

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 67206 / June 15, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14720

In the Matter of

**Alchemy Ventures, Inc., KM
Capital Management, LLC,
Zanshin Enterprises, LLC,
Mark H. Rogers, Steven D.
Hotovec, Joshua A. Klein,
Yisroel M. Wachs, Frank K.
McDonald, and Douglas G.
Frederick,**

Respondents.

**ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS AND
CEASE-AND-DESIST ORDERS PURSUANT
TO SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934 AS
TO ALCHEMY VENTURES, INC.,
MARK H. ROGERS, AND
STEVEN D. HOTOVEC**

I.

In these proceedings, instituted on January 26, 2012 pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), respondents Alchemy Ventures, Inc. (“Alchemy”), Mark H. Rogers (“Rogers”), and Steven D. Hotovec (“Hotovec”) (collectively “Respondents”) have submitted Offers of Settlement (“Offers”) which the Securities and Exchange Commission (“Commission”) has determined to accept.

II.

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 them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and Cease-and-Desist Orders Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 as to Alchemy Ventures, Inc., Mark H. Rogers, and Steven D. Hotovec (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other persons or entities in this or any other proceeding.

Summary

1. These proceedings arise from trading access that Alchemy extended to an individual who subsequently used that trading access to profit from an account intrusion and market manipulation scheme. On 22 occasions from September to December 2009, the individual made profitable trades through Alchemy contemporaneous with unauthorized trading in the same securities in hijacked online brokerage accounts of innocent and unknowing account holders at multiple U.S. broker-dealers. The individual generated ill-gotten gains of \$149,288 from the scheme through Alchemy.

2. By effecting securities transactions for the individual, Alchemy acted as an unregistered broker in willful² violation of Section 15(a) of the Exchange Act. Rogers and Hotovec willfully aided and abetted and caused Alchemy's violation of Section 15(a).

Respondents

3. Alchemy Ventures, Inc. is a California corporation with its principal place of business in San Mateo, California. Alchemy has never been registered with the Commission in any capacity. Alchemy's wholly-owned subsidiary Alchemy Alternatives, Inc. is a registered broker-dealer. From September to December 2009 (the "relevant period"), approximately 250 individuals traded as many as 300 million shares per month on U.S. exchanges through an omnibus account held in Alchemy's name at a registered broker-dealer.

4. During the relevant period, Mark H. Rogers was President of, and associated with, Alchemy. In that capacity, Rogers caused Alchemy to extend market access to traders through Alchemy. Also during the relevant period, Rogers was President of Alchemy Alternatives, Inc. and held Series 7, 24 and 63 licenses. Rogers, age 52, is a resident of San Carlos, California.

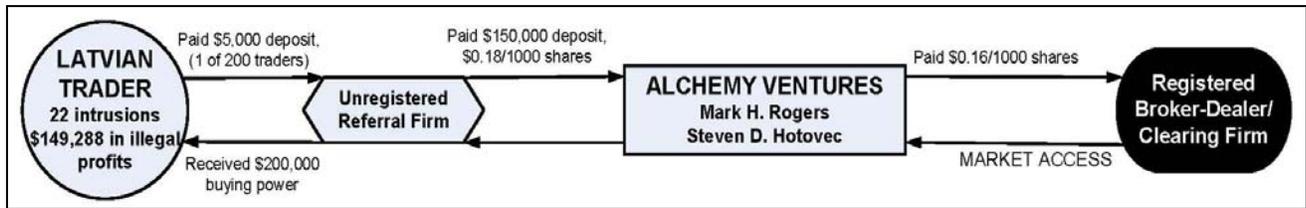
5. During the relevant period, Steven D. Hotovec was Vice President of, and associated with, Alchemy. In that capacity, Hotovec caused Alchemy to extend market access to traders through Alchemy. Also during the relevant period, Hotovec was an officer of Alchemy Alternatives, Inc. and held Series 7, 24 and 63 licenses. Hotovec, age 46, is a resident of Redwood City, California.

Sponsored Market Access

6. Sponsored market access is a form of trading access whereby a broker-dealer permits customers to enter orders into the public market without the orders first passing through the broker-dealer's trading systems.

7. The following chart illustrates the relationships through which Alchemy extended market access to an individual identified as a citizen of Latvia ("the Latvian trader") who conducted an account intrusion and market manipulation scheme.

² A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)).



8. During the relevant period, Alchemy received sponsored market access from a registered broker-dealer and passed the sponsored market access on to traders through a Canadian entity that solicited traders through its website and referred them to Alchemy.

9. In connection with extending sponsored market access to traders through the Canadian entity, Alchemy participated in the order-taking and order-routing process, extended credit to the traders in connection with securities transactions, and handled customer funds and securities.

10. During the relevant period, Alchemy, at the direction of Rogers and Hotovec, maintained an agreement with the Canadian entity. Under the agreement, approximately 200 traders who had been referred by the Canadian entity were trading through Alchemy's omnibus account via sponsored market access during the relevant period.

11. Under the agreement, Alchemy charged the Canadian entity a commission of \$0.18 per thousand shares traded, which exceeded the commission of \$0.16 per thousand shares traded that Alchemy paid the registered broker-dealer. Rogers and Hotovec were responsible for setting the commission rate and directed Alchemy to charge transaction-based compensation for extending the market access.

12. Under the agreement, Alchemy and the Canadian entity divided the trading profits generated by traders referred by the Canadian entity.

13. Rogers and Hotovec initially required the Canadian entity to maintain a risk deposit of \$150,000 with Alchemy. Under the agreement, the Canadian entity was responsible for 100% of any trading losses that its traders incurred through Alchemy's account.

14. During the relevant period, Rogers and Hotovec directed Alchemy to maintain documentation tracking the Canadian entity's deposit balance against all commissions, fees, and profits or losses for all trading activity through Alchemy's account by traders referred by the Canadian entity.

15. In September 2009, the Canadian entity notified Alchemy that the Latvian trader had requested market access. Alchemy provided the Latvian trader with sponsored access trading software and instructed the software provider to assign the Latvian trader a user ID and password so that he could use the software to trade online through Alchemy's account. In so doing, Alchemy, at the direction of Rogers and Hotovec, provided order-taking and order-routing services and controlled an electronic trading system for the Latvian trader to trade in the public market.

16. Rogers and Hotovec were ultimately responsible for authorizing traders referred by the Canadian entity to trade through Alchemy's account, for determining whether to terminate a trader's access, and for controlling the trading parameters in the trading software, including the amount of credit each trader received.

17. The Latvian trader wired \$5,000 of his own money to the Canadian entity as a risk deposit. Alchemy then used the trading software to extend the Latvian trader \$200,000 in “buying power” through Alchemy’s account, which was a portion of the trading credit that Alchemy received from the registered broker-dealer. Although Alchemy extended credit to the Latvian trader to purchase securities, Alchemy’s capital was not ultimately at risk because it was entitled to recoup losses from the Canadian entity and the trading software allowed Alchemy to see the Latvian trader’s trading in real time and automatically cut off his trading access if he or other traders referred by the Canadian entity incurred losses greater than the Canadian entity’s deposit balance.

Account Intrusions

18. On 22 occasions between September and December 2009, the Latvian trader made profitable trades through Alchemy’s account contemporaneous with unauthorized trading in the same securities in hijacked online brokerage accounts at multiple U.S. broker-dealers.

19. On each occasion, the Latvian trader first established a long or short position in a security through Alchemy’s account. Then the Latvian trader surreptitiously gained access to an online brokerage account and made large unauthorized trades in the same security to manipulate the stock price in his favor. Finally, during or shortly after the manipulative trading in the intruded account, the Latvian trader closed out his position through Alchemy at the artificial market price to generate a profit.

20. The Latvian trader generated ill-gotten gains of \$149,288 from the scheme through the electronic trading system provided by Alchemy. The Latvian trader engaged in similar manipulative trading through other unregistered firms and generated total profits of more than \$850,000 from 159 account intrusions between June 2009 and August 2010.

21. As a result of providing electronic order-taking and order-routing services that the Latvian trader used to conduct an illegal market manipulation scheme, Alchemy received \$28,502.59 in commissions and other profits during the relevant period.

22. By extending market access to traders through the Canadian entity in the manner described above, including through participating in the order-taking and order-routing process, extending credit in connection with securities transactions, handling customer funds and securities, and allocating trades conducted by the traders against the Canadian entity’s risk deposit, Alchemy engaged in the business of effecting transactions in securities for the account of others.

23. As described above, Rogers and Hotovec each was aware of his role in furthering improper or illegal activity by Alchemy and provided substantial assistance to Alchemy in connection with conduct that constituted a violation of the federal securities laws.

Violations

24. As a result of the conduct described above, Alchemy willfully violated Section 15(a) of the Exchange Act, which prohibits certain persons and entities, while acting as brokers, from effecting transactions in securities when such person or entity is not registered with the Commission as a broker.

25. As a result of the conduct described above, Rogers and Hotovec willfully aided and abetted and caused Alchemy’s violation of Section 15(a) of the Exchange Act, which prohibits

certain persons and entities, while acting as brokers, from effecting transactions in securities when such person or entity is not registered with the Commission as a broker.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

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

A. Respondents Alchemy, Rogers, and Hotovec shall cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

B. Respondents Alchemy, Rogers, and Hotovec are censured.

C. Respondent Alchemy shall, within 30 days of the entry of this Order, pay disgorgement of \$28,502.59 and prejudgment interest of \$2,514.59 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment 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 Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Alchemy Ventures, Inc. as a Respondent in these proceedings and the file number of these proceedings, a copy of which cover letter and check, money order, or wire transfer confirmation shall be sent to Jina L. Choi, Market Abuse Unit, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, 28th Floor, San Francisco, CA 94104.

D. Respondent Alchemy shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$75,000 to the United States Treasury. If timely payment is not made, interest shall accrue pursuant to 31 U.S.C. Section 3717. Such payment 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 Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Alchemy Ventures, Inc. as a Respondent in these proceedings and the file number of these proceedings, a copy of which cover letter and check, money order, or wire transfer confirmation shall be sent to Jina L. Choi, Market Abuse Unit, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, 28th Floor, San Francisco, CA 94104.

E. Respondent Rogers shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$35,000 to the United States Treasury. If timely payment is not made, interest shall accrue pursuant to 31 U.S.C. Section 3717. Such payment 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 Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Mark H. Rogers as a Respondent in these proceedings and the file number of these proceedings, a copy of which cover letter and check, money order, or wire transfer confirmation shall be sent to Jina L. Choi,

Market Abuse Unit, Division of Enforcement, Securities and Exchange Commission, 44
Montgomery Street, 28th Floor, San Francisco, CA 94104.

F. Respondent Hotovec shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$35,000 to the United States Treasury. If timely payment is not made, interest shall accrue pursuant to 31 U.S.C. Section 3717. Such payment 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 Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Steven D. Hotovec as a Respondent in these proceedings and the file number of these proceedings, a copy of which cover letter and check, money order, or wire transfer confirmation shall be sent to Jina L. Choi, Market Abuse Unit, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, 28th Floor, San Francisco, CA 94104.

By the Commission.

Elizabeth M. Murphy
Secretary