

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of,

STEPHEN E. WITT and
GEAUX GLOBAL,

SUMMARY ORDER TO CEASE
AND DESIST AND NOTICE OF
PROPOSED ORDERS FOR
RESTITUTION AND CIVIL
PENALTIES

Respondents.

WDFI Case No. S-238655 (EX)

I.

The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities (“Division”), having legal authority and jurisdiction to administer and enforce the Wisconsin Uniform Securities Law, Wis. Stats. Ch. 551 (“Ch. 551”) and rules and orders promulgated thereunder, and having determined that this action is necessary and appropriate in the public interest and for the protection of investors, hereby enters this Order as follows:

II.

Division staff have presented evidence sufficient for the Administrator to make the following findings of fact and conclusions of law:

A. Findings of Fact

Respondents

1. Stephen E. Witt (“Witt”) is an adult male resident of Pennsylvania. Witt has a last known address of 216 Market Street, Hyndman, Pennsylvania, 15545-7317. Witt also operated a sole proprietorship under the name Geaux Global, as described below.
2. Geaux Global is a sole proprietorship operated by Witt. Geaux Global has a last known address of 216 Market Street, Hyndman, Pennsylvania, 15545-7317.
3. Neither Witt nor Geaux Global have ever been registered with the Division in any capacity.

Background

Prior Felony Wire Fraud

4. In late 1991, Witt was criminally indicted on eleven counts including wire fraud, mail fraud, and aiding and abetting. According to the statement of facts supporting Witt's eventual guilty plea, Witt engaged in the following conduct:
 - a. In late 1988, Witt established a sole proprietorship known as Stephen E. Witt and Company ("SEWCO"). Witt promoted SEWCO as being able to secure venture capital and re-financing for high risk business enterprises. However, Witt did not have a college degree or any prior experience or training in finance or business.
 - b. From early 1989 through the spring of 1990, Witt (through SEWCO) engaged in a scheme to defraud by which he would receive advance fees from potential clients after making material misrepresentations regarding his ability to secure loans for the clients. Witt told prospective clients that he had successfully placed loans in the past when, in fact, he had never consummated a loan. Witt further represented to potential clients that the chances of obtaining "funding" were extremely high.
 - c. When a client agreed to use Witt and SEWCO to obtain funding, he or she signed a contract with Witt. The contract called for a contingent fee (typically 3% of the loan) to be paid upon settlement of the loan. In addition, the client would be required to pay advance fees of up to \$10,000 to Witt. After the client paid the advance fees to Witt and to his co-defendant, the loans were never closed. Witt and his co-defendant made a variety of excuses as to why the loan could not be completed.
5. On or about July 29, 1992, Witt plead guilty to one count of wire fraud; aiding and abetting in the United States District Court in the District of Maryland.¹ Witt was sentenced to twenty-one months in federal prison and ordered to pay restitution in the amount of \$301,657.

Failure to Obtain Financial Instrument for Montana Investor

6. In or about August 2015, Witt represented to an adult male resident of Montana ("Montana Investor") that Witt could provide the Montana resident with funding for the Montana Investor's rock quarry project. Witt told the Montana Investor that Witt would obtain a financial instrument that would be monetized, resulting in a \$5,000,000 non-recourse loan for the Montana Investor, but that he needed \$50,000 to start the transaction. In or about September 2015, the Montana Investor wired \$50,000 to Witt to

¹ The other ten counts, which included wire fraud, mail fraud, and aiding and abetting, were dismissed as part of Witt's plea agreement.

start the process, but Witt never produced the monetized financial instrument as promised. The Montana Investor demanded the return of his funds, which Witt eventually refunded.

Conduct

7. Wisconsin Investor RV is an adult male resident of Wisconsin.
8. Wisconsin Investor AZ is an adult male resident of Wisconsin.
9. Wisconsin Investor PF is an adult male resident of Wisconsin.
10. On or about March 21, 1994, Wisconsin Investor RV formed US Foods & Pharmaceuticals, Inc., (“USFP”) Wisconsin corporation for his business of research and development for nutritional products involving milk and whey. Wisconsin Investors PZ and PF were employed by Wisconsin Investor RV and USFP.
11. Collectively, the parties in ¶¶ 7-10 will be referenced herein as the “Wisconsin Investors.”
12. In or about early 2017, the Wisconsin Investors were introduced to Witt through an agent of Witt and Geaux Global named Joseph Khouri, an adult male resident of California. Khouri told the Wisconsin Investors that he had worked with Witt on a project where Witt had provided some funding.
13. Around the same time, Witt represented to the Wisconsin Investors that he was a financial broker and advisor on alternative financing with over 25 years of experience in obtaining financial funding instruments. He further represented to the Wisconsin Investors that he could obtain a Standby Letter of Credit (SBLC) for monetization to fund the Wisconsin Investors’ business ventures.
14. Between February and April 2017, Witt sent several proposals to the Wisconsin Investors on types of “alternative financing” that he could provide them. Witt emphasized with each proposal that time was of the essence and the Wisconsin Investors should pay advance fees to obtain the funding.
15. On or about March 7, 2017, Khouri emailed information to the Wisconsin Investors about a \$10,000 advance fee to be sent to Witt for “monetization of a leased instrument” by the Wisconsin Investors. Khouri told the Wisconsin Investors that the advance fee would be credited against a \$150,000 fee to cover fees assessed by the issuing institution to send the SBLC to the receiving bank via the Society for Worldwide Interbank Financial Telecommunications (“SWIFT”) system.

16. Between March 8, 2017 and March 13, 2017, Investor RV and USFP sent \$12,500 to a PayPal account controlled by Witt. Witt had previously represented to the Wisconsin Investors in an email that \$10,000 would be used to “structure a formal proposal, ascertain and assist in arranging the necessary collateral, monetizing same and complete the financing structure” to provide funding to the Wisconsin Investors.
17. On or about April 5, 2017, USFP and a Delaware limited liability company controlled by Investor JS, a female resident of Illinois, and Investor NK, a male resident of Pennsylvania, formed Short Wave Capital, LLC (“SWC”), a Delaware limited liability company for the purposes of obtaining funding from Witt and Geaux Global to finance ongoing research and development for human and veterinary health projects of the individual partners. Investor NK was the president of SWC and Investor RV was the managing member and vice president of SWC.
18. On or about April 20, 2017, Witt sent Investors RV and NK a document titled “Commitment of Terms and Conditions Agreement Revised” (the “Agreement”), which substantially stated that:
 - a. Witt had access to \$500,000,000 in commercial paper standby letter of credit, of which SWC would have access to \$160,000,000 after the relevant fees were deducted;
 - b. Witt would receive a fee of approximately \$5,000,000 for his efforts;
 - c. SWC would be solely responsible for out of pocket costs, including the \$150,000 (\$12,500 of which was previously sent by Investor RV and USFP via PayPal to Witt) to cover the fees assessed by the issuing institution to send the SBLC to the receiving bank via the SWIFT system;
 - d. The \$150,000 paid into an account designated and administered by Witt would only be released to the issuing institution upon confirmation of the receiving bank that the SBLC was approved and ready to issue for monetization for releasing the money into SWC’s company bank account;
 - e. In the event of non-performance of the transaction, Witt would refund all \$150,000 of the out of pocket costs;
 - f. The closing would occur within 15 days from the date of receipt and acceptance of the client package by the issuing institution;
 - g. Provided wiring instructions for the remaining \$140,000 to a bank in Germany under the account name “Dimago Investments AG”; and
 - h. Represented that a Certified Professional Accountant (“CPA”) from Huntington Beach, California would act as a neutral third party escrow agent for the wired funds.
19. Around the same time, Investors RV and NK returned the signed Agreement on behalf of SWC to Witt.

20. On or about April 20, 2017, Witt emailed Investors RV and NK the banking instructions, and instructed, "Please have your bank provide you with a copy of the ACTUAL FED Wire Receipt, as well as instruct them to send immediately, as some banks will collect wires and send in a batch. This will provide you with a printed copy with a unique Federal Reserve number used in tracking."
21. On April 20, 2017, USFP wired \$140,000 from Madison, Wisconsin to the Dimago Investments AG account in Germany, and had its bank representative provide Witt with a confirmation of the wire transaction.
22. Upon information and belief, contrary to his representation to the Wisconsin Investors and SWC in the Agreement, Witt did not have access to \$500,000,000 in funding.
23. Contrary to Witt's representation to the Wisconsin Investors and SWC in the Agreement, the Huntington Beach, California CPA was not overseeing the transaction or acting as a third party escrow agent.
24. Throughout the next several months, Witt told the Wisconsin Investors and SWC that there were delays in obtaining financing.
25. On or about October 4, 2017, Investor RV emailed Witt and Khouri to demand the return of USFP's funds, pursuant to the Agreement terms. Investor RV demanded that Witt return USFP's funds several times. On or about December 6, 2017, Witt cut off all communication with the Wisconsin Investors and SWC.
26. Witt never returned USFP's funds.
27. Upon information and belief, contrary to his representations that he had funded similar transactions previously, Witt had never successfully funded a SBLC transaction.
28. Witt never disclosed his conviction for felony wire fraud to the Wisconsin Investors.
29. Upon information and belief, contrary to his representations that USFP's funds would only be disbursed to the issuing institution for the SBLC, Witt never used USFP's funds to monetize an SBLC to provide funding for SWC.
30. Witt never disclosed to the Wisconsin Investors or SWC that Witt had previously promised but failed to obtain a financial instrument to monetize into a loan for the Montana resident.

B. Conclusions of Law

Legal Authority and Jurisdiction

31. The Administrator has the legal authority and jurisdiction over the conduct described above, pursuant to Wis. Stats. Ch. 551 and the rules and orders promulgated thereunder.
32. Pursuant to Wis. Stat. § 551.102(28)(d)(2), the definition of an investment contract security includes any investment by which an offeree furnishes initial value to an offeror, and a portion of this initial value is subjected to the risks of the enterprise, and the furnishing of the initial value is induced by the offeror's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise, and the offeree does not receive the right to exercise practical and actual control over the managerial decisions of the enterprise.
33. The "Commitment Terms and Conditions Agreement" offered and sold by Witt to the Wisconsin Investors and SWC is an investment contract security pursuant to Wis. Stat. 551.102(28)(d)(2).
34. Pursuant to Wis. Stat. § 551.501(2), it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to make an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

Violations

35. As described above in ¶¶ 1-30, Witt violated Wis. Stat. § 551.501(2) when he made untrue statements of material fact in connection with the offer and sale of a security, including but not limited to statements that: he had successfully funded SBLC transactions in the past, a CPA was overseeing the transaction, the Wisconsin Investors' funds would be used to fund the transaction.
36. As described above in ¶¶ 1-30, Witt violated Wis. Stat. § 551.501(2) when he omitted material facts necessary in order to made the statements made, in light of the circumstances under which they were made, not misleading, including but not limited to his felony conviction for wire fraud, and his prior failures to obtain financial instruments to monetize into promised funding to borrowers, and lack of training or experience in finance.

III.

In view of the above findings of fact and conclusions of law, the Administrator deems it necessary and appropriate in the public interest and for the protection of investors, and pursuant to its legal authority and jurisdiction under Ch. 551, to wit Wis. Stat. 551.604, to issue the following orders and notices:

A. Summary Orders issued pursuant to Wis. Stat. § 551.604(2)

- (a) IT IS ORDERED that RESPONDENTS, their agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of any RESPONDENT, shall cease and desist from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as federal covered securities, federal exempt securities, or are registered under Ch. 551 or successor statute, pursuant to Wis. Stat. §§ 551.604(1)(a) and (2).
- (b) IT IS FURTHER ORDERED that all exemptions from registration set forth in Wis. Stat. §§ 551.201 and 551.202 that may otherwise apply to a specific security, transaction or offer of or by any of the RESPONDENTS, their agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of any RESPONDENT, are hereby revoked, pursuant to Wis. Stat. §§ 551.604(1)(c) and (2).
- (c) IT IS FURTHER ORDERED that RESPONDENTS, their successors, affiliates, controlling persons, officers, agents, servants, employees and every entity or person directly or indirectly controlled or hereafter organized by or on behalf of any RESPONDENT, are prohibited from violating Wis. Stat. § 551.501 or successor statute.
- (a) IT IS FURTHER ORDERED that RESPONDENTS, their successors, affiliates, controlling persons, officers, agents, servants, employees and every entity and person directly or indirectly controlled or hereafter organized by or on behalf of any RESPONDENT, are prohibited from offering or selling securities without first disclosing this Order to prospective investors.
- (b) PLEASE TAKE NOTICE that the summary orders of the Administrator are effective as of the issuance of this order, pursuant to Wis. Stat. § 551.604(2). You are advised that any willful violation of an Order issued by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

B. Proposed Orders

- (c) IT IS PROPOSED that an order be issued against WITT to pay restitution to USFP in the amount of \$150,000, with interest on such amount at the legal rate under Wis. Stat. § 138.04, starting from the date of April 20, 2017 through the date of satisfaction, pursuant to Wis. Stat. § 551.604(4m).
- (d) IT IS FURTHER PROPOSED that an order be issued imposing a civil penalty against WITT in the form of an administrative assessment totaling \$5,000 for the many violations committed against Wisconsin investors, pursuant to Wis. Stat. § 551.604(4). Such

payment shall be made payable to the Wisconsin Department of Financial Institutions and shall be remitted to the Division no later than 30 calendar days from the date of issuance of this Order, or if a petition for hearing is filed as provided under Wis. Stat. § 551.604(2), by a date to be fixed by a final order.

- (e) IT IS FURTHER PROPOSED that an order be issued prohibiting RESPONDENTS, their successors, affiliates, controlling persons, officers, agents, servants, employees, and every entity and person directly or indirectly controlled or hereafter organized by or on behalf of any RESPONDENTS, from becoming registered in any capacity under Ch. 551, or successor statute that might otherwise apply, prior to satisfying their civil liabilities under Wis. Stat. §§ 551.604 (4) and (4m) and 551.509.

C. Service of Order

- (f) IT IS FURTHER ORDERED that this order shall be sent promptly by certified mail to each party named in the order at his or her last known address or to the party's attorney of record, or shall be personally served upon the party or the party's attorney of record, pursuant to Wis. Admin. Code § DFI-Sec. 8.06. This order shall also be served upon the office of the administrator pursuant to Wis. Stat. § 551.611.
- (g) PLEASE TAKE NOTICE that the date of the service of this order is the date it is placed in the mail if service is by certified mail. If a party or the party's attorney is personally served, the date of service is the date service is completed. You are advised that any willful violation of an Order issued by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

D. Notice of Hearing Rights

- (h) PLEASE TAKE NOTICE that you have the right to request a hearing pursuant to Wis. Stat. 551.604(2). Every request for hearing shall be in the form of a written petition filed with the Division, pursuant to Wis. Admin. Code DFI-Sec. 8.01 and Wis. Stat. 227.42. A petition for a hearing to review the order shall:
 - (1) Plainly admit or deny each specific allegation, finding or conclusion in the order and incorporated papers. However, if the petitioner lacks sufficient knowledge or information to permit an admission or denial, the petition shall so state, and that statement shall have the effect of a denial; and
 - (2) State all affirmative defenses. Affirmative defenses not raised in the request for hearing may be deemed waived.

(i) PLEASE TAKE FURTHER NOTICE that you may file your written petition:

(1) By mailing the written petition to:

Division of Securities
Wisconsin Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701-1768

(2) By delivering the written petition in person to:

Division of Securities
Wisconsin Department of Financial Institutions
4822 Madison Yards Way, North Tower 4th Floor
Madison, Wisconsin 53705

(3) By faxing the written petition to 608-264-7979.

(j) PLEASE TAKE FURTHER NOTICE that the petition for hearing must be filed with the Division. Pursuant to Wis. Stat. § 551.102(8), “filing” means “receipt.” Therefore, a petition is not “filed” with the Division until it is actually “received” by the Division. If the Division does not receive your written petition before midnight on the 30th day after the date of service of this order, your right to hearing will be waived and the Summary Order shall become final by operation of law.

(k) PLEASE TAKE FURTHER NOTICE that, within 15 days after receipt of a request in a record from you, the matter will be scheduled for a hearing or other public administrative proceedings, pursuant to Wis. Stats. §§ 551.604(2) and (3).

(l) PLEASE TAKE FURTHER NOTICE that if you do not request a hearing and none is ordered by the Administrator within 30 days after the date of service of this order, the findings of fact, conclusions of law, and summary and proposed orders, including the imposition of civil penalty and restitution and interest, become final as by operation of law, pursuant to Wis. Stat. § 551.604(2) and the order may be filed as a certified final order with the clerk of a court of competent jurisdiction pursuant to Wis. Stat. § 551.604(6).

(m) PLEASE TAKE FURTHER NOTICE violations of this order may be enforced by any investor, or by the Division pursuant to Wis. Stat. § 551.604(7) whether acting in its own right or on behalf of the investor, by petitioning any court of competent jurisdiction to enforce the terms of the order.

(n) PLEASE TAKE FURTHER NOTICE that any willful violation of an Order by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

EXECUTED at Madison, Wisconsin this 5th day of August, 2020.

Leslie M. Van Buskirk

Leslie M. Van Buskirk
Administrator

Division of Securities
State of Wisconsin
Department of Financial Institutions
4822 Madison Yards Way, North Tower 4th Floor
Madison, Wisconsin 53705





State of Wisconsin
Department of Financial Institutions

Tony Evers, Governor

Kathy Blumenfeld, Secretary

AFFIDAVIT OF SERVICE
AND COMPLIANCE WITH WIS. STAT. § 551.611

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

I, KATHERINE CLEMENTI, first being duly sworn, depose and state:

- 1. I am employed with the State of Wisconsin, Department of Financial Institutions, Division of Securities.
2. On the date of this Affidavit and in the course of regularly conducted activity, I have caused to be served by certified mail upon Stephen E. Witt at his last known address of 216 Market Street, Hyndman, Pennsylvania, 15545-7317:
i. A copy of the Summary Order to Cease and Desist and Notice of Proposed Orders for Restitution and Civil Penalties, WDFI Case No. S-238655 (EX); and
ii. A copy of this Affidavit of Service.
3. In compliance with Wis. Stat. §§ 227.48, 551.611, and 891.46; and Wis. Admin. Code. §§ DFI-Sec 8.06 and 8.07, I have also caused to be served copies of those same documents upon the Administrator for the Division of Securities.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Katherine Clementi
KATHERINE CLEMENTI

State of Wisconsin
Department of Financial Institutions
Division of Securities

Subscribed and sworn to before me

This 5th day of August, 2020.

[Signature]
Notary Public, State of Wisconsin
My commission is permanent.





State of Wisconsin
Department of Financial Institutions

Tony Evers, Governor

Kathy Blumenfeld, Secretary

AFFIDAVIT OF SERVICE
AND COMPLIANCE WITH WIS. STAT. § 551.611

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

I, KATHERINE CLEMENTI, first being duly sworn, depose and state:

- 1. I am employed with the State of Wisconsin, Department of Financial Institutions, Division of Securities.
2. On the date of this Affidavit and in the course of regularly conducted activity, I have caused to be served by certified mail upon Geaux Global at its last known address of 216 Market Street, Hyndman, Pennsylvania, 15545-7317:
i. A copy of the Summary Order to Cease and Desist and Notice of Proposed Orders for Restitution and Civil Penalties, WDFI Case No. S-238655 (EX); and
ii. A copy of this Affidavit of Service.
3. In compliance with Wis. Stat. §§ 227.48, 551.611, and 891.46; and Wis. Admin. Code. §§ DFI-Sec 8.06 and 8.07, I have also caused to be served copies of those same documents upon the Administrator for the Division of Securities.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Katherine Clementi
KATHERINE CLEMENTI

State of Wisconsin
Department of Financial Institutions
Division of Securities

Subscribed and sworn to before me

This 5th day of August, 2020.

[Signature]
Notary Public, State of Wisconsin
My commission is permanent.

