

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 89757 / September 3, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-19959

In the Matter of

Yue Li

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Yue Li (“Li” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

Summary

1. This matter involves insider trading by Yue Li, a Chinese citizen and former Vice General Manager of Overseas Acquisitions at Tahoe Investment Group Co., Ltd. (“Tahoe”), a Beijing, China-based private equity firm. Between February 9 and April 10, 2017, while in possession of material nonpublic information regarding Tahoe’s impending acquisition of Alliance HealthCare Services, Inc. (“AIQ”), Li purchased 8,200 shares of AIQ stock in his brokerage account and a relative’s brokerage account ahead of an April 11, 2017 public announcement that

Tahoe would acquire the remaining 49% of AIQ that it did not already own for \$13.25 per share. After the public announcement on April 11, 2017, AIQ's share price closed at \$12.75, an almost 27% percent increase over the prior trading day's closing price, resulting in a profit of \$21,609 for Li.

Respondent

2. Yue Li, age 47, resides in China. Li is the former General Manager of Overseas Acquisitions at Tahoe.

Other Relevant Entities

3. Alliance HealthCare Services, Inc. ("AIQ") was a Delaware corporation headquartered in Newport Beach, California and a national provider of outsourced medical services. Prior to the acquisition by Tahoe described in this memorandum, AIQ was a NASDAQ-listed corporation with common stock registered under Section 12(g) of the Exchange Act. AIQ terminated the registration of its common stock on August 31, 2017.

4. Tahoe Investment Group Co., Ltd. ("Tahoe") is a Beijing-based private equity firm organized under the laws of the People's Republic of China.

Facts

5. Li served as the General Manager of Overseas Acquisitions at Tahoe beginning in May 2016. Li left Tahoe in January 2019.

6. On December 8, 2016, Tahoe submitted a non-binding proposal to AIQ to acquire the remaining 49% of shares that it did not already own for \$9.60 per share in cash. AIQ publicly announced Tahoe's proposal on December 12, 2016, along with a statement that AIQ had formed a special committee of the board to evaluate the offer.

7. Over the next four months, from mid-December 2016 until April 10, 2017, Tahoe and AIQ negotiated the terms of the potential acquisition, including the price per share Tahoe would pay. The fact that the negotiations were ongoing, the price terms discussed, and the potential date any acquisition agreement would be signed, were all nonpublic.

8. In his role as General Manager of Overseas Acquisitions at Tahoe, Li was kept apprised of the status of Tahoe's nonpublic acquisition negotiations with AIQ.

9. On January 27, 2017, Tahoe informed AIQ that it would not be able to respond to AIQ's request for a meaningful price increase above \$9.60 per share until it could conduct further financial analysis. On February 8, 2017, from 7:30 p.m. – 8:30 p.m. Eastern Time, Li was scheduled to participate in a "Financial Forecast Discussion" with AIQ's CEO and Director. At 10:03 p.m. Eastern Time, Li placed an order to buy 1,000 shares of AIQ in his brokerage account. His purchase order was executed the next day on February 9th. This was the first time Li had purchased shares of AIQ in his brokerage account.

10. Two days after the scheduled forecast discussion, on February 10, 2017, Tahoe increased its offer price to AIQ to \$11.50 per share, and, on February 13, AIQ counterproposed \$14 per share. On February 14, 2017, Li purchased 500 shares of AIQ in a relative's brokerage account under his control.

11. On March 6, 2017, Tahoe again increased its offer price to \$13.20 per share. That same day, Li purchased a total of 1,500 additional AIQ shares in his and his relative's accounts.

12. From March 7 through April 10, 2017, Li purchased an additional 5,200 shares of AIQ in his and his relative's accounts.

13. Before the market opened on April 11, 2017, Tahoe publicly announced its acquisition of the remaining AIQ shares that it did not already own at a price of \$13.25 per share. That day, AIQ's share price closed at \$12.75, an almost 27% percent increase over the prior trading day's closing price.

14. As a result of his insider trading in his and his relative's accounts in AIQ ahead of the April 11 announcement, Li obtained profits of \$21,609.

15. Between April 21, 2017, and May 4, 2017, Li sold all the 8,200 shares of AIQ that he had acquired in his and his relative's accounts.

16. As an employee of Tahoe, Li was bound by the company's policies, which prohibited employees from using "inside information to seek benefit for themselves, their relatives, or others." Tahoe's policies defined "inside information" to include, among other things, the use of "funds to increase share capital" and the plans "for major asset restructuring by a listed company." As part of his employment at Tahoe, Li signed an "Employee Guarantee," agreeing that he would not "leak Company secrets" and that he would "obey the various rules and regulations of the Company." Li knew or was reckless in not knowing that the information regarding the possible Tahoe acquisition of AIQ was material, nonpublic information and that trading on the basis of that information breached a duty to his employer, Tahoe, and violated Tahoe's policies.

Violation

17. As a result of the conduct described above, Li violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Li's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$43,218 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment of the civil monetary penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Yue Li as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Amy L. Friedman, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary