

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 86970 / September 16, 2019**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-19453**

**In the Matter of**

**Vandham Securities Corp.**

**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 Vandham Securities Corp. (“Vandham” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) which the Commission has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent 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:

#### SUMMARY

1. From at least January 2016 through April 2017 ("relevant period"), Vandham was a registered broker-dealer whose customers were primarily other broker-dealers engaged in the liquidation of large volumes of shares in thinly traded, low priced over-the-counter stocks held by their customers. Vandham derived the majority of its revenue during this period from the trading profits it generated by facilitating the sale of such shares into the market for two such broker-dealer customers, Broker-Dealer A and Broker-Dealer B. While doing so, Vandham repeatedly violated the federal securities laws in three different ways.

2. First, Vandham violated Rule 203(b)(1) of Regulation SHO promulgated under the Exchange Act. To facilitate the sale of shares into the market by its broker-dealer customers, Vandham routinely executed a series of short sales throughout the day for its own account in the stocks being sold by the other firms on behalf of their customers, and then later purchased those shares at a lower price from the other firms, also in its own account, to cover Vandham's short positions, thereby realizing a trading profit on each short sale. However, for at least several thousand short sales executed in this manner during the relevant period, Vandham never located shares of those stocks as required by Rule 203(b)(1) of Regulation SHO.

3. In other instances, Vandham also violated Rule 15c2-11 under the Exchange Act while facilitating the liquidation of low priced stocks for its broker-dealer customers. In some cases, rather than placing short sales, Vandham first purchased the shares being sold by its broker-dealer customers for its own account, creating a long position, and then sold those shares into the public trading market. In order to sell the shares, Vandham often published offers to sell those shares at a specific price ("quotations") on OTC Link's electronic quotation service ("EQS"), which was a recognized quotation medium. However, Vandham violated Rule 15c2-11 when it published these quotations, in a quotation medium, to sell its principal position without first obtaining and reviewing the documents and information about the issuers that it was required by Rule 15c2-11 to obtain and review before publishing those quotations.

4. Finally, although Vandham was engaged in facilitating high volume liquidations of low priced, thinly traded, over-the-counter stocks, Vandham did not implement its anti-money laundering ("AML") policies and procedures so as to reasonably address the risks of its business model. Due to the deficiencies in Vandham's implementation of its AML policies and procedures detailed below, Vandham failed to adequately investigate its customers' transactions and failed to file timely Suspicious Activity Reports ("SARs") for numerous transactions that it had reason to suspect involved possible fraudulent activity or had no business or apparent lawful purpose. As a result, Vandham violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

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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.

## **RESPONDENT AND RELEVANT ENTITIES**

5. Vandham was, during the relevant period, a registered broker-dealer headquartered in Park Ridge, New Jersey. Its primary business during the relevant period involved facilitating the sale of thinly traded, low priced over-the-counter stocks into the market by other broker-dealers, principally Broker-Dealer A and Broker-Dealer B. Vandham reported revenue of approximately \$9 million in 2016 and approximately \$10 million in 2017. In or about July 2018, Vandham transferred its customers, employees and infrastructure to another registered broker-dealer headquartered in New York, New York. In November 2018, Vandham filed a Form BDW to withdraw its registration with the Commission.

6. Broker-Dealer A was, during the relevant period, a registered broker-dealer headquartered in Utah, whose business activities focused primarily on thinly traded, low priced over-the-counter stocks.

7. Broker-Dealer B was, during the relevant period, a registered broker-dealer headquartered in Utah, whose business activities focused primarily on thinly traded, low priced over-the-counter stocks.

## **FACTS**

### **A. Regulation SHO Violations**

8. Regulation SHO governs the execution of short sales. Rule 203(b)(1) of Regulation SHO prohibits a broker or dealer from accepting a short sale order from another person or effecting a short sale in an equity security for its own account unless the broker or dealer has borrowed the security, entered into a bona-fide arrangement to borrow the security, or has reasonable grounds to believe that the security can be borrowed so that it can be delivered on the delivery date (the “locate requirement”). Rule 203(b)(1) also requires the broker or dealer to document its compliance with the locate requirement.

9. When Vandham received orders for the sale of stock from its broker-dealer customers, including Broker-Dealers A and B, Vandham typically facilitated the execution of these orders, and the sale of the shares into the public trading market, in the following manner. After Vandham received a sell order in a stock from its broker-dealer customer giving Vandham discretion over when and at what price to execute the sale above a certain minimum price, Vandham sold short shares of the same stock on a principal basis for its own account, building a short position over the course of the day. Vandham covered its short position at the end of the day by buying, also on a principal basis for its own account, the same number of shares from its broker-dealer customer pursuant to the customer’s sell order. The price at which Vandham bought the shares from its customer was a negotiated price, but was always lower than the average price at which Vandham had executed its short sales. Vandham profited on these transactions in the amount of the difference between the prices at which it sold the shares short into the market on a principal basis, and the price at which it then bought the shares from its broker-dealer customers to cover its short position.

10. When engaging in short sales as principal in connection with the transactions

described above, **Vandham did not comply with the locate requirement**. Vandham entered these short sales without borrowing the securities, arranging to borrow the securities, or having reasonable grounds to believe that the securities could be borrowed in time for delivery on the date delivery was due. **Although Regulation SHO includes certain exceptions to the locate requirement, none of those exceptions applied to the transactions at issue, which include over 10,000 short sales executed by Vandham as principal under these circumstances during the relevant period.** Accordingly, Vandham repeatedly violated Rule 203(b)(1) of Regulation SHO during the relevant period.

## **B. Rule 15c2-11 Violations**

11. Rule 15c2-11 promulgated under the Exchange Act **prohibits a broker-dealer from publishing, or submitting for publication, any quotation for any security in any quotation medium, unless the broker has in its records certain documents and information about the issuer, as specified in the Rule, and reviews such information to form a reasonable basis under the circumstances for believing that such information is accurate in all material respects and is from a reliable source.** As defined in Rule 15c2-11, a quotation in this context is any bid or offer at a specified price with respect to a security, or any indication of interest by a broker-dealer in receiving bids or offers from others for a security, or any indication by a broker-dealer that it wishes to advertise its general interest in buying or selling a particular security.

12. Under an exception to Rule 15c2-11, a broker-dealer may publish a quotation even where it lacks the specified information **if that quotation is published pursuant to an unsolicited customer order, represents the customer indication of interest, and is entered solely on behalf of that customer (“unsolicited customer order exception”).** However, the unsolicited customer order exception **did not apply** to numerous transactions in which Vandham facilitated the liquidation of thinly traded, low priced stocks for broker-dealer customers, including Broker-Dealers A and B, by publishing quotations for the sale of shares of issuers for which Vandham did not have in its records the documents and information that Rule 15c2-11 requires broker-dealers to obtain and review prior to publishing a quotation for a security.

13. The unsolicited customer order exception **did not apply to numerous such transactions because the quotations at issue were for the sale of shares that Vandham itself already owned when it published the quotation and was doing so to sell its own shares as principal.** Vandham was not selling shares that were owned by a customer or on behalf of a customer. Specifically, in certain instances when Vandham received sell orders from its broker-dealer customers in securities of issuers for which Vandham did not have in its records the documents and information required by Rule 15c2-11, Vandham immediately purchased the shares in its own account as principal, rather than first shorting the stock as described above. In these instances, Vandham then sold the shares long on a principal basis for its own account, profiting from the difference between the price at which it bought the shares from its broker-dealer customers and the higher price at which it then sold the shares into the market.

14. **For example, on August 24, 2016, Vandham received a sell order from Broker-Dealer A to sell 6.8 million shares of Issuer A at a limit price of \$0.008, which was 12% below the most recent best bid of \$0.0091. Trading in Issuer A’s stock had been previously suspended by the Commission,** and Vandham did not have in its records or review the information

concerning Issuer A, as required by Rule 15c2-11. Vandham executed Broker-Dealer A's sell order by buying the 6.8 million shares for Vandham's principal account at the limit price of \$0.008 per share, creating a 6.8 million share long position in the stock for Vandham. Vandham then began selling off its 6.8 million share long position in Issuer A, and had sold the entire position by the next day at an average price of \$0.0087 per share.

15. To effect these long sales for itself as principal, Vandham entered quotations to sell these shares in Issuer A's stock on OTC Link's EQS, a recognized quotation medium, despite lacking the information about the issuer that Rule 15c2-11 required. Vandham had already executed Broker Dealer A's sell order by buying the shares for itself in its principal account before publishing these quotations, and published the quotations to convey its own interest in selling the shares to the market out of its own inventory, which it did when the published offers to sell were accepted. Accordingly, these quotations were not published pursuant to a customer order, did not represent a customer's indication of interest, and were not entered solely on behalf of a customer. Vandham published these quotations, in a quotation medium, for its principal position without complying with Rule 15c2-11's requirements to obtain and review certain issuer information.

16. In this and in at least thirty 30 other instances in 2016, Vandham violated Rule 15c2-11 under the circumstances described above by publishing quotations on EQS for the sale of an issuer's stock without having in its records and reviewing the documents and information that Rule 15c2-11 requires about the issuers of the securities for which Vandham published quotations.

### C. AML Violations

17. The Bank Secrecy Act ("BSA") and implementing regulations promulgated by Financial Crimes Enforcement Network ("FinCEN") require that broker-dealers file SARs with FinCEN to report a transaction (or patter of transactions of which the transaction is a part) conducted or attempted by, at or through the broker-dealer involving or aggregating to at least \$5,000 that the broker dealer knows, suspects, or has reason to suspect: (1) involves funds derived from illegal activity or is conducted to disguise funds derived from illegal activities; (2) is designed to evade any requirement of the BSA; (3) has no business or apparent lawful purpose and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts; or (4) involves use of the broker-dealer to facilitate criminal activity. 31 C.F.R. § 1023(a)(2) ("SAR Rule").

18. Exchange Act Rule 17a-8 requires broker-dealers registered with the Commission to comply with the reporting, record-keeping and record retention requirements of the BSA. The failure to file a SAR as required by the SAR Rule is a violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

19. Vandham had certain written policies and procedures to address its AML risks ("AML Policies"), which required the firm to file SARs for transactions that "raise an identifiable suspicion of criminal, terrorist or corrupt activities," including where "the security is the focus of possible pump and dump schemes." However, Vandham's implementation of its AML Policies during the relevant period was deficient and, as a result, Vandham failed to

conduct the requisite review of numerous transactions and patterns of activity that raised red flags as to the issuers, their principals, the trading patterns and volume and/or the customers engaged in the trading. **In numerous instances, these failures led Vandham to fail to file SARs where warranted, under both its own AML Policies and the foregoing legal provisions.**

20. Vandham's AML Policies expressly specified certain "red flags" indicative of potential money laundering or other criminal or unlawful activity. An employee encountering suspicious activity or red flags under Vandham's AML Policies was required to alert Vandham's AML Compliance Officer so that further investigation could be conducted to determine what corrective action and/or whether a SAR filing was required.

21. Vandham's AML Policies required its employees to pay particular attention to "large orders in low priced securities." They required that each order of this type be reviewed to determine whether its size represented a suspiciously large volume of trading relative to the issuer's outstanding shares and the average daily trading volume in the stock, and required that further inquiry be performed if Vandham identified "any issue that has increased volume or excessive price swings." Vandham's AML Policies also set forth specific red flags related to "transactions involving penny stock companies." **These red flags focused on the issuers involved in the trading and were concerned with issuers that have:**

- **"no business, no revenues, and no product;"**
- **"officers or insiders ... associated with multiple penny stock issuers;"**
- **"undergo[ne] frequent material changes in business strategy or its line of business;"**
- **"officers or insiders ... [with] ... a history of securities violations;"**
- **"not made proper filings;"**
- **"been the subject of prior trading suspensions;"** or
- **been the subject of "chat room conversations indicative of suspicious activity."**

22. Additional red flags set forth in Vandham's AML Policies concerned the identity of the customer involved in the transaction under review and the rationale for it. For instance, it was a "red flag" if, among other things, (a) a customer had a "questionable background" or "is the subject of news reports indicating possible criminal, civil, or regulatory violations;" (b) the customer "is from, or has accounts in, a country identified as a non-cooperative country or territory by the [Financial Action Task Force];" (c) a customer, upon request, "refuses to identify or fails to indicate a legitimate source for his or her funds or other assets;" (d) for no apparent reason, "the customer has multiple accounts under a single name or multiple names, with a large number of inter-account or third party transfers;" (e) "the customer's account has unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity;" and (f) "the customer exhibits a lack of concern regarding risks, commissions, or other transaction costs."

23. Although Vandham's AML Policies indicated an awareness that its focus on facilitating high volume liquidations of thinly traded, low priced over-the-counter ("OTC") securities presented significant AML risks, **Vandham failed to implement those policies so as to address the risks posed by its business model.**

24. Vandham failed adequately to review transactions for indicia of manipulative activity associated with high volume liquidation orders in low priced securities, including for the red flags its AML Policies specifically required Vandham to monitor. For instance, even when presented with inordinately large sales of thinly traded, low-priced OTC or microcap stocks, Vandham did not systematically or routinely review for chat room or other promotional activity coincident with its customers' sales. Nor did Vandham systematically or routinely review the filings of the microcap and OTC issuers in whose securities its customers traded to evaluate whether those issuers had a viable business or revenue or had undergone changes in business strategies. Nor did Vandham systematically or routinely review whether these issuers' officers or insiders were associated with other penny stock issuers and/or had a history of securities violations or other illegal activity. Vandham thus was not in a position to, and did not, detect or identify red flags that likely would have been readily apparent had an adequate review been performed.

25. Further, it was Vandham's practice to refrain from asking its broker-dealer customers about the identity of the customers for whom those broker-dealer customers placed sell orders with Vandham – in other words, to refrain from finding out who was actually selling the shares. This was Vandham's practice notwithstanding that (a) its AML Policies expressly referenced a customer's identity and the rationale for the transaction as potential "red flags" warranting AML investigation; and (b) in 2014, Vandham had been sanctioned by the Financial Industry Regulatory Authority for AML failures caused, in part, by Vandham's failure to inquire into the identity of the customers for whom Vandham's broker-dealer customers placed orders with Vandham. Thus, Vandham could not, and did not, know (or seek to learn) the identity of the actual sellers of the microcap and OTC stocks whose liquidation Vandham facilitated for its broker-dealer customers. Nor could (or did) Vandham know (or seek to learn) whether the identity of those sellers owners raised any red flags under its AML Policies requiring further review and/or SAR reporting.

26. Despite Vandham's facilitation of thousands of large sale transactions in thinly traded, low priced OTC and microcap stocks for its broker-dealer customers, including Broker-Dealer A and Broker-Dealer B, Vandham filed only one SAR from 2014 through April 2017 related to a customer's suspicious, large volume sales of a thinly-traded, low-priced stock, microcap or OTC stock and only four SARs in all during this entire period.

27. As illustrated by the examples described below, Vandham was, or should have been, aware of multiple red flags indicating suspicious activity regarding the (i) transactions in which it engaged for its broker-dealer customers; (ii) the issuers whose securities were being sold into the public market through Vandham; and (iii) the sellers on whose behalf Vandham's broker-dealer customers were using Vandham to sell those securities into the market. However, as a result of the above-described deficiencies in the implementation of its AML policies and procedures, Vandham failed to conduct an adequate, if any, AML review of and report these and numerous other transactions that it had reason to suspect (i) involved manipulative or other fraudulent activity; (ii) and/or had no apparent business or lawful purpose; and (iii) for which Vandham did not obtain a reasonable (or any) explanation after examining the available facts (or, in fact, conduct any such examination). Accordingly, Vandham did not comply with the requirements of the BSA and violated Section 17(a) of the Exchange Act and Rule 17a-8.

(a) ***Suspicious Trading in Issuer B***

28. From October 2015 through October 2016, Vandham facilitated the sale by customers of Broker-Dealer A of hundreds of millions of shares of Issuer B, a thinly traded microcap stock. During this period, Issuer B's stock price fluctuated from a low of \$0.0001 to a high of \$0.25 per share on an average daily volume of approximately 8 million shares. In the year prior to October 2015, the average daily volume in Issuer B's stock was approximately 1,500 shares, and on many days during that period fewer than 50 shares traded; on some days the stock did not trade at all. Vandham did not have any activity in the stock prior to October 2015.

29. For example, on 21 trading days during this period, Vandham bought from Broker-Dealer A and sold into the market approximately 300 million shares of Issuer B's stock. Vandham's aggregate trading activity on these 21 days represented almost 50% of the issuer's most recently reported total outstanding share amount. On ten of these trading days, Vandham's trading accounted for more than 50% of the day's trading volume in the stock; on four of these days, Vandham's trades accounted for more than 80% of the day's volume.

30. Notwithstanding the foregoing circumstances, Vandham did not conduct any follow-up inquiry into the issuer, or the identity of the owners of the shares that were being sold into the market. Had Vandham done so, it likely would have identified additional red flags, including:

- The issuer had no revenues, business, or products;
- The issuer was the subject of several paid promotional campaigns during the period in which its trading volume spiked;
- The issuer filed for involuntary Chapter 11 proceedings in August 2016, after which Vandham continued to sell more than 1 million shares into the market;
- In September 2016, the company's founder and CEO was charged criminally and civilly with conducting a boiler room operation to fraudulently market and sell Issuer B's stock;
- The issuer had not filed an annual report since 2014 and was delinquent in its quarterly reports; and
- Two of Broker-Dealer A's customers were responsible for almost half the total trading through Vandham during this period; the liquidation orders on behalf of these customers were made shortly after the customers made large deposits of shares with Broker-Dealer A, each totaling approximately 10% of Issuer B's outstanding stock.

31. Despite these red flags and ample grounds for concluding that the sell orders received from Broker-Dealer A involved suspicious activity, Vandham neither filed a SAR nor produced any written analysis or other records supporting the reasonableness of why SARs did not need to be filed.

(b) ***Suspicious Trading in Issuer C***

32. From June 2016 through January 2017, Vandham facilitated the sale by customers of Broker-Dealer A of nearly one hundred million shares of Issuer C, a thinly traded microcap stock. During this period, Issuer C's stock price fluctuated from a low of \$0.0017 to a high of \$0.88 per share on an average daily volume of approximately 20 million shares. In the six

months prior to June 2016, the average trading daily volume in Issuer C's stock was less than 1,000 shares, and on many days during that period the stock did not trade at all. Vandham had no activity in the stock until June 2016.

33. For example, on 23 trading days during this period, Vandham bought from Broker-Dealer A and sold into the market approximately 96 million shares (split adjusted) of Issuer C's stock. Vandham's aggregate trading over these 23 days represented approximately 25% of the issuer's most recently reported outstanding share amount. On four of these trading days, Vandham's trading constituted more than 30% of the total trading volume in Issuer C for the day; on two of those days, it constituted over 40% of the day's total trading volume.

34. Notwithstanding the foregoing circumstances, Vandham did not conduct any follow-up inquiry into the issuer, or the identity of the owners of the shares that were being sold into the market. Had Vandham done so, it likely would have identified additional red flags, including that Issuer C (a) was the subject of numerous internet promotional campaigns during the period in which its trading volume spiked; (b) was delinquent in its public filings; and (c) had an accumulated operating deficit exceeding \$6 million as of May 2016, with increasingly minimal revenue since 2015; and (d) was experiencing a rapid and extreme dilution of its stock, with outstanding shares increasing from 3.4 million following an October 2016 reverse split to 300 million as of December 31, 2016, an increase of nearly 10,000 percent.

35. Despite these red flags and ample grounds for concluding that the sell orders received from Broker-Dealer A involved suspicious activity, Vandham neither filed a SAR nor produced any written analysis or other records supporting the reasonableness of why SARs did not need to be filed.

36. Further, in February 2017, Vandham's clearing broker expressed suspicious activity concerns to Vandham regarding Vandham's trading in Issuer C. Vandham's clearing broker informed Vandham that its trading in Issuer C, in just January 2017 alone, coincided with significant price volatility and a spike in trading volume in Issuer C's stock. The clearing broker also informed Vandham that:

- "It appeared that [the seller] used [Broker-Dealer A, Vandham's counterparty on the trades at issue] to immediately 'dump' the shares of [Issuer C] back into the market" after receiving, according to Forms 8-K filed by Issuer C, over 45 million shares of Issuer C from December 28, 2016 through January 17, 2017; and
- The owner of the selling entity, a Florida-based trading vehicle, "has been mentioned on multiple penny stock blogs and bulletin boards as a potential penny stock fraudster."

In fact, the seller here was the same seller who had, under the similarly suspicious circumstances described above, dumped over 300 million shares of Issuer B's stock into the market through Broker-Dealer A and Vandham.

37. Vandham either ignored or did not learn of these facts prior to being informed thereof by the clearing broker because of, among other things, its practice to not inquire into the identity of and investigate the customers for whom its broker-dealer customers placed sell orders with Vandham. Even after these facts, which constituted additional red flags, were conveyed to

Vandham, it still neither filed a SAR nor produced any written analysis or other records supporting the reasonableness of why SARs did not need to be filed.

(c) *Suspicious Trading in Issuer D*

38. On November 4, 2016, Vandham received four separate sell orders from Broker Dealer B, each for four million shares of Issuer D, a low-priced OTC stock. Vandham executed the order by selling short 16 million shares of Issuer D in its own account as principal, and Vandham then bought 16 million shares from Broker-Dealer B at the end of the day to cover its short position. These sales took place two days after the beginning of an ongoing internet promotional campaign aimed at Issuer D. From November 2, 2016 (when the promotional campaign began) through November 4, 2016 (when Vandham executed its short sales and filled Broker-Dealer B's sell order), Issuer D's stock price nearly doubled and the average trading volume over those three days was five times greater than the average daily volume over the preceding month.

39. Notwithstanding the foregoing circumstances, Vandham did not conduct any follow-up inquiry into the issuer or the identity of the owners of the shares that were being sold into the market. Had Vandham done so, it likely would have learned that: (a) Vandham's short sales exceeded 20% of the total volume in Issuer D that day; (b) all four orders were placed on behalf of the same customer of Broker-Dealer B, and the total size and proceeds of the 16 million share sale by the customer that day constituted red flags under Vandham's AML Policies; (c) those sales coincided with the internet promotional campaign noted above; and (d) Issuer D's founder, former CEO and principal shareholder had been indicted for mortgage fraud.

40. This same customer of Broker-Dealer B continued selling shares of Issuer D and by March 2017, had sold a total of \$18 million worth of Issuer D's stock into the public market through Vandham.

41. Despite these red flags and ample grounds for concluding that the sell orders received from Broker-Dealer B involved suspicious activity, Vandham neither filed a SAR nor produced any written analysis or other records supporting the reasonableness of why SARs did not need to be filed.

## **VIOLATIONS**

42. As a result of the conduct described in Section III.A above, Vandham willfully<sup>2</sup> violated Rule 203(b)(1) of Regulation SHO promulgated under the Exchange Act.

43. As a result of the conduct described in Section III.B above, Vandham willfully

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<sup>2</sup> "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

violated Rule 15c2-11 promulgated under the Exchange Act.

44. By engaging in the conduct described in Section III.C above, Vandham willfully violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

#### IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest, to impose the sanctions agreed to in the Offer.

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

A. Respondent **cease and desist** from committing or causing any violations and any future violations of Rule 203(b)(1) of Regulation SHO and Rule 15c2-11 promulgated under the Exchange Act, and Section 17(a) of the Exchange Act and Rule 17a-8 promulgated thereunder.

B. Respondent is **censured**.

C. Respondent shall, within twenty-one (21) days of the entry of this Order pay a **civil monetary penalty in the amount of \$200,000 to the Securities and Exchange Commission** for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Vandham as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Sanjay Wadhwa, Senior Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 200 Vesey Street, Suite 400, New York, NY 10281.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be

treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa Countryman  
Secretary