

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10698 / September 25, 2019

SECURITIES EXCHANGE ACT OF 1934
Release No. 87113 / September 25, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19522

In the Matter of

CHIP HACKLEY

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933 AND 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 Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Chip Hackley (“Hackley” 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, 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 Section 8A of the Securities Act of 1933, and 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

From at least December 2016 through May 2017, Hackley, George Matin ("Matin"), Harold Minsky ("Minsky") and Person 1, planned for, and engaged in, a scheme to manipulate the stock price of Holy Grail Company ("HGRL"), a microcap issuer. Hackley and the others entered into an illicit agreement with an individual secretly cooperating with the Federal Bureau of Investigation ("CI"), whom they believed was aligned with a network of corrupt registered representatives willing to purchase large volumes of microcap stock in exchange for cash kickbacks. Hackley, Matin, Minsky and Person 1 agreed to pay the CI and his group of registered representatives a 40% kickback in exchange for the registered representatives buying HGRL stock in trades matched with sales from a brokerage account controlled by Person 1. To ensure that the matched trading would be executed smoothly and the kickback paid, Hackley agreed to conduct a small test transaction with the CI. Based, in part, on this test transaction, the Commission suspended trading in the securities of HGRL before any additional illicit trading occurred.

Respondent

1. Hackley, age 48, resides in Manhattan Beach, California. From approximately 2001 through 2009, Hackley was associated with several broker-dealers registered with the Commission and worked in various capacities, including a registered representative. Currently, Hackley is the principal of a purported investor relations firm. Hackley participated in offerings of HGRL stock, which is a penny stock.

Other Relevant Individuals and Entities

2. Minsky, age 80, resides in North Ridge, California. From approximately 1989 through 2013, Minsky was associated with several broker-dealers registered with the Commission and worked in various capacities, including as a registered representative.

3. Matin, age 60, resides in Los Angeles, California. Matin has been involved with various companies throughout the years that provided fund raising services for public companies in the microcap space.

4. HGRL is a Nevada corporation with its principal offices in Temecula, California. HGRL purports to manufacture, market and sell hemp and cannabis based products. Until the Commission's order suspending trading in HGRL's securities, its stock was quoted on OTC Link. HGRL's common stock is not registered with the Commission.

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.

The Scheme to Manipulate the Market for HGRL Stock

5. In December 2016, Matin and Minsky introduced the CI to Hackley, an undisclosed control person of HaenepSource, LLC. (“Haenep”), a privately held company purportedly in the hemp and cannabis business. Matin and Minsky participated in a past manipulative scheme with the CI and understood that the CI had connections to corrupt registered representatives who could purchase microcap stock through their discretionary customer brokerage accounts in exchange for cash kickbacks. Hackley and Matin informed the CI that they were merging Haenep into a publicly traded shell company and wanted the CI to create a “liquidity event” for a few friends and family members who invested in the company – in other words, to help manipulate the stock price so they could dump their shares in the public market.

6. In January of 2017, Hackley and Matin agreed to purchase FlexWeek, Inc. (“FXWK”), a publicly traded shell company controlled by Person 1. The parties agreed that Person 1 would sell the shell for approximately \$220,000, which would be paid through the sales of HGRL stock at the anticipated inflated prices. In order to ensure the success of the manipulation, the CI wanted to confirm that Hackley, Matin, Minsky and Person 1 controlled almost all of the free trading HGRL shares. Hackley provided the CI with the HGRL shareholder list and identified the HGRL shares in the group’s control that would be used for the planned manipulative trading. On February 24, Haenep announced its merger with FXWK, and the company’s name was changed to Holy Grail Company (“HGRL”) on March 24.

7. Hackley, Matin and Minsky had detailed discussions with the CI as to how the structure of the manipulation would operate. Specifically, the CI would direct his network of corrupt registered representatives to purchase HGRL stock in prearranged matched trades in exchange for a kickback equal to 40% of the gross proceeds of the HGRL stock sales. Hackley, Matin, Minsky and Person 1 controlled almost all of the free trading HGRL shares and intended to sell up to 5 million of those shares via matched trades with CI.

8. Over the course of several months, Hackley, Matin, and Minsky and the CI continued to discuss the plan to manipulate the market of HGRL, and Hackley indicated to the CI that he wanted the HGRL share price to reach \$2.00 or \$3.00. At the time, HGRL stock sporadically traded at around \$0.55.

9. To ensure the illicit scheme would be executed as planned, Hackley and the others agreed with the CI to execute a small test trade of HGRL stock. Hackley and the CI agreed that the test trade would be executed through a brokerage account controlled by Person 1. On May 12, 2017, Hackley and Person 1 prearranged a matched trade of HGRL shares with the CI agreeing upon the size, price and timing of the trade.

10. After the test trade, Minsky collected half of the kickback payment from Hackley and half from Matin, and on May 19, 2017, Minsky wired the kickback equal to approximately 40% of sale proceeds from the HGRL test trade to the CI.

11. With the kickback paid, Hackley, Matin, Minsky and Person 1 intended to accelerate their matched trading scheme with CI the following trading day. However, on May 22, 2017, before the market opened, the Commission suspended trading in the securities of HGRL.

Violations

12. As a result of the conduct described above, Hackley willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

13. As a result of the conduct described above, Hackley willfully violated Section 9(a)(1) of the Exchange Act, which prohibits any person, directly or indirectly, for the purpose of creating a false or misleading appearance of active trading in any security other than a government security, or a false or misleading appearance with respect to the market for any such security, to effect any transaction in such security which involves no change in the beneficial ownership thereof, to enter an order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or to enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

IV.

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

Accordingly, pursuant to Section 8A of the Securities Act, and Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent Hackley shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Sections 9(a)(1) and 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Hackley be, and hereby is 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.

Vanessa A. Countryman
Secretary