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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of the State
of Washington by:

ASTA Capital Corporation, John Wachsmith,
Wachsmith and Associates, American
Securities Transfer Agency; their agents and
employees,

SDO -11 - 00

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER
CEASE AND DESIST

Case No. 99-05-142

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THE STATE OF WASHINGTON TO: John Wachsmith
 ASTA Capital Corporation
 Wachsmith & Associates
 American Securities Transfer Agency
 10726 Manitou Beach Drive
 Bainbridge Island, WA 98110

On December 16, 1999, the Securities Administrator of the State of Washington issued Summary Order to Cease and Desist, SDO-66-99, hereinafter referred to as Summary Order to ASTA Capital Corporation, John Wachsmith, Wachsmith and Associates, and American Securities Transfer Agency.

The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing (, hereinafter referred to as "Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing (, hereinafter referred to as "Application for Hearing") thereon, were personally served on John Wachsmith on December 29, 1999. Wachsmith is principal of ASTA Capital Corporation, Wachsmith and Associates, and American Securities Transfer Agency. The Notice of Opportunity for Hearing advised ASTA Capital Corporation, John Wachsmith, Wachsmith and Associates, and American Securities Transfer Agency that each

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1 had twenty days from the date he or it received the notice to file a written application for an administrative
2 hearing on the Statement of Charges.

3 ASTA Capital Corporation, John Wachsmith, Wachsmith and Associates, and American Securities
4 Transfer Agency failed to request an administrative hearing within twenty days of his receipt of the Statement
5 of Charges and Notice of Opportunity for Hearing, either on the Application for hearing provided or otherwise.

6 The Securities Administrator therefore will adopt as final the findings of fact and conclusions of law as
7 set forth in the Statement of Charges.

8 The Securities Administrator makes the following findings of fact and conclusions of law:

9 FINDINGS OF FACT

10 I.

11 ASTA Capital Corporation is an Oregon corporation with its principal place of business at 10726 Manitou
12 Beach Drive, Bainbridge Island, Washington 98110. ASTA Capital Corporation is not authorized to do
13 business in Washington.

14 II.

15 John Wachsmith is sole shareholder and managing partner of ASTA Capital Corporation. Wachsmith is
16 also the owner of American Securities Transfer Agency and of Wachsmith & Associates. Wachsmith was
17 registered with the United States Securities and Exchange Commission as a transfer agent, doing business
18 under the name American Securities Transfer Agency, from August 18, 1995 until April 28, 1997.

19 III.

20 American Securities Transfer Agency is an unincorporated business entity with its principal place of
21 business at 10726 Manitou Beach Drive, Bainbridge Island, Washington 98110.
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IV.

1 Wachsmith & Associates is an unincorporated business entity with its principal place of business at 10726
2 Manitou Beach Drive, Bainbridge Island, Washington 98110.

V.

4 ASTA Capital Corporation is in the business of selling “shell corporations” to companies seeking to
5 become public. ASTA Capital Corporation does this by purchasing a majority of the free trading shares in a
6 shell corporation from the existing stockholders. Then ASTA Capital Corporation offers the shares to
7 companies seeking to become public. ASTA Capital Corporation offers to provide additional services as part
8 of the price for the shares of the shell company. These include providing a legal opinion as to the tradability of
9 the shares, having Wachsmith and Associates draft a document required under SEC Rule 15c2.11 for a broker-
10 dealer making a market in the shares, providing assistance in selecting a market maker, and responding to
11 questions raised during the process of obtaining trading approval. The price for the shares plus the additional
12 services is typically \$50,000.

VI.

14 Wachsmith and Associates offered shares in shell companies and associated services in the same manner
15 as ASTA Capital Corporation. Both Wachsmith and Associates and ASTA Capital Corporation referred to
16 themselves as investment bankers. The most recent brochure distributed by ASTA Capital Corporation to
17 potential customers stated that American Securities Transfer Agency is “fully registered” with the Securities
18 and Exchange Commission although Wachsmith, doing business as American Securities Transfer Agency,
19 withdrew his registration as a transfer agent in April 1997. American Securities Transfer Agency continued
20 through at least the beginning of September 1999 to act as a transfer agent for at least one company registered
21 with the United States Securities and Exchange Commission under the Securities Exchange Act of 1934.

VII.

1 Neither ASTA Capital Corporation nor Wachsmith & Associates used written contracts in connections
2 with their sales of the shares of shell corporations. Only a one page memorandum was prepared in connection
3 with the offer or sale of the shares. The memorandum stated the terms of the transaction. These were typically
4 payment of \$25,000 at the beginning of the transaction and payment of the remaining \$25,000 when ASTA
5 Capital Corporation or Wachsmith & Associates completed performance of a list of promised services and the
6 stock of the company begins trading. Both ASTA Capital Corporation and Wachsmith & Associates, through
7 John Wachsmith, led purchasers of majority positions in the shares of shell corporations to believe that buying
8 those shares would result in the purchaser's business having publicly traded shares. However, in at least two
9 instances, ASTA Capital Corporation or Wachsmith & Associates accepted the first portion of the purchase
10 price from purchasers and then failed to transfer the promised shares or to refund the purchaser's money,
11 claiming that the remainder of the purchase price had to be paid although the promised services had not been
12 performed and the stock was not publicly traded. Purchasers were not advised that their funds would not be
13 segregated but would instead be deposited into an account Wachsmith used for his household expenses. In
14 1996, before he established the ASTA Capital Corporation bank account, Wachsmith deposited funds from
15 purchasers of shares into a bank account of Pioneer Press, a business run by Wachsmith's wife. Like the ASTA
16 Capital Corporation bank account, the Pioneer Press account was used by members of the Wachsmith
17 household for household purposes.

18 VIII.

19 In addition to selling majority positions in the shares of shell corporations directly to the owners of
20 businesses, ASTA Capital Corporation also accepted funds from investors for small amounts of shares in the
21 shell corporations. Two of the companies for which ASTA Capital Corporation accepted funds from investors
22 were Triangle Broadcasting and American Freedom International. Washington residents invested in the stock
23 of both companies by depositing funds to the ASTA Capital Corporation account.

IX.

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2 In mid-1998, Jim Lake, president of American Freedom International, a start-up corporation in the long
3 distance telephone service business, arranged with John Wachsmith of ASTA Capital Corporation to purchase
4 the majority of the outstanding shares of a shell corporation from ASTA Capital Corporation for the purpose of
5 taking company public. As part of this arrangement, Lake sent a letter dated August 24, 1998 to AFI's
6 customers, distributors, and representatives offering them stock. The letter directed persons wishing to
7 purchase stock to send checks to American Security Transfer Agency, PO Box 11593, Bainbridge Island, WA
8 98110. The letter also gave directions for purchasing stock by wire transfer. Persons were directed to transfer
9 funds to the Wells Fargo Bank account of ASTA Capital Corporation. Wachsmith was aware of the letter and
10 its contents.

X.

11 In response to the AFI letter, the ASTA Capital Corporation account at Wells Fargo Bank received
12 approximately 40 deposits totaling more than \$80,000 from the sale of AFI stock. Wachsmith remitted \$23,000
13 of this amount to Jim Lake and retained the remainder. No AFI shares were ever issued.

XI.

14 In February 1999, Wachsmith, as president of ASTA Capital Corporation offered to prepare a Small
15 Corporate Offering Registration for a South King County business seeking to raise capital. Wachsmith told the
16 owners of the business that competing firms would charge \$20,000 for similar services but that he would only
17 charge \$5,000. The business paid \$5,000 to ASTA Capital Corporation on February 12, 1999. Wachsmith then
18 told the owners of the business that the SCOR offering was delayed because the Securities Division had
19 cancelled meetings Wachsmith had scheduled concerning the offering. In fact, Wachsmith had never contacted
20 the Securities Division about the offering and no meetings had ever been scheduled. After giving a number
21 such excuses to business owners, Wachsmith offered to sell them a shell corporation for \$150,000 instead of
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1 completing the SCOR offering. The business owners declined this offer. Wachsmith refused to refund the
2 \$5,000 paid by the business for his advice concerning the sale of shares in the SCOR offering.

3 XII.

4 ASTA Capital Corporation, Wachsmith & Associates, American Securities Transfer Agency, and John
5 Wachsmith collectively took in more than \$500,000 since 1996 in more than 80 transactions involving the offer
6 or sale of securities. These transactions represent the majority of their incomes during that period.

7 XIII.

8 Neither ASTA Capital Corporation nor Wachsmith & Associates nor American Securities Transfer
9 Agency nor John Wachsmith is currently registered as a securities salesperson or broker-dealer in the state of
10 Washington and none has previously been so registered.

11 XIV.

12 The Securities Administrator finds that the continued offers or sales of shares of shell corporations by
13 ASTA Capital Corporation, by Wachsmith & Associates, or by John Wachsmith in the manner described in
14 Findings of Fact V through XI and their continued sale of advice to other corporations concerning the offer or
15 sale of shares by those corporations in the manner described in Finding of Fact XI presents a threat to the
16 investing public.

17 Based upon the above Findings of Fact, the following Conclusions of Law are made:

18 CONCLUSIONS OF LAW

19 I.

20 The offer and/or sale of shares described above constitutes the offer and/or sale of a security as defined in
21 RCW 21.20.005(10) and (12), to wit: stock.

22 II.

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1 ASTA Capital Corporation, Wachsmith & Associates, American Securities Transfer Agency, and John
2 Wachsmith have each violated RCW 21.20.040 by offering and/or selling said securities while not registered as
3 a securities salesperson or broker-dealer in the state of Washington.

4 III.

5 The offer and/or sale of said securities was made in violation of RCW 21.20.010 because the practice by
6 ASTA Capital Corporation, Wachsmith & Associates, and John Wachsmith of accepting half of the purchase
7 price and then failing to deliver the purchased shares or to refund the purchase price tended to work a fraud on
8 purchasers. ASTA Capital Corporation, Wachsmith & Associates, and John Wachsmith also violated RCW
9 21.20.010 by misrepresenting themselves as “investment bankers” capable of arranging for the companies to
10 “go public” when neither ASTA Capital Corporation, nor Wachsmith & Associates, nor American Securities
11 Transfer Agency, nor John Wachsmith was registered as a broker-dealer and therefore could not legally engage
12 in the business of effecting transactions in securities. American Securities Transfer Agency misrepresented
13 itself as a registered transfer agent when it had withdrawn its registration in April 1997.

14 IV.

15 Accepting funds from a South King County business for advice in connection with an offering of shares
16 constituted a violation of RCW 21.20.020 because ASTA Capital Corporation and John Wachsmith engaged in
17 an act or practice that tended to work a fraud on that business as described in Finding of Fact XI.

18 ORDER

19 Based upon the above Findings of Fact and Conclusions of Law it is hereby

20 ORDERED ASTA Capital Corporation, Wachsmith & Associates, American Securities Transfer Agency,
21 and John Wachsmith each cease and desist from acting as unregistered broker-dealers or salespersons in
22 violation of RCW 21.20.040.

1 IT IS FURTHER ORDERED that ASTA Capital Corporation, Wachsmith & Associates, and John
2 Wachsmith, ASTA Capital Corporation, John Wachsmith, Wachsmith and Associates, American Securities
3 Transfer Agency, their agents and employees, each cease and desist from violation of RCW 21.20.010, the anti-
4 fraud section of the Securities Act.

5 IT IS FURTHER ORDERED that ASTA Capital Corporation and John Wachsmith each cease and desist
6 from violation of RCW 21.20.020, the section making it unlawful for a person receiving compensation
7 primarily from advising another about the purchase or sale of securities from engaging in an act or practice or
8 course of business which operates or would operate as a fraud or deceit upon the other person.

9 This Order is entered pursuant to RCW 21.20.390 and is subject to the provisions of ch.
10 34.05 RCW.

11 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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13 DATED this _____ day of January, 2000.

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16 _____
DEBORAH R. BORTNER
Securities Administrator

17 Presented by:

18 Approved By:

19 _____
Michael E. Stevenson
Chief of Compliance

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Suzanne E. Sarason
Senior Enforcement Attorney

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