

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
Western Division**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

STEVE CHEN, *et al.*,

Defendants.

Case No. CV15-07425 RGK (PLA)

**[PROPOSED] JUDGMENT AS TO
STEVE CHEN**

1 Pursuant to Rule 56 of the Federal Rules of Civil Procedure, Plaintiff Securities
2 and Exchange Commission's ("SEC" or "Commission") Motion for Summary
3 Judgment ("Motion") As to Liability and Injunctive Relief Against Defendant Steve
4 Chen ("Chen") came before the Court. The Court, having considered all of the
5 evidence and arguments presented by the parties with regard to the SEC's Motion for
6 Summary Judgment, the Memorandum of Points and Authorities and the other
7 documents filed in support of the Motion for Summary Judgment, finds that:

8 **I.**

9 IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the SEC's
10 Motion for Summary Judgment as to Liability and Injunctive Relief against Chen is
11 GRANTED.

12 **II.**

13 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that
14 Chen is permanently restrained and enjoined from violating Section 5(a) and (c) of
15 the Securities Act [15 U.S.C. § 77e] by, directly or indirectly, in the absence of any
16 applicable exemption:

- 17 A. unless a registration statement is in effect as to a security, making use of
18 any means or instruments of transportation or communication in
19 interstate commerce or of the mails to sell such security through the use
20 or medium of any prospectus or otherwise; or
21 B. making use of any means or instruments of transportation or
22 communication in interstate commerce or of the mails to offer to sell or
23 offer to buy through the use or medium of any prospectus or otherwise
24 any security, unless a registration statement has been filed with the
25 Commission as to such security, or while the registration statement is the
26 subject of a refusal order or stop order or (prior to the effective date
27 of the registration statement) any public proceeding or examination under
28 Section 8 of the Securities Act [15 U.S.C. § 77h].

1 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as
2 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also
3 binds the following who receive actual notice of this Judgment by personal service or
4 otherwise: (a) Chen’s officers, agents, servants, employees, and attorneys; and (b)
5 other persons in active concert or participation with Chen or with anyone described in
6 (a).

7 **III.**

8 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Chen is
9 permanently restrained and enjoined from violating, directly or indirectly, Section
10 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §
11 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using
12 any means or instrumentality of interstate commerce, or of the mails, or of any
13 facility of any national securities exchange, in connection with the purchase or sale of
14 any security:

- 15 A. to employ any device, scheme, or artifice to defraud;
16 B. to make any untrue statement of a material fact or to omit to state a
17 material fact necessary in order to make the statements made, in the light
18 of the circumstances under which they were made, not misleading; or
19 C. to engage in any act, practice, or course of business which operates or
20 would operate as a fraud or deceit upon any person.

21 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as
22 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also
23 binds the following who receive actual notice of this Judgment by personal service or
24 otherwise: (a) Chen’s officers, agents, servants, employees, and attorneys; and (b)
25 other persons in active concert or participation with Chen or with anyone described in
26 (a).

27 **IV.**

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

1 Chen is permanently restrained and enjoined from violating Section 17(a) of the
2 Securities Act of 1933 (the “Securities Act”) [15 U.S.C. § 77q(a)] in the offer or sale
3 of any security by the use of any means or instruments of transportation or
4 communication in interstate commerce or by use of the mails, directly or indirectly:

- 5 A. to employ any device, scheme, or artifice to defraud;
- 6 B. to obtain money or property by means of any untrue statement of a
7 material fact or any omission of a material fact necessary in order to
8 make the statements made, in light of the circumstances under which
9 they were made, not misleading; or
- 10 C. to engage in any transaction, practice, or course of business which
11 operates or would operate as a fraud or deceit upon the purchaser.

12 **IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that, as
13 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also
14 binds the following who receive actual notice of this Judgment by personal service or
15 otherwise: (a) Chen’s officers, agents, servants, employees, and attorneys; and (b)
16 other persons in active concert or participation with Chen or with anyone described in
17 (a).

18 **V.**

19 **IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED** that
20 Defendant shall pay disgorgement of ill-gotten gains, prejudgment interest thereon,
21 and a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. §
22 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. The Court
23 shall determine the amounts of the disgorgement and civil penalty upon motion of the
24 Commission. The Court may determine the issues raised in the motion on the basis
25 of affidavits, declarations, excerpts of sworn deposition or investigative testimony,
26 and documentary evidence, without regard to the standards for summary judgment
27 contained in Rule 56(c) of the Federal Rules of Civil Procedure.

28 **VI.**

1 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court
2 shall retain jurisdiction of this matter for the purposes of enforcing the terms of this
3 Judgment.

4 IT IS SO ORDERED.

5
6 Dated: _____, 2016

7 HON. R. GARY KLAUSNER
8 UNITED STATES DISTRICT JUDGE

9
10 Presented by:
11 Donald W. Searles
12 Attorney for Plaintiff
13 Securities and Exchange Commission
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

PROOF OF SERVICE

I am over the age of 18 years and not a party to this action. My business address is:

U.S. SECURITIES AND EXCHANGE COMMISSION,
444 S. Flower Street, Suite 900, Los Angeles, California 90071
Telephone No. (323) 965-3998; Facsimile No. (213) 443-1904.

On October 26, 2016, I caused to be served the document entitled [**PROPOSED**]
JUDGMENT AS TO STEVE CHEN on all the parties to this action addressed as
stated on the attached service list:

OFFICE MAIL: By placing in sealed envelope(s), which I placed for collection and mailing today following ordinary business practices. I am readily familiar with this agency’s practice for collection and processing of correspondence for mailing; such correspondence would be deposited with the U.S. Postal Service on the same day in the ordinary course of business.

PERSONAL DEPOSIT IN MAIL: By placing in sealed envelope(s), which I personally deposited with the U.S. Postal Service. Each such envelope was deposited with the U.S. Postal Service at Los Angeles, California, with first class postage thereon fully prepaid.

EXPRESS U.S. MAIL: Each such envelope was deposited in a facility regularly maintained at the U.S. Postal Service for receipt of Express Mail at Los Angeles, California, with Express Mail postage paid.

HAND DELIVERY: I caused to be hand delivered each such envelope to the office of the addressee as stated on the attached service list.

UNITED PARCEL SERVICE: By placing in sealed envelope(s) designated by United Parcel Service (“UPS”) with delivery fees paid or provided for, which I deposited in a facility regularly maintained by UPS or delivered to a UPS courier, at Los Angeles, California.

ELECTRONIC MAIL: By transmitting the document by electronic mail to the electronic mail address as stated on the attached service list.

E-FILING: By causing the document to be electronically filed via the Court’s CM/ECF system, which effects electronic service on counsel who are registered with the CM/ECF system.

FAX: By transmitting the document by facsimile transmission. The transmission was reported as complete and without error.

I declare under penalty of perjury that the foregoing is true and correct.

Date: October 26, 2016

/s/ Amanda Liston
Amanda Liston

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28