities in the form of membership units at \$1 per unit with a \$25,000  
7 required minimum. (*Id.* ¶ 27.) The company reserved, and exercised, the right to  
8 accept investments less than \$25,000. (*Id.*)

9 2. *Execution of the Fraud*

10 Mutual Entertainment obtained investors through Mutual Entertainment  
11 Ventures, Inc. (“MEV”) and Chortkoff. (*Id.* ¶ 28.) MEV and Chortkoff hired  
12 “fronters” to cold call potential investors from lead lists that MEV and Chortkoff  
13 purchased. (*Id.*) Braslau and Chortkoff created a script that fronters used to solicit  
14 potential investors. (*Id.* ¶ 29.) Per the script, fronters asked whether the person was a  
15 qualified investor and, if so, whether the person wanted to opt in and hear more about  
16 an “opportunity to get in with a production company seeking qualified investors.”  
17 (*Id.*)

18 Once the self-accredited potential investor opted in, fronters explained that  
19 Mutual Entertainment was looking for people to invest in “the kind of project that  
20 only comes around once in a great while.” (*Id.* ¶ 31.) Fronters said the movie would  
21 be directed and produced by professionals with previous commercial success. (*Id.*)  
22 Fronters provided a website with the movie’s “proposed” A-list cast and asked  
23 whether the person was interested in hearing more about the investment opportunity  
24 from a “Production Executive.” (*Id.*)

25 Once the self-accredited potential investor expressed continued interest, the  
26 fronter provided the person’s information to Chortkoff, and Chortkoff provided the  
27 information to a “closer.” (*Id.* ¶ 32.)

28 ///

1 Chortkoff oversaw the mailing of written offering materials to potential  
2 investors. (*Id.* ¶ 34.) Among other materials, he supplied a glossy brochure that  
3 included biographical sketches of the director and producer, a “proposed” A-list cast,  
4 and budget and revenue figures for “comparable” movies. (*Id.*) The named director  
5 and producer never provided any services. (*Id.* ¶¶ 24–25.) The proposed A-list cast  
6 members were never contacted about appearing in the movie. (*Id.* ¶ 36.) And the  
7 movies advertised as comparable were actually filmed and released. (*Id.* ¶ 35.)

8 From April 2011 through August 2013, Braslau, Chortkoff, and salespeople  
9 raised over \$1.8 million from at least 60 investors nationwide. (*Id.* ¶ 5.) Braslau  
10 drafted and Chortkoff distributed memoranda to investors that affirmatively  
11 misrepresented or failed to disclose material facts, including the rates of commissions  
12 paid to salespeople. (*Id.* ¶ 44.) Almost all investor money was diverted to the  
13 Defendants and their associates, often as sales commissions or consulting fees, or to  
14 facilitate the offering. (*Id.* ¶ 7.)

15 *3. Rawitt’s Role*

16 Chortkoff hired Rawitt as a “closer.” (*Id.* ¶ 57.) Rawitt received a commission  
17 of 27% of the amount invested by any person that Rawitt closed by himself and 10 to  
18 15% of the amount invested by any person that Rawitt closed with the assistance of  
19 others. (*Id.*) Through his involvement, Rawitt acted as a broker and dealer; however,  
20 he was not registered with the SEC. (*Id.* ¶ 10.)

21 On July 15, 2010, Rawitt entered into a consent judgment permanently barring  
22 him from violating Sections 5(a) and 5(c) of the Securities Act and Section 15(a) of  
23 the Securities Exchange Act. *See SEC v. Rockwell Energy of Texas, LLC, et al.*, 4:09-  
24 cv-4080 (S.D. Texas). (*Id.* ¶ 15.) During his involvement with Braslau and  
25 Chortkoff, Rawitt was subject to the SEC Order. (*Id.* ¶ 11.)

26 *4. The Civil Action*

27 On February 20, 2014 the SEC filed this action against Defendants for multiple  
28 violations of the Securities Act and the Securities Exchange Act. (ECF No. 1)

1 Discovery was stayed pending completion of a parallel criminal case against  
2 Defendants. (ECF No. 14.) On August 27, 2014, the SEC's process server personally  
3 served Rawitt with the Summons and Complaint. (ECF No. 22.) When Rawitt failed  
4 to answer or otherwise respond, the Clerk of Court entered default. (*Id.*) On October  
5 9, 2014, the SEC moved for default judgment. Because Rawitt has not appeared or  
6 retained counsel in this action, the SEC served the instant Motion on Rawitt's criminal  
7 defense attorney by U.S. mail and email. (Greco Decl. ¶ 9.) Rawitt has not filed an  
8 opposition.

9       5.       *The Criminal Action and Rawitt's Guilty Plea*

10       On October 24, 2014, Rawitt entered a plea agreement with the United States  
11 Attorney's Office in *United States v. Samuel Braslau, et al.*, 2:14-cr-44-RGK (C.D.  
12 Cal.). (Greco Decl. ¶ 3, Ex. 1.) He pleaded guilty to mail fraud in violation of 18  
13 U.S.C. § 1341. (*Id.*) In the civil action, the SEC alleges that Rawitt made numerous  
14 false and misleading statements to potential investors. (Compl. ¶¶ 85–95.) In the  
15 criminal action, he said, “[a]lthough I do not recall each and every statement, I do  
16 admit making many, if not most, of them to prospective investors.” (Rawitt Decl.  
17 ¶ 13.) In the civil action, the SEC alleges that Rawitt “knew or was reckless in not  
18 knowing” that his representations were false. (Compl. ¶ 98.) In the criminal action,  
19 he said that he did not know his statements were false but admitted that he “chose not  
20 to know and did not question [co-defendants Braslau and Chortkoff] as to the basis for  
21 any such statement” and agreed that “at the very minimum [his] lack of knowledge,  
22 therefore, was ‘reckless.’” (Rawitt Decl. ¶ 16.)

23       6.       *Judgment Sought*

24       The SEC alleges four claims against Rawitt: (i) fraud in the offer or sale of  
25 securities, in violation of Section 17(a) of the Securities Act; (ii) fraud in connection  
26 with the purchase or sale of securities, in violation of Section 10(b) of the Exchange  
27 Act and Rule 10b-5; (iii) acting as an unregistered broker or dealer, in violation of  
28 Section 15(a)(1) of the Securities Exchange Act; and (iv) associating with a broker or

1 dealer in contravention of a prior SEC bar order, in violation of Section 15(b)(6)(B)(i)  
2 of the Securities Exchange Act. (*Id.* ¶¶ 104 –115.)

3 The SEC seeks a permanent injunction barring Rawitt from future violations of  
4 the Securities Act and the Securities Exchange Act. (Mot. 2.) The SEC also seeks an  
5 order that Rawitt is subject to disgorgement of all ill-gotten gains, prejudgment  
6 interest and the imposition of a civil penalty, but will later seek a final judgment  
7 setting forth specific monetary relief. (*Id.*)

### 8 III. LEGAL STANDARD

9 Federal Rule of Civil Procedure 55(b) authorizes a district court to grant default  
10 judgment after the Clerk enters default under Rule 55(a). Local Rule 55-1 requires  
11 that the movant submit a declaration establishing (1) when and against which party  
12 default was entered; (2) identification of the pleading to which default was entered;  
13 (3) whether the defaulting party is a minor, incompetent person, or active service  
14 member; and (4) that the defaulting party was properly served with notice.

15 A district court has discretion whether to enter default judgment. *Aldabe v.*  
16 *Aldabe*, 616 F.2d 1089, 1092 (9th Cir. 1980). Upon default, the defendant's liability  
17 generally is conclusively established, and the well-pleaded factual allegations in the  
18 complaint are accepted as true. *Televideo Sys., Inc. v. Heidenthal*, 826 F.2d 915, 917–  
19 19 (9th Cir. 1987) (per curiam) (citing *Geddes v. United Fin. Grp.*, 559 F.2d 557, 560  
20 (9th Cir. 1977)).

21 In exercising its discretion, a court must consider several factors, including  
22 (1) the possibility of prejudice to plaintiff; (2) the merits of plaintiff's substantive  
23 claim; (3) the sufficiency of the complaint; (4) the sum of money at stake; (5) the  
24 possibility of a dispute concerning material facts; (6) whether the defendant's default  
25 was due to excusable neglect; and (7) the strong policy underlying the Federal Rules  
26 of Civil Procedure favoring decisions on the merits. *Eitel v. McCool*, 782 F.2d 1470,  
27 1471-72 (9th Cir. 1986).

28 ///



1 concern material facts. *See Basic, Inc. v. Levinson*, 485 U.S. 224, 231-32 (1988); *TSC*  
2 *Indus., Inc. v. Northway, Inc.*, 426 U.S. 438, 449 (1976).

3 In his criminal guilty plea, Rawitt substantiated the SEC's civil allegations by  
4 admitting that he recklessly made false and material misrepresentations to potential  
5 investors. (Rawitt Decl. ¶¶ 13, 16.) Therefore, he violated Section 17(a) of the  
6 Securities Act and Section 10(b) and Rule 10b-5 of the Securities Exchange Act.

7 The SEC's allegations establish that Rawitt violated Section 15(a)(1) of the  
8 Securities Exchange Act, which requires that anyone who effects a transaction to  
9 induce the purchase or sale of any security be registered with the SEC.

10 Rawitt acted as a broker in connection with co-Defendants' securities offerings.  
11 He directly solicited potential investors and raised substantial amounts of money. He  
12 received transaction-based compensation, earning 27% of the amount invested by any  
13 person he closed by himself and 10 to 15% of the amount invested by any person he  
14 closed with the assistance of others. Rawitt was not registered as a broker or dealer  
15 when he sold securities. Therefore, he violated Section 15(a)(1) of the Securities  
16 Exchange Act.

17 The SEC's allegations establish that Rawitt violated Section 15(b)(6)(B)(i) of  
18 the Securities Exchange Act, which prohibits any person from associating with a  
19 broker or dealer in contravention of a prior SEC bar order. Through his involvement  
20 with Braslau and Chortkoff, Rawitt violated the October 27, 2010 Order instituted by  
21 the SEC. Therefore, he violated Section 15(b)(6)(B)(i).

22 The SEC has pleaded actionable Securities Act and Securities Exchange Act  
23 claims against Rawitt.

24 *3. The Amount at Stake Weighs in Favor of Default Judgment*

25 The SEC seeks a Court order that Rawitt be subject to disgorgement,  
26 prejudgment interest and the imposition of a civil penalty, but does not currently seek  
27 any specific amount for monetary relief. Therefore, there is no amount at stake in this  
28 Motion and this factor does not apply.

1           4.     *There is Little Possibility of Dispute as to Material Facts*

2           The statements that Rawitt made in his criminal guilty plea substantiate the  
3 SEC's civil allegations and therefore leave little possibility of a dispute as to material  
4 facts.

5           5.     *There is Little Possibility Default was Due to Excusable Neglect*

6           The SEC's process server personally served Rawitt with the Summons and  
7 Complaint and Rawitt did not answer or otherwise respond. The SEC then filed the  
8 instant Motion and served Rawitt's criminal defense attorney by U.S. mail and email.  
9 Rawitt has not filed an opposition. This leaves little possibility that default was due to  
10 excusable neglect.

11           6.     *Policy for Deciding on the Merits Weighs in Favor of Granting Default*  
12                     *Judgment*

13           Although Rawitt did not respond to the Complaint, his admissions in his guilty  
14 plea in the criminal case substantiate the SEC's civil allegations. The Court finds that  
15 this factor does not preclude entry of default judgment.

16       **C.     Permanent Injunction**

17           The factors established for imposing injunctive relief weigh heavily in favor of  
18 granting a permanent injunction. Rawitt's violations were continued and egregious.  
19 Repeatedly, Rawitt made false and misleading representations to potential investors  
20 that were designed to convince them to invest so that he could earn substantial and  
21 undisclosed sales commissions drawn from their investment. He did so with full  
22 knowledge that no movie had been made or likely could ever be made.

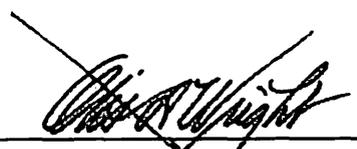
23                                     **V.     CONCLUSION**

24           The Court **ORDERS that Rawitt be permanently enjoined** from future  
25 violations of: (i) Section 17(a) of the Securities Act; (ii) Section 10(b) of the  
26 Exchange Act and Rule 10b-5; (iii) Section 15(a)(1) of the Securities Exchange Act;  
27 and (iv) Section 15(b)(6)(B)(i) of the Securities Exchange Act. The Court also  
28 **ORDERS that Rawitt pay disgorgement, prejudgment interest and a civil penalty**

1 in amounts to be determined at a later date upon noticed motion. For the reasons  
2 discussed above, the Court **GRANTS** the SEC's Motion for Default Judgment. (ECF  
3 No. 36.)

4 **IT IS SO ORDERED.**

5  
6 November 17, 2014

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10 **OTIS D. WRIGHT, II**  
11 **UNITED STATES DISTRICT JUDGE**

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## EXHIBIT 2

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United States District Court  
Central District of California

SECURITIES EXCHANGE  
COMMISSION,

Plaintiff,

v.

SAMUEL BRASLAU, RAND J.  
CHORTKOFF, and STUART E.  
RAWITT,

Defendants.

Case No. 2:14-cv-01290-ODW(AJWx)

**JUDGMENT OF PERMANENT  
INJUNCTION AND  
DISGORGEMENT, PREJUDGMENT  
INTEREST AND CIVIL PENALTY**

In light of the Court's November 17, 2014 Order Granting Plaintiff's Motion for Default Judgment, it is hereby **ORDERED** that:

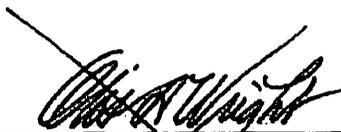
1. Default judgment is entered for PLAINTIFF SECURITIES EXCHANGE COMMISSION and against DEFENDANT STUART E. RAWITT;
2. DEFENDANT STUART E. RAWITT be permanently enjoined from future violations of (i) Section 17(a) of the Securities Act; (ii) Section 10(b) of the Securities Exchange Act and Rule 10b-5; (iii) Section 15(a)(1) of the Securities Exchange Act; and (iv) Section 15(b)(6)(B)(i) of the Securities Exchange Act;

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3. PLAINTIFF SECURITIES EXCHANGE COMMISSION shall recover disgorgement, prejudgment interest and a civil penalty from DEFENDANT STUART E. RAWITT in amounts to be determined at a later date upon noticed motion; and
4. The Clerk of Court shall close this case.

**IT IS SO ORDERED.**

November 20, 2014



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**OTIS D. WRIGHT, II**  
**UNITED STATES DISTRICT JUDGE**

# EXHIBIT 3

1 JOHN W. BERRY, Cal. Bar No. 295760

Email: [berryj@sec.gov](mailto:berryj@sec.gov)

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8 5670 Wilshire Boulevard, 11th Floor  
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**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

vs.

SAMUEL BRASLAU, RAND J.  
CHORTKOFF, and STUART E.  
RAWITT,

Defendants.

Case No.:

**COMPLAINT**

Plaintiff Securities and Exchange Commission ("SEC") alleges:

**JURISDICTION AND VENUE**

1. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78(u)(d)(1), 78u(d)(3)(A), 78u(e) & 78aa(a). Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national

1 securities exchange in connection with the transactions, acts, practices and courses of  
2 business alleged in this complaint.

3 2. Venue is proper in this district pursuant to Section 22(a) of the Securities  
4 Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa(a),  
5 because certain of the transactions, acts, practices and courses of conduct constituting  
6 violations of the federal securities laws occurred within this district.

7 **SUMMARY**

8 3. This matter concerns a fraudulent offering of securities for a movie that was  
9 not made and, given the extent to which investor proceeds were earmarked for  
10 undisclosed purposes unrelated to the actual making of a movie, probably never could  
11 have been made.

12 4. The fraudulent scheme was overseen by defendant Samuel Braslau, who  
13 controlled two companies – Mutual Entertainment, LLC and its successor through  
14 merger, Film Shoot, LLC – which offered and sold securities in the form of membership  
15 units for the purported purpose of financing a movie to be called *Marcel*, later re-named  
16 *The Smuggler*.

17 5. From April 2011 through August 2013, Braslau, through Mutual  
18 Entertainment and Film Shoot, raised more than \$1.8 million from more than 60 investors  
19 nationwide through a boiler room operated by Defendant Rand Chortkoff.

20 6. The unregistered salespeople hired and supervised by Chortkoff – most  
21 notably, recidivist defendant Stuart Rawitt – sold investors the dream of a glamorous,  
22 multi-million dollar movie production starring A-list celebrities sure to generate  
23 exorbitant returns through numerous revenue streams.

24 7. In reality, almost every investor dollar was diverted to the Defendants and  
25 their cohorts, either as sales commissions or purported “consulting” fees, or otherwise  
26 spent on the facilitation of the offering.

27 8. As a result of the Defendants’ actionable conduct, what remains of investor  
28 funds constitutes less money than it would take to produce a public service

1 announcement, let alone a full-length motion picture capable of securing a theatrical  
2 release.

3 9. In offering and selling these securities to investors, Defendants Braslau and  
4 Chortkoff, acting with scienter, engaged in a scheme to defraud and did defraud their  
5 investors. In connection with the purchase or sale of these securities, Defendants Braslau  
6 and Rawitt, acting with scienter, made material misrepresentations as to the intended uses  
7 of investors' funds and the commercial prospects for and profitability of their investment.  
8 By this conduct, the Defendants violated the antifraud provisions of Section 17(a) of the  
9 Securities Act, 15 U.S.C. § 77q, and Section 10(b) of the Exchange Act, 15 U.S.C. §  
10 78j(b), and Rule 10b-5 thereunder.

11 10. By selling these securities through a network of sales agents and receiving  
12 and paying compensation therefrom, Defendants Chortkoff and Rawitt acted as brokers  
13 and dealers. However, neither is registered with the SEC as either a broker or a dealer  
14 and thus each has violated the broker-dealer registration requirements of Section 15(a) of  
15 the Exchange Act, 15 U.S.C. § 78(o).

16 11. Rawitt is subject to an October 27, 2010 Order instituted by the SEC which  
17 bars him from association with any broker or dealer. By his actions, Rawitt violated  
18 Section 15(b)(6)(B)(i) of the Exchange Act, which prohibits any person for whom a bar  
19 order is in effect from associating with a broker or dealer in contravention of said order  
20 without the consent of the SEC.

21 12. The SEC seeks permanent injunctions prohibiting each of the Defendants  
22 from future such violations, disgorgement of Defendants' ill-gotten gains with  
23 prejudgment interest thereon, and the imposition of civil penalties.

#### 24 THE DEFENDANTS

25 13. **Samuel Braslau** resides in Los Angeles, California. Braslau is and at all  
26 relevant times herein was a member of the State Bar of California (Bar No. 200843).  
27 Braslau served as counsel and registered agent for both Mutual Entertainment and Film  
28 Shoot and exercised *de facto* control of both entities and their finances. He is the sole

1 managing member of The Smuggler The Movie, LLC.

2 14. **Rand J. Chortkoff** resides in Encino, California. Chortkoff is the sole  
3 owner of Fine Melody, Inc. and Delta Groove Music, Inc. In 2008, Chortkoff was the  
4 subject of a cease-and-desist order issued by the California Department of Corporations  
5 for his role in the unregistered offer and sale of securities of Big Sky Motion Pictures,  
6 LLC and Spring Break '83 Production, LLC. Chortkoff is not registered with the SEC in  
7 any capacity.

8 15. **Stuart E. Rawitt** resides in Marina del Rey, California. Rawitt does  
9 business as Half A Cake Entertainment, Inc., which received commissions of up to 27%  
10 of the proceeds invested by those whom Rawitt solicited. On July 15, 2010, Rawitt  
11 entered into a consent judgment permanently barring him from violating Sections 5(a)  
12 and 5(c) of the Securities Act and Section 15(a) of the Exchange Act. *See SEC v.*  
13 *Rockwell Energy of Texas, LLC, et al.*, Case No. 4:09-cv-4080 (S.D. Texas). On October  
14 27, 2010, the SEC instituted public administrative proceedings against Rawitt and  
15 accepted his settlement offer whereby he agreed to a bar from future association with any  
16 broker or dealer. *See In the Matter of Stuart E. Rawitt, Admin. Proc. 3-14099 (Oct. 27,*  
17 2010). Rawitt is not registered with the SEC in any capacity.

#### 18 AFFILIATED ENTITIES

19 16. **Mutual Entertainment, LLC** was a California limited liability company  
20 formed on December 16, 2010 and headquartered in Beverly Hills, California. A third  
21 party is identified as its managing member on its public filings but actual control was  
22 exercised by Braslau. Mutual Entertainment filed a Form D with the SEC on June 23,  
23 2011, claiming an exemption from the securities registration requirements under Rule  
24 506. Mutual Entertainment merged with Film Shoot, LLC in March 2012 and ceased  
25 operations shortly thereafter.

26 17. **Film Shoot, LLC** is a California limited liability company formed on  
27 February 22, 2012 and headquartered in Beverly Hills, California. A third party is  
28 identified as its managing member on its public filings but actual control was exercised

1 by Braslau. Film Shoot filed a Form D with the SEC on May 7, 2012 and an amendment  
2 thereto on September 24, 2012, claiming an exemption from the securities registration  
3 requirements under Rule 506 in each instance. Film Shoot merged with Mutual  
4 Entertainment in March 2012. It no longer appears to be active.

5 18. **The Smuggler The Movie, LLC** is a California limited liability company  
6 formed on July 9, 2012 and headquartered in Beverly Hills, California.

7 **THE FRAUDULENT SCHEME**

8 **A. The Defendants Sold Securities for the Purported Purpose of Making a Movie**

9 19. In late 2010, Braslau and Chortkoff held a series of meetings in which they  
10 discussed how to go about raising several million dollars with which to finance the  
11 making of a motion picture.

12 20. In December 2010, Braslau formed Mutual Entertainment, LLC, a limited  
13 liability company that would offer and sell membership units to investors, and purport to  
14 use the proceeds therefrom to make a motion picture.

15 21. Although an unemployed actor was named the ostensible managing member  
16 of Mutual Entertainment, Braslau exercised *de facto* control over Mutual Entertainment,  
17 its finances, and its operations.

18 22. Braslau either instructed that the agreements entered into by Mutual  
19 Entertainment be signed, or reproduced its ostensible managing member's signature on  
20 them in order to effectuate those agreements on behalf of Mutual Entertainment.  
21 Although Braslau shared signature authority on Mutual Entertainment's bank accounts  
22 with its registered managing member, the unemployed actor, Braslau transacted all of the  
23 activity in Mutual Entertainment's bank accounts and did not provide its putative  
24 managing member with records thereof.

25 23. In January 2011, Mutual Entertainment entered into a written agreement  
26 with a film director to purchase the rights to an unpublished story titled *Marcel* for "a  
27 payment of Twenty Five Thousand Dollars (\$25,000) or one percent (1%) of the final  
28 going in budget whichever amount is greater." In May 2012, Film Shoot paid \$25,000 to

1 Jasmine Pictures pursuant to this agreement.

2 24. That same month, Mutual Entertainment entered into a term letter agreement  
3 with the same film director to direct “a proposed martial arts action motion picture  
4 project, budgeted at \$3.5 million, to be produced by [film producer] and financed by  
5 Mutual Entertainment” – i.e., the film version of *Marcel*. To date, the film director’s  
6 directorial services have not been required and he has not been paid pursuant to this  
7 agreement.

8 25. In February 2011, Mutual Entertainment entered into a written agreement  
9 with Film Vergnuegen, Inc. for the services of a named film producer of “a martial arts  
10 motion picture drama presently entitled *Marcel* to be directed by [film director].” This  
11 putative producer has been paid a total of \$75,000 by Mutual Entertainment, Film Shoot  
12 and The Smuggler The Movie LLC pursuant to this and successor agreements. To date,  
13 his services as a producer have not been required.

14 26. Both the film director and film producer are movie industry professionals  
15 with a number of credits on their resumes. But the only apparent purpose they served  
16 was to add a veneer of commercial legitimacy to the Defendants’ fundraising endeavors.

17 27. In April 2011, Mutual Entertainment commenced to offer and sell up to \$7.5  
18 million of its securities in the form of membership units, at a cost of \$1 per unit, with a  
19 minimum investment amount of \$25,000. However, Mutual Entertainment reserved, and  
20 exercised, the right to accept investments of less than \$25,000.

21 28. Mutual Entertainment’s fundraising efforts were undertaken by Mutual  
22 Entertainment Ventures, Inc. (“MEV”) and by Chortkoff, the sole owner of Fine Melody,  
23 Inc. MEV and Chortkoff hired “surveyors,” or “fronters,” to cold call prospective  
24 investors from lead lists that MEV and Chortkoff purchased from lead list brokers.

25 29. Braslau and Chortkoff prepared a script that the fronters used in their  
26 telephone solicitation of potential investors. Per the script, the fronters said that they  
27 were “conducting marketing surveys for film and entertainment companies that are  
28 looking at current investor trends.” The script directed the fronters to ask the person

1 called whether he or she was a qualified and accredited investor and, if so, whether he or  
2 she wanted to “opt in” to hearing more about an “opportunity available to get in with a  
3 production company seeking qualified investors.”

4 30. Those who “opted in” to hearing more were told that Mutual Entertainment  
5 was looking for people to invest in “the kind of project that only comes around once in a  
6 great while” that was to be directed by the film director referred to above and produced  
7 by the producer referred to above.

8 31. The fronters emphasized the commercial successes of previous movies  
9 directed by the film director or produced by the producer. The fronters provided a  
10 website address which featured the movie’s “proposed” A-list cast of actors and  
11 actresses, and concluded by asking whether the person called was interested in hearing  
12 more about the investment opportunity from a “Production Executive.”

13 32. If a self-accredited potential investor was interested in hearing more, the  
14 fronter provided his or her information to Chortkoff, and Chortkoff provided the  
15 information to a “production executive,” or a “closer.”

16 33. Initially, the fronters’ calls were made from an office that MEV maintained  
17 in northern California, while the closers worked from an office run by Chortkoff in Van  
18 Nuys, California that was leased by Mutual Entertainment. By about August 2011, both  
19 the fronters and the closers worked together in the Van Nuys office. Fronters continued  
20 to route the information for self-accredited and interested potential investors to closers  
21 through the medium of Chortkoff.

22 34. Chortkoff oversaw the mailing of written offering materials to prospective  
23 investors. In addition to a private placement memorandum (“PPM”), a subscription  
24 agreement and an operating agreement, he provided prospective investors with a glossy  
25 brochure for *Marcel* that he and Braslau created and that featured, among other things,  
26 biographical sketches of the producer and film director, a “proposed A-list cast” featuring  
27 a dozen well-known actors and actresses and the box office receipts for several of their  
28 more successful movies, budget and revenue figures for other movies made by the

1 producer and the film director, and budget and revenue figures for other “blockbuster”  
2 films deemed “comparable” to *Marcel*.

3 35. The express and implicit comparisons between the budget and revenue  
4 figures for the movies cited in the brochure and the prospects for *Marcel* are tenuous at  
5 best. They concern movies that were actually *made* and *released*. *Marcel* was neither  
6 made nor released, and never stood a real chance of being so.

7 36. Similarly, none of the “proposed” cast members for *Marcel* were even  
8 *contacted* about being in the movie.

9 37. MEV ceased its affiliation with Mutual Entertainment at the end of February  
10 2012.

11 38. MEV was replaced by American Marketing & Survey Co. (“AMSC”),  
12 another entity with a powerless managing member, the operations and finances of which  
13 were in fact controlled by Braslau.

14 39. AMSC employed frontiers, hired and supervised by Chortkoff, who cold-  
15 called prospective investors from the Van Nuys office, using lead lists purchased by  
16 Chortkoff and the sales script created by Braslau and Chortkoff

17 40. In March 2012, Mutual Entertainment entered into a merger agreement with  
18 Film Shoot, which assumed “any and all liabilities, obligations and assets of Mutual  
19 Entertainment” pursuant thereto. At roughly the same time, the working title of the  
20 movie was changed from *Marcel* to *The Smuggler*.

21 41. Film Shoot’s offering of securities for the production of *The Smuggler* was a  
22 seamless continuation of Mutual Entertainment’s offering for *Marcel*: the units held by  
23 investors in Mutual Entertainment were converted into units in Film Shoot, the Mutual  
24 Entertainment PPM was simply retitled wholesale the Film Shoot PPM, the glossy  
25 *Marcel* brochure was recast as the glossy *The Smuggler* brochure, and the story the movie  
26 purportedly would tell (a down-on-his-heels French martial arts master who obtains  
27 redemption through his protection of an orphan and his cracking of heads in Nazi-  
28 occupied Paris) remained the same.

1 manner represented to investors and that there would be insufficient funds to make a  
2 movie.

3 51. Chortkoff knew, or was reckless in not knowing, that the offering proceeds  
4 were used as set forth in the chart above, and not as had been disclosed to investors in the  
5 PPM that he circulated to investors. For example, Chortkoff hired the sales agents  
6 responsible for obtaining additional investments, and knew what they were being  
7 compensated in amounts that were not disclosed to investors.

8 52. Investor proceeds were spent as detailed above pursuant to a number of  
9 agreements that Braslau, the *de facto* head of Mutual Entertainment and Film Shoot,  
10 entered into with various entities in the course of the securities offerings.

11 53. In January 2011, Braslau drafted a written Service Agreement with MEV,  
12 entitling MEV to “a fee of Twenty Five Percent (25%) allocation of the monies raised  
13 through the PPO as consideration for its services,” as well as a written agreement with  
14 MEV’s principal, entitling him to “Five Percent (5%) of all funds raised through the  
15 equity placement.” Both agreements were either signed by the managing member of  
16 Mutual Entertainment at Braslau’s instruction or the managing member’s signature was  
17 reproduced by Braslau.

18 54. Notwithstanding the terms of the written agreements with MEV and its  
19 principal, Mutual Entertainment routinely paid MEV a sales commission equal to 40% of  
20 investor proceeds, or 10% more than was called for by the two agreements combined.

21 55. MEV paid its frontiers an hourly wage but paid its closers a sales commission  
22 based on the amount invested.

23 56. Chortkoff hired the closers and negotiated the sales commissions they were  
24 entitled to from MEV.

25 57. Chortkoff hired Rawitt and negotiated the terms of Rawitt’s employment by  
26 MEV: a commission of 27% of the amount invested by any person that Rawitt closed by  
27 himself, and 10 to 15% of the amount invested by any person that Rawitt closed with the  
28 assistance of others. MEV paid Rawitt his sales commission from the 40% sales

1 commission that Mutual Entertainment paid to MEV.

2 58. AMSC was less costly than MEV, receiving a sales commission of only  
3 about 25% of the offering proceeds. But whereas closers, including Rawitt, had  
4 previously been compensated by MEV from the 40% sales commission it received from  
5 Mutual Entertainment, Film Shoot directly compensated its closers.

6 59. In January 2011, Mutual Entertainment entered into a written agreement  
7 with Fine Melody, Inc. ("Fine Melody") "for the services of Rand Chortkoff as an  
8 Executive Producer in the development, financing and production" of *Marcel*, and a  
9 written agreement with Delta Groove Music, Inc. ("Delta Groove") "for the services of  
10 Rand Chortkoff as music supervisor" of *Marcel*. The agreements entitle Fine Melody  
11 and Delta Groove to "5% of all funds raised through the equity placement", respectively.

12 60. The agreements were drafted by Braslau and signed by the managing  
13 member of Mutual Entertainment at Braslau's instruction or the managing member's  
14 signature was reproduced by Braslau.

15 61. Chortkoff did not render any of the services enumerated in the agreement  
16 with Delta Groove because there is no movie requiring such services. The only services  
17 Chortkoff rendered pursuant to these agreements were in connection with the raising of  
18 funds through the private placement – primarily, his supervision of the fronters and  
19 closers operating from Van Nuys.

20 62. Notwithstanding the terms of the agreements, Mutual Entertainment (and  
21 later Film Shoot) routinely paid Fine Melody a sales commission of 8% of the amount  
22 invested by persons solicited by the fronters and closers whom Chortkoff hired and  
23 supervised.

24 63. In January 2011, Mutual Entertainment entered into a Legal Services  
25 Agreement with Braslau that entitled him to "an initial retainer fee of One Hundred  
26 Thousand Dollars (\$100,000) . . . from the funds raised through the PPM, plus Three  
27 Percent (3%) of the funds raised through the PPM."  
28

1           64. The Legal Services Agreement was drafted by Braslau and either signed by  
2 the managing member of Mutual Entertainment at Braslau's instruction or the managing  
3 member's signature was replicated by Braslau.

4           65. Per the stated terms of the Legal Services Agreement, Braslau was entitled  
5 to \$154,000, or \$127,000 more than was disclosed in the PPM.

6           66. In December 2010, Mutual Entertainment had entered into a Loan and  
7 Security Agreement with Braslau whereby Braslau agreed to advance up to \$50,000 to  
8 Mutual Entertainment "for working capital."

9           67. The Loan and Security Agreement was drafted by Braslau and either signed  
10 by the managing member of Mutual Entertainment at Braslau's instruction or the  
11 managing member's signature was replicated by Braslau.

12           68. The Loan and Security Agreement entitles Braslau to repayment of the  
13 amount advanced from offering proceeds, as well as payment of a Fee equal to 50% of  
14 the amount advanced from offering proceeds.

15           69. Per the stated terms of the Loan and Security Agreement, Braslau was  
16 entitled to repayment of \$75,000 if he advanced the full \$50,000 contemplated by the  
17 Loan and Security agreement.

18           70. The PPM does not disclose the existence of the Loan and Security  
19 Agreement or its terms of repayment.

20           71. Notwithstanding the express terms of the undisclosed Legal Services  
21 Agreement and the undisclosed Loan and Security Agreement – pursuant to which  
22 Braslau would be entitled to a total of \$229,000, assuming he had advanced Mutual  
23 Entertainment \$50,000 and was repaid in full – Braslau personally received more than  
24 \$340,000 in investor funds.

25           72. In January 2011, Mutual Entertainment entered into an Exclusive Sales  
26 Agency Agreement with Mark Holdom Inc. as "sole and exclusive sales agent for the  
27 distribution and exploitation of any and all distribution rights of every nature and kind."  
28

1 73. Pursuant to the Sales Agency Agreement, Mark Holdom Inc. is entitled to a  
2 minimum guarantee of \$750,000 (10% of the full offering amount), as well as a  
3 percentage of the film's gross receipts. This is at least \$50,000 more than is disclosed in  
4 the PPM (which states, at one point, that Mark Holdom Inc. is entitled to \$700,000) and  
5 perhaps as much as \$570,000 more than is disclosed in the PPM (which states, at another  
6 point, and as noted in paragraph 46, *infra*, that the "Distribution Minimum Guarantee" is  
7 10% of the offering proceeds).

8 74. The Sales Agency Agreement was drafted by Braslau and either signed by  
9 the managing member of Mutual Entertainment at Braslau's instruction or Braslau  
10 replicated the managing member's signature.

11 75. Because there is not even a final screenplay with actors and actresses  
12 attached – let alone a finished film – there is nothing for Mark Holdom Inc. to distribute.

13 76. At all relevant times herein, Braslau was a minority owner of Mark Holdom  
14 Inc. and controlled its bank account, a fact which is not disclosed to investors in the PPM.

15 77. Most of the monies paid to Mark Holdom Inc. were in increments equal to  
16 10% of a particular investor's investment principal.

17 78. The Smuggler The Movie appears to have taken over for Film Shoot. Over  
18 the course of several months in mid-2013, Film Shoot transferred \$76,050 to The  
19 Smuggler The Movie.

20 79. As of August 31, 2013, Film Shoot's bank account contained \$253.

21 80. As of September 30, 2013, The Smuggler The Movie's bank account  
22 contained \$1,988.

23 81. The total – \$2,241 – is all that remains from the offering proceeds raised  
24 from investors. This paltry amount is not near sufficient to make the movie that  
25 Defendants represented to investors would be made.

26 82. The Defendants knew that their purported objective of making a motion  
27 picture with monies raised from their securities offering was doomed to failure. The  
28 outcome was made inevitable by the various agreements described herein which left the

1 Defendants without the means to do so.

2 83. As a result of these agreements, Braslau and Chortkoff knew, or were  
3 reckless in not knowing, that Mutual Entertainment could not and would not be able to  
4 finance the movie it had promised to investors.

5 84. Braslau and Chortkoff also knew, or were reckless in not knowing, that these  
6 agreements, their terms, and the financial position created by these agreements had not  
7 been disclosed to investors.

8 **C. Rawitt Made Material Misrepresentations to Investors**

9 85. In the course of soliciting investors, both via telephone and in person, Rawitt  
10 made a number of material misrepresentations, including the following:

11 86. On one or more occasions, Rawitt told an investor that the actors Donald  
12 Sutherland and Sean Bean were going to be in the movie. They were not.

13 87. On one or more occasions, Rawitt told an investor that Film Shoot was just  
14 \$1.5 million short of reaching its \$7.5 million goal.

15 88. On one or more occasions, Rawitt told an investor that the film would begin  
16 shooting in the Summer of 2013. It did not.

17 89. On one or more occasions, Rawitt told an investor that overseas distribution  
18 rights to *Marcel* had been sold. Such rights had not been sold.

19 90. On one or more occasions, Rawitt told an investor that he would realize  
20 revenues from action figures and other products tied to the movie. No such licensing  
21 rights have been sold.

22 91. On one or more occasions, Rawitt gave an investor the belief that Mutual  
23 Entertainment was a successful film company whose track record encompassed the  
24 *Harold and Kumar* movies produced by Carsten Lorenz.

25 92. On one or more occasions, Rawitt told an investor that in the “worst case  
26 scenario” he would have his principal returned, but would more likely see a return on  
27 investment of about 300%. Such a projection was basesless.

28 93. On one or more occasions, Rawitt told an investor that the actors Jean-

1 Claude Van Damme and Tim Roth had committed to doing the movie. They had not.

2 94. On one or more occasions, Rawitt told an investor that he might see a return  
3 of 8 to 10 times the amount he invested. This projection was baseless.

4 95. On one or more occasions, Rawitt made similar representations that adhered  
5 to one or more of the following themes:

- 6 • the casting of well-known actors and actresses, none of whom were actually  
7 approached, let alone hired;
- 8 • the likelihood of seeing an exponential return on one's investment;
- 9 • the existence of distribution deals with major studios;
- 10 • the insinuation that Mutual Entertainment or Film Shoot was a party to the  
11 prior successes of the film director and producer;
- 12 • the imminence of a production date, a theatrical release date, and a revenue-  
13 generation date -- dates that came and went without any such action taken;
- 14 • the existence of revenue-generating product placement deals and product  
15 spin-offs;
- 16 • the scarcity of remaining available investment slots and the need to purchase  
17 them before they were gone (in an offering that had raised less than \$2  
18 million of its \$7.5 million objective); and
- 19 • the tax advantages of investing (a full write-off of the amount invested in the  
20 year the investment was made or in the year in which production began).

21 96. All of these representations made by Rawitt were false and misleading.

22 97. Rawitt knew that no movie had been made.

23 98. Rawitt knew, or was reckless in not knowing, that the other representations  
24 he made, as set forth above, were false.

25 99. Rawitt did not disclose to investors that he received a commission of 27%  
26 from investor funds. He knew, or was reckless in not knowing, that his commission  
27 amount exceeded the amounts disclosed to investors for sales agents in the PPM.  
28

1 **D. Chortkoff and Rawitt Were Not Associated with a Registered Broker or**  
2 **Dealer**

3 100. In the course of the offer and sale of the Mutual Entertainment and Film  
4 Shoot securities offerings, both Chortkoff and Rawitt received transaction based  
5 compensation in the form of commissions.

6 101. Neither Chortkoff nor Rawitt are registered brokers or dealers, nor are either  
7 associated with a registered broker or dealer.

8 102. At the time he sold securities, Rawitt was subject to an October 27, 2010  
9 SEC Order prohibiting him from associating with a broker or dealer.

10 103. The SEC has not given its consent to allow Rawitt to associate with a broker  
11 dealer.

12 **FIRST CLAIM FOR RELIEF**

13 **Fraud in the Offer or Sale of Securities**

14 **Violations of Section 17(a) of the Securities Act**

15 **(against all Defendants)**

16 104. The SEC realleges and incorporates by reference paragraphs 1 through 103  
17 above.

18 105. Defendants, by engaging in the conduct described above, directly or  
19 indirectly, in the offer or sale of securities by the use of means or instruments of  
20 transportation or communication in interstate commerce or by use of the mails

21 (a) with scienter, employed devices, schemes, or artifices to defraud;

22 (b) obtained money or property by means of untrue statements of a  
23 material fact or by omitting to state a material fact necessary in order to make the  
24 statements made, in light of the circumstances under which they were made, not  
25 misleading; or

26 (c) engaged in transactions, practices, or courses of business which  
27 operated or would operate as a fraud or deceit upon the purchaser.

28 106. By engaging in the conduct described above, Defendants have violated, and

1 unless restrained and enjoined will continue to violate, Section 17(a) of the Securities  
2 Act, 15 U.S.C. § 77q(a).

3 **SECOND CLAIM FOR RELIEF**

4 **Fraud in Connection with the Purchase or Sale of Securities**  
5 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**  
6 **(against all Defendants)**

7 107. The SEC realleges and incorporates by reference paragraphs 1 through 103  
8 above.

9 108. Defendants, by engaging in the conduct described above, directly or  
10 indirectly, in connection with the purchase or sale of a security, by the use of means or  
11 instrumentalities or interstate commerce, of the mails, or of the facilities of a national  
12 securities exchange, with scienter:

13 (a) employed devices, schemes, or artifices to defraud;

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

17 (c) engaged in acts, practices or courses of business which operated or  
18 would operate as a fraud or deceit upon other persons.

19 109. By engaging in the conduct described above, Defendants have violated, and  
20 unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange  
21 Act.

22 **THIRD CLAIM FOR RELIEF**

23 **Unregistered Broker-Dealer**  
24 **Violations of Section 15(a) of the Exchange Act**  
25 **(against Defendants Chortkoff and Rawitt)**

26 110. The SEC realleges and incorporates by reference paragraphs 1 through 103  
27 above.

28 111. Defendants Chortkoff and Rawitt have, by engaging in the conduct set forth

1 above, made use of the mails and means or instrumentalities of interstate commerce to  
2 effect transactions in, and induced and attempted to induce the purchase or sale of,  
3 securities (other than exempted securities or commercial paper, bankers' acceptances, or  
4 commercial bills) without being registered with the SEC in accordance with Section 15 of  
5 the Exchange Act, § 78o, and without complying with any exemptions promulgated  
6 pursuant to Section 15(a)(2), 15 U.S.C. § 78o(a)(2).

7 112. By reason of the foregoing, Defendants Chortkoff and Rawitt, directly and  
8 indirectly, violated, and unless enjoined will continue to violate, Section 15(a)(1) of the  
9 Exchange Act, 15 U.S.C. § 78o(a)(1).

10 **FOURTH CLAIM FOR RELIEF**

11 **Association With Broker-Dealer in Contravention of an SEC Bar Order**

12 **Violation of Section 15(b)(6)(B)(i) of the Exchange Act**

13 **(against Defendant Rawitt)**

14 113. The SEC realleges and incorporates by reference paragraphs 1 through 103  
15 above.

16 114. Defendant Rawitt has, by engaging in the conduct set forth above, without  
17 the consent of the SEC willfully become associated with a broker or dealer in  
18 contravention of a prior order entered by the SEC against him pursuant to Section  
19 15(b)(6)(A) of the Exchange Act, 15 U.S.C. § 78o(b)(6)(A), which specifically prohibits  
20 him from doing so.

21 115. By reason of the foregoing, Defendant Rawitt, directly and indirectly,  
22 violated, and unless enjoined will continue to violate, Section 15(b)(6)(B)(i) of the  
23 Exchange Act, 15 U.S.C. § 78o(b)(6)(B)(i).

24 **PRAYER FOR RELIEF**

25 WHEREFORE, the SEC respectfully requests that the Court:

26 **I.**

27 Issue findings of fact and conclusions of law that Defendants committed the  
28 alleged violations.

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**II.**

Issue orders, in a form consistent with Fed. R. Civ. P. 65(d), temporarily, preliminarily and permanently enjoining Defendants Samuel Braslau, Rand Chortkoff and Stuart Rawitt, and their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and 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; and additionally enjoining Defendants Chortkoff and Rawitt and their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from violating Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1); and further enjoining Defendant Rawitt and his officers, agents, servants, employees, attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from violating Section 15(b)(6)(B)(i) of the Exchange Act, 15 U.S.C. § 78o(b)(6)(B)(i).

**III.**

Order Defendants Braslau, Chortkoff and Rawitt to disgorge all ill-gotten gains from their illegal conduct, together with prejudgment interest thereon.

**IV.**

Order Defendants Braslau, Chortkoff and Rawitt to pay civil penalties under 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).

**V.**

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all

1 orders and decrees that may be entered, or to entertain any suitable application or motion  
2 for additional relief within the jurisdiction of this Court.

3 VI.

4 Grant such other and further relief as this Court may determine to be just and  
5 necessary.

6 DATED: February 20, 2014

Respectfully submitted,

7  
8 /s/ Peter F. Del Greco  
9 PETER F. DEL GRECO  
Attorney for Plaintiff  
Securities and Exchange Commission

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# EXHIBIT 4

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10 UNITED STATES DISTRICT COURT

11 FOR THE CENTRAL DISTRICT OF CALIFORNIA

12 UNITED STATES OF AMERICA,

13 Plaintiff,

14 v.

15 STUART RAWITT,

16 Defendant.

No. CR 14-44-RGK

PLEA AGREEMENT FOR DEFENDANT  
STUART RAWITT

17  
18 1. This constitutes the plea agreement between STUART RAWITT  
19 ("defendant") and the United States Attorney's Office for the  
20 Central District of California (the "USAO") in the above-captioned  
21 case. This agreement is limited to the USAO and cannot bind any  
22 other federal, state, local, or foreign prosecuting, enforcement,  
23 administrative, or regulatory authorities.

24 DEFENDANT'S OBLIGATIONS

25 2. Defendant agrees to:  
26 a. At the earliest opportunity requested by the USAO and  
27 provided by the Court, appear and plead guilty to count one of the  
28 indictment in United States v. Samuel Braslau, et al., CR No. 14-44-

1 RGK, which charges defendant with mail fraud, in violation of 18  
2 U.S.C. § 1341.

3 b. Not contest facts agreed to in this agreement.

4 c. Abide by all agreements regarding sentencing contained  
5 in this agreement.

6 d. Appear for all court appearances, surrender as ordered  
7 for service of sentence, obey all conditions of any bond, and obey  
8 any other ongoing court order in this matter.

9 e. Not commit any crime; however, offenses that would be  
10 excluded for sentencing purposes under United States Sentencing  
11 Guidelines ("U.S.S.G." or "Sentencing Guidelines") § 4A1.2(c) are not  
12 within the scope of this agreement.

13 f. Be truthful at all times with Pretrial Services, the  
14 United States Probation Office, and the Court.

15 g. Pay the applicable special assessment at or before the  
16 time of sentencing unless defendant lacks the ability to pay and  
17 prior to sentencing submits a completed financial statement on a form  
18 to be provided by the USAO.

19 THE USAO'S OBLIGATIONS

20 3. The USAO agrees to:

21 a. Not contest facts agreed to in this agreement.

22 b. Abide by all agreements regarding sentencing contained  
23 in this agreement.

24 c. At the time of sentencing, move to dismiss the  
25 remaining counts of the indictment as against defendant. Defendant  
26 agrees, however, that at the time of sentencing the Court may  
27 consider any dismissed charges in determining the applicable  
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1 Sentencing Guidelines range, the propriety and extent of any  
2 departure from that range, and the sentence to be imposed.

3 d. At the time of sentencing, provided that defendant  
4 demonstrates an acceptance of responsibility for the offense up to  
5 and including the time of sentencing, recommend a two-level reduction  
6 in the applicable Sentencing Guidelines offense level, pursuant to  
7 U.S.S.G. § 3E1.1, and recommend and, if necessary, move for an  
8 additional one-level reduction if available under that section.

9 NATURE OF THE OFFENSE

10 4. Defendant understands that for defendant to be guilty of  
11 the crime charged in count one, that is, mail fraud, in violation of  
12 Title 18, United States Code, Section 1341, the following must be  
13 true: (a) the defendant knowingly participated in a scheme or plan  
14 for obtaining money or property by means of false pretenses,  
15 representations, or promises; (b) the statements made or facts  
16 omitted as part of the scheme were material; that is, they had a  
17 natural tendency to influence, or were capable of influencing, a  
18 person to part with money or property; (c) the defendant acted with  
19 the intent to deceive or cheat; and (d) the defendant used,  
20 attempted to use, or caused or attempted to cause to be used, the  
21 mail or private or commercial carrier operating in interstate  
22 commerce to further the scheme.

23 PENALTIES AND RESTITUTION

24 5. Defendant understands that the statutory maximum sentence  
25 that the Court can impose for a violation of Title 18, United States  
26 Code, Section 1341, is: 20 years imprisonment; a 3-year period of  
27 supervised release; a fine of \$250,000 or twice the gross gain or  
28

1 gross loss resulting from the offense, whichever is greatest; and a  
2 mandatory special assessment of \$100.

3 6. Defendant understands that supervised release is a period  
4 of time following imprisonment during which defendant will be  
5 subject to various restrictions and requirements. Defendant  
6 understands that if defendant violates one or more of the conditions  
7 of any supervised release imposed, defendant may be returned to  
8 prison for all or part of the term of supervised release authorized  
9 by statute for the offense that resulted in the term of supervised  
10 release, which could result in defendant serving a total term of  
11 imprisonment greater than the statutory maximum stated above.

12 7. Defendant understands that defendant will be required to  
13 pay full restitution to the victims of the offense to which  
14 defendant is pleading guilty. Defendant agrees that, in return for  
15 the USAO's compliance with its obligations under this agreement, the  
16 Court may order restitution to persons other than the victims of the  
17 offense to which defendant is pleading guilty and in amounts greater  
18 than those alleged in the count to which defendant is pleading  
19 guilty. In particular, defendant agrees that the Court may order  
20 restitution to any victim of any of the following for any losses  
21 suffered by that victim as a result: (a) any relevant conduct, as  
22 defined in U.S.S.G. § 1B1.3, in connection with the offense to which  
23 defendant is pleading guilty; and (b) any counts dismissed pursuant  
24 to this agreement as well as all relevant conduct, as defined in  
25 U.S.S.G. § 1B1.3, in connection with those counts. The parties  
26 currently believe that the applicable amount of restitution is  
27 approximately \$1.7 million, but the parties recognize and agree that  
28

1 this amount could change based on facts that come to the attention  
2 of the parties prior to sentencing.

3 8. Defendant understands that, by pleading guilty, defendant  
4 may be giving up valuable government benefits and valuable civic  
5 rights, such as the right to vote, the right to possess a firearm,  
6 the right to hold office, and the right to serve on a jury.  
7 Defendant understands that once the court accepts defendant's guilty  
8 plea, it will be a federal felony for defendant to possess a firearm  
9 or ammunition. Defendant understands that the conviction in this  
10 case may also subject defendant to various other collateral  
11 consequences, including but not limited to revocation of probation,  
12 parole, or supervised release in another case and suspension or  
13 revocation of a professional license. Defendant understands that  
14 unanticipated collateral consequences will not serve as grounds to  
15 withdraw defendant's guilty plea.

16 9. Defendant understands that, if defendant is not a United  
17 States citizen, the felony conviction in this case may subject  
18 defendant to: removal, also known as deportation, which may, under  
19 some circumstances, be mandatory; denial of citizenship; and denial  
20 of admission to the United States in the future. The Court cannot,  
21 and defendant's attorney also may not be able to, advise defendant  
22 fully regarding the immigration consequences of the felony  
23 conviction in this case. Defendant understands that unexpected  
24 immigration consequences will not serve as grounds to withdraw  
25 defendant's guilty plea.

26 FACTUAL BASIS

27 10. Defendant admits that defendant is, in fact, guilty of the  
28 offense to which defendant is agreeing to plead guilty. Defendant

1 agrees to the statement attached hereto as Exhibit A. Defendant and  
2 the USAO agree that this statement of facts, fully incorporated by  
3 reference here, is sufficient to support a plea of guilty to the  
4 charge described in this agreement and to establish the Sentencing  
5 Guidelines factors set forth in paragraph 12 below but is not meant  
6 to be a complete recitation of all facts relevant to the underlying  
7 criminal conduct or all facts known to either party that relate to  
8 that conduct.

9 Defendant and the USAO also agree that: 1) the statements  
10 defendant acknowledges making to investors in paragraphs 12 and 13 of  
11 Exhibit A were material; and 2) in furtherance of the scheme to  
12 defraud described in Exhibit A, on February 1, 2012, defendant caused  
13 a package containing information about "Smuggler" to be sent from  
14 Mutual in Los Angeles, California, to victim J.S. in Tacoma,  
15 Washington.

16 SENTENCING FACTORS

17 11. Defendant understands that in determining defendant's  
18 sentence the Court is required to calculate the applicable  
19 Sentencing Guidelines range and to consider that range, possible  
20 departures under the Sentencing Guidelines, and the other sentencing  
21 factors set forth in 18 U.S.C. § 3553(a). Defendant understands  
22 that the Sentencing Guidelines are advisory only, that defendant  
23 cannot have any expectation of receiving a sentence within the  
24 calculated Sentencing Guidelines range, and that after considering  
25 the Sentencing Guidelines and the other § 3553(a) factors, the Court  
26 will be free to exercise its discretion to impose any sentence it  
27 finds appropriate up to the maximum set by statute for the crime of  
28 conviction.

1 12. Defendant and the USAO agree to the following applicable  
2 Sentencing Guidelines factors:

3 Base Offense Level: 7 [U.S.S.G. §2B1.1(a)(1)]

4 Loss greater than \$1 million  
5 but less than \$2.5 million: +16 [U.S.S.G. §2B1.1(b)(1)(I)]

6  
7 More than 50 Victims: +4 [U.S.S.G. §2B1.1(b)(2)(B)]

8 Defendant and the USAO reserve the right to argue that additional  
9 specific offense characteristics, adjustments, and departure under  
10 the Sentencing Guidelines are appropriate. The USAO will agree to a  
11 two-level downward adjustment for acceptance of responsibility (and,  
12 if applicable, move for an additional one-level downward adjustment  
13 under U.S.S.G. § 3E1.1(b)) only if the conditions set forth in  
14 paragraph 3(d) are met.

15 13. Defendant understands that there is no agreement as to  
16 defendant's criminal history or criminal history category.

17 14. Defendant and the USAO reserve the right to argue for a  
18 sentence outside the sentencing range established by the Sentencing  
19 Guidelines based on the factors set forth in 18 U.S.C. § 3553(a)(1),  
20 (a)(2), (a)(3), (a)(6), and (a)(7).

21 WAIVER OF CONSTITUTIONAL RIGHTS

22 15. Defendant understands that by pleading guilty, defendant  
23 gives up the following rights:

- 24 a. The right to persist in a plea of not guilty.  
25 b. The right to a speedy and public trial by jury.  
26 c. The right to be represented by counsel - and if  
27 necessary have the court appoint counsel - at trial. Defendant  
28 understands, however, that, defendant retains the right to be

1 represented by counsel - and if necessary have the court appoint  
2 counsel - at every other stage of the proceeding.

3 d. The right to be presumed innocent and to have the  
4 burden of proof placed on the government to prove defendant guilty  
5 beyond a reasonable doubt.

6 e. The right to confront and cross-examine witnesses  
7 against defendant.

8 f. The right to testify and to present evidence in  
9 opposition to the charges, including the right to compel the  
10 attendance of witnesses to testify.

11 g. The right not to be compelled to testify, and, if  
12 defendant chose not to testify or present evidence, to have that  
13 choice not be used against defendant.

14 h. Any and all rights to pursue any affirmative defenses,  
15 Fourth Amendment or Fifth Amendment claims, and other pretrial  
16 motions that have been filed or could be filed.

17 WAIVER OF APPEAL OF CONVICTION

18 16. Defendant understands that, with the exception of an appeal  
19 based on a claim that defendant's guilty plea was involuntary, by  
20 pleading guilty defendant is waiving and giving up any right to  
21 appeal defendant's conviction on the offense to which defendant is  
22 pleading guilty.

23 LIMITED MUTUAL WAIVER OF APPEAL OF SENTENCE

24 17. Defendant agrees that, provided the Court imposes a term of  
25 imprisonment within or below the range corresponding to an offense  
26 level of 24 and the criminal history category calculated by the  
27 Court, defendant gives up the right to appeal all of the following:  
28 (a) the procedures and calculations used to determine and impose any

1 portion of the sentence; (b) the term of imprisonment imposed by the  
2 Court; (c) the fine imposed by the court, provided it is within the  
3 statutory maximum; (d) the amount and terms of any restitution  
4 order, provided it requires payment of no more than \$1.7 million;  
5 (e) the term of probation or supervised release imposed by the  
6 Court, provided it is within the statutory maximum; and (f) any of  
7 the following conditions of probation or supervised release imposed  
8 by the Court: the conditions set forth in General Orders 318, 01-05,  
9 and/or 05-02 of this Court; the drug testing conditions mandated by  
10 18 U.S.C. §§ 3563(a)(5) and 3583(d); and the alcohol and drug use  
11 conditions authorized by 18 U.S.C. § 3563(b)(7).

12 18. The USAO agrees that, provided the Court imposes a term of  
13 imprisonment within or above the range corresponding to an offense  
14 level of 26 and the criminal history category calculated by the  
15 Court, the USAO gives up its right to appeal any portion of the  
16 sentence, with the exception that the USAO reserves the right to  
17 appeal the amount of restitution ordered if that amount is less than  
18 \$1.7 million.

19 RESULT OF WITHDRAWAL OF GUILTY PLEA

20 19. Defendant agrees that if, after entering a guilty plea  
21 pursuant to this agreement, defendant seeks to withdraw and succeeds  
22 in withdrawing defendant's guilty plea on any basis other than a  
23 claim and finding that entry into this plea agreement was  
24 involuntary, then (a) the USAO will be relieved of all of its  
25 obligations under this agreement; and (b) should the USAO choose to  
26 pursue any charge that was either dismissed or not filed as a result  
27 of this agreement, then (i) any applicable statute of limitations  
28 will be tolled between the date of defendant's signing of this

1 agreement and the filing commencing any such action; and  
2 (ii) defendant waives and gives up all defenses based on the statute  
3 of limitations, any claim of pre-indictment delay, or any speedy  
4 trial claim with respect to any such action, except to the extent  
5 that such defenses existed as of the date of defendant's signing  
6 this agreement.

7 EFFECTIVE DATE OF AGREEMENT

8 20. This agreement is effective upon signature and execution of  
9 all required certifications by defendant, defendant's counsel, and  
10 an Assistant United States Attorney.

11 BREACH OF AGREEMENT

12 21. Defendant agrees that if defendant, at any time after the  
13 signature of this agreement and execution of all required  
14 certifications by defendant, defendant's counsel, and an Assistant  
15 United States Attorney, knowingly violates or fails to perform any  
16 of defendant's obligations under this agreement ("a breach"), the  
17 USAO may declare this agreement breached. All of defendant's  
18 obligations are material, a single breach of this agreement is  
19 sufficient for the USAO to declare a breach, and defendant shall not  
20 be deemed to have cured a breach without the express agreement of  
21 the USAO in writing. If the USAO declares this agreement breached,  
22 and the Court finds such a breach to have occurred, then: (a) if  
23 defendant has previously entered a guilty plea pursuant to this  
24 agreement, defendant will not be able to withdraw the guilty plea,  
25 and (b) the USAO will be relieved of all its obligations under this  
26 agreement.

27 22. Following the Court's finding of a knowing breach of this  
28 agreement by defendant, should the USAO choose to pursue any charge

1 that was either dismissed or not filed as a result of this  
2 agreement, then:

3 a. Defendant agrees that any applicable statute of  
4 limitations is tolled between the date of defendant's signing of this  
5 agreement and the filing commencing any such action.

6 b. Defendant waives and gives up all defenses based on  
7 the statute of limitations, any claim of pre-indictment delay, or any  
8 speedy trial claim with respect to any such action, except to the  
9 extent that such defenses existed as of the date of defendant's  
10 signing this agreement.

11 c. Defendant agrees that: (i) any statements made by  
12 defendant, under oath, at the guilty plea hearing (if such a hearing  
13 occurred prior to the breach); (ii) the agreed to factual basis  
14 statement in this agreement; and (iii) any evidence derived from such  
15 statements, shall be admissible against defendant in any such action  
16 against defendant, and defendant waives and gives up any claim under  
17 the United States Constitution, any statute, Rule 410 of the Federal  
18 Rules of Evidence, Rule 11(f) of the Federal Rules of Criminal  
19 Procedure, or any other federal rule, that the statements or any  
20 evidence derived from the statements should be suppressed or are  
21 inadmissible.

22 COURT AND PROBATION OFFICE NOT PARTIES

23 23. Defendant understands that the Court and the United States  
24 Probation Office are not parties to this agreement and need not  
25 accept any of the USAO's sentencing recommendations or the parties'  
26 agreements to facts or sentencing factors.

27 24. Defendant understands that both defendant and the USAO are  
28 free to: (a) supplement the facts by supplying relevant information

1 to the United States Probation Office and the Court, (b) correct any  
2 and all factual misstatements relating to the Court's Sentencing  
3 Guidelines calculations and determination of sentence, and (c) argue  
4 on appeal and collateral review that the Court's Sentencing  
5 Guidelines calculations and the sentence it chooses to impose are  
6 not error, although each party agrees to maintain its view that the  
7 calculations in paragraph 12 are consistent with the facts of this  
8 case. While this paragraph permits both the USAO and defendant to  
9 submit full and complete factual information to the United States  
10 Probation Office and the Court, even if that factual information may  
11 be viewed as inconsistent with the facts agreed to in this  
12 agreement, this paragraph does not affect defendant's and the USAO's  
13 obligations not to contest the facts agreed to in this agreement.

14 25. Defendant understands that even if the Court ignores any  
15 sentencing recommendation, finds facts or reaches conclusions  
16 different from those agreed to, and/or imposes any sentence up to  
17 the maximum established by statute, defendant cannot, for that  
18 reason, withdraw defendant's guilty plea, and defendant will remain  
19 bound to fulfill all defendant's obligations under this agreement.  
20 Defendant understands that no one -- not the prosecutor, defendant's  
21 attorney, or the Court -- can make a binding prediction or promise  
22 regarding the sentence defendant will receive, except that it will  
23 be within the statutory maximum.

24 NO ADDITIONAL AGREEMENTS

25 26. Defendant understands that, except as set forth herein,  
26 there are no promises, understandings, or agreements between the  
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1 USAO and defendant or defendant's attorney, and that no additional  
2 promise, understanding, or agreement may be entered into unless in a  
3 writing signed by all parties or on the record in court.

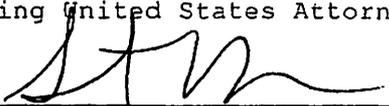
4 PLEA AGREEMENT PART OF THE GUILTY PLEA HEARING

5 27. The parties agree that this agreement will be considered  
6 part of the record of defendant's guilty plea hearing as if the  
7 entire agreement had been read into the record of the proceeding.

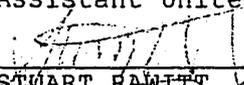
8 AGREED AND ACCEPTED

9 UNITED STATES ATTORNEY'S OFFICE  
10 FOR THE CENTRAL DISTRICT OF  
CALIFORNIA

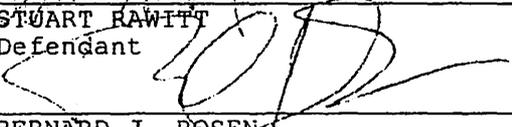
11 STEPHANIE YONEKURA  
12 Acting United States Attorney

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14 \_\_\_\_\_  
ELLYN MARCUS LINDSAY *Stephen M. CHARLES*  
Assistant United States Attorney

10/21/14  
Date

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16 \_\_\_\_\_  
STUART RAWITT  
Defendant

10/21/14  
Date

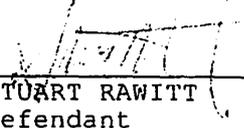
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18 \_\_\_\_\_  
BERNARD J. ROSEN  
Attorney for Defendant Stuart  
19 Rawitt

10-21-2014  
Date

20 CERTIFICATION OF DEFENDANT

21 I have read this agreement in its entirety. I have had enough  
22 time to review and consider this agreement, and I have carefully and  
23 thoroughly discussed every part of it with my attorney. I understand  
24 the terms of this agreement, and I voluntarily agree to those terms.  
25 I have discussed the evidence with my attorney, and my attorney has  
26 advised me of my rights, of possible pretrial motions that might be  
27 filed, of possible defenses that might be asserted either prior to or  
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1 at trial, of the sentencing factors set forth in 18 U.S.C. § 3553(a),  
2 of relevant Sentencing Guidelines provisions, and of the consequences  
3 of entering into this agreement. No promises, inducements, or  
4 representations of any kind have been made to me other than those  
5 contained in this agreement. No one has threatened or forced me in  
6 any way to enter into this agreement. I am satisfied with the  
7 representation of my attorney in this matter, and I am pleading  
8 guilty because I am guilty of the charges and wish to take advantage  
9 of the promises set forth in this agreement, and not for any other  
10 reason.

11   
12 STUART RAWITT  
13 Defendant

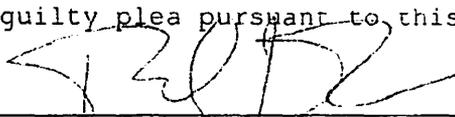
11 11/21/14  
12 Date

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18 CERTIFICATION OF DEFENDANT'S ATTORNEY

19 I am Stuart Rawitt's attorney. I have carefully and thoroughly  
20 discussed every part of this agreement with my client. Further, I  
21 have fully advised my client of his rights, of possible pretrial  
22 motions that might be filed, of possible defenses that might be  
23 asserted either prior to or at trial, of the sentencing factors set  
24 forth in 18 U.S.C. § 3553(a), of relevant Sentencing Guidelines  
25 provisions, and of the consequences of entering into this agreement.  
26 To my knowledge: no promises, inducements, or representations of any  
27 kind have been made to my client other than those contained in this  
28 agreement; no one has threatened or forced my client in any way to

1 enter into this agreement; my client's decision to enter into this  
2 agreement is an informed and voluntary one; and the factual basis set  
3 forth in this agreement is sufficient to support my client's entry of  
4 a guilty plea pursuant to this agreement.

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BERNARD J. ROSEN  
Attorney for Defendant Stuart  
Rawitt

10-21-2014  
\_\_\_\_\_  
Date

EXHIBIT A

Declaration of Stuart Rawitt

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DECLARATION OF STUART RAWITT

I, Stuart Rawitt, declare as follows:

1. I am defendant number three in this case and I am charged, with my co-defendants, with multiple counts of mail fraud, in violation of 18 U.S.C. § 1341 (counts One through Eighteen), multiple counts of wire fraud, in violation of 18 U.S.C. § 1343 (counts Nineteen through Twenty-Four), and one count of making a false statement to an attorney employed by the Securities and Exchange Commission (SEC) regarding a matter within the jurisdiction of that agency of the government, in violation of 18 U.S.C. § 1001 (count Twenty-Nine).

2. I am also a defendant in a related civil suit filed by the SEC in this Court against myself and two of the co-defendants in this criminal action, Samuel Braslau and Rand J. Chortkoff, alleging the same "fraudulent scheme" and seeking to enjoin us from continuing to engage in it as well as the payment of damages and civil penalties. (See, the Complaint in *SEC v. Braslau, Chortkoff, and Rawitt*, No. 2:14-cv-01290-ABC [now ODW]-AJW-03 [Complaint], attached hereto as Exhibit B and incorporated herein by reference.)

3. After discussions with my attorney, Bernard J. Rosen, I am making this declaration to present the factual basis in support of my plea of guilty as provided in the plea agreement with the government I am signing and to which this declaration is attached.

4. As the SEC Complaint alleges, co-defendants Braslau and Chortkoff originally engaged in a series of meetings intended to raise money – several million dollars – to finance the production of a motion picture. (Complaint, ¶ 19.) As a result, co-defendant Braslau, an attorney (*id.*, ¶ 13), formed a limited liability company – Mutual Entertainment, LLC (Mutual) – for that purpose. (*Id.*, ¶ 20.)

1           5. Shortly after the creation of that company it did, in fact,  
2 purchase the rights to an unpublished story (*id.*, ¶ 23), from a known film  
3 director (*id.*, ¶ 26) and then entered into an agreement with that director  
4 to direct the film, apparently once it was ready to be produced. (*Id.*, ¶ 24.)

5           6. Similarly, Mutual then entered into an agreement with a  
6 known movie producer to produce such a movie. (*Id.*, ¶¶ 25, 26.)

7           7. Shortly thereafter, co-defendants Braslau and Chortkoff,  
8 through their respective business entities, proceeded with efforts to raise  
9 money via the sale of 'securities' in Mutual. Those efforts were primarily  
10 by means of what is known as telemarketing, the contacting of  
11 prospective 'investors' by telephone calls. (*Id.*, ¶¶ 27-33.)

12           8. Amongst other things, as part of their efforts to raise money for  
13 production of the film, co-defendants Braslau and/or Chortkoff created,  
14 and distributed, a Private Placement Memorandum (PPM) – a multi-page  
15 document advising prospective investors, amongst other things, of the  
16 purpose of the fund raising efforts and the risks involved in purchasing  
17 the units offered – and what the SEC has described as "a glossy brochure  
18 ... featur[ing], among other things, biographical sketches of the producer  
19 and film director, a '*proposed A-list cast*' featuring a dozen well-known  
20 actors and actresses ..., budget and revenue figures for other movies  
21 made by the producer and ... film director, and budget and revenue  
22 figures for other 'blockbuster' films deemed 'comparable' to [the one they  
23 were seeking investments for]." (*Id.*, ¶¶ 34 [emphasis added], 44.)

24           9. The SEC has alleged, amongst other things, that the PPM  
25 contained fraudulent misrepresentations and omissions (*id.*, ¶¶ 44-51) and  
26 that the brochure essentially made representations that were not factually  
27 accurate or supported. (*Id.*, ¶¶ 35-36.)  
28

1           10. I have worked as a telemarketer for several years and I knew  
2 co-defendant Chortkoff. As alleged in the SEC Complaint, he hired me to  
3 raise funds, by use of my telemarketing skills, for the movie that he and  
4 co-defendant Braslau intended to produce, my compensation being a  
5 percentage of the funds I raised. (*Id.*, ¶ 57.)

6           11. Having worked in telemarketing and the raising, thereby, of  
7 private investment funds, I was familiar, generally, with PPMs, and I  
8 briefly looked through the PPM created for the movie co-defendants  
9 Chortkoff and Braslau intended to produce. I did not read it in detail as I  
10 had no reason to. Similarly, I quickly reviewed the brochure Chortkoff  
11 had created.

12           12. I know the indictment, generally, and the SEC Complaint more  
13 specifically, alleges a series of statements I made, or supposedly made, to  
14 investors, which, it is alleged, were fraudulent misrepresentations.  
15 (*Indictment*, ¶¶ 8-10; *SEC Complaint*, ¶¶ 85-95.)

16           13. Although I do not recall each and every such statement, I do  
17 admit making many, if not most, of them to prospective investors.  
18 However, ...

19           14. I did not "know" that any of these statements were, in fact,  
20 false because, as explained below, I chose not to know.

21           15. I was provided these statements by co-defendant Braslau and  
22 or Chortkoff, in a series of meetings over a period of time, as selling points  
23 to be made to prospective investors. (See, *e.g.*, *SEC Complaint*, ¶ 29.) They  
24 sounded like good selling points to me and since I was hired solely to  
25 raise funds – I played no role in determining how those funds were to be  
26 used (*id.*, ¶¶ 13, 21-22, 42-43, 50-52, 59-76, 83-84) – I used them as selling  
27 points without questioning whether there was any basis, in fact, for them.  
28

1           16. The SEC Complaint alleges that, at least as to some of the  
2 representations I made, I "knew, or was reckless in not knowing" that  
3 such representations were false. (*Id.*, ¶ 98.) As indicated above (¶ 14) I did  
4 not "know" these statements were, in fact, false because I chose not  
5 know and did not question either co-defendant Braslau or co-defendant  
6 Chortkoff as to the basis for any such statement. I agree that at the very  
7 minimum my lack of knowledge, therefore, was "reckless."

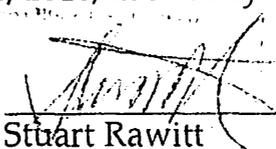
8           17. However, my attorney, Mr. Rosen, has also explained to me  
9 the concept, in the criminal law, of "deliberate ignorance." In particular,  
10 he has explained to me instruction 5.7 of the Ninth Circuit's Manual Of  
11 Model Criminal Jury Instructions entitled "deliberate ignorance."

12           18. As defined by that instruction, I would certainly agree that at  
13 least as to some, if not most, of the representations I made to investors in  
14 order to induce them into investing I was "aware of a high probability  
15 that [they were not true]" and I did indeed "deliberately avoid[] learning  
16 the truth."

17           19. I understand that concept and I admit that applying that  
18 concept a jury would most likely find me guilty as charged were I to go to  
19 trial.

20           20. I do not wish to go to trial. I accept that I am at least partially  
21 responsible for the losses suffered by the many investors I thereby  
22 induced into investing in the scheme and that under the concept of  
23 "deliberate ignorance" I did, in fact, commit the criminal offenses charged  
24 in the Indictment. I declare under penalty of perjury that all of the above  
25 is true.

26 Executed this 21<sup>st</sup> day of October, 2014, at Beverly Hills, California.

27  
28   
Stuart Rawitt