



Company became public in the United States. Sheinwald assisted China Yingxia and received transaction-based compensation in connection with two successful capital campaigns in which the Company raised approximately \$10.7 million from U.S.-based investors. Sheinwald, who was not registered as a broker nor associated with a registered broker-dealer, operated and controlled Alliance Advisors. Through Sheinwald's actions, Alliance Advisors engaged in the business of effecting securities transactions by, among other things, identifying and actively soliciting investors for China Yingxia and at least one other issuer.

3. *Second*, Hu, the Company's U.S.-based chief financial officer who was hired in mid 2008 (after expressing skepticism about whether China Yingxia was "for real"), made materially false representations in reports filed with the Commission concerning the purported design of China Yingxia's controls, which were virtually if not completely non-existent. Further, Hu knowingly failed to implement a system of internal accounting controls at China Yingxia, and aided and abetted the Company's failure to implement such controls. Hu, an American citizen and employee of several Chinese reverse merger companies, signed multiple certifications, required pursuant to the Sarbanes-Oxley Act of 2002 ("SOX"), representing that he, among other things, "designed [or caused to be designed] ... disclosure controls," – which play a critical role in preventing and detecting fraud and in ensuring accurate reporting of financial information – when in fact he had not done so. Hu further falsely represented that he "designed [or caused to be designed] internal control over financial reporting ... to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements ... in accordance with generally accepted accounting principles [or GAAP]."

4. Indeed, Hu joined China Yingxia as CFO in June 2008 and throughout his time with the Company, ending in April 2009, he did not design or cause to be designed controls, a

fact that Hu misrepresented to China Yingxia's auditors. Despite his significant role as CFO, Hu did not have signatory authority on the Company's bank accounts or direct access to its bank statements, he took many of his orders from company representatives and consultants, and he often had difficulty even getting in contact with the CEO.

5. With knowledge of China Yingxia's lack of controls, and in the face of allegations of fraudulent conduct by the CEO, Hu nonetheless certified that China Yingxia's quarterly reports filed on August 14, November 14, and December 5, 2008, as well as the Company's amended 2007 annual report filed on September 3, 2008, did not contain any untrue statement of material fact, and that the reports fairly presented China Yingxia's financial condition.

#### **VIOLATIONS OF THE SECURITIES LAWS**

6. By virtue of the foregoing conduct and as further alleged herein, defendants Sheinwald and Alliance Advisors violated Section 15(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78o(a)], and defendant Hu violated multiple provisions of the federal securities laws, including: Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78m(b)(5)], Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)], and Exchange Act Rules 13a-14 [17 C.F.R. § 240.13a-14] and 13b2-2 [17 C.F.R. § 240.13b2-2]; and further Hu aided and abetted violations of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m((b)(2)(B))].

7. Unless Defendants are permanently restrained and enjoined, they will again engage in the acts, practices and/or courses of business set forth in this Complaint and in acts, practices, and/or courses of business of similar type and object.

8. In addition to injunctive relief, the Commission seeks a final judgment ordering disgorgement of ill-gotten gains plus prejudgment interest, civil money penalties, and such equitable and other relief as the Court deems just, appropriate, or necessary.

### **JURISDICTION AND VENUE**

9. The Commission brings this action pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

10. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa], and 28 U.S.C. § 1331.

11. Venue in this District is proper because certain of the acts, practices, and/or courses of business occurred within the Southern District of New York. In addition, there are material witnesses who reside, and have their principal places of business, within the Southern District of New York.

12. Defendants, directly or indirectly, made use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange, as described in this Complaint.

### **DEFENDANTS**

13. **Alan Sheinwald**, age 47, is the founder and president of investor relations firm Alliance Advisors. Sheinwald resides in North Salem, New York. He has never been registered with the Commission in any capacity.

14. **Alliance Advisors, LLC**, with offices in North Salem, New York, and New York, New York, is a limited liability company that provides investor relations services to small public companies. Alliance Advisors has never been registered with the Commission in any capacity.

15. **Ren Hu**, age 53, was the CFO of China Yingxia from June 2008 until April 2009. Hu has worked for multiple Chinese companies, as VP of Finance and in other roles. Hu holds or has held series 7, 55, 63, and 101 licenses.

#### **OTHER RELEVANT ENTITY**

16. **China Yingxia International, Inc.** was a Florida corporation headquartered in Harbin, China with purported operations in China. China Yingxia's stock was quoted on the OTC Link (formerly "Pink Sheets") operated by OTC Markets Group, Inc. under the symbol "CYXI." On February 2, 2012, the Commission instituted administrative proceedings pursuant to Section 12(j) of the Exchange Act against China Yingxia, as the Company had not filed any periodic reports with the Commission since late 2008. By an order dated March 7, 2012, the Commission revoked each class of China Yingxia's registered securities.

#### **FACTS**

##### **I. Background on China Yingxia**

17. China Yingxia entered the U.S. capital market via reverse merger in May 2006.

18. The Company was assisted with its reverse merger by a father-and-son team that has brought multiple Chinese companies public. The father, Individual A, operated a consulting firm specializing in work with Chinese companies ("Consulting Firm"), while the son, Individual B, was president of a registered broker-dealer based in New York, New York ("Broker-Dealer").

19. Although the father was not registered as a broker, he controlled many of the activities of the Broker-Dealer and held himself out to the public as chairman of the Broker-Dealer.

20. From 2006 to 2009, China Yingxia purported to be a nutritional health food business with operations in Harbin, China.

21. After the China Yingxia reverse merger, Individuals A and B (“Company Representatives”) maintained an integral role with China Yingxia, acting as *de facto* management in the U.S.

22. Among other things, the Company Representatives recommended and facilitated the hiring of service providers (including lawyers, auditors, and investor relations firms) and China Yingxia’s CFO and U.S.-based directors; organized and participated in board meetings; managed the Company’s public filings; and controlled part of the Company’s finances.

23. By early 2007, China Yingxia sought to raise several million dollars for working capital and other corporate purposes, including purchasing materials related to a soybean production line.

24. Company Representatives led the efforts on behalf of China Yingxia; however, other individuals actively solicited investors and assisted with closing the Company’s financings.

## **II. The Company Used Sheinwald for IR Services.**

25. Company Representatives retained a firm with which Sheinwald was associated (“Associated Firm”) to provide investor relations services to China Yingxia.

26. China Yingxia and the Associated Firm, which Sheinwald jointly established with another individual, entered into a 12-month “Investor Relations Consulting Agreement,” dated March 5, 2007.

27. Although the agreement was by and between China Yingxia and the Associated Firm, Sheinwald and Alliance Advisors provided the contracted services to China Yingxia.

28. The agreement provided that, in exchange for \$8,500 per month “credit to account [of] Alliance Advisors” plus an allotment of China Yingxia shares, the Associated Firm would develop, implement, and maintain an ongoing stock market support system for China Yingxia

with the general objective of expanding awareness of China Yingxia among stockbrokers, analysts, micro-cap portfolio/fund managers, market makers, and the appropriate financial and trade publications.

**a. Sheinwald and Alliance Advisors Participated at Key Points in the Chain of Distribution of China Yingxia's Securities.**

29. As part of the Company's efforts to raise capital, Sheinwald arranged meetings with potential investors for a private investment in public equity (PIPE), including on a road show conducted by the Company in 2007.

30. Sheinwald introduced China Yingxia to fund managers and others that frequently invested in small-cap issuers, including Chinese reverse merger companies.

31. Sheinwald accompanied China Yingxia during its road show, and, after it concluded, Sheinwald maintained contact with and actively solicited potential investors for China Yingxia.

32. For example, Sheinwald emailed potential investors stating:

"We want to thank everyone for their interest in China Yingxia International. ... As you may be aware, most of the proceeds [from the PIPE] ... will be used to build three additional processing and packing lines for our Soy based products. We would anticipate that these lines will be up and fully running by Q1 of 2008. With the new facility just completed coming on line this month, management believes that their [sic] will be a significant financial impact on our Q3 and Q4 financial performance this year. While they expect future financial performance to far outstrip their 2006 results, they understand that it is hard to ask investors to pay for a valuation that has not yet been confirmed. ... I will follow-up with calls to confirm your participation in this transaction. Feel free to email or call me with any issues."

33. In addition to bringing together investors and the issuer, Sheinwald became involved in the terms of the deal, receiving input from certain potential investors on structuring the terms. Other potential investors questioned these same deal terms.

34. In response, Sheinwald told these other potential investors, “[t]his is not a negotiation. This is the deal. Take it or leave it.”

35. From the time of solicitation until closing, Sheinwald and Alliance Advisors engaged in a variety of activities that are traditionally performed by registered broker-dealers.

36. Along with answering questions and facilitating the flow of information from the Company, Sheinwald kept in contact with potential investors on an individual basis.

37. For example, Sheinwald emailed one potential investor (“Investor”), stating:

“I just started contacting folks this week and the Company already has \$1.5 million committed. The make good provision guarantees \$6 million of net this year with one million shares to be dispersed pro-rata if the Company does not meet this objective. We expect pre-tax earnings to be over \$10 million in 2008. [We] ... really like the deal and think that at a 50% discount to market with very strong earnings moving forward should make for a very successful situation. Please let me know what you think. Our goal is to circle investors in the next couple of weeks and close around the end of this month.”

38. Sheinwald continued his communications with potential investors, including a registered representative of a broker-dealer (“Broker”).

39. Sheinwald and the Broker exchanged emails concerning China Yingxia.

40. Sheinwald emailed the Broker stating two investors were in for \$1.5 million, and “I have another \$2.5 million ready to go and just waiting on term sheet. There is \$2.5 million max left in the deal. I would love to have [one of the Broker’s contacts] in [the deal].”

41. By July 16, 2007, the Company closed an initial round of financing whereby it raised \$2 million from three investors: a well-known fund manager (“Fund Manager”) invested through two of his funds, and the Investor also invested.

42. Sheinwald claimed responsibility for introducing both the Fund Manager and Investor to China Yingxia in a later communication with Company Representatives.

43. Shortly after closing its first round of financing, China Yingxia continued its efforts to raise capital.

44. Individual B's Broker-Dealer acted as the official placement agent for the second round of financing.

45. Instead of, as is typical, the Company's official placement agent distributing confidential deal documents, Sheinwald emailed such documents – including the subscription agreement, term sheet, and confidential presentation – to potential investors.

46. One of Sheinwald's emails stated:

“Ladies and Gentlemen: These are the final documents for the China Yingxia private placement. We need to know your interest no later than August 1, 2007. ... CYXI has already closed on the first \$2 million of capital and filed an 8-K.” Rather than directing potential investors to contact the official placement agent, Sheinwald concluded his email stating, “If you have interest in participating in this financing, please let me know as soon as practical.”

47. By August 9, 2007, China Yingxia announced the completion of its second financing whereby it sold \$8,725,130 of restricted securities to 20 investors.

48. A number of the 20 investors were contacts of Sheinwald, not the official placement agent.

**b. Sheinwald and Alliance Advisors Acted as Unregistered Brokers and Received Transaction-Based Compensation for Selling China Yingxia.**

49. Section 15(a)(1) of the Exchange Act prohibits a broker or dealer from effecting any transaction in, or inducing or attempting to induce the purchase or sale of, any security unless the broker or dealer is registered with the Commission. Section 3(a)(4) of the Exchange Act defines a “broker” as any person who is engaged in the business of effecting transactions in securities for the account of others.

50. Company Representatives negotiated with three individuals, including Sheinwald, to pay transaction-based compensation in exchange for assistance with raising capital for China Yingxia.

51. After the second PIPE closed and the amount raised became clear, Sheinwald emailed Company Representatives concerning payment for the selling efforts.

52. Sheinwald wrote, “[w]e are very pleased at ... the finalization of the \$10.7 million raise. At this time I would like to either meet with you face to face or speak on the phone as to our consulting fee for the investors we introduced to CYXI . . . .”

53. Sheinwald identified particular investors that he solicited and was responsible for introducing to China Yingxia’s capital raises.

54. In response, Individual A and Sheinwald executed a backdated consulting agreement between Individual A’s Consulting Firm and Alliance Advisors.

55. The agreement provided for a flat fee payment of \$200,000 to Alliance Advisors, which was almost precisely 5% of the investment amounts Sheinwald introduced to China Yingxia’s capital raises.

56. In an apparent attempt to conceal the true nature of the services provided, the agreement concerned supposed “strategic consulting services,” and stated that Alliance Advisors would provide the Consulting Firm with certain services, including “assisting the company in press releases, conference calls, etc.; communicating with investors, accompanying investors to visit the facilities of the [Consulting Firm’s] clients; and providing other consulting assistance.”

57. Despite the agreement’s stated services, Sheinwald and Alliance Advisors received transaction-based compensation for the selling efforts, not for any consulting services.

58. The agreement executed between Alliance Advisors and the Consulting Firm was a sham.

59. Sheinwald's firm, Alliance Advisors, received a check for \$200,000.

60. The \$200,000 paid to Alliance Advisors is directly traceable to investor money flowing into China Yingxia through its August 2007 financing.

61. Neither China Yingxia nor its agents publicly disclosed in any Commission filings or otherwise the payment to Alliance Advisors.

**c. Sheinwald and Alliance Advisors Again Acted as Unregistered Brokers in Connection with Selling the Securities of Company 2.**

62. Sheinwald and Alliance Advisors assisted another company ("Company 2") with raising money.

63. Although Sheinwald and Alliance Advisors also assisted with investor relations services through an "Investor Relations Consulting Agreement" between Alliance Advisors and Company 2, they negotiated and were paid transaction-based compensation in the form of "a finder's fee of 5% cash ... on any monies invested in [Company 2] due to the direct efforts of [Alliance Advisors], to be paid at closing."

64. The initial agreement even included a statement that, "[i]n the event [Alliance Advisors] introduces [Company 2] to an intermediary that requires a fee a new fee will be mutually negotiated and the above fee will be null and void. It is agreed that [Alliance Advisors] has given [Company 2] the name of [one fund]. In the event [Alliance Advisors] is not directly responsible for any capital raise [Company 2] will have the option of demanding return of [shares paid in compensation for Alliance Advisor's services]."

65. The "direct efforts" made to "find" investors included, among other things, emails from Sheinwald to potential investors recommending Company 2.

66. Sheinwald contacted some of the same investors he solicited for China Yingxia.

67. Further, Sheinwald emailed one potential investor stating, “[a]s I mentioned to you, I would like you to take a look at financing [Company 2]. We are looking for a minimum of \$1 million, but would prefer \$1.5 million. This would enable us to retire all outstanding debt, and provide you with a first position. The firm is cash flow positive and would be able to grow nicely with this funding. I am enclosing some information. We are going to market in the next week for financing. I would rather just structure a good deal with you.”

68. When trying to collect his fee from Company 2, Sheinwald wrote to Company 2 that:

“[w]hile at the [] conference, [a potential investor] specifically asked my advice on the Company and the transaction. I told him his fund should put in the whole \$1.5 million and that I had some ideas to make this happen. ... I asked [the fund manager] for his support in dismantling the old deal and doing a new deal and thus saving [Company 2] the issuance of over 91 million warrants on a \$1.5 million deal. ... I propose the following compensation to cover the valuable services we have render[ed] since last year until the closing of your financing of \$3.5 million.”

69. Eventually, the parties agreed on a transaction-based cash payment of \$59,250 plus stock and warrants through a “Fee and Release Agreement” dated June 11, 2007 between Company 2 and Alliance.

70. Neither Company 2 nor its agents publicly disclosed in any Commission filings or otherwise the payment to Alliance Advisors.

71. During the relevant period, Sheinwald was not registered as a broker nor was he associated with any registered broker-dealer.

72. Alliance Advisors, similarly, was not registered as a broker-dealer.

### **III. China Yingxia Appointed Hu as Chief Financial Officer.**

73. SOX, adopted in 2002, requires the CEO and CFO to personally certify in quarterly or annual reports filed with the Commission that the officer has reviewed the report and determined, based on personal knowledge, that the report does not contain any untrue statement, and the financial information in the report fairly presents the financial condition, results of operation, and cash flows of the company.

74. Further, SOX requires these officers to certify that the company has designed “disclosure controls and procedures” and a system of “internal control over financial reporting” to support their belief that the report and financial information are accurate and complete. The officers must also certify that they evaluated the effectiveness of the company’s “disclosure controls and procedures” and must provide their conclusions about the effectiveness of the procedures in each report. Thus, the officers must take responsibility for the disclosures in the company’s reports.

75. Following China Yingxia’s capital campaigns, investors complained to Company Representatives about corporate governance and other issues.

76. Some investors voiced concerns that China Yingxia needed to act more like a public company, with, among other things, U.S.-based management and directors.

77. Company Representatives sought a director to sit on the audit committee, and searched for a CFO based in the U.S.

78. A CFO candidate, Hu, emerged, including through a referral from the Fund Manager who had invested in the Company and who also acted as a consultant to China Yingxia, assisting with various business decisions and review of the Company’s Commission filings, among other things.

79. Hu, a resident of New Jersey, had some background in finance and investment banking related services. Although Hu had experience working with Chinese reverse merger companies in various promotional capacities, he had not served as CFO of any company. Nor was he a certified public accountant.

80. In late May 2008, Hu met with Company Representatives for an interview.

81. On June 9, 2008, Individual B emailed the Fund Manager stating, the CEO “and the board have agreed in principle to engage Hu Ren as CFO ... Unless you have any major issues ... the Company will move forward.”

82. Company Representatives made an offer to Hu, which included a salary of \$4,500 per month.

83. Hu did not travel to, nor interview with anyone directly from, the Company before becoming CFO.

**a. Red flags concerning China Yingxia**

84. Hu’s time at China Yingxia began surrounded by allegations of problems at the Company, and even Hu himself was skeptical of China Yingxia.

85. Hu wrote to the Fund Manager, before his hiring, that the Company was “not for real.”

86. Hu accepted the position and responsibilities of CFO around June 10, 2008.

87. China Yingxia issued a press release announcing Hu’s hiring, stating, among other things, that Hu “will be responsible for overseeing the Company’s overall financial planning, control and reporting activities, [and] SEC compliance .... [the CEO stated that Hu’s hiring] ‘helps our firm in its financial oversight and reporting capabilities.’”

88. Hu did not have any experience in establishing or overseeing controls.

89. In welcoming Hu, on June 15, 2008, one director emailed Hu stating that the:

“company needs to learn the rules and regulations of the US” and “needs to understand ... compliance[,]” “[b]ut so far, none of [this has been done] or even respected.” The director’s email continued, “I am on the board but I know absolute [sic] nothing. ... Now with you as a CFO, I feel much more comfortable to stay on the board for another year and I am sure you will make the difference.”

90. On the heels of the director’s email, in late July 2008, one of the Fund Manager’s analysts alerted Hu of possible illegal fundraising activity in China, whereby the CEO improperly took loans from Chinese “shareholders” in return for interest payments and the possibility of stock.

91. The Fund Manager’s analyst sent Hu various articles concerning the CEO’s suspected misconduct, and exchanged emails with Hu on the topic spanning several days.

92. The Fund Manager’s analyst urged Hu to look into the possible misconduct.

93. In response, Hu reported to have spoken with the CEO, who told him there was no illegal fundraising activity.

94. Hu accepted the CEO’s word that no illegal conduct had taken place or was occurring.

95. The Fund Manager’s analyst responded to Hu:

“[i]f you suspect that someone did something illegally and you talk to him/her directly trying to confirm that, what do you expect? An honest answer[,] yes? It is not my job to get sufficient evidence on this. ... it is yours. So if you just talked to [the CEO], you will never find out what is really going on.”

96. The Fund Manager, joining the communications, responded to the situation with accusations that China Yingxia and its representatives had misled investors and could be held legally responsible, though the Fund Manager took no action against the Company or its representatives.

97. Hu did not notify China Yingxia’s board of the allegations concerning the CEO.

98. The same allegations concerning illegal activities by the CEO, similar to a Ponzi scheme, would turn out to sink China Yingxia several months later.

99. Reports suggest that Chinese officials have sentenced the CEO to death for her misconduct.

**b. Hu's work with China Yingxia**

100. Hu's duties with China Yingxia largely included managing investor relations in the U.S., such as non-deal road shows and presentations to investors. Hu coordinated and served as a liaison with the Company's investor relations firm and independent auditors.

101. Hu was not substantially involved with financial operations.

102. Hu did not have access to the Company's bank accounts in China, and, despite his position as CFO, he had no access to or authority on the Company's U.S.-based bank account. That account was controlled almost entirely by one of the Company Representatives.

103. Hu also worked to replace existing China Yingxia accounting personnel, suggesting they were beholden to the CEO and lacking in experience and reliability.

104. Around August 2008, Hu made his first trip to Harbin to see the Company's facilities and to meet with the CEO and accounting personnel.

105. Hu also began a limited review of the Company's Form 10-Q. Around this same time, on the Company Representatives' reference, China Yingxia appointed a new director who became the chair of the audit committee, and she also traveled to Harbin.

106. During the trip, the director and Hu discussed, among other things, the fact that the Company did not have any internal controls.

107. The director advised Hu that such controls needed to be implemented.

108. Respecting China Yingxia's financial statements, although Hu was in no way involved with the preparation of them and allegedly relied on the auditors, Hu signed several of the Company's public filings and executed SOX certifications during 2008, including for quarterly reports filed on August 14, November 14, and December 5, 2008 (amended report), and for the Company's 2007 amended annual report filed on September 3, 2008.

109. In each certification, Hu represented that he had designed or caused to be designed disclosure controls.

110. Despite making such certifications, prior to signing and certifying the filings, Hu did not in fact design disclosure controls or cause them to be designed.

111. Indeed, Hu made his first SOX certification only a very short time after his hiring, and Hu admittedly did not have time to complete a full review of the Company's systems or processes, let alone design disclosure controls or cause them to be designed, before certifying on August 14, 2008.

112. Further, on September 3, 2008, Hu signed the Company's amended Form 10-K for the fiscal year ended December 31, 2007, which indicated that its controls were not effective as of December 31, 2007.

113. Hu represented in the November 14 and December 5, 2008 quarterly reports that he designed internal controls or caused such internal controls over financial reporting to be designed.

114. Again, despite making such certifications, prior to signing and certifying the filings, Hu did not in fact design internal controls or cause them to be designed.

115. Hu also reported on the effectiveness of the Company's disclosure controls, which was reflected within the filings, as shown below.

<b>Date Filed</b>	<b>Report Filed</b>	<b>Evaluation of disclosure controls and procedures in MD&amp;A</b>
August 14, 2008	Form 10-Q for quarter ended June 30, 2008	Effective
September 3, 2008	Form 10-K/A for fiscal year ended Dec. 31, 2007	Ineffective
November 14, 2008	Form 10-Q for quarter ended Sept. 30, 2008	Effective
December 5, 2008	Form 10-Q/A for quarter ended June 30, 2008, amending Form 10-Q filed August 14, 2008	Amended to state Ineffective

116. The financial reports filed on August 14 and November 14, 2008, and signed by Hu, did not disclose an accurate assessment of China Yingxia’s disclosure controls.

117. As shown in the above chart, the Form 10-Q filed on August 14, 2008, initially stated that the Company’s disclosure controls were effective; however, on December 5, 2008, the Company amended the Form 10-Q filed on August 14 to state that its controls were ineffective because of a “material weakness due to a lack [of] sufficient personnel with the appropriate level of knowledge, experience and training ... This weakness causes us to not fully identify and resolve accounting and disclosure issues that could lead to a failure to perform timely internal control and reviews. In order to remedy the weaknesses identified in this assessment, in June 2008, we hired a full-time CFO and instructed him to develop and implement necessary internal control procedures.”

118. Despite Hu’s charge to implement controls, he failed to do so.

119. Hu knew that the statements concerning China Yingxia’s controls were false because, among other things, China Yingxia did not have internal controls – an issue that the director had addressed with Hu, in August 2008, during a visit to the Company and in other communications. Without internal controls, it was unworkable for Hu to represent that the disclosure controls and procedures were effective.

120. While the Company amended the Form 10-Q filed on August 14, 2008 (for the period ended June 30, 2008), the Company did not amend the November 14, 2008 Form 10-Q (for the period ended September 30).

121. The representations and statements made in the certifications and filings concerning the controls were material to reasonable investors, given that they directly impacted the Company's ability to, among other things, prepare accurate financial statements or detect fraud.

122. Moreover, reasonable investors would find it important that Hu, who was hired at least in part to bring legitimacy to China Yingxia and provide a U.S. presence, did not design or cause to be designed the various controls.

123. The SOX certifications presented the false picture that Hu had designed (or caused to be designed), disclosure controls and procedures and internal controls over financial reporting.

124. Further, concerning the financial statements themselves, Hu had little control over the process. At the end of each quarter, an accountant and analyst with an outside service provider – and sister of one of the outside audit partners working for China Yingxia (a fact that Hu ignored) – contacted the Company's accounting department in China to receive a ledger in Chinese and prepare the financial statements.

125. China Yingxia did not prepare its own balance sheets and income statements because its accounting department did not possess an understanding of GAAP. Based on information from the Company, the analyst, who was not a CPA, translated the financial information from Chinese to English and also converted it into GAAP format. Without any real knowledge of the process, Hu basically looked over the analyst's spreadsheets, balance sheets,

and income statements, but did nothing more. The financial statements were then sent to the auditors.

126. Hu attested that, based on his knowledge, the reports did not contain any untrue statement of material fact and that they fairly presented the financial condition of China Yingxia.

127. Hu had no reasonable basis to make such representations. Hu knew China Yingxia had no disclosure or internal controls; as he merely dropped by the Company on occasion, and he had no real access to the Company's records, Hu had not learned enough about the Company and its operations; Hu believed Company accounting personnel to be, at best, incompetent and, at worst, corrupt; and Hu knew the financial statements were prepared by a third party employed in the U.S., rather than personnel with first-hand knowledge of, and access to, the Company's operations and its books and records.

128. Also, Hu signed at least one management representation letter that was provided to the Company's auditors in connection with an audit, review, or examination of financial statements or the preparation or filing of a document or report required to be filed with the Commission.

129. Among other things, Hu falsely represented to the auditors that management designed its internal control over financial reporting to provide reasonable assurances as to reliability, yet no system of controls were in place.

130. Additionally, Hu falsely represented that management was not aware of any fraud or suspected fraud, or allegations of same.

131. But Hu had received allegations of fraud respecting the CEO's alleged illegal activity in July 2008.

**c. The End of China Yingxia**

132. Hu acted as CFO from June 2008 until his resignation on April 10, 2009.

133. Hu's resignation came after a series of problems involving the CEO. In late December 2008 and into early 2009, the CEO failed to return telephone calls, eventually becoming unavailable to everyone including Hu. Suspicions began to increase about potential misconduct by the CEO. By February 2009, Hu became aware that the CEO's phones were turned off and one of China Yingxia's facilities was completely shut down. Chinese nationals that loaned money to the CEO had reportedly stormed China Yingxia's facilities and were demanding repayment of their loans, which may have totaled as much as \$150 million.

134. From mid-February 2009 until March 6, 2009, the Company remained quiet about concerns surrounding the CEO and the status of the Company's operations.

135. By March 3, 2009, the Company still had not been able to resolve these concerns. Hu prepared a draft press release disclosing the various issues, including that operations had "temporarily" stopped.

136. Hu circulated the draft press release to certain Company insiders. On March 6, 2009, the Company issued the press release, and the directors resigned from China Yingxia claiming that they could not go on without having any real role in the Company.

137. Several weeks later, Hu resigned from China Yingxia stating, "[d]ue to the increasing difficulties in communicating with the Company in China, I resign as the chief financial officer ... effective at the end of April 10, 2009."

138. Since Hu's resignation from China Yingxia, he has continued to work with other Chinese reverse merger companies.

**CLAIMS FOR RELIEF**

**FIRST CLAIM FOR RELIEF**  
**Violation of Section 15(a) of the Exchange Act**  
(Against Sheinwald and Alliance Advisors)

139. Paragraphs 1 through 138 are realleged and incorporated as though fully set forth herein.

140. Defendants Sheinwald and Alliance Advisors, by use of the mails or any means or instrumentality of interstate commerce, effected transactions in, or induced or attempted to induce the purchase or sale of, securities when not registered with the Commission as a broker or dealer or associated with an entity registered with the Commission as a broker or dealer.

141. By reason of the foregoing, defendants Sheinwald and Alliance Advisors violated, and unless enjoined will again violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

**SECOND CLAIM FOR RELIEF**  
**Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder**  
(Against Hu)

142. Paragraphs 1 through 138 are realleged and incorporated by reference as though fully set forth herein.

143. Defendant Hu, directly or indirectly, with scienter, by use of the means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of securities made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

144. By reason of the foregoing, defendant Hu violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) [17 C.F.R. § 240.10b-5(b)] thereunder.

**THIRD CLAIM FOR RELIEF**  
**Violations of Section 13(b)(5) of the Exchange Act**  
(Against Hu)

145. Paragraphs 1 through 138 are realleged and incorporated by reference as though fully set forth herein.

146. Defendant Hu knowingly failed to implement a system of internal accounting controls.

147. By reason of the foregoing, defendant Hu violated, and unless enjoined will again violate, Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)].

**FOURTH CLAIM FOR RELIEF**  
**Aiding and Abetting Violations of Section 13(b)(2)(B) of the Exchange Act**  
(Against Hu)

148. Paragraphs 1 through 138 are realleged and incorporated as though fully set forth herein.

149. China Yingxia failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit the preparation of financial statements in accordance with GAAP.

150. Defendant Hu knowingly failed to implement a system of internal accounting controls, and in so doing provided knowing and substantial assistance to China Yingxia with its failure to devise and maintain such a system.

151. By reason of the foregoing, defendant Hu aided and abetted China Yingxia's violations of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m((b)(2)(B)].

**FIFTH CLAIM FOR RELIEF**  
**Violations of Rule 13b2-2 of the Exchange Act**  
(Against Hu)

152. Paragraphs 1 through 138 are realleged and incorporated as though fully set forth herein.

153. Defendant Hu, directly or indirectly, made or caused to be made, materially false or misleading statements or omitted to state, or caused others to omit to state, material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading, to an accountant in connection with an audit, review, or examination of financial statements or the preparation or filing of a document or report required to be filed with the Commission.

154. By reason of the foregoing, defendant Hu violated, and unless enjoined will again violate, Rule 13b2-2 of the Exchange Act [17 C.F.R. § 240.13b2-2].

**SIXTH CLAIM FOR RELIEF**  
**Violations of Rule 13a-14 of the Exchange Act**  
(Against Hu)

155. Paragraphs 1 through 138 are realleged and incorporated as though fully set forth herein.

156. Defendant Hu signed certifications included with the Company's Commission filings. Defendant Hu certified, among other things, that he designed or caused to be designed controls when in fact he had not done so.

157. By reason of the foregoing, defendant Hu violated, and unless enjoined will again violate, Rule 13a-14 of the Exchange Act [17 C.F.R. § 240.13a-14].

### **PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that this Court:

- (a) Permanently enjoin defendants Sheinwald and Alliance Advisors from violating Section 15(a) of the Exchange Act [15 U.S.C. §§ 78o(a)], and defendant Hu from violating Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78m(b)(5)], Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)], and Exchange Act Rules 13a-14 [17 C.F.R. § 240.13a-14] and 13b2-2 [17 C.F.R. § 240.13b2-2]; and defendant Hu from aiding and abetting violations of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m((b)(2)(B)];
- (b) Order Defendants to pay disgorgement, together with prejudgment interest;
- (c) Order Defendants to pay civil penalties under Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] for violations of the federal securities laws; and
- (d) Grant any additional relief the Court deems just, appropriate, or necessary.

Dated: New York, New York  
July 30, 2012

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