

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 76399 / November 9, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16951

In the Matter of

HADI ABOUKHATER

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 15(b) AND 21C
OF THE SECURITIES EXCHANGE ACT OF
1934, MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Hadi Aboukhater (“Aboukhater” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) that the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

These proceedings arise out of a fraudulent scheme in which insiders of publicly-traded penny stock companies paid kickbacks to a purported hedge fund manager, who was in fact an undercover agent with the Federal Bureau of Investigation (“Fund Manager”), in exchange for the Fund Manager’s purchase of restricted stock of the penny stock companies on behalf of his purported hedge fund (“the Fund”), which did not actually exist.

Respondent

1. Aboukhater, age 44, a resident of Haymarket, Virginia, was in the business of assisting public companies in finding sources of funding. Many of the publicly traded companies Aboukhater assisted were penny stock companies whose common stock was publicly quoted on OTC Link. During the period January 2011 through May 10, 2011, Aboukhater participated in offerings of at least six penny stocks. On February 27, 2014, Aboukhater was charged by criminal information with one count of wire fraud, and he pleaded guilty to that charge on March 25, 2014 in *U.S. v. Aboukhater*, 14-CR-10057-DJC (D. Mass.). On January 26, 2015, the Court ordered Aboukhater to serve two years’ probation, pay a fine of \$10,000 and a special assessment of \$100, and forfeit \$12,425.

Background

2. On or about December 21, 2010, Aboukhater met the Fund Manager. At the meeting, the Fund Manager offered to pay Aboukhater a fee for introducing to the Fund Manager executives of publicly traded companies who would agree to pay kickbacks to the Fund Manager in exchange for funding for their respective publicly traded companies from the Fund.

3. Aboukhater was told that the Fund Manager was prepared to invest up to \$5 million of the Fund's money in various publicly traded companies, provided that each company kicked back fifty percent of those funds – up to \$2,500,000 – to the Fund Manager. Aboukhater was told that the Fund was not to be informed of the kickbacks.

4. Aboukhater was told that if the Fund purchased \$5 million of stock in a company all at once, the transaction might attract the attention of the Fund's regulatory compliance officials. In order to avoid detection, therefore, the Fund Manager offered to invest the Fund's money gradually, in tranches (or installments) that would increase in size over time. Aboukhater also was told that the kickbacks would be made to one or more consulting companies that the Fund Manager purportedly controlled.

5. Aboukhater was told that the Fund Manager would pay Aboukhater a portion of the kickbacks paid by any executive whom Aboukhater introduced to the scheme. Aboukhater agreed to make the introductions.

6. On various dates between on or about January 13, 2011 and May 10, 2011, Aboukhater introduced four executives from six different publicly traded companies to the Fund

Manager so that each of those executives could enter into the funding/kickback agreement. Aboukhater was present during meetings between each of the executives and the Fund Manager, at which each of the executives agreed to pay kickbacks to the Fund Manager in exchange for funding from the Fund.

7. At these meetings, the executives were told that the Fund Manager was prepared to invest up to \$5 million of the Fund's money in their respective companies provided that the executives kicked back fifty percent of the funds to the Fund Manager and that, in order to avoid detection by the Fund's compliance officials, the investment would be executed in tranches.

8. At these meetings, the executives also were told to make the kickback payments to one of the Fund Manager's consulting companies. The executives were instructed to create manufactured invoices for non-existent "consulting services" purportedly rendered by the consulting companies, in order to create the false appearance that the kickback payments were compensation for consulting services.

9. Based on his agreement with the Fund Manager, on various dates between on or about January 28, 2011 and April 29, 2011, Aboukhater received a total of \$12,425 as his portion of the kickbacks paid by most of the executives he introduced to the Fund Manager. Most of Aboukhater's portions of the kickbacks were paid by wire transfers from one of the consulting companies to Aboukhater's bank account.

10. As a result of the conduct described above, Aboukhater willfully violated Section 10(b) of the Exchange Act and Rule 10b-5(a) thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Aboukhater's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent Aboukhater shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Aboukhater be, and hereby is:

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny

stock, with the right to apply for reentry after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Brent J. Fields
Secretary