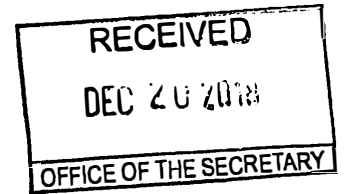


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



ADMINISTRATIVE PROCEEDING
File No. 3-18776

In the Matter of

ColorStars Group, *et al.*,

Respondents.

**DIVISION OF ENFORCEMENT'S BRIEF
IN REPLY ON ITS MOTION FOR SUMMARY DISPOSITION**

The Court should revoke the registration of the securities of Respondent ColorStars Group ("ColorStars") because even if it accepts all of ColorStars' factual allegations as true and draws all reasonable inferences in its favor, the Division of Enforcement ("Division") is still entitled to a ruling of revocation of ColorStars' securities registration as a matter of law under Rule of Practice 250(b) due to ColorStars' violations of Section 13(a) of the Securities Exchange Act of 1934 ("Exchange Act"), and Rules 13a-1 and 13a-13 thereunder. ColorStars' Opposition brief (the "Opposition") fails to raise any valid reason to deny the Division's motion for summary disposition.

- 1. Although ColorStars managed to become current in its periodic reports during summary disposition briefing, the Commission has held that it is too late to avoid revocation for its violations of the Exchange Act.**

First, the Opposition argues that ColorStars can avoid revocation by now being current in its required filings. This argument fails. Although ColorStars became current in its periodic reports during the time the parties were briefing this summary disposition

motion, the Commission has held that it is too late to avoid revocation for Exchange Act violations. In *Absolute Potential, Inc.*, 2014 SEC LEXIS 1193 at *16-32 (April 4, 2014), the Commission found, *inter alia*, that even where the delinquent issuer became current in its periodic reports during summary disposition briefing, the public interest still required revocation of its securities registration as a deterrent to other issuers that might become delinquent. See *Law Enforcement Associates Corp.*, 2013 SEC LEXIS 1436 (May 15, 2013) (issuer revoked even though it filed all delinquent reports after Section 12(j) proceeding was instituted); *Citizens Capital Corp.*, 2011 SEC LEXIS 3307 at *14-15 (Sept. 23, 2011) (in Section 12(j) proceeding, “even bringing all of its overdue periodic reports current would not extinguish Respondent’s violations”); *Bio-Life Labs, Inc.*, 2011 SEC LEXIS 2546 at *9-10 (July 25, 2011) (Section 12(j) proceeding “is not an extension of time to file delinquent reports or correct filing deficiencies as sometimes occurs during the normal filing process”).

While ColorStars’ last-ditch filings may be a mitigating factor, the Commission’s decision in *Impax Laboratories, Inc.*, Securities Exchange Act Rel. No. 57864, 2008 SEC LEXIS 1197 (May 23, 2008), controls. In *Impax Laboratories* the Commission stated that “only a strongly compelling showing with respect to the other factors we consider would justify a lesser sanction than revocation.” *Id.* at *12. Given ColorStars’ delinquent status for such a long time—two years—the Commission’s holding in *Impax Laboratories* controls and requires a strongly compelling showing. In the Opposition, ColorStars has failed to make such a sufficiently compelling showing.

Furthermore, ColorStars’ efforts to make a showing under the factors considered by the Commission in *Gateway Int’l Holdings, Inc.*, Securities Exchange Act Rel. No.

53907, 2006 SEC LEXIS 1288 (May 31, 2006), simply fail. In *Gateway*, the

Commission noted that when applying Section 12(j) sanctions, it considers:

...among other things, the seriousness of the issuer's violations, the isolated or recurrent nature of the violations, the degree of culpability involved, the extent of the issuer's efforts to remedy its past violations and ensure future compliance, and the credibility of its assurances, if any, against further violations.

Id. at *10. While the Opposition does state the *Gateway* factors and offers a narrative about ColorStars' history and difficulty with hiring responsible auditors in meeting its filing obligation, it makes no cogent argument as to why it should be exempt from sanctions in this case. At best, the Opposition merely argues once ColorStars was caught, it attempted to comply with the filing requirements. That is simply insufficient to escape revocation.

2. Form 3 filings by some of ColorStars' officers and directors filed after the Division pointed out their failures fails to prevent revocation.

In its motion for summary disposition, the Division established that ColorStars President and Chief Executive Officer Wei-rur Chen, Director Hsiu-Fu Liu, and Secretary and Director Mei-Ying Chin had failed to file Forms 3 within ten days of their appointments to the corporation. EDGAR now shows that a Wilson Chen and a Michael W. Chung filed Forms 3 on December 11, 2018. No other officers or directors of ColorStars have made Form 3 filings. Should ColorStars argue these late filings of Forms 3 somehow militate against revocation, these arguments would also fail. To the contrary, these failures to file Forms 3, when originally required, still establish a high degree of culpability for ColorStars' violations of its periodic filing requirements. Ultimately, ColorStars and its officers and directors cannot subsequently cure the company's filing

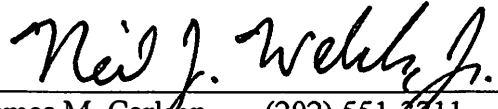
violations, only after being caught, in an effort to escape revocations. Any such argument fails as a matter of law and creates no dispute of material fact.

Conclusion

For the reasons set forth above, and in its initial papers, the Division respectfully requests that the Commission grant the Division's Motion for Summary Disposition and revoke the registration of each class of ColorStars' securities registered under Exchange Act Section 12.

Dated: December 20, 2018

Respectfully submitted,



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CERTIFICATE OF SERVICE

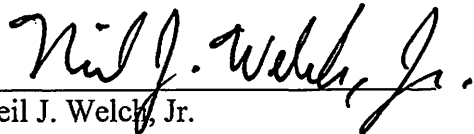
I hereby certify that true copies of the Division of Enforcement's Brief in Reply on its Motion for Summary Disposition were served on the following on this 20th day of December, 2018, in the manner indicated below:

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