

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 61778 / March 25, 2010**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13835**

**In the Matter of**

**AARON TSAI,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
PROCEEDINGS PURSUANT TO SECTION  
15(b) OF THE SECURITIES EXCHANGE  
ACT OF 1934 AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Aaron Tsai (“Respondent” or “Tsai”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A.     RESPONDENT**

Tsai, age 40, resides in Taiwan. From 1996 through 2000, Tsai formed 101 “blank check” public shell corporations. In October 1996, he formed MAS Acquisition XI Corporation (“MAS”), which became BluePoint Linux Software Corporation (“BluePoint”) after a reverse merger in February 2000. During 1998 to 2001, Tsai was a registered representative associated with three broker-dealers registered with the Commission: (1) Baxter, Banks, and Smith, Ltd. from December 1998 through September 1999; (2) Franklin Ross, Inc. from July 2000 through November 2000; and (3) Herman, Alexis and Co., Inc. from December 2000 through October 2001. In addition, he was the president and owner of two broker-dealers registered with the Commission: MAS Capital Securities, Inc. from 1999 through 2001 and MASF.Net Inc. from 1999 through 2000. On April 4, 2005, in *SEC v. Surgilight, et al.*, (Civil Case No. 6:02-CV-431-ORL-18-KRS), the federal court in the Middle District of Florida entered a Final Judgment against Tsai enjoining him from future violations of the registration provisions under the federal securities laws and ordering him to pay \$4,464 in disgorgement, \$1,805.21 in prejudgment interest and a civil penalty of \$4,464. Tsai

consented to the entry of the Final Judgment without admitting or denying the allegations in the SEC's complaint.

## B. THE DISTRICT COURT PROCEEDINGS

1. On April 11, 2003, the Commission filed a Complaint in the United States District Court for the Southern District of Ohio ("Court"), captioned Securities and Exchange Commission v. Sierra Brokerage Services, Inc., et al., Case No. 2:03-cv-326, naming Tsai, among others, as a defendant in this lawsuit.

2. The Complaint alleged that Tsai formed MAS in October 1996 with the express purpose of merging the shell company with a private entity looking to establish a public trading market for its shares. In several Commission filings made in 1999, Tsai falsely represented that he and MAS had transferred thousands of MAS shares to dozens of individuals during 1997 and 1998 in order to conceal his true ownership and control of the shares and to make it appear that the shares could be later sold without a registration statement in effect. Tsai duped these shareholders into signing one or more blank stock powers, which Tsai kept and used to further his scheme. The Complaint alleged the transfers were shams; the shareholders were nominees, and Tsai retained control of the stock during all relevant times. Tsai made false filings with the Commission when he failed to disclose his true ownership of the shares and the subsequent sale of those shares to other defendants. The Complaint alleged that Tsai thereby violated Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act") and Sections 13(d)(1) and 16(a) of the Exchange Act and Rules 13d-1 and 16a-3 thereunder.

3. On March 31, 2009, the Court granted the Commission's motion for summary judgment in part which sought a permanent injunction against Tsai for future violations of registration and reporting provisions of the federal securities laws. The Court also ordered Tsai to disgorge \$250,000 plus \$101,987 of pre-judgment interest. On March 1, 2010, the Court entered a judgment against Tsai permanently enjoining him from future violations of Sections 5(a) and 5(c) of the Securities Act, Sections 13(d)(1) and 16(a) of the Exchange Act and Rules 13d-1 and 16a-3 thereunder and ordering him to pay the disgorgement and prejudgment interest previously ordered.

4. In its March 31, 2009 Opinion and Order ("Opinion"), the Court found that Tsai formed MAS in 1996 as a shell company with no business activity or operations of its own, existing only to issue shares of stock and as a vehicle to accomplish a reverse merger. According to the Opinion, as the CEO, president, and treasurer, Tsai transferred ownership of many of MAS's outstanding shares of common stock to five individuals in 1997 and 1998, whom Tsai claimed were former corporate directors of MAS. The Court found that in 1999, Tsai again arranged a transfer of shares from the five former purported directors to 28 additional shareholders. The Court found that no registration statements were filed for any these transfers and that no exemption from registration was available. In addition, the Court found that Tsai had control and beneficial ownership of the shares he transferred and violated the disclosure requirements of Sections 16(a) and 13(d) by failing to include those shares in his required SEC filings. Tsai then sold his shares of

MAS which became BluePoint stock to others who distributed the stock into the public trading market without a registration statement in effect.

### **III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act.

### **IV.**

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness

or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Elizabeth M. Murphy  
Secretary