

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 69095 / March 8, 2013**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15236**

**In the Matter of**  
  
**STEPHEN SHEA,**  
  
**Respondent.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE PROCEEDINGS**  
**AND NOTICE OF HEARING**  
**PURSUANT TO SECTION 15(b) OF**  
**THE SECURITIES EXCHANGE ACT**  
**OF 1934**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Stephen Shea (“Shea” or “Respondent”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A.     RESPONDENT**

1.     Shea was a registered representative (“RR”) at The Thornwater Company, L.P. (“Thornwater”) from 1997 to 2002. Shea was also an RR at Sky Capital LLC (now known as Granta Capital LLC) (“Sky Capital”) from 2001 to 2009. Thornwater and Sky Capital were broker-dealers registered with the Commission. Shea, 40 years old, is a resident of Brooklyn, New York.

## B. ENTRY OF THE RESPONDENT'S CRIMINAL CONVICTION

2. On February 14, 2011, Shea entered a guilty plea in United States v. Ross Mandell, et al., 09-cr-662 (S.D.N.Y.) ("Mandell"), to (1) conspiracy to commit securities fraud, mail fraud and wire fraud, in violation of 15 U.S.C. §§ 78j(b) and 78ff, and 17 C.F.R. § 240.10b-5; and 18 U.S.C. §§ 1341 and 1343 and (2) securities fraud in violation of 15 U.S.C. §§ 78j(b) and 78ff, and 17 C.F.R. § 240.10b-5.

3. The counts of the criminal indictment under which Shea plead guilty in Mandell alleged, inter alia, that from at least in or about 1998 through in or about 2006, Shea and others carried out a fraudulent scheme by soliciting millions of dollars from investors under false pretenses, manipulating the market for certain affiliated companies' stocks, failing to use investors' funds as promised, and misappropriating and converting investors' funds without their knowledge. The indictment alleged that Shea and others used material misrepresentations and omissions to cause individuals to invest in a series of purported investment opportunities, including private placements. The indictment also alleged that Shea and others raised a total of approximately \$140 million from investors through their fraudulent scheme. The indictment further alleged that Shea and his co-defendants used those funds to enrich themselves, pay undisclosed commissions to brokers, and pay off earlier investors who had lost funds on prior purported investment opportunities.

## III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and,

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act;

## IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Elizabeth M. Murphy  
Secretary