

July 5, 2016

Sandip Shah Reg [REDACTED]  
[REDACTED]  
P.O. Box [REDACTED]  
[REDACTED], OR [REDACTED]

RE: In the Matter of Sandip Shah, AP No. 3-16949

Dear Mr. Fields:

Enclosed, please find my response to the OIP and subsequent discussions.

Very Truly Yours,

A handwritten signature in cursive script, appearing to read "Sandip Shah".

Sandip Shah

3-16949

## Discovery

I, Sandip Shah, was in the business of consulting for companies since 2002. This included corporate development, corporate finance, public relations, and capital raising. I had been consulting with Advanced Defense Technologies (ADTI) since 2006. I had been consulting with Sohm, Inc. (SHMN) since 2007 and with Costas, Inc. (CSSI) since 2009. ADTI was run by CEO R. Tahim. SHMN was run by CEO Shailesh Shah. CSSI was also run by CEO Shailesh Shah. ADTI, SHMN, and CSSI had subsequently gone public and were listed on the Pink Sheets.

In 2001, I was introduced to a hedge fund, Seafin Capital. I became aware of Seafin through the SEC counsel for ADTI, SHMN and CSSI -- David Reis. Through David Reis and another previous business associate Hadi Abhourhetar, I began having conversations with Hadi, which led to an initial meeting in Boston. I and the CEO for ADTI, R. Tahim, went to Boston in March, 2011, to meet this potential funding partner. At this meeting, R. Tahim presented significant documentation that gave a complete overview of the growth and successes of ADTI. Also, an extensive plan for the future growth of the company and possible capital requirements. After hearing and seeing the presentation, the fund manager agreed to proceed with tranches of investment.

The fund manager laid out a plan of investment and dictated how to move forward. The fund manager directed R. Tahim on what was needed, what documentation to use and how to fill it out. This documentation included the consulting agreements, the stock purchase agreement, the format for the invoices and the wire instructions. R. Tahim made the decision to move forward. At the conclusion of this meeting, R. Tahim, ADTI and I believed that ADTI had found an investment partner for the future growth of the company. The belief was that ADTI could now implement its future plans, develop product growth and provide further service to its industry. The methods and paperwork presented by the fund manager did not raise any flags for concern. This was similar to existing business practices in the small cap/microcap industry. This came off to ADTI, R. Tahim, and me as paying finder's fees for the capital. ADTI, R. Tahim, nor I wanted to proceed at any risk to the company. There was no ill intent or scienter from ADTI, R. Tahim, or me.

The meeting concluded and R. Tahim and me going back to Los Angeles. Over the next few weeks, the fund manager began the funding into ADTI. After the funding had commenced, I communicated to the fund manager about Sohm and Shailesh Shah, the CEO. I presented the scenario of the funding possibility and the fund to Shailesh Shah. In April, 2011, Shailesh Shah and I went to Boston to meet with the fund manager. Shailesh Shah, as CEO of Sohm Inc. presented extensive documentation representing the validity and previous growth of SHMN. Also, Shailesh Shah presented plans for future growth,

which included two acquisitions and an extended product launch of an additional 20+ products. After seeing and hearing the presentation by Shailesh Shah, the fund manager agreed to proceed with the funding. At this point, the fund manager again presented the plan of investment. The fund manager directed Shailesh Shah on what was needed, what documentation to use and how to fill it out. This documentation again included the consulting agreements, the stock purchase agreements, the format for the invoices, and the wire instructions. Shailesh Shah then made the decision to proceed with this funding.

At the conclusion of this 2<sup>nd</sup> meeting, the fund manager kept me longer and introduced the plan whereas I would receive a finder's fee for a portion of the tranches that were invested into SHMN. The fund manager told me I would receive 10 percent of the fee that SHMN would send to the nominee company. The fund manager also told me that this would be retroactive to include the fee that ADTI had already sent to the nominee company. The fund manager also told me this would apply to any future company that would receive funding that was brought to the fund manager by me.

This was the first time that the notion of me getting any proceeds from the investments or from the funding was ever mentioned. This was presented at the end of the 2<sup>nd</sup> meeting. This is about one month after the previous funding for ADTI had begun. I was working for the benefit of ADTI and SHMN. I was not a "finder" of companies looking to get involved in this funding. I presented companies that were growing and that I had extensive relationship with. I did not present companies with a mental state with the intent to deceive, manipulate or defraud. These companies were growing companies that needed some capital assistance to break through and have a significant impact on society. The companies were transparent, compliant and honorable.

After the funding commenced in SHMN, I discussed with the fund manager, the 3<sup>rd</sup> company I was consulting with, Costas Inc. This company, Costas (CSSI), was also run by Shailesh Shah. Since the fund manager was already comfortable with and had personally met with Shailesh Shah, there was no need for a subsequent meeting. This company was presented to the fund manager over the phone and all of the business documentation was sent to the fund manager. The fund manager agreed to commence funding on CSSI and Shailesh Shah, the CEO of CSSI, was directed to change the documentation that he used for SHMN and to make it applicable to CSSI. Within the next few weeks, the funding had begun on CSSI. This was the 3<sup>rd</sup> and final company that was presented to the fund manager and received funding. The fund manager was dealing with Shailesh Shah, CEO of SHMN and CSSI, and with R. Tahim, CEO of ADTI. The CEOs would handle all of the transactions, including share issuances and wires. The tranches of investment were made and totaled \$80,000 into ADTI, \$50,000 into SHMN, and \$25,000 into CSSI. The CEOs sent back to the nominee company \$50,000 from ADTI, \$25,000 from SHMN, and \$12,500 from CSSI. ADTI has kept \$40,000 and SHMN has kept \$25,000 and CSSI has kept \$12,500. The fund manager sent a total of \$5,750

to me in three separate wires per the fund manager's request. This amount did not represent what the fund manager had stated was to be given, but only a portion from each company.

Neither the companies ADTI, SHMN, CSSI, nor did I go looking for an illegal investment. ADTI, SHMN, CSSI and I did not initiate the discussions or direct how the process would go. This was all established and implemented by the fund manager. ADTI, SHMN, CSSI and I went to these meetings and got involved with the fund manager to expand and grow these companies. The intentions were always to grow the companies and provide a better scenario to their respective shareholders. The companies' successful implementation of their plans were always paramount. ADTI, SHMN, CSSI and I believed that this was working in the best interest of the companies. ADTI, SHMN, CSSI and I did not go to these meetings seeking to do anything that would jeopardize the companies.

CEOs R. Tahim and Shailesh Shah, and I followed the plan as it was laid out by the fund manager. This is where the fault lay. ADTI, SHMN, CSSI and I should have been more diligent and compliant in realizing that the methods and paperwork that were to be followed were not proper. The CEOs and I were blinded by the funding opportunity and the possibility of growing the companies. The CEOs and I had no premeditated plan to get involved in this fraudulent scheme.

ADTI, SHMN, CSSI and I were extremely different than other companies or so-called "finders" that came to the fund specifically looking to defraud. The CEOs and I believed that this was a legitimate funding scenario. There was the feeling that an investment partner had been found, which would help facilitate the growth of these companies. There was no intent to engage in anything illegal when the meetings were set. There was no awareness that this was a "kickback" scheme. This whole scenario was entered into with the future of the companies in mind and the benefit of current and future shareholders. These were real companies with growing businesses just looking for assistance.

#### Misrepresentations in the OIP

There are several misrepresentations in the OIP which inaccurately and incorrectly represent me, my association with the companies (ADTI, SHMN, and CSSI), and also, most importantly, my intent. These misrepresentations need to be clarified so the Court will be able to come to the proper conclusions. These items have been misrepresented in the original trial, and since this administrative hearing is based entirely on the same evidence, they should be reiterated again in this hearing. This misrepresentation provides a completely different scenario than what actually occurred. The truth of this entire matter is that there was no intent to defraud, deceive, or manipulate on my part. There was no scienter. This is the basis on which the SEC is wanting to impose the penny stock bar. This basis is unfounded

and inappropriate.

Referring to the OIP and the documents presented by Mr. Healey and the SEC:

Discussion, Section A, Subsection 1, pg 3

-- There was no scienter.

-- There was no device, scheme or artifice to defraud that was employed by me.

Discussion, Section A, Subsection 2, pg 4

-- I was not in the business of promoting penny stocks. I was in the business of providing various consulting services like corporate development and capital raising.

-- I was working with private companies, some of which had become public, to help implement their growth plan.

Discussion, Section A, Subsection 2, pg 5

-- There was never a discussion using the word "kickback." The discussions were using words, in the words of the trial, "code" words. -- The UA handed over the format for the invoices, R. Tahim nor I created the invoices. -- R. Tahim had made the decision to participate. R. Tahim was the CEO. I was only the consultant. I advised, but was never in a position to make the decisions for the company.

Discussion, Section A, Subsection 2, pgs 5-6

-- I had not "found" companies. I had been working with all three of these companies for several years. I was not a "finder" of companies. This shows that I didn't go to "find" companies with an ill intent. I was looking for funding for these companies to help them grow their businesses and implement their respective growth plans. The misrepresentation is that I went looking for companies because I wanted them to participate in this scheme. This is not true. I thought it was a legitimate funding opportunity and the companies could benefit greatly. The companies and I were not aware that this was a scheme of any sort. The companies were not presented to further the scheme and the companies were not presented so that I could get a portion of their investments. Again, the entire concept of me getting any fee was presented after the 2<sup>nd</sup> meeting. I wanted these companies to grow. I did not ask for this additional fee nor did I even think about it until it was presented to me by the fund manager. The UA told me that this is what he is doing

with other representatives of other companies that he was providing funding for. There was no agreement or even understanding until the end of the 2<sup>nd</sup> meeting, after ADTI and SHMN were already approved, and relayed to me that it would be retroactive.

- It is stated that "Shah and the companies then kicked back," -- again, this is not true. The CEO's, R. Tahim and Shailesh Shah made the decisions. The CEOs also had the agreement with the fund manager.
- The UA was not consistent with the understanding of my portion of the investment. The UA gave me less than what was discussed after the 2<sup>nd</sup> meeting. Again, the fund manager did what he wanted to do. He dictated the entire plan, directing me and the CEOs, and would arbitrarily make decisions without any approval from me or the CEOs.

Discussion, Section A, Subsection 3, pg 7

- I did not "knowingly and willfully engage in a scheme to defraud and obtain money and property by means of materially false and fraudulent pretenses . . . ." There was no such intent.

Discussion, Section A, Subsection 3, pg 8

- It is stated that the "meeting, which was consensually recorded . . ." This is completely untrue. I never consented to any recording and was not even aware that there was a recording until my federal trial discovery.

Discussion, Section A, Subsection 3, pgs 8-9

- I never made the decisions. I was never in a position to send company money or to issue company stock. This was only done by CEOs R. Tahim and Shailesh Shah.

Discussion, Section A, Subsection 3, pg 9

- The companies ADTI, SHMN and CSSI, were never introduced with a purpose of engaging in a kickback transaction. The companies and I were not aware that this was illegal. Our understanding was that this was a legal funding opportunity. There was no intent to engage in the kickback transaction. I was introduced to the fund manager as a hedge fund that was interested in investing in small and microcap companies. If there was ever a notion of being something illegal, a kickback scheme or having a corrupt manager, I and the CEOs would never have gotten involved.

Discussion, Section B, Subsection 1, pg 11

- I did not act with a full disclosure and understanding. The illegality and purported kickback schemes were not made aware. I was not cognizant that this funding was illegal.
- I had no clear intention to illegally enrich myself. I wouldn't have received any fee, if not presented by the fund manager.
- There is not ample opportunity to commit future violations. I have been working with SEC lawyers for several years to make sure that the companies that did go public were fully compliant and made full disclosures, including posting quarterly results and getting audited PCAOB financials, even though it was not required. I have strived to be compliant, diligent, transparent, and provide as much information as possible. These were real companies. For example, SHMN had two factories and employed more than 200 people. ADTI had received grants from NASA, the U.S. Army, Navy, and DARPA. None of the wrongdoing that occurred here would have ever taken place if it had not been presented by the fund manager.

Discussion, Section B, Subsection 2, pgs 11-14

- I have been convicted of nine counts, but the first three counts were for the wires for ADTI. ADTI has not been charged for any of its involvement in this scenario. ADTI has kept \$40,000 of the fund's money, yet I was charged and found guilty for their wires, and for their involvement.
- I have taken the blame and the punishment for all three companies (ADTI, SHMN and CSSI), even though ADTI has not been charged with any wrongdoing. -- I assured Judge Gorton in my federal case that I would not get involved in anything illegal or even skeptical in the future. I will be more patient, more diligent, more careful and seek to provide more transparency to ensure that I will never be involved at any level in anything illegal.
- I made errors and overlooked details and acknowledge that I got involved in what turned out to be an illegal kickback scheme.
- I have paid the price for my involvement.
- I have been sentenced to 27 months in a federal prison. I have lost my status in society, my business relationships, and, most importantly, my family.

-- I was consulting for several companies. I was providing legal consulting work. I was helping small companies grow and be an asset to society.



Conclusion

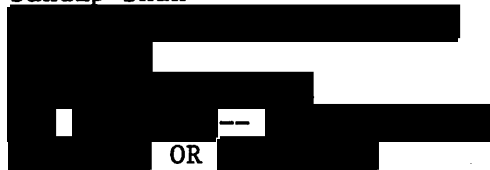
I, Sandip Shah, submit that based on the lack of evidence, the misrepresentations, the inaccurate timeline of events, the untruthful statements, and the absence of scienter, that there should be no further sanctions imposed. A penny stock bar should not be issued. The sanctions are not well-founded and are inappropriate. I have already been severely penalized by my 27-month Federal incarceration and no further action is necessary.

Dated July 5, 2016

Respectfully submitted,



Sandip Shah



OR