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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, **Plaintiff,** **-against-** **HUAKANG ZHOU (a/k/a DAVID ZHOU), and WARNER TECHNOLOGY AND INVESTMENT CORPORATION,** **Defendants.**	**COMPLAINT AND JURY DEMAND**

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against defendants Huakang Zhou (a/k/a David Zhou) ("Zhou") and Warner Technology and Investment Corporation ("Warner Investment") (collectively, "Defendants"), alleges as follows:

SUMMARY OF ALLEGATIONS

1. This case involves—among the multiple securities laws violations—fraud committed by U.S. based "consultants" Zhou and his firm Warner Investment. Defendants have helped numerous Chinese companies access and navigate the U.S. capital markets in recent years. Zhou and Warner Investment, through Zhou, have acted as advisers to over twenty Chinese issuers, locating private companies in China to bring public in the United States, conducting reverse mergers and, for some, thereafter maintaining prominent, if not controlling, roles with the companies' management and financial operations.

2. After earning millions of dollars in fees, Defendants have left several failed Chinese companies in their wake in the U.S. Most of Defendants' clients' securities now trade for pennies, if they trade at all. The securities of at least one former client, China Yingxia International, Inc. ("China Yingxia"), no longer trade. China Yingxia's registration was revoked after it collapsed due to reported fraud, similar to a Ponzi scheme, by its chief executive officer.

3. From at least 2007 through 2010, Defendants engaged in varied misconduct involving some of the same clients, ranging from nondisclosure of certain holdings and transactions to outright fraud in violation of the federal securities laws. For a few clients, Defendants engaged in unregistered sales of securities, including by conducting an unregistered public offering of over $5 million in securities of a Chinese solar company ("Company A") to roughly 85 Chinese-Americans in several states. Defendants also improperly assisted with securities offerings for two clients by acting as unregistered securities brokers, and further aided and abetted others' unregistered broker-dealer violations.

4. In connection with raising $2 million for one client, American Nano Silicon Technologies, Inc. ("American Nano"), Defendants engaged in deceptive conduct and made material misrepresentations and omissions to investors. Among other things, Zhou misused a significant portion of the investment proceeds to pay $271,500 towards a mortgage on a million-dollar condo in New York City and a $40,000 "refund" to his wife for undisclosed reasons. As well, Zhou concealed from investors that their money would be put at risk due to the circuitous manner in which Zhou purportedly sent proceeds to China. Unknown to the investors, Zhou, who controlled a U.S. bank account for the issuer, sent hundreds of thousands of dollars by wire transfer to multiple individuals in China who apparently had no affiliation with American Nano.

The individuals supposedly then wired the money to the company's CEO, who in turn purportedly transferred the money to the company's Chinese bank account.

5. Further, Zhou committed securities fraud by orchestrating an elaborate scheme in an apparent effort to list another client, a purported Chinese real estate developer, on NASDAQ. Zhou engaged in manipulative trading, including matched orders, to meet the $4 minimum bid required for listing. Also, via gifts of stock and a purportedly private sale to a broker-dealer that violated registration requirements, Zhou schemed to artificially create a sufficient number of shareholders to meet a listing requirement that applicants have in excess of 400 round lot shareholders (holders of 100 shares or more). The scheme succeeded, and NASDAQ approved the company for listing in the fall of 2010.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

6. The Commission brings this action pursuant to the authority conferred upon it by Sections 20(b) and 20(d) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b) and 77t(d)], and Section 21(d) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d) and 78u-1]. The Commission seeks permanently to restrain and enjoin Defendants from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), (c), and 77q(a)], Sections 10(b), 13(d), 15(a), and 16(a) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(d), 78o(a), 78p(a)], and Rules 10b-5, 13d-1, 13d-2, and 16a-3 thereunder [17 C.F.R. § 240.10b-5, 240.13d-1, 240.13d-2, and 240.16a-3]. Further, the Commission seeks permanently to restrain and enjoin Zhou, pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 77t(a)], from violating as a control person Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(b)], and from aiding and abetting violations of Section 10(b) and 15(a) [15 U.S.C. §§ 78j(b), 78o(a)]

of the Exchange Act, and Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)]. The Commission also seeks a final judgment ordering the Defendants to disgorge their ill-gotten gains together with prejudgment interest thereon, and to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. Finally, the Commission seeks any other relief the Court may deem just and appropriate.

JURISDICTION AND VENUE

7. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(b), and 77v(a)], Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa] and 28 U.S.C. § 1331. Certain of the acts, practices, transactions, and courses of business alleged in this Complaint occurred within the Southern District of New York (for instance Defendants solicited investors for American Nano and China Yingxia in this District) and were effected, directly or indirectly, by making use of the means and instrumentalities of transportation or communication in interstate commerce, or the mails.

DEFENDANTS

8. **Huakang Zhou (a/k/a David Zhou)**, age 60, a resident of New Jersey, is the president of New Jersey-based consulting company Warner Investment. Zhou does not have any professional licenses. He emigrated to the U.S. from China in 1983 and earned a Ph.D. in Operations Research from Polytechnic University of New York in 1989. Zhou has never held a securities license.

9. **Warner Technology and Investment Corporation** is a New Jersey-based consulting firm that works with private Chinese companies, assisting in reverse mergers, capital

raises, and operations as publicly-traded companies, such as retaining independent auditors, officers and directors, and counsel, and filing reports with the Commission. Through Zhou, Warner Investment acted as a consultant to, and facilitated the reverse merger of, numerous Chinese companies. Zhou and his wife are the owners of Warner Investment, with Zhou holding the title of president. Warner Investment has never been registered with the Commission in any capacity.

OTHER RELEVANT ENTITIES AND INDIVIDUALS

10. **China Yingxia International, Inc.** is a Florida corporation formerly headquartered in Harbin, China. China Yingxia's stock was quoted on the OTC Link (formerly "Pink Sheets") operated by OTC Markets Group, Inc. under the symbol "CYXI." On February 2, 2012, the Commission instituted administrative proceedings pursuant to Section 12(j) of the Exchange Act against China Yingxia, as the Company had not filed any periodic reports with the Commission since late 2008. On March 7, 2012, an Administrative Law Judge revoked the registration of each class of China Yingxia's registered securities.

11. **American Nano Silicon Technologies, Inc.** is a California corporation with purported operations in China. Its stock is registered pursuant to Section 12(g) of the Exchange Act and was previously quoted on the OTC Bulletin Board. The company's securities apparently have been deleted from the OTC Bulletin Board due to quoting inactivity under Rule 15c2-11 of the Exchange Act. Zhou and Warner Investment brought American Nano public in the U.S.

12. **Company A**, a supposed refiner and producer of high purity tellurium for the solar industry, is a Delaware corporation with purported operations in China. Its stock is registered pursuant to Section 12(g) of the Exchange Act and is quoted on the OTC Bulletin

Board. The stock virtually no longer trades. Zhou and Warner Investment brought Company A public in the U.S.

13. **China HGS Real Estate, Inc.** ("China HGS"), a supposed Chinese real estate company, is a Florida corporation with purported operations in China. Its stock is registered pursuant to Section 12(b) of the Exchange Act and is listed on the NASDAQ. Prior to its listing on the NASDAQ, China HGS was quoted on the OTC Bulletin Board. Zhou and Warner Investment brought China HGS public in the U.S.

14. **Alan Sheinwald** ("Sheinwald"), age 47, is the founder and president of investor relations firm Alliance Advisors, LLC. Sheinwald resides in North Salem, New York. He has never been registered with the Commission in any capacity. The Commission filed an action on July 30, 2012 against Sheinwald alleging that he violated Section 15(a) of the Exchange Act. See SEC v. Sheinwald, et al., No. 12-CV-5811 (S.D.N.Y.) (RA).

15. **Alliance Advisors, LLC** ("Alliance Advisors"), with offices in North Salem, New York, and New York, New York, is a limited liability company that provides investor relations services to small companies. Alliance Advisors has never been registered with the Commission in any capacity. The Commission filed an action on July 30, 2012 against Alliance Advisors alleging that it violated Section 15(a) of the Exchange Act. See SEC v. Sheinwald, et al., No. 12-CV-5811 (S.D.N.Y.) (RA).

16. **Peter Siris** ("Siris"), age 68, resides in New York, New York, and manages two investment funds. Siris, through his funds, invested heavily in Chinese companies. Siris formerly held series 7 and 63 securities licenses, and was last a registered representative of a broker-dealer in 1997. Siris is not registered with the Commission in any capacity. The Commission filed a settled action on July 30, 2012 against Siris alleging that he violated, among

others, Section 15(a) of the Exchange Act. Siris neither admitted nor denied the charges. Final judgment was entered by consent against Siris on September 18, 2012. See SEC v. Siris, et al., No. 12-CV-5810 (S.D.N.Y.) (RA). Siris is now a respondent in a pending administrative disciplinary proceeding. See In the Matter of Peter Siris, Admin. Proc. File No. 3-15057, Sept. 28, 2012.

17. **Peter Dong Zhou** ("Peter Zhou"), age 31, resides in New York, New York. Peter Zhou, son of Huakang Zhou, was a registered representative and served as president of American Union Securities, Inc. ("American Union"), formerly a registered broker-dealer based in New York, New York. During the relevant period, Peter Zhou held series 7, 24, 55, and 63 securities licenses. The Commission instituted settled administrative and cease-and-desist proceedings against Peter Zhou on July 30, 2012 for, among other things, aiding and abetting violations of Section 15(a) of the Exchange Act. Peter Zhou neither admitted nor denied the findings. See In the Matter of Peter Dong Zhou, Admin Proc. File No. 3-14964, July 30, 2012.

18. **Stephen Mazuchowski (a/k/a Steve Mazur)** ("Mazur"), age 60, is a resident of Hellertown, Pennsylvania. Mazur was formerly a registered representative of a Connecticut-based registered broker-dealer from 2002 to 2008. Mazur holds series 7 and 63 securities licenses. The Commission instituted settled administrative and cease-and-desist proceedings against Mazur on July 30, 2012 for violating Section 15(a) of the Exchange Act. Mazur neither admitted nor denied the findings. See In the Matter of Stephen Mazuchowski, Admin Proc. File No. 3-14965, July 30, 2012.

FACTS

I. ZHOU, WARNER INVESTMENT, AND THE REVERSE MERGER PROCESS

19. Warner Investment's website states that it operates as "a specialized consulting firm in the business of assisting private companies seeking to become public company [sic] through ... reverse merger processes. ... [Warner Investment also] provide[s] services to Chinese companies seeking capital via private placement or investment in the U.S., Hong Kong, Taiwan and other Asian countries."

20. Warner Investment advertises itself as "the first US consulting firm that successfully introduced a Chinese private company ... [to] go public by reverse merger with an OTCBB trading company, raising about $33 million in capital by private placement, then being listed at the AMEX market just one year after the reverse merger."

21. Neither Zhou nor Warner Investment is registered as a broker-dealer; however, the services they provide were closely linked with those of a formerly registered broker-dealer, American Union, with which Zhou and Warner Investment for a time shared office space.

22. In 2004, Zhou partnered with an individual to create American Union and essentially expand Warner Investment's service-base to include investment banking type activities.

23. Allegedly due to his age, Zhou did not have the energy to take licensing exams, and thus abandoned his plans to form American Union.

24. Instead, Zhou provided almost $200,000 to the individual, who was already licensed, to start American Union. Warner Investment, through Zhou, negotiated and worked with American Union on a case-by-case basis providing complementary services to Chinese

companies, with Zhou facilitating reverse mergers and then directing clients to the Broker-Dealer for investment banking.

25. By early 2007, the individual with which Zhou had partnered left American Union, and Zhou's son, Peter Zhou, took over as president of American Union.

26. Despite the fact that he was not registered with the Commission as a broker or dealer, Zhou maintained the appearance of control over American Union.

27. Zhou regularly worked out of an office at American Union, used its letterhead, held an ownership stake in the firm, and at times represented himself as its chairman.

28. Through the years, Defendants conducted reverse mergers or reverse takeovers for approximately twenty-two companies.

29. Generally, Defendants would identify private companies in China through various sources (including government contacts), perform some due diligence (which was, on occasion, outsourced to individuals in China), and enter into an agreement with the private Chinese company to conduct a reverse merger, raise capital, and facilitate listing on a national exchange.

30. After completing the reverse mergers, Zhou strongly influenced, if not outright managed, many of his clients' obligations as public companies and U.S. presence.

31. Zhou hired or facilitated the hiring of U.S. service providers, including accountants and lawyers; as well, he facilitated the appointment of senior officers and directors; and he assisted with the companies' filings with the Commission.

32. Further, Zhou opened and controlled U.S. bank accounts for many of his clients to pay for services rendered and to receive any proceeds from fundraising done in the U.S.

33. Zhou, and to a lesser extent his wife, were typically the only persons with signatory authority on his corporate clients' bank accounts. The companies' management,

including at times individuals in the U.S., often did not have direct access to or signatory authority on the bank accounts.

34. Zhou therefore controlled how and when offering proceeds were wired to China, and had the ability to direct money to himself, which he did, purportedly to collect fees owed to Warner Investment or money he expended on behalf of the companies—or further to repay loans he, or his family members, purportedly made to the companies on several occasions.

35. As a result of his conduct, Zhou was a *de facto* officer for many of his clients in the U.S.

II. UNREGISTERED OFFERS AND SALES OF SECURITIES.

a. Background on Section 5 of the Securities Act

36. Sections 5(a) and 5(c) of the Securities Act make it unlawful for any person, directly or indirectly, to use the mails or other means of interstate commerce to sell or to offer to sell a security for which a registration statement is not filed or not in effect, absent an available exemption.

37. Section 4(1) of the Securities Act provides an exemption from the registration requirements of Section 5 for those who are not underwriters, issuers, or dealers. Section 2(a)(11) of the Securities Act defines "underwriters" as any person who has purchased from an issuer with a view to, or offers or sells for an issuer in connection with, the distribution of any security, or participates, or has a direct or indirect participation in any such undertaking, or participates or has a participation in the direct or indirect underwriting of any such undertaking. The term "issuer" includes any person directly or indirectly controlling or controlled by, or any person under direct or indirect common control with, the issuer.

38. Rule 144 of the Securities Act provides a "safe harbor" exemption permitting the public resale of restricted and control securities (control securities are securities held by an affiliate of the issuing company; an affiliate is a shareholder, such as a director or large shareholder, in a relationship of control with the issuer) when, among other things, the selling security holder has held the securities for a specified period of time.

b. Company A

39. During the lead-up to the reverse merger for Company A, Defendants formed a U.S. holding company ("Holding Company").

40. The Holding Company was incorporated in late 2007 in Delaware with Zhou's wife as its sole stockholder.

41. The Holding Company became the holding company of a private Chinese company, which Defendants merged with and into the Holding Company.

42. Defendants subsequently merged the Holding Company with a shell company, and eventually Company A, the post-reverse merger company, soon became publicly traded in the U.S.

43. Before consummating Company A's reverse merger, from roughly August 2007 to August 2008, Zhou directly or indirectly solicited in-person, by email, and phone, more than 85 offerees from multiple states to invest in the Holding Company and ultimately Company A.

44. Zhou told offerees "[Company A] will be public in the U.S. by OTCBB [reverse merger] … If you invest [at prices between $2 and $3 per share] … the Delaware [company or the Holding Company] [will] become [an] OTCBB company. When we do [go] public, [you will] get [] shares."

45. Although Zhou solicited friends and family, it appears that the investors, principally of Chinese descent, consisted of a number of individuals that Zhou met through others, and who he did not have a pre-existing substantive relationship prior to solicitation.

46. Zhou did not directly know some of the offerees.

47. For example, Zhou was introduced through an acquaintance, and later solicited, a woman and several of her family members who purchased shares, technically of the Holding Company, which would be and in fact later were converted to shares of Company A after it became a public company.

48. As part of the terms of the reverse merger, all of the outstanding shares of the Holding Company were converted into the right to receive a set number of shares of Company A.

49. In all, although there does not appear to have been a set offering amount, Defendants raised over $5 million from approximately 85 investors mainly residing in the U.S., primarily in New York and New Jersey, though some were Chinese nationals.

50. Defendants did not maintain any documents concerning whether the offerees or ultimate investors were accredited or sophisticated or concerning their investment intent, nor did Zhou ask for such information from those he solicited. Indeed, Defendants did not make any real attempt to determine whether the investors were accredited or sophisticated.

51. It appears that the sophistication and means of the offerees and investors varied, with some appearing to be of relatively limited means or otherwise unsophisticated investors.

52. As part of the offering, it further appears that, although Zhou allegedly showed a Power Point on the company and provided a brochure to the offerees, there were no documents memorializing the investments, such as subscription or securities purchase agreements.

53. At least several of the investors were unsophisticated.

54. One woman stated that, "[a]t that time we [did not] have [investment] experience. All we th[ought] [was] we are going to make money. … I was a little scared and I g[a]ve money [but did not receive anything in return] … [w]e asked if we give money, we need [a] receipt, otherwise, we don't know. We are not in this field … [Zhou could have taken the money and disappeared]."

55. The offering for Company A, conducted by Defendants, was not registered with the Commission.

56. Zhou wired the money he raised to the private company in China, supposedly as the Holding Company's payment to "buy" the private Chinese company in accordance with Chinese laws and thus facilitating the reverse merger.

c. China HGS

57. Defendants illegally sold China HGS securities in an unregistered, non-exempt transaction.

58. Like with most, if not all, of their clients, Zhou exerted significant control over China HGS.

59. Defendants got in early with China HGS, having formed a U.S. holding company to conduct the reverse merger.

60. Zhou opened and managed a U.S. bank account and paid company expenses for, among others, the transfer agent (who, among other things, keeps track of individuals and entities who own the issuer's stock).

61. Zhou requested shareholder lists from the transfer agent to determine the number of holders in China HGS.

62. In time, Zhou facilitated the engagement of several market makers for China HGS.

63. Zhou entered into an April 1, 2010 agreement with a New York broker-dealer to sell 100,000 China HGS shares Zhou held in the name of Warner Investment – initially received in March 2008 as compensation for consulting services rendered to China HGS's predecessor – at $3 per share to the broker-dealer in a purportedly private transaction.

64. The shares Zhou sold were previously restricted; however, Zhou had the restrictions removed in January 2010 purportedly via Rule 144.

65. Zhou represented that he was not an affiliate, which enabled the removal of the restrictions.

66. The broker-dealer therefore received "unrestricted" shares, which the broker-dealer sold to 318 individuals in purportedly private transactions at an average price of $3.50, from April 8 to April 23, 2010, during a time in which the stock traded over $4.50.

67. Some of these new shareholders sold a portion of their shares almost immediately into the market; others sold some of their shares within four months; and yet others appear to have held their shares.

68. The sale by Zhou (a control person and/or affiliate of China HGS) to the broker-dealer operated as an unregistered distribution not subject to any exemption from registration.

d. Improper Sale of American Nano Shares to IR Firm

69. Defendants engaged a Maryland-based investor relations firm to provide services to American Nano in exchange for restricted shares in the company.

70. American Nano, through Zhou, agreed to pay 60,000 shares upon execution of the agreement on March 9, 2010, another 60,000 shares "on Sept. 16, 2010 if the agreement [wa]s

not terminated," and an additional 60,000 shares if the company was "very satisfied with performance of the Company." The IR firm did not receive any cash for its services.

71. For payment, Zhou dealt with the transfer agent to issue shares to the IR firm.

72. Zhou represented to the transfer agent that he was "Secretary" of American Nano, although various public filings with the Commission listed Zhou's nephew as the company's secretary.

73. Zhou's nephew, whom Zhou effectively hired to work for American Nano, also held other titles in public filings of American Nano, such as vice president.

74. And Warner Investment's address was listed in public filings as the principal executive office for the company.

75. Zhou also opened and controlled a bank account in the U.S. for American Nano.

76. The company ultimately paid the IR firm with 60,000 shares on September 9 and 22, 2010, for a total of 120,000 shares.

77. No payment occurred in March 2010.

78. In addition to the 120,000 restricted shares, Zhou personally transferred as payment a total of 20,000 supposed "free-trading" shares in two equal installments, on July 1 and 30, 2010.

79. The IR Firm took the shares with a view to distribution and almost immediately began selling shares into the public market.

80. The IR Firm received total proceeds of around $39,279.87 on the sale of the 20,000 shares.

81. Through this conduct, Zhou, as a control person and/or affiliate of the issuer, engaged in unregistered sales of securities.

82. Similar to the other shares paid to the IR Firm, the 20,000 shares Zhou transferred were not eligible for immediate sale because, if the company had issued the shares, the shares would have been restricted subject to holding period and other requirements.

III. CAPITAL CAMPAIGNS IN THE U.S.

83. Section 3(a)(4) of the Exchange Act defines a "broker" as any person who is engaged in the business of effecting transactions in securities for the account of others. Section 15(a)(1) of the Exchange Act prohibits a broker or dealer from effecting any transaction in, or inducing or attempting to induce the purchase or sale of, any security unless the broker or dealer is registered with the Commission.

84. The broker-dealer registration requirement plays a fundamentally significant role within the structure of U.S. securities market regulation.

85. A broker-dealer that has registered with the Commission is bound to abide by numerous regulations designed to protect prospective purchasers of securities. The requirement of registration acts to ensure that securities are sold by a salesman who understands and appreciates both the nature of the securities he sells and his responsibilities to the investor to whom he sells.

86. At no time has either Defendant been registered with the Commission as a broker-dealer or associated with any registered broker-dealer.

87. In connection with at least two of Defendants' clients, China Yingxia and American Nano, Zhou and Warner Investment participated at key points in the chain of distribution of securities and received transaction-based compensation in exchange for, among other things, actively soliciting and negotiating with potential investors in the U.S.

88. Further, during the solicitation for American Nano, Defendants engaged in deceptive conduct and omitted material information.

a. Defendants helped China Yingxia raise over $10 million from U.S. investors.

89. In April 2007, China Yingxia held its road show in New York City, meeting with various fund managers and others that invested in Chinese companies. Zhou accompanied the company's CEO and investor relations firm, Alliance Advisors. During the road show, Zhou met, among others, Siris, a well-known New York-based hedge fund manager, and Mazur, an individual investor, who was a registered broker.

90. Zhou immediately began soliciting Siris to have his funds invest in China Yingxia.

91. Zhou worked with Siris to facilitate an investment in China Yingxia.

92. Zhou provided input on the terms of the deal and facilitated closing of the purchase of $2 million worth of restricted securities by Siris and one of his associates.

93. By July 16, 2007, China Yingxia announced the completion of its initial round of financing. Zhou and the company continued their efforts to raise capital, with Zhou's son's broker-dealer, American Union, acting as official placement agent.

94. Mazur, the broker, who worked as a registered representative and salesperson at a broker-dealer, frequently invested in Chinese reverse merger companies.

95. Zhou solicited Mazur and one of his colleagues by email, writing that "[y]ou may know, CYXI will get [its] first $1.5 MM finance at $1 common stock, 50% warrants at $1.5. Deal will close in next week [referring to the July 16, 2007 investment]. CYXI plans to start $5-10 MM finance immediately [after] the first one close[s]. Hope you can do the deal for CYXI. … As we told you before, CYXI got an exclusive right to plant, manufacture and distribute a

kind of special rice for diabet[es] and kidney hypo-function … This special rice may be a big profit maker for CYXI."

96. Zhou continued to email Mazur and his colleague providing links to news coverage on China Yingxia, and eventually arranged a meeting to further discuss the company.

97. Both Mazur and his colleague invested in China Yingxia as part of a capital campaign that concluded in early August 2007.

98. As part of their agreement with China Yingxia, Defendants received 13% or $1,134,267 in transaction-based compensation for their services relating to the securities' offerings.

99. Such payment of fees to Zhou and Warner Investment was not disclosed to any potential or actual investors; instead, the offering materials stated that Peter Zhou's (Zhou's son) broker-dealer, American Union, would receive 13% of the offering proceeds.

100. In reality, China Yingxia's agreements with Warner Investment provided that it would receive the 13% offering fee.

101. Zhou doled out money from this fee as he saw fit, paying American Union 4%, or $349,005.20, and keeping the larger 9% share, or $785,261.80, for Warner Investment.

102. Zhou used a large portion of his compensation to pay three so-called consultants that helped China Yingxia raise money, including Sheinwald, Siris, and Mazur.

103. The three so-called consultants were not registered as brokers although they acted as such.

104. During China Yingxia's road show, Zhou negotiated separately with the three individuals to pay a "service fee" of 5% of the total amount of investments each introduced to China Yingxia.

105. These so-called consultants actively solicited potential investors, reviewed offering documents, and even seemed to control the number and type of investors that would be allowed to participate in the offering.

106. On August 9, 2007, China Yingxia announced the completion of its second round of financing whereby it sold $8,725,130 worth of restricted securities to twenty investors.

107. After the second placement closed and the amount raised became clear, the three "consultants" demanded payment.

108. In response, Zhou arranged for Warner Investment to enter into three sham consulting agreements for supposed "strategic consulting services."

109. In an attempt to conceal the true nature of the services provided, the agreements stated that the "consultants" would provide services to Warner Investment's clients, including "assisting the company in press releases, conference calls, etc.; communicating with investors, accompanying investors to visit the facilities of the Warner's clients; and providing other consulting assistance."

110. The agreements, however, made no mention of soliciting investors or raising money.

111. Despite the stated services, Zhou admitted that the "consultants" received a "service fee" for raising money for China Yingxia, not for any consulting services.

112. Zhou paid the "consultants" a total of $533,500, and retained approximately $252,000 after distributing such payments.

113. Zhou paid with checks drawn on Warner Investment's bank account.

114. The money used to pay Zhou and the three "consultants" came from proceeds from China Yingxia private placements that Defendants [and the consultants] helped to raise.

115. Defendants substantially assisted the unregistered broker conduct by the three individuals.

116. Now, Defendants continue to provide services to various companies and remain in a position to commit additional violations of the broker-dealer registration requirements.

117. The companies that Defendants provide services to include such companies that raise money through securities offerings (similar to China Yingxia).

118. Defendants never disclosed their receipt of payment in connection with China Yingxia's capital campaigns.

119. Defendants never registered as brokers.

120. As a result of Defendants' conduct concealing their activities and/or the inherently self-concealing nature of such activities, the Commission did not receive information sufficient to alert it to the existence of the China Yingxia misconduct. The Commission opened an enforcement investigation in or around mid-2010, focused on China Yingxia. In the course of its investigation, the Commission first obtained documents and other information that revealed the conduct relating to China Yingxia. The China Yingxia conduct was self-concealing, and only came to light as a result of the Commission's investigation commenced in or around mid-2010.

121. Defendants have refused to acknowledge that they engaged in effecting transactions in or inducing or attempting to induce the purchase or sale of the securities.

b. Defendants engaged in deceptive conduct when raising $2 million for American Nano.

122. Defendants, through Zhou, schemed to raise money for American Nano in an effort designed ultimately to benefit Zhou.

123. Zhou also knowingly or recklessly made material misrepresentations and omissions when soliciting investors in light of the fact that a significant portion of the investment proceeds would be used for Zhou's benefit rather than in the normal course for "growth capital."

124. Further, Zhou failed to disclose to investors that he was putting the offering proceeds at risk by engaging in questionable wire transfers where the money was first sent to third parties in the U.S. and in China, who would presumably forward the money to American Nano in China. Indeed, Zhou failed to disclose to investors that he engaged in the questionable wire transfers to evade Chinese currency regulations.

125. In late 2009 and early 2010, American Nano sought to raise money in the U.S. for "growth capital."

126. Zhou led the efforts on behalf of American Nano, and raised $1 million in March and June 2010, for a total of $2 million.

127. Zhou solicited potential investors, including an unregistered investment adviser in New York ("Adviser A").

128. In an effort to secure the investment, Zhou emailed Adviser A on December 23, 2009, forwarding a 2010 projection that assumed an investment of $5 million, stating "[w]ith $5 MM, ANNO 2011 and 2012 will have [a] big jump in sale[s] and net profit." The projections went on, stating, "with investment of $5 million" "total sales" would be "about $34,814,663[,]" and "without investment" "total sales" would be "about $18,870,132."

129. Zhou also told Adviser A in early March 2010 that, "as you know, I'm 2nd major shareholder, I can't allow ANNO fail. … As you can imagine, I hope to close the deal soon."

130. Adviser A invested in American Nano and received restricted shares.

131. The securities purchase agreement, or SPA, executed by the investors and American Nano disclosed that Warner Investment "will get 8% of the proceeds as financial services fee and finder fee."

132. For Zhou's work, he and Warner Investment generated transaction-based compensation of $80,000 in both March and June 2010, for a total of $160,000.

133. Zhou discussed and facilitated execution of the SPA Adviser A, which simply stated that the proceeds would be used for "working capital and acquisitions."

134. Zhou separately discussed with Adviser A that the proceeds would be used for growth capital.

135. While Defendants solicited and recommended investment in American Nano – and in the process effected transactions in or induced the purchase or sale of securities while not registered as or associated with a registered securities broker – the scheme concealed material facts.

136. Out of the first $1 million Defendants raised in March 2010, less various legal and other expenses (including 8% or $80,000 in transaction-based compensation paid to Defendants), the net amount of proceeds for American Nano equaled roughly $870,000.

137. The U.S. escrow agent in receipt of the proceeds wired $870,000 to a U.S. bank account that Zhou controlled on behalf of American Nano.

138. Adviser A was unaware that Zhou would have any control over the proceeds.

139. Although the proceeds were in part used for seemingly legitimate company expenses in the U.S., such as to pay accountants, the transfer agent, and an investment bank, Zhou used some of the money to pay his wife a "refund" in the amount of $40,000 for undisclosed reasons, and he wrote a check for $5,824 to "cash."

140. Zhou wired $500,000 to a U.S. brokerage account that Zhou also controlled, belonging to his brother-in-law in China.

141. Zhou maintains that his brother-in-law, from a personal bank account in China, then wired an equivalent amount of Chinese currency to American Nano in China.

142. Zhou has admitted that he wired the funds to his brother-in-law so that his brother-in-law could show assets in the U.S. to aid his attempt to immigrate to the U.S. and, as alleged above, Zhou wired the money in this roundabout manner to evade Chinese currency restrictions on the flow of money into the country.

143. The majority of the remaining proceeds from the first capital infusion purportedly reached the company in China via a similarly suspicious manner.

144. None of this money went directly to any account belonging to American Nano.

145. Zhou instead wired the remaining money to a few unaffiliated bank accounts in China in three increments of $50,000 each, also to evade Chinese currency restrictions on transfers of money into China.

146. The recipients purportedly then wired the money to American Nano's CEO, who supposedly deposited the proceeds with the company.

147. In other instances, however, for at least several of Defendants' clients, Zhou wired hundreds of thousands of dollars directly to bank accounts in China belonging to those companies.

148. In a second related transaction, Defendants raised approximately $1 million for American Nano.

149. In this transaction, Defendants again received 8% off the top of $80,000 in transaction-based compensation. However, in addition, and without disclosure, at the time the

U.S. escrow agent deposited the net proceeds of roughly $920,000 in American Nano's U.S. bank account in June 2010, Zhou used almost 30% of the proceeds for his own private purposes.

150. Zhou directed a $271,500 check written from American Nano's U.S. bank account to pay down a mortgage on a million-dollar condo in New York City where his son resided.

151. Zhou claims that he and Warner Investment were owed at least $271,500 for services previously provided to American Nano.

152. While soliciting investors, Zhou failed to disclose that the company purportedly owed Warner Investment fees for effecting its reverse merger transaction with a publicly-traded company, and that he would collect a significant amount of money from the proceeds.

153. In the same manner as the earlier wires to China, Zhou transferred roughly the balance of the second capital infusion from American Nano's U.S. bank account to multiple unaffiliated accounts in China via thirteen wires of $50,000 each.

154. Based on the representations that the proceeds were for growth capital and the representations in the SPA signed by American Nano's CEO, which stated proceeds would be used for working capital and acquisitions, Adviser A understood that all of the investor money would be used in furtherance of the company's operations, not for Zhou's benefit.

155. Adviser A had no, and no reasonable person could have, any understanding that any of the proceeds would be put at risk due to the convoluted manner in which Zhou sent money to China, or that the money would be sent in such a way to evade Chinese currency restrictions.

156. At the very least, the manner in which Zhou supposedly transferred money to the company in China calls into question whether any of the money actually reached American Nano.

157. Regardless of whether American Nano actually received any of the offering proceeds, investors' money was put at risk and Zhou's conduct and misrepresentations and omissions concerning his interest in the proceeds were material, given that a significant portion – at least $271,500 for a mortgage, a $40,000 "refund" to Zhou's wife for undisclosed reasons, and $500,000 for his brother-in-law to use for immigration purposes – was used for Zhou's benefit other than in the normal course for growth capital.

158. Zhou knew all along that he had direct access to the U.S. bank account and offering proceeds, and that he was purportedly owed substantial amounts for past services, yet he never disclosed this information to investors.

159. Zhou also did not disclose how the offering proceeds would be transferred to China or the need to evade Chinese currency restrictions and he substantially assisted the company's misconduct concerning the proceeds.

IV. SCHEME TO LIST CHINA HGS ON NATIONAL EXCHANGE.

160. Although Defendants profited regardless of whether their clients achieved success in the U.S., which many did not, their long-term interest included listing clients on a national exchange for maximum visibility. Defendants could then further profit from their sizeable stock holdings in the companies and by touting their representation of these "successful" companies to entice additional Chinese companies to seek listing in the U.S. through Defendants.

161. Indeed, Zhou has described his role as helping certain clients with securities trading over-the-counter to "upgrade" to trading on a national securities exchange.

a. Zhou engaged in manipulative trading to meet listing standards.

162. As part of Zhou's scheme to list one of his clients, China HGS, Zhou early on established control over several nominees' accounts at various broker-dealers.

163. The nominees included Zhou's family-members in the U.S. and China: Zhou's wife; Zhou's brother-in-law in China; and Zhou's sister in China.

164. Zhou held power of attorney over the accounts.

165. Zhou controlled virtually all trading activity in the accounts.

166. Neither Zhou's wife nor her brother in China ever traded, and Zhou conducted all trading on their behalf.

167. Further, Zhou (who maintained his own accounts but rarely traded in them) by his own admission, did "most" of the trading in the nominees' accounts.

168. Also, account documents show that Zhou used the accounts at his discretion to wire money to Warner Investment through purported loans from the account-holders.

169. Except for his wife's account, Zhou's email address was on file for the accounts, and on numerous occasions, Zhou communicated with the brokers acting as if he was the account-holder (he sent communications from his email address, but signed the email as the account-holder).

170. On repeated occasions, Zhou used the nominees' accounts to impact or attempt to impact the market in the securities of China HGS.

171. China HGS was the successor company to one of Zhou's other reverse merger clients. For his early work with that company, Zhou had received close to 2,000,000 shares, in addition to his typical reverse merger fee of approximately $800,000.

172. The shares of the predecessor company became shares of China HGS when it changed its name and merged to become China HGS around November 2009.

173. Zhou and his family-members held close to 2,000,000 shares of China HGS, at a time when the public float was roughly 6,050,000 shares.

174. Zhou manipulated or attempted to manipulate the market in China HGS securities.

175. In an attempt to have China HGS meet NASDAQ listing requirements, Zhou engaged in a scheme to increase the price of the stock through buying and selling the company's securities from other individuals' accounts that he controlled.

176. Primarily during December 2009 but lasting until April 2010, Zhou, among other things, matched certain orders between the nominees' accounts.

177. Zhou's sister's and wife's accounts generally sold shares, while his brother-in-law's account purchased shares, often times at prices above the market.

178. Many of the orders were placed at substantially the same time, in substantially the same amounts, and at substantially the same prices. In addition, a few of Zhou's "GTC," or "Good 'Til Cancelled," orders crossed or washed between the accounts.

Examples of Matched and/or Wash Trades

DATE	ACCOUNT	TRANSACTION	$PRICE	DAILY VOLUME
12/1/09	Zhou's Sister	Sell 2,000 3:55 pm	1.65	2,000
	Zhou's Brother-in-law	Buy 1,800 3:58 pm	1.65	2,000
12/2/09	Zhou's Sister	Sell 1,000 11:47 am	1.65	2,000
	Zhou's Brother-in-law	Buy 2,000 11:52 am	1.65	2,000

DATE	ACCOUNT	TRANSACTION	$PRICE	DAILY VOLUME
2/12/10	Zhou's Sister	Sell 2,000 11:59 am	4	4,860
	Zhou's Brother-in-law	Buy 2,000 12:02 pm	4	4,860
2/16/10	Zhou's Sister	Sell 1,000 3:33 pm	3.88	9,870
	Zhou's Brother-in-law	Buy 1,000 3:40 pm	3.88	9,870
3/24/10	Zhou's Wife	Buy 1,000 10:41 am	4.68	13,832
	Zhou's Brother-in-law	Sell 1,000 10:49 am	4.68	13,832
	Zhou's Wife	Buy 1,000 10:59 am	4.7	13,832
	Zhou's Brother-in-law	Sell 2,000 11:20 am	4.7	13,832

179. Further, despite the fact that the each of the Zhou accounts held hundreds of thousands of shares in the relatively illiquid issuer, Zhou frequently entered buy orders at higher prices.

180. For example, from December 22, 2009 to January 6, 2010, leading up to China HGS's January 28, 2010 NASDAQ listing application (for which Defendants paid the application fee), the Zhou accounts entered increasing bids, from $2.10 to $2.60, and thereafter followed a similar pattern.

181. Often the accounts were the "inside bid" or the highest bid for the day (*e.g.*, 12/18/09, bid of $2 for 900 shares at 3:55 p.m., filled at 3:56 p.m.); and similarly the accounts repeatedly traded at the daily high (*e.g.*, 1/6/10; 1/13-14/10; 1/26/10, as well as additional dates thereafter).

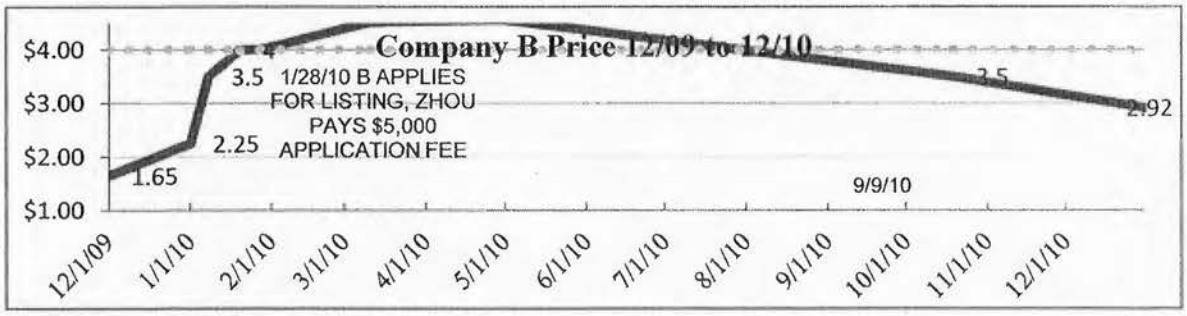
182. During December 2009 alone, when the volume totaled around 130,000 shares, the Zhou controlled accounts traded around 110,000 shares. Zhou worked to create the artificial appearance of a market and also maintain the price of China HGS during this critical period for

its listing application, when the Zhou accounts' trading often accounted for as much as 50% of the daily volume and at times nearly 100% of the daily volume.

183. Zhou geared his trading towards achieving certain bid levels, given the apparent goal of listing China HGS on a national exchange (*e.g.*, NASDAQ requires a minimum bid of $4.00).

184. During this time period, the price of China HGS's stock rapidly increased from around $1.65 to over $4.50 with average daily volume of roughly 10,000 shares.

185. The following chart shows the stock's trajectory from December 2009 through April 2010, during a time when the application was being considered, and continuing into December 2010, when the price began to decrease after NASDAQ approved China HGS for listing in September 2010.



186. In the past year, there has been limited demand for China HGS's securities, which have traded with minimal price and volume.

187. However, the stock recently inexplicably and dramatically increased in both volume and price.

b. Zhou schemed artificially to increase China HGS's shareholder base to meet listing standards.

188. As part of Zhou's scheme (and further evidence of Zhou's intent to list China HGS), Zhou caused a massive increase in the shareholder base to meet NASDAQ's requirement that an applicant have at least 400 shareholders holding 100 shares or more.

189. On December 8, 2009, Zhou emailed the transfer agent, stating "[China HGS] needs ... qualified shareholders to meet NASDAQ listing requirements. Please check and tell us 1. total sharesholder [sic] numbers; 2. qualified shareholders (>=100 shares) number."

190. Within days of Zhou's email to the transfer agent, on December 12, 2009, Zhou transferred shares held in his wife's name to 202 individuals and entities.

191. Zhou transferred 700,000 shares to one individual and two entities as supposed compensation for consulting services provided to Warner Investment.

192. Zhou transferred an additional 50,000 shares to 199 other individuals in China in lots of 150 or 200 shares each as purported gifts.

193. In February 2010, NASDAQ raised the issue with China HGS, "that a large number of shareholders [] hold either 150 or 200 shares," and asked for information on how these shareholders obtained their shares.

194. In response, by letter dated March 22, 2010, China HGS, through its counsel, provided information that a "former shareholder of [the earlier company] [Zhou's wife] made [the] private transfer[s]."

195. Apparently in response to NASDAQ's inquiry and shortly after China HGS's March 22 letter, Zhou entered into an April 1, 2010 agreement to sell 100,000 shares at $3 per share to a broker-dealer in a purportedly private transaction.

196. As alleged above, this sale by Zhou violated the registration requirements.

197. The broker-dealer sold the shares to 318 individuals at an average price of $3.50, from April 8 to April 23, 2010. During this time, the stock traded at $4.61 to $4.90, well over a dollar above the sales prices.

198. NASDAQ again requested information on the shareholders.

199. In response, China HGS, through counsel, informed NASDAQ by letter dated May 25, 2010 that, "David Zhou, a shareholder of the company," sold 100,000 shares in a private transaction to a broker-dealer, and such shares were then sold to 318 shareholders at an average price of $3.50. The letter continued, "[d]isregard of the approximately 190 shareholders who hold either 150 or 200 shares, there are 132 shareholders of the Company listed in the Shareholder List in addition to the 318 shareholders ... Therefore, the Company currently has more than 400 shareholders."

200. NASDAQ's file states, the "[a]nalyst notes that many of the Company's shareholders – 199 – have received shares as gifts. Because these shares were received as gifts analyst did not count them toward the round lot number for qualification. However, the Company (because of an April private transaction between several shareholders at which shares were sold at an average price of $3.50 per share – see the Company's letter of 5/25/2010 for further details) currently has in excess of 400 holders even excluding the 199 gifts."

201. Through his conduct alleged above, Zhou increased the shareholder base as part of his scheme to achieve listing.

c. Zhou's Undisclosed Scheme to List China HGS Was Effective.

202. Zhou schemed to defraud the market concerning China HGS. None of the above information or the scheme itself was disclosed to purchasers of China HGS securities.

203. Absent a manipulative intent, the trades in the Zhou accounts made little to no economic sense.

204. Zhou used the accounts to sell shares when another family-member's account appears to have bought at least a portion of the same issuer's shares back.

205. Many trades were matched trades, with orders being entered at substantially the same time and price in various accounts Zhou controlled.

206. The accounts incurred commissions and other transaction costs at both broker-dealers through which the shares were being purchased and sold.

207. Further, Zhou already had significant holdings in the issuer, and the issuer's securities were relatively illiquid.

208. Zhou had a motive for his attempt to increase or maintain the price and volume of the securities: listing on a national exchange, where he could then earn additional fees and possibly sell his holdings, and entice additional Chinese companies to seek listing in the U.S. through Defendants.

209. Between December 2009 and April 2010, the accounts Zhou controlled were net sellers of China HGS and collectively profited in the approximate amount of $403,121.

210. Zhou also sold China HGS stock for profits in another account.

V. UNDISCLOSED STOCK HOLDINGS AND TRANSACTIONS

211. As referenced above, Defendants received significant numbers of shares (from at least two companies with securities registered under Section 12 of the Exchange Act) as part of their compensation.

212. Defendants failed to timely file required documents concerning such holdings or transactions in the securities.

213. The disclosure provisions found in Sections 13 and 16 of the Exchange Act require any person, or two or more persons who act as a group, who acquire beneficial ownership of 5% or more, or 10% or more, respectively, of a corporation's stock to disclose their ownership to the Commission. Among other things, the disclosures provide transparency in ownership of a corporation's stock.

214. Respecting American Nano, the company's Form 10-K for the fiscal year ended September 30, 2011 reported that Zhou held 6,952,758 shares, around 19% of the common stock. This amount included, according to the Form 10-K, "2,633,846 shares owned by [Zhou's brother-in-law], with respect to all of which Mr. Zhou has voting and dispositional authority. … Also includes 1,818,912 shares owned by [] Mr. Zhou's spouse."

215. Despite the significant holdings of American Nano and subsequent purchases and sales, neither Defendant timely filed any forms required by Sections 13 and/or 16 of the Exchange Act or the relevant rules thereunder.

216. Instead, only recently on September 14, 2012, well after becoming aware of the Commission's investigation, Zhou filed a Form 3, Initial Statement of Beneficial Ownership of Securities, relating to his holdings of American Nano as of November 8, 2007, and disclosing that he is a "10% Owner" with 57,500 shares of direct ownership and 7,211,840 shares of indirect ownership. Defendants have not filed any other documents concerning ownership.

217. Similarly, in Company A's October 14, 2008 Form 8-K announcing the reverse merger, Warner Investment was listed with beneficial holdings of 4.35 million shares. The amount apparently did not include shares held by Zhou's family members. By August 2010, according to transfer agent records, Zhou and his family members held at least 5,213,000 shares of Company A, with approximately 51 million shares outstanding, or just over 10%. None of

Zhou's family, nor Zhou or Warner Investment, ever timely filed forms required by Section 13 and 16 of the Exchange Act.

218. Despite his significant holdings of Company A and subsequent purchases and sales, Zhou did not timely file any forms required by Sections 13 and 16 of the Exchange Act or the relevant rules thereunder.

219. Instead, only recently on September 14, 2012, well after becoming aware of the Commission's investigation, Zhou filed a Form 3, Initial Statement of Beneficial Ownership of Securities, relating to his holdings of Company A as of April 12, 2008, and disclosing that he is a "10% Owner" with 1,500,000 shares of direct ownership and 5,452,758 shares of indirect ownership. Defendants have not filed any other documents concerning ownership.

CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder (Against All Defendants)

220. Paragraphs 1 through 219 are realleged and incorporated by reference as though fully set forth herein.

221. Defendants, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails; or a facility of a national securities exchange, in connection with the purchase or sale of securities, knowingly or recklessly: (a) employed any device, scheme or artifice to defraud; (b) made any untrue statement of material fact or omitted to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in any act, practice, or course of business that operated or would have operated as a fraud or deceit upon any person.

222. By virtue of the foregoing, Defendants, directly or indirectly, violated, and unless enjoined, will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.l0b-5].

SECOND CLAIM FOR RELIEF
Violations of Section 17(a) of the Securities Act
(Against All Defendants)

223. Paragraphs 1 through 219 are realleged and incorporated by reference as though fully set forth herein.

224. By virtue of the foregoing, Defendants, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in interstate commerce, or of the mails, or of the facilities of a national securities exchange, in the offer or sale of securities, knowingly or recklessly: (1) employed any device, scheme, or artifice to defraud; (2) obtained money or property by means of any untrue statement of material fact or omitted 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; or (3) engaged in any transaction, practice, or course of business that operated or would have operated as a fraud or deceit upon the purchaser.

225. By reason of the foregoing, Defendants violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM FOR RELIEF
Aiding and Abetting Violations
of Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder
(Against Zhou)

226. Paragraphs 1 through 219 are realleged and incorporated as though fully set forth herein.

227. By reason of the foregoing and Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], Zhou aided and abetted violations of, and unless enjoined will continue to aid and abet

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

FOURTH CLAIM FOR RELIEF
Control Person Liability under Section 20(a) of the Exchange Act for Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder (Against Zhou)

228. Paragraphs 1 through 219 are realleged and incorporated as though fully set forth herein.

229. Zhou is, or was, directly or indirectly, a control person of American Nano for purposes of Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

230. As a control person, Zhou is jointly and severally liable with and to the same extent as the controlled entity for its violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder.

FIFTH CLAIM FOR RELIEF
Violation of Section 15(a) of the Exchange Act (Against All Defendants)

231. Paragraphs 1 through 219 are realleged and incorporated as though fully set forth herein.

232. Defendants, by use of the mails or any means or instrumentality of interstate commerce, effected transactions in, or induced or attempted to induce the purchase or sale of, securities when not registered with the Commission as a broker or dealer or associated with an entity registered with the Commission as a broker or dealer.

233. By reason of the foregoing, Defendants violated, and unless enjoined will again violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

SIXTH CLAIM FOR RELIEF
Aiding and Abetting Violations of Section 15(a) of the Exchange Act
(Against All Defendants)

234. Paragraphs 1 through 219 are realleged and incorporated as though fully set forth herein.

235. Defendants, by use of the mails or any means or instrumentality of interstate commerce, substantially assisted and aided and abetted others who effected transactions in, or induced or attempted to induce the purchase or sale of, securities when not registered with the Commission as a broker or dealer or associated with an entity registered with the Commission as a broker or dealer.

236. By reason of the foregoing, Defendants aided and abetted violations, and unless enjoined will again aid and abet violations of, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

SEVENTH CLAIM FOR RELIEF
Violations of Section 5(a) and 5(c) of the Securities Act
(Against All Defendants)

237. Paragraphs 1 through 219 are realleged and incorporated as though fully set forth herein.

238. Defendants directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails, offered to sell or sold securities without a registration statement being in effect as to those securities.

239. By reason of the foregoing, Defendants violated, and unless enjoined will again violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. § 77e(a) and (c)].

EIGHTH CLAIM FOR RELIEF
Violations of Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 thereunder (Against All Defendants)

240. Paragraphs 1 through 219 are realleged and incorporated as though fully set forth herein.

241. At all times alleged in the Complaint, Defendants, together with other accounts, acted as a group for the purpose of acquiring, holding, or disposing of securities and thus, are deemed a "person" as defined by Section 13(d)(3) of the Exchange Act [15 U.S.C. §78m(d)(3)].

242. Defendants, together with other related accounts described above, directly or indirectly, beneficially owned more than 5% of the issued and outstanding shares of Company A and American Nano.

243. Thereafter, neither Defendant reported their beneficial ownership and changes in beneficial ownership of Company A or American Nano stock in a timely manner.

244. By reason of the foregoing, Defendants violated, and unless enjoined will continue to violate, Section 13(d) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 13d-l and 13d-2 thereunder [17 C.F.R. §§ 240.13d-l, 13d-2].

NINTH CLAIM FOR RELIEF
Violations of Section 16(a) of the Exchange Act and Rule 16a-3 thereunder (Against All Defendants)

245. Paragraphs 1 through 219 are realleged and incorporated as though fully set forth herein.

246. Defendants are deemed a "person" as defined by Rule 16(a)(1) of the Exchange Act [17 CF.R. § 240.16a-l] as to the trading in Company A and American Nano securities.

247. Defendants, together with other accounts, directly or indirectly, beneficially owned more than 10% of the issued and outstanding shares of Company A and American Nano.

248. Zhou only recently reported that he acquired shares of Company A and shares of American Nano, or at least 10% of the outstanding stock. Thereafter, neither Defendant reported subsequent sales and purchases of stock by filing any Forms 4 or Forms 5 with the Commission.

249. By reason of the foregoing, Defendants violated, and unless enjoined will continue to violate, Section 16(a) of the Exchange Act[15 U.S.C. § 78p(a)] and Rule 16a-3 thereunder [17 C.F.R. 240.16a-3].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a Final Judgment:

(a) Permanently enjoining Defendants from violating Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), (c), and 77q(a)], Sections 10(b), 13(d), 15(a), and 16(a) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(d), 78o(a), 78p(a)], and Rules 10b-5, 13d-1, 13d-2, and 16a-3 thereunder [17 C.F.R. § 240.10b-5, 240.13d-1, 240.13d-2, and 240.16a-3]. Further, the Commission seeks to permanently restrain and enjoin Zhou from controlling or aiding and abetting violations of Section 10(b) and 15(a) of the Exchange Act, and Rule 10b-5(b) thereunder;

(b) Ordering Defendants to pay disgorgement for their ill-gotten gains, together with prejudgment interest;

(c) Ordering Defendants to pay civil penalties under Sections 21(d)(3) of the Exchange Act [15 U.S.C. §§ 78u(d)(3)], and Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], for violations of the federal securities laws; and

(d) Granting any additional relief the Court deems just, appropriate, or necessary.

Dated: New York, New York
December 11, 2012

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