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RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT,
NORTHERN DISTRICT OF CALIFORNIA

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

SECURITIES AND EXCHANGE COMMISSION

Plaintiff,

v.

PAUL C. JAIN, STEVEN J. ALLAN,
ROBERT S. WILLIAMS and
WAYNE NAKAMURA,

Defendants.

C. 98-2684
Civil Action No.

COMPLAINT FOR
PERMANENT INJUNCTION
AND LEGAL AND OTHER
EQUITABLE RELIEF

TEH

Plaintiff Securities and Exchange Commission ("Commission")
for its Complaint For Permanent Injunction And Legal And Other
Equitable Relief against defendants Paul C. Jain ("Jain"), Steven
J. Allan ("Allan"), Robert S. Williams ("Williams") and Wayne
Nakamura ("Nakamura") (collectively, the "Defendants") alleges,
upon information and belief, as follows:

SUMMARY OF THE ACTION

1. This action involves financial reporting fraud and
illegal insider trading in violation of federal securities laws.

2. Defendants Jain, Allan, Williams and Nakamura violated

COMPLAINT

1 the federal securities laws by causing Media Vision Technology,
2 Inc. ("Media Vision" or the "Company") to fraudulently overstate
3 its financial results for the second fiscal quarter ended June
4 30, 1993, the third fiscal quarter ended September 30, 1993, and
5 the fiscal year ended December 31, 1993. At the time of the
6 fraudulent scheme, Jain was Media Vision's President, Chief
7 Executive Officer and Director; Allan was Chief Financial
8 Officer; Williams was the Controller; and Nakamura was the
9 Director of Manufacturing.

10 3. Media Vision was a multimedia computer products company
11 located in Fremont, California. Media Vision filed a Chapter 11
12 proceeding and was reorganized pursuant to a plan confirmed in
13 December 1994. It changed its name to Aureal Semiconductor in
14 May 1996.

15 4. Jain and Allan orchestrated, and Williams and Nakamura
16 participated in, key aspects of the fraud. During the third and
17 fourth fiscal quarters of 1993, Jain and Allan directed
18 subordinates to falsify documents in order to artificially
19 inflate Media Vision revenue and understate Media Vision expenses
20 in an extensive scheme to defraud Media Vision investors. After
21 the end of the fiscal year, all four helped hide the fraud from
22 Media Vision's outside auditors by lying to the auditors and
23 creating false accounting entries on company documents.

24 5. Jain, Allan and Nakamura also sold Media Vision stock
25 while in the possession of material non-public (or "inside")
26 information and misrepresented facts to auditors about revenue,
27 expenses and returned product.

28 6. The Defendants' conduct violated the antifraud,

1 periodic reporting and internal accounting controls provisions of
2 the federal securities laws.

3 JURISDICTION, VENUE AND INTRADISTRICT ASSIGNMENT

4 7. The Commission brings this action pursuant to Section
5 20(b) of the Securities Act of 1933 ("Securities Act") [15 U.S.C.
6 § 77t(b)] and Section 21(d) of the Securities Exchange Act of
7 1934 ("Exchange Act") [15 U.S.C. § 78u(d)].

8 8. This Court has jurisdiction over this action pursuant
9 to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and
10 Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e)
11 and 78aa]. Jain, Allan, Williams and Nakamura, directly or
12 indirectly, have made use of the means and instrumentalities of
13 interstate commerce or of the mails in connection with the acts,
14 practices and courses of business alleged in this Complaint.

15 9. Venue in this District is proper pursuant to Section 27
16 of the Exchange Act [15 U.S.C. § 78aa]. Defendants reside and
17 transact business in, and a substantial part of the alleged
18 conduct occurred in, the Northern District of California.

19 10. Assignment to the San Francisco Division is appropriate
20 pursuant to Civil Local Rule 3-2(c) because a substantial part of
21 the events and omissions which give rise to the claims occurred
22 in Alameda County, California.

23 THE DEFENDANTS

24 11. Jain is a resident of Berkeley, California. Jain
25 served as President, Chief Executive Officer and a director of
26 Media Vision from August 1990 until May 1994, when the Board of
27 Directors terminated his employment.

28 12. Allan is a resident of Los Gatos, California. He

1 served as Media Vision's Vice President, Finance and
2 Administration and Chief Financial Officer from May 1992 until
3 May 1994. Allan is a certified public accountant.

4 13. Williams is a resident of Los Altos, California. He
5 was Media Vision's Controller from 1991 until 1994.

6 14. Nakamura is a resident of Fremont, California. He was
7 Media Vision's Director of Manufacturing from 1991 to 1994.

8 FACTUAL BACKGROUND

9 15. Media Vision, formerly a publicly traded Delaware
10 corporation with its principal place of business in Fremont,
11 California, designed and manufactured multimedia products for
12 personal computers.

13 16. Executives and employees at Media Vision, including the
14 defendants, began engaging in financial fraud by the second
15 quarter ended June 30, 1993.

16 Media Vision Fraudulently Overstates
17 1993 Second Quarter Results.

18 17. On July 15, 1993, Media Vision announced record revenue
19 of \$45.1 million for the second quarter ended June 30, 1993 (the
20 "second quarter"), an amount that was overstated by approximately
21 \$3.5 million, or eight percent.

22 18. This overstatement of revenue resulted from improperly
23 recognizing revenue on products shipped pursuant to a side letter
24 agreement. Media Vision recognized revenue in the second quarter
25 even though the side letter granted the distributors the right to
26 return the products in the following quarter, and further stated
27 that the distributor would not be responsible for payment unless
28 the product sold through to its customers. The total value of

1 the order was approximately \$4.8 million. Paul Jain approved the
2 deal in writing, even though he knew that it violated Media
3 Vision's revenue recognition policy because the distributor was
4 not obligated to pay unless the product sold through.

5 Jain Trades While In Possession of
6 Material Non-Public Information.

7 19. Jain sold Media Vision stock in August 1993, while he
8 was in possession of material non-public information about fraud
9 at the company in the second quarter of 1993. On behalf of
10 himself and as Trustee of his children's Trust, Jain sold: 10,000
11 shares at a price of \$25.375 on August 13, 1993; 10,000 shares at
12 \$24.25 on August 16, 1993; and 7,000 shares at \$24.25 on August
13 18, 1993. These sales yielded gross proceeds to Jain and his
14 children of \$666,000.

15 Media Vision Fraudulently Overstates
16 1993 Third Quarter Results.

17 20. On October 19, 1993, Media Vision released its
18 financial results for the third quarter ended September 30, 1993
19 (the "third quarter") and announced record revenue of \$64.3
20 million. On October 19, 1993, Media Vision announced record
21 revenue of \$64.3 million. This number was overstated by at least
22 \$10.2 million, or 18.9 percent. Senior officers at Media Vision
23 caused the overstatement in part in order to report strong
24 financial results in anticipation of a scheduled convertible debt
25 offering by the Company.

26 21. On October 20, 1993, Media Vision's registration
27 statement for a \$100 million dollar convertible debt offering
28 (plus an additional \$15 million overallotment) went effective and

1 the debt was sold to the public.

2 Defendants' Scheme to Overstate Media Vision's
3 Third Quarter 1993 Results.

4 22. The bulk of the third quarter overstatement resulted
5 from Media Vision's improper recognition of \$7.1 million in
6 revenue (a 12.4 percent overstatement) for the shipment of
7 multimedia kits to a distributor. In late September 1993, Jain
8 and Allan knew that Media Vision would not be able to obtain
9 necessary parts to complete the multimedia kits before the end of
10 the third quarter. Jain and Allan, concerned that Media Vision
11 report impressive results in advance of the planned debenture
12 offering, instructed others to falsify documents to ensure that
13 Media Vision recognized the revenue in the third quarter.

14 23. Nakamura implemented Jain's instructions by creating
15 paperwork and computer entries so that the computerized inventory
16 system showed that all parts of the kit were in stock. The
17 incomplete kits were then shipped to a manufacturing
18 subcontractor, but not completed or shipped to the distributor
19 until the fourth quarter.

20 24. Recognition of this shipment violated Media Vision's
21 revenue recognition policy, which provided that revenue was to be
22 recognized on shipment to a customer or on transfer of title by
23 delivery to an outside carrier, neither of which occurred during
24 the third quarter.

25 Failure To Recognize Product Returns.

26 25. Media Vision fraudulently failed to recognize \$2.3
27 million in returns from another distributor. Jain negotiated a
28 large transaction with this distributor for the third quarter,

1 pursuant to which Media Vision agreed to accept returns of
2 certain unsold product.

3 26. Media Vision's revenue recognition practice called for
4 the recognition of returned product at the time it issued
5 paperwork known as a "return merchandise authorization" ("RMA").
6 However, for this product Media Vision created phony, nonstandard
7 RMAs that were not entered into its accounting system in the
8 third quarter. Jain, who approved all RMAs of this magnitude,
9 knew that Media Vision had not issued genuine RMAs for this
10 product. This transaction overstated revenue by \$2.3 million or
11 3.7 percent of the \$64.3 million initially reported.

12 Jain, Allan and Nakamura Trade While
13 in Possession of Material, Non-Public Information.

14 27. On October 22, 1993, Jain again traded while in
15 possession of material nonpublic information, this time about
16 fraud in the third quarter. He sold 25,000 shares of Media
17 Vision common stock at an average sale price of \$33.00 for gross
18 proceeds of \$825,000.

19 28. Allan also traded while in possession of material
20 nonpublic information about fraud at Media Vision. On October
21 22, 1993, Allan sold 25,000 shares of Media Vision common stock
22 at an average sale price of \$33.00 for gross proceeds of \$825,000
23 each.

24 29. Nakamura traded while in possession of material
25 nonpublic information about fraud at Media Vision. On December
26 6, 1993, Nakamura sold 500 shares of Media Vision common stock at
27 a sale price of \$42.50 for gross proceeds of \$21,250.
28

Media Vision Fraudulently Overstates
1993 Fourth Quarter and Year End Results.

30. The Defendants' fraudulent conduct intensified in the fourth quarter, particularly in the last several weeks of the year.

31. On February 17, 1994, Media Vision released financial statements for the 1993 fiscal year ended December 31, 1993 ("fiscal year 1993") and further explained the results in a conference call with securities analysts that same day. The February 17 release reported revenue for fiscal year 1993 of \$241.1 million and income of \$19.9 million.

32. Media Vision's financial statements for the fourth quarter and fiscal year 1993 were materially false and misleading. They materially overstated revenue and income.

33. In August 1994, the Company restated its results for fiscal year 1993, reporting revenue of \$149.7 million and declaring a loss of \$99.2 million. The restatement showed that the previously reported financial results for fiscal year 1993 had overstated revenue by \$91.4 million (61 percent) and income by \$119.1 million.

The Defendants Direct and/or Participate in the Fraudulent
Scheme to Overstate 1993 Fourth Quarter and Year End Results.

34. In an apparent attempt to conceal the Media Vision's decline in growth, Defendants engaged in a massive and pervasive fraud in the fourth quarter, particularly during the last two weeks of December. They then took steps during the first two quarters of 1994 to cover up their scheme.

35. The defendant officers, Jain and Allan, (1) delayed

1 recognition of returns, including by directing shipment of
2 returns to an off-site warehouse where they were not recorded
3 into the official accounting systems of the Company, (2) directed
4 shipment of product that had not been ordered, (3) falsified
5 accounting information, and (4) lied to auditors.

6 Media Vision Fraudulently Delays
7 Recognition of Returns From Distributors.

8 36. At year-end 1993, Jain, Allan and others schemed to
9 delay the recognition of \$11 million of returns from Media
10 Vision's distributors. In December 1993, as a condition of
11 completing end-of-quarter deals, these distributors required
12 Media Vision to issue RMAs allowing them to return product that
13 they had not been able to sell and wished to replace with up-to-
14 date products.

15 37. When Jain learned of the large RMA requests, Media
16 Vision sales staff were instructed to create non-standard RMAs,
17 using phony numbers that would not be entered into Media Vision's
18 accounting system. Jain later instructed senior officers not to
19 disclose these RMAs to the auditors. From at least January 18,
20 1994, CFO Allan was also aware that the \$11 million in returns
21 had not been recognized.

22 Jain and Nakamura Cause Media Vision to
23 Recognize Revenue on Goods Not Shipped Until 1994.

24 38. During the fourth quarter, Jain directed the
25 falsification of paperwork so that the Company's books would
26 reflect shipments of three products that had not actually
27 shipped. Together the fraudulently recognized revenue on these
28 three categories of products caused a \$14.6 million overstatement

1 of revenue for the fourth quarter.

2 Multimedia Kits Containing Speakers.

3 39. First, Jain directed the falsification of documents to
4 enable the improper recognition of \$4.8 million in multimedia
5 upgrade kits containing a particular type of speaker.

6 40. In late December 1993, Jain learned that Media Vision
7 would not obtain delivery of a sufficient number of the specific
8 speakers to fulfill orders it planned to ship by the end of the
9 year. Jain, after discussions with other senior management,
10 directed the creation of false documentation showing receipt of
11 the speakers on December 30, 1993. Nakamura knowingly helped
12 execute this part of the fraud by preparing false documentation.
13 The unfinished kits were then shipped to an outside assembler to
14 await receipt of the speakers. The kits were actually shipped to
15 customers in late January and early February 1994.

16 False Confirmations of Soundboard Shipments.

17 41. Jain directed the falsification of paperwork to
18 facilitate the improper recognition of \$2.9 million in sales of
19 soundboards in 1993 that did not ship until January 1994.

20 42. Media Vision had contracted with a foreign manufacturer
21 to build Media Vision brand soundboards. Media Vision's practice
22 was to recognize revenue when the foreign company shipped the
23 completed product to Media Vision's European distributors.

24 43. By late December, Jain realized that the majority of
25 those soundboards that Media Vision had planned to have shipped
26 during 1993 would not be ready by the end of the quarter. Jain
27 ordered a senior officer to call the foreign manufacturer and
28 request that it send false confirmations of shipments.

1 44. The foreign manufacturer sent two sets of documents.
2 The first set falsely confirmed the shipment of 43,950
3 soundboards to Europe in the last week of December; the second
4 truthful set showed that 36,300 of the soundboards did not ship
5 until the first half of January 1994.

6 False Recognition of Revenue
7 on Product Held in "Bonded Storage".

8 45. Jain ordered employees in the semiconductor group to
9 falsely recognize additional revenue from the foreign
10 manufacturer mentioned in the previous paragraph through the use
11 of shipments to "bonded storage." Media Vision improperly
12 recognized at least \$6.9 million in revenue as a result of this
13 transaction. This revenue should either have been recognized
14 later or should not have been recognized at all because the sales
15 were essentially consignment sales which never sold.

16 46. Media Vision's revenue recognition policy was to
17 recognize revenue on products in bonded storage upon receipt of a
18 letter of credit ("L/C") and shipment to the customer. During
19 the fourth quarter, Media Vision violated the policy and
20 recognized revenue upon the placement of product in bonded
21 storage, before Media Vision received any L/Cs from its customer.
22 A Media Vision employee discussed the specifics about the order
23 with Allan in December 1993. This transaction was a consignment
24 sale, because the customer had full rights of return for the
25 products.

26 47. Between December 15 and 28, 1993, the foreign customer
27 provided Media Vision purchase orders for chips and chip sets
28 totaling \$8,915,000 for which Media Vision recognized revenue of

1 \$6,892,000 in the fourth quarter. Of that revenue recognized,
2 \$2,300,000 of product was shipped between January 8 and February
3 8, 1994, \$3,962,500 was never shipped, and \$630,000 of product
4 involved full rights of return and was never paid for.

5 48. Included in the revenue of \$3,962,500 that was never
6 shipped was an order of 50,000 PAS 16 chips. Jain directed a
7 Media Vision employee to sell these chips to the customer on open
8 terms, including full rights of return. The goods had not in
9 fact shipped to the customer, although they had been recorded as
10 revenue. This employee informed Allan prior to the end of 1993
11 that the sales were made on open terms, and Allan acknowledged
12 the terms.

13 False Shipments of Multimedia Kits.

14 49. Jain directed the false receipt and shipment of \$2.1
15 million of a particular model of multimedia kit.

16 50. Jain told a senior officer at the end of the fourth
17 quarter that Media Vision needed the revenue from certain
18 multimedia kits to meet analysts' expectations, even though he
19 was aware that there was no way Media Vision could obtain the
20 materials necessary to complete the kits prior to the end of the
21 year. On or about December 31, 1993, Jain told the senior
22 officer to direct the creation of false documentation showing the
23 receipt of 1,800 kits. On or about December 31, 1993, Nakamura
24 and others implemented the fraud. The kits were then "shipped"
25 on paper, triggering the recognition of revenue on the sale in
26 the fourth quarter 1993. In fact, the goods were not shipped
27 until February 1994.

Jain Directs the Shipment of Goods
to Customers Who Had Not Ordered Them.

51. Jain directed the shipment in late December of more than \$7.9 million in hardware and software that had not been ordered by customers or was subject to an unconditional right of return. Jain knew the hardware in question had not been ordered; he knew the product would be recorded as revenue pursuant to Media Vision's revenue recognition policy; and he was aware that most of the product would likely be returned. Media Vision's customers ultimately rejected all of this product.

52. Jain instructed a Media Vision senior officer to send \$1.5 million worth of hardware products to a distributor and \$1.4 million to a retailer, despite the fact that neither company had ordered the product. In addition, at Jain's instruction, this officer directed the shipment of \$955,000 worth of software titles that the distributor had not ordered. Media Vision recognized the shipment as revenue.

Jain Approves an Overshipment and a Consignment Sale.

53. During the last two days of December, 1993, Jain approved a plan to improperly recognize \$2 million in revenue on a consignment sale, and ship an additional \$2 million in unordered hardware to a newly formed sole proprietorship distribution channel. Jain instructed a senior officer to ship twice the amount of product that was actually ordered on December 30, 1993. Media Vision should not have recognized revenue on the original \$2 million order because the customer had an unconditional right to return the product and no obligation to pay for any product unless it was sold through to end users.

1 Allan Directs the Accounting Department to
2 Misrepresent a Media Vision Vendor's Account.

3 54. Media Vision failed to account properly for its
4 payables to its primary advertising agency in its 1993 year-end
5 financial results released to the press on February 17, 1994.
6 While Media Vision carried a \$1 million "prepayment" to the
7 agency as an asset as of December 31, 1993, in reality Media
8 Vision owed it approximately \$3.6 million for services rendered.
9 Media Vision thus made an adjustment of \$4.6 million dollars --
10 an adjustment that affected net income dollar for dollar -- when
11 it filed its amended 1993 Form 10-K.

12 55. Jain and Allan carried out this scheme by terming its
13 payments "prepayments," but the payments did not in fact give
14 Media Vision a positive balance with the ad agency at any time in
15 the fourth quarter of 1993.

16 56. Media Vision took steps during the annual audit in
17 February 1994 to prevent detection of a falsely entered \$1
18 million "prepayment." On January 30, 1994, Allan directed that
19 \$1 million be paid to the ad agency, and requested an invoice for
20 that amount. Allan called the agency's president and requested
21 that he write on the invoice "For Q1 '94 Services." At the time
22 that Allan requested the notation on the February 1 invoice, he
23 was aware that Media Vision had a substantial payable for 1993
24 services. The notation was then shown to Ernst & Young, which
25 "confirmed" the notation with the agency and relied on it during
26 the 1993 audit for the proposition that Media Vision had no
27 outstanding payable for the 1993 fiscal year. Williams was aware
28 of this scheme and even asked another employee to sign documents

1 that falsely characterized 1993 ad expenses as fiscal 1994 ad
2 expense, but the employee refused.

3 Allan Directs the Falsification and
4 Coverup of a \$6 Million Accounting Entry.

5 57. Allan directed, and Williams and Nakamura participated
6 in, the creation of a false accounting entry that inflated Media
7 Vision's 1993 inventory and net income by approximately \$6
8 million. By inflating inventory by \$6 million, Media Vision
9 understated its cost of goods sold by an equivalent amount. The
10 result was that Media Vision overstated its net income by \$6
11 million.

12 58. In early 1994, Allan arranged to alter the company's
13 computerized accounting records to show an additional \$6 million
14 in the inventory records. Allan asked Nakamura to prepare a fake
15 list of material totaling \$6 million and have a vendor overseas
16 confirm it as consigned inventory. With Allan present, Jain told
17 Nakamura where to send the list to Jain's cousin, who ran a
18 business located in India. Nakamura sent the list to Jain's
19 cousin, who, on behalf of his company, falsely confirmed by faxed
20 letter that it had \$6 million of Media Vision inventory.

21 In the First Half of 1994 Jain and Allan
22 Direct a Scheme of Lying
23 to Auditors to Conceal the Fraud.

24 59. Before Media Vision's auditors began their field work
25 for the 1993 audit, Jain and Allan told senior officers and
26 employees at Media Vision specifically what to say in response to
27 questioning by auditors, including statements that misrepresented
28 or omitted material facts.

Uncollectible Debit Memos.

60. Jain directed one senior officer to tell the auditors that each of \$2.1 million of debit memos was collectible, even though he knew that most of the debit memos were not collectible because they validly reflected discounts to which Media Vision had agreed in undisclosed quarterly deal letters.

Confirmation of Nonexistent Inventory.

61. Allan told Nakamura to lie to Media Vision's auditors about the \$6 million of inventory purportedly held at a company owned by Jain's cousin. Nakamura testified that he falsely told Media Vision auditors around March, 1994, that the inventory was at a vendor for production.

False Management Representation Letter.

62. On February 15, 1994, Jain, Allan and Williams each signed Media Vision's representation letter to Ernst & Young. The letter stated, among other things, that there were no material transactions that had not been properly recorded in the accounting records underlying the financial statements. They knew that the letter was false at the time they signed because it failed to describe the fraudulent transactions described above.

Scheme to Lie to Auditors About
\$11 Million in Unrecognized Returns.

63. At a January 18, 1994 senior staff meeting, Jain, Allan and others discussed \$11 million in product returns from Media Vision distributors which had not been recognized in the fourth quarter. Jain and Allan told a senior officer that if the auditors questioned him about any unrecognized returns or any unusual return authorizations, he should falsely say he was not

1 aware of any. On May 5, 1994, this officer met with Media
2 Vision's auditors in connection with their audit of financial
3 statements for the Form 10-K. When the auditors asked him about
4 unrecognized returns and unusual return authorizations, he lied
5 to them, denying any knowledge of such activity.

6 Defendants' Fraud Causes
7 Media Vision's Stock to be Overvalued.

8 64. Media Vision's overstated financial statements led the
9 market to overvalue Media Vision's stock. Media Vision stock
10 rose to a high of 46 1/2 in January 1994, before the fraud was
11 disclosed (representing a market capitalization of approximately
12 \$630 million). The stock fell during the spring of 1994,
13 reaching 5 1/4 on May 3, 1994.

14 65. In July 1994, Media Vision sought Chapter 11
15 protection.

16 66. In December 1994, the stockholders' equity interests
17 were rendered worthless by the bankruptcy court, when it
18 confirmed a plan of reorganization.

19 FIRST CAUSE OF ACTION
20 (Fraudulent Periodic Reports)

21 Violations of Section 10(b) of the Exchange Act
22 and Rule 10b-5 thereunder by Jain and Allan

23 67. Paragraphs 1 through 66 above are realleged and
24 incorporated herein by reference.

25 68. Jain and Allan, by engaging in the conduct set forth in
26 Paragraphs 1 through 66 above, directly or indirectly, in
27 connection with the purchase or sale of securities, by the use of
28 means or instrumentalities of interstate commerce, or of the
mails, with scienter: (a) employed devices, schemes or artifices

1 to defraud; (b) made untrue statements of material facts or
2 omitted to state material facts necessary in order to make the
3 statements made, in the light of the circumstances under which
4 they were made, not misleading; or, (c) engaged in acts,
5 practices or courses of business which operated or would operate
6 as a fraud or deceit upon other persons, in violation of Section
7 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5
8 thereunder [17 C.F.R. § 240.10b-5].

9 69. By reason of the foregoing, Jain and Allan violated,
10 and unless enjoined will continue to violate, Section 10(b) of
11 the Exchange Act and Rule 10b-5 thereunder.

12 SECOND CAUSE OF ACTION
13 (Insider Trading)

14 Violations of Section 17(a) of the Securities Act,
15 Section 10(b) of the Exchange Act and Rule 10b-5
thereunder by Jain, Allan and Nakamura

16 70. Paragraphs 1 through 66 above are realleged and
17 incorporated herein by reference.

18 71. In August, 1993, Jain sold Media Vision common stock
19 while in possession of the material, non-public information
20 described in paragraph 19, in violation of Section 17(a) of the
21 Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the
22 Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17
23 C.F.R. § 240.10b-5]. On October 22, 1993, Jain again sold Media
24 Vision common stock, this time while in possession of the
25 material, non-public information described in paragraphs 27
26 above, in violation of Section 17(a) of the Securities Act,
27 Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

28 72. On October 22, 1993, Allan sold Media Vision common

1 stock while in possession of the material, non-public information
2 described in paragraph 28 above, in violation of Section 17(a) of
3 the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the
4 Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17
5 C.F.R. § 240.10b-5].

6 73. On December 6, 1993, Nakamura sold Media Vision common
7 stock while in possession of the material, non-public information
8 described in paragraph 29 above, in violation of Section 17(a) of
9 the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the
10 Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17
11 C.F.R. § 240.10b-5].

12 74. By reason of the foregoing, Jain, Allan and Nakamura
13 violated, and unless enjoined will continue to violate, Section
14 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of
15 the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder
16 [17 C.F.R. § 240.10b-5].

17 THIRD CAUSE OF ACTION
18 (False Periodic Reports)

19 Violations of Section 13(a) of the Exchange Act
20 and Rules 12b-20 and 13a-13 thereunder
21 by Jain

22 75. Paragraphs 1 through 66 above are realleged and
23 incorporated herein by reference.

24 76. By engaging in the conduct set forth in paragraphs 1
25 through 66 above, Media Vision filed with the Commission at least
26 two quarterly reports on Forms 10-Q that contained untrue
27 statements of material fact and omitted to state material
28 information required to be stated therein or necessary in order
to make the required statements made, in the light of the

1 | circumstances under which they were made, not misleading, in
2 | violation of Section 13(a) of the Exchange Act [15 U.S.C.
3 | § 78m(a)] and Rules 12b-20 and 13a-13 thereunder [17 C.F.R. §§
4 | 240.12b-20, 240.13a-1 and 240.13a-13].

5 | 77. As a controlling person pursuant to Section 20(a) of
6 | the Exchange Act [15 U.S.C. § 78t(a)], Jain is liable for the
7 | Company's violations of Section 13(a) of the Exchange Act [15
8 | U.S.C. § 78j(a)] and Rules 12b-20 and 13a-13 thereunder [17
9 | C.F.R. §§ 240.12b-20 and 240.13a-13].

10 | 78. By reason of the foregoing, Jain violated, and unless
11 | enjoined will continue to violate, Section 13(a) of the Exchange
12 | Act [15 U.S.C. § 78j(a)] and Rules 12b-20 and 13a-13 thereunder
13 | [17 C.F.R. §§ 240.12b-20 and 240.13a-13].

14 | FOURTH CAUSE OF ACTION

15 | (Falsification of Books, Records and Accounts)

16 | Violations of Sections 13(b)(2)(A) and 13(b)(5)
17 | of the Exchange Act and Rule 13b2-1 thereunder
18 | by Jain, Allan, Williams and Nakamura

18 | 79. Paragraphs 1 through 66 above are realleged and
19 | incorporated herein by reference.

20 | 80. By engaging in the conduct set forth in paragraphs 1
21 | through 66 above, Media Vision failed to make and keep books,
22 | records, and accounts, which, in reasonable detail, accurately
23 | and fairly reflected the transactions and dispositions of the
24 | assets of Media Vision in violation of Section 13(b)(2)(A) of the
25 | Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

26 | 81. As a controlling person pursuant to Section 20(a) of
27 | the Exchange Act [15 U.S.C. § 78t(a)], Jain is liable for the
28 | Company's violations of Section 13(b)(2)(A) of the Exchange Act

1 [15 U.S.C. § 78m(b) (2) (A)].

2 82. By engaging in the conduct set forth in paragraphs 1
3 through 66 above, Jain, Allan, Williams and Nakamura knowingly
4 falsified the books, records or accounts in which Media Vision
5 was required to accurately and fairly reflect its transactions
6 and dispositions of assets in violation of Section 13(b) (5) of
7 the Exchange Act [15 U.S.C. § 78m(b) (5)].

8 83. By engaging in the conduct set forth in paragraphs 1
9 through 66 above, Jain, Allan, Williams and Nakamura, directly or
10 indirectly, falsified or caused to be falsified, books, records
11 and accounts required to be kept by Media Vision pursuant to
12 Section 13(b) (2) (A) of the Exchange Act [15 U.S.C. §
13 78m(b) (2) (A)], in violation of Rule 13b2-1 [17 C.F.R. § 240.13b2-
14 1].

15 84. By reason of the foregoing, Jain, Allan, Williams and
16 Nakamura violated, and unless enjoined will continue to violate,
17 Sections 13(b) (2) (A) and 13(b) (5) of the Exchange Act [15 U.S.C.
18 §§ 78m(b) (2) (A) and 78m(b) (5)] and Rule 13b2-1 thereunder [17
19 C.F.R. § 240.13b2-1].

20 FIFTH CAUSE OF ACTION

21 (Circumvention of Internal Accounting Controls)

22 Violations of Sections 13(b) (2) (B) and 13(b) (5)
23 of the Exchange Act by Jain, Allan, Williams and Nakamura

24 85. Paragraphs 1 through 66 above are realleged and
25 incorporated herein by reference.

26 86. By engaging in the conduct set forth in paragraphs 1
27 through 66 above, Media Vision failed to devise and maintain a
28 system of internal accounting controls sufficient to provide
reasonable assurances that: (a) transactions were executed in

1 accordance with management's general or specific authorization;
2 (b) transactions were recorded as necessary (i) to permit
3 preparation of financial statements in conformity with generally
4 accepted accounting principles or any other criteria applicable
5 to such statements, and (ii). to maintain accountability for
6 assets; and (c) the recorded accountability for assets is
7 compared with the existing assets at reasonable intervals and
8 appropriate action is taken with respect to any differences, in
9 violation of Section 13(b) (2) (B) of the Exchange Act [15 U.S.C. §
10 78m(b) (2) (B) .

11 87. As a controlling person pursuant to Section 20(a) of
12 the Exchange Act [15 U.S.C. § 78t(a)], Jain is liable for the
13 Company's violations of Section 13(b) (2) (B) of the Exchange Act
14 [15 U.S.C. § 78m(b) (2) (B)] .

15 88. By engaging in the conduct set forth in paragraphs 1
16 through 66 above, Jain, Allan, Williams and Nakamura knowingly
17 circumvented or knowingly failed to implement a system of
18 internal accounting controls in violation of Section 13(b) (5) of
19 the Exchange Act [15 U.S.C. § 78m(b) (5)] .

20 89. By reason of the foregoing, Jain, Allan, Williams and
21 Nakamura violated, and unless enjoined will continue to violate,
22 Sections 13(b) (2) (B) and 13(b) (5) of the Exchange Act [15 U.S.C.
23 §§ 78m(b) (2) (B) and 78m(b) (5)] .

24 SIXTH CAUSE OF ACTION
25 (False Statements to Accountants)

26 Violations of Rule 13b2-2 by Jain and Allan

27 90. Paragraphs 1 through 66 above are realleged and
28 incorporated herein by reference.

91. By engaging in the conduct set forth in paragraphs 1

1 through 66 above, Jain and Allan (a) made or caused to be made a
2 materially false or misleading statement, and/or (b) omitted to
3 state or caused another person to omit to state, material facts
4 necessary in order to make statements made, in light of the
5 circumstances under which such statements were made, not
6 misleading to an accountant in connection with (i) the audit or
7 examination of the financial statements of Media Vision and/or
8 (ii) the preparation or filing of reports required to be filed by
9 Media Vision with the Commission, in violation of Rule 13b2-2 [17
10 C.F.R. § 240.13b2-2].

11 92. By reason of the foregoing, Jain and Allan violated,
12 and unless enjoined will continue to violate, Rule 13b2-2 [17
13 C.F.R. § 240.13b2-2].

14 PRAYER FOR RELIEF

15 WHEREFORE, the Commission respectfully requests that this
16 Court:

17 I.

18 Permanently enjoin Jain and his agents, servants, employees
19 and attorneys, and those persons in active concert or
20 participation with them who receive actual notice of the final
21 judgment of permanent injunction by personal service or
22 otherwise, and each of them, from directly or indirectly
23 violating Section 17(a) of the Securities Act [15 U.S.C. §
24 77q(a)], Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B) and
25 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(a),
26 78m(b)(2)(A), 78m(b)(2)(B), and 78m(b)(5)] and Rules 10b-5, 12b-
27 20, 13a-13, 13b2-1 and 13b2-2 thereunder [17 C.F.R. §§ 240.10b-5,
28 240.12b-20, 240.13a-13, 240.13b2-1, and 240.13b2-2].

II.

Permanently enjoin Allan and his agents, servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice of the final judgment of permanent injunction by personal service or otherwise, and each of them, from directly or indirectly violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78m(b)(5)] and Rules 10b-5, 13b2-1 and 13b2-2 thereunder [17 C.F.R. §§ 240.10b-5, 240.13b2-1, and 240.13b2-2].

III.

Permanently enjoin Williams and his agents, servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice of the final judgment of permanent injunction by personal service or otherwise, and each of them, from directly or indirectly violating Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1].

IV.

Permanently enjoin Nakamura and his agents, servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice of the final judgment of permanent injunction by personal service or otherwise, and each of them, from directly or indirectly

1 violating Section 17(a) of the Securities Act [15 U.S.C. §
2 77q(a)], Sections 10(b) and 13(b)(5) of the Exchange Act [15
3 U.S.C. §§ 78j(b) and 78m(b)(5)] and Rules 10b-5 and 13b2-1
4 thereunder [17 C.F.R. §§ 240.10b-5 and 240.13b2-1].

5 V.

6 Order Jain, Allan, Williams and Nakamura to pay civil
7 penalties pursuant to Section 20(d) of the Securities Act [15
8 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C.
9 § 78u(d)].

10 VI.

11 Order Jain, Allan and Nakamura to disgorge an amount equal
12 to their losses illegally avoided as a result of their insider
13 trading, with interest thereon calculated.

14 VII.

15 Order Jain, Allan and Nakamura to pay civil monetary
16 penalties for their insider trading pursuant to Section 21A of
17 the Exchange Act [15 U.S.C. § 78u-1].

18 VIII.


19 Prohibit Jain and Allan, pursuant to Section 21(d)(2) of the
20 Exchange Act [15 U.S.C. § 78u(d)(2)], from acting as an officer
21 or director of any issuer that has a class of securities
22 registered pursuant to Section 12 of the Exchange Act [15 U.S.C.
23 § 78l] or that is required to file reports pursuant to Section
24 15(d) of the Exchange Act [15 U.S.C. § 78l].

IX.

Grant such other and further relief as this Court may deem appropriate.

Dated: July 8, 1998

Respectfully submitted,



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