

STATE OF CALIFORNIA  
BUSINESS, TRANSPORTATION AND HOUSING AGENCY  
DEPARTMENT OF CORPORATIONS

TO: Norman Hsu (aka Yung Yeun Hsu)  
Next Components, Ltd.  
Components, Ltd.

1431 Broadway, 10<sup>th</sup> Floor  
New York, New York 10018

160 Wooster Street, 3c  
New York, New York 10012

**DESIST AND REFRAIN ORDER**

**(For violations of sections 25110 and 25401 of the Corporations Code)**

The California Corporations Commissioner finds that:

1. At all relevant times herein, Norman Hsu, (aka Yung Yeun Hsu), Next Components, Ltd. and Components, Ltd. were located at: 1431 Broadway, 10<sup>th</sup> Floor, New York, New York 10018 and 160 Wooster Street, 3c, New York, New York 10012.

2. Next Components, Ltd. and Components, Ltd. are New York corporations. Neither entity has filed as a foreign or domestic corporation with the California Secretary of State. Neither entity has filed as a foreign or domestic limited liability company (LLC) nor limited partnership (LP) with the California Secretary of State.

3. At all relevant times, Hsu has held himself out as the owner, principal and control person of both Next Components, Ltd. and Components, Ltd.

4. In or about 1989, Hsu raised approximately \$1,000,000 through the offer and sale of securities to California investors to purportedly fund his latex glove business. In 1990, Hsu declared bankruptcy. In 1991, the California Attorney General charged Hsu with grand theft after concluding that Hsu had engaged in a "Ponzi" scheme by using investor money to pay returns to earlier investors and otherwise misusing the investor funds for Hsu's own benefit. In 1992, Hsu pled no contest to one

1 count of grand theft and stipulated to serve up to three years in California state prison. However, Hsu  
2 failed to appear to the sentencing hearing and fled to Hong Kong, China.

3 5. At some point after 1998, Hsu returned to the United States as a fugitive, resided  
4 in the state of New York and formed Next Components, Ltd. and Components, Ltd.

5 6. Beginning in or about early 2005, Hsu, Next Components, Ltd. and Components, Ltd.  
6 offered securities in the form of investment contracts, which were entitled "Agreement" and  
7 "Addendum" to California investors, raising approximately \$60,000,000.

8 7. Hsu, Next Components, Ltd. and Components, Ltd. distributed no offering materials  
9 nor promotional advertising materials for these securities other than sending out e-mails to California  
10 investors briefly describing the investment opportunity and the terms and conditions of the  
11 investment. California investors then pooled their money and sent Hsu, Next Components, Ltd. and  
12 Components, Ltd a single check. In return, Hsu, Next Components, Ltd. and Components, Ltd. would  
13 execute an "Agreement" or "Addendum" which was signed by Hsu. Hsu, Next Components, Ltd. and  
14 Components, Ltd. would also give investors a single post-dated check that would be made payable  
15 for both the principal and interest.

16 8. Hsu, Next Components, Ltd. and Components, Ltd offered and sold over 40 of these  
17 securities from March 2003 through August 2007 to California investors.

18 9. In 2006, Hsu required as a prerequisite of investing with Hsu, Next Components, Ltd.  
19 and Components, Ltd., that investors make political contributions in the maximum amount allowable  
20 under federal election law to specific Democratic Party presidential political campaigns.

21 10. Beginning in about May 2007 through August 2007, Hsu, Next Components, Ltd. and  
22 Components. Ltd. offered and sold securities in the form of "Agreements" and "Addendums" with  
23 California investors totaling approximately \$28,000,000. The post-dated checks provided by Hsu,  
24 Next Components, Ltd. and Components. Ltd. to the California investors have not been honored by  
25 the issuing bank as the bank account contains insufficient funds.

26 11. In connection with the offer and sale of these securities, Hsu, Next Components, Ltd.  
27 and Components, Ltd. made, or caused to be made, misrepresentations of material fact or omitted to  
28 state material facts necessary in order to make the statements made, in the light of the circumstances

1 under which they were made, not misleading. These misrepresentations and omissions included, but  
2 are not limited to the following:

- 3 a) Hsu declared bankruptcy in 1991;
- 4 b) Hsu used investor money in 1989-1991 for his own personal benefit and to repay interest to  
5 earlier investors in a “Ponzi” scheme;
- 6 c) Hsu was arrested, pled no contest, and was convicted in 1992 in San Mateo County,  
7 California of grand theft charges relating to a “Ponzi” scheme;
- 8 d) Hsu was a fugitive after he failed to appear to his sentencing hearing in San Mateo County,  
9 California in 1992;
- 10 e) Hsu fled the United States to avoid a three year California state prison sentence;

11 Based on the foregoing findings, the California Corporations Commissioner is of the opinion  
12 that the securities offered and sold by Hsu, Next Components, Ltd. and Components, Ltd. in the form  
13 “Agreements”, “Addendums”, are securities subject to qualification under the California Corporate  
14 Securities Law of 1968 and are being or have been offered and sold without being qualified, in  
15 violation of Section 25110 of the Corporate Securities Law of 1968.

16 Pursuant to Section 25532 of the Corporate Securities Law of 1968, Norman Hsu (aka Yung  
17 Yeun Hsu), Next Components, Ltd. and Components, Ltd. are hereby ordered to desist and refrain  
18 from the further offer or sale in the State of California of securities, including, but not limited to  
19 investment contracts in the form of “Agreements” and “Addendums”, unless and until qualification  
20 has been made under said law or unless exempt. The offer and sale of such securities is subject to  
21 qualification under said law and such securities are being or have been offered for sale without first  
22 being so qualified.

23 Further, the California Corporations Commissioner is of the opinion that the securities offered  
24 and sold by Norman Hsu (aka Yung Yeun Hsu), Next Components, Ltd. and Components, Ltd. were  
25 offered and sold in this state by means of written or oral communications that included untrue  
26 statements of material fact or omitted to state material facts necessary in order to make the statements  
27 made, in the light of the circumstances under which they were made, not misleading, in violation of  
28 section 25401 of the Corporate Securities Law of 1968.

1 Pursuant to Section 25532 of the Corporate Securities Law of 1968, Norman Hsu (aka Yung  
2 Yeun Hsu), Next Components, Ltd. and Components, Ltd. are hereby ordered to desist and refrain  
3 from offering or selling or buying or offering to buy any security in the State of California, including,  
4 but not limited to investment contracts in the form of "Agreements" and "Addendums", by means of  
5 any written or oral communication which includes an untrue statement of a material fact or omits to  
6 state a material fact necessary in order to make the statements made, in the light of the circumstances  
7 under which they were made, not misleading.

8 This Order is necessary, in the public interest, for the protection of investors and consistent  
9 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

10  
11 Dated: October 3, 2007  
12 Los Angeles, California

13 PRESTON DuFAUCHARD  
14 California Corporations Commissioner

15  
16 By: \_\_\_\_\_  
17 ALAN S. WEINGER  
18 Lead Corporations Counsel  
19 Enforcement Division  
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