

2. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

3. Venue is proper in this Court pursuant to Section 22 of the Securities Act [15 U.S.C. § 77u(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Defendants, directly or indirectly, have made and are making, use of the means and instrumentalities of interstate commerce and of the mails in connection with the acts, practices and courses of business alleged herein in the Northern District of Illinois.

COUNT I

VIOLATIONS OF SECTION 15(A) OF THE EXCHANGE ACT [15 U.S.C. § 77o(a)]

4. Defendant Philip T. Powers (“Powers”) is a resident of Chicago and a licensed attorney in the State of Illinois. During the relevant period, Powers held the position of “senior counsel” at Handler, Thayer & Duggan, LLC. According to the firm’s website, he focused his practice on “business, corporate and securities law with an emphasis on domestic and international private equity formation and related transactions,” with experience as a “general counsel to broker-dealers and other financial services firms, focusing on domestic regulatory compliance.” In addition to his position with Handler Thayer, Powers was a principal of Defendant Global Financial Management, LLC. In these capacities, Powers served as an escrow agent for several of the issuers of the stock sold as part of the boiler room scheme. Prior to joining Handler Thayer, Powers was chief administrative officer and general counsel of A-Street Capital. According to CRD records, Powers is not associated with a registered broker-dealer.

5. Defendant Frank I. Reinschreiber (“Reinschreiber”) is a resident of Chicago. Reinschreiber was a principal of Defendant Global Financial Management, LLC, through which he acted as an escrow agent for several of the issuers of stock sold through the boiler room scheme. Global Financial Management, LLC’s website stated that Reinschreiber had thirty years of experience in accounting, tax and financial planning, and was formerly the CFO of A-Street Capital. According to CRD records, Reinschreiber is not associated with a registered broker-dealer.

6. Defendant Global Financial Management, LLC (“Global Financial”), during the relevant time period, was an Illinois corporation based in Chicago. On its website, Global Financial portrayed itself as a “finance management company” offering “a complete line of escrow services including the ability to receive and send funds in any foreign currency.” Defendants Reinschreiber and Powers controlled Global Financial, which acted as an escrow agent for several of the issuers of stock sold through the boiler room scheme. Global Financial is not registered with the Commission as a broker-dealer.

7. Handler, Thayer & Duggan, LLC (“Handler Thayer”), during the relevant period, was an Illinois corporation based in Chicago. Handler Thayer was a law firm of approximately 20 attorneys specializing in business and corporate law services. Handler Thayer, through Powers, acted as an escrow agent for several of the issuers of stock sold through the boiler room scheme. During the relevant period, Handler Thayer was not registered with the Commission as a broker-dealer.

8. Stefan H. Bengel (“Bengel”) is a resident of Chicago. On September 25, 2008, Bengel became a United States citizen. He is now a dual citizen of Germany and the United States. Bengel has been associated with various broker-dealer firms.

According to the Central Records Depository, a database compiled and maintained by the Financial Regulatory Authority that provides information concerning broker-dealers registered with the Commission and their registered representatives, Bengier is not currently associated with a registered broker-dealer. During the relevant period, Bengier was the president of SHB Capital, Inc., through which he acted as a distribution agent for several of the boiler room stock offerings.

9. SHB Capital, Inc. (“SHB Capital”), during the relevant period, was a Delaware corporation based in Chicago. On its website, SHB Capital claimed to be “one of the premier buyout companies,” specializing in “the acquisition and management of small businesses.” It purported to have an investment banking division that helps U.S. and international companies become “listed on the NASDAQ, OTCBB or Pink Sheets.” SHB Capital also purported to sell public shell companies and to assist in placing issuer shares with domestic and international investors. It has never been registered with the Commission as a broker-dealer. SHB Capital actively recruited Regulation S sales agents through its website. Through Bengier, the company acted as a distribution agent for several of the boiler room stock offerings.

10. Jason B. Meyers (“Meyers”) was a resident of Chicago until his death in 2013. From 1988 through November 2000, Meyers was associated with various securities and commodities firms. According to CRD records, Meyers is not currently associated with a registered broker-dealer. Meyers previously was a vice president of A-Street Capital, a Chicago-based firm that touted its ability to “arrange the sale of Reg S exempt common stock to retail investors in Europe and Asia through our affiliated regulated broker-dealers.” Meyers was the president of International Capital Financial Resources,

LLC, through which he acted as a distribution agent for several of the boiler room stock offerings.

11. International Capital Financial Resources, LLC (“International Capital”), during the relevant period, was an Illinois corporation with its principal place of business listed as Meyers’ personal residence in Chicago. On its website, International Capital claimed to be a “leading provider of specialized and traditional investment banking services to micro, small, and mid-cap companies.” International Capital’s website also claimed to have “the international contacts to place Regulation S offerings.” Through Meyers, International Capital acted as a distribution agent for several of the boiler room stock offerings. International Capital is not registered with the Commission as a broker-dealer.

12. Stephan Gottfried von Hase (“von Hase”) is a German citizen who maintains residences in Chicago, Illinois and Nassau, Bahamas. During the relevant period he was the sole owner and officer of CTA Worldwide, a distribution agent for several of the penny stocks sold through the boiler room operation. 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.

13. CTA Worldwide Services, SA (“CTA Worldwide”), during the relevant period, was a Bahamian-based company controlled by von Hase. CTA Worldwide, which sometimes operated under the name CTA Group, S.A., acted as the distribution agent for the Regulation S offerings of five issuers whose stock was sold through the boiler room scheme. CTA Worldwide has never registered with the Commission as a broker-dealer.

14. This litigation concerns the offer and sale of Regulation S stock in various penny stock issuers, including China Voice Holding Corp., Biomoda, Inc., World Energy Solutions, Inc., Revolutions Medical Corp., Earthsearch Communications, Inc., and Essential Innovations Technology Corp. (together the “Issuers” or “Issuer Companies”). These United States-based companies had stock 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.

15. 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.”

16. Stefan H. Bengler, Jason B. Meyers, Stephan von Hase, Philip T. Powers, SHB Capital, Inc., International Capital Financial Resources, LLC, and CTA Worldwide Services, SA drafted the contract documents.

17. Bengler, Meyers, von Hase, SHB Capital, Inc., International Capital Financial Resources, LLC, and CTA Worldwide Services, SA (collectively, the “Distribution Agents”) then sought out companies willing to agree to issue shares of

Regulation S stock.

18. Defendants Philip T. Powers, Esq., Frank I. Reinschreiber, Global Financial Management, LLC (sometimes referred to as “Escrow Agents”), and Handler Thayer, a law firm with which Powers was affiliated during the relevant time period, acted as escrow agents for the issuers of stock sold through the boiler room scheme. Distribution Agents’ use of U.S.-based escrow agents, including Powers and his law firm, gave investors an added measure of security and comfort about their overseas investment.

19. After identifying willing companies, they were provided with distribution agreements. In these agreements, the Distribution Agents caused a company’s shares to be sold to foreign investors in exchange for sales commissions exceeding 60%. The distribution agreements spelled out the identity and responsibilities of the Distribution Agents, and detailed their exorbitant commissions. By contrast, this information was hid from the defrauded investors.

20. The Distribution Agents activated their 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.

21. After an individual agreed to invest in the Regulation S stock, investors were provided with a share purchase agreement (sometimes called an “SPA”) documenting their purchase. In most cases, the SPA directed the investor to send their investment funds and portions of the signed SPA to the Escrow Agents. The SPAs were generally the only documents provided to investors in connection with their purchases.

22. From beginning to end, the Distribution Agents 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.

23. The Escrow Agents received and processed investors' signed SPAs; received investor funds into escrow accounts; 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.

24. The purchase and sale of each Regulation S stock transaction occurred in the United States, where all of the Escrow Agents were located. Pursuant to the SPAs: "The offer to purchase contained in this Agreement once submitted to the Escrow Agent [became] irrevocable and binding subject only to acceptance by the [Issuer] Company."

25. Pursuant to the language in the distribution and escrow agreements, the Escrow Agents disbursed more than 60% of the investor proceeds to themselves, the boiler room operators, and the Distribution Agents, while remitting less than 40% of the proceeds to the issuers of the stocks. Of the tens of millions of dollars raised from investors, the Escrow Agents disbursed most of it to overseas accounts in the form of commission payments.

26. After divvying-up the investor proceeds in this manner, the Escrow Agents mailed investors share certificates. According the language of the SPAs, the

issuance of the share certificates indicated that the total investment proceeds had been transferred to the Issuer. To the contrary, and unbeknownst to the investors, most of their money was paid out as commissions to third parties.

27. In early 2007, China Voice entered into distribution agreements with SHB Capital and International Capital. The distribution agreements designated Bengier and Meyers as the authorized signatories on behalf of distribution agents SHB Capital and International Capital, respectively.

28. Each distribution agreement called for the distribution agent to solicit foreign investors for China Voice's Regulation S offering of common stock in exchange for commissions. The distribution agreements included an attachment allocating investor proceeds from the offering among and between the distribution agent, the Issuer and the escrow agent. In China Voice's distribution agreements with SHB Capital and International Capital, China Voice received a mere 34% of the investor proceeds, and the distribution agent and escrow agent collectively received 66% of the proceeds. Investors were never made aware of this information.

29. An exemplar of the China Voice SPA was attached to both the SHB Capital and the International Capital distribution agreements with China Voice. These exemplars were substantially similar to the SPAs provided to investors in all of the Issuer Companies.

30. The first page of the China Voice SPA provided to investors contained a grid entitled "Transaction Information – Price and Shares":

Transaction Information - Price and Shares

Purchase Price per share	USD\$	\$0.56
Number of Shares being purchased		122,000
Transaction fee to cover certificate and mailing costs	USD\$	50.00
Total Consideration for shares	USD\$	68,370

31. The first page of the SPA further stated that “[a] certificate representing the Shares will be issued by [China Voice] within 21 days of acceptance of this agreement and will be deposited with the Escrow Agent for transmittal to the [investor] **upon transfer of the Total Consideration to [China Voice].**” (emphasis added). “Total Consideration” is defined in the SPA as the cost of the Issuer’s shares, plus the cost of a nominal transaction fee.

32. Nowhere in the SPA is there a disclosure that middlemen such as themselves took more than 60% of the investors’ proceeds as commissions. Rather, the SPA represented that transaction fees would be limited to a nominal fee of \$50 or “1% of cost of shares to cover certificate and mailing costs.”

33. The China Voice distribution agreements also included an escrow agreement outlining the role of the escrow agent in the Regulation S offering. SHB Capital’s initial distribution agreement provided for Handler Thayer to act as escrow agent. Because of Powers’ long experience with these types of offerings and because he brought the Regulation S business to the firm, Handler Thayer’s escrow agreement named Powers as the law firm’s authorized agent for purposes of the distribution agreement. The distribution and escrow agreements provided that Handler Thayer would obtain custody of investor funds and SPAs; distribute investor proceeds according to the terms of the distribution agreement; maintain China Voice share certificates; and

distribute share certificates to investors upon completion of the transactions. Escrow agreements were never provided to the investors.

34. Once an individual agreed to invest in China Voice, that individual was provided with a SPA for review and signature. Aside from the share certificate received by the investor post-purchase, the SPA was generally the only document an investor received relating to their investment in China Voice.

35. The SPAs instructed investors to wire their investment funds to particular U.S. accounts held by the designated escrow agent, and to fax the first page and the executed signature page of the agreement to a U.S. phone number. Neither the sales agents nor the SPAs disclosed the name of the party receiving the fax.

36. After investors transferred their funds to defendants' accounts, the Escrow Agents disbursed them in accordance with the allocation set forth in the distribution and escrow agreements. Powers and Reinschreiber wired commission payments to accounts located in countries known for their strong bank secrecy laws, such as Switzerland and Cyprus.

37. The Escrow Agents then finalized the transactions by sending a share certificate. Some China Voice investors received their share certificates with an accompanying cover letter on stationery signed by the escrow agent. The letter confirmed the number of shares purchased by the investor, without mentioning the sales commissions. Investors were led to believe their China Voice share certificates came directly from the Issuer by sending the certificates in envelopes bearing the return address of the Issuer, with cover letters signed by agents from the Issuer. These letters, like those sent by the escrow agents, never disclosed the massive sales commissions. Pursuant to

the language in the SPA, receipt of the share certificate indicated to the investor that “Total Consideration” had been received by the Issuer.

38. Defendants, by the conduct described above, directly or indirectly, singularly or in concert, made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce, the purchase or sale of securities, without registering with the Commission as a broker or dealer.

39. The shares of the Issuers are “securities” as that term is defined in Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act [15 U.S.C. §§ 77b(a)(1) and 78(b)(10)].

40. By engaging in the conduct described in above, Bengel, Meyers, von Hase, Powers, Reinschreiber, SHB Capital, International Capital, CTA Worldwide, and Global Financial, violated Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)]

COUNT II

AIDING AND ABETTING VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 THEREUNDER [15 U.S.C. § 78j(b) & 17 C.F.R. § 240.10b-5]

41. Paragraphs 1 through 40 are realleged and incorporated by reference.

42. Bengel, Meyers, SHB Capital and International Capital, have violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

43. To sell Regulation S shares of China Voice, the Distribution Agents retained foreign-based boiler room sales agents. The sales agents pitching China Voice sometimes used aliases, claimed to work for fictitious brokerage firms, or falsely told investors they worked for established U.K.-based brokerage houses. Typical of boiler

room operations, the sales agents employed high pressure sales pitches, including threatening to sue several investors who second guessed their initial investment decisions.

44. Additionally, the sales agents made material misrepresentations and omissions to convince individuals to invest in China Voice. One sales agent procured an investment by claiming China Voice's stock price was about to rise sharply because it had been selected as the chief network communication provider for the 2008 Olympic Games. This was a lie.

45. The sales agents hid the commissions from China Voice investors. In fact, when prospective investors asked about commissions, sales agents often stated the investor would only pay a commission if and when the investor sold his shares for a profit.

46. Investors were never told about the Distribution Agents. This was by design. In at least one email, von Hase (who later entered into distribution agreements with China Voice) reminded one Issuer that the investor "does not know any think [sic] about CTA or myself, please keep it so."

47. Since the Escrow Agents existed to lend legitimacy to the scheme, they didn't have the luxury of maintaining their anonymity. This was especially true as to Powers, whose web-based marketing materials touted his experience in securities law, with a particular focus on "regulatory compliance." Still, at every opportunity, the Escrow Agents steadfastly concealed the existence and identities of the Distribution Agents; disclaimed knowledge of the sales agents; and otherwise attempted to create the illusion that they were uninvolved in the operations of the scheme other than simply collecting the investors' money and signed SPAs.

48. When investors reached out to the Escrow Agents seeking verification of specious claims made by the boiler room operators, the Escrow Agents professed ignorance and directed the investors to the Issuers, knowing full well the Issuers knew little about the sales agents or the workings of the scheme.

49. But the Distribution Agents and the Escrow Agents were not ignorant; they were well aware of the huge commissions being charged and of the deceitful and heavy-handed sales practices being employed by their boiler room agents. For example, in March 2008, Powers expressed concern to Bengier that Handler Thayer's role as an escrow agent in paying the brokers "puts us in a position to 'know' who the brokers [are] and could make us liable for their sales practice abuses." Such concerns notwithstanding, Powers continued serving as an escrow agent. Again, in November 2008, when an investor complained after discovering the exorbitant commissions charged, Powers summed up his strategy for responding to investors in an e-mail to defendant Reinschreiber and von-Hase: "I tend to play dumb[.]"

50. Defendants' boiler room scheme discussed above constituted a device, scheme or artifice to defraud the defrauded investors; and constituted an act, practice, or course of business that operated as a fraud or deceit upon the defrauded investors.

51. By their conduct described herein, Powers, Reinschreiber and Global Financial each provided knowing and substantial assistance to Bengier, Meyers, SHB Capital and International Capital in their unlawful conduct alleged herein.

52. Powers, Reinschreiber and Global Financial aided and abetted Bengier, Meyers, SHB Capital and International Capital's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

REQUESTS FOR RELIEF

WHEREFORE, the Commission requests that this Court:

- A. Find that each defendant committed the violations alleged herein;
- B. Enter Orders of Permanent Injunction as to each defendant, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, restraining and enjoining defendants from violating Section 15(a) of the Exchange Act and from aiding and abetting violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.
- C. Enter an Order requiring defendants to disgorge all ill-gotten gains resulting from their participation in the conduct described above, including pre-judgment interest.
- D. Enter an Order requiring defendants to pay civil penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act [15 U.S.C. §§ 77t(d) and 78u(d)(3)].
- E. Enter an Order barring defendants from participating in any offering of penny stock pursuant to 20(g) of the Securities Act and Section 21(d)(6) of the Exchange Act [15 U.S.C. §§ 77t(g) and 78u(d)(6)].

F. Grant such other and further equitable relief as this Court deems appropriate and necessary.

Dated: January 29, 2014

**UNITED STATES SECURITIES AND
EXCHANGE COMMISSION**

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