

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 63963 / February 24, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14272

In the Matter of

TONY AHN,

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 Tony Ahn (“Ahn” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has 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, Respondent 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:

Summary

These proceedings arise out of the manipulation of the prices of a number of microcap issuer stocks between September 2005 and September 2007 (the "relevant period") by Hunter World Markets, Inc. ("HWM"), Todd Ficeto ("Ficeto"), Florian Wilhelm Jurgen Homm ("Homm"), Colin Heatherington ("Heatherington"), and Ahn, in service of a larger fraud perpetrated on the investors in several now defunct hedge funds managed by Absolute Capital Management Holdings, Ltd. ("ACMH"). Homm co-founded and was the co-chief investment officer for ACMH, a London-based hedge fund management company that purported to have \$2.1 billion in assets under management as of August 31, 2007. Homm abruptly resigned from ACMH on September 18, 2007. The next day, ACMH announced that eight hedge funds it managed (the "Absolute funds") held between \$440 to \$530 million in "illiquid positions." Most of these "illiquid positions" were, in fact, U.S.-microcap stocks purchased and traded by the Absolute funds primarily through HWM.

As HWM's primary trader, Ahn, executed numerous trades that manipulated upwards the price of the microcap stocks. Ahn received the Absolute funds' trade orders from Heatherington, who received his instructions from Homm. Ahn would often communicate with Heatherington via an online instant messaging system in which they openly discussed trade orders. The instant messages also reveal Ficeto's knowledge and oversight of the scheme. Some of the methods Heatherington, Homm, Ficeto and Ahn used to accomplish the price manipulation included matched orders between the various Absolute funds, marking the close in shares of several of the microcap companies, and wash trades between accounts held in the names of the same individual funds. Many of these transactions were executed at the end of the day, and very often the end of the month, for the apparent purpose of marking the close to positively impact the Absolute funds' net asset values ("NAVs"), thereby engaging in "portfolio pumping," or materially overstating the hedge funds' performance and NAVs before the end of the month. At times, trades were back-dated to the previous month-end, also with the apparent purpose of portfolio pumping. Homm, Ficeto, and Heatherington made millions of dollars through these manipulative trades as well as transaction fees paid to HWM.

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.

Respondent

1. Ahn was a registered representative from August 2005 to May 2008 associated with HWM, a now defunct broker-dealer that had been registered with the Commission during the relevant period. Ahn was HWM's primary trader during the relevant period. Ahn, 36 years old, is a resident of Fullerton, California.

Other Relevant Individuals and Entities

2. HWM is a California corporation formerly based in Beverly Hills, California. During the relevant period, HWM conducted both a brokerage and investment banking business. HWM was registered as a broker-dealer with the Commission from March 1996 through November 30, 2009, when HWM's Form BDW, withdrawing its registration with the Commission as a broker-dealer, became effective.

3. Ficeto was the co-owner of HWM during the relevant period, during which time Ficeto was also a director of the firm as well as a registered representative, trader, branch manager and general securities principal.

4. Homm was the co-owner and a director of HWM during the relevant period. Homm was also the co-founder, the original chief investment officer and later the co-chief investment officer of ACMH.

5. Heatherington was an ACMH trader and the employee in charge of back office operations during most of the relevant period.

6. ACMH was organized under the laws of the Cayman Islands. It was quoted on the London Alternative Investment Market and was registered with the Commission as an investment adviser until September 10, 2007. During the relevant period, ACMH managed the Absolute funds, which were formerly domiciled in the Cayman Islands but have subsequently either been liquidated or are now managed by a different fund management company. ACMH has no securities registered under the Exchange Act.

Background

7. During the relevant period, HWM, Homm, Ficeto, Heatherington and Ahn manipulated upward the prices of a number of thinly-traded microcap stocks or artificially maintained their prices, including some of those which HWM helped bring public, in return for placement fees and warrants and shares of stock.

8. Generally, after the Absolute funds invested in a company through a private placement, HWM orchestrated a reverse merger to bring the companies public by merging the entity with a publicly traded shell company. Following the reverse merger, the

companies prepared a Form SB-2 registration statement to register for re-sale the shares held by HWM in its name, by Heatherington's company, and, in some cases, by the Absolute funds. Following the registration statement going effective, the Absolute funds began selling their shares, mostly through matched orders placed between their HWM accounts, in order to walk the stock price upwards or to maintain an artificially high price. Many of the matched orders also set the closing prices for the stocks. Additionally, HWM made purchases on behalf of the Absolute funds in the market to mark the close in the stock of a number of the issuers. For some of the companies' stock, nearly all of the trading volume during the relevant period resulted from trades executed through HWM. Typically, the manipulative trading began with the Absolute funds trading among each other at low prices. After the stock price had been artificially inflated, Ficeto, Homm and Heatherington would then sell their shares to the Absolute funds, reaping millions of dollars of profit as a result.

9. Homm, Ficeto, Heatherington and Ahn used a number of different manipulative techniques to artificially inflate the microcap issuers' stock price, including the use of matched orders, marking the close, wash sales and purchases at increasing prices. As HWM's primary trader, Ahn, following the instructions of Ficeto and Heatherington, executed nearly all of these manipulative trades. Ahn also communicated with the Absolute funds' point of contact, Heatherington, using an instant messaging system the text of which HWM failed to retain. The instant messages reveal multiple examples of Heatherington stating the price at which he wanted a stock to close the day, discussions regarding the best way to achieve those prices, and back-dating trades so that the trades would fall on the last day of the month, and thus be included for a particular fund's quarter-end performance. One discussion between Ahn and Heatherington concerned selecting the best day to back-date a certain trade, so as to make it less suspicious because the trade's predetermined price was significantly away from the market on the actual day it was executed.

Manipulation of the Prices of Numerous Microcap Stocks

10. The most frequent methods by which the issuers' stock prices were manipulated were through purchases of the stocks at increasing, artificial prices and numerous matched orders, mostly executed between Absolute funds' accounts held at HWM, as well as trades between the Absolute funds and accounts held in HWM's name and accounts owned or controlled by Ficeto and Heatherington.

11. An example of the price manipulation accomplished through matched orders occurred in shares of ProElite, Inc. ("ProElite"), a microcap issuer that HWM and Ficeto helped to bring public in May 2007. HWM (in its own name), Ficeto, Heatherington, and the Absolute funds owned considerable stakes in ProElite, which HWM itself, Ficeto, and Heatherington had obtained at discounted prices or as part of HWM's underwriting compensation.

12. On at least twenty-one days during the period September 2006 through September 2007, HWM marked the close in ProElite stock through matched orders either between accounts held at HWM or between accounts held at HWM and another broker, including at least three wash sales. On most of these days, there were no other reported trades in ProElite stock other than matched orders in which HWM executed both sides of the trade or matched orders in which HWM was involved as a broker on one side of the trade.

13. In January 2007, ProElite filed a Form SB-2 resale registration statement, effective May 14, 2007, for the sale of almost all of the shares held by HWM in its name, by Ficeto as custodian for his two minor children, over half of the shares held by Heatherington's company and some of the shares held by the Absolute funds.

14. On May 15, 2007, following the effective date of the Form SB-2, HWM, through Ahn, executed a series of cross trades (a) in three separate trades between different Absolute funds at \$3.25 a share, (b) among an Absolute fund and HWM and Heatherington's company at \$8.00 a share, and (c) among an Absolute fund and the custodial accounts of Ficeto's children at \$12.00 a share. Ahn, at the instruction of Ficeto and/or Heatherington, entered the cross trades within minutes of each other, all after the close of the market. There were no significant announcements by the company that day or any other reason that would explain the increase in price. Further, there were no other reported trades in ProElite stock that day other than those executed by HWM.

15. As a result of the manipulation of ProElite's stock price, HWM made significant profits. Specifically, HWM sold \$14.2 million worth of ProElite shares to the Absolute funds, as well as an additional \$2.8 million to the Hunter Fund, an investment fund managed by Ficeto whose sole investors were three of the Absolute funds. Ficeto individually and on behalf of his children sold \$2.4 million to the Absolute funds, and Heatherington sold \$8.7 million to the Absolute funds. Additionally, HWM made \$1.1 million in sales credits, which HWM considered to be the equivalent of commissions.

16. During the relevant period, HWM, Ficeto, Heatherington and Ahn manipulated the price of at least five other microcap issuers through matched orders. As a result of that manipulative activity, HWM sold nearly \$15.4 million worth of stock to the Absolute funds at artificially high prices, and made nearly \$4 million in sales credits. Ficeto individually and on behalf of his children sold an additional \$1.7 million worth of stock to the Absolute funds, and Heatherington sold \$2.9 million in stock to the Absolute funds as well.

17. HWM, Ficeto, Heatherington, and Ahn also marked the close in a number of the same microcap issuers' stock. Marking the close is the practice of executing purchase or sale orders at or near the close of the market with the intent to affect its closing price. For example, at the end of 14 of the 15 months between January 2006 and March 2007, HWM, Ficeto, Heatherington, and Ahn successfully marked the close in MicroMed

Cardiovascular. Similar marking the close trades were executed through HWM in the stock of at least five other microcap issuers on over fifty occasions.

18. Ahn, at the instruction of Ficeto and/or Heatherington, executed nearly all of the manipulative trades. Most of the matched orders and desired closing prices were placed by Heatherington, either by telephone or through e-mail and instant messages, including through HWM's archived e-mail system, as well as an alternate instant messaging system that HWM or Ficeto purposely did not retain. While Ahn did not properly retain either the originals or copies of all of the instant messages, he did retain copies of a number of them in his personal files.

19. HWM, Ficeto, Heatherington and Ahn also executed a number of trades between two accounts held by the same fund, thus effecting at least four wash sales. As with the other matched orders, the apparent purpose of those transactions was to manipulate the price of the issuers' stock and/or to generate massive sales credits to HWM. Specifically, on June 18, 2007, the Absolute East West Fund Limited sold 500,001 shares of ProElite from one of its HWM accounts to another. On June 26, 2007, the Absolute Activist Value Fund sold 250,000 shares of ProElite from one of its HWM accounts to another. On September 13, 2007, the Absolute Octane Fund Limited sold 4.5 million shares of Quest Group to another of its HWM accounts, and sold 2.5 million shares of ProElite to another of its HWM accounts. As a result of these trades, the firm made \$615,000 in sales credits. Two of the wash sales in ProElite constituted all of the trades on those days, and therefore effectively set the stock's price. Similarly, the wash trade in Quest Group stock artificially inflated its stock price as well.

20. HWM, Ficeto, Heatherington and Ahn also back-dated a number of trades. As detailed in certain instant messages, Heatherington asked Ahn to revise the trade date of certain transactions to reflect a date that was prior to month's end. For example, on September 4, 2007, Heatherington asked Ahn if a matched trade for 400,000 shares of ProElite traded among three of the ACMH funds could be back-dated to the previous Friday, the last trading day of the month. Ahn responded that he would need to call Ficeto to obtain approval. Ficeto approved the trade which was entered with an "as of" date of August 31, 2007.

21. In a July 30, 2007 instant message exchange between Heatherington and Ahn, Heatherington proposed a matched trade at such a high price for the day that Ahn responded that it would "be a red flag to print [*i.e.*, be reported] a lot above the high of the day." Apparently to avoid raising the red flag triggered by Heatherington's proposed price, Ahn suggested back-dating the trade to the prior week, but noted that he would need to obtain Ficeto's approval before so doing. With Ficeto's approval, Ahn entered the trade as of July 23, 2007, when the stock was trading closer to Heatherington's initial proposed price.

Ahn Aided and Abetted HWM's Failure to Preserve Instant Messaging Transcripts

22. HWM is required to maintain originals or copies of all communications that relate to its business, including instant-messaging transcripts, for a period of three years. As detailed above, HWM failed to maintain originals or copies of the instant messages sent via the alternate instant message system. By knowingly failing to maintain originals or copies of the instant messages in accordance with the requirements of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4), Ahn willfully aided and abetted and caused HWM's failure to maintain a record of those instant messages.

Violations

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

24. As a result of the conduct described above, Ahn willfully aided and abetted and caused HWM's violations of Section 15(c)(1) of the Exchange Act, which prohibits brokers and dealers from using manipulative, deceptive, or other fraudulent devices or contrivances in connection with securities transactions.

25. As a result of the conduct described above, Ahn willfully aided and abetted and caused HWM's violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder, which requires brokers and dealers to retain originals of all communications received and copies of all communications sent relating to its business as such.

Undertakings

Respondent undertakes to:

26. In connection with this public administrative proceeding and any related judicial or administrative proceedings or investigation commenced by the Commission or to which the Commission is a party, Ahn: (i) agrees to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) with respect to such notices and subpoenas, waive the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Respondent's travel, lodging and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (iv) consent to personal jurisdiction over him in any United States District Court or administrative court for the purposes of enforcing any such subpoena.

In determining whether to accept Ahn's Offer, the Commission has considered Ahn's undertaking to cooperate as enumerated in Section III.26 above.

IV.

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

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

A. Respondent Ahn cease and desist from committing or causing any violations and any future violations of Sections 10(b), 15(c)(1) and 17(a) of the Exchange Act and Rules 10b-5 and 17a-4(b)(4) thereunder.

B. Respondent Ahn be, and hereby is barred from association with any broker and dealer with the right to reapply for association after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. 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.

D. Respondent shall pay a civil money penalty in the amount of Forty Thousand Dollars (\$40,000) to the United States Treasury. Payment shall be made in the following four installments: (a) Ten Thousand Dollars (\$10,000) to be paid within twenty-one days of the entry of this Order; (b) Ten Thousand Dollars (\$10,000) to be paid within six (6) months of the entry of this Order; (c) Ten Thousand Dollars (\$10,000) to be paid within nine (9) months of the entry of this Order; and (d) a final payment of Ten Thousand Dollars (\$10,000) to be paid within one year of the entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of civil penalties, plus any additional interest accrued pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payments shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA

22312; and (D) submitted under cover letter that identifies Tony Ahn as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Michele Layne, Associate Regional Director, 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036.

E. Respondent acknowledges that the Commission is not imposing a civil penalty in excess of Forty Thousand Dollars (\$40,000) based upon his agreement to cooperate in a Commission investigation and/or related enforcement action. If at any time following the entry of the Order, the Division of Enforcement (“Division”) obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission or in a related proceeding, the Division may, at its sole discretion and without prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay an additional civil penalty. Respondent may not, by way of defense to any resulting administrative proceeding: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Elizabeth M. Murphy
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the 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"), on the Respondent and his legal agent.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Brenda P. Murray
Chief Administrative Law Judge
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