

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

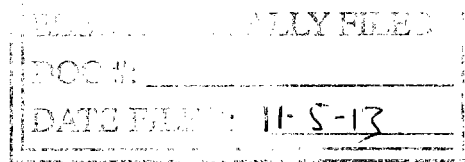
SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

-v-

EDWARD T. STEIN, *et al.*,

Defendants.



No. 09 Civ. 3125 (RJS)
ORDER

FINAL JUDGMENT AS TO DEFENDANT EDWARD T. STEIN

Plaintiff Securities and Exchange Commission (the “Commission”) having filed a Complaint and Defendant Edward T. Stein (“Defendant”) having entered a general appearance, consented to the Court’s jurisdiction over Defendant and the subject matter of this action, consented to entry of this Judgment, waived findings of fact and conclusions of law, and waived any right to appeal from this Final Judgment; and the Court having received no objections to this Final Judgment:

1.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant’s agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate

commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

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

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

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

II.

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

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

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

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

III.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Sections 206(1), 206(2), and 206(4) of the Investment Advisers Act of 1940 (the "Advisers Act") [15 U.S.C. §§ 80b-6(1), 80b-6(2), and 80b-6(4)] and Rule 206(4)-8 promulgated thereunder [17 C.F.R. § 275.206(4)-8] by using the mails or any means or instrumentality of interstate commerce, directly or indirectly:

- (a) to employ any device, scheme, or artifice to defraud any client or prospective client;
- (b) to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client; or
- (c) to engage in any act, practice, or course of business which is fraudulent, deceptive, or manipulative.

IV.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is liable for disgorgement of \$46,396,373.08, representing his ill-gotten gains as a result of the conduct alleged in the Complaint, together with prejudgment interest. However, Defendant's obligation to pay disgorgement and prejudgment interest shall be deemed satisfied by the Final Judgment entered against him in *United States v. Edward Stein*, Case No. 09 Cr. 377 (JBW) in the Eastern District of New York.

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the attached Consent of Defendant Edward T. Stein is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein.

VI.


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

VII.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

SO ORDERED.

Dated: October 31, 2013
 New York, New York



RICHARD J. SULLIVAN
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

EDWARD T. STEIN,

Defendant,

and

DISP, LLC,
EDWARD T. STEIN ASSOCIATES, LTD.,
GEMINI FUND I, L.P.,
PRIMA CAPITAL MANAGEMENT, LLC,
VIBRANT CAPITAL CORP., and
VIBRANT CAPITAL FUNDING I LLC,

Relief Defendants.

09 Civ. 3125 (RJS)

ECF CASE

CONSENT OF DEFENDANT EDWARD T. STEIN

1. Defendant Edward T. Stein ("Defendant") acknowledges having been served with the complaint in this action (the "Complaint"), enters a general appearance, and consents to the Court's jurisdiction over Defendant and over the subject matter of this action.

2. Defendant has pleaded guilty to criminal conduct relating to certain matters alleged in the complaint in this action. Specifically, in United States v. Edward Stein, No. 09 CR 0377 (JBW) (E.D.N.Y.), Defendant pleaded guilty to violations of securities fraud in violation of 15 U.S.C. §§ 78j(b) and 78ff, and wire fraud in violation of 18 U.S.C. § 1343. In connection with that plea, Defendant admitted the facts set out in the transcript of his plea allocution that is attached in relevant part as Exhibit A to this Consent. This Consent shall remain in full force

and effect regardless of the existence or outcome of any further proceedings in United States v. Stein.

3. Defendant hereby consents to the entry of the final Judgment in the form attached hereto (the "Final Judgment") and incorporated by reference herein, which, among other things, permanently restrains and enjoins Defendant from violations of Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Sections 206(1), 206(2), and 206(4) of the Investment Advisers Act of 1940 (the "Advisers Act") [15 U.S.C. §§ 80b-6(1), 80b-6(2), and 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

4. Defendant waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

5. Defendant waives the right, if any, to a jury trial and to appeal from the entry of the Final Judgment.

6. Defendant enters into this Consent voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Commission or any member, officer, employee, agent, or representative of the Commission to induce Defendant to enter into this Consent.

7. Defendant agrees that this Consent shall be incorporated into the Final Judgment with the same force and effect as if fully set forth therein.

8. Defendant will not oppose the enforcement of the Final Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waives any objection based thereon.

9. Defendant waives service of the Final Judgment and agrees that entry of the Final Judgment by the Court and filing with the Clerk of the Court will constitute notice to Defendant of its terms and conditions. Defendant further agrees to provide counsel for the Commission, within thirty days after the Final Judgment is filed with the Clerk of the Court, with an affidavit or declaration stating that Defendant has received and read a copy of the Final Judgment.

10. Consistent with 17 C.F.R. § 202.5(f), this Consent resolves only the claims asserted against Defendant in this civil proceeding. Defendant acknowledges that no promise or representation has been made by the Commission or any member, officer, employee, agent, or representative of the Commission with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability. Defendant waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein. Defendant further acknowledges that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, Defendant understands that he shall not be permitted to contest the factual allegations of the Complaint in this action.

11. Defendant understands and agrees to comply with the terms of 17 C.F.R. § 202.5(e), which provides in part that it is the Commission's policy "not to permit a defendant or

respondent to consent to a judgment or order that imposes a sanction while denying the allegation in the complaint or order for proceedings,” and “a refusal to admit the allegations is equivalent to a denial, unless the defendant or respondent states that he neither admits nor denies the allegations.” In compliance with this policy, Defendant acknowledges the guilty plea for related criminal conduct described in paragraph 2 above, and agrees: (i) not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the Complaint or creating the impression that the Complaint is without factual basis; and (ii) that upon the filing of this Consent, Defendant hereby withdraws any papers filed in this action to the extent that they deny any allegation in the Complaint. If Defendant breaches this agreement, the Commission may petition the Court to vacate the Final Judgment and restore this action to its active docket. Nothing in this paragraph affects Defendant’s: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

12. Defendant hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney’s fees or other fees, expenses, or costs expended by Defendant to defend against this action. For these purposes, Defendant agrees that Defendant is not the prevailing party in this action since the parties have reached a good faith settlement.


13. In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, Defendant (i) agrees to appear and be interviewed by Commission staff at such times and

places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoints Defendant's undersigned attorney as agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waives the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Defendant's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consents to personal jurisdiction over Defendant in any United States District Court for purposes of enforcing any such subpoena.

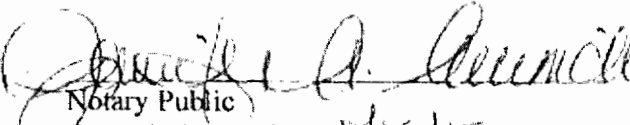
14. Defendant agrees that the Commission may present the Final Judgment to the Court for signature and entry without further notice.

15. Defendant agrees that this Court shall retain jurisdiction over this matter for the purpose of enforcing the terms of the Final Judgment.

Dated: 5-13-2013


Edward T. Stein

On May 13, 2013, Edward Stein, a person known to me, personally appeared before me and acknowledged executing the foregoing Consent.


Notary Public
Commission expires: 8/15/15

Jennifer A. Aumick
Notary Public - State of New York
NO. 01AU6246559
Qualified in Orange County
My Commission Expires 8/15/15

EXHIBIT A



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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA, : 09cr377
v. : U.S. Courthouse
Brooklyn, New York
EDWARD STEIN, :
June 22, 2009
Defendant. : 3:45 p.m.

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TRANSCRIPT OF PLEA
BEFORE THE HONORABLE JAMES ORENSTEIN
UNITED STATES MAGISTRATE JUDGE

APPEARANCES:

For the Government: BENTON J. CAMPBELL
United States Attorney
By: SCOTT KLUGMAN
CLAIRE KEDESHIAN
WINSTON PAES
Assistant U.S. Attorneys
271 Cadman Plaza East
Brooklyn, New York 11201

For the Defendant: BRIAN MAAS, ESQ.

Court Reporter: Burton H. Sulzer
225 Cadman Plaza East
Brooklyn, New York 11201
(718) 613-2481
Fax # (718) 613-2505

Proceedings recorded by mechanical stenography, transcript
produced by CAT.

1 voluntarily and of your own free will?

2 THE DEFENDANT: Yes, I am.

3 THE COURT: Has anyone threatened or forced you to
4 plead guilty?

5 THE DEFENDANT: No.

6 THE COURT: Other than what's written down in your
7 plea agreement with the government, has anyone made any
8 promise that has caused you to plead guilty?

9 THE DEFENDANT: No, your Honor.

10 THE COURT: Has anyone made any promise about what
11 your sentence will be?

12 THE DEFENDANT: No, your Honor.

13 THE COURT: Please tell me in your own words what
14 you did that you think makes you guilty of these crimes.

15 THE DEFENDANT: Your Honor, I have been in the
16 financial services and insurance business since 1971 and I
17 started two investment funds call Genini and Prima in the
18 1980s.

19 Around 1998 I began using Genini and Prima funds
20 that had previously been invested with money managers to make
21 investments in a public company called Detour Media --

22 THE COURT: Called?

23 THE DEFENDANT: Detour Media, in which I had a
24 personal stake. The Genini and Prima investments in Detour
25 were generally loans to assist Detour with its cash flows.

1 I did not inform the Gemini or Prima investors about
2 the Detour investments because I expected that Detour would be
3 able to repay the loans. Detour's financial problems
4 continued after 1998 and it filed for bankruptcy in 2002. All
5 the Gemini and Prima funds were lost.

6 As Detour's financial situation continued to
7 deteriorate, I continued soliciting new investors for both
8 Gemini and Prima and used those funds primarily to pay
9 interest and principal to existing investors who made
10 withdrawals from their accounts.

11 I also continued to prepare regular financial
12 statements for Gemini and Prima investors that falsely showed
13 their investments to be safe and to be continuing to earn
14 interest in when fact the funds had been lost. I continued to
15 do this up until 2008.

16 Beginning in 2002, I became involved in what is
17 generally referred to as the life settlement business. I
18 believed at the time that the life settlement business
19 presented an opportunity for me to make money that I could use
20 to repay the Gemini and Prima investors whose funds had been
21 lost.

22 In early 2003, I began soliciting investments for an
23 entity named DISP LLC, which was a company that I set up to
24 raise five million dollars to buy life insurance policies and
25 to pay the premiums on the policies until they could be

1 resold.

2 After the money was raised, approximately \$3 million
3 dollars was used to purchase life insurance policies. I used
4 the remaining funds to pay interest and redemptions to Gemini
5 and Prima investors.

6 In order to prevent the DISP investors from learning
7 how I was handling their funds, I had financial and tax
8 documents prepared for DISP investors that falsely reported
9 that DISP's assets were on deposit when they were not.
10 Nevertheless, DISP bought and sold life insurance policies and
11 many of the DISP investors were repaid their entire
12 investments with a substantial return.

13 As part of my plan to earn money in the life
14 settlement business I formed a company named Vibrant
15 Capital --

16 THE COURT: Sorry?

17 THE DEFENDANT: Vibrant Capital in 2003.

18 Vibrant earned money from servicing policies owned
19 by other investors and from buying or financing the purchase
20 of other life insurance policies.

21 I raised money for Vibrant by borrowing money from
22 individuals and institutions generally secured by Vibrant
23 assets or specific life insurance policies. On more than one
24 occasion, I used the same policy as collateral for multiple
25 loans.

1 Beginning in 2007, I convinced most of the remaining
2 DISP investors to convert their DISP interests into Vibrant
3 notes. I also transferred the remaining DISP policies to
4 Vibrant. I estimated at the end of 2008 Vibrant had an
5 interest in life insurance policies with a total debt benefit
6 of more than 80 million dollars.

7 The 2008 I began soliciting people to make high
8 interest loans to an entity named Counsel Financial. While I
9 did act as an intermediary for investors and arranged some
10 loans to Counsel on several occasions, I did not forward
11 investors money to Counsel but used the money to repay other
12 investors and prepared false documents to make it appear that
13 the loans had been paid.

14 In 2008, I also obtained money by taking advantage
15 of the relationship with an individual identified in the
16 information as Investor One. The individual had inherited a
17 large sum of money and asked me to manage and invest some of
18 it.

19 While some of the funds entrusted to me were
20 invested properly, between 2008 and March of 2009, I used a
21 substantial amount of money entrusted to me by this person to
22 make payments to Gemini, Prima, Disk and Vibrant investors for
23 my own purposes.

24 I used very poor judgment. I know what I did was
25 wrong. My actions have caused great pain to my clients and

1 investors. I want to express to the court how sorry and
2 ashamed I am for doing this and I am working very hard with
3 the receiver to make full restitution.

4 THE COURT: All right.

5 Mr. Stein, I have a few follow-up questions to make
6 sure that there's a factual basis for your plea. With respect
7 to Gemini and Prima and DIPS and also Counsel, you talked in
8 each case about preparing false statements; correct.

9 THE DEFENDANT: Correct.

10 THE COURT: Did you either personally or have
11 somebody else do it cause these statement to be made out to
12 investors?

13 THE DEFENDANT: Yes, I did.

14 THE COURT: With respect to the investor you spoke
15 about last, did you cause any false statements -- I should
16 say, I heard you say that you misused the money that he
17 entrusted to you, he or she entrusted to you.

18 Did you say anything false to that person to get
19 that person to either give you money or to not take the money
20 back?

21 THE DEFENDANT: Yes, I did, your Honor.

22 THE COURT: Did you make that communication by means
23 of some form of wire communication?

24 This is not the wire fraud?

25 MR. KLUGMAN: It is wire fraud. I mean, the victim

1 gets one wire in furtherance of the conspiracy. The money was
2 wired from an account in Florida to an account in New York,
3 which is sufficient to meet that element.

4 THE COURT: The money was wired as Mr. Klugman
5 described?

6 THE DEFENDANT: Yes, it was.

7 THE COURT: Did that happen as a result of some
8 false communication that you made?

9 THE DEFENDANT: Yes, it was.

10 THE COURT: Okay. With respect to each of these
11 schemes that you engaged in, did you know what you were doing?

12 THE DEFENDANT: Yes, I did.

13 THE COURT: It was your intention to essentially
14 fool people into parting with their money?

15 THE DEFENDANT: Yes, your Honor.

16 THE COURT: All right. Where were you when this
17 took place?

18 THE DEFENDANT: On Long Island, in my office.

19 THE COURT: All right.

20 Mr. Klugman, is there anything further you think I
21 should elicit or that you would like to proffer with respect
22 to a factual basis for any of the crimes?

23 MR. KLUGMAN: There is a factual basis based on the
24 allocution as to all five crimes. Nothing from the government
25 unless the court has any further questions.