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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY**

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SECURITIES AND EXCHANGE COMMISSION, :
 :
 Plaintiff, :
 :
 vs. : **2004 Civ. ____ (____)**
 : **COMPLAINT**
 ALFRED S. TEO, SR., TEREH SETO HANDELMAN, :
 MAAA TRUST FBO MARK, ANDREW, ALAN, :
 AND ALFRED TEO, JR., JOHN D. REIER, :
 CHARLES D. FORTUNE, JERROLD J. JOHNSTON, :
 MARK J. LAUZON, PHILIP SACKS, :
 MITCHELL L. SACKS, RICHARD A. HERRON, :
 LAWRENCE L. ROSEN, and DAVID M. ROSS, :
 :
 Defendants, :
 :
 and JAMES M. RUFFOLO, :
 :
 Relief Defendant. :
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Plaintiff Securities and Exchange Commission (“Commission”) brings this action against defendants Alfred S. Teo, Sr. (“Teo”), Teren Seto Handelman (“Teren Seto”), the MAAA Trust FBO Mark, Andrew, Alan, and Alfred Teo, Jr. (the “MAAA Trust”), John D. Reier (“Reier”), Charles D. Fortune (“Fortune”), Jerrold J. Johnston (“Johnston”), Mark J. Lauzon (“Lauzon”), Philip Sacks (“Phil Sacks”), Mitchell L. Sacks (“Mitchell Sacks”), Richard A. Herron (“Herron”), Lawrence L. Rosen (“Rosen”), David M. Ross (“Ross”), and Relief Defendant

James M. Ruffolo (“Ruffolo”) (collectively, “Defendants”). The Commission alleges the following:

SUMMARY

1. The Commission brings this enforcement action to address repeated violations of the federal securities laws by Teo, as well as violations committed by others associated with him. Specifically, Teo (i) engaged in insider trading in securities of Musicland Stores Corporation (“Musicland”) and tipped other defendants who also traded, (ii) engaged in insider trading in securities of C-Cube Microsystems, Inc. (“C-Cube”), and (iii) failed to file required reports and made false and misleading disclosures in reports filed with the Commission concerning the true extent of his ownership and control of Musicland stock. Teo is the chairman of several private companies that produce industrial plastics, and a director and large shareholder of various other public companies.

2. Insider Trading in Musicland. On December 7, 2000, Musicland announced that it would be acquired by another company through a tender offer (“Musicland Announcement”). The price of Musicland stock rose more than 30% following the announcement. As the largest shareholder of Musicland, Teo had learned of the acquisition through several confidential communications with Musicland senior management during the fall of 2000. After learning of the tender offer, but before it was publicly announced, Teo purchased 45,000 shares of Musicland stock. Teo sold those shares after the announcement and realized a profit of approximately \$185,275. Teo also tipped defendants Teren Seto, Reir, Fortune, Lauzon, Phil Sacks, Herron, Rosen and Ross (and Fortune then tipped defendant Johnston), all of whom purchased Musicland stock prior to the announcement. Collectively, Teo’s tippees realized profits in excess of \$1.1 million.

3. Insider Trading in C-Cube. On March 26, 2001, C-Cube announced that it would be acquired by another company (“C-Cube Announcement”). The price of C-Cube stock rose more than 40%. Teo learned before the announcement that C-Cube was discussing a potential merger because he was a director of Cirrus Logic, Inc. (“Cirrus”), one of the companies that was discussing acquiring C-Cube, and Teo attended confidential Cirrus board meetings at which a potential acquisition was discussed. After learning of a potential acquisition of C-Cube, but before it was announced, Teo purchased 35,000 shares of C-Cube stock. Teo sold these shares after the announcement and realized a profit of approximately \$180,012. Teo also tipped defendant Mitchell Sacks, who also purchased C-Cube stock prior to the announcement and realized profits of approximately \$115,155.

4. False Commission Filings. Teo also engaged in securities fraud by failing to file required reports and by making false and misleading disclosures in reports filed with the Commission concerning the extent of his ownership and control of Musicland stock. For instance, Teo, the MAAA Trust (a trust for Teo’s children), and Teren Seto, as the MAAA Trust's sole trustee, filed Schedules 13D that falsely under-reported the number of shares of Musicland stock that Teo owned and controlled. Teo sought to conceal the true extent of his ownership and control of Musicland stock in order to avoid the risk of triggering Musicland's shareholder rights plan, or “poison pill.” Teo thereby concealed his purchase of nearly 6 million shares of Musicland stock above the poison pill trigger. Teo thereafter sold those shares realizing a profit of approximately \$22 million.

JURISDICTION AND VENUE

5. The Commission brings this action pursuant to the authority conferred upon it by Section 21(d) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78u(d), for

permanent injunctive relief against Teo, Teren Seto, the MAAA Trust, Reier, Fortune, Johnston, Lauzon, Phil Sacks, Mitchell Sacks, Herron, Rosen and Ross. The Commission is seeking disgorgement plus prejudgment interest from the Defendants. The Commission seeks officer and director bars against Teo and Rosen. The Commission also seeks civil penalties pursuant to Sections 21(d) and 21A(a) of the Exchange Act, U.S.C. § 78u(d)(3) and § 78u-1. The Commission seeks all other just and appropriate relief.

6. This Court has subject matter jurisdiction over this action pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

7. Venue lies in this Court pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 77aa. Certain of the transactions, acts, practices, and courses of business occurred in the District of New Jersey. For instance, Teo learned material, non-public information about Musicland and C-Cube in New Jersey. In addition, Teo, Teren Seto, Reier, Lauzon, Phil Sacks, Mitchell Sacks and Rosen reside in New Jersey.

8. The Defendants, directly or indirectly, singly and in concert, made use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein.

STATUTES AND RULES ALLEGED TO HAVE BEEN VIOLATED

9. Teo, Teren Seto, Reier, Fortune, Johnston, Lauzon, Phil Sacks, Herron, Rosen and Ross have engaged, and unless enjoined, will continue to engage, directly or indirectly, in transactions, acts, practices, and courses of business that constitute violations of Sections 10(b) and 14(e) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78n(e), and Rules 10b-5 and 14e-3, 17 C.F.R. §§ 240.10b-5 and 240.14e-3, thereunder.

10. Mitchell Sacks and the MAAA Trust have engaged, and unless enjoined, will continue to engage, directly or indirectly, in transactions, acts, practices, and courses of business that constitute violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

11. Teo, the MAAA Trust, and Teren Seto have engaged, and unless enjoined will continue to engage, directly or indirectly, in transactions, acts, practices, and courses of business that constitute violations of Sections 13(d) and 16(a) of the Exchange Act, 15 U.S.C. §§ 78m(d) and 78p(a), and Rules 12b-20, 13d-1, 13d-2 and 16a-3, 17 C.F.R. §§ 240.12b-20, 240.13d-1, 240.13d-2, and 240.16a-3, thereunder.

DEFENDANTS

12. Teo, age 57, is a resident of Kinnelon, New Jersey and Fisher Island, Florida. He is the Chairman of several companies, including Alpha Industries Corp. (“Alpha Industries”), Alpha Technologies, Inc. (“Alpha Technologies”) and Lambda Financial Service Corp. (“Lambda”), which among other things, produce industrial plastics. Teo has been a director and audit committee member of two public companies: Navarre Corp. (“Navarre”), from May 1, 1998 to present; and Cirrus, from July 21, 1998 to April 10, 2001.

13. Teren Seto, age 41, a resident of Montclair, New Jersey, is the sister of Teo’s wife. Teren Seto has been the sole trustee of the MAAA Trust since April 18, 1998. Teren Seto is also a trustee of the Handelman Trust, a trust for her children.

14. MAAA Trust is a New Jersey trust Teo established for the benefit of his four sons. Since April 1998, Teren Seto has been its sole trustee. At all relevant times, however, Teo had voting and investment power over the MAAA Trust’s Musicland securities.

15. Reier, age 44, a resident of Montville, New Jersey, is the Chief Financial Officer of Alpha Industries.

16. Fortune, age 56, is a resident of Norwalk, Connecticut. He has sold plastic resin to Teo's plastic manufacturing companies for approximately 20 years.

17. Johnston, age 57, is a resident of Trumbull, Connecticut. He is a salesman in the plastics industry. Since at least 1997, Johnston has had business relationships with Fortune and Teo.

18. Lauzon, age 43, is a resident of Flemington, New Jersey. He has sold raw material plastic to Teo's companies since 1985.

19. Phil Sacks, age 74, is a resident of Englewood, New Jersey and Fisher Island, Florida. Phil Sacks is the father of Mitchell Sacks.

20. Mitchell Sacks, age 40, and a resident of Demarest, New Jersey, is Phil Sacks's son. Between approximately April 2001 and March 2002, Teo and Mitchell Sacks operated a hedge fund in which Teo, Phil Sacks, and Mitchell Sacks all invested.

21. Herron, age 61, is a resident of Fisher Island, Florida. Herron is the President of Norseman Industries ("Norse"), a Florida corporation located in Miami, Florida.

22. Rosen, age 59, is a resident of Old Tappan, New Jersey, and Fisher Island, Florida. Rosen was the founder and former CEO of N2K, a publicly traded company that owned music websites, and was later merged into another company that sells CDs over the Internet.

23. Ross, age 56, is a resident of Manitowoc, Wisconsin. Ross is the majority owner, president and CEO of Burger Boat Co. ("Burger Boat"), a Wisconsin corporation located in Manitowoc, Wisconsin, which manufactures luxury yachts.

THE RELIEF DEFENDANT

24. Ruffolo, age 51, is a resident of Manitowoc, Wisconsin. He is Ross' business partner, and owns one-third of Burger Boat.

RELATED PARTIES

25. Musicland was a Delaware corporation with its headquarters in Minneapolis, Minnesota. On January 31, 2001, Best Buy Co. ("Best Buy") acquired Musicland in an all-cash tender offer, which was publicly announced on December 7, 2000. Prior to its acquisition, Musicland was a specialty retailer of music, video, books, computer software and video games. Musicland's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act and traded on the New York Stock Exchange ("NYSE").

26. Best Buy, a Minnesota corporation with its headquarters in Eden Prairie, Minnesota, operates a chain of consumer electronics specialty stores. On January 31, 2001, it acquired all the shares of Musicland stock. At all relevant times, Best Buy's stock was traded on the NYSE.

27. C-Cube was a Delaware corporation headquartered in Milpitas, California. On March 26, 2001, LSI Logic, Inc. ("LSI") announced that it was acquiring C-Cube in a transaction in which C-Cube shareholders would receive 0.79 shares of LSI stock in exchange for each share of C-Cube. Prior to its acquisition, C-Cube was a provider of digital media processing technology and networked consumer products. Its common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and was listed on the Nasdaq.

28. Cirrus is a Delaware corporation headquartered in Austin, Texas. Cirrus is a supplier of analog and DSP chip solutions for consumer electronics products. Its common stock

is registered with the Commission pursuant to Section 12(g) of the Exchange Act and is listed on Nasdaq.

FACTUAL ALLEGATIONS

Insider Trading In Musicland Securities

Background

29. From January 1, 1999 to December 6, 2000, Teo was Musicland's largest shareholder, owning between approximately 7,807,475 (22%) and 11,545,120 (36%) of the company's outstanding shares.

30. During this time, Teo used his large shareholder position to attempt to change the membership of Musicland's Board of Directors. For example, in 2000, Teo recommended to Musicland's CEO that he and others, including Rosen, be placed on Musicland's Board. Musicland's CEO considered nominating Teo to Musicland's Board, but Teo never became a member of the Board.

31. During this time, Teo also made efforts to reorganize Musicland into a private company. For instance, in February and March 2000, Teo arranged a meeting between a financial consulting company, Musicland's CEO, and Musicland's CFO, to discuss a leveraged buyout of Musicland. In connection with this proposed transaction, Teo, Rosen and individuals at the financial consulting company signed a confidentiality agreement with a two-year term which provided that they would keep business dealings they had with Musicland, and any information about Musicland's internal activities, confidential. No transaction, however, resulted from these meetings.

Best Buy Negotiated a Tender Offer for Musicland

32. Beginning on July 25, 2000, Best Buy personnel and Musicland's CEO discussed the possibility of combining the businesses of Best Buy and Musicland.

33. By August 15, 2000, Musicland's CEO and Best Buy's CEO discussed Best Buy's acquisition of Musicland, and a preliminary price range for Musicland's stock.

34. Merger discussions continued, and by October 25, 2000, Best Buy's and Musicland's officers agreed in principle to an all cash tender offer for all outstanding Musicland shares and had arrived at the actual tender offer price of \$12.55 per share.

35. By October 27, 2000, both companies' boards of directors were advised of the negotiations and approved the progress that had been made.

36. By November 1, 2000, Best Buy and Musicland had agreed to all major terms of the tender offer.

37. On November 1st, Musicland's Board held a special meeting and discussed the timing of the tender offer, which was then scheduled to be announced in mid-November.

38. Best Buy insisted that Teo support the tender offer as a condition of Best Buy actually making the tender offer.

Teo Learned Material, Non-Public Information about Best Buy's Tender Offer for Musicland

39. On approximately August 31, 2000, Musicland's CFO and Musicland's General Counsel called Teo. Musicland's CFO told Teo that a previously planned meeting had to be postponed because Musicland was negotiating a potential business combination with an undisclosed third party. During this phone call, Musicland's CFO cautioned Teo about keeping this information confidential. Teo acknowledged that he had signed a confidentiality agreement with Musicland and that he was obligated to keep such information confidential.

40. Teo was an insider of Musicland, and he owed a duty to keep confidential, material, non-public information concerning Musicland. Teo was Musicland's largest shareholder. Musicland conveyed the information about Musicland's negotiations with a third party to Teo because of his stock ownership.

41. On September 14, 2000, Teo met with an investment banking firm to discuss again the possibility of a leveraged buyout of Musicland. At this meeting, Teo stated that he knew another company was negotiating the acquisition of Musicland.

Musicland told Teo about Best Buy's Tender Offer

42. On approximately November 4, 2000, Musicland's CEO told Teo that Best Buy was going to acquire Musicland. Musicland's CEO also told Teo that the transaction was moving forward rapidly and that the tender offer price was \$12.55 per share. Musicland's CEO reminded Teo that he needed to keep the information confidential.

43. On November 8, 2000, Musicland's CFO met with Teo at his office in New Jersey. Musicland's attorney and Teo's attorney participated in this meeting by telephone. Musicland's CFO and attorney explained to Teo the details of Best Buy's tender offer. Musicland's attorney told Teo that this information was confidential.

44. At the meeting, Musicland's CFO gave Teo four shareholder support agreements ("SSAs") for Teo and his wife; the MAAA Trust; Lambda; and Alpha Industries. Teo took the SSAs for himself and the MAAA Trust, but did not take the SSAs for Lambda and Alpha Industries, falsely telling Musicland's CFO that Lambda and Alpha Industries did not own any Musicland stock. By November 9, 2000, Teo signed his and his wife's name on his SSA, and he signed Teren Seto's name on the MAAA Trust's SSA, and returned these SSAs to Musicland.

Teo Learned that Best Buy's Tender Offer was Delayed

45. On approximately November 11, 2000, Musicland's CEO told Teo that Best Buy's tender offer had been delayed and that the delay would likely last two to three weeks.

46. On approximately November 21, 2000, Teo contacted the chairman of an investment banking firm and said that Musicland was moving forward with a possible transaction and that Teo wanted to retain the investment banking firm to represent him in selling his Musicland stock. Teo also told the chairman of the investment banking firm that Best Buy was making a tender offer for Musicland shares at \$12.55 per share and that the tender offer was then scheduled for early to mid-December 2000.

Musicland told Teo about the Musicland Announcement

47. On December 1, 2000, Best Buy's Board of Directors met and decided to move forward with the proposed tender offer for Musicland stock. Best Buy's CEO then told Musicland's CEO that Best Buy was ready to complete the tender offer.

48. On December 1, 2000, Musicland's CEO called Teo at his home in Florida. Musicland's CEO informed Teo that Best Buy's tender offer was going forward, that no terms had changed, and that the earliest the tender offer could be announced was December 7th.

49. On December 5, 2000, Musicland's CFO met Teo at his office in New Jersey, and confirmed that Best Buy was ready to proceed with the tender offer, and that the tender offer price of \$12.55 per share and the other terms of Best Buy's tender offer remained unchanged. Musicland's CFO reminded Teo that Best Buy's tender offer was a confidential matter, and Teo acknowledged that he understood. Musicland's CFO also gave Teo two new SSAs, one for Teo and his wife and one for the MAAA Trust.

50. Teo said he would support Best Buy's tender offer, signed the SSA for himself and for his wife, and returned it to Musicland's CFO. Teo kept the other unsigned SSA for the MAAA Trust, which Teo said that he would send to Musicland after he obtained Teren Seto's signature.

The Musicland Announcement

51. On December 6, 2000, Musicland's Board agreed to support Best Buy's tender offer.

52. On December 6, 2003, as a result of high trading volume in Musicland stock, the NYSE temporarily halted trading. At 10:54 a.m., Musicland issued a press release announcing that it was "in discussions with an unidentified third party regarding a possible business combination" ("December 6 Press Release").

53. Prior to the opening of trading on December 7, 2000, Best Buy and Musicland issued separate press releases announcing that Best Buy was making an all-cash tender offer for Musicland – the Musicland Announcement.

54. Prior to December 7, 2000, the information concerning Best Buy's tender offer for Musicland's stock was confidential, non-public, and material information.

55. The tender offer was eventually accepted, and Best Buy's acquisition of Musicland was completed on January 31, 2001.

Teo Purchased Musicland Stock in Advance of the Musicland Announcement

56. On November 13, 2000, Teo purchased 25,000 shares of Musicland stock at \$7.50 per share. On December 7, 2000, Teo sold these 25,000 shares at \$12.2614 per share, thus receiving profits of approximately \$119,035.

57. On Thursday, December 6, 2000, prior to Musicland's issuance of the December 6 Press Release, Teo purchased 10,000 shares of Musicland stock in two of Teo's sons' brokerage accounts, at \$9.00 per share. On December 7th, Teo sold these 20,000 shares of Musicland stock, thus receiving profits of approximately \$66,240.

Teo Tipped Numerous People Who Then Engaged In Insider Trading

Teo Tipped His Sister-In-Law, Teren Seto, who Purchased Musicland Stock

58. Teren Seto is an accountant at a real estate management company in which Teo is a partner. Throughout 2000, Teren Seto reported directly to Teo and his wife, Annie Teo, on a daily basis. In 2000, Teren Seto knew that Teo was a substantial shareholder of Musicland securities.

59. Prior to November 6, 2000, Teo told Teren Seto about Best Buy's tender offer for Musicland.

60. On Monday, November 6, 2000, Teren Seto placed an order to buy 800 shares of Musicland common stock at \$7.75 per share.

61. On December 6, 2000, before trading of Musicland's stock was temporarily halted on the NYSE, Teren Seto purchased 200 shares of Musicland stock at \$9.125 per share.

62. On December 7, 2000, Teren Seto sold these 1000 shares of Musicland stock at \$12.312 per share, thereby receiving \$4,287 in profits.

Teo Tipped A Business Colleague, Reier, who Purchased Musicland Stock

63. Reier is the CFO of Alpha Industries. Throughout 2000, Reier worked in the office adjacent to Teo and reported directly to him on a daily basis. In 2000, Reier knew that Teo was a substantial shareholder of Musicland securities.

64. In September 2000, Teo told Reier that Musicland and an undisclosed company were negotiating Musicland's acquisition. Reier attended the September 14, 2000 meeting with the investment banking firm, when Teo said that a company was negotiating to acquire Musicland.

65. Between October 31 and November 16, 2000, Reier purchased 20,000 shares of Musicland stock. On December 7, 2000, Reier sold these 20,000 shares and received profits of approximately \$89,962.

Teo Tipped Fortune, who Thereafter Tipped Johnston and Another Individual, and Each Purchased Musicland Stock

66. At approximately 10:16 a.m. on November 6, 2000, Teo had a telephone conversation with Fortune, a salesman who sold plastic resin to Teo's companies, and told Fortune about Best Buy's tender offer.

67. Fortune knew that Teo was a major shareholder of Musicland.

68. At approximately 11:45 a.m. on November 6, Fortune purchased 1,000 shares of Musicland stock at \$8.125 per share. On December 7, 2000, Fortune sold his 1,000 Musicland shares for \$12.3125 per share, thereby receiving approximately \$4,187 in profits.

69. After Fortune received the phone call from Teo on November 6, 2000, Fortune talked to a friend in the plastics industry. Fortune told this friend that Musicland stock was a "good buy."

70. On November 6, 2000, Fortune's friend purchased 1,297 shares of Musicland stock at \$8.50 per share and sold all these shares on December 7, 2000 at \$12.3125 per share. As a result of his stock purchases, Fortune's friend received trading profits of approximately \$4,945.

71. Sometime between November 6 and November 21, 2000, Fortune talked to Johnston, another friend in the plastics industry. Fortune told Johnston about the Best Buy tender offer and that Teo, who Johnston knew, was the source of this information.

72. Johnston knew that Teo was a major shareholder of Musicland.

73. On November 21, 2000, Johnston purchased 1,000 shares of Musicland stock at \$7.9375 per share and sold these shares on December 7, 2000, at \$12.375 per share. As a result of this trading, Johnston received profits of approximately \$4,438.

Teo Tipped Lauzon, who Purchased Musicland Stock

74. On November 9, 2000, at approximately 7:47 a.m., Teo called Lauzon, a senior account manager for a manufacturer that sold raw material plastics to Teo's companies. During this phone call, Teo told Lauzon about the Best Buy tender offer.

75. Lauzon knew that Teo was a major shareholder of Musicland.

76. Approximately two hours later on November 9, Lauzon purchased 500 shares of Musicland stock. On December 11, 2000, Lauzon sold these 500 shares of Musicland stock at \$12.19 per share, thus receiving profits of approximately \$1,969.

Teo Tipped His Friend, Phil Sacks, who Purchased Musicland Stock

77. Phil Sacks and Teo reside in the same luxury apartment building in Fisher Island, Florida. In 2000, Phil Sacks knew that Teo was a major shareholder of Musicland.

78. During the last week of October and early November 2000, Teo and Phil Sacks were in Fisher Island. By November 3, Teo told Phil Sacks about Musicland's negotiations to be acquired by another company. In late October or early November, Teo also told Phil Sacks specifically about the Best Buy tender offer.

79. Between November 3 and November 17, 2000, Phil Sacks directed his son, Mitchell Sacks, to purchase a total of 131,250 shares of Musicland stock in Phil Sacks' brokerage account. Specifically, on November 3, 6, 8, and 13, 2000, Mitchell Sacks purchased 24,000, 15,000, 11,000, and 25,000 shares, respectively, in his father's account. On November 15, 2000, Mitchell Sacks purchased 45,000 shares in his father's account and 1,250 shares in his father's IRA account. Finally, on November 17, 2000, Mitchell Sacks purchased 10,000 shares in his father's account.

80. Between December 13 and December 21, 2000, Mitchell Sacks sold 130,000 of Phil Sacks' Musicland shares, and the remaining shares were tendered in January 2001. As a result, Phil Sacks received profits of approximately \$593,747 from the sale of Musicland stock.

Teo Tipped His Yachting Friend, Herron, who Purchased Musicland Stock

81. Herron has known Teo since 1996, and he lives in Fisher Island, Florida. Herron and Teo both own yachts, which were docked next to each other in Fisher Island in 2000. Prior to November 2000, Herron talked about various stocks with Teo and Phil Sacks, and Herron knew that Teo owned large stock positions in several publicly traded companies, including Musicland.

82. In late October and early November (before November 14, 2000), Teo informed Herron about Best Buy's tender offer for Musicland.

83. On November 14, 2000, Herron purchased 15,000 shares of Musicland stock at \$7.6396 per share. On December 7, 2000, after the Musicland Announcement, Herron sold all of his Musicland shares at \$12.375 per share, thereby receiving approximately \$71,031 in profits.

Teo Tipped Rosen, Who Purchased Musicland Stock

84. Rosen and Teo reside in the same luxury apartment complex in Fisher Island, Florida. In February 2000, Rosen met Teo in connection with Teo's unsuccessful attempt to restructure Musicland. As discussed above, in March 2000, Teo and Rosen both signed confidentiality agreements with Musicland.

85. In 2000, Rosen knew that Teo was a large shareholder of Musicland and had access to confidential, corporate information.

86. On Saturday, December 2, 2000, the day after Musicland's CEO told Teo about Best Buy's tender offer going forward on December 7th, Teo and Rosen both ate dinner at the same restaurant on Fisher Island. At the restaurant, Teo told Rosen that Musicland stock was looking good and something big was going to happen.

87. On December 4, 2000, Rosen bought 20,000 Musicland shares at \$6.875 per share. On December 7, 2000, after the Announcement, Rosen sold his Musicland stock at \$12.25 per share, thus receiving a profit of approximately \$107,500.

Teo Tipped Ross, His Yacht Builder, Who Purchased Musicland Stock

88. Ross has a guest membership at Fisher Island, Florida, and first met Teo at the Fort Lauderdale Boat Show in 1997. Between 1998 and 2000, Ross' private company, Burger Boat, manufactured a 118-foot luxury yacht for Teo. During that time, Ross learned that Teo was a major Musicland shareholder and a successful businessman.

89. From October 26 to October 30, 2000, Teo allowed Ross to use Teo's yacht during the 2000 Fort Lauderdale Boat Show to advertise Burger Boat's work. Teo and Ross attended this show with Ross's business partner, Ruffolo.

90. By approximately October 26, 2000, Teo told Ross about Musicland's negotiations to be acquired by another company.

91. Between approximately October 26 and December 4, 2000, Teo told Ross about the Best Buy tender offer.

92. On October 30, 2000, November 9, 2000, and December 4, 2000, Ross purchased 25,000, 30,000 and 19,800 shares of Musicland stock, respectively, in two of his securities brokerage accounts. Ross, who had discretionary trading authority in Ruffolo's securities trading account, also purchased in Ruffolo's account, 10,000 and 14,000 shares of Musicland stock on November 9 and December 4, 2000, respectively. On December 7, 2000, Ross sold 98,600 of these shares of Musicland stock in his and Ruffolo's accounts and received profits of approximately \$351,112 in Ross's own accounts, and \$112,000 in Ruffolo's account.

Teo Gave False Explanations For His Musicland Stock Trades

93. Beginning in January 2001, Teo made various efforts to cover-up his purchases of Musicland stock.

94. In January 2001, Teo's brokerage firm conducted an internal investigation regarding Teo's purchases of Musicland stock in his sons' accounts. On January 30, 2001, Teo met with the brokerage firm's attorneys, and made a number of misleading statements. For instance, at this meeting, Teo said that: (1) he was not an insider of Musicland; (2) he only learned about Best Buy's tender offer at "the last minute"; (3) he first learned about the tender offer from Musicland's CEO, when Teo was asked to sign a SSA; (4) Teo gave three different times for when he spoke with Musicland's CEO – first, Teo said December 5th (the before the Musicland Announcement), then he claimed it was the morning of December 6th (the day of the Musicland Announcement), and finally, he said it was late afternoon on December 6th; (5) Teo

thought the two purchases in his sons' accounts were "insignificant"; and (6) his sons had both come to him for investment advice, Teo told his sons that he thought Musicland was a good investment, and they asked him to buy it for them.

95. On March 21, 2001, after Teo learned about the Commission's investigation of his Musicland stock trades, Teo called his broker and said that he would be stopping at the broker's office in five minutes and wanted to talk to him personally. Teo's broker had one of his colleagues attend this meeting. When they met, Teo attempted to explain his sons' trades by saying that the broker had misunderstood his orders to buy Musicland stock on December 6, 2000, and he had instead instructed his broker to transfer Musicland stock from his account to his sons' accounts. Teo's broker responded by telling Teo that this could not have been the case because Teo paid for the two Musicland stock purchases in Teo's sons' accounts by wire transfers. Teo replied that he was going to ask for those wire transfers back. Teo, however, never asked to have the funds returned or the purchases cancelled.

96. During this conversation, Teo asked if his broker or the broker's colleague were wearing any tape recording devices, to which they replied no. Teo's broker even took off his jacket to prove he was not wired.

97. On April 25, 2001, Teo called Musicland's CFO and said that Teo was under investigation by the Commission and that he was trying to clarify the dates on which he and Musicland's CFO discussed Best Buy's tender offer. First, Teo tried to suggest that the first time he met with the CFO to discuss the Best Buy deal was November 15th (two days before his purchase of Musicland stock). The CFO told Teo that he was wrong, and that the date was November 8th. Teo responded by saying that he was "screwed" because he had purchased shares of Musicland stock on November 13th.

98. Second, Teo asked Musicland's CFO about their meeting in December and tried to suggest that they met on December 6th (the day of the Musicland Announcement). The CFO told Teo that he was wrong and that they had met on December 5th (the day before the Musicland Announcement). Teo then responded that he was "really in trouble."

Teo, Teren Seto, And The MAAA Trust Failed To Accurately Disclose Their Musicland Stock Holdings

99. The federal securities laws require a group or entity that has acquired, directly or indirectly, beneficial ownership of more than five percent of a class of a registered equity security to file a statement with the Commission disclosing the identity of its members and the purpose of its acquisition. Entities or individuals comply with this duty by filing a Schedule 13D with the Commission no later than ten business days after they accumulate more than five percent of the security. Schedule 13D requires disclosure of, among other things: (1) the identity of the acquirer, including beneficial owners; (2) a description of the purpose(s) of the acquisition, including any plans (i) to affect the issuer's Board of Directors or (ii) to cause an extraordinary corporate transaction; and (3) the interest of all persons making the filing, including those acting together as a group.

100. The federal securities laws require that a Schedule 13D must be amended when there are material changes or developments.

Teo Beneficially Owned Musicland Stock in the Names of Others

101. Teo owned Musicland stock in his own name, as well as the names of other individuals and entities.

102. By December 6, 2000, Teo beneficially owned approximately 7,691,095 shares, or 24 percent, of all outstanding Musicland shares, jointly with his wife, and also in the name of companies he controlled, Alpha Industries, Alpha Technologies, Lambda and Great Eastern

Industries, Inc. (“Great Eastern”). From at least July 1998 until January 2001, Teo had investment and voting power over all Musicland shares Alpha Industries, Alpha Technologies, Lambda and Great Eastern held.

103. By December 6, 2000, Teo also beneficially owned a total of approximately 46,825 shares of Musicland stock in the names of his sons, the Handelman Trust and his daughter-in-law. Teo had investment and voting power over all of the Musicland stock in these accounts from at least July 1998 to January 2001.

104. By December 6, 2000, Teo also beneficially owned approximately 3,817,200 shares, or 12 percent, of all outstanding Musicland shares in the MAAA Trust’s name. From at least July 1998 to January 2001, Teo had voting and investment power over all of the Musicland shares that the MAAA Trust held.

105. Thus, at the time of the Musicland Announcement, Teo beneficially owned a total of approximately 11,545,120 shares, or 36 percent, of all outstanding Musicland stock.

106. As will be discussed below, Teo, Teren Seto, and the MAAA Trust failed to disclose accurately their Musicland stock holdings in Schedules 13D.

107. By failing to disclose his true holdings of Musicland stock, Teo was able to avoid the risk of triggering Musicland’s shareholder rights plan, or “poison pill,” which was designed to dilute significantly an acquiring shareholder’s ownership when that acquiring shareholder obtained more than 17.5 percent of Musicland’s stock.

Teo Filed False Schedules 13D and Failed to File Schedules 13D with the Commission

108. Prior to July 30, 1998, Teo filed Schedules 13D acknowledging his beneficial ownership of the MAAA Trust’s Musicland stock.

109. On July 30, 1998, Teo filed a Schedule 13D that stated, “On April 18, 1998, [Teo’s wife] ceased to be a trustee of the [MAAA] Trust and Alfred Teo ceased to have investment powers with respect to the Trust. Accordingly, the filing persons [Teo and his wife] disclaim beneficial ownership of shares of the Issuer [Musicland] held by the [MAAA] Trust.”

110. Teo’s July 30, 1998 Schedule 13D contained materially false information. From at least April 18, 1998 until January 2001, Teo continued to have investment and voting power over the Musicland stock in the MAAA Trust’s name, and therefore Teo continued to beneficially own these shares.

111. On September 3, 1998 and May 10, 1999, Teo filed Schedules 13D stating that he and his wife could sell and vote only the Musicland stock that Teo and his wife jointly owned, and that Alpha Industries, Alpha Technologies, Lambda and Great Eastern owned.

112. Teo’s September 3, 1998 and May 10, 1999 Schedules 13D contained materially false information because they failed to disclose that Teo had investment and voting power over the Musicland stock in the MAAA Trust’s name.

113. After May 10, 1999, Teo did not file any Schedules 13D concerning his Musicland stock. Therefore, after May 10, 1999, Teo failed to disclose that: (1) he acquired approximately 2,114,745 shares of Musicland stock in accounts Teo and his wife jointly owned and in accounts in the names of Alpha Industries, Alpha Technologies, Lambda and Great Eastern, increasing Teo’s percentage ownership in the names of these accounts from approximately 15 percent (on May 10, 1999) to 24 percent (on December 6, 2000); (2) he had investment and voting power over the Musicland stock that the MAAA Trust held; (3) he acquired an additional approximately 668,600 shares of Musicland stock in the MAAA Trust’s name (which brought his total ownership of Musicland stock in the name of the MAAA Trust to

3,817,200 shares); and (4) he had plans to change the membership of Musicland's Board or cause a reorganization of Musicland by converting it into a private company.

The MAAA Trust and Teren Seto Filed False Schedules 13D with the Commission

114. On February 9 and March 10, 2000, Teren Seto signed and filed, on behalf of the MAAA Trust, Schedules 13D stating that it owned 2,550,000 Musicland shares and 3,184,600 Musicland shares, respectively. In both filings, Teren Seto certified that "Teren Seto Handelman as Trustee has sole power to vote or direct the vote and sole power to dispose of or direct the disposition of the shares of [Musicland] stock." Also, in both Schedules 13D, Teren Seto certified that the MAAA Trust had no plans (i) to change Musicland's Board or (ii) to cause an extraordinary corporate transaction, such as a merger or reorganization.

115. The February 9, 2000 and March 10, 2000 Schedules 13D contained materially false information. As Teren Seto knew, Teo had voting and investment power over the MAAA Trust's Musicland stock. In addition, Teren Seto knew, or recklessly disregarded, that these Schedules 13D failed to disclose Teo's plans to change the membership of Musicland's Board or cause a reorganization of Musicland by converting it to a private company.

116. After March 10, 2000, Teren Seto and the MAAA Trust failed to file any Schedules 13D concerning the MAAA Trust's ownership of Musicland stock. Therefore, Teren Seto and the MAAA Trust failed to disclose: (1) that, after March 10, Teo directed the MAAA Trust to purchase approximately 668,600 shares of Musicland stock; (2) that Teo had investment and voting power over the MAAA Trust's Musicland stock; and (3) Teo's plans to change the membership of Musicland's Board or cause a reorganization of Musicland by converting it into a private company.

117. As a result of Teo's, Teren Seto's and the MAAA Trust's false Schedules 13D and their failure to file Schedules 13D, Teo was able to purchase additional shares of Musicland stock while avoiding the risk of triggering Musicland's shareholder rights plan.

Teo Purchased 5.9 Million Musicland Shares and Avoided Triggering Musicland's Poison Pill

118. Teo knew of Musicland's shareholder rights plan and the adverse financial consequences to him that would potentially be triggered if he disclosed that he acquired greater than 17.5 percent of Musicland's stock.

119. From July 30, 1998 to December 6, 2000, Teo purchased a total of approximately 5,928,152 shares of Musicland stock above the shareholder rights plan trigger of 17.5 percent of Musicland's stock. Thereafter, Teo sold these shares, receiving approximately \$22 million in illicit profits.

**Teo, Teren Seto, And The MAAA Trust
Violated Section 16(a) Of The Exchange Act**

120. The federal securities laws require any person who is the beneficial owner of more than ten percent of a class of a registered equity security to file a statement with the Commission within ten days of acquiring such ownership, and within ten days of each calendar month thereafter during which there has been a change in such ownership. These disclosures are made by filing a Form 3 for initial statements of beneficial ownership, a Form 4 for statements of changes in beneficial ownership, and a Form 5 at the end of each year in which the filing person continues to have beneficial ownership of ten percent of the equity shares.

Teo and the MAAA Trust Beneficially Owned More Than Ten Percent of Musicland Stock

121. In August 1997, Teo beneficially owned 4,580,800 Musicland shares, which was the first time he owned more than ten percent of Musicland's outstanding stock.

122. On August 27, 1997, Teo and his wife, jointly, and Teo's wife, as trustee of the MAAA Trust, filed a Form 3 disclosing their Musicland stock ownership.

123. From August 1997 until July 1998, Teo and his wife, jointly, and Teo's wife and Teren Seto, as trustees of the MAAA Trust, filed joint Forms 4.

Teo Filed False Forms 4

124. On July 29, 1998, Teo and his wife, jointly, filed a Form 4, which for the first time did not reference the MAAA Trust or its Musicland shares. This Form 4 was materially false because it failed to disclose Teo's beneficial ownership of the Musicland stock held in the MAAA Trust's name.

125. Between July 1998 and May 1999, Teo and his wife filed seven materially false Forms 4 because all of these forms failed to disclose Teo's beneficial ownership of Musicland stock in the MAAA Trust's name.

Teo, Teren Seto, and the MAAA Trust Failed to File Forms 4 and 5

126. After May 1999, Teo purchased approximately 2,114,745 shares of Musicland stock. Between May 1999 and December 6, 2000, Teo owned more than ten percent of Musicland's stock.

127. After May 1999, however, Teo did not file any Forms 4 or 5.

128. After July 1998, Teo, on behalf of the MAAA Trust, purchased approximately 3,397,000 shares of Musicland stock.

129. After July 1998, however, Teo, Teren Seto and the MAAA Trust did not file any Forms 4 or 5 reflecting the MAAA Trust's ownership of Musicland stock.

130. Since Teo and the MAAA Trust owned more than ten percent of Musicland stock, they had a duty to report their Musicland purchases that occurred between July 1998 and December 2000.

Teo Also Traded On Inside Information In C-Cube Securities

Background

131. Throughout February and March 2001, Teo was a director of Cirrus. As a member of the Board of Directors of Cirrus, Teo's duties required him to stay abreast of Cirrus' strategic business plans.

132. Teo was an insider of Cirrus, and he owed a fiduciary duty to keep confidential, and not use for personal gain, any material, non-public information obtained during Cirrus' Board of Directors meetings, including information concerning Cirrus' interest in acquiring C-Cube.

Teo Learned Material, Non-Public Information about Cirrus' Intent to Acquire C-Cube

133. On February 21, 2001, Teo attended a Cirrus' Board of Directors meeting. At the meeting, Cirrus' Vice President of Operations made a presentation regarding the benefits of a potential acquisition of C-Cube. The Vice President presented materials that Cirrus' investment bankers had compiled regarding potential share prices that Cirrus might consider paying for C-Cube's stock, pro forma results if the two companies were combined, and other analyses demonstrating the strategic advantages of a Cirrus and C-Cube merger.

134. At this meeting, Cirrus' Board of Directors also discussed two other companies as potential merger candidates for Cirrus.

135. On March 2, 2001, Teo attended a special telephonic Board of Directors meeting where the President of Cirrus updated his acquisition discussions with C-Cube. During this

presentation, Cirrus' CFO and President presented financial information concerning C-Cube, including information about valuations for C-Cube under various scenarios. The Board unanimously adopted a resolution authorizing and directing the executive officers "to proceed with negotiations with [another company] and C-Cube in an effort to determine which company could provide the best overall synergistic fit and acquisition terms to the Company." According to the Board minutes, the President agreed to pursue discussions and report back to the Board.

136. At the time of the February 21 and March 2, 2001 Board meetings, the information concerning Cirrus' interest in an acquisition of C-Cube was confidential, non-public, and was material information. In fact, the Board of Director's presentation package, entitled "Acquisition Opportunity," was marked "Cirrus Logic Confidential."

The C-Cube Announcement

137. On March 16, 2001, Cirrus executed a confidentiality agreement with C-Cube. C-Cube also, however, executed a confidentiality agreement with another company, LSI, and decided to negotiate with both Cirrus and LSI.

138. On March 26, 2001, LSI announced that it was acquiring C-Cube in an \$878 million transaction in which C-Cube shareholders would receive 0.79 shares of LSI stock in exchange for each share of C-Cube. That day, C-Cube closed at \$13.75, a 56% increase over the prior day's close.

Teo Purchased C-Cube Stock in Advance of the C-Cube Announcement

139. On March 7 and 8, 2001, Teo purchased 30,000 and 5,000 shares, respectively, of C-Cube stock at prices between \$8.94 and \$9.06 per share. On March 28, 2001, Teo sold all of his C-Cube stock at prices ranging from \$12.69 to \$13 per share, thus receiving profits of approximately \$180,012.

Teo Tipped Mitchell Sacks, who Purchased C-Cube Stock in Advance of the C-Cube Announcement

140. Mitchell Sacks shared an office suite in Lyndhurst, New Jersey with Teo's company from at least January 2001 through April 2001. Teo's office was down the hall from Mitchell Sacks, and they shared a receptionist, a telephone line and other common facilities. During this time, Mitchell Sacks talked with Teo on a daily basis.

141. Between April 2001 and March 2002, Teo and Mitchell Sacks operated a hedge fund in which Teo, Phil Sacks, and Mitchell Sacks all invested. Mitchell Sacks learned that Teo was on the Board of Directors of Cirrus in December 2000, when he received a copy of Teo's resume while setting up the hedge fund.

142. On or before March 2, 2001 (before Mitchell Sacks purchased C-Cube stock), Teo told Mitchell Sacks about Cirrus' interest in acquiring C-Cube, as well as the discussion of the other potential merger candidates.

143. On March 2, 2001, Mitchell Sacks purchased 20,000 shares of C-Cube and 20,000 shares in each of two other companies that were discussed at the February 21 Cirrus Board of Directors meeting as potential merger candidates for Cirrus. Mitchell Sacks' C-Cube purchases were at prices between \$8.22 and \$8.28 per share. Mitchell Sacks placed all of the orders through the account of his father, Phil Sacks, for which he exercised trading authority.

144. On March 29, 2001, after the C-Cube Announcement, Mitchell Sacks sold all of the C-Cube shares that he had previously purchased in his father's account at \$14.03 per share, thereby receiving approximately \$115,155 in trading profits.

FIRST CLAIM FOR RELIEF
(Insider Trading in Musicland Securities)

Teo Violated Section 10(b) of the
Exchange Act and Rule 10b-5 Thereunder

145. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 144 above.

146. By virtue of the conduct described above, Teo, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange: (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of material facts or 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; or (3) engaged in acts, practices, or courses of business that operated as a fraud or deceit upon the sellers of Musicland securities.

147. As part of and in furtherance of this violative conduct, Teo, in breach of his fiduciary duties to Musicland shareholders, or other similar duties arising out of a relationship of trust and confidence, purchased Musicland common stock on the basis of material, non-public information about Best Buy's tender offer for Musicland.

148. As part of and in furtherance of this violative conduct, Teo, in breach of his fiduciary duties to Musicland shareholders, or other similar duties arising out of a relationship of trust and confidence, communicated material, non-public information concerning Best Buy's tender offer for Musicland to Teren Seto, Reier, Fortune, Lauzon, Phil Sacks, Herron, Rosen and Ross.

149. Teo knew, or was reckless in not knowing, that he was breaching a fiduciary or other similar duty arising out of a relationship of trust and confidence by making the purchases

of Musicland stock described in this complaint, and by conveying material, non-public information about the tender offer to others.

150. Teo communicated the material, non-public information about the tender offer to Teren Seto, Reier, Fortune, Lauzon, Phil Sacks, Herron, Rosen, and Ross in order to receive a direct or indirect personal benefit.

151. By reason of the acts and practices described above, Teo, singly or in concert, directly or indirectly, violated, and unless permanently enjoined will again violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

SECOND CLAIM FOR RELIEF
(Insider Trading in Musicland Securities)

Teren Seto, Reier, Fortune, Lauzon, Phil Sacks, Herron, Rosen and Ross Violated
Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

152. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 151 above.

153. By virtue of the conduct described above, Teren Seto, Reier, Fortune, Lauzon, Phil Sacks, Herron, Rosen, and Ross, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange: (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of material facts or 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; or (3) engaged in acts, practices, or courses of business that operated as a fraud or deceit upon the sellers of Musicland securities.

154. As part of and in furtherance of this violative conduct, Teren Seto, Reier, Fortune, Lauzon, Phil Sacks, Herron, Rosen, and Ross, on the basis of material, non-public information concerning Best Buy's tender offer for Musicland, purchased Musicland common stock.

155. As part of and in furtherance of this violative conduct, Fortune communicated material, non-public information concerning Best Buy's tender offer for Musicland to Johnston and another individual in the plastics industry, who thereafter purchased Musicland stock.

156. When Teren Seto, Reier, Fortune, Lauzon, Phil Sacks, Herron, Rosen, and Ross purchased Musicland stock, and when Fortune communicated material, non-public information about the tender offer to others, they knew, or were reckless in not knowing, that the information concerning Best Buy's tender offer for Musicland was material and non-public and had been communicated to them as a result of a breach of fiduciary or other similar duty arising out of a relationship of trust and confidence.

157. Fortune communicated the material, non-public information about the tender offer to Johnston and another individual in the plastics industry who thereafter purchased Musicland stock in order to receive a direct or indirect personal benefit.

158. By reason of the acts and practices described above, Teren Seto, Reier, Fortune, Lauzon, Phil Sacks, Herron, Rosen, and Ross, singly or in concert, directly or indirectly, violated, and unless permanently enjoined will again violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

THIRD CLAIM FOR RELIEF
(Insider Trading in Musicland Securities)

Johnston Violated Section 10(b) of the
Exchange Act and Rule 10b-5 Thereunder

159. Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 158 above.

160. By virtue of the conduct described above, Johnston, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange: (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of material facts or 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; or (3) engaged in acts, practices, or courses of business that operated as a fraud or deceit upon the sellers of Musicland securities.

161. As part of and in furtherance of this violative conduct, Johnston, on the basis of material, non-public information concerning Best Buy's tender offer for Musicland, purchased Musicland common stock.

162. When Johnston purchased Musicland stock, he knew, or was reckless in not knowing, that the information concerning Best Buy's tender offer for Musicland was material and non-public and had been communicated to him as a result of a breach of fiduciary or other similar duty arising out of a relationship of trust and confidence.

163. By reason of the acts and practices described above, Johnston, singly or in concert, directly or indirectly, violated, and unless permanently enjoined will again violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

FOURTH CLAIM FOR RELIEF
(Insider Trading in Musicland Securities)

Teo, Teren Seto, Reier, Fortune, Lauzon, Phil Sacks, Herron, Rosen, Ross, and Johnston
Violated Section 14(e) of the Exchange Act and Rule 14e-3 Thereunder

164. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 163 above.

165. By virtue of the conduct described above, by November 3, 2000, Best Buy had taken substantial steps towards commencing its tender offer for the securities of Musicland, including, among other things, holding several confidential meetings and discussions with representatives of Musicland, exchanging financial information, and ascertaining an approximate price at which Best Buy was prepared to acquire Musicland's stock.

166. Teo purchased Musicland common stock on the basis of material, non-public information relating to Best Buy's tender offer for Musicland. At the time of his purchases, Teo knew, or was reckless in not knowing, that the information he possessed concerning Best Buy's tender offer for Musicland was non-public and had been acquired directly or indirectly from Musicland or a person acting on behalf of Musicland.

167. Teren Seto, Reier, Fortune, Lauzon, Phil Sacks, Herron, Rosen, Ross and Johnston purchased Musicland common stock on the basis of material, non-public information relating to Best Buy's tender offer for Musicland. At the time of their purchases, they knew, or were reckless in not knowing, that the information they possessed concerning Best Buy's tender offer for Musicland was non-public and had been acquired directly or indirectly from Musicland or a person acting on behalf of Musicland.

168. Prior to the purchases of Musicland stock by Teo, Teren Seto, Reier, Fortune, Lauzon, Phil Sacks, Herron, Rosen, Ross and Johnston, the material information concerning Best Buy's tender offer for Musicland was not publicly disclosed.

169. By reason of the acts and practices described above, Teo, Teren Seto, Reier, Fortune, Lauzon, Phil Sacks, Herron, Rosen, Ross and Johnston, singly or in concert, directly or indirectly, violated, and unless permanently enjoined will again violate, Section 14(e) of the Exchange Act, 15 U.S.C. § 78n(e), and Rule 14e-3, 17 C.F.R. § 240.14e-3, thereunder.

FIFTH CLAIM FOR RELIEF
(Insider Trading in C-Cube Securities)

Teo Violated Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

170. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 169 above.

171. By virtue of the conduct described above, Teo, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange: (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of material facts or 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; or (3) engaged in acts, practices, or courses of business that operated as a fraud or deceit upon Cirrus and the sellers of C-Cube securities.

172. As part of and in furtherance of this violative conduct, Teo, in breach of his fiduciary or other similar duty arising out of a relationship of trust and confidence with Cirrus and C-Cube, misappropriated, material, non-public information concerning Cirrus' intent to acquire C-Cube and purchased C-Cube common stock on the basis of such information.

173. As part of and in furtherance of this violative conduct, Teo communicated misappropriated material, non-public information concerning Cirrus' intent to acquire C-Cube to Mitchell Sacks.

174. Teo knew, or was reckless in not knowing, that the information concerning Cirrus' intent to acquire C-Cube was material and non-public.

175. Teo knew, or was reckless in not knowing, that he was breaching a fiduciary or other similar duty arising out of a relationship of trust and confidence by making the purchases of C-Cube stock described in this complaint, and by communicating the information to Mitchell Sacks.

176. Teo communicated the misappropriated material, non-public information regarding Cirrus' intent to acquire C-Cube to Mitchell Sacks to receive a direct or indirect personal benefit.

177. By reason of the acts and practices described above, Teo, singly or in concert, directly or indirectly, violated, and unless permanently enjoined will again violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

SIXTH CLAIM FOR RELIEF
(Insider Trading in C-Cube Securities)

Mitchell Sacks Violated Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

178. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 177 above.

179. By virtue of the conduct described above, Mitchell Sacks, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange: (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of material facts or 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; or (3) engaged in acts, practices, or courses of business that operated as a fraud or deceit upon the sellers of C-Cube securities.

180. As part of and in furtherance of this violative conduct, Mitchell Sacks, on the basis of misappropriated, material, non-public information concerning Cirrus' intent to acquire C-Cube, purchased C-Cube common stock.

181. When Mitchell Sacks purchased C-Cube stock, he knew, or was reckless in not knowing, that the information concerning Cirrus' intent to acquire C-Cube was material and non-public and had been communicated to him as a result of a breach of fiduciary or other similar duty arising out of a relationship of trust and confidence.

182. By reason of the acts and practices described above, Mitchell Sacks, singly or in concert, directly or indirectly, violated, and unless permanently enjoined will again violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

SEVENTH CLAIM FOR RELIEF
(Schedule 13D False Filings)

Teo, Teren Seto, and the MAAA Trust Violated Sections 10(b) and 13(d) of the Exchange Act and Rules 10b-5, 12b-20, 13d-1, and 13d-2 Thereunder

183. The Commission repeats and realleges the allegations in paragraphs 1 through 182 above.

184. By virtue of the conduct described above, Teo, Teren Seto, and the MAAA Trust filed materially false and misleading Schedules 13D, and failed to file Schedules 13D when they had a duty to do so, with the Commission: (1) identifying the acquirer of Musicland stock, including beneficial owners possessing voting or investment power through any agreement or

understanding; (2) providing a description of the purpose(s) of the acquisition of Musicland stock, including any plans (i) to affect the issuer's Board of Directors or (ii) to cause an extraordinary corporate transaction, such as a merger or reorganization; (3) identifying the interest of all persons making the filing, including those acting together as a group; (4) disclosing additional information necessary to make the required statements not misleading; and (5) amending Schedules 13D when there were material changes or developments.

185. In connection with the Schedules 13D that Teo, Teren Seto, and the MAAA Trust filed, and the Schedules 13D they failed to file when they had a duty to do so, Teo, Teren Seto, and the MAAA Trust knowingly or recklessly misrepresented, or failed to disclose material information, in connection with their purchases or sales of Musicland securities. As such, Teo, Teren Seto, and the MAAA Trust, singly and in concert, knowingly or recklessly, by use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the purchase or sale of Musicland securities: (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of material fact, or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (3) engaged in acts, practices and courses of business, that operated as a fraud or deceit upon Musicland, purchasers of Musicland securities, and upon other persons.

186. By reason of the foregoing, Teo, Teren Seto, and the MAAA Trust violated, and unless permanently enjoined, will again violate, Sections 10(b) and 13(d) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78m(d), and Rules 10b-5, 12b-20, 13d-1, and 13d-2, 17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13d-1, and 240.13d-2.

EIGHTH CLAIM FOR RELIEF
(Section 16(a) Filings)

Teo, Teren Seto, and the MAAA Trust Violated Section 16(a)
of the Exchange Act and Rules 12b-20 and 16a-3 Thereunder

187. The Commission repeats and realleges the allegations in paragraphs 1 through 186 above.

188. By virtue of the conduct described above, Teo, Teren Seto, and the MAAA Trust filed materially false and misleading, or failed to file with the Commission: (1) Forms 4 for statements of changes in beneficial ownership of their Musicland stock; and (2) Forms 5 at the end of each year in which they continued to have beneficial ownership of ten percent of their Musicland's equity shares.

189. As part and in furtherance of their violative conduct, Teo, Teren Seto and the MAAA Trust filed false Forms 4 and 5, and/or failed to make timely filings when they had a duty to do so, pursuant to Section 16(a) of the Exchange Act.

190. By reason of the foregoing, Teo, Teren Seto, and the MAAA Trust violated, and unless permanently enjoined, will again violate, Section 16(a) of the Exchange Act, 15 U.S.C. § 78p(a), and Rules 12b-20 and 16a-3, 17 C.F.R. §§ 240.12b-20 and 240.16a-3, thereunder.

NINTH CLAIM FOR RELIEF

Ruffolo as a Relief Defendant

191. The Commission repeats and realleges the allegations in paragraphs 1 through 190 above.

192. Ruffolo has obtained funds as part, and in furtherance, of the securities violations alleged above, and under circumstances in which it is not just, equitable or conscionable for Ruffolo to retain the funds. As a consequence, Ruffolo has been unjustly enriched.

RELIEF SOUGHT

WHEREFORE plaintiff respectfully requests that this Court enter a Final Judgment:

A. Permanently enjoining Teo, Teren Seto, Reier, Fortune, Johnston, Lauzon, Phil Sacks, Herron, Rosen, and Ross, their agents, servants, employees, and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 10(b) and 14(e) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78n(e), and Rules 10b-5 and 14e-3, 17 C.F.R. §§ 240.10b-5 and 240.14e-3.

B. Permanently enjoining Mitchell Sacks and the MAAA Trust, their agents, servants, employees, and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

C. Permanently enjoining Teo, Teren Seto, and the MAAA Trust, their agents, servants, employees, and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 13(d) and 16(a) of the Exchange Act, 15 U.S.C. §§ 78m(d) and 78p(a), and Rules 12b-20, 13d-1, 13d-2 and 16a-3, 17 C.F.R. §§ 240.12b-20, 240.13d-1, 240.13d-2, and 240.16a-3.

D. Permanently barring Teo and Rosen from serving as an officer or director of any issuer that has a class of securities registered or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. §78o(d), pursuant to Section 21(d)(2) of the Exchange Act, 15 U.S.C. §78u(d)(2).

E. Ordering Teo, Teren Seto, the MAAA Trust, Reier, Fortune, Johnston, Lauzon, Phil Sacks, Mitchell Sacks, Herron, Rosen and Ross to disgorge the illicit profits they gained as a result of the violations alleged in this Complaint.

F. Ordering Ruffolo to disgorge the unjust enrichment he gained as a result of the violations alleged in this Complaint.

G. Ordering Teo, Teren Seto, the MAAA Trust, Reier, Fortune, Johnston, Lauzon, Phil Sacks, Mitchell Sacks, Herron, Rosen, and Ross to pay civil money penalties pursuant to Sections 21(d) and 21A of the Exchange Act, 15 U.S.C. § 78u(d)(3) and § 78u-1.

H. Granting such other relief as the Court shall deem just and proper.

Dated: April 22, 2004
New York, New York

Respectfully submitted,

By: _____
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