

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO.

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ADAM C. WASSERMAN,

Defendant.

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) alleges:

SUMMARY

1. Adam C. Wasserman (“Wasserman”), the U.S.-based former chief financial officer (“CFO”) of a public company headquartered in China, improperly commingled corporate and personal funds as part of a practice to transfer funds to the U.S. while avoiding foreign currency controls.

2. Defendant Wasserman served as the outsourced CFO to Issuer A, a NASDAQ-listed microcap company, for several periods since 2007, including from December 2012 to February 2016. Wasserman provided CFO and accounting services to Issuer A through his business, CFO Oncall, Inc. (“CFO Oncall”). Beginning in December 2014, Wasserman began a practice of transferring Issuer A funds from China to the U.S. to pay Issuer A’s U.S. expenses using his personal joint checking account. Over a 20-month period, Wasserman transferred more than \$400,000 in corporate funds through his personal bank account. Wasserman previously engaged in the same practice with at least two other China-based public companies.

3. By his actions, Wasserman violated Section 13(b)(5) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78m(b)(5)] and should be enjoined from committing such violations in the future.

JURISDICTION AND VENUE

4. This Court has jurisdiction over this action pursuant to Sections 21(d)(1), 21(d)(3)(A), 21(d)(5), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(d)(5) and 78aa].

5. Venue is proper in this district under Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Certain of the acts and transactions constituting the alleged violations occurred in the Southern District of Florida. In addition, during the relevant time period, Wasserman resided in, and CFO Oncall had its principal place of business in, the Southern District of Florida.

6. Wasserman, directly or indirectly, made use of the means or instrumentalities of interstate commerce, or of the mails, or the facilities of a national securities exchange, in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

DEFENDANT

7. Adam Wasserman, age 54, lives in Weston, Florida. He served as Issuer A’s outsourced CFO from November 2007 to February 2008, from March 2008 to December 2008, and from December 2012 to February 2016. At all other times since November 2007, Wasserman provided outsourced accounting services to Issuer A through his business, CFO Oncall. Wasserman was issued a license from the New York State Education Department to practice Certified Public Accountancy in November 1988; his license has been inactive since June 1997.

RELATED ENTITIES

8. Issuer A is a company incorporated in Nevada with its principal place of business in Wuxi City, Jiangsu Province, China. Issuer A was formed in 2007 through a merger of a public shell and a group of industrial manufacturing companies based in Wuxi, China, under common ownership and control. During the relevant time period, Issuer A had a market capitalization of less than \$15 million and was in the business of manufacturing textile machines and industrial components. Issuer A's securities trade on the NASDAQ Capital Market and are registered with the Commission pursuant to Section 12(b) of the Exchange Act.

9. CFO Oncall is a company incorporated in Florida with its principal place of business in Broward County, Florida. Wasserman is the principal and majority owner of CFO Oncall.

FACTS

10. As a public company, Issuer A was required to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that, among other things, transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets.

11. As a public company, Issuer A was also required to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of the company's assets.

12. As CFO of Issuer A, Wasserman was responsible for devising and maintaining Issuer A's system of internal accounting controls and for ensuring the accuracy of Issuer A's books and records.

A. China Currency Restrictions

13. Upon information and belief, currency restrictions imposed by the Chinese government limit the ability of companies to transfer cash directly from China to a corporate account in the U.S.

B. Management of Issuer A's U.S. Cash and Expenses

14. For each fiscal year from its formation in 2007 until at least 2016, Issuer A generated most of its revenue in China.

15. During this period, Issuer A incurred a variety of U.S. expenses including audit, legal, and filing fees.

16. Prior to December 2014, Issuer A generated cash within the U.S. to pay its expenses in at least two different ways.

17. From approximately 2012 to 2013, Issuer A made sales of at least \$1.7 million to a U.S.-based customer who paid through wire transfers to Issuer A's U.S. corporate bank account.

18. Issuer A also raised cash from time to time by issuing securities to U.S. investors. These investors wired funds to a U.S. escrow account and in turn to Issuer A's U.S. corporate bank account.

C. Wire Transfers from China to the U.S.

19. By late 2014, Issuer A lacked sufficient U.S. cash to pay expenses.

20. To address this problem, Wasserman developed the following practice: Issuer A personnel wired Issuer A funds into Wasserman's personal bank account, a joint checking account with his wife. After subtracting wire fees, Wasserman transferred these funds to Issuer A's U.S. account under his control.

21. From December 2014 to July 2016, in a series of nine transactions, Wasserman transferred a total of \$423,989.00 in Issuer A's corporate funds from China to the U.S. via his personal account:

Wires of Issuer A Funds from China to Wasserman's Personal Account				Deposits by Wasserman into Issuer A's U.S. Account	
No.	Date	Amount	Fees	Date	Amount
1	12/30/2014	\$16,000.00	(\$28.00)	01/09/2015	\$52,944.00
	12/30/2014	\$37,000.00	(\$28.00)		
2	01/23/2015	\$10,000.00	(\$28.00)	01/30/2015	\$9,972.00
3	03/26/2015	\$37,000.00	(\$28.00)	03/27/2015	\$86,944.00
	03/26/2015	\$50,000.00	(\$28.00)		
4	06/10/2015	\$50,000.00	(\$28.00)	06/12/2015	\$49,972.00
5	11/06/2015	\$32,548.00	(\$28.00)	11/12/2015	\$32,520.00
6	02/01/2016	\$44,500.00	(\$28.00)	02/03/2016	\$44,472.00
7	02/24/2016	\$10,000.00	(\$28.00)	02/24/2016	\$9,972.00
8	03/21/2016	\$35,500.00	(\$28.00)	03/21/2016	\$105,249.00
	03/21/2016	\$35,500.00	(\$28.00)		
	03/22/2016	\$34,333.00	(\$28.00)		
9	06/24/2016	\$10,000.00	(\$28.00)	07/11/2016	\$31,944.00
	07/05/2016	\$22,000.00	(\$28.00)		
				Total	\$423,989.00

22. On December 30, 2014, Issuer A personnel in China wired \$16,000.00 and \$37,000.00 of Issuer A funds from accounts in China to Wasserman's personal account. The banks charged \$56.00 in transfer fees, resulting in \$52,944.00 of Issuer A's corporate funds being deposited into Wasserman's personal account. Using a personal check dated January 9, 2015, Wasserman transferred that \$52,944.00 from his personal account to Issuer A's U.S. account.

23. On January 23, 2015, Issuer A personnel in China wired \$10,000.00 of Issuer A funds from an account in China to Wasserman's personal account. The banks charged \$28.00 in transfer fees, resulting in \$9,972.00 of Issuer A's corporate funds being deposited into Wasserman's personal account. Wasserman used personal checks dated January 30, 2015 and

February 2, 2015 to transfer that \$9,972.00 from his personal account first to his business account and then to Issuer A's U.S. account.

24. On March 26, 2015, Issuer A personnel in China wired \$37,000.00 and \$50,000.00 of Issuer A funds from accounts in China to Wasserman's personal account. The banks charged \$56.00 in transfer fees, resulting in \$86,944.00 of Issuer A's corporate funds being deposited into Wasserman's personal account. Using a personal check dated March 27, 2015, Wasserman transferred that \$86,944.00 from his personal account to Issuer A's U.S. account.

25. On June 10, 2015, Issuer A personnel in China wired \$50,000.00 of Issuer A funds from an account in China to Wasserman's personal account. The banks charged \$28.00 in transfer fees, resulting in \$49,972.00 of Issuer A's corporate funds being deposited into Wasserman's personal account. Using a handwritten withdrawal slip dated June 12, 2015, Wasserman transferred that \$49,972.00 from his personal account to Issuer A's U.S. account.

26. On November 6, 2015, Issuer A personnel in China wired \$32,548.00 of Issuer A funds from an account in China to Wasserman's personal account. The banks charged \$28.00 in transfer fees, resulting in \$32,520.00 of Issuer A's corporate funds being deposited into Wasserman's personal account. Using a personal check dated November 12, 2015, Wasserman transferred that \$32,520.00 from his personal account to Issuer A's U.S. account.

27. On February 1, 2016, Issuer A personnel in China wired \$44,500.00 of Issuer A funds from an account in China to Wasserman's personal account. The banks charged \$28.00 in transfer fees, resulting in \$44,472.00 of Issuer A's corporate funds being deposited into Wasserman's personal account. Using a personal check dated February 3, 2016, Wasserman transferred that \$44,472.00 from his personal account to Issuer A's U.S. account.

28. On February 24, 2016, Issuer A personnel in China wired \$10,000.00 of Issuer A funds from an account in China to Wasserman's personal account. The banks charged \$28.00 in transfer fees, resulting in \$9,972.00 of Issuer A's corporate funds being deposited into Wasserman's personal account. Using a personal check dated February 24, 2016, Wasserman transferred that \$9,972.00 from his personal account to Issuer A's U.S. account.

29. On March 21 and 22, 2016, Issuer A personnel in China wired \$35,500.00, \$35,500.00, and \$34,333 of Issuer A funds from accounts in China to Wasserman's personal account. The banks charged \$84.00 in transfer fees, resulting in \$105,249.00 of Issuer A's corporate funds being deposited into Wasserman's personal account. Using a personal check dated March 21, 2016, Wasserman transferred that \$105,249.00 from his personal account to Issuer A's U.S. account.

30. On June 24, 2016 and July 5, 2016, Issuer A personnel in China wired \$10,000.00 and \$22,000.00 of Issuer A funds from accounts in China to Wasserman's personal account. The banks charged \$56.00 in transfer fees, resulting in \$31,944.00 of Issuer A's corporate funds being deposited into Wasserman's personal account. Using a personal check dated July 11, 2016, Wasserman transferred that \$31,944.00 from his personal account to Issuer A's U.S. account.

31. Other than deducting wire fees, Wasserman transferred the exact amount of Issuer A's corporate funds he received into Issuer A's U.S. account and did not otherwise personally benefit from the transfers.

32. By repeatedly commingling corporate funds with his own personal funds, Wasserman put Issuer A's assets at risk for misuse and loss, particularly if something were to happen to him while the funds were in his account. In designing and facilitating these transfers,

Wasserman failed to implement a system of internal accounting controls designed to ensure that Issuer A's assets remained under corporate control.

CLAIM FOR RELIEF

Violations of Section 13(b)(5) of the Exchange Act

33. Paragraphs 1 through 32 are hereby realleged and incorporated by reference as if set forth fully herein.

34. As alleged more fully above, Wasserman knowingly failed to implement a system of internal accounting controls at Issuer A.

35. By reason of the foregoing, Wasserman has violated and, unless restrained, will continue to violate Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a final judgement:

- A. Permanently restraining and enjoining Wasserman from violating Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)];
- B. Ordering pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] Wasserman pay a civil monetary penalty; and
- C. Prohibiting pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)] Wasserman from acting as an officer or director of any issuer that has a class of securities registered under Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports under Section 15(d) of the Exchange Act [15 U.S.C. § 78o].
- D. Grant such further relief as this Court may deem just and appropriate.

Dated: September 12, 2018

Respectfully submitted,

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