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8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 FOR THE COUNTY OF SAN DIEGO

10 THE PEOPLE OF THE STATE OF
CALIFORNIA, by and through the
11 CALIFORNIA CORPORATIONS
COMMISSIONER,
12
13 Plaintiff,
14 vs.
15 POWER STATION LLC, a Nevada limited
liability company; HENRY MAURISS, an
16 individual; and DOES 1 through 10, inclusive,
17
18 Defendants.

Case No.:

**STIPULATION TO ENTRY OF FINAL
JUDGMENT OF PERMANENT
INJUNCTION, CIVIL PENALTIES, AND
ANCILLARY RELIEF BETWEEN
PLAINTIFF AND DEFENDANTS POWER
STATION LLC AND HENRY MAURISS**

19 It is hereby stipulated by and between Plaintiff California Corporations Commissioner
20 (“Plaintiff” or the “Commissioner”) and Defendants Power Station LLC (“Power Station”) and
21 Henry Mauriss (“Mauriss”) (collectively, “DEFENDANTS”) as follows:

- 22 1. DEFENDANTS admit the jurisdiction of this Court over them and over the subject
23 matter of this action.
- 24 2. DEFENDANTS admit that they have received the service of the Summons and
25 Complaint filed in this matter.
- 26 3. DEFENDANTS have read the Complaint for Permanent Injunction, Civil Penalties,
27 and Ancillary Relief (hereinafter “Complaint”); this Stipulation to Entry of Final Judgment of
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1 Permanent Injunction, Civil Penalties, and Ancillary Relief Between Plaintiff and DEFENDANTS
2 (hereinafter “Stipulation”); and the proposed Final Judgment of Permanent Injunction, Civil
3 Penalties, and Ancillary Relief Against DEFENDANTS (hereinafter “Final Judgment”), attached
4 hereto as Exhibit 1.

5 4. DEFENDANTS have waived entry of Findings of Fact and Conclusions of Law
6 under California Code of Civil Procedure section 632 and all rights to appeal the entry of the Final
7 Judgment.

8 5. DEFENDANTS have waived any claims known to DEFENDANTS against the
9 State of California or its agents, officers, or employees based on the facts underlying the present
10 action. DEFENDANTS have specifically waived any rights provided by California Civil Code
11 section 1542, which provides: “A general release does not extend to claims which the creditor
12 does not know or suspect to exist in his or her favor at the time of executing the release, which if
13 known by him or her must have materially affected his or her settlement with the debtor.”

14 6. If any paragraph, clause, or provision of this Stipulation or of the Final Judgment
15 entered thereto, or the application thereof, is held invalid or unenforceable, such decision shall
16 affect only the paragraph, clause or provisions so construed or interpreted, and the invalidity shall
17 not affect the provisions of the application of this Stipulation, or of the Final Judgment entered
18 thereto, which can be given effect without the invalid provisions or application, and to this end,
19 the provisions of the Stipulation, and of the Final Judgment entered thereto, are declared by
20 Plaintiff and DEFENDANTS to be severable.

21 7. This Stipulation may be executed in one or more separate counterparts, each of
22 which when so executed, shall be deemed an original. Such counterparts shall together constitute
23 and be one and the same instrument.

24 8. DEFENDANTS stipulate and agree that a Final Judgment as specified herein may
25 be entered against them. DEFENDANTS enter into this Stipulation voluntarily and without
26 coercion, and acknowledge that no promises, threats, or assurances have been made by Plaintiff or
27 any agents, officers, or employees thereof to induce them to enter into this Stipulation.

- 1 9. Plaintiff alleges the following:
- 2 a. At all relevant times, Defendant Power Station was a Nevada limited liability
- 3 company with a principal place of business in the state of California. At all
- 4 relevant times, Defendant Mauriss resided in the state of California.
- 5 b. Beginning in 2003 and continuing to the present, DEFENDANTS have offered
- 6 and sold securities, including but not limited to convertible notes, Class B
- 7 membership interests, and warrants to acquire Class B membership interests, to
- 8 California residents.
- 9 c. The investments offered and sold by DEFENDANTS are “securities” within the
- 10 meaning of Corporations Code section 25110. They were offered and sold in
- 11 “issuer transactions” within the meaning of Section 25110.
- 12 d. DEFENDANTS each offered and sold the securities within the state of
- 13 California, within the meaning of Corporations Code sections 25008 and
- 14 25017.
- 15 e. The Commissioner has not issued a permit or other form of qualification
- 16 authorizing the offer and sale of the securities by DEFENDANTS in the state of
- 17 California. The offer and sale of securities by DEFENDANTS were not
- 18 exempt from the requirement of qualification under Section 25110.
- 19 f. DEFENDANTS offered and sold securities to California residents by means of
- 20 general solicitation.
- 21 g. DEFENDANTS offered and sold securities to California residents without
- 22 disclosing that, on February 14, 2006, the Texas State Securities Board had
- 23 issued a Cease Publication Order against DEFENDANTS, ordering them to
- 24 cease publication, dissemination, and use of sales materials that are materially
- 25 misleading in the offer and sale of securities.
- 26 h. On July 17, 2007, the Commissioner issued a Desist and Refrain Order against
- 27 DEFENDANTS, ordering them to desist and refrain from the further offer and
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1 sale of unqualified, non-exempt securities in violation of Corporations Code
2 section 25110. DEFENDANTS were also ordered to desist and refrain from
3 making misrepresentations and omissions of material fact in connection with
4 the offer and sale of securities in violation of Corporations Code section 25401.

5 i. The Commissioner served DEFENDANTS with the Desist and Refrain Order
6 on July 20, 2007. DEFENDANTS did not request a hearing. Therefore, the
7 order is now final.

8 j. Notwithstanding the Desist and Refrain Order, DEFENDANTS continued to
9 offer and sell unqualified, non-exempt securities in violation of Section 25110.
10 DEFENDANTS continued to make misrepresentations and omissions in
11 violation of Section 25401.

12 k. DEFENDANTS offered and sold securities to California residents without
13 disclosing the existence of the Desist and Refrain Order.

14 l. At all relevant times, Defendant Mauriss was a control person of Power Station.
15 Defendant Mauriss became the sole managing member and the CEO of Power
16 Station in January 2008.

17 10. DEFENDANTS neither admit nor deny the foregoing allegations.

18 THE PARTIES HERETO STIPULATE TO THE ENTRY OF A FINAL JUDGMENT
19 PROVIDING THAT:

20 1. DEFENDANTS and their agents, employees, attorneys in fact in their capacities as
21 such, and all persons acting in concert or participating with them, shall be and are hereby
22 permanently enjoined from engaging in, committing, aiding and abetting, substantially assisting,
23 or performing directly or indirectly, by any means whatsoever, any of the following acts:

24 a. Violating California Corporations Code (“Corporations Code”) section 25110 by
25 offering to sell, selling, arranging for the sale of, issuing, engaging in the business
26 of selling, or negotiating for the sale of any security of any kind, unless such
27 security or transaction is qualified or exempt; provided, however, that the
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1 exemption from qualification described in Corporations Code section 25102,
2 subdivision (f), shall not be available to DEFENDANTS. Nothing herein,
3 however, shall limit, restrict or change DEFENDANTS' right to sell, arrange for
4 the sale of, issue, engage in the business of selling, or negotiate for the sale of any
5 security so long as such security or transaction otherwise is qualified or exempt
6 under other Corporations Code provisions and/or the federal securities laws,
7 including, but not limited to, Corporations Code section 25102.1 and Regulation D
8 of the Securities Act of 1933, as amended;

- 9 b. Violating Corporations Code section 25401 by offering to sell or selling any
10 securities of any kind by means of any written or oral communication which
11 includes any untrue statement of material fact or omits or fails to state any material
12 fact necessary in order to make the statements made, in the light of the
13 circumstances under which they are made, not misleading;
- 14 c. Violating the Desist and Refrain Order issued by the Commissioner on July 17,
15 2007, by offering and selling unqualified, non-exempt securities in violation of
16 Corporations Code section 25110 and by making misrepresentations or omissions
17 of material fact in connection therewith in violation of Section 25401; and
- 18 d. Removing, destroying, mutilating, concealing, altering, transferring, or otherwise
19 disposing of, in any manner, any books, records, computer programs, computer
20 files, computer printouts, correspondence, brochures, manuals, or any other
21 document or "writing" of any kind as defined under California Evidence Code
22 section 250, relating to the transactions and course of conduct as alleged in the
23 Complaint filed in this action, that are in the possession, custody, or control of
24 DEFENDANTS, for a period of four years from the date of the entry of the Final
25 Judgment.

26 2. DEFENDANTS shall offer to repurchase, and shall repurchase the securities as to
27 every purchaser who accepts the repurchase offer, on the following terms and conditions:

- 1 a. Pursuant to Corporations Code section 25507, subd. (b), and California Code of
2 Regulations (“Code of Regulations”) section 260.507, with respect to all California
3 residents who purchased a security issued by Defendant Power Station between
4 January 1, 2003 and July 1, 2008, DEFENDANTS shall offer to repurchase the
5 security or offer to rescind the transaction. Pursuant to Corporations Code section
6 25507(b), and Code of Regulations section 260.507, DEFENDANTS shall submit
7 an application for approval as to form of an offer to repurchase securities to the
8 Securities Regulation Division of the Department of Corporations within thirty (30)
9 days after the Court’s entry of final judgment. DEFENDANTS shall complete the
10 repurchase offer and repurchase the securities or rescind the transaction as to all
11 California residents who accept the repurchase offer pursuant to Corporations Code
12 section 25507(b) and Code of Regulations section 260.507.
- 13 b. The offer shall be accompanied by all of the information required under
14 Corporations Code section 25507 and Code of Regulations section 260.507,
15 including, but not limited to, a disclosure informing the offeree of the allegations
16 made in the Complaint, that DEFENDANTS neither admit nor deny the allegations,
17 and describing the current status of Power Station’s business operations. While the
18 repurchase offer is pending, DEFENDANTS agree not to otherwise communicate
19 with the offeree without the consent or participation of the Department of
20 Corporations.
- 21 c. If DEFENDANTS fail to fully comply with either Corporations Code section
22 25507(b) or Code of Regulations section 260.507 and, after given adequate
23 opportunity to cure any material issues of noncompliance, such failure results in a
24 repurchase offer not being approved by the Securities Regulation Division or
25 otherwise results in a failure to complete the repurchase offer as described in
26 subparagraph (a) above, DEFENDANTS shall immediately pay a civil penalty of
27 \$1,000,000.00 to the Department of Corporations and immediately repurchase the
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1 security in the original principal amount of the investment, including interest of 7%
2 per annum, from all California residents who purchased securities in Power Station
3 between January 1, 2003 and July 1, 2008. If DEFENDANTS fail to complete the
4 repurchase offer, DEFENDANTS Power Station and Mauriss shall be jointly and
5 severally liable for the civil penalty of \$1,000,000.00.

6 3. DEFENDANTS shall pay a civil penalty to the Department of Corporations
7 pursuant to the following terms and conditions:

8 a. DEFENDANTS shall pay a civil penalty equal to the total principal amount
9 invested by all California residents who purchased securities in Power Station
10 between January 1, 2003, and July 1, 2008, minus the total amount paid to
11 purchasers who accept the repurchase offer described above; however, regardless
12 of the total amount paid to purchasers who accept the repurchase offer,
13 DEFENDANTS shall pay a minimum civil penalty of \$100,000.00. All civil
14 penalty calculations based on the principal amount invested by any California
15 purchaser shall include interest of 7% per annum.

16 b. DEFENDANTS shall pay the civil penalty in six equal quarterly installments. The
17 first installment is due and payable on the last day of the quarter in which the
18 penalty amount can be determined in accordance with the method described above.
19 The remaining five installments are due and payable on the last day of each of the
20 five quarters following the payment of the first installment.

21 c. DEFENDANTS Power Station and Mauriss shall be jointly and severally liable for
22 the civil penalties described above.

23 4. DEFENDANTS acknowledge that the entry of the Final Judgment pursuant to this
24 Stipulation shall not preclude any other federal, state, or county agency from initiating any other
25 prosecution based upon the allegations contained in the Complaint or based on any other acts by
26 DEFENDANTS which may violate California or federal law.

27 5. DEFENDANTS agree and acknowledge that nothing in this Stipulation or in the
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1 Final Judgment in this matter shall preclude the Commissioner or his agents, officers, or
2 employees, to the extent authorized by law, from referring any evidence or information regarding
3 this matter to any district attorney or any other state or federal law enforcement official, or from
4 assisting, or cooperating with regards to any investigation and/or action brought by any other
5 federal, state, or county agency. DEFENDANTS further agree and acknowledge that nothing in
6 this Stipulation or in the Final Judgment in this matter shall bind or otherwise prevent any other
7 federal, state, or county agency from performing its duties.

8 6. The parties stipulate and agree that this Court shall retain jurisdiction of this action
9 in order to implement and enforce the terms of this Stipulation and entry of the Final Judgment
10 pursuant thereto, and to entertain any suitable application or motion for additional relief or
11 modification or any order made herein within the jurisdiction of the Court.

12
13 Plaintiff THE PEOPLE OF THE STATE OF CALIFORNIA,
14 by and through PRESTON DuFAUCHARD, California
15 Corporations Commissioner

16 Dated: _____

16 By: _____
17 ALAN S. WEINGER
18 Acting Deputy Commissioner

19 Defendant POWER STATION LLC

20 Dated: _____

20 By: _____
21 HENRY MAURISS
22 Managing Member

23 Defendant HENRY MAURISS

24 Dated: _____

24 HENRY MAURISS