

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 76398 / November 9, 2015**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16950**

**In the Matter of**  
  
**SHAILEISH SHAH,**  
  
**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 Shaileish Shah (“Shah” 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 finds<sup>1</sup> that:

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<sup>1</sup> 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 49, a resident of Chino, California, was the President and Chief Executive Officer ("CEO") of SOHM, Inc. (“SOHM”), a publicly traded company that manufactures and distributes generic pharmaceuticals in emerging markets in Asia, Africa, and Latin America. Shah was also the President and CEO of Costas, Inc. (“Costas”), a publicly traded company that provided digital media consulting and other services. Respondent participated in offerings of SOHM and Costas stock, which are penny stocks. Respondent was charged by criminal information with two counts each of mail fraud and wire fraud on May 8, 2014 and pleaded guilty to all counts on July 18, 2014 in *U.S. v. Shah*, 14-CR-10136-RGS (D. Mass.). On June 23, 2015, Shah was sentenced to 18 months’ probation and, on June 25, 2015, was ordered to forfeit \$37,500.

## **Other Relevant Entities and Individuals**

2. SOHM, Inc. is a Nevada company with its principal place of business currently in Chino Hills, California. SOHM manufactures and distributes generic pharmaceuticals in emerging markets in Asia, Africa, and Latin America. The common stock of SOHM is publicly quoted on the OTC Link under the symbol “SHMN.”

3. Costas, Inc. is a Nevada company with its principal place of business currently in Tempe, Arizona. Costas purports to provide digital media consulting and other services in India and the United States. Its securities had been registered with the Commission under Exchange Act Section 12(g), but it filed a Form 15-12G on July 17, 2006 terminating its securities registration. The common stock of Costas is publicly quoted on OTC Link under the symbol “CSSI.”

4. Sandip Shah, age 41, is a resident of Chino, California. Sandip Shah was in the business of promoting penny stocks and assisting public companies in finding sources of funding. On May 8, 2014, Sandip Shah was indicted on nine counts of wire fraud in *U.S. v. Sandip Shah*, 14-CR-10135-NMG (D. Mass.). On May 15, 2015, a jury found him guilty of nine counts of wire fraud.

## **Background**

5. On or about April 14, 2011, Shailesh Shah (“Shah”) met with the Fund Manager, an individual who was serving as a cooperating witness for the Federal Bureau of

Investigation (“CW”), and Sandip Shah (the “April 14 SOHM Meeting”) to discuss a potential investment of the Fund's money in SOHM in exchange for a fifty percent kickback to the Fund Manager. At the April 14 SOHM Meeting, the Fund Manager informed Shah and Sandip Shah that the Fund Manager was a manager of an investment fund who was willing to invest money in companies in return for a fifty percent kickback that would go to the Fund Manager. Shah and Sandip Shah were told that the Fund was not to be informed of the kickbacks.

6. In particular, the Fund Manager told Shah and Sandip Shah during the April 14 SOHM meeting that he would invest \$5 million of the Fund's money in SOHM, but that he would invest the money over time, in "tranches" of increasing amounts. The Fund Manager also explained that, after SOHM received the Fund's money, fifty percent of the money would be kicked back by SOHM to a nominee company, which the Fund Manager controlled, and which had no relationship with the Fund. Even though the Fund Manager would provide no consulting services, SOHM would enter into a consulting agreement with the Fund Manager's nominee company to conceal the kickback payments. The Fund Manager explained that, in order to conceal the kickback payments, the nominee company would issue a series of invoices to SOHM for services that were never rendered.

7. After the Fund Manager had discussed the scheme, Shah agreed to enter into the kickback arrangement. Thereafter, Shah prepared the documents related to the scheme, including a consulting agreement with one of the Fund Manager's nominee companies, and sent the documents to the Fund Manager via e-mail.

8. On or about May 3, 2011, Shah participated in a conference call with the Fund Manager, CW, and Sandip Shah to discuss a potential investment of the Fund's money in Costas in exchange for a fifty percent kickback to the Fund Manager (the "May 3 Costas Call"). On the May 3 Costas Call, the Fund Manager again explained that after Costas received the Fund's money, fifty percent of the money would be kicked back to the Fund Manager.

9. After the Fund Manager had discussed the scheme, Shah agreed to enter into the kickback arrangement involving investments by the Fund in Costas. Thereafter, Shah prepared the documents related to the scheme, including a consulting agreement with one of the Fund Manager's nominee companies, and sent the documents to the Fund Manager via e-mail.

10. On various dates between on or about April 20, 2011 and on or about May 6, 2011, in accordance with wiring instructions provided by Shah, three payments of \$20,000.04, \$30,000, and \$25,000 – a total of approximately \$75,000 – were sent by wire transfer from a bank account maintained in Boston, Massachusetts purportedly belonging to the Fund to a corporate bank account of SOHM and a corporate bank account of Costas controlled by Shah.

11. On various dates between on or about April 21, 2011 and on or about May 9, 2011, Shah paid kickbacks of \$37,500 to the Fund Manager in three payments of \$10,000, \$15,000, and \$12,500, respectively, which Shah caused to be sent by wire transfer from a corporate bank account in the name of SOHM and a corporate bank account in the name of Costas to a bank

account in Boston, Massachusetts purportedly belonging to one of the Fund Manager's nominee companies.

12. On various dates between on or about April 21, 2011 and on or about May 10, 2011, Shah caused stock certificates representing the purchase by the Fund of 166,667 SOHM shares, 150,000 SOHM shares, and 35,715 Costas shares to be sent to the Fund Manager.

13. As a result of the conduct described above, Shah 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 Shah's Offer.

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

- A. Respondent Shah 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 Shah 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)] for a period of five (5) years from entry of this Order; 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, with the right to apply for reentry after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission. 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.

By the Commission.

Brent J. Fields  
Secretary