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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

Securities and Exchange Commission,

Plaintiff,

vs.

Luke C. Zouvas, et al.,

Defendants.

No. CV-17-00427-PHX-SPL

**CONSENT OF DEFENDANT
LUKE C. ZOUVAS TO FINAL
JUDGMENT**

1 1. Defendant Luke C. Zouvas (“Zouvas”) acknowledges having been served
2 with the Complaint in this action, enters a general appearance, and admits the Court’s
3 jurisdiction over him and over the subject matter of this action.

4 2. By prior Judgment of the Court in this action entered on August 26, 2019
5 (Doc. 186) (“the “Prior Judgment”), Zouvas has been found liable for violations of
6 Section 17(a)(3) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77q(a)(3),
7 as alleged in the Complaint; has been permanently restrained and enjoined from
8 committing further violations of Section 17(a)(3); and has been found liable for
9 disgorgement and prejudgment interest in the total amount of \$94,469.55.

10 3. Without admitting or denying the allegations of the Complaint (except as
11 provided herein in Paragraph 14 and except as to personal and subject matter jurisdiction,
12 which Zouvas admits), Zouvas hereby consents to the entry of the final judgment in the
13 form attached hereto (the “Final Judgment”) and incorporated by reference herein, which,
14 among other things:

15 (a) permanently restrains and enjoins Zouvas from violations of Section
16 17(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77q(a); and Section
17 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 (“Exchange Act”), 15
18 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5;

19 (b) provides that the Court shall determine whether a civil penalty is
20 appropriate under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section
21 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), and, if so, the amount of the civil
22 penalty as set forth below; and

23 (c) bars Zouvas from participating in any future offering of a penny
24 stock pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section
25 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(6).

26 4. Zouvas acknowledges that the civil penalty paid pursuant to the Final
27 Judgment may be distributed pursuant to the Fair Fund provisions of Section 308(a) of the
28 Sarbanes-Oxley Act of 2002. Regardless of whether any such Fair Fund distribution is

1 made, the civil penalty shall be treated as a penalty paid to the government for all
2 purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty,
3 Zouvas agrees that he shall not, after offset or reduction of any award of compensatory
4 damages in any Related Investor Action based on Zouvas' payment of disgorgement in
5 this action, argue that he is entitled to, nor shall he further benefit by, offset or reduction
6 of such compensatory damages award by the amount of any part of his payment of a civil
7 penalty in this action ("Penalty Offset"). If the court in any Related Investor Action
8 grants such a Penalty Offset, Zouvas agrees that he shall, within 30 days after entry of a
9 final order granting the Penalty Offset, notify the Commission's counsel in this action and
10 pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as
11 the Commission directs. Such a payment shall not be deemed an additional civil penalty
12 and shall not be deemed to change the amount of the civil penalty imposed in this action.
13 For purposes of this paragraph, a "Related Investor Action" means a private damages
14 action brought against Zouvas by or on behalf of one or more investors based on
15 substantially the same facts as alleged in the Complaint in this action.

16 5. Zouvas agrees that he shall not seek or accept, directly or indirectly,
17 reimbursement or indemnification from any source, including but not limited to payment
18 made pursuant to any insurance policy, with regard to any civil penalty amounts that he
19 pays pursuant to the Final Judgment, regardless of whether such penalty amounts or any
20 part thereof are added to a distribution fund or otherwise used for the benefit of investors.
21 Zouvas further agrees that he shall not claim, assert, or apply for a tax deduction or tax
22 credit with regard to any federal, state, or local tax for any penalty amounts that he pays
23 pursuant to the Final Judgment, regardless of whether such penalty amounts or any part
24 thereof are added to a distribution fund or otherwise used for the benefit of investors.

25 6. Zouvas agrees that, upon motion of the Commission, the Court shall
26 determine whether a civil penalty pursuant to Section 20(d) of the Securities Act, 15
27 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), is
28 appropriate and, if so, the amount of the penalty. Zouvas further agrees that in connection

1 with the Commission's motion for a civil penalty, and at any hearing held on such a
2 motion: (a) Zouvas will be precluded from arguing that he did not violate the federal
3 securities laws as alleged in the Complaint; (b) Zouvas may not challenge the validity of
4 this Consent or the Final Judgment; (c) solely for the purposes of such motion, the
5 allegations of the Complaint shall be accepted as and deemed true by the Court; and (d)
6 the Court may determine the issues raised in the motion on the basis of affidavits,
7 declarations, excerpts of sworn deposition or investigative testimony, and documentary
8 evidence, without regard to the standards for summary judgment contained in Rule 56(c)
9 of the Federal Rules of Civil Procedure. In connection with the Commission's motion for
10 a civil penalty, the parties may take discovery, including discovery from appropriate non-
11 parties.

12 7. Zouvas waives the entry of findings of fact and conclusions of law pursuant
13 to Rule 52 of the Federal Rules of Civil Procedure.

14 8. Zouvas waives the right, if any, to a jury trial and to appeal from the entry of
15 the Final Judgment or the Prior Judgment.

16 9. Zouvas enters into this Consent voluntarily and represents that no threats,
17 offers, promises, or inducements of any kind have been made by the Commission or any
18 member, officer, employee, agent, or representative of the Commission to induce him to
19 enter into this Consent.

20 10. Zouvas agrees this Consent shall be incorporated into the Final Judgment
21 with the same force and effect as if fully set forth therein.

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

25 12. Zouvas waives service of the Final Judgment and agrees that entry of the
26 Final Judgment by the Court and filing with the Clerk of the Court will constitute notice to
27 Zouvas of its terms and conditions.
28

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

18 14. Zouvas understands and agrees to comply with the terms of 17 C.F.R.
19 § 202.5(e), which provides in part that it is the Commission's policy "not to permit a
20 defendant or respondent to consent to a judgment or order that imposes a sanction while
21 denying the allegations in the complaint or order for proceedings," and "a refusal to admit
22 the allegations is equivalent to a denial, unless the defendant or respondent states that he
23 neither admits nor denies the allegations." As part of Zouvas' agreement to comply with
24 the terms of Section 202.5(e), he: (i) will not take any action or make or permit to be made
25 any public statement denying, directly or indirectly, any allegation in the Complaint or
26 creating the impression that the Complaint is without factual basis; (ii) will not make or
27 permit to be made any public statement to the effect that he does not admit the allegations
28 of the Complaint, or that this Consent contains no admission of the allegations, without

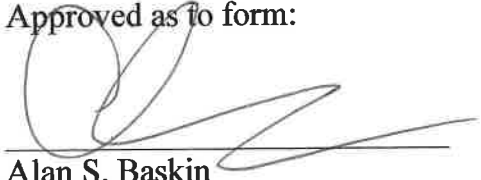
1 also stating that he does not deny the allegations; (iii) upon the filing of this Consent,
2 hereby withdraws any papers filed in this action to the extent that they deny any allegation
3 in the Complaint; and (iv) stipulates solely for purposes of exceptions to discharge set
4 forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, that the allegations in the
5 Complaint are true, and further, that any debt for disgorgement, prejudgment interest, civil
6 penalty or other amounts due by Zouvas under the Final Judgment or any other judgment,
7 order, consent order, decree or settlement agreement entered in connection with this
8 proceeding, is a debt for the violation by Zouvas of the federal securities laws or any
9 regulation or order issued under such laws, as set forth in Section 523(a)(19) of the
10 Bankruptcy Code, 11 U.S.C. § 523(a)(19). If Zouvas breaches this agreement, the
11 Commission may petition the Court to vacate the Final Judgment and restore this action to
12 its active docket. Nothing in this paragraph affects Zouvas': (i) testimonial obligations; or
13 (ii) right to take legal or factual positions in litigation or other legal proceedings in which
14 the Commission is not a party.

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

22 16. In connection with this action and any related judicial or administrative
23 proceeding or investigation commenced by the Commission or to which the Commission
24 is a party, Zouvas (i) agrees to appear and be interviewed by Commission staff at such
25 times and places as the staff requests upon reasonable notice; (ii) if called to do so, agrees
26 to testify as a witness in the Commission's case-in-chief at any trial in this action; (iii) will
27 accept service by mail, facsimile or electronic mail of notices or subpoenas issued by the
28 Commission for documents or testimony at depositions, hearings, or trials (including any

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Approved as to form:



Alan S. Baskin
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Attorneys for Defendant Luke C. Zouvas

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

Securities and Exchange Commission,

Plaintiff,

vs.

Luke C. Zouvas, et al.,

Defendants.

No. CV-17-00427-PHX-SPL

**FINAL JUDGMENT AS TO
DEFENDANT LUKE C. ZOUVAS**

Plaintiff Securities and Exchange Commission (“Commission”) having filed a Complaint and Defendant Luke C. Zouvas (“Zouvas”) having (i) entered a general appearance; (ii) consented to the Court’s jurisdiction over him and the subject matter of this action; (iii) consented to entry of this Final Judgment without admitting or denying the allegations of the Complaint (except as to jurisdiction and except as otherwise provided herein in Paragraph VI); (iv) waived findings of fact and conclusions of law; (v) waived any right to appeal from this Final Judgment; and (vi) previously been found by this Court, by Judgment entered on August 26, 2019 (Doc. 186), to have violated Section 17(a)(3) of the Securities Act of 1933 (the “Securities Act”), 15 U.S.C. § 77q(a), and found liable for disgorgement and prejudgment interest in the total amount of \$94,469.55;

IT IS HEREBY ORDERED AND ADJUDGED that:

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I.

**PERMANENT INJUNCTION AS TO
SECTION 17(a) OF THE SECURITIES ACT**

Zouvas is permanently restrained and enjoined from violating Section 17(a) of the Securities Act, 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: (i) to employ any device, scheme, or artifice to defraud; (ii) 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 (iii) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

As provided in Fed. R. Civ. P. 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Judgment by personal service or otherwise: (a) Zouvas' officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Zouvas or with anyone described in (a).

II.

**PERMANENT INJUNCTION AS TO
SECTION 10(b) AND RULE 10b-5 OF THE EXCHANGE ACT**

Zouvas is 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: (i) to employ any device, scheme, or artifice to defraud; (ii) 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 the light of the circumstances under which they were made, not

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

3 As provided in Fed. R. Civ. P. 65(d)(2), the foregoing paragraph also binds the
4 following who receive actual notice of this Judgment by personal service or otherwise:
5 (a) Zouvas' officers, agents, servants, employees, and attorneys; and (b) other persons in
6 active concert or participation with Zouvas or with anyone described in (a).

7 **III.**

8 **CIVIL PENALTY**

9 Upon motion of the Commission, the Court shall determine whether a civil penalty
10 pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3)
11 of the Exchange Act, 15 U.S.C. § 78u(d)(3), is appropriate and, if so, the amount of the
12 penalty. In connection with the Commission's motion for a civil penalty, and at any
13 hearing held on such a motion: (a) Zouvas will be precluded from arguing that he did not
14 violate the federal securities laws as alleged in the Complaint; (b) Zouvas may not
15 challenge the validity of the Consent or this Final Judgment; (c) solely for the purposes of
16 such motion, the allegations of the Complaint shall be accepted as and deemed true by the
17 Court; and (d) the Court may determine the issues raised in the motion on the basis of
18 affidavits, declarations, excerpts of sworn deposition or investigative testimony, and
19 documentary evidence, without regard to the standards for summary judgment contained
20 in Rule 56(c) of the Federal Rules of Civil Procedure. In connection with the
21 Commission's motion for a civil penalty, the parties may take discovery, including
22 discovery from appropriate non-parties.

23 **IV.**

24 **PENNY STOCK BAR**

25 Zouvas is permanently barred from participating in an offering of penny stock,
26 including engaging in activities with a broker, dealer, or issuer for purposes of issuing,
27 trading, or inducing or attempting to induce the purchase or sale of any penny stock. A
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1 penny stock is any equity security that has a price of less than five dollars, except as
2 provided in Rule 3a51-1 under the Exchange Act, 17 C.F.R. § 240.3a51-1.

3 **V.**

4 **INCORPORATION OF CONSENT**

5 The Consent is incorporated herein with the same force and effect as if fully set
6 forth herein, and Zouvas shall comply with all of the undertakings and agreements set
7 forth therein.

8 **VI.**

9 **BANKRUPTCY NONDISCHARGEABILITY**

10 Solely for purposes of exceptions to discharge set forth in Section 523 of the
11 Bankruptcy Code, 11 U.S.C. § 523, the allegations in the Complaint are true and admitted
12 by Zouvas, and further, any debt for disgorgement, prejudgment interest, civil penalty or
13 other amounts due by Zouvas under this Final Judgment or any other judgment, order,
14 consent order, decree or settlement agreement entered in connection with this proceeding,
15 is a debt for the violation by Zouvas of the federal securities laws or any regulation or
16 order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code,
17 11 U.S.C. § 523(a)(19).

18 **VII.**

19 **RETENTION OF JURISDICTION**

20 This Court shall retain jurisdiction of this matter and of Zouvas for the purposes of
21 enforcing the terms of this Final Judgment.

22 **VIII.**

23 **RULE 54(b) CERTIFICATION**

24 There being no just reason for delay, pursuant to Fed. R. Civ. P. 54(b), the Clerk is
25 ordered to enter this Judgment forthwith and without further notice.

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27 IT IS SO ORDERED.
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