

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 73167 / September 22, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-16147

In the Matter of

STEVEN BERMAN,

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 Steven Berman (“Berman” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) that 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, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and 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:

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.

Summary

These proceedings arise out of a fraudulent scheme in which insiders of publicly-traded penny stock companies paid secret kickbacks to a purported corrupt hedge Fund Manager, who was in fact an undercover agent with the Federal Bureau of Investigation (“Fund Manager”), in exchange for the Fund Manager’s purchase of restricted stock of the penny stock companies on behalf of his purported hedge fund (“the Fund”), which did not actually exist.

Respondent

1. Respondent, age 51, a resident of Hillsboro, Ohio, was the Chief Executive Officer and President of China Wi-Max Communications, Inc. (“China Wi-Max”). During the period July 22, 2011 through August 11, 2011, Respondent participated in an offering of China Wi-Max stock, which is a penny stock. Respondent pleaded guilty on April 12, 2013 to one count of conspiracy to commit securities fraud in *U.S. v. Steven Berman, et al.*, CR 11-10415-NMG (D. Mass.), and was sentenced on July 16, 2013 to 18 months’ imprisonment to be followed by 12 months’ supervised release. He was also ordered to pay a fine of \$4,000 and to forfeit \$16,000.

Other Relevant Entities and Individuals

2. China Wi-Max Communications, Inc. is a communications company incorporated in Nevada and based in Grafton, Wisconsin whose securities had been registered with the Commission under Exchange Act Section 12(g) and whose common stock was publicly quoted on the OTC Markets. The Commission, pursuant to Exchange Act Section 12(j), revoked the registration of China Wi-Max’s securities on September 30, 2013 for failure to make required periodic filings, and its stock was delisted by OTC Markets on September 20, 2013.

3. James Prange (“Prange”), age 62, a resident of Greenbush, Wisconsin, operated Northern Equity, Inc. and was in the business of assisting public companies in finding sources of funding. On May 3, 2013, after a jury trial, Prange was convicted of three counts of conspiracy to commit securities fraud and eight counts of wire fraud in *U.S. v. James Prange, et al.*, 11-CR-10415-NMG (D. Mass.). On September 25, 2013, Prange was sentenced to 30 months’ imprisonment to be followed by 24 months’ supervised release. He was also ordered to pay a fine of \$15,250 and to forfeit \$4,750.

4. Richard Kranitz (“Kranitz”), age 70, a resident of Grafton, Wisconsin and an attorney who has performed services as a securities lawyer, was a member of the Board of Directors of China Wi-Max. Kranitz pleaded guilty on April 15, 2013 to one count of conspiracy to commit securities fraud in *U.S. v. Richard Kranitz, et al.*, 11-CR-10415-NMG (D. Mass.) and was sentenced on July 17, 2013 to 18 months’ imprisonment to be followed by 12 months’ supervised release. He was also ordered to pay a fine of \$4,000. In light of his criminal conviction, Kranitz’s license to practice law in Wisconsin has been suspended for the period August 2013 through August 2015.

5. Edward Henderson (“Henderson”), age 71, is a resident of Lincoln, Rhode Island. During the period relevant to this Order, Henderson held himself out as a “promoter” or

“finder” for small companies seeking venture capital or other sources of funding. On January 11, 2012, Henderson pleaded guilty to one count of wire fraud in *U.S. v. Edward Henderson*, 11-CR-10393-WGY (D. Mass.). On November 26, 2013, Henderson was sentenced to one year’s probation and was ordered to forfeit \$12,650.

Background

6. On or about July 13, 2011, Prange, Henderson and Berman participated in a conference call during which they discussed the possibility of the Fund Manager’s investing Fund monies in China Wi-Max stock in exchange for a secret fifty percent kickback of the invested monies.

7. On or about July 13, 2011, Prange, Henderson and Kranitz had a separate telephone conference call. During that call, Prange, Henderson and Kranitz discussed the possibility of the Fund Manager’s investing Fund monies in China Wi-Max stock in exchange for a secret fifty percent kickback of the invested monies.

8. On or about July 22, 2011, Prange and Berman met with the Fund Manager and Henderson (the "July 22 Meeting"). The Fund Manager explained to Berman that he was prepared to invest Fund monies of up to \$5 million in exchange for a secret fifty percent kickback to the Fund Manager, enabling the Fund Manager to keep for himself half of the money he was supposedly investing on behalf of the Fund. Berman indicated that he was willing to enter the kickback arrangement.

9. At the July 22 Meeting, the Fund Manager also discussed the mechanics of the funding, informing Berman that while the Fund Manager could commit to an investment of \$5 million of the Fund's money, with \$2.5 million being kicked back to the Fund Manager, the Fund Manager did not want to invest the entire amount at once. Therefore, the Fund Manager told Berman, he would invest the money over time, in tranches, or installments, of increasing amounts.

10. At the July 22 Meeting, the Fund Manager further discussed with Berman the mechanics of how monies would be kicked back to the Fund Manager. The Fund Manager arranged with Berman that China Wi-Max would execute a consulting agreement with one of the nominee consulting companies that the Fund Manager purportedly controlled, even though the Fund Manager told Berman that he would not actually provide any consulting services. Berman also was told that invoices would be issued by one of the Fund Manager’s nominee companies in order to disguise the kickbacks.

11. On or about July 25, 2011, Prange, Berman, Kranitz and the Fund Manager had a telephone conference call during which Berman, Kranitz and the Fund Manager discussed the mechanics of the kickback transaction. Specifically, they discussed that Kranitz would prepare documentation to accompany the kickback transaction, including a consulting agreement between China Wi-Max and one of the Fund Manager's nominee companies.

12. On various dates between July 26, 2011 and September 5, 2011, Kranitz sent the Fund Manager documents related to the kickback transaction, including a consulting agreement between China Wi-Max and one of the Fund Manager's nominee consulting companies and stock purchase agreements between China Wi-Max and the Fund.

13. On or about July 28, 2011, \$32,000.01 was sent by wire transfer from a bank account maintained in Massachusetts, purportedly belonging to the Fund, to a China Wi-Max corporate bank account outside of Massachusetts. This wire transfer represented the first tranche of funding to China Wi-Max.

14. On or about August 1, 2011, Berman and Kranitz caused \$16,000 to be sent by wire transfer from a China Wi-Max corporate bank account outside of Massachusetts to a Citizens Bank account held in the name of one of the Fund Manager's nominee companies in Massachusetts. This wire transfer represented Berman's and Kranitz's kickback to the Fund Manager from the first tranche of funding to China Wi-Max.

15. On or about August 11, 2011, Berman and Kranitz caused a stock certificate representing the purchase by the Fund of China Wi-Max shares to be sent to the Fund Manager.

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

IV.

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

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

- A. Respondent Berman shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.
- B. Respondent Berman be, and hereby is:

prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]; and

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.

Jill M. Peterson
Assistant Secretary