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17 **UNITED STATES DISTRICT COURT**
18 **CENTRAL DISTRICT OF CALIFORNIA**

19 SECURITIES AND EXCHANGE
20 COMMISSION,

Plaintiff,

v.

21 NANCY SHAO WEN CHU,
22 ELIZABETH TSANG, AKA YUEN
23 YEE TSANG, AND
24 ERIC JON STRASSER,

Defendants.

CV11-09859 P (FMOx)
CASE NUMBER _____

COMPLAINT

1 Plaintiff, Securities and Exchange Commission (“SEC” or “Commission”),
2 alleges:

3 **I. SUMMARY OF THE CASE**

4 1. This matter involves a securities fraud scheme at Soyo Group, Inc.
5 (“Soyo”), a now defunct California-based consumer electronics and computer parts
6 company. Between January 2007 and November 2008 (the “Relevant Period”),
7 Soyo, through the actions of its chief financial officer (“CFO”) and *de facto* chief
8 executive, Nancy Shao Wen Chu (“Chu”), and members of her accounting staff,
9 Elizabeth Tsang, aka Yuen Yee Tsang, (“Tsang”) and Eric Jon Strasser
10 (“Strasser”), misled investors, Soyo’s primary lending bank, and its auditor by
11 materially overstating Soyo’s net revenues and understating its liabilities. Soyo’s
12 false financial statements were included in periodic filings made with the
13 Commission, filings that Chu certified and signed as Soyo’s CFO, and ultimately
14 controlled. The scheme made Soyo appear financially successful when in fact it
15 was not, artificially inflated Soyo’s stock price, and allowed Soyo to obtain
16 working capital from its lender.

17 2. As part of the scheme, Chu and Tsang caused Soyo to book over \$47
18 million in fraudulent sales revenues arising from at least 120 fictitious transactions
19 with 21 customers. These fictitious sales resulted in Soyo materially overstating its
20 net revenues in its periodic filings during the Relevant Period by amounts ranging
21 from 14.4 to 76.8 percent.

22 3. Chu and Tsang’s scheme operated in part to artificially inflate Soyo’s
23 stock price. And Soyo intended to list its shares on the American Stock Exchange
24 (“AMEX”) as soon as it met the minimum share price to do so.

25 4. In furtherance of the scheme, Soyo, Chu, and Tsang used phony
26 receivables, booked as a result of fictitious sales, to acquire working capital from a

1 revolving line of credit at United Commercial Bank (“UCB”), Soyo’s primary
2 lending bank.

3 5. As part of the scheme, Tsang, with knowledge and approval from
4 Chu, round-tripped funds through Asian bank accounts to pay off the receivables
5 connected with the fake sales in order to avoid their detection by Soyo’s auditor,
6 Vasquez & Company, LLP (“Vasquez”) and UCB.

7 6. In furtherance of the scheme, Chu and Tsang made false statements
8 and falsified and forged documents in an effort to substantiate the fictitious sales to
9 Vasquez, in connection with the audits of Soyo’s financial statements.

10 7. As part of the scheme, in order to obtain additional bank financing for
11 Soyo and keep its existing line of credit from defaulting, Chu also misled Soyo’s
12 investors, primary lending bank, and its auditor regarding a six million dollar debt-
13 for-equity transaction being negotiated with a Soyo vendor, Tatung Company, Inc.
14 (“Tatung”).

15 8. In its Form 10-Q for the period ended June 30, 2008, which Chu
16 signed, Soyo announced that it had agreed to exchange 5.9 million of its shares of
17 common stock to eliminate an outstanding Tatung accounts payable of slightly
18 over \$6 million, thereby reducing Soyo’s current liabilities by 13.9% (to
19 \$37,264,536) and its accounts payable by 41.9% (to \$8,327,606).

20 9. At the time of the announcement, however, Chu knew that the
21 transaction with Tatung was still being negotiated and was subject to cancellation.

22 10. Strasser, a consultant who prepared Soyo’s SEC filings, was alerted to
23 the falsity of the Tatung transaction disclosures in the Form 10-Q for the period
24 ended June 30, 2008, shortly after it was filed. But Strasser failed to correct the
25 misstatements or inform Soyo’s auditor prior to the next quarter’s filing. In fact,
26 Strasser participated in the scheme by drafting Soyo’s next quarter Form 10-Q,

1 which made the same false disclosures and omitted the same liabilities relating to
2 the Tatung transaction.

3 11. Contrary to the representations made in Soyo's periodic filings
4 regarding the Tatung debt-for-equity deal, the deal was never finalized and
5 eventually fell through. This prompted Strasser to write Chu, in a November 9,
6 2008 e-mail, that "we are really screwed" because "we have already announced in
7 our 10Q that they took the 5.9 MM shares of stock for their A/P [account
8 payable]."

9 12. Soyo's registration statement on Form S-8, filed and effective on
10 March 7, 2005, and signed by Chu, incorporated by reference Soyo's subsequently
11 filed fraudulent reports.

12 13. As a result of the foregoing, Chu and Tsang violated, and unless
13 restrained and enjoined will continue to violate, Section 10(b) of the Securities
14 Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b)] and Rule 10b-5
15 thereunder [17 C.F.R. §§ 240.10b-5]. For the same reasons, Chu also violated, and
16 unless restrained and enjoined will continue to violate, Section 17(a) of the
17 Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)].

18 14. Chu, as a control person of Soyo under Section 20(a) of the Exchange
19 Act [15 U.S.C. § 78t(a)], directly or indirectly, engaged in acts, practices and
20 courses of business that constitute violations of Section 10(b) of the Exchange Act
21 and Rule 10b-5 thereunder.

22 15. The facts alleged herein also establish that Strasser, and alternatively,
23 Chu and Tsang, aided and abetted Soyo's violation of Section 10(b) of the
24 Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R.
25 §§ 240.10b-5].
26

1 **II. JURISDICTION AND VENUE**

2 16. The Court has jurisdiction pursuant to authority conferred on it by
3 Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)] and
4 Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)].

5 17. In connection with the transactions, acts, practices, and/or courses of
6 business described in this Complaint, the Defendants, directly or indirectly, made
7 use of the means or instrumentalities of interstate commerce, or of the mails,
8 and/or of the means and instruments of transportation or communication in
9 interstate commerce.

10 18. Venue lies in this District pursuant to Securities Act Section 22(a) [15
11 U.S.C. § 77v(a)], Exchange Act Section 27 [15 U.S.C. § 78aa], and 28 U.S.C.
12 § 1391(b)(1) & (2). During the period of conduct alleged herein, certain of the
13 transactions, acts, practices, and courses of business constituting the violations of
14 law alleged herein occurred in the Central District of California. In addition,
15 defendant Chu resides in the Central District of California.

16 **III. DEFENDANTS**

17 19. Nancy Shao Wen Chu, age 53, is a resident of Claremont, California.
18 Chu served as Soyo's CFO between 2002 and 2009 and she was also effectively
19 the chief executive officer ("CEO") as she ran the day-to-day operations of the
20 company. Chu was also a member of Soyo's board of directors. Chu, together
21 with her husband, owns over 47 percent of Soyo's outstanding shares, making
22 them Soyo's largest shareholder. Chu signed all of Soyo's periodic filings with the
23 Commission during the Relevant Period and had ultimate control over the content
24 of those filings.

25 20. Elizabeth Tsang aka Yuen Yee Tsang, age 48, resided in Walnut,
26 California, during the Relevant Period, but may now reside in Brunei Darussalam.

1 Tsang, who is Chu's sister-in-law, was employed by Soyo between 2002 and 2009
2 and, during the Relevant Period, was the accounting manager at Soyo who handled
3 accounts receivable, and accounts payable relating to vendors outside the United
4 States.

5 21. Eric Jon Strasser, age 48, is a resident of Las Vegas, Nevada.
6 Between approximately 2005 and 2009, Strasser was a consultant to Soyo who
7 acted as its de facto controller in that he prepared Soyo's periodic filings with the
8 Commission and was a liaison between Soyo and its auditor, Vasquez. On
9 January 13, 2011, Strasser pled guilty to a felony count of violating 18 U.S.C. § 4,
10 Misprison of a Felony.

11 IV. RELATED PARTY

12 22. Soyo Group, Inc. was, during the Relevant Period, a Nevada
13 corporation located in Ontario, California, primarily in the business of selling LCD
14 televisions, monitors, computer parts and peripherals. Despite reporting over \$197
15 million of purported net revenues during the Relevant Period, Soyo was unable to
16 repay its bank loans to UCB and, on May 5, 2009, Soyo filed for bankruptcy
17 protection. Soyo has since ceased all business operations.

18 V. FACTS

19 A. Overview of the Fictitious Sales/Round-Tripping Scheme

20 23. As noted above, Chu and Tsang orchestrated the fraudulent scheme to
21 inflate Soyo's net revenues whereby Soyo booked over \$47 million in false
22 revenue based on at least 120 fictitious sales transactions. The scheme typically
23 began with Soyo personnel falsifying a purchase order for an old or sham
24 customer. In some instances, the purchase order included products that Soyo did
25 not even sell.
26

1 24. Then a fake sales order would be created and, once approved by Chu,
2 the accompanying phony receivable was booked. Soyo could then use the
3 receivable as collateral to borrow funds on its revolving, asset-backed credit line
4 with UCB, because the credit line was based, in part, on Soyo's accounts
5 receivable balance.

6 25. The borrowed funds could then be spent for Soyo's immediate
7 working capital needs, including payroll and entertainment expenses.

8 26. Because any receivables that were over 90 days delinquent could not
9 be counted toward Soyo's credit limit, the failure to pay down the receivables
10 associated with the fake sales would result in a reduction of Soyo's borrowing
11 capacity.

12 27. Accordingly, to avoid having its loan called by UCB, Soyo would, as
13 needed, book additional fake sales and receivables and then use, among other
14 things, newly borrowed funds to pay off the old receivables through the round-
15 tripping process described below. This cycle continued until Soyo reached the
16 credit limit of its credit line and could no longer obtain additional credit from
17 UCB.

18 28. The scheme had the effect of boosting Soyo's net revenues and stock
19 price. For example, Soyo posted net revenue of \$110,922,809 for 2007, up 95.4%
20 from the \$56,758,688 posted in 2006, which resulted in an increase in its share
21 price from a low of \$.28/share in the first quarter of 2007 to a high of \$1.80/share
22 in the fourth quarter of 2007. As stated in Soyo's Form 8-K dated September 10,
23 2007, the company planned to list on the AMEX as soon as it could meet the
24 minimum share price required to do so.

25 29. To refresh the phony receivables without detection, Soyo would
26 round-trip funds via purported vendors in Asia that were controlled by Chu

1 through her relatives, such as Korndale Group Ltd. (“Korndale”) and Randy
2 Company Ltd. (“Randy”).

3 30. Soyo would ostensibly purchase products from these “vendors” to
4 fulfill the fake orders generated by the fraudulent sales. Invoices for the phantom
5 products that Soyo needed to fulfill the fake orders were fabricated for these
6 vendors and, at the same time, Soyo personnel prepared false shipping records
7 showing that the phantom products were delivered to Soyo’s end customers.

8 31. Soyo would then wire the money obtained through, among other
9 things, its UCB credit line to pay the vendor’s fake invoices. Soyo sent
10 instructions to the purported vendors that the funds be sent back to Soyo through
11 Asian bank accounts associated with four entities: Iron Business Corporation;
12 Forever Popular Development Ltd.; Faith Mind Trading Ltd.; and Jade Pacific
13 Holding Group, Inc. (hereinafter the “Asian Funding Companies”).

14 32. In this manner, the scheme allowed funds to be “round-tripped” from
15 Soyo to the Chu-controlled entities and back to Soyo, who used the funds to pay
16 down the phony receivables and to maintain the credit limit, thereby giving Soyo
17 access to more funds. The Asian Funding Companies were used to hide the round-
18 tripping of funds from Vasquez and UCB and were, like Korndale and Randy,
19 controlled by Chu through her relatives.

20 33. Communications involving Tsang and Chu reflect the fraudulent
21 nature of these round-trip transactions. For example, an April 17, 2007 e-mail
22 from a Korndale employee to Chu and Tsang states:

23 Do **NOT** put any staff from Soyo Taipei into Korndale’s document in the
24 future, no matter it’s PO . . . or anything else. Korndale is supposed to be
25 one of your vendors (or sometime a customer) which has nothing to do with
26 SOYO. Korndale will become useless to you once CPA or SEC find out this
company is actually one of a SOYO-controlling company. Be more careful
with it!!

1 **B. Chu and Tsang Participated In and Concealed the Fictitious**
2 **Sale/Round-Tripping Scheme**

3 34. As CFO and head of the sales department, Chu was aware of the
4 phony sales transactions. She is listed as the salesperson in Soyo's accounting
5 system for the majority of them. Additionally, per Soyo's own sales policy, Chu
6 was required to review and sign off on each of Soyo's sales orders, which she did
7 for the bulk of the fraudulent transactions.

8 35. Tsang kept a log of the fake sales to ensure that they were paid off
9 with funds round-tripped through the Asian Funding Companies. In fact, Soyo's
10 bank records show that the Asian Funding Companies were used to pay over \$28.7
11 million of the receivables associated with the fake sales in a manner consistent
12 with Tsang's log.

13 36. Moreover, an e-mail from Tsang dated December 5, 2008, forwards
14 an e-mail chain with round-tripping instructions dating back to August 19, 2008,
15 and shows that Tsang sent funds to Korndale and/or Randy with directions to wire
16 the funds back to Soyo through one of the Asian Funding Companies to pay off
17 specifically identified Soyo customer receivables. The instructions in Tsang's e-
18 mail chain are also consistent with the notations on her log of the fake sales and
19 Soyo's bank records.

20 37. Chu was forwarded a portion of this e-mail chain on September 11,
21 2008 (before the Form 10-Q for the period ended September 30, 2008 was filed)
22 that contained several round-tripping instructions involving the Asian Funding
23 Companies. Chu also signed authorizations for the wires to Korndale and Randy
24 for almost all of the transactions discussed in the e-mail chain.

25 38. One example of a phony sale and fraudulent round-trip payment is as
26 follows:

- 1 • On April 7, 2008, Chilisun Computer of Richardson, Texas
2 (“Chilisun”) purportedly issued a Purchase Order to Soyo for 1080
3 24” LCD monitors at a total cost of \$313,200;
- 4 • On April 24, 2008, Soyo issued a sales order, initialed by Chu, and an
5 invoice to Chilisun for those monitors;
- 6 • Tsang’s December 5, 2008, e-mail chain references a \$200,000 wire
7 sent to Korndale, and includes instructions to wire back to Soyo
8 “\$45,000 from Iron Business’s Bank ref # Chilisun.” In a
9 November 13, 2008 e-mail in the chain that references a \$290,000
10 wire sent to Randy, Tsang provides instructions to wire back
11 “\$268,200 from Iron Business’s Bank ref# Chilisun Computer.”
12 These two wires back to Soyo via Iron Business (\$268,200 and
13 \$45,000) total the \$313,200 on the Chilisun sales order.
- 14 • Chu signed authorizations for the \$200,000 wire to Korndale and the
15 \$290,000 wire to Randy.
- 16 • A Soyo Customer Ledger Listing for Chilisun reflects the \$313,200
17 invoice and the payments of \$268,200 and \$45,000, less \$15 wire
18 fees. That Ledger Listing, however, also reflects that Chilisun had no
19 purchases from Soyo between March 17, 2004 and March 14, 2007,
20 and that when Chilisun purchases purportedly resumed they were
21 much larger than previous purchases – the largest invoice amount
22 prior to 2007 was \$18,850, and many invoices were for under \$1,000;
23 after purchases began to appear again in 2007, invoice amounts
24 ranged from \$287,040 to \$540,000.
- 25 • In October of 2009, in response to an SEC subpoena, Chilisun stated
26 in writing that “There is NO business transaction between Chilisun
and Soyo Group for the time period January 1, 2007 through the

1 present. We have NOT done any business with Soyo in at least five
2 years or longer.”

- 3 • Soyo’s files include a Bill of Lading from MJC Freight Systems Inc.
4 (“MJC”) in Memphis, Tennessee, dated April 24, 2008, for shipment
5 of the monitors to Chilisun; but the SEC staff has been unable to
6 confirm the existence of a company by the name of MJC Freight
7 Systems Inc. in Memphis, Tennessee. The phone number listed on the
8 MJC Bill of Lading has an Oakland, CA area code and connects to a
9 person that is unaware of MJC.

10 39. In executing their scheme, Chu and Tsang took deliberate steps to
11 hide the scheme from Vasquez.

12 40. For example, in early 2009, Tsang falsified account receivable
13 confirmations – confirmations purportedly sent to Soyo customers to verify their
14 account receivable balances in connection with a Vasquez audit – to conceal the
15 phony sales transactions. In one instance, Tsang even misdirected a customer audit
16 confirmation to her own home.

17 41. Tsang also created fake purchase orders, invoices, and shipping
18 documents for the phony sales to provide to Vasquez.

19 42. Chu instructed Soyo employees to never let Vasquez personnel in
20 Soyo’s accounting area and that the audit staff would have to request documents to
21 be brought to them, indicating that she was aware that Soyo sales orders, which she
22 had initialed and approved, were fictitious.

23 43. Chu also signed management representation letters to Vasquez for the
24 first two quarters and fiscal year end of 2007 and the first quarter of 2008, that
25 falsely stated, among other things, that Soyo’s sales transactions were properly
26 recorded, that she had no knowledge of fraud that could materially affect Soyo’s

1 financial reports, and that all receivables on the balance sheet represent valid
2 claims against debtors for sales.

3 44. Chu's knowledge of the fraudulent sales and need to conceal the
4 scheme from Vasquez is apparent from an e-mail to Strasser. On March 4, 2009,
5 when Soyo was planning to book a large return to eliminate approximately \$13
6 million of the fake receivables, Tsang was asked by Vasquez for contact
7 information so they could get confirmation that Soyo's suppliers would accept the
8 returns. In response to this news, Chu sent an e-mail to Strasser saying: "I think
9 you really need [to] help Elizabeth [Tsang] because she can not [sic] afford
10 Auditor asking [for] all the information."

11 45. Vasquez became aware of the fictitious sales and round-tripping
12 scheme during their 2008 audit, following a February 2009 tip from a Soyo
13 accounting manager who provided them with documents evidencing the phony
14 transactions and told them what to look for during the audit.

15 46. Following the tip and the accounting manager's subsequent
16 resignation from Soyo, Chu sent a Soyo employee to the former accounting
17 manager's house with instructions to tell the manager not to say too much about
18 the manager's work at Soyo to anyone.

19 47. Soyo committed fraud by engaging in a scheme to create fictitious
20 sales transactions and thereby fraudulently reporting materially misleading sales
21 revenues in its financial filings for fiscal years 2007 and 2008.

22 48. As CFO, de facto CEO, director, and, with her husband, the largest
23 shareholder of Soyo, Chu had ultimate authority for the statements made in Soyo's
24 SEC filings during the relevant period. Moreover, because Chu signed and
25 certified the filings, the statements therein are attributable to her and therefore
26 made by her.

1 49. Chu exercised control over the general operations of Soyo and had the
2 power to exercise control over the fraudulent sales transactions. Moreover, by
3 acting as the sales person on sales, signing sales orders, authorizing round-trip
4 wires, and concealing the fraudulent sales from Soyo's auditor she was a culpable
5 participant in those transactions.

6 50. By creating and reporting overstated revenue through fictitious sales,
7 by creating bogus receivables to borrow funds, and by paying down those
8 receivables with fraudulent round-trip transactions, Chu and Tsang actively
9 employed devices, schemes, or artifices to defraud and/or engaged in acts,
10 practices, or courses of conduct which operated as a fraud or deceit.

11 51. Chu and Tsang knew that Soyo was engaging in fraud and that its
12 periodic filings were fraudulent. They were also aware of their roles in the illegal
13 activity and the substantial assistance they provided in furthering the fraud.

14 **C. Chu and Strasser Were Responsible for Materially Understating**
15 **Soyo's Liabilities by Improperly Reducing Liabilities by \$6**
16 **Million Based Upon a Debt-for-Equity Transaction with Tatung**
17 **That Was Never Completed**

18 52. In its Form 10-Q for the period ended June 30, 2008, Soyo announced
19 falsely that it had consummated a \$6 million debt-for-equity transaction with one
20 of its vendors, Tatung, a Taiwanese company that manufactured LCD televisions
21 for Soyo. The transaction reduced its current liabilities by 13.9% (to \$37,264,536)
22 and its accounts payable by 41.9% (to \$8,327,606).

23 53. Contrary to Soyo's disclosures, the debt-for-equity transaction with
24 Tatung was never finalized and it eventually fell apart.

25 54. The debt-for-equity idea arose because, by late 2007, Soyo owed
26 Tatung approximately \$7 million for products ordered and shipped. As a result of

1 the large overdue receivable, Tatung refused to ship additional products to Soyo
2 and threatened to sue.

3 55. In April 2008, the parties discussed resolving Soyo's delinquency by
4 swapping the balance owed to Tatung for Soyo stock, a large amount of which
5 Soyo would agree to repurchase over time.

6 56. At the time of the Tatung negotiations, Soyo wanted to complete the
7 transaction to improve its balance sheet and its borrowing position. For one thing,
8 the Tatung transaction was needed to bring Soyo back into compliance with its
9 debt covenants and avoid default on its multi-million dollar credit line with UCB.

10 57. Soyo's establishment of a new or expanded credit line was also
11 important to Tatung because it would strengthen Soyo's financial condition and
12 provide a source of funds to repurchase the stock issued to Tatung for the Soyo
13 debt.

14 58. To avoid the chicken and egg problem of having potential lenders that
15 would want a final settlement with Tatung at the same time as Tatung wanted Soyo
16 to have a new credit line before settling, Chu proposed having Tatung execute a
17 settlement agreement and, concurrently, execute an addendum that rendered the
18 transaction non-binding for a four-week period to allow Soyo to complete a new
19 bank financing.

20 59. According to the addendum, which Chu signed, during the non-
21 binding period Tatung had complete discretion to cancel the settlement agreement.

22 60. On June 11, 2008, Chu sent Tatung's legal counsel an e-mail
23 requesting an extension of the non-binding period to the end of July 2008 so, in
24 Chu's words, Soyo could "finalize our loan commitment, which needs to be
25 completed before we can finalize our settlement with Tatung."

26 61. Due to Soyo's difficulties in obtaining bank financing, on August 5,
2008, Chu was informed by Tatung that the non-binding period would be extended

1 again to the end of September 2008. However, at that time, Chu was also told that
2 “[i]f SOYO could not get [the] ABL line approved, all the agreements related to
3 payment solution [are] void. Tatung will re-negotiate with SOYO on another
4 solutio[n] or go through legal lawsuit action.”

5 62. Notwithstanding her knowledge that the Tatung agreement was non-
6 binding and subject to cancellation, nine days later Chu signed and caused to be
7 filed Soyo’s Form 10-Q for the period ended June 30, 2008, disclosing the Tatung
8 transaction as a done deal and removing the multi-million dollar Tatung liability
9 from Soyo’s balance sheet. Specifically, the Form 10-Q falsely stated that “[t]o
10 settle the debt, the Company issued 5,900,000 shares of its restricted common
11 stock to the supplier in return for the retirement of \$6,004,028 of debt.”

12 63. A week after the second quarter Form 10-Q was filed, Strasser was
13 copied on an August 21, 2008 e-mail showing that Tatung was still negotiating
14 with Soyo regarding the debt-for-equity deal. That same day, Strasser e-mailed
15 Chu: “This is a major, major problem. I need to understand what’s going on here
16 as it contradicts what is in the 10-Q.”

17 64. Nonetheless, Strasser did not alert Soyo’s auditor even though he had
18 just told them during their second quarter fieldwork that the Tatung deal was final.
19 Nor did he alert them when he was copied on an e-mail forwarding the purported
20 final agreement with Tatung to Vasquez on September 23, 2008.

21 65. Instead, Strasser drafted Soyo’s Form-10-Q for the next quarter, that
22 made the same false disclosures and omitted the same liabilities relating to the
23 Tatung transaction as it did in the previous quarter’s Form 10-Q.

24 66. On September 30, 2008, Tatung notified Chu by e-mail that the debt-
25 for-equity transaction was cancelled.
26

1 67. Chu acknowledged the bleak situation with Tatung in an e-mail dated
2 October 14, 2008, in which she wrote that “[t]o change the deal [with Tatung] now,
3 we would have to amend our SEC filings, which is very bad. The SEC and our
4 shareholders would start asking questions, and we would be required to amend our
5 filing and inform our bankers, which would kill any chance of an ABL line.”

6 68. Strasser summed up the situation in a blunt e-mail to Chu on
7 November 9, 2008, as follows:

8 [W]e are really screwed in a lot of ways. We are not going to be able to pay
9 Tatung under any circumstances, and we have already announced in our 10Q
10 that they took the 5.9 MM shares of stock for the A/P. We are surely going
11 to get sued and have to spend a fortune on lawyers. This situation is horrible
12

13 69. On the very next day, November 10, 2008, Chu signed another Form
14 10-Q for the period ended September 30, 2008, that again falsely reported that the
15 Tatung transaction was completed.

16 70. Soyo committed fraud by reporting that the Tatung debt-to equity
17 transaction was complete and concealing the fact that it had signed a side
18 agreement allowing Tatung to cancel the transaction at any time, thereby violating
19 the federal securities laws.

20 71. As CFO, de facto CEO, director, and, with her husband, the largest
21 shareholder of Soyo, Chu had ultimate authority for the statements made in Soyo’s
22 Form 10-Qs for the second and third quarter of 2008. Moreover, because Chu
23 signed and certified the filings the statements therein are attributable to and
24 therefore made by her.

25 72. Chu exercised control over the general operations of Soyo and had the
26 power to exercise control over the fraudulent accounting of the Tatung debt-for-
equity transaction. Moreover, by signing Soyo’s false SEC filings, executing the
addendum to the agreement, and concealing the true, unfinished and contingent

1 nature of the proposed transaction with Tatung from Soyo's auditor, she was a
2 culpable participant in the fraud.

3 73. By materially understating Soyo's current liabilities and accounts
4 payable by misrepresenting the Tatung debt-for-equity transaction, Soyo and Chu
5 actively employed a scheme, device, or artifice to defraud and/or engaged in an
6 act, practice, or course of business which operated as a fraud or deceit.

7 74. Chu knew that the statements regarding the Tatung transaction in
8 Soyo's Form 10-Q for the second quarter of 2008 were false at the time those
9 statements were made because she knew that the debt-for-equity transaction with
10 Tatung was not final and was subject to cancellation. She therefore knew that the
11 10-Q understated Soyo's current liabilities and accounts payable by \$6 million.

12 75. Chu and Strasser both knew that the statements regarding the Tatung
13 transaction in Soyo's Form 10-Q for the third quarter of 2008 were false at the time
14 those statements were made because they knew that the debt-for-equity transaction
15 with Tatung was not final and was subject to cancellation. They both therefore
16 knew that the 10-Q understated Soyo's current liabilities and accounts payable by
17 \$6 million.

18 76. Chu and Strasser knowingly provided substantial assistance to Soyo in
19 misstating the status of the Tatung debt-for-equity transaction and Soyo's financial
20 liabilities. Despite this knowledge, Chu and Strasser failed to bring the Tatung
21 issue to the attention of Soyo's auditor.

22 **FIRST CLAIM FOR RELIEF**
23 **FRAUD: Violations of Section 10(b) of the Exchange Act and**
24 **Rule 10b-5 Thereunder**
(Against Chu and Tsang)

25 77. The Commission realleges and incorporates by reference paragraphs 1
26 through 76.

1 78. Chu and Tsang, acting with scienter, by use of means or
2 instrumentalities of interstate commerce or of the mails, or of any facility of a
3 national securities exchange, in connection with the purchase or sale of a security:
4 (a) employed devices, schemes or artifices to defraud; (b) made untrue statements
5 of material fact or omitted to state material facts necessary in order to make the
6 statements made, in light of the circumstances under which they were made, not
7 misleading; or (c) engaged in acts, practices or courses of business which operated
8 or would operate as a fraud or deceit upon any person.

9 79. By engaging in the conduct described above, Chu and Tsang have
10 violated and unless restrained and enjoined will in the future violate Section 10(b)
11 of the Securities Act and Rule 10b-5 thereunder [15 U.S.C. §§ 78j(b) and 17
12 C.F.R. § 240.10b-5].

13
14 **SECOND CLAIM FOR RELIEF**
15 **SECURITIES FRAUD: Control Person Liability under**
16 **Section 20(a) of the Exchange Act for Soyo's Violations of Section 10(b)**
17 **of the Exchange Act and Rule 10b-5**
18 **(Against Chu)**

19 80. The Commission realleges and incorporates by reference paragraphs 1
20 through 76.

21 81. Soyo, directly and indirectly, acting with scienter, by use of means or
22 instrumentalities of interstate commerce or of the mails, or of any facility of a
23 national securities exchange, in connection with the purchase or sale of a security:
24 (a) employed devices, schemes or artifices to defraud; (b) made untrue statements
25 of material fact or omitted to state material facts necessary in order to make the
26 statements made, in light of the circumstances under which they were made, not
misleading; or (c) engaged in acts, practices, or courses of business which operated

1 or would operate as a fraud or deceit upon any person, in violation Section 10(b) of
2 the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R.
3 § 240.10b-5].

4 82. As CFO, *de facto* CEO, director, and the largest shareholder of Soyo,
5 Chu exercised control over the general operations of Soyo and had the power to
6 exercise control over the specific activity upon which Soyo's violations are based.
7 Moreover, Chu was a culpable participant in Soyo's illegal conduct.

8 83. Chu therefore has control person liability pursuant to Section 20(a) of
9 the Exchange Act [15 U.S.C. § 78t(a)] for Soyo's violations of Section 10(b) and
10 Rule 10b-5.

11 **THIRD CLAIM FOR RELIEF**
12 **SECURITIES FRAUD: Aiding and Abetting Soyo's Violations of Section**
13 **10(b) of the Exchange Act and Rule 10b-5**
(Against Chu and Tsang (in the alternative), and Strasser)

14 84. The Commission realleges and incorporates by reference paragraphs 1
15 through 76.

16 85. Soyo, directly and indirectly, acting with scienter, by use of means or
17 instrumentalities of interstate commerce or of the mails, or of any facility of a
18 national securities exchange, in connection with the purchase or sale of a security:
19 (a) employed devices, schemes or artifices to defraud; (b) made untrue statements
20 of material fact or omitted to state material facts necessary in order to make the
21 statements made, in light of the circumstances under which they were made, not
22 misleading; or (c) engaged in acts, practices or courses of business which operated
23 or would operate as a fraud or deceit upon any person, in violation Section 10(b) of
24 the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R.
25 § 240.10b-5].
26

1 86. By engaging in the conduct described above, Chu, Tsang, and Strasser
2 knowingly provided substantial assistance to Soyo's violation(s) of Sections 10(b)
3 of the Exchange Act and Rule 10b-5, and therefore are liable as aiders and abettors
4 pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)].

5 87. Unless restrained and enjoined, Chu, Tsang, and Strasser will continue
6 to aid and abet violations of Section 10(b) of the Exchange Act [15 U.S.C. §
7 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

8 **FOURTH CLAIM FOR RELIEF**
9 **SECURITIES FRAUD: Violations of Section 17(a) of the Securities Act**
10 **(Against Chu)**

11 88. The Commission realleges and incorporates by reference paragraphs 1
12 through 76.

13 89. Chu, directly or indirectly, in the offer or sale of securities, by the use
14 of the means or instruments of transportation or communication in interstate
15 commerce or by the use of the mails: (a) with scienter, employed a device, scheme,
16 or artifice to defraud; (b) obtained money or property by means of an untrue
17 statement of material fact or omission to state a material fact necessary in order to
18 make the statements made, in light of the circumstances under which they were
19 made, not misleading; or (c) engaged in a transaction, practice, or course of
20 business that operated or would operate as a fraud upon purchasers of securities.

21 90. By engaging in the conduct described above, Chu has violated and
22 unless restrained and enjoined will continue to violate Section 17(a) of the
23 Securities Act [15 U.S.C. § 77q(a)].
24
25
26

1 **PRAYER FOR RELIEF**

2 WHEREFORE, the Commission respectfully requests that the Court:

3
4 **A.**

5 **[Declaratory Judgment]**

6 Find that each defendant committed the violations alleged.

7
8 **B.**

9 **[Injunctive Relief]**

10 Enter an Order of Permanent Injunction as to each defendant, in a form
11 consistent with Rule 65(d) of the Federal Rules of Civil Procedure, enjoining each
12 of them from further violations of the provisions of law and rules alleged against
13 them in this Complaint.

14
15 **C.**

16 **[Disgorgement of Ill-Gotten Gains]**

17 Enter an Order directing each defendant to disgorge and pay over, as the
18 Court may direct, any and all ill-gotten gains received or benefits in any form
19 derived from the illegal conduct alleged in this Complaint, together with pre-
20 judgment interest thereon.

21
22 **D.**

23 **[Civil Penalties]**

24 Enter an Order requiring each defendant to pay third-tier civil penalties
25 pursuant to Section 20(d) of the Securities Act [15 U.S. C. § 77t(d)] and Section
26 21(d)(3) of the Exchange Act [15 U.S. C. § 78u(d)(3)].

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E.
[Other Relief]

Grant such further equitable relief as this Court deems appropriate and necessary.

DATED: November 29, 2011

Respectfully submitted,



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