

DOCKET NO: HHDCV106015718S

SUPERIOR COURT

HOWARD F. PITKIN, BANKING
COMMISSIONER OF STATE OF
V.
SOUTHRIDGE CAPITAL MANAGEMENT
LLC Et Al

JUDICIAL DISTRICT OF HARTFORD
AT HARTFORD

7/10/2018

ORDER

ORDER REGARDING:
07/06/2018 149.00 MOTION FOR JUDGMENT IN ACCORDANCE WITH STIPULATION

The foregoing, having been considered by the Court, is hereby:

ORDER: GRANTED

Judgment shall enter in accordance with the stipulation.

Judicial Notice (JDNO) was sent regarding this order.

414999

Judge: CARL J SCHUMAN

Docket No. X04-HHD-CV10-6015718-S

HOWARD F. PITKIN, BANKING	:	SUPERIOR COURT
COMMISSIONER	:	
Plaintiff,	:	
	:	JUDICIAL DISTRICT OF
v.	:	HARTFORD
	:	
SOUTHRIDGE CAPITAL MANAGEMENT LLC	:	COMPLEX LITIGATION
and STEPHEN HICKS	:	
Defendants.	:	July 6, 2018

CONSENT MOTION FOR JUDGMENT BY STIPULATION

The plaintiff, Banking Commissioner (“Commissioner”), hereby moves the Court to approve and enter a final judgment against the defendants, Southridge Capital Management LLC and Stephen Hicks, pursuant to the attached Stipulated Judgment. **The defendants’ counsel consents to this motion.**

The Commissioner and the defendants have agreed on the terms of a final judgment with respect to the claims against the defendants. Consequently, the Commissioner respectfully requests that the Court grant this motion, and approve and enter the attached Stipulated Judgment.

PLAINTIFF
BANKING COMMISSIONER OF
THE STATE OF CONNECTICUT

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CERTIFICATION

I hereby certify that a copy of the foregoing was electronically delivered this 6th day of July 2018 to:

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Docket No. X04-HHD-CV10-6015718-S

HOWARD F. PITKIN, BANKING	:	SUPERIOR COURT
COMMISSIONER	:	
Plaintiff,	:	
	:	JUDICIAL DISTRICT OF
v.	:	HARTFORD
	:	
SOUTHRIDGE CAPITAL MANAGEMENT LLC	:	COMPLEX LITIGATION
and STEPHEN HICKS	:	
Defendants.	:	July 6, 2018

STIPULATED JUDGMENT

This action, by writ, summons and complaint, seeking enforcement of Chapter 672a of the Connecticut General Statutes and the regulations promulgated thereunder, came to this Court on October 25, 2010 and thence to the present time when the parties to this action appeared and filed a written Stipulation, filed herewith, that judgment be entered as hereinafter set forth.

The parties to this action and Stipulated Judgment are plaintiff Banking Commissioner (“Commissioner”), and defendants Southridge Capital Management LLC (“Southridge”) and Stephen Hicks (“Hicks”) (collectively, “defendants”).

WHEREAS the Commissioner is charged with administering Chapter 672a of the Connecticut General Statutes, the Connecticut Uniform Securities Act (“CUSA”), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”) promulgated thereunder;

WHEREAS the Commissioner, acting pursuant to the authority granted to him under Conn. Gen. Stat. § 36b-26(a) and through the Securities and Business Investments Division (“Division”) of the Department of Banking, conducted an investigation to determine whether the defendants had violated, were violating, or were about to violate any provision of CUSA or the

Regulations;

WHEREAS after completing his investigation, the Commissioner initiated a civil action against the defendants in the Connecticut Superior Court for the Judicial District of Hartford entitled Howard F. Pitkin, Banking Commissioner v. Southridge Capital Management LLC and Stephen Hicks, Docket No. X04-HHD-CV10-6015718-S (the “Action”);

WHEREAS, in the Action, the Commissioner alleged that Southridge had violated CUSA, Conn. Gen. Stat. § 36b-4, by, in connection with the offer, sale, or purchase of a security: employed a device, scheme, or artifice to defraud; made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made not misleading; engaged in acts, practices, or a course of business which operated or would operate as a fraud or deceit upon any person; and/or engaged in dishonest or unethical practices;

WHEREAS in the Action, the Commissioner alleged that Southridge had violated CUSA, Conn. Gen. Stat. § 36b-5, by, in connection with the management of and valuation of assets for compensation: employed a device, scheme, or artifice to defraud; made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made not misleading; engaged in acts, practices, or a course of business which operated or would operate as a fraud or deceit upon any person; and/or engaged in dishonest or unethical practices;

WHEREAS in the Action, the Commissioner alleged that Hicks had violated CUSA, Conn. Gen. Stat. § 36b-4, by, in connection with the offer, sale, or purchase of a security: employed a device, scheme, or artifice to defraud; made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made not misleading; engaged in acts, practices, or a course of business which operated or would operate as a fraud or

deceit upon any person; and/or engaged in dishonest or unethical practices;

WHEREAS in the Action, the Commissioner alleged that Hicks had violated CUSA, Conn. Gen. Stat. § 36b-5, by, in connection with the management of and valuation of assets for compensation: employed a device, scheme, or artifice to defraud; made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made not misleading; engaged in acts, practices, or a course of business which operated or would operate as a fraud or deceit upon any person; and/or engaged in dishonest or unethical practices;

WHEREAS, upon the parties' joint motion and stipulation, the Court on July 18, 2012 stayed the Action pending the final ruling or conclusion in the matter Securities and Exchange Commission v. Southridge Capital Management LLC et al., Case No. 3:10-cv-01685 (RNC) (D. Conn.) (the "SEC Suit");

WHEREAS the parties to the SEC Suit have resolved the claims in that case by stipulating to the entry of a final judgment;

WHEREAS on February 12, 2018, the U.S. District Court for the District of Connecticut filed a final judgment in the SEC Suit;

WHEREAS, to avoid the cost and expense of further litigation, the defendants have consented to the entry of a judgment against them on the Amended Complaint filed on November 24, 2010, which is the operative complaint in the instant action;

NOW, THEREFORE, in consideration of the recitals above, the Commissioner and defendants have agreed to the entry of a Stipulated Judgment as follows:

MONEY JUDGMENT

It is hereby ORDERED, ADJUDGED AND DECREED that a money judgment in the

amount of \$500,000.00 representing civil penalties imposed by the Commissioner shall enter jointly and severally against the defendants.

INJUNCTIVE RELIEF

I. It is further ORDERED, ADJUDGED AND DECREED that the defendants and the defendants' officers, agents, servants, employees, and attorneys are permanently restrained and enjoined from violating, directly or indirectly, the Connecticut Uniform Securities Act, Conn. Gen. Stat. § 36b-4, by, in connection with the offer, sale, or purchase of a security:

- a. employing a device, scheme, or artifice to defraud;
- b. making untrue statements of material fact or omitting to state a material fact necessary in order to make the statements made not misleading;
- c. engaging in acts, practices, or a course of business which operate or would operate as a fraud or deceit upon any person; or
- d. engaging in dishonest or unethical practices.

II. It is further ORDERED, ADJUDGED AND DECREED that the defendants and the defendants' officers, agents, servants, employees, and attorneys are permanently restrained and enjoined from violating, directly or indirectly, the Connecticut Uniform Securities Act, Conn. Gen. Stat. § 36b-5, by, in connection with the management of and valuation of assets for compensation:

- a. employing a device, scheme, or artifice to defraud;
- b. making untrue statements of material fact or omitting to state a material fact necessary in order to make the statements made not misleading;

- c. engaging in acts, practices, or a course of business which operate or would operate as a fraud or deceit upon any person; or
- d. engaging in dishonest or unethical practices.

III.

It is further ORDERED, ADJUDGED AND DECREED that, as of the date the Court enters judgment in this Action, the defendants, either directly or through any person, organization, entity, or other device, are permanently restrained and enjoined from:

- a. transacting business in or from Connecticut as a broker-dealer, agent, investment adviser or investment adviser agent, as such terms are defined under CUSA, and notwithstanding any definitional exclusion that might otherwise be available under CUSA
- b. acting in any other capacity which requires a license from, or registration with, the Commissioner;
- c. serving as an officer, director or control person of a broker-dealer, investment advisor, issuer and/or any other entity which requires a license from, or registration with, the Commissioner; and
- d. soliciting or accepting funds for investment purposes from public or private investors, other than members of defendant's immediate family, in or from Connecticut.

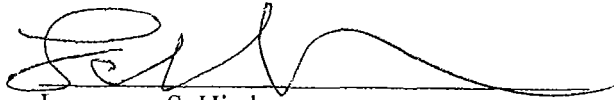
Such activity, if conducted on behalf of defendant's immediate family, shall be on an uncompensated basis. For purposes of this paragraph, "immediate family" means the defendant's parents, mother-in-law or father-in-law, spouse, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law, children and grandchildren.

PLAINTIFF
BANKING COMMISSIONER OF
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