

1 DAVID J. VAN HAVERMAAT (Cal. Bar No. 175761)
Email: vanhavermaatd@sec.gov
2 MELISSIA BUCKHALTER-HONORE (LA. Bar No. 23249)
Email: buckhalter-honorem@sec.gov
3 SPENCER E. BENDELL (Cal. Bar No. 181220)
Email: bendells@sec.gov

4 Attorneys for Plaintiff
5 Securities and Exchange Commission
Michele Wein Layne, Regional Director
6 Alka N. Patel, Associate Regional Director
Amy J. Longo, Regional Trial Counsel
7 444 S. Flower Street, Suite 900
Los Angeles, California 90071
8 Telephone: (323) 965-3998
Facsimile: (213) 443-1904

9
10 **UNITED STATES DISTRICT COURT**
11 **DISTRICT OF NEVADA**

12
13
14 **SECURITIES AND EXCHANGE**
COMMISSION,

15 **Plaintiff,**

16 **vs.**

17
18 **QUICKSILVER STOCK TRANSFER,**
LLC and ALAN SHINDERMAN,

19 **Defendants.**

Case No. 2:18-cv-00131

20 **COMPLAINT**

21
22 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

23 **JURISDICTION AND VENUE**

24 1. This Court has jurisdiction over this action pursuant to Sections 21(d)(1),
25 21(d)(3)(A), 21(e), and 27 of the Securities Exchange Act of 1934 (the “Exchange
26 Act”), 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e), and 78aa.

27 2. Defendants have, directly or indirectly, made use of the means or
28 instrumentalities of interstate commerce, of the mails, or of the facilities of a national

1 securities exchange, in connection with the transactions, acts, practices, and courses
2 of business alleged in this complaint.

3 3. Venue is proper in this district pursuant Section 27 of the Exchange Act,
4 15 U.S.C. § 78aa, because certain of the transactions, acts, practices, and courses of
5 conduct constituting violations of the federal securities laws occurred within this
6 district and because defendant Alan Shinderman (“Shinderman”) resides in this
7 district and defendant Quicksilver Stock Transfer, LLC (“Quicksilver”) is
8 headquartered in this district.

9 **SUMMARY**

10 4. This matter involves fraud by Quicksilver, an SEC-registered transfer
11 agent, and Shinderman, its principal and sole owner. Quicksilver and Shinderman
12 misappropriated funds provided by an issuer-client of Quicksilver that were supposed
13 to go to shareholders. In addition, Quicksilver also untimely filed an independent
14 accountant’s report with the SEC.

15 5. In August of 2013, Quicksilver received wire transfers totaling
16 \$1,450,000 for the benefit of China Energy Corporation (“China Energy”), one of
17 Quicksilver’s issuer-clients. The funds were to be transferred to Depository Trust &
18 Clearing Corporation (“DTCC”) to be disbursed to certain of China Energy’s
19 shareholders who participated in a reverse stock split and going private transaction by
20 China Energy.

21 6. Shinderman diverted approximately \$630,000 of the funds received for
22 the benefit of China Energy and its shareholders for his own benefit. Of the
23 misappropriated funds, Shinderman used \$500,000 without authorization to make an
24 investment for the benefit of Quicksilver on August 23, 2013. The investment was a
25 short-term loan to a Nevada real estate investment company that was to repay
26 Quicksilver with a 5% return in four days.

27 7. The borrower on the short-term loan, however, did not repay the
28 principal or pay the interest on time. Consequently, Quicksilver and Shinderman

1 failed to forward China Energy's funds (other than approximately \$35,000 out of the
2 \$1,450,000) to DTCC when requested. Despite repeated requests from China Energy
3 and DTCC to pay the full amount to DTCC for the benefit of China Energy's
4 shareholders, Quicksilver and Shinderman only made a series of partial payments
5 over six weeks.

6 8. After threatening to sue the real estate investment company to recover
7 the loan principal, Quicksilver and Shinderman finally recovered the \$500,000 from
8 the real estate investment company on October 23, 2013. Shinderman caused
9 Quicksilver to forward \$500,000 to DTCC that same day. Quicksilver made the final
10 payment of the misappropriated funds to DTCC on November 6, 2013.

11 9. By misappropriating client funds for their own benefit, Quicksilver and
12 Shinderman violated the antifraud provisions of Section 10(b) of the Exchange Act
13 and Rules 10b-5(a) and (c) thereunder.

14 10. In addition, Quicksilver violated, and Shinderman aided and abetted
15 Quicksilver's violations of, Section 17A(d)(1) of the Exchange Act and Rule 17Ad-
16 12 thereunder, which require transfer agents that have possession or custody of funds
17 related to its transfer agent activities to assure that all such funds are protected against
18 misuse.

19 11. Quicksilver also violated, and Shinderman aided and abetted
20 Quicksilver's violations of, Rule 17Ad-13 under the Exchange Act, which requires
21 transfer agents to file annually with the SEC an independent accountant's report
22 concerning the transfer agent's system of internal accounting controls and related
23 procedures for the transfer of record ownership and the safeguarding of related
24 securities and funds. Quicksilver's report for the year ended December 31, 2013 was
25 required to be filed by March 31, 2014, but was not filed until January 13, 2015.

26 12. With this action, the SEC seeks permanent injunctions and civil penalties
27 against Quicksilver and Shinderman.
28

1 **THE DEFENDANTS**

2 13. **Quicksilver Stock Transfer, LLC** is a Nevada corporation
3 headquartered in Las Vegas, Nevada. Quicksilver has been registered with the SEC
4 as a transfer agent since August 8, 2007.

5 14. **Alan Shinderman** resides in Las Vegas, Nevada. Shinderman has been
6 the president and sole owner of Quicksilver since September 2008.

7 **THE ALLEGATIONS**

8 **A. Background**

9 15. China Energy is a China-based Nevada corporation that produces,
10 processes, and sells raw coal products in the People’s Republic of China. The
11 company was founded in 2000 and is based in Hohhot, People’s Republic of China.
12 China Energy was incorporated in Nevada on October 11, 2002. China Energy’s
13 corporate status went into default in October 2015, and the current status is listed as
14 revoked.

15 16. Quicksilver served as the transfer agent for China Energy in 2013.
16 Among the services that Quicksilver had agreed to provide China Energy were
17 issuing stock certificates and warrants, disbursing dividends, and holding all unpaid
18 and undisbursed funds unless instructed otherwise by China Energy.

19 17. In September 2013, China Energy effected a reverse stock split as part of
20 a going private transaction.

21 18. DTCC was responsible for the administration of funding for China
22 Energy’s stock redemption in connection with the reverse stock split.

23 19. In connection with the reverse stock split, Quicksilver was to pay DTCC
24 for shareholders who tendered their shares for redemption as part of the going private
25 transaction. To fund those payments, China Energy had wired a total of \$1,450,000
26 to Quicksilver’s bank account through three wire transfers between August 5 and
27 August 15, 2013. As part of the reverse stock split and redemption process, China
28 Energy instructed Quicksilver to forward the funds that Quicksilver was holding for

1 China Energy's benefit to DTCC to effect the redemptions.

2 20. Shinderman had sole signatory authority over Quicksilver's bank
3 account. Quicksilver's bank account had a balance of only approximately \$1,000
4 prior to receiving the first wire transfer of \$50,000 from China Energy on August 5,
5 2013.

6 21. On August 5, 2013, DTCC sent its first instruction to Quicksilver for a
7 payment of \$34,568.80. Two days later, Quicksilver received authorization from
8 China Energy to make that payment to DTCC, and two days after that, on August 9,
9 Quicksilver made the requested payment to DTCC by wire transfer.

10 22. On August 9, 2013, DTCC sent a second instruction for payment in the
11 amount of \$17,381.56. After subsequent discussions between DTCC and
12 Quicksilver, Quicksilver represented to DTCC that it would remit the entire balance
13 to DTCC once the reverse split was fully effective.

14 **B. Misappropriation of China Energy's Funds**

15 23. Quicksilver did not maintain in its bank account the balance of the funds
16 it had received from China Energy for the benefit of China Energy and its
17 shareholders. Rather, Quicksilver and Shinderman, without authorization by China
18 Energy, diverted over \$630,000 for their own uses, including \$500,000 to an
19 investment for the benefit of Quicksilver.

20 24. On August 23, Shinderman caused Quicksilver to make a \$500,000 loan
21 to First 100, LLC ("First 100"), a Nevada real estate investment company,
22 memorialized by a promissory note for the benefit of Quicksilver. China Energy did
23 not authorize the use of its funds for the loan to First 100.

24 25. The terms of the loan provided that Quicksilver was to be repaid the
25 entire amount of the principal along with \$25,000, a 5% return, after four days. First
26 100, however, failed to repay the loan on time.

27 26. In addition to the misappropriation of \$500,000 for the unauthorized
28 investment with First 100, Shinderman also caused Quicksilver to make improper

1 payments to other entities and individuals with China Energy funds from
2 Quicksilver's bank account, without authorization from China Energy. Those
3 unauthorized payments included: (a) a payment of \$51,000 to an entity unrelated to
4 China Energy on August 5, 2013, the same day that Quicksilver received the initial
5 wire transfer of \$50,000 from China Energy; (b) payments totaling \$33,222.14 to
6 another entity unrelated to China Energy Corporation in August and September 2013;
7 (c) \$10,350 to Shinderman's landlord on August 26, 2013; and (d) other payments
8 and withdrawals by Shinderman unrelated to China Energy totaling over \$36,900 in
9 August and September 2013.

10 27. By August 30, 2013, Quicksilver's bank account that had received the
11 \$1,450,000 wire from China Energy to effect its stock redemptions had a balance of
12 only \$819,563.11.

13 28. China Energy's reverse stock split became effective on September 18,
14 2013. On that same date, DTCC sent instructions to Quicksilver to make a final
15 payment to DTCC in the amount of \$1,247,465.38, which included the \$17,381.56
16 payment Quicksilver had previously not remitted.

17 29. Because it had diverted substantial amounts of China Energy's funds to
18 make the loan to First 100 and for other improper and undisclosed purposes,
19 Quicksilver and Shinderman did not have funds available to make the required
20 payment to DTCC. Therefore, instead of immediately paying the required funds to
21 DTCC on behalf of China Energy, Quicksilver made a series of partial payments to
22 DTCC over the course of six weeks. Quicksilver paid \$500,000 on October 2, and
23 \$220,500 on October 4, 2013.

24 30. Shinderman made a series of misrepresentations in responding to
25 multiple inquiries from China Energy and DTCC regarding the reasons for the delay
26 in returning China Energy's funds. For example, on October 21, 2013, Shinderman
27 falsely represented to DTCC that he was encountering difficulties with his bank in
28 getting a wire to DTCC to go through, when in fact he did not have sufficient funds in

1 his account to make the payment because he had not yet recouped the \$500,000 from
2 First 100.

3 31. After First 100 failed to pay the principal or interest on the loan,
4 Quicksilver threatened to sue First 100 to recover the amounts due. Quicksilver and
5 First 100 entered into a settlement agreement whereby First 100 paid Quicksilver the
6 \$500,000 principal back, without interest, on October 23, 2013.

7 32. On October 23, 2013, upon recovering the \$500,000 loan principal from
8 First 100, Quicksilver paid \$500,000 to DTCC. Quicksilver paid the outstanding
9 balance of \$26,902.38 to DTCC on November 6, 2013.

10 **C. Failure to File Timely Accountant's Report**

11 33. Rule 17Ad-13 of the Exchange Act requires all transfer agents to file
12 annually with the SEC an independent accountant's report concerning the transfer
13 agent's system of internal accounting control and related procedures for the transfer
14 of record ownership and the safeguarding of related securities and funds.

15 34. Quicksilver untimely filed an independent accountant's report required
16 by Rule 17Ad-13 with the SEC on January 13, 2015, for the period ending December
17 31, 2013. The accountant's report was required to be filed by March 31, 2014, but
18 was not filed until January 13, 2015. As the principal of Quicksilver, Shinderman
19 was responsible for the untimely filing of the accountant's report.

20 **FIRST CLAIM FOR RELIEF**

21 **Fraud in the Connection with the Purchase and Sale of Securities**

22 **Violations of Section 10(b) of the Exchange Act and**

23 **Rules 10b-5(a) and (c) Thereunder**

24 **(against Defendants Quicksilver and Shinderman)**

25 35. The SEC realleges and incorporates by reference paragraphs 1 through 34
26 above.

27 36. As alleged above in paragraphs 15 through 32, defendants Quicksilver and
28 Shinderman misappropriated China Energy's funds for their own undisclosed and

1 unauthorized purposes and failed to transfer funds timely to DTCC for the benefit of
2 China Energy's shareholders.

3 37. By engaging in the conduct described above, defendants Quicksilver and
4 Shinderman, directly or indirectly, in connection with the purchase or sale of a security,
5 and by the use of means or instrumentalities of interstate commerce, of the mails, or of
6 the facilities of a national securities exchange, with scienter: (a) employed devices,
7 schemes, or artifices to defraud; and (b) engaged in acts, practices, or courses of
8 business which operated or would operate as a fraud or deceit upon other persons.

9 38. By engaging in the conduct described above, defendants Quicksilver and
10 Shinderman violated, and unless enjoined will continue to violate, Section 10(b) of the
11 Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a) and (c) thereunder, 17 C.F.R. §§
12 240.10b-5(a) and (c).

13 **SECOND CLAIM FOR RELIEF**

14 **Transfer Agent's Failure to Safeguard Funds**
15 **Violations of Section 17A(d)(1) of the Exchange Act**
16 **and Rule 17Ad-12 Thereunder**
17 **(against Defendant Quicksilver)**

18 39. The SEC realleges and incorporates by reference paragraphs 1 through 34
19 above.

20 40. As alleged above in paragraphs 15 through 32, defendant Quicksilver,
21 while acting as a transfer agent, failed to safeguard client funds and misappropriated
22 client funds for its own benefit.

23 41. By engaging in the conduct described above, defendant Quicksilver,
24 directly or indirectly, engaged in activities as a transfer agent in contravention of rules
25 promulgated by the SEC, and did not maintain reasonable safeguards for funds and
26 securities for each issue of securities for which it performed stock transfer functions.

27 42. By engaging in the conduct described above, defendant Quicksilver
28 violated, and unless enjoined will continue to violate, Section 17A(d)(1) of the

1 Exchange Act, 15 U.S.C. § 78q-1(d)(1), and Rule 17Ad-12 thereunder, 17 C.F.R. §
2 240.17Ad-12.

3 **THIRD CLAIM FOR RELIEF**

4 **Failure to File Timely Annual Study and**

5 **Evaluation of Internal Accounting Control**

6 **Violation of Rule 17Ad-13 under the Exchange Act**

7 **(against Defendant Quicksilver)**

8 43. The SEC realleges and incorporates by reference paragraphs 1 through 34
9 above.

10 44. As alleged above in paragraphs 33 and 34, defendant Quicksilver did not
11 timely file an independent accountant's report with the SEC for the period ending
12 December 31, 2013, which was required to be filed by March 31, 2014, but was not
13 filed until January 13, 2015.

14 45. By engaging in the conduct described above, defendant Quicksilver failed
15 to file timely its annual independent accountant's report with the SEC concerning
16 Quicksilver's system of internal accounting controls and related procedures for the
17 transfer of record ownership and safeguarding of related securities and funds.

18 46. By engaging in the conduct described above, defendant Quicksilver
19 violated, and unless enjoined will continue to violate, Rule 17Ad-13 under the
20 Exchange Act, 17 C.F.R. § 240.17Ad-13.

21 **FOURTH CLAIM FOR RELIEF**

22 **Aiding and Abetting Violations of Section 17A(d)(1) of the Exchange Act**

23 **and Rules 17Ad-12 and 17Ad-13 Thereunder**

24 **(against Defendant Shinderman)**

25 47. The SEC realleges and incorporates by reference paragraphs 1 through 34
26 above.

27 48. As alleged above in paragraphs 15 through 32, defendant Quicksilver,
28 directly or indirectly, engaged in activities as a transfer agent in contravention of rules

1 promulgated by the SEC, and did not maintain reasonable safeguards for funds and
2 securities for each issue of securities for which it performed stock transfer functions.
3 As alleged above in paragraphs 33 and 34, defendant Quicksilver failed to file timely its
4 annual independent accountant's report with the SEC concerning Quicksilver's system
5 of internal accounting controls and related procedures for the transfer of record
6 ownership and safeguarding of related securities and funds.

7 49. As alleged above in paragraphs 15 through 34, pursuant to Section 20(e)
8 of the Exchange Act, 15 U.S.C. § 78t(e), defendant Shinderman knowingly or
9 recklessly provided substantial assistance to, and thereby aided and abetted
10 Quicksilver in its violations of, and unless enjoined will continue to aid and abet
11 violations of, Section 17A(d)(1) of the Exchange Act and Rules 17Ad-12 and 17Ad-
12 13 thereunder.

13 **PRAYER FOR RELIEF**

14 WHEREFORE, the SEC respectfully requests that the Court:

15 **I.**

16 Issue findings of fact and conclusions of law that defendants Quicksilver and
17 Shinderman committed the alleged violations.

18 **II.**

19 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
20 Civil Procedure, permanently enjoining defendants Quicksilver and Shinderman, and
21 their officers, agents, servants, employees, and attorneys, and those persons in active
22 concert or participation with any of them, who receive actual notice of the judgment by
23 personal service or otherwise, and each of them, from violating Sections 10(b) and
24 17A(d)(1) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78q-1(d)(1), and Rules 10b-
25 5(a) and (c), 17Ad-12, and 17Ad-13 thereunder, 17 C.F.R. §§ 240.10b-5(a) and (c),
26 240.17Ad-12, and 240.17Ad-13.

27 **III.**

28 Order defendants Quicksilver and Shinderman to pay civil penalties under

1 Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

2 **IV.**

3 Retain jurisdiction of this action in accordance with the principles of equity and
4 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
5 all orders and decrees that may be entered, or to entertain any suitable application or
6 motion for additional relief within the jurisdiction of this Court.

7 **V.**

8 Grant such other and further relief as this Court may determine to be just and
9 necessary.

10 Dated: January 24, 2018

/s/ David J. Van Havermaat

David J. Van Havermaat

Attorneys for Plaintiff

Securities and Exchange Commission

Commencement of an Action, Etc.[2:18-cv-00131 Securities and Exchange Commission v. Shinderman et al](#)**United States District Court****District of Nevada****Notice of Electronic Filing**

The following transaction was entered by Van Havermaat, David on 1/24/2018 at 1:33 PM PST and filed on 1/24/2018

Case Name: Securities and Exchange Commission v. Shinderman et al

Case Number: [2:18-cv-00131](#)

Filer: Securities and Exchange Commission

Document Number: [1](#)

Docket Text:

COMPLAINT against All Defendants by Securities and Exchange Commission. Proof of service due by 4/24/2018. (Attachments: # (1) Civil Cover Sheet, # (2) Summons re Quicksilver Stock Transfer, LLC, # (3) Summons re Alan Shinderman)(Van Havermaat, David)

NOTICE of Certificate of Interested Parties requirement: Under Local Rule 7.1-1, a party must immediately file its disclosure statement with its first appearance, pleading, petition, motion, response, or other request addressed to the court.

2:18-cv-00131 Notice has been electronically mailed to:

David J Van Havermaat vanhavermaatd@sec.gov, himesm@sec.gov, irwinma@sec.gov

2:18-cv-00131 Notice has been delivered by other means to:

The following document(s) are associated with this transaction:

Document description:Main Document

Original filename:n/a

Electronic document Stamp:

[STAMP dcecfStamp_ID=1101333072 [Date=1/24/2018] [FileNumber=8555479-0] [bbdcecb6cf1f5e6e62332cf04819c4fa4f40a396a805b3d1b8af25717833fec2cae cb5c74ec129a46cdc7ba1a7d02fc3989d97251ac1009a495589e68dd60785]]

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Document description:Summons re Quicksilver Stock Transfer, LLC

Original filename:n/a

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Document description:Summons re Alan Shinderman

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