SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

SECURITIES EXCHANGE ACT OF 1934

Release No. 99159 / December 13, 2023

Admin. Proc. File No. 3-20406

In the Matter of

PAUL HANSON

OPINION OF THE COMMISSION

BROKER-DEALER PROCEEDING

Grounds for Remedial Action

Injunction

Respondent was permanently enjoined from violations of the registration provisions of the federal securities laws. *Held*, it is in the public interest to bar respondent from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization and from participating in an offering of penny stock.

APPEARANCES:

Lynn M. Dean for the Division of Enforcement.

On July 21, 2021, the Commission instituted an administrative proceeding against Paul Hanson pursuant to Section 15(b) of the Securities Exchange Act of 1934.[1] We now find Hanson to be in default, deem the allegations against him to be true, and bar him from associating in the securities industry in any capacity and from participating in an offering of penny stock.

I. Background

A. The Commission instituted the proceeding against Hanson.

The order instituting proceedings ("OIP") alleged that, from at least 2016 to August 2019, Hanson acted as an unregistered broker and sold unregistered securities of Quantum Sports Advisory, LLC ("QSA"). The OIP further alleged that a federal district court permanently enjoined Hanson from violating Sections 5(a) and 5(c) of the Securities Act of 1933,[2] and Section 15(a) of the Exchange Act,[3] on November 20, 2020.[4]

The OIP initiated proceedings to determine whether the allegations contained therein were true and if any remedial action was appropriate in the public interest. It directed Hanson to file an answer to the allegations within 20 days after service, as provided by Rule of Practice 220(b).[5] The OIP informed Hanson that if he failed to answer, he could be deemed in default, the allegations in the OIP could be deemed to be true as provided in the Rules of Practice, and the proceeding could be determined against him upon consideration of the OIP.[6]

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1 *Paul Hanson*, Exchange Act Release No. 92462, 2021 WL 3110020 (July 21, 2021).

2 15 U.S.C. § 77e(a), (c).

3 15 U.S.C. § 78o(a).

4 *See SEC v. Thomas*, No. 19-cv-01515, Dkt. No. 109 at 2-3 (D. Nev. Nov. 20, 2020). The OIP incorrectly alleges that the injunction was entered on June 20, 2020. We take official notice of the record in the civil action pursuant to Rule of Practice 323. *See* 17 C.F.R. § 201.323 (providing that official notice may be taken "of any material fact which might be judicially noticed by a district court of the United States"); *Am. Inv. Serv., Inc.*, Exchange Act Release No. 43991, 2001 WL 167861, at *1 n.1 (Feb. 21, 2001) (recognizing Commission's authority to take official notice of federal district court orders).

5 17 C.F.R. § 201.220(b).

6 *See* Rules of Practice 155(a), 220(f), 17 C.F.R. §§ 201.155(a), 220(f).

B. Hanson failed to answer the OIP, respond to an order to show cause why he should not be found in default, or respond to a motion for a default and sanctions.

Hanson was properly served with the OIP on July 29, 2021, pursuant to Rule of Practice 141(a)(2)(i),[7] but did not respond. On August 1, 2022, more than 20 days after service, the Commission ordered Hanson to show cause by August 15, 2022, why it should not find him in default due to his failure to file an answer or otherwise defend this proceeding.[8] The show cause order warned Hanson that, if the Commission found him to be default, the allegations in the OIP would be deemed to be true and the Commission could determine the proceeding against him upon consideration of the record. The order directed the Division of Enforcement to file a motion for entry of an order of default and the imposition of remedial sanctions by September 12, 2022, in the event that Hanson failed to respond to the show cause order.

After Hanson did not answer the OIP or respond to the order to show cause, the Division filed a motion requesting that the Commission find Hanson in default and bar him from associating in the securities industry and from participating in an offering of penny stock. The Division supported the motion with the allegations of the OIP and with filings and evidentiary exhibits from the civil action against Hanson. The filings included the court's final civil judgment against Hanson.

On September 15, 2023, the Commission issued a renewed order, directing Hanson to show cause by September 29, 2023, why he should not be deemed to be in default and why this proceeding should not be determined against him due to his failure to file an answer or otherwise defend this proceeding. The renewed order also directed Hanson to respond to the Division's default motion.[9] Hanson failed to respond to the renewed order and the Division's motion.

II. Analysis

A. We hold Hanson in default and deem the OIP's allegations to be true.

Rule of Practice 155(a) provides that if a party fails to "answer, to respond to a dispositive motion within the time provided, or otherwise to defend the proceeding," we may deem the party in default and "determine the proceeding against that party upon consideration of the record, including the order instituting proceedings, the allegations of which may be deemed

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[7] 17 C.F.R. § 201.141(a)(2)(i) (providing that service of an OIP on an individual may be made by "sending a copy . . . addressed to the individual by U.S. Postal Service certified, registered or Express Mail and obtaining a confirmation of receipt").

[8] *Paul Hanson*, Exchange Act Release No. 95399, 2022 WL 3043162 (Aug. 1, 2022).

[9] *Paul Hanson*, Exchange Act Release No. 98405, 2023 WL 6036857 (Sept. 15, 2023) (noting that "it appears that the [August 1, 2022] order to show cause may not have been properly served on Respondent").

to be true."[10] Because Hanson has failed to answer or respond to the show cause order or to the Division's motion, we find it appropriate to hold him in default and to deem the allegations of the OIP to be true. We base the findings that follow on the record, including the OIP, the materials that the Division submitted with its motion for default and sanctions, and the additional materials of which we take official notice.[11]

B. We find industry and penny stock bars to be in the public interest.

Exchange Act Section 15(b)(6)(A) authorizes the Commission to suspend or bar a person from associating in the securities industry and from participating in any offering of a penny stock if it finds, on the record after notice and opportunity for hearing, that: (1) the person was enjoined from engaging in or continuing any conduct or practice in connection with activity as a broker or dealer or in connection with the purchase or sale of a security; (2) the person was associated with a broker or dealer at the time of the misconduct; and (3) such a sanction is in the public interest.[12]

The record establishes the first two of these elements. Hanson was enjoined from violating Securities Act Sections 5(a) and 5(c) and Exchange Act Section 15(a) and was therefore enjoined from conduct in connection with activity as a broker and in connection with the purchase or sale of a security. Because the OIP, taken as true, states that Hanson was acting as an unregistered broker at the time of his misconduct, he was a person associated with a broker.[13]

Thus, we need determine only if any remedial action is in the public interest. In doing so, we consider the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his conduct, and the

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[10] 17 C.F.R. § 201.155(a); *see also* Rule of Practice 220(f), 17 C.F.R. § 201.220(f) (providing that "[i]f a respondent fails to file an answer required by this section within the time provided, such respondent may be deemed in default pursuant to" Rule of Practice 155(a)).

[11] *See generally Robert Bruce Lohmann*, Exchange Act Release No. 48092, 2003 WL 21468604, at *5 n.20 (June 26, 2003) (finding that matters "not charged in the OIP" may nevertheless be considered "in assessing sanctions").

[12] 15 U.S.C. § 78o(b)(6)(A) (cross-referencing Exchange Act Section 15(b)(4), 15 U.S.C. § 78o(b)(4)); *see also id.* § 78o(b)(4)(C) (specifying injunctions against various actions, conduct, and practices).

[13] *Allen M. Perres*, Exchange Act Release No. 79858, 2017 WL 280080, at *3 (Jan. 23, 2017) (explaining that an individual who acts as an unregistered broker meets the definition of a "person associated with a broker" in Exchange Act Section 3(a)(18)).

likelihood that the respondent's occupation will present opportunities for future violations.[14] Our public interest inquiry is flexible, and no one factor is dispositive.[15] The remedy is intended to protect the trading public from further harm, not to punish the respondent.[16]

We have weighed all these factors, and find associational and penny stock bars are warranted to protect the investing public. The record establishes that, from 2016 to 2019, Hanson participated in a scheme where investors were induced to pool funds, ostensibly for the purpose of sports betting by QSA and five other entities. Hanson acted as a broker for QSA securities but was not registered. He signed broker agreements with QSA in July 2016 and June 2017. Hanson personally sold QSA securities to at least a dozen investors, and he shared sales commissions with other sales agents who sold QSA securities. No registration statement was in effect for those offerings, nor did any exemption from registration apply. Hanson received $281,000 in commissions from those unregistered sales. We thus conclude that Hanson's misconduct was egregious[17] and recurrent.[18]

The OIP, taken as true, establishes that Hanson acted with scienter. Specifically, the OIP establishes that Hanson spent at least 22 years as a registered representative associated with registered broker-dealers until approximately 1997. Despite this experience, Hanson admitted that he participated in the scheme to sell QSA securities without complying with applicable registration requirements.[19]

Because Hanson failed to answer the OIP or respond to the show cause order or the Division's motion, he has made no assurances in this proceeding that he will not commit future violations or that he recognizes the wrongful nature of his conduct. It appears that Hanson's occupation presents opportunities for future violations because he acted as a registered

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14 *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981).

15 *Tzemach David Netzer Korem*, Exchange Act Release No. 70044, 2013 WL 3864511, at *4 (July 26, 2013).

16 *McCarthy v. SEC*, 406 F.3d 179, 188 (2d Cir. 2005).

17 *See, e.g.*, *Michael J. Healey*, Exchange Act Release No. 53698, 2006 WL 1071161 at *1, *3 (Apr. 21, 2006) (finding sale of unregistered securities egregious where respondent sold to 24 investors, recruited agents to make sales, and received $151,000 in commissions).

18 *See, e.g.*, *Jeffrey L. Gibson*, Exchange Act Release No. 57266, 2008 WL 294717, at *3 (Feb. 4, 2008) (finding misconduct to be recurrent when it "occurred over three years").

19 *Cf. Brown v. Earthboard Sports USA, Inc.*, 481 F.3d 901, 918-19 (6th Cir. 2007) (holding that defendant's experience as "a licensed securities professional" was relevant to a determination of scienter); *Peter Siris*, Exchange Act Release No. 71068, 2013 WL 6528874, at *6 (Dec. 12, 2023) (finding scienter in part because of respondent's "long experience in the [securities] industry").

representative from 1975 to at least 1997, acted as a broker during the period of his misconduct, and offers no assurances about his future plans.[20] Hanson also appears likely to commit future violations because he is a recidivist.[21] In particular, Hanson was convicted in California state court in 2004 for multiple counts of grand theft, embezzlement, and false statements in connection with the purchase and sale of securities.[22] In fact, Hanson was on probation for the California offenses at the time of the conduct at issue in this proceeding.

The Commission may impose bars to protect the investing public from a respondent's future actions by restricting access to areas of the securities industry where a demonstrated propensity to engage in violative conduct may cause further investor harm. Here, the record establishes that Hanson is unfit to participate in the securities industry and that his participation in it in any capacity would pose a risk to investors.[23] Given that Hanson has defaulted in this proceeding, he has not opposed the imposition of any particular associational bar or a bar from participating in an offering of penny stock. Moreover, the OIP and the record establish that Hanson was involved in a scheme to promote and sell millions of dollars of unregistered securities to investors. We conclude that it is in the public interest to bar Hanson from association with any investment adviser, broker, dealer, municipal securities dealer, municipal

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[20] *See George Charles Cody Price*, Advisers Act Release No. 4631, 2017 WL 405511, at *3 (Jan. 20, 2017) (expressing concern that respondent's occupation would present opportunities for future violations where he did not indicate that he planned to leave the securities industry).

[21] *See Brett Hamburger*, Exchange Act Release No. 93844, 2021 WL 6062981 at *5 (Dec. 21, 2021) (finding respondent more likely to commit fraud due to previous securities fraud conviction and industry bar).

[22] *California v. Paul Hanson*, No. F03888 (Cal. Sup. Ct., Santa Cruz, Mar. 2, 2004).

[23] *James S. Tagliaferri*, Exchange Act Release No. 80047, 2017 WL 632134, at *6 (Feb. 15, 2017) (finding that the misconduct underlying the respondent's conviction demonstrated that respondent was unfit to participate in the securities industry and that his participation in it in any capacity would pose a risk to investors).

advisor, transfer agent, or nationally recognized statistical rating organization and from participating in an offering of penny stock.[24]

An appropriate order will issue.

By the Commission (Chair GENSLER and Commissioners CRENSHAW, UYEDA and LIZÁRRAGA; Commissioner PEIRCE concurring in part and dissenting with respect to the imposition of a bar from participating in an offering of penny stock).

Vanessa A. Countryman
Secretary

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[24] *Id.* (imposing associational and penny stock bars where necessary to protect the public).

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934

Release No. 99159 / December 13, 2023

Admin. Proc. File No. 3-20406

In the Matter of

PAUL HANSON

ORDER IMPOSING REMEDIAL SANCTIONS

On the basis of the Commission's opinion issued this day, it is

ORDERED that Paul Hanson is barred from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and it is further

ORDERED that Paul Hanson 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.

By the Commission.

Vanessa A. Countryman
Secretary