

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 77832 / May 13, 2016

INVESTMENT ADVISERS ACT OF 1940
Release No. 4387 / May 13, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17252

In the Matter of

STEPHAN VON HASE,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
15(b) OF THE SECURITIES EXCHANGE
ACT OF 1934, AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940
AND NOTICE OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”), against Stephan von Hase (“Respondent” or “von Hase”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Respondent Stephan Gottfried von Hase (“von Hase”) is a German citizen who, on information and belief, maintains a residence in Nassau, Bahamas. As detailed below, von Hase, through his company CTA Worldwide Services, S.A. (“CTA”), served as the distribution agent for several of the penny stocks sold through the boiler room operation that he owned and operated. At all times, von Hase was the sole shareholder and officer of CTA, which was his alter ego. During the relevant period, von Hase was also the president of Chicago-based Marblehead Financial Group, Inc. (“Marblehead”), an investment adviser registered with the State of Illinois.

Prior to his association with Marblehead and CTA Worldwide, von Hase was associated with various securities and commodities firms. From 1990 through 1998 he served as a registered representative, and as the resident manager, of Merrill Lynch International Bank in Berlin, Germany. According to CRD records, von Hase is not currently associated with a registered broker-dealer.

B. ENTRY OF INJUNCTION

2. On February 22, 2016, following von Hase's default in the civil action entitled United States Securities and Exchange Commission v. Stefan H. Bengler, et al., Civil Action Number 1:09-CV-00676, in the United States District Court for the Northern District of Illinois, the Court entered a final judgment against him, permanently enjoining him from future violations of Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder, and Section 17(a) of the Securities Act of 1933. The entry of that Final Judgment followed the Court's granting of the Commission's motion for a default judgment against von Hase.

3. The Commission's Complaint in that matter alleged that defendants, including von Hase, conceived, structured and carried out an elaborate boiler room scheme that enrich themselves and their boiler room operatives while defrauding investors. The Commission alleged that Defendants, including von Hase, concealed their involvement in the operation and insulated themselves from the fallout when the defrauded investors learned that most of their investment proceeds were being siphoned to defendants and those whom they hired in furtherance of the boiler room operation. Specifically, the Commission's Complaint alleged:

- In 2008, von Hase contracted to purchase a boilerroom operation pursuant to which he agreed to pay \$2.5 million over a defined period of time. In addition to taking ownership of the operation, he also served as a "distribution agent" in the scheme. That scheme involved the offer and sale of "Regulation S" stock in several penny stock issuers ("Issuers"). "Regulation S" provides an exemption from registration with the Commission for securities offerings in which (among other things) all investors are located outside the United States. Stock sold under this exemption is sometimes referred to as "Regulation S stock." All but one of the Issuers were based in the United States and, with limited exception, the stock for each of the Issuers was quoted through the OTC Bulletin Board or "Pink Sheets" in the United States. During the relevant period, the stock of most if not all of the Issuers traded at prices under \$5 per share and otherwise met the definition of a "penny stock" under the federal securities laws.
- As the distribution agent, von Hase helped plan and facilitate the penny stock offerings. He helped prepare, distribute, and process the three contract documents used in the offerings: an escrow agreement, a distribution agreement and a share purchase agreement. After identifying penny stock companies willing to participate in Regulation S stock offerings, von Hase provided these companies with distribution agreements. In these agreements, von Hase offered to deploy his overseas boiler room sales force to sell the

company's shares to foreign investors in exchange for sales commissions exceeding 60%.

- Von Hase carefully hid from investors his involvement in the offerings and his commissions. In at least one email, von Hase reminded one Issuer that the investor “does not know any think [sic] about CTA or myself, please keep it so.” Although the distribution agreement spelled out the identity and responsibilities of von Hase, and detailed his exorbitant commissions, neither the distribution agreement nor the information in it was ever disclosed to investors. To the contrary, the only document provided to investors—the share purchase agreement—falsely represented that investors would be charged only a nominal fee (no more than 1%) and that the rest of their investment money would go to the Issuers.
- Von Hase hired a network of sales agents located outside the United States to solicit investments in the Issuers' stock from overseas investors. These boiler room operators preyed largely upon less sophisticated foreign investors, including elderly Europeans, employing high pressure sales tactics and myriad misrepresentations to induce the purchase of these restricted stocks.
- Some of the boiler rooms retained by von Hase were featured on a warning list, compiled and published by the United Kingdom's Financial Services Authority, of firms that were both suspected of boiler room activity and were not authorized to do business in the United Kingdom. Perhaps in an effort to keep the investors from learning of this information, during their cold call sales pitches some of the agents falsely claimed to work for legitimate U.K.-based brokerage firms.
- Von Hase took great pains to maintain their anonymity and that of their offshore boiler room agents. The boiler room sales agents used aliases in their dealings with investors. Sales agents routinely told prospective investors that they worked for companies that either did not exist or that existed but with whom the agents had no affiliation. The agents maintained offshore bank accounts located in countries known for their strong bank secrecy laws. In addition to having a pre-existing network of international sales agents, many of whom were the same as those previously used by von Hase's predecessor distribution agent, von Hase tried to recruit agents through internet postings. He assured at least one potential agent that he would help them both establish leads and set up the technology needed to obscure the location from which their calls were originating.
- Von Hase had regular contact with the overseas sales agents. He supplied them with information about the Issuers to be used in their sales pitches to investors.

- After an individual agreed to invest in the Regulation S stock, the investor was sent a share purchase agreement (sometimes called an “SPA”) documenting the purchase. In most cases, the SPA directed the investor to send his or her investment funds and portions of the signed SPA to a designated escrow agent. The SPAs were generally the only documents provided to investors in connection with their purchases. Von Hase used U.S.-based escrow agents – including an American law firm, which gave investors an added measure of security and comfort about their overseas investment. The escrow agent received and processed investors' signed SPAs; received investor funds into escrow accounts in the United States; disbursed investor funds to the Issuers and others receiving sales commissions; and sent share certificates to investors to finalize their purchases of Issuer stock. In exchange, the escrow agents received commission payments.
- The purchase and sale of each Regulation S stock transaction occurred in the United States, where the escrow agents and all but one of the Issuers were located.
- Pursuant to the language in the distribution and escrow agreements, the Escrow Agent disbursed more than 60% of the investor proceeds to themselves, the boiler room operators, and von Hase, while remitting less than 40% of the proceeds to the Issuers. This distribution of the investor proceeds was hidden from the defrauded investors, who instead were led to believe by the SPAs and the boiler room agents that all of their investments would go to the Issuer less a nominal transaction fee.
- Von Hase raised at least \$16.7 million from investors through these penny stock offerings. Of that amount, Von Hase received, either directly or indirectly through CTA, over \$6 million in commissions.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

- A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and
- B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act.
- C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served upon von Hase as provided for in Rule 141(a)(2)(iv) of the Commission's Rules of Practice, 17 C.F.R § 201.141(a)(2)(iv), by any method specified in paragraph (a)(2) of that rule, or by any other method reasonably calculated to give notice, provided that the method of service used is not prohibited by the law of the foreign country where von Hase may be found

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields
Secretary