

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

<hr/> SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	
	:	
v.	:	
	:	Civil Action No.
KEVIN HALTER,	:	
	:	
Defendant.	:	
	:	
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COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”) alleges:

INTRODUCTION

1. Kevin Halter, the former bookkeeper at Securities Transfer Corporation (“STC”), a Texas-based Commission-registered stock transfer agent, misappropriated approximately \$2.7 million in client funds entrusted to STC. Defendant secretly transferred the funds from bank accounts held on behalf of STC clients to brokerage and bank accounts he controlled to cover losses from his unprofitable personal securities trading.
2. Defendant’s misuse of customer funds caused STC to violate Commission rules and regulations requiring registered transfer agents to protect customer funds in their custody or possession.
3. By the conduct detailed in this Complaint, Defendant aided and abetted STC’s violations of Section 17A(d)(1) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78q-1(d)(1)] and Rule 17Ad-12(a)(2) [17 C.F.R. § 240.17Ad-12(a)(2)] thereunder.

4. The Commission, in the interest of protecting the public from further unlawful activities and harm, brings this action seeking permanent injunctive relief and civil monetary penalties.

JURISDICTION AND VENUE

5. The Court has jurisdiction over this action under Section 27 of the Exchange Act [15 U.S.C. § 78(aa)].

6. Defendant, directly or indirectly, made use of the means or instruments of transportation and communication, and the means or instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein.

7. Venue is proper under Section 27 of the Exchange Act [15 U.S.C. § 78(aa)] because certain of the transactions, acts, practices, and courses of business alleged herein took place in the Northern District of Texas.

DEFENDANT

8. **Kevin Halter**, 75, is a resident of Desoto, Texas. As an independent contractor, Defendant served as STC's bookkeeper for approximately ten years until his termination on January 6, 2009.

RELEVANT ENTITY

9. **Securities Transfer Corporation** is a stock transfer agent located in Frisco, Texas, and registered with the Commission under Section 17A(c)(2) of the Exchange Act [15 U.S.C. § 78q-1(c)(2)]. Defendant's son, Kevin Halter, Jr., is STC's CEO.

STATEMENT OF FACTS

I. Background

10. As a transfer agent, STC handles both securities and funds for its clients. It acts as a dividend paying agent for certain companies, and also provides escrow services for specific issuer transactions.

11. Until his January 2009 termination, Defendant was STC's bookkeeper. Defendant was a signatory on STC's bank accounts, and handled all of STC's bank transfers and account reconciliations. Defendant had electronic access to STC's bank accounts.

II. Defendant Misappropriated Client Funds

12. During 2006 and the first half of 2007, Defendant incurred net unrealized losses from his personal securities trading in excess of \$6 million. From August 2007 through November 2008, he transferred a total of approximately \$2.7 million from ten STC client-accounts to brokerage and bank accounts he controlled.

13. In August 2007, Defendant diverted \$600,000 from an STC client's escrow account (the "Client Escrow Account"). Later that year, Defendant repaid part of that amount, but during March through July 2008, he misappropriated an additional \$1.575 million from the Client Escrow Account.

14. In late November 2008, the client directed STC to release the funds maintained in its Client Escrow Account. In order to replenish the Client Escrow Account and make the required payment, Defendant misappropriated \$1,291,000 from seven additional issuer accounts and deposited the funds into the Client Escrow Account on November 26, 2008.

15. In addition to the money withdrawals from the Client Escrow Account, Defendant misappropriated additional client funds. Specifically, he misappropriated \$150,000 from a

different STC client on August 2, 2007, and \$400,000 from another STC client on September 9, 2008.

III. Defendant's Misuse of Client Funds is Discovered

16. In December 2008, during a routine exam, Commission examiners reviewed STC bank account statements. The Commission staff noted unusual online transfers, and requested that STC provide an explanation for those transfers.

17. In response to questions concerning the suspect fund transfers, on January 5, 2009, Defendant informed his son (STC's CEO) that he had taken the funds from the STC client accounts. After learning of his father's improprieties, STC's CEO terminated Defendant's employment on January 6, 2009. Subsequently, Defendant repaid the money he misappropriated from STC's clients.

IV. Defendant Caused STC to Violate Commission Rules and Regulations

18. Commission rules and regulations require STC, as a Commission registered transfer agent, to protect client funds in its custody and possession against misuse. By misusing client funds and putting them at risk, Defendant caused, and substantially assisted, STC's violations of these rules and regulations.

CLAIM

Defendant Aided and Abetted STC's Violations of Exchange Act Section 17A(d)(1) and Rule 17Ad-12(a)(2)

19. Plaintiff Commission incorporates paragraphs 1 through 18 of this Complaint by reference.

20. Based on the conduct alleged herein, Defendant, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance in connection with STC's violations of Exchange Act Section 17A(d)(1) [15 U.S.C. § 78q-1(d)(1)] and Rule 17Ad-12(a)(2)

[17 C.F.R. § 240.17Ad-12(a)(2)]. Section 17A(d)(1) of the Exchange Act [15 U.S.C. § 78q-1(d)(1)] prohibits registered transfer agents from, directly or indirectly, engaging in any activity as a transfer agent in contravention of Commission prescribed rules and regulations. Exchange Act Rule 17Ad-12(a)(2) [17 C.F.R. § 240.17Ad-12(a)(2)] requires any registered transfer agent that has custody or possession of funds related to its transfer agent activities to assure that all such funds are protected, in light of all facts and circumstances, against misuse.

21. As a part of and in furtherance of his scheme, Defendant misused client funds in the custody of and possessed by STC, resulting in STC's violations of Commission rules and regulations.

22. For these reasons, Defendant aided and abetted and, unless enjoined, will continue to aid and abet violations of Section 17A(d)(1) of the Exchange Act [15 U.S.C. § 78q-1(d)(1)] and Rule 17Ad-12(a)(2) [17 C.F.R. § 240.17Ad-12(a)(2)] thereunder.

RELIEF REQUESTED

Plaintiff respectfully requests that the Court:

I.

Permanently enjoin Defendant from violating Section 17A(d)(1) of the Exchange Act [15 U.S.C. § 78q-1(d)(1)] and Rule 17Ad-12(a)(2) of the Exchange Act [17 C.F.R. § 240.17Ad-12(a)(2)].

II.

Order Defendant to pay civil monetary penalties in an amount determined appropriate by the Court under Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] for the violations alleged herein.

III.

Order such further relief as this Court may deem just and proper.

Dated: January 31, 2011

Respectfully submitted,

s/ Robert Long

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