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9 UNITED STATES DISTRICT COURT
10 NORTHERN DISTRICT OF CALIFORNIA
11 SAN JOSE DIVISION

HRL

12 SECURITIES AND EXCHANGE COMMISSION,

Case No. **CV 10 1358**

13 Plaintiff,

COMPLAINT

14 vs.

15 STEPHEN C. BOND,

16 Defendant.

17
18 Plaintiff Securities and Exchange Commission ("Commission") alleges:

19 **SUMMARY OF THE ACTION**

20 1. From 2001 to 2008, defendant Stephen C. Bond participated in a multimillion
21 dollar fraud in bogus Silicon Valley-based hedge funds. Working with Albert K. Hu, Bond
22 helped to raise more than \$5 million from investors for funds affiliated with Asenqua, Inc.,
23 Asenqua Capital Management, LLC, AQC Asset Management, Ltd., and Fireside Capital
24 Management, Ltd. (collectively, the "Asenqua funds").

25 2. Bond claimed to be the investment manager of the Asenqua funds. Hu, the
26 Asenqua funds' founder, introduced Bond to investors at meetings to solicit investments.
27 During these meetings, Bond spoke to potential investors about industry market trends and the
28 Asenqua funds' investment strategy. Bond's introduction was designed to provide an air of

1 7. Venue is proper in this district pursuant to Section 27 of the Exchange Act
2 [15 U.S.C. § 78aa] and Section 214 of the Advisers Act [15 U.S.C. § 80b-14]. During the
3 period described in this complaint, Bond resided in the Northern District of California, and
4 acts or transactions constituting violations occurred in this district.

5 **INTRADISTRICT ASSIGNMENT**

6 8. Assignment to the San Jose Division is appropriate pursuant to Civil Local
7 Rules 3-2(c) and 3-2(d) because acts and omissions giving rise to the Commission's claims
8 occurred, among other places in this district, in Santa Clara County.

9 **DEFENDANT**

10 9. **Stephen C. Bond**, age 42, has resided in Castro Valley, California and Walnut
11 Creek, California, from approximately 2001 to the present. Bond served as the purported
12 portfolio manager of the Asenqua funds. Bond is a Chartered Financial Analyst, or "CFA".
13 Bond received the CFA designation from the CFA Institute in April 1998. In sworn testimony
14 during the Commission's investigation, Bond invoked his Fifth Amendment right against self-
15 incrimination and refused to answer questions regarding his involvement in the Asenqua funds,
16 as alleged in this complaint.

17 **FACTUAL ALLEGATIONS**

18 **Bond and Hu Fraudulently Solicited Investors for the Asenqua Funds**

19 10. Beginning no later than 2001, Bond and Hu approached potential investors
20 with ties to the technology center in and around Santa Clara Valley. Bond and Hu solicited
21 investments in the Asenqua funds, purported "hedge funds" that they claimed to manage.

22 11. In meetings with potential investors, Hu described himself as the founder and
23 president of the Asenqua funds. Hu introduced Bond, who attended the meetings with Hu, as
24 the investment manager of the Asenqua funds. Hu highlighted Bond's background in finance,
25 including his designation as a Chartered Financial Analyst. At meetings with potential
26 investors, Bond and Hu claimed that the Asenqua funds primarily invested in the securities of
27 high technology companies.

1 12. Bond provided his analysis of market trends to potential investors at the
2 meetings. Bond appeared to speak knowledgeably about hedge fund investment strategies in
3 order to lead investors into believing that Bond would oversee the Asenqua funds' investment
4 portfolio.

5 13. Hu told potential investors at the meetings that the Asenqua funds followed a
6 special trading strategy, in which the funds took offsetting positions in strong and weak
7 companies in the same market sectors. Hu assured potential investors that this trading
8 strategy lowered investment risk. With Bond in attendance at the meetings, Hu boasted about
9 the purported investment returns generated by the Asenqua funds. According to Hu and
10 documents that he provided potential investors at the meetings and later, the Asenqua funds
11 generated high returns for investors. Among various figures, Hu claimed that the Asenqua
12 funds returned 42 percent in 2001, 30 percent in 2002, and 34 percent in 2003.

13 14. Throughout the relevant period, both Bond and Hu reinforced the impression
14 that Bond managed the Asenqua funds. Hu gave investors and potential investors marketing
15 materials and detailed written descriptions of the Asenqua hedge funds known as "private
16 placement memoranda." These investment documents described Bond's and Hu's roles in the
17 investment decisions of the Asenqua funds. According to the investment documents, investor
18 funds were to be pooled in a "master fund" for the Asenqua funds. As the managers of the
19 Asenqua funds, Bond and Hu were to execute the Asenqua funds' investment strategy using
20 the master fund and allocate fees and returns among the investors. The investment
21 documents, and other marketing materials provided to investors, described Bond's experience
22 in finance and his responsibility for managing the Asenqua funds' investments.

23 15. Bond also described himself as the Asenqua funds' "fund manager" in e-mail
24 messages. From time to time, investors communicated with Bond to ask about certain market
25 trends, and Bond purported to research their questions and provide answers. As late as
26 December 2007, Bond participated in a discussion with at least one investor where he
27 described particular investments in companies that Asenqua had made as part of the hedge
28 fund strategy. Bond's apparent involvement in the management of the Asenqua funds was

1 significant to investors, who decided to invest after meeting and speaking with Bond and after
2 receiving investment documents describing Bond's investment role with the Asenqua funds.

3 16. Contrary to the representations to investors, however, Bond did not act as the
4 investment manager for the Asenqua funds. Bond did not manage any of Asenqua funds'
5 investments and executed no trades on behalf of any of the Asenqua funds. Hu did not
6 deposit any investor funds into financial accounts held in the name of the master fund.
7 Although the master funds were supposed to be the basis for the portfolios that Bond
8 purportedly managed, neither Bond nor Hu established any master fund on behalf of the
9 Asenqua funds. By participating in meetings with potential investors and in subsequent
10 communications with investors, Bond knowingly or recklessly misled investors about his role
11 as the investment manager of the Asenqua funds.

12 17. Furthermore, contrary to representations to investors, Bond and Hu did not use
13 investors' funds to execute an investment strategy on behalf of the Asenqua funds, nor did
14 they invest any funds in the manner described to investors in meetings and in Asenqua fund
15 investment documents. By participating in meetings with potential investors and in
16 subsequent communications with investors, Bond knowingly or recklessly misled investors
17 into believing that the Asenqua funds would generate investment returns based on investment
18 strategies presented by Bond and Hu.

19 18. In addition, Bond knew, or was reckless in not knowing, that the Asenqua
20 funds' investment documents made material misrepresentations and omissions to investors
21 concerning the funds' legal counsel, auditors, and administration. Among other things, the
22 Asenqua funds' investment documents stated that the Asenqua funds had retained prominent
23 international law firms as legal counsel. In fact, the law firms identified in the investment
24 documents had not been retained as legal counsel to the Asenqua funds. Similarly, the
25 investment documents claimed that independent auditors and a known and reputable fund
26 administrator assisted in the oversight, accounting, and administration of the hedge funds. In
27 fact, however, the Asenqua funds had no independent auditors, the fund administrator was not
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1 retained on behalf of the Asenqua funds, and the entities identified in the investment
2 documents did not provide any services to the Asenqua hedge funds.

3 19. Between 2001 and 2007, Bond and Hu raised more than \$5 million from at
4 least eight investors in the Asenqua funds. These funds were misappropriated by Bond and
5 Hu within days of receipt. Between 2001 and 2008, Hu transferred investor funds to accounts
6 under Hu's control, and on more than 50 occasions from November 2005 to December 2008,
7 Hu transferred investor funds to businesses and persons unrelated to the master fund specified
8 in the investment documents. Neither Bond nor Hu informed investors of the transfers.

9 20. Bond personally profited from his role in the scheme. Between 2001 and 2008,
10 Hu sent Bond approximately \$900,000 of the funds raised from Asenqua investors. Bond
11 received irregular payments from Hu, and on more than one occasion shortly after investors
12 made investments in the Asenqua funds. For example, Bond and Hu solicited funds in a
13 meeting with an investor in March or April 2007. On April 24, 2007, the investor transferred
14 \$2 million to an Asenqua fund account controlled by Hu. On May 1, 2007, Hu sent \$56,000
15 by wire transfer to Bond—the largest single payment Bond received in 2007 from Asenqua.
16 Bond thus knew, or was reckless in not knowing, that the payments that he received from Hu
17 were funds misappropriated from investors and not proceeds from "returns" generated from
18 the Asenqua funds.

19 21. Bond's participation in meetings with investors, his communications with
20 investors, and his acceptance of investor funds from Hu substantially assisted Hu's material
21 misrepresentations and omissions to investors and potential investors. Bond participated
22 knowingly or recklessly in acts, practices, and a course of business that operated as a fraud
23 upon investors in the Asenqua funds.

24 22. Beginning in 2006, investors made "redemption" requests, asking for the
25 Asenqua funds to return their investments and purported profits. Bond and Hu failed to return
26 any funds to most of the investors who requested redemptions. For those few investors who
27 received redemptions, the amount was far less than the value Hu had represented their
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1 investment was then worth. Bond has not returned any funds that he received from Hu to
2 investors.

3 FIRST CLAIM FOR RELIEF

4 *Violations of Section 10(b) of the Exchange Act and Rule 10b-5 by Defendant Bond,* 5 *or, in the Alternative, Aiding and Abetting Hu's Violations of* 6 *Section 10(b) of the Exchange Act and Rule 10b-5 by Defendant Bond*

7 23. The Commission realleges and incorporates by reference Paragraph Nos. 1
8 through 22, above.

9 24. By engaging in the acts and conduct alleged above, Bond, directly or indirectly,
10 in connection with the purchase or sale of securities, by the use of means or instrumentalities
11 of interstate commerce, or of the mails, or of a facility of a national securities exchange, with
12 scienter: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements
13 of material fact or omitted to state material facts necessary in order to make the statements
14 made, in light of the circumstances under which they were made, not misleading; and
15 (c) engaged in acts, practices, or courses of business which operated or would operate as a
16 fraud or deceit upon other persons, including purchasers and sellers of securities.

17 25. Alternatively, by engaging in the acts and conduct alleged above, Hu, directly
18 or indirectly, in connection with the purchase or sale of securities, by the use of means or
19 instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities
20 exchange, with scienter: (a) employed devices, schemes, or artifices to defraud; (b) made
21 untrue statements of material fact or omitted to state material facts necessary in order to make
22 the statements made, in light of the circumstances under which they were made, not
23 misleading; and (c) engaged in acts, practices, or courses of business which operated or would
24 operate as a fraud or deceit upon other persons, including purchasers and sellers of securities.

25 26. By engaging in the conduct alleged above, Bond knowingly provided
26 substantial assistance to Hu's violations of Section 10(b) of the Exchange Act [15 U.S.C.
27 § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

28 27. By engaging in the forgoing conduct, Bond has violated and unless restrained
and enjoined will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)],

1 and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder. Alternatively, by engaging in the
2 forgoing conduct, Bond has aided and abetted violations by Hu, and unless restrained and
3 enjoined will continue to aid and abet violations of Section 10(b) of the Exchange Act
4 [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

5 **SECOND CLAIM FOR RELIEF**

6 *Aiding and Abetting Hu's Violations of Section 206(1)*
7 *and 206(2) of the Advisers Act by Defendant Bond*

8 28. The Commission realleges and incorporates by reference Paragraph Nos. 1
9 through 22, above.

10 29. At all relevant times, Hu acted as an investment adviser, as defined by
11 Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)], to the Asenqua hedge
12 funds and investors in the Asenqua hedge funds.

13 30. By engaging in the acts and conduct alleged above, Hu, directly or indirectly,
14 through use of the means or instruments of transportation or communication in interstate
15 commerce or of the mails, and while engaged in the business of advising others for
16 compensation as to the advisability of investing in, purchasing, or selling securities:
17 (a) employed devices, schemes, and artifices to defraud; and (b) engaged in acts, practices, or
18 courses of business which operated or would operate as a fraud or deceit upon clients or
19 prospective clients.

20 31. By engaging in the conduct alleged above, Bond knowingly provided
21 substantial assistance to Hu's violations of Sections 206(1) and 206(2) of the Advisers Act
22 [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

23 32. By reason of the foregoing conduct, Bond has aided and abetted Hu's
24 violations of Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and
25 80b-6(2)]. Unless restrained and enjoined, Bond will continue to aid and abet such violations.
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THIRD CLAIM FOR RELIEF

*Aiding and Abetting Hu's Violations of Section 206(4) of the Advisers Act
and Rule 206(4)-8 by Defendant Bond*

33. The Commission realleges and incorporates by reference Paragraph Nos. 1 through 22, above.

34. At all relevant times, Hu acted as an investment adviser, as defined by Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)], to the Asenqua hedge funds and investors in the Asenqua hedge funds.

35. At all relevant times, the Asenqua funds were pooled investment vehicles, as defined by Rule 206(4)-8(b) promulgated under the Advisers Act [17 C.F.R. § 275.206(4)-8(b)].

36. By engaging in the acts and conduct alleged above, Hu, while acting as an investment adviser to a pooled investment vehicle, by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, has engaged in transactions, practices, and courses of business which operate as a fraud or deceit upon investors in the Asenqua hedge funds. Hu made untrue statements of a material fact or omitted to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the Asenqua hedge funds, and otherwise engaged in acts, practices or courses of business that were fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the Asenqua hedge funds.

37. By engaging in the conduct alleged above, Bond knowingly provided substantial assistance to Hu's violations of Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

38. By reason of the foregoing conduct, Bond has aided and abetted Hu's violations of Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8]. Unless restrained and enjoined, Bond will continue to aid and abet such violations.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Enjoin Bond temporarily, preliminarily, and permanently from directly or indirectly violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

II.

Enjoin Bond temporarily, preliminarily, and permanently from directly or indirectly violating Sections 206(1), 206(2), and 206(4) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2), and 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

III.

Order Bond to provide a verified accounting of all payments made to him by the Asenqua hedge funds.

IV.

Order Bond to disgorge his ill-gotten gains according to proof, plus prejudgment interest thereon.

V.

Order Bond to pay civil penalties pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)].

VI.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.

Grant such other and further relief as this Court may determine to be just, equitable,
and necessary.

DATED: March 31, 2010

Respectfully submitted,



ELENA RO

Attorney for Plaintiff
SECURITIES AND EXCHANGE
COMMISSION