

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 97035 / March 3, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21326

In the Matter of

**EQUITY ACQUISITION
COMPANY LTD. and
CARSTEN KLEIN**

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Equity Acquisition Company Ltd. (“EAC”) and Carsten Klein (“Klein” and, together with EAC, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which 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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing 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. EAC is a trust organized under the laws of Bermuda. EAC's sole shareholder is Church Bay Trust Co. Ltd., a Bermuda limited liability company. EAC is in the business of buying shares of private companies and selling them for a profit to private funds in the United States and abroad. EAC is not registered pursuant to Section 15(a) of the Securities Exchange Act of 1934 (the "Exchange Act").

2. Klein is a citizen of Germany and lawful permanent resident of the United States residing in Parkland, Florida. Klein is the founder of EAC and controls EAC's day-to-day operations. In that role, Klein interacts with funds and individuals in the United States and abroad on EAC's behalf, negotiates the purchase and sale of private company shares on EAC's behalf, and enters into agreements with sellers and purchasers of shares on EAC's behalf. Klein is not registered pursuant to Section 15(a) of the Exchange Act or associated with a registered broker-dealer.

3. Since at least 2019, EAC has been in the business of acquiring shares in U.S. private companies and selling them for a profit to funds located in the United States and abroad. The private companies whose shares Klein targets are companies believed to be contemplating a near-term liquidity event, such as a merger or initial public offering ("Pre-IPO Companies"), and the funds that Klein sells to are funds in the United States and abroad that focus their investments in pre-IPO Companies.

4. To date, Klein has conducted transactions in at least 30 different pre-IPO companies, including highly anticipated offerings such as Palantir, Pinterest, 23andMe, TopGolf and Social Finance Inc. In each case, Klein or an associate of Klein's identified a willing seller, negotiated a purchase price, and worked through the legal process to acquire the shares. In some instances, EAC purchased the shares directly and worked with the Pre-IPO Company to have EAC listed on the company's capitalization table. In other instances, EAC entered into a forward contract with the seller that gave EAC the right to the shares following a liquidity event.

5. Following EAC's purchase of shares or entry into a forward contract, EAC identified funds that were interested in buying the shares. EAC has sold to at least 10 different pre-IPO funds or holding companies, most of which were located in the United States. Klein operated EAC out of Florida, purchased shares from individuals and entities located throughout the United States, and sold to funds operating, among other places, in New York and New Jersey. Klein negotiated the quantity and price for the shares with the funds, and entered into a nomination agreement that obligated EAC to transfer the shares to the funds upon the occurrence of the

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

liquidity event. EAC's profit was the difference between the price for which it purchased the shares and the price for which it sold the shares.

6. Since 2019, EAC has purchased more than 14 million private company shares and sold more than 13.4 million shares to different pre-IPO funds or holding companies. In doing so, EAC has exhibited a regularity of participation in the securities business well in excess of a few isolated transactions. In addition, EAC buys and sells the securities as principal (i.e., not as an agent for the funds), carries a regular inventory of shares, and makes a market in the price of the shares through its negotiated pricing. In each of those instances, EAC has transacted business as a Dealer as that term is defined in Section 3(a)(5) of the Exchange Act.

7. As a result of the conduct described above, EAC and Klein violated Section 15(a)(1) of the Exchange Act, which makes it unlawful for any broker or dealer which is either a person other than a natural person or a natural person not associated with a broker or dealer which is a person other than a natural person to make use of the mails or any means or instrumentality of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, any security, unless such broker or dealer is registered in accordance with Section 15(b) of the Exchange Act.

Undertakings

Respondents have undertaken to:

8. Use best efforts to register EAC, or another broker-dealer to serve as successor in interest to EAC, pursuant to Section 15(b) of the Exchange Act and for Klein to become an associated person of EAC or such successor in interest, following successful registration;

9. If EAC is not registered within two years, or if Klein establishes a successor in interest to EAC that becomes registered during that time, take all steps necessary to effect an immediate transfer of all shares and forward contracts for shares in EAC's possession, along with an assignment of all rights and interests in those shares and forward contracts, without profit to EAC or Klein, to such registered successor in interest or another registered broker-dealer not unacceptable to the Commission for purposes of lawfully distributing the shares upon the occurrence of a liquidity event;

10. In the interim period while Respondents are seeking registration of EAC or its successor in interest, to the extent a liquidity event occurs that would require distribution of shares, take all steps necessary to effect an immediate transfer of the shares required for distribution, along with an assignment of all rights and interests in those shares, without profit to EAC or Klein, to a registered broker-dealer not unacceptable to the Commission for purposes of lawfully distributing the shares subject to the liquidity event; and

11. Cooperate fully with the Commission in any and all investigations, litigations, administrative or other proceedings relating to or arising from the matters described in this Order. In connection with such investigations, litigations, administrative or other proceedings, Respondent

agrees to the following: (i) to produce, without service of a notice or subpoena, any and all documents and other materials or information as requested; (ii) to appear and testify without service of a notice or subpoena in such investigations, interviews, depositions, hearings and trials, at such times and places as reasonably requested; and (iii) to respond promptly to all inquiries.

12. In determining whether to accept the Offer, the Commission has considered the undertakings contained in paragraph 11, above.

IV.

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondents cease and desist from committing or causing any violations and any future violations of Section 15(a)(1) of the Exchange Act.

B. Respondents shall comply with the undertakings enumerated in paragraphs 8 through 10, above.

C. Respondents shall pay disgorgement of \$3,363,526, prejudgment interest of \$284,550.18 and civil penalties of \$269,360, jointly and severally, to the Securities and Exchange Commission or transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made in the following installments: \$1,000,000 within 14 days of the entry of the Order, \$972,479 within 120 days of the Order, \$972,479 within 240 days of the Order, and final payment within 360 days of the entry of this Order. Payments shall be applied first to post order interest, which accrues pursuant to 31 U.S.C. 3717 and Commission Rule of Practice 600. Prior to making the final payment set forth herein, Respondents shall contact the staff of the Commission for the amount due. If Respondents fail to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under the Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Carsten Klein and EAC as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to David Becker, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agrees that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Klein, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Klein under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Klein of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary