

**NASD
OFFICE OF HEARING OFFICERS**

Department of Market Regulation

Complainant,

v.

Taihwa Terry Ho (CRD No. 843618)

Respondent.

Disciplinary Proc. No.: 20042000053-01
Hearing Officer:

COMPLAINT

Upon information and belief, Complainant, the Department of Market Regulation, alleges as follows:

Summary

1. Between July 2002 and May 2003, Taihwa Terry Ho ("Ho"), while employed as a registered representative of Great Eastern Securities, Inc. ("Great Eastern"), participated in a manipulative scheme or course of business designed to (1) inflate the share price of two OTC Bulletin Board-traded issuers, World Information Technology, Inc. and Cirmaker Industry Company, Ltd., and (2) create the false appearance of active trading in those securities. The manipulative activity involved the entry of customer buy orders at progressively higher prices and the entry of matched orders to buy and sell shares of the two companies in violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), Rule 10b-5 thereunder, and NASD Conduct Rules 2110 and 2120. In addition, Ho failed to disclose to Great Eastern his relationship with these two companies and with a third entity, Biotech Research Fund I, LLC, in violation of

NASD Conduct Rules 2110 and 3030. Finally, Ho testified falsely under oath in connection with the Department's investigation of this matter in violation of NASD Conduct Rule 2110 and Procedural Rule 8210.

Respondent

2. Taihwa Terry Ho (CRD # 843618), age 54, first became registered in the securities industry in 1988 while employed as a registered representative at Lehman Brothers, Inc. Between 1988 and 2002, Ho was employed as a registered representative at five NASD member firms before joining Great Eastern as a registered representative on July 11, 2002. He was permitted to resign on March 11, 2004. Ho resides in Fresh Meadows, New York. He remains subject to NASD jurisdiction pursuant to Article V, Section 4 of NASD By-Laws.

Background on Ho and FS Information

3. Ho first became registered with Great Eastern in July 2002. Ho worked out of a private office in Flushing, New York where he ran a company called FS Information ("FS") with his wife and two business associates, [REDACTED] and [REDACTED] Ho, [REDACTED] and [REDACTED] functioned as intermediaries between U.S. companies and companies in Taiwan looking to go public. Ho was compensated by the companies for the introductions. Ho and his partners also were involved in locating Taiwanese investors to open brokerage accounts with Ho through Great Eastern. The FS office in Flushing had approximately 20 computer terminals set up for Ho's customers to trade stocks using Great Eastern's trading software.

World Information Technology, Inc.

4. Ho's business partners in FS, [REDACTED] and [REDACTED] introduced him to World Information Technology, Inc., a privately-held Chinese company involved in e-commerce ("World Information"), during a trip to Taiwan in the summer of 2002. Ho set up a meeting in Las Vegas

between the company and an unlicensed "investment banker" named Gary Morgan ("Morgan").

Those at the meeting included Morgan, Ho, and two consultants from World Information, [REDACTED] and [REDACTED] brothers"). The [REDACTED] brothers are friends and business associates of Ho.

5. Ho translated for the parties at the meeting and Morgan agreed to help World Information locate a publicly-traded shell company to effect a merger. In exchange for the introduction, World Information agreed to pay Ho 30,000 shares of the company's stock. Thereafter, on December 17, 2002, World Information announced its intent to merge with a publicly-traded shell company called EZ Travel ("EZTL").

Ho's Customers Bid Up EZTL's Stock Price

6. When EZTL announced its merger with World Information, Ho notified his customers, including his wife, and partners, [REDACTED] and [REDACTED] that the company's shares had begun trading on the OTC Bulletin Board. Ho's customers, including the [REDACTED] brothers, immediately began placing electronic orders for EZTL, bidding up its share price. Between December 18, 2002 and January 8, 2003, the company's share price increased from \$2.50 to \$6.00, with Ho's customers representing 100% of the customer buy volume in EZTL shares on five of those days and a significant portion of the customer buy activity for the remaining days.

Ho's Customers Place 90 Matched Orders for EZTL

7. After bidding up the price to \$6.00, Ho's customers began placing matched orders for EZTL at successively higher prices via Great Eastern's remote access trading system. Each pair of matched limit orders was placed at or near the same time and each account holder directed that the order be routed through an ECN called Globenet for execution. In total, between January 8 and February 28, 2003, Ho's customers directed approximately 90 limit orders to Globenet resulting in at

least 43 matched trades. Customers placing the matched orders included Ho's wife, Ho's two partners, [REDACTED] and [REDACTED] and the [REDACTED] brothers.

8. The majority of matched orders occurred between Hsiao and the Yang brothers. They traded EZTL at progressively higher prices and accounted for most of the total reported volume on some days. In several instances, there was no reasonable economic purpose to the transactions. In at least one instance, they executed a trade above the inside ask.

9. For example, on January 13, 2003 there were only three reported trades in EZTL, all of which were placed by the [REDACTED] brothers. The first trade occurred at 9:59 a.m. when [REDACTED] Yang sold 200 EZTL shares at \$6.83 to his brother. Less than an hour later, while the inside was \$5.00 bid, \$6.80 ask, he bought another 200 shares from his brother at \$7.13, 33 cents above the best asking price at the time. At 11:28 a.m. he sold 200 shares back to his brother at \$6.79. His buy above the inside ask price followed by his sale back to his brother at a loss served no legitimate economic purpose. The trades represented 100% of the volume on that day.

10. [REDACTED] brother, [REDACTED] also matched orders with Hsiao in trades that lacked a reasonable economic purpose. For example, on January 23, 2003, Hsiao sold 500 shares at \$7.35 a share to [REDACTED]. Later that same day, [REDACTED] re-purchased 100 EZTL shares from [REDACTED] at \$7.60 a share, which was above his previous selling price, on total volume of only 2900 shares that day.

11. Other coordinated trades pushed EZTL's share price to progressively higher levels. On February 18, 2003, for example, there were 600 total shares reported based on only two transactions. The first trade occurred at 12:53 p.m. when [REDACTED] sold 200 EZTL shares at \$8.25 to one of the [REDACTED] brothers. The second occurred two minutes later when [REDACTED] sold another 100 EZTL shares to the other brother at \$8.40. Similarly, another single matched trade between the

■■■■ brothers in March 2003 pushed the EZTL share price through the \$9.00 price threshold. On March 3, 2003, ■■■■ sold 100 EZTL shares at \$9.20 a share to his brother. The single trade represented 100% of the volume for the day.

12. Ho reviewed his customers' trading (including trades entered by his wife, business partners, ■■■■ and ■■■■ and the ■■■■ brothers) on a daily basis and had real-time access to their accounts. Ho knew that his customers were communicating with each other and that they were trading EZTL among themselves.

13. In particular, Ho knew that his partner, ■■■■ was entering matched orders with the ■■■■ brothers' accounts and that the ■■■■ were entering matched orders between their own accounts. On or about January 13, 2003, Ho learned that the ■■■■ brothers had entered a matched order between their accounts that was executed 33 cents above the inside quote at the time. Notwithstanding this knowledge, Ho permitted the ■■■■ to continue to enter matched orders in EZTL through at least the end of February 2003. Likewise, Ho permitted other customer accounts, including those controlled by his wife and partners, ■■■■ and ■■■■ to continue to enter matched trades in EZTL through the end of April 2003.

14. Finally, Ho knew that his customers were entering matched orders for EZTL for the purpose of creating the appearance of active trading in the market. He knew his customers were "desperate" to create a market for the new company.

15. Trading in EZTL generated approximately \$3,640 in commissions for Ho between December 17, 2002 and April 28, 2003.

Cirmaker Industry Company, Ltd.

16. Ho's partners, ■■■■ and ■■■■ also introduced him to a second privately-held Chinese company, Cirmaker Industry Company, Ltd. ("Cirmaker"), during the same summer of 2002. Just as

he did in the World Information deal discussed above, Ho arranged a meeting between Cirmaker and Morgan for the purpose of locating a public shell to merge with Cirmaker. In exchange for the introduction, Cirmaker issued 200,000 shares to FS partner, [REDACTED]. These shares were sold for \$150,000, transmitted to FS, and the proceeds split among [REDACTED] Ho, and [REDACTED] with [REDACTED] receiving \$100,000, Ho \$30,000 and [REDACTED] \$20,000.

Ho Introduces His Customers to Cirmaker

17. Between August and November 2002, Ho opened several new customer accounts for old shareholders of Cirmaker and for persons associated with Cirmaker's investment banker, Mr. Lin. Ho also invited Mr. Lin to his office in Flushing, New York. During the office visit, Mr. Lin invited Ho, his wife and several customers to lunch at a nearby restaurant and used the opportunity to introduce Cirmaker to Ho's customers. Thereafter, Ho hosted a second gathering of his customers and Cirmaker's investment bankers at his home. According to Ho, his customers were interested in Cirmaker because it was a "new issue" and a Taiwanese company.

Ho's Customers Bid Up the Company's Share Price

18. Beginning in late November 2002, and shortly before Cirmaker announced its intent to merge with a public shell called Wrestle-Plex Sports Entertainment Group, Ltd ("WPLX"), Ho spoke again with his customers about Cirmaker and the customers immediately began placing orders for WPLX, via Great Eastern's remote access trading system, bidding up its share price. Prior to these trades by Ho's customers, there had been no public market for WPLX. Between November 29, 2002 and December 18, 2002, Ho's customers accounted for 100% of the customer buy activity in WPLX shares on four of those days and accounted for a significant portion of the customer buy volume for the remaining days. From late November 2002 through mid-January 2003, WPLX's

share price increased from \$1.01 to \$5.75, with most of the customer demand being generated by Ho's partners, his customers, and by accounts connected with Morgan.

Ho's Customers Place 30 Matched Orders in WPLX

19. Beginning on December 31, 2002 and continuing through May 16, 2003, Ho's customers placed 30 limit orders in WPLX that resulted in 15 matched trades. As was the case with EZTL, Ho's customers entered their buy and sell orders simultaneously and at or near the same price. Each order was routed to Globenet ECN for execution. Ho's partner, [REDACTED] was involved in 12 out of the 15 trades, matching orders with Ho's wife, one of the [REDACTED] brothers, and a third customer. In one instance, Ho's wife placed simultaneous matched orders on both sides of the market through Globenet by selling 100 shares from her father's account while entering an identical buy order for her sister's account.

20. Once again, Ho knew that his customers were entering matched orders for WPLX but took no steps to stop the manipulative activity.

21. Ho earned approximately \$5,132 in WPLX commissions between November 29, 2002 and May 16, 2003.

The Biotech Research Fund I, LLC

22. Also in approximately July 2002, Morgan told Ho that he was looking for someone to manage his Biotech Research Fund I, L.L.C. ("Biotech Fund") and Ho told him that he was interested. A few weeks later, Morgan invited Ho to Denver to visit GeneThera, Inc., a publicly-traded company involved in research on chronic wasting disease ("GeneThera"). Ho met Morgan in Colorado and they toured GeneThera's laboratory facilities. Morgan contacted Ho again in August 2002 asking him to provide a comment on GeneThera to be included in a press release announcing the fund's intention to invest in the company.

23. On August 21, 2002, GeneThera issued a press release identifying Ho as the "managing member" of Biotech Fund. The press release announced that the fund had committed to provide a \$1 million line of credit to GeneThera. Ho testified that he authorized the use of his name in the release. The release quoted Ho with the following statements:

Our fund believes that GeneThera has a market lead with its blood test for contaminants in live animals.

After an extensive review of the product in the GeneThera lab, we believe that once the Company completes its validation process within the agriculture and veterinary community, commercial demand for its product will be compelling.

24. Ho did not promptly disclose his role in Biotech Fund, either orally or in writing, or his relationship with Gary Morgan to his employer, Great Eastern.

False Testimony Under Oath

25. Ho testified under oath before the staff on February 26, 2003 and again on October 16, 2003 in connection with the staff's investigation of this matter. When first questioned about his relationship with Morgan and about outside business activities on February 25, 2003, Ho provided false, misleading and incomplete testimony. Specifically, Ho testified that he had had no other business relationship with Morgan, other than his brief role serving as managing member of the Biotech Fund. Ho failed to disclose that he had introduced Morgan to World Information and to Cirmaker.

26. Similarly, when questioned on February 26, 2003 about any other outside business activities, Ho failed to disclose his relationship with World Information and with Cirmaker. He failed to disclose that he had provided services to these companies and that he continued to have a business relationship with them. In fact, at the time of Ho's February 26, 2003 testimony, Ho was working directly with the chief executive officer of EZTL to link EZTL's website with World

Information's website. Indeed, between approximately February 25, 2003 one day before his testimony, through March 4, 2003, Ho communicated with the CEO in a series of e-mails which culminated in a March 4, 2003 e-mail from EZTL's CEO advising "I look forward to a long and prosperous business relationship."

27. In addition, when questioned on February 26, 2003 about receipt of compensation, Ho failed to disclose his agreement with World Information to receive shares of the company in exchange for introducing the company to Morgan. Likewise, Ho failed to disclose his compensation arrangement with Cirmaker pursuant to which he was paid \$30,000.

28. Finally, Ho testified falsely on February 26, 2003 that he did not discuss securities with his clients and that he did not know how his customers learned of the companies in which they traded.

29. *Ho had motive to conceal his relationships with World Information and Cirmaker.* At the time he appeared before the staff in February 2003, the customer accounts at Great Eastern were engaged in manipulative matched trading in EZTL and WPLX.

30. Ho appeared again before the staff for sworn testimony on October 16, 2003. During that session, Ho admitted his outside business activities with World Information and with Cirmaker. He admitted that he had introduced World Information to Morgan in Las Vegas during the summer of 2002. Likewise, he admitted he had introduced Cirmaker to Morgan in a similar meeting. Ho also admitted his compensation arrangements with World Information and Cirmaker. Finally, Ho admitted that he introduced his customers to the two companies, that he subsequently communicated with his customers about the companies, and that his customers communicated with other persons associated with the companies.

Ho Did Not Disclose His Outside Business Activities to Great Eastern

31. Ho did not disclose promptly, either orally or in writing, to his employer, Great Eastern, that he accepted \$30,000 from Cirmaker for introducing the company to Morgan. Nor did he disclose his agreement to introduce World Information to Morgan in exchange for 30,000 shares of the company's stock. Nor did he disclose his agreement with Morgan to serve as "managing member" or spokesperson for the Biotech Fund.

CAUSE ONE

Respondent Ho Participated in a Scheme to Defraud or Engaged in Acts, Practices or a Course of Business that Operated As a Fraud as to the Nature of the Markets for World Information and Cirmaker

(Violations of Section 10(b) of the Exchange Act, Rule 10b-5 thereunder and NASD Conduct Rules 2110 and 2120)

32. The allegations set forth above in paragraphs 1 through 31 are re-alleged and incorporated by reference.

33. From approximately July 2002 through May 2003, Respondent Ho, in connection with the purchase or sale of securities, and by the use of means or instrumentalities of interstate commerce, or by the mails, directly or indirectly, knowingly or recklessly: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material facts or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person.

34. Specifically, Respondent Ho knowingly or recklessly participated in a manipulative scheme or engaged in acts, practices or a course of business to inflate the share prices of World Information and Cirmaker, and to create the false appearance of an active trading market in those securities through the entry of customer buy orders at progressively higher prices and through the entry of matched orders to buy and sell shares of these companies, as described in this Complaint.

35. By reason of the foregoing conduct, Ho violated the antifraud provisions of the federal securities laws contained in Section 10(b) of the Exchange Act, Rule 10b-5 thereunder, and NASD Conduct Rules 2110 and 2120.

CAUSE TWO

Respondent Ho Aided and Abetted Illegal Manipulative Trading in the Securities of World Information and Cirmaker

(Violations of NASD Conduct Rule 2110)

36. The allegations set forth above in paragraphs 1 through 35 are re-alleged and incorporated by reference.

37. In the alternative to the allegations set forth in paragraphs 33-35, the buy orders placed at progressively higher prices and the matched orders to buy and sell shares of World Information and Cirmaker created the false appearance of active trading in these securities and were illegal manipulative acts that violated federal securities laws and NASD rules.

38. Respondent Ho substantially assisted this illegal manipulative conduct by setting in motion the critical initial stages of the fraudulent scheme or course of business. Ho located the private companies. He arranged the meetings between Morgan, EZTL and WPLX. He opened new customer accounts for the purpose of buying the stocks. He introduced customers to representatives of the companies and directed the customers as to when to begin trading. In addition, he monitored his customer accounts daily and was aware of, but failed to prevent, these accounts from engaging in illegal price-rigging and matched orders, in contravention of his duty to take action.

39. As an experienced securities professional, Ho was on notice and either knew or was reckless in not knowing that his conduct was part of an overall course of conduct that was improper.

40. By reason of the foregoing conduct, Ho violated NASD Conduct Rules 2110 by aiding and abetting the illegal manipulative acts described in this Complaint.

CAUSE THREE

Respondent Ho Failed to Observe High Standards of Commercial Honor and Just and Equitable Principles of Trade

(Violations of NASD Conduct Rule 2110)

41. The allegations set forth above in paragraphs 1 through 40 are re-alleged and incorporated by reference.

42. In the alternative to the allegations set forth in paragraphs 33-35 and 37-40, by participating in, and failing to prevent, the illegal manipulative conduct related to the trading in World Information and Cirmaker, Ho failed to maintain the high standards of commercial honor and just and equitable principles of trade that all associated persons and registered securities professionals are required to observe.

43. By reason of the foregoing conduct, Ho violated NASD Conduct Rule 2110.

CAUSE FOUR

Respondent Ho Provided False and Misleading Sworn Testimony

(Violations of NASD Conduct Rule 2110 and Procedural Rule 8210)

44. The allegations set forth above in paragraphs 1 through 43 are re-alleged and incorporated by reference.

45. Ho provided false, misleading, and incomplete sworn testimony before the staff on February 26, 2003. Specifically, Ho provided false, misleading and incomplete testimony concerning his relationship with Morgan, World Information, and Cirmaker, and concerning his compensation related to these relationships. He further provided false information concerning his communications with his customers about these companies.

46. By reason of the foregoing, Ho violated NASD Conduct Rule 2110 and Procedural Rule 8210.

CAUSE FIVE

Respondent Ho Failed to Disclose Outside Business Activity

(Violations of NASD Conduct Rules 2110 and 3030)

47. The allegations set forth above in paragraphs 1 through 46 are re-alleged and incorporated by reference.

48. Ho failed to provide prompt written notice to his employer, Great Eastern, of his outside business activities and his compensation resulting from those activities. Specifically, Ho failed to disclose his role as managing member and spokesperson for the Biotech Fund and failed to disclose his compensation from and business association with World Information and Cirmaker.

49. By reason of the foregoing conduct, Ho violated NASD Conduct Rules 2110 and 3030.

REQUEST FOR RELIEF

WHEREFORE, Complainant respectfully requests:

- A. Findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. An order imposing sanctions upon the Respondent in accordance with NASD Rule 8310;
- C. An order requiring Respondent to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- D. An order imposing such costs of any proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330; and
- E. An order imposing any other fitting sanction.

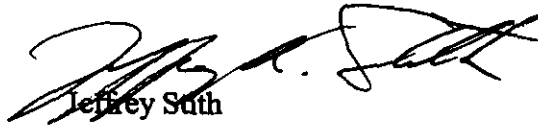
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