

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF WISCONSIN**

**UNITED STATES SECURITIES)
AND EXCHANGE COMMISSION,)**

Plaintiff,)

v.)

**SUJATA SACHDEVA, AND)
JULIE MULVANEY,)**

Defendants.)

Civil Action No.:

Jury Trial Demanded

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (“the Commission”), alleges the following against Defendants Sujata Sachdeva (“Sachdeva”) and Julie Mulvaney (“Mulvaney”):

SUMMARY

1. This case involves wide-ranging fraud committed by senior members of the accounting department of Koss Corporation (“Koss,” or “the Company”). Over a period of years, Sachdeva – the former Principal Accounting Officer, Secretary and Vice-President of Finance at Koss – stole over \$30 million from the Company. Sachdeva used the embezzled funds to finance an extravagant lifestyle, including lavish spending sprees at department stores, designer boutiques, jewelry stores, and other high-end retailers.

2. Sachdeva and Mulvaney concealed and facilitated the theft from the Company by preparing materially false accounting books and records. Mulvaney, working in concert with Sachdeva, prepared false journal entries to disguise Sachdeva’s misappropriation of funds. Sachdeva and Mulvaney attempted to hide the embezzlement in the Company’s financial

statements by overstating assets, expenses, and cost of sales, and by understating liabilities and sales.

3. Based on the fraudulent accounting books and records prepared by Sachdeva and Mulvaney, the Company prepared materially false financial statements and filed materially false current, quarterly, and annual reports with the Commission. After discovering the embezzlement, the Company amended and restated its financial statements for fiscal years 2008 and 2009 and the first quarter of fiscal year 2010 (through September, 2009).

4. Sachdeva recently pled guilty to federal wire-fraud charges. Sachdeva admitted her multi-million-dollar theft from the Company, and admitted her scheme to falsify the Company's accounting books and records to hide her embezzlement.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78u(d), 78u(e) and 78aa] and 28 U.S.C. § 1331.

6. Sachdeva and Mulvaney, directly or indirectly, made use of the means or instrumentalities of interstate commerce and/or of the mails in connection with the acts, practices, and courses of business alleged in this Complaint.

7. Certain of the acts, practices and courses of business constituting the violations alleged herein occurred within this judicial district.

THE DEFENDANTS

8. Sujata Sachdeva is a resident of Mequon, Wisconsin. From 1992 to 2009, Sachdeva was the Principal Accounting Officer, Secretary, and Vice-President of Finance at Koss. The Company terminated Sachdeva on December 23, 2009.

9. Julie Mulvaney is a resident of Milwaukee, Wisconsin. From 2001 to 2010, Mulvaney was the Company's senior accountant and was responsible for making journal entries, reconciling accounts receivable, reconciling the Company's bank statements, ordering cashier's checks, processing wire transfers, and checking the daily bank account balances. Mulvaney was second in seniority in the Company's accounting department and reported directly to Sachdeva. The Company terminated Mulvaney on January 4, 2010.

THE COMPANY

10. Koss is a Delaware corporation with a principal place of business in Milwaukee, Wisconsin. Koss designs, manufactures and sells stereo headphones. Koss is an issuer of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 781], and its shares are listed on the NASDAQ stock exchange.

FACTS

The Theft

11. As the Principal Accounting Officer, Secretary and Vice-President of Finance, Sachdeva (along with senior management) shared responsibility for maintaining the integrity of the Company's accounting books and records. Instead, Sachdeva used her position to embezzle tens of millions of dollars from the Company. Sachdeva and Mulvaney then falsified the Company's accounting books and records in an attempt to disguise Sachdeva's theft, leaving the Company in a worse financial condition than reported to the public and the Company's shareholders.

12. From 2004 until December 2009, Sachdeva stole more than \$30 million from the Company. Sachdeva embezzled the funds through a variety of means, including fraudulent cashier's checks, fraudulent wire transfers, and unauthorized payments from petty cash.

13. Beginning on or about 2004, Sachdeva fraudulently authorized and directed the issuance of more than 500 cashier's checks totaling more than \$15 million from Company accounts. Sachdeva used the cashier's checks to pay for personal purchases, including payments totaling approximately \$10 million to American Express for her personal credit card.

14. Sachdeva also used the cashier's checks to make direct payments to retailers, such as Neiman Marcus and Saks Fifth Avenue. At times, Sachdeva attempted to conceal the identities of the recipients of the checks by using acronyms. For example, Sachdeva authorized and directed the issuance of cashier's checks from Company accounts to "S.F.A. Inc." for Saks Fifth Avenue, "N.M. Inc." for Neiman Marcus, "M.F. Corp." for Marshall Fields, "A.Z. Inc." for Zuckerman Jewelers, and "H. Inc." for Holtzman's Furs, among others.

15. The improper use of cashier's checks from Company accounts for Sachdeva's personal gain totaled over \$2 million in fiscal year 2005, over \$2 million in fiscal year 2006, over \$3 million in fiscal year 2007, over \$3.5 million in fiscal year 2008, over \$1.3 million in fiscal year 2009, and over \$2.3 million in fiscal year 2010.

16. In addition to the cashier's checks, Sachdeva fraudulently authorized and directed numerous wire transfers of funds. Sachdeva wired funds from Company bank accounts to American Express bank accounts, and did so to pay for personal purchases on her credit card. From 2008 through December 2009, Sachdeva fraudulently authorized over 200 wire transfers totaling more than \$16 million, using corporate funds to pay for personal expenses.

17. The unauthorized wire transfers totaled over \$1.3 million in fiscal year 2008, over \$7 million in fiscal year 2009, and over \$7.8 million in fiscal year 2010 (through December, 2009).

18. Sachdeva also misappropriated funds by misusing the Company's petty cash. Sachdeva issued checks payable to "petty cash" on a Company bank account. Sachdeva directed the Company's employees to negotiate these checks and obtain cash, which Sachdeva then used to pay her personal expenses. In addition, Sachdeva manually issued checks from Company funds to make other unauthorized payments. All told, the misappropriation of funds using petty cash and other unauthorized checks totaled hundreds of thousands of dollars.

19. Sachdeva also fraudulently converted traveler's checks, which the Company had purchased for use by its employees travelling on Company-related business, for her personal use and the use of others.

20. Sachdeva used the embezzled funds to lead an extravagant lifestyle. Sachdeva purchased personal items such as designer clothing, furs, purses, shoes, jewelry, automobiles, china, statues, and other household furnishings with the money stolen from the Company. Sachdeva also used the stolen funds to pay for hotels, airline tickets, and other travel expenses for herself and others, to pay for renovations and improvements to her home, and to compensate individuals providing personal services to her and her family.

The Cover-Up

21. Sachdeva received substantial assistance from Mulvaney in covering up Sachdeva's multi-million-dollar embezzlement. Working in concert, Sachdeva and Mulvaney "cooked the books" through an elaborate scheme of accounting fraud. Sachdeva and Mulvaney colluded over a period of years to conceal the improper use of corporate funds. Sachdeva and Mulvaney falsified the Company's accounting books and records, disguising the fact that millions of dollars were flowing from the Company for Sachdeva's personal gain.

22. Sachdeva and Mulvaney primarily hid the embezzlement by making false entries on the Company's general journal. The false journal entries disguised the theft by making a variety of reclassifications to the Company's accounts. For example, Sachdeva and Mulvaney overstated assets, expenses, and cost of sales, and understated liabilities and sales.

23. The false journal entries included improper adjustments to the Company's balance sheet, by overstating assets and understating liabilities. For example, in the first two quarters of fiscal year 2010 (through December, 2009), Sachdeva and Mulvaney overstated the Company's assets and understated the Company's liabilities by over \$7.5 million. By overstating assets and understating liabilities, Sachdeva was able to steal millions of dollars from the Company without any apparent impact on the Company's balance sheet.

24. The false journal entries also included improper adjustments to the Company's income statements. Sachdeva and Mulvaney understated sales, and overstated cost of sales and expenses. From fiscal year 2004 to the second quarter of fiscal year 2010 (through December, 2009), the improper adjustments to the Company's income statements totaled over \$9.5 million. The false entries allowed Sachdeva to siphon funds from the Company without any apparent impact on the Company's income statements.

25. Mulvaney maintained a binder or binders ("the red book") containing numerous false journal entries to the Company's accounting books and records. Mulvaney wrote the false journal entries in the red book, and entered the false journal entries in the Company's accounting books and records. In those entries, Mulvaney purported to reclassify Company funds – with no supporting documentation, and no legitimate explanation – by crediting certain accounts and debiting others. Mulvaney thus inflated certain accounts and deflated others, and did so in an attempt to conceal the embezzlement of funds. The false journal entries reflected Mulvaney's

handwriting, and Mulvaney approved the changes by affixing her initials under the heading “ENTERED.”

26. The red book also contained print-outs from the Company’s computer system (*i.e.*, the journal entry detail report), which reflected the fact that Mulvaney’s changes were entered onto the Company’s accounting books and records.

27. For example, the red book included a series of falsified journal entries dated April 2009. One set of entries decreased sales by \$200,000 and decreased the cash account by \$200,000, without justification and without any supporting documentation. Those entries gave the false impression that the Company’s sales and cash were lower than they really were, thus covering up Sachdeva’s theft from the Company. Another set of entries from April 2009 overstated the cash account by \$1,500,000, and understated accounts receivable by \$700,000 and understated inventory by \$800,000. Those false journal entries gave an inaccurate picture of the Company’s assets, by overstating cash and understating accounts receivable and inventory, and thus hid the fact that Sachdeva was stealing funds from the Company.

28. As a second example, the red book included a series of falsified journal entries dated July 2008. The entries included a reduction of \$750,000 in a cash account. The entries also included an increase in inventory by \$500,000, as well as a decrease in liabilities of \$50,000 and a decrease in sales by \$200,000. The net effect of these false journal entries was conceal Sachdeva’s theft, making it appear that \$750,000 was not stolen but rather was devoted to legitimate business transactions.

29. As an additional example, the red book includes a series of falsified journal entries dated August, 2009. The entries increased the accounts receivable by \$1 million, and increased inventory by \$1 million. The entries also reduced by \$2 million a “Clear” account, an

account created for the exclusive purpose of balancing the accounting books and records. The net effect of those entries was to overstate the Company's assets (*i.e.*, its accounts receivable and inventory) to hide the millions of dollars stolen from the Company by Sachdeva.

30. As an additional example, the red book included an entry dated September 2008 that removed \$200,000 of sales and cash from the Company's accounting books and records. The Company did, in fact, make the sales to the customer, and the cash was, in fact, received by the Company and deposited directly in the Company's bank account by the customer. Yet Mulvaney wiped the Company's books and records clean of those transactions, eliminating \$200,000 of sales from the accounting books and records. Mulvaney manipulated the accounting books and records to make it appear that the sales never took place and that the Company never received such funds from the customer at all. Mulvaney's failure to accurately and properly record incoming cash allowed Sachdeva to steal funds without any apparent impact on the Company's financial condition.

31. Mulvaney also prepared falsified accounting books and records and maintained them in a series of colored folders (the "rainbow files"). The rainbow files consisted of seven folders covering fiscal years 1995-2000 (green folder), 2004 (orange), 2005 (blue), 2005 (orange), 2006 (blue), 2007 (yellow), and 2008 (green). The rainbow files included over 100 fraudulent transactions on the Company's accounting books and records.

32. The rainbow files reflected a scheme to conceal the receipt of funds by the Company through a debit/credit wipe ("DC Wipe"). A DC Wipe made it appear that a certain transaction (*e.g.*, a sale to a customer, and the receipt of funds by the Company) never took place, by crediting certain accounts and debiting others.

33. For example, in February, 2008, the Company received funds totaling \$98,645.28 (less the \$50 wire fee) from an overseas customer. Mulvaney falsified the Company's books and records to make it appear that the Company did not receive the wire of \$98,645.28 at all. Mulvaney gave the false appearance that the sales never took place, reducing the sales accounts by \$98,645.28. In an attempt to avoid detection, Mulvaney reduced five separate sales accounts by different amounts that collectively totaled \$98,645.28, rather than reducing a single account by \$98,645.28. By concealing the receipt of \$98,645.28, Mulvaney falsified the Company's accounting books and records and facilitated Sachdeva's embezzlement.

34. As a second example, in December, 2007, the Company received funds totaling \$102,529.62 (less the \$50 wire fee) from an overseas customer. Mulvaney falsified the Company's books and records to make it appear that the Company did not receive the wire of \$102,529.62 at all. Mulvaney gave the false appearance that the sales never took place, reducing the sales accounts by \$102,529.62. In an attempt to avoid detection, Mulvaney reduced five separate sales accounts by different amounts that collectively totaled \$102,529.62, rather than reducing a single account by \$102,529.62. By concealing the receipt of \$102,529.62, Mulvaney falsified the Company's accounting books and records and facilitated Sachdeva's embezzlement.

35. The accounting fraud also covered the Company's sales over the internet and at the Company's retail outlet. Sachdeva and Mulvaney did not record any internet sales or outlet sales in the Company's accounting books and records. Specifically, Sachdeva and Mulvaney did not record over \$1.8 million in sales over the internet and at the Company's retail outlet from fiscal year 2006 to the second quarter of fiscal year 2010. The failure to record those sales enabled Sachdeva to steal funds without any apparent impact on the Company's financial condition.

36. Sachdeva took additional steps to conceal the fraud. Sachdeva signed management representation letters sent to the Company's auditors for fiscal years ended June 30, 2007, 2008 and 2009. In those letters, Sachdeva represented to the auditors that she had no knowledge of any fraud or suspected fraud affecting the Company involving (i) management; (ii) employees who have significant roles in internal controls; or (iii) others where the fraud could have a material effect on the financial statements.

37. Mulvaney also prepared at least one fraudulent bank statement. Park Bank prepared a statement for a Company bank account dated July 31, 2006. The statement included a number of transactions, including two "Additions" totaling \$231,130.23, and four "Subtractions" totaling \$231,130.23. Mulvaney prepared a falsified version of the bank statement and deleted those six entries, thus removing any record of deposits and withdrawals totaling hundreds of thousands of dollars. The falsified bank statement concealed and facilitated the embezzlement of funds from the Company.

The Indictment and the Guilty Plea

38. On or about December 18, 2009, American Express notified the Company that funds were being wired from a Company bank account to pay for expenses on Sachdeva's personal credit card.

39. On December 21, 2009, the Company asked NASDAQ to halt trading of its securities in light of the discovery of unauthorized transactions.

40. The FBI interviewed Sachdeva on December 21, 2009. During the interview, Sachdeva admitted to using Company funds to pay for personal expenses, including payments for her personal credit card. Sachdeva explained that she had a compulsive shopping problem.

Sachdeva also admitted to falsifying the Company's accounting books and records in an attempt to conceal her theft. Sachdeva was arrested at the conclusion of the FBI interview.

41. The Company terminated Sachdeva on December 23, 2009.

42. On January 20, 2010, Sachdeva was indicted on six counts of wire fraud. Among other things, the indictment alleged that Sachdeva had "fraudulently obtained more than \$31 million from Koss, which she used to purchase personal items and pay for personal expenses."

43. On July 12, 2010, Sachdeva entered into a Plea Agreement with the United States Attorney's Office for the Eastern District of Wisconsin. Sachdeva pled guilty on July 27, 2010.

44. Among other things, Sachdeva admitted in the Plea Agreement that she had "fraudulently authorized and directed the issuance of more than 500 cashier's checks totaling approximately \$17.5 million" to pay personal expenses. Sachdeva also admitted that she had "fraudulently authorized 206 wire transfers totaling more than \$16 million from Koss' operating accounts to American Express to pay for personal expenses."

45. Sachdeva also admitted the accounting fraud. Sachdeva admitted in the Plea Agreement that "[t]o conceal her fraud, Sachdeva made, and directed other Koss employees to make, numerous fraudulent entries in Koss's book and records to make it appear that Sachdeva's fraudulent transfers were legitimate business transactions."

The Company's Amended and Restated Reports

46. The Company filed with the Commission materially false current, quarterly and annual reports in fiscal years 2005 through 2009 and in the first quarter of fiscal year 2010 based on the fraudulent accounting books and records prepared by Sachdeva and Mulvaney.

47. The reports filed by the Company included materially false financial statements. Those financial statements, in turn, incorporated the fraudulent entries made by Sachdeva and

Mulvaney on the Company's accounting books and records, entries designed to disguise Sachdeva's multi-million-dollar embezzlement.

48. Among other signatories, Sachdeva signed the annual reports on behalf of the Company for fiscal years 2005, 2006, 2007, 2008, and 2009, and signed the Company's quarterly reports during fiscal years 2005 to 2009 and in the first quarter of fiscal 2010. Sachdeva signed the reports knowing that they contained materially false financial information as a result of the fraudulent entries designed to conceal her embezzlement.

49. On December 24, 2009, the Company filed an 8-K with the Commission. The Company reported that its Audit Committee had concluded that the Company's "previously issued financial statements on Forms 10-K for the fiscal years ended June 30, 2006, 2007, 2008 and 2009 and Form 10-Q for the three months ended September 30, 2009 should no longer be relied upon because of the discovery of unauthorized financial transactions." The Company revealed plans to restate its financial statements as necessary, pending its investigation.

50. On June 30, 2010, the Company filed an amended and restated annual report for fiscal year 2009 (the "10-K/A"). The Company's amended annual report included a restated consolidated balance sheet as of June 30, 2009 and 2008, as well as restated consolidated statements of operations, cash flows and stockholders' equity for those fiscal years.

51. The Company's 10-K/A stated that Sachdeva had misappropriated "approximately \$31,500,000 . . . from fiscal year 2005 through December 2009." The Company reported that the "volume of these unauthorized transactions increased significantly over time, from \$5,099,900 in 2008, to \$8,498,434 in 2009, to \$10,286,988 from July 1, 2009 until the unauthorized transactions were discovered in December 2009."

52. In the 10-K/A, the Company restated its financial statements for fiscal years 2008 and 2009 to account for the embezzled funds. The Company reported the misappropriated funds as operating expenses, totaling more than \$5 million in fiscal year 2008 and more than \$8.4 million in fiscal year 2009. The Company restated its net sales, cost of goods sold, cash, and accounts receivable, and corrected many other entries on its financial statements for fiscal years 2008 and 2009.

53. In the 10-K/A, the Company also reported that “[v]arious accounting methods and accounting entries were used to conceal the unauthorized transactions.” Among other things, the Company reported that: (1) “[t]he unauthorized transactions were not properly accounted for as losses and disclosed as a separate line item;” (2) “[n]et sales were understated in all years because of journal entries made to conceal certain misappropriations;” (3) “[c]ost of sales was overstated as a result [of] journal entries made to conceal certain misappropriations;” (4) “[a]dministrative expenses were overstated as a result of journal entries made to conceal certain misappropriations;” (5) “[a]ccounts receivable was overstated due to delayed posting of cash, as a method used to conceal certain misappropriations, and failing to provide for an allowance for certain doubtful accounts that was also used to conceal certain misappropriations;” and (6) “[c]ash was not properly reconciled and was overstated due to the unauthorized transactions at June 30, 2009 and 2008.”

54. On June 30, 2010, the Company also filed amended and restated quarterly reports for the first three quarters of fiscal year 2010 (through March, 2010). The Company made multiple adjustments to its financial statements to account for the embezzlement of funds by Sachdeva and the fraudulent record-keeping of Sachdeva and Mulvaney.

COUNT ONE
Violation of Section 10(b) of the Exchange Act
And Exchange Act Rule 10b-5
(Against Sachdeva)

55. The Commission realleges and incorporates by reference the allegations of paragraphs 1-54.

56. As set forth above, Sachdeva, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts or omissions of material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon persons.

57. Among other things, Sachdeva embezzled funds from the Company and intentionally manipulated its accounting records to disguise her thefts. The Company incorporated Sachdeva's fraudulent accounting records in its current, quarterly, and annual reports that it filed with the Commission in fiscal years 2005 to 2009 and in the first quarter of fiscal year 2010. As explained above, the Company materially misstated its financial condition in such reports, and Sachdeva signed the inaccurate quarterly and annual reports on behalf of the Company.

58. Sachdeva engaged in the conduct alleged herein knowingly or with reckless disregard for the truth.

59. By engaging in the conduct described above, Sachdeva 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].

COUNT TWO
Aiding and Abetting Sachdeva's
Violation of Section 10(b) of the Exchange Act
And Exchange Act Rule 10b-5
(Against Mulvaney)

60. The Commission realleges and incorporates by reference the allegations of paragraphs 1-59.

61. As set forth above, Sachdeva 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].

62. Mulvaney knowingly or recklessly facilitated Sachdeva's accounting fraud. Over a period of years, Mulvaney worked in concert with Sachdeva in preparing materially inaccurate accounting books and records to conceal Sachdeva's misappropriation of Company funds. Mulvaney intentionally falsified the Company's financial records to hide Sachdeva's theft, preparing false journal entries with no supporting documentation. Mulvaney also maintained special folders and binders containing documents that reflected the accounting fraud. Mulvaney's handwriting appears on many of the documents that memorialized the fraud, and Mulvaney approved and initialed the entries.

63. By engaging in the conduct described above, Mulvaney provided substantial assistance to Sachdeva in the preparation of materially false financial statements, thereby aiding and abetting Sachdeva's 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].

COUNT THREE
Violation of Section 13(b)(5) of the Exchange Act
And Exchange Act Rule 13b2-1 and 13b2-2
(Against Sachdeva)

64. The Commission realleges and incorporates by reference the allegations of paragraphs 1-63.

65. As set forth above, Sachdeva knowingly circumvented or knowingly failed to implement a system of internal accounting controls, or knowingly falsified the books, records and accounts of the Company.

66. Sachdeva directly or indirectly falsified or caused to be falsified the books, records and accounts of the Company.

67. Sachdeva also made or caused to be made a materially false or misleading statement, and omitted to state or caused another person to omit to state material facts, to the Company's accountants. Sachdeva made such statements or omissions in connection with an audit, review or examination of the financial statements of the Company, and/or in connection with the preparation or filing of documents or reports filed with the Commission.

68. By engaging in the conduct described above, Sachdeva violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Exchange Act Rules 13b2-1 and 13b2-2 [17 C.F.R. §§ 240.13b2-1, 240.13b2-2].

COUNT FOUR
Violation of Section 13(b)(5) of the Exchange Act
And Exchange Act Rule 13b2-1
(Against Mulvaney)

69. The Commission realleges and incorporates by reference the allegations of paragraphs 1-68.

70. As set forth above, Mulvaney knowingly circumvented or knowingly failed to implement a system of internal accounting controls, or knowingly falsified the books, records and accounts of the Company.

71. Mulvaney directly or indirectly falsified or caused to be falsified the books, records and accounts of the Company.

72. By engaging in the conduct described above, Mulvaney violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Exchange Act Rule 13b2-1 [17 C.F.R. § 240.13b2-1].

COUNT FIVE
Aiding and Abetting the Company's Uncharged Violation
of Section 13(a) of the Exchange Act
And Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13
(Against Sachdeva and Mulvaney)

73. The Commission realleges and incorporates by reference the allegations of paragraphs 1-72.

74. As explained above, the Company filed current, quarterly, and annual reports with the Commission from fiscal year 2005 to 2009, and in the first quarter of fiscal year 2010, that were materially false and misleading.

75. The Company filed current, quarterly, and annual reports that included materially false financial statements. The fraudulent financial statements, in turn, were based on fraudulent accounting records prepared by Sachdeva and Mulvaney.

76. The Company subsequently filed amended and restated financial statements for fiscal years 2008 and 2009, and amended and restated quarterly reports for the first three quarters of fiscal year 2010 (*i.e.*, periods ending September 30, 2009, December 31, 2009, and March 31, 2010). The Company explained that prior financial statements should not be relied upon due to material inaccuracies relating to the misappropriation.

77. By engaging in the conduct described above, Sachdeva and Mulvaney provided substantial assistance to the Company in the preparation of materially false financial statements, thereby aiding and abetting the Company's uncharged violations of Section 13(a) of the

Exchange Act [15 U.S.C. § 78m(a)] and Exchange Act Rules 12b-20, 13a-1, 13a-11, and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11, and 240.13a-13].

COUNT SIX
Aiding and Abetting the Company's Uncharged Violation
of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act
(Against Sachdeva and Mulvaney)

78. The Commission realleges and incorporates by reference the allegations of paragraphs 1-77.

79. As explained above, the Company failed to keep books, records, and accounts which, in reasonable detail, accurately and fairly reflected its transactions and the dispositions of its assets.

80. As explained above, the Company failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were made in accordance with management's general or specific authorization. The Company also failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that, among other things, transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets.

81. Sachdeva and Mulvaney directly or indirectly falsified or caused to be falsified the Company's books, records and accounts.

82. By engaging in the conduct described above, Sachdeva and Mulvaney provided substantial assistance to the Company in its failure to keep accurate books, records, and accounts, and in its failure to devise maintain a system of internal accounting controls, thereby aiding and abetting the Company's uncharged violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(2)(B)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a final judgment against the Defendants and:

A. find that Sachdeva and Mulvaney each violated the federal securities laws as alleged in this Complaint;

B. permanently enjoin Sachdeva from violating Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(b)(5)] and Exchange Act Rules 10b-5, 13b2-1 and 13b2-2 [17 C.F.R. §§ 240.10b-5, 240.13b2-1, 240.13b2-2], and from aiding and abetting violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A), 78m(b)(2)(B)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11, and 240.13a-13];

C. permanently enjoin Mulvaney from violating Sections 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78m(b)(5)] and Exchange Act Rule 13b2-1 [17 C.F.R. § 240.13b2-1], from aiding and abetting violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5], and from aiding and abetting violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A), 78m(b)(2)(B)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11, and 240.13a-13];

D. issue an order directing Sachdeva and Mulvaney each to disgorge their ill-gotten gains obtained through the conduct described herein, plus prejudgment interest thereon;

E. issue an order directing Sachdeva and Mulvaney each to pay a civil money penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

F. issue an order permanently barring Sachdeva from acting as an officer or director of any public company pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)]; and

G. grant such further relief as the Court may deem just and appropriate.

JURY TRIAL DEMAND

Plaintiff hereby demands a jury trial on all claims so triable.

Dated: August 30, 2010

Respectfully submitted,

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