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UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

J.N. FILED
APR 3 2006
MICHAEL W. DOBBINS
CLERK, U.S. DISTRICT CT.

SECURITIES AND EXCHANGE)
COMMISSION,)
)
Plaintiff,)
)
v.)
)
XIANGSHA FENG,)
)
Defendant.)

06CV1817
JUDGE PALLMEYER
MAG. BROWN

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission ("Commission"), for its Complaint against Xiangsha Feng, alleges as follows:

INTRODUCTION

1. This case involves insider trading by Xiangsha Feng. Feng profited \$14,568 by trading on confidential information that she misappropriated from her husband, a senior vice president of Telular Corporation, in violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

2. Feng directly and indirectly engaged in and, unless enjoined, will continue to engage in transactions, acts, practices, and courses of business which violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

3. The Commission brings this action pursuant to Sections 21(d), 21(e) and 21A of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78u-1(a)] seeking a permanent injunction, disgorgement of unlawful profits plus prejudgment interest, and civil penalties.

JURISDICTION

4. This Court has jurisdiction pursuant to Sections 21 and 27 of the Exchange Act [15 U.S.C. §§ 78u and 78aa].

THE DEFENDANT

5. Feng, age 50, resides in Vernon Hills, Illinois. Feng has been married to a Telular senior vice president since 1997. Feng is not employed, but engages in day trading of securities.

RELATED ENTITY

6. Telular Corporation, headquartered in Vernon Hills, Illinois, designs and manufactures wireless telecommunications products. Its stock is traded on the Nasdaq National Market System under the symbol "WRLS."

FACTS

7. From at least April 2003 through June 2004, Feng learned confidential information about Telular's business from her husband. Feng improperly traded in Telular stock based on this information.

Feng's April 2003 Trading in Telular Common Stock

8. On April 17, 2003, Telular announced that it would disclose its second quarter results before the stock markets opened on April 24, 2003.

9. On or about April 23, 2003, Feng learned information from her husband which led her to believe that Telular would announce disappointing financial results in the upcoming release.

10. If an investor, like Feng, thinks that a stock price may drop based on disappointing financial results, the investor may "short" the stock or "sell short" by borrowing shares from a broker-dealer and then selling those shares at the current price. Eventually, the investor must

return the borrowed shares to the broker-dealer or "cover" the short position by buying shares of the stock. If the price of the stock has dropped, the investor can profit from the transaction by selling high and buying low.

11. On April 23, 2003, Feng sold short a total of 1,500 shares of Telular common stock at \$6.90 to \$7.45 per share.

12. On April 24, 2003, Telular announced its second quarter results. Telular stock closed at \$5.23 on April 24, a decrease of \$2.15 or 29.1% from the previous day's closing price.

13. That same day, Feng covered her short position by purchasing a total of 1,500 shares of Telular common stock at \$5.75 to \$5.82 per share. Feng realized a profit of \$2,132.

14. Feng did not tell her husband about this trading.

Feng's January 2004 Trading in Telular Common Stock

15. On or about January 2, 2004, Feng learned information from her husband which led her to believe that Telular was in the process of filling several new purchase orders.

16. The information regarding Telular's new orders raised the obvious possibility that financial results would be positively affected.

17. On January 2, 2004, Feng purchased 1,000 shares of Telular common stock at \$6.35 per share.

18. On January 5, 2004, Feng purchased 1,000 shares of Telular common stock at \$6.60 per share.

19. On January 6, 2004, Telular announced that since September 1, 2003, it had received \$25.3 million in new purchase orders. It also announced that it had shipped \$9.5 million of these orders in the fourth calendar quarter of 2003 and expected to ship the balance in the first quarter calendar quarter of 2004, Telular's second quarter of fiscal year 2004. Telular

stock closed at \$8.147 on January 6, an increase of \$1.497 or 22.5% from the previous day's closing price.

20. That same day, Feng closed her long position by selling a total of 2,000 shares of Telular stock at \$7.50 to \$7.62 per share. Feng realized a profit of \$2,160.

21. Feng did not tell her husband about this trading.

Feng's June 2004 Trading in Telular Common Stock

22. On June 17, 2004, Feng learned from her husband that Telular had a shortage of components used to manufacture its wireless telecommunications products. Specifically, she overheard her husband explain on a business call with a Telular supplier that Telular could not manufacture its wireless telecommunications products without the components he requested.

23. The information regarding Telular's component shortages and an inability to manufacture products due to the shortages raised the obvious possibility that sales would be adversely affected.

24. On June 18, 2004, Feng sold short a total of 2,500 shares of Telular common stock at \$9.85 and \$9.86 per share.

25. On June 21, 2004, Feng sold short 2,500 shares of Telular common stock at \$9.80 per share.

26. On June 22, 2004, Telular announced that its third quarter revenues would be hurt by temporary component shortages from suppliers. Telular stock closed at \$7.17 on June 22, a decrease of \$.94 or 11.6% from the previous day's closing price.

27. That same day, Feng covered her short position by purchasing 5,000 shares of Telular stock at \$7.77 per share. Feng realized a profit of \$10,276.

28. Feng did not tell her husband about this trading.

Feng's Duty of Confidence to Her Husband

29. Feng owed a duty to her husband to keep the information regarding Telular's business she learned from him confidential.

30. Her husband expected her to keep information she learned from him regarding Telular confidential.

31. He never told her she could trade in Telular stock based on information she obtained from him. Feng never asked for his approval.

CLAIM

**Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]
and Rule 10b-5 [17 C.F.R. § 240.10b-5] Thereunder**

32. Paragraphs 1 through 31 are realleged and incorporated by reference as though fully set forth herein.

33. During the relevant time period, Feng, in connection with the purchase and sale of Telular securities, namely common stock, by use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly: employed devices, schemes and artifices to defraud; made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and engaged in acts, practices and courses of business which operated as a fraud and deceit upon purchasers and sellers of such securities.

34. As part of her conduct, Feng sold Telular common stock while in possession of material, non-public information regarding Telular and while she knew or should have known that the information was obtained as a result of a breach of duty to her husband.

35. As a result of the activities described above, Feng violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

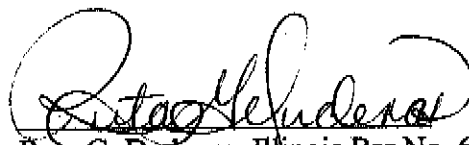
RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

- (a) find that Feng violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder;
- (b) permanently enjoin Feng from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder;
- (c) order Feng to pay to the Commission disgorgement of her ill-gotten gains plus prejudgment interest from the dates of her gains to the date of final judgment in this matter;
- (d) order Feng to pay civil penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1];
- (e) retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court; and

(f) order such other relief as the Court may deem appropriate.

Respectfully submitted,



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Dated: April 3, 2006