

ORIGINAL

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

<p align="center">U.S. DISTRICT COURT NORTHERN DISTRICT OF TEXAS FILED</p> <p align="center">APR 3 2009</p> <p align="center">CLERK, U.S. DISTRICT COURT By _____ Deputy</p>
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SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

OVERSEA CHINESE FUND LIMITED
PARTNERSHIP, WEIZHEN TANG &
ASSOCIATES, INC., WEIZHEN TANG CORP.,
WINWIN CAPITAL MANAGEMENT, LLC,
WINWIN CAPITAL LIMITED PARTNERSHIP,
J.O.R. & ASSOCIATES, LLC, AND
WEIZHEN TANG,

Defendants,

and

WINWIN CAPITAL PARTNERS, LP,
BLUEJAY INVESTMENT LLC d/b/a VINTAGE
INTERNATIONAL INVESTMENT LLC,

Relief Defendants.

Civil Action No.:

8-09 CV 0614 - B

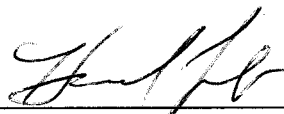
**APPENDIX IN SUPPORT OF APPLICATION FOR ISSUANCE OF AN *EX PARTE*
TEMPORARY RESTRAINING ORDER, PRELIMINARY INJUNCTION, AND OTHER
EMERGENCY RELIEF**

The Securities and Exchange Commission submits the attached appendix in support of its Application for Order Appointing Receiver. The appendix contains:

1. Declaration of B. David Frasier App. 1 – App. 203

Dated: April 3, 2009.

Respectfully Submitted,



Harold R. Loftin, Jr.
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ORIGINAL

DECLARATION OF B. DAVID FRASER

I, B. David Fraser, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct, and that I am competent to testify to the matters stated herein.

1. I am an attorney licensed to practice law in the State of Texas and have been since September 1999. I am currently employed as an Enforcement Attorney with the United States Securities and Exchange Commission (the "Commission") in its Fort Worth Regional Office in Fort Worth, Texas. I have been employed by the Commission as an Enforcement Attorney since January 2005.

2. As part of my duties with the Commission, I have participated in an investigation into the activities of an individual named Weizhen Tang of Toronto, Ontario, his Toronto-based hedge fund (Oversea Chinese Fund Limited Partnership), a Plano, Texas-based limited partnership (WinWin Capital Limited Partnership) that he owns and controls, and other related individuals and entities. As part of this investigation, I have: (i) interviewed many investors of WinWin Capital Limited Partnership and the Oversea Chinese Fund Limited Partnership, (ii) interviewed two of the managers of WinWin Capital Limited Partnership, (iii) obtained and reviewed documents from these individuals, (iv) obtained and reviewed bank and brokerage account records, and (v) performed background research on each related individual and entity. The information obtained from my investigation is set forth below.

3. Weizhen Tang, a Chinese Canadian living in the Greater Toronto Area, is a prominent figure in the Chinese community in North America. In December 2001, Tang

created the Oversea Chinese Fund Limited Partnership (the "Hedge Fund") under the laws of the province of Ontario. Hedge Fund offering documents provide that:

- (i) the Hedge Fund has been active since 2004;
- (ii) Tang is the trading manager and Weizhen Tang & Associates, Inc. ("WTA") is the general partner;
- (iii) the offering started in May 2004;
- (iv) "prospected partners must be qualified accredit (sic) investors only" [citing Rule 501 of Reg D];
- (v) the minimum initial investment in the Hedge Fund is \$150,000; and
- (vi) "[b]ased on past performance . . . the system [Tang] will utilize has produced an average return of 32% per year for index and currencies."

Attached to this Declaration as Exhibit A is a true and correct copy of a Hedge Fund offering document that I obtained from an investor in this case.

4. According to the Hedge Fund's website (www.wtang.com), Tang, during the four years since the Hedge Fund was established, achieved an "average annual return rate [of] over 40%" by:

- integrating stock indexes, foreign exchanges, and futures into reliable short-term speculations;
- seeking "consistent returns with minimum risk: 1% weekly profit;" and
- keeping "99% of the total investment pool outside the market for safekeeping, while amplifying the remaining 1% with certain leverage. In this way, Tang claims to be able to put a cap on the maximum loss while generating steady and continuous returns ("Trading Strategy").

Tang's purported investment strategy is to invest 99 percent of the total investment pool in conservative investments and 1 percent of the investment pool in speculative, leveraged, short-term investments. Attached to this Declaration as Exhibit B are true and correct copies of pages printed off the Hedge Fund's website.

5. The Hedge Fund provides each investor with a personalized username and password that he or she can use to access account statements on the Hedge Fund's website that show *daily* updates of the value of each investor's account. Investors can also see deposits into and withdrawals out of their accounts. According to investors, the Hedge Fund consistently updated their account statements on a daily basis. A review of recent investor account statements reveals that account information was last updated on February 25, 2009 and has not been updated since then.

6. The Hedge Fund does not charge investors a fee on the first six percent of profit, based on Tang's philosophy of "no profit, no charge." Exhibit B. The Hedge Fund, however, charges a 25 percent "management fee" on any additional profit.

7. Based on investor interviews, the Hedge Fund is comprised of more than 200 investors who have collectively invested \$50 – 75 million. On behalf of the Hedge Fund, Tang solicited U.S. investors who invested directly in the Hedge Fund.

8. In November 2006, Tang kickstarted his efforts to raise capital for his Hedge Fund from U.S. investors. He directed Jiehua "Jay" Yu, a longtime friend and existing investor, to create entities in the U.S. to recruit investors for his Hedge Fund and to collect investor funds. Accordingly, Yu filed the necessary paperwork with the Texas Secretary of State to create WinWin Capital Limited Partnership ("WinWin Partners") and J.O.R & Associates, LLC. ("JOR"). JOR's initial members were Yu, Xiaohong Peng, and Richard Gu.

9. On January 1, 2007, Yu, Gu, and Peng transferred and assigned their membership (ownership) interests in JOR to Tang. Attached to this Declaration as Exhibit C are true and correct copies of documents evidencing the transfer and

assignment of membership interests to Tang. Tang retained Yu, Gu, and Peng to manage JOR and established an annual budget of \$200,000 for their services. Attached to this Declaration as Exhibit D is a true and correct copy of the “Compensation Agreement for All Managers of J.O.R Associates LLC.” According to Yu and Peng, Tang has only made one payment of \$200,000 since January 2007.

10. WinWin Partners’ partnership agreement sets forth that:

- JOR is its general partner;
- “[p]rospected investors must be qualified accredited investors only;”
- the minimum investment in WinWin Partners is \$100,000 and partnership interests are sold in units; one unit costs \$50,000;
- the “purpose of the partnership is to invest the capital of the Partnership in such investments as [JOR] shall determine in its sole discretion to be advisable or advantageous to the Partnership;”
- JOR will receive a “management fee” equal to 25 percent of all net profits which exceed a 6 percent return; and
- each partner shall have the right to copy, and to require an audit of, WinWin Partners’ “books of account.”

Attached to this Declaration as Exhibit E is a true and correct copy of the Partnership Agreement of WinWin Partners. Based on interviews of investors, I was not able to determine that JOR took any actions to make sure investors were accredited.

11. Since at least November 2007, Tang has directly and indirectly solicited U.S. investors to invest in the Hedge Fund. At least two U.S. investors have directly invested in the Hedge Fund through Tang’s website solicitation. Tang has further indirectly solicited U.S. investors by causing the creation of WinWin Partners and by offering and selling limited partnerships interests in the entity. WinWin Partners’ sole business is investing partnership capital in the Hedge Fund.

12. Each individual investor in WinWin Partners obtains a personalized username and password to access individualized account statements on the Hedge Fund's website in a manner identical to those investors who invested directly with the Hedge Fund. Attached to this Declaration as Exhibit F are true and correct copies of account statements printed off the Hedge Fund's website by WinWin Partners' investors. Even though Tang's U.S. investors were limited partners in WinWin Partners, Tang created an account for each investor on his website in Canada. Using internet access, each U.S. investor accessed an account that purported to represent the investor's current investment results, including daily and cumulative trading results. According to Yu and Peng, if a U.S. investor desired to withdraw some, or all, of the investment with Tang, a form was submitted to WinWin Partners to redeem the investor's interest in the Hedge Fund. These redemption requests were processed in Texas, but were not paid unless Tang personally approved the redemption request. Once approved, a check or a wire transfer was arranged by WinWin Partners to deliver funds pursuant to the redemption request.

13. According to records provided by Yu and Peng, WinWin Partners has raised almost \$17.3 million in principal investments from approximately 75 (mostly) Dallas-area investors. WinWin Partners has returned nearly \$8.4 million to investors, of which at least \$700,000 was characterized as profits and was used to compute management fees due to JOR. Thus, nearly \$9.6 million in investor principal remains unaccounted for.

14. In February 2008, Tang visited Dallas to meet with investors, to showcase his trading platform, and to solicit investments. During this visit, many WinWin Partners' investors expressed a concern to Tang about the transparency of the Hedge Fund's

investment activities using their funds. These investors suggested that Tang operate a separate hedge fund in the U.S. to trade U.S. investor funds.

15. According to Yu, Tang directed Yu to create two more entities in the Summer of 2008: WinWin Capital Partners, LP and WinWin Capital Management, LLC (the "Adviser"). Yu created WinWin Capital Partners LP under the laws of the state of Delaware and the Adviser under the laws of the state of Texas. Tang further directed Yu to register the Adviser as an investment adviser with the state of Texas, which she did in July 2008. In investment adviser registration filings in July 2008, Tang was listed as a managing member, owner, and control person of the Adviser.

16. A private offering memorandum for WinWin Capital Partners, LP sets forth that:

- the minimum investment in WinWin Capital Partners, LP is \$250,000;
- the Adviser serves as the general partner and investment adviser;
- the Adviser will receive a 1 percent annual management fee "of the Partnership's net assets allocable to Limited Partners;" and
- the primary investment objective is growth of capital and the "business of the Partnership is buying and selling securities of medium to large capitalized companies, including stocks, warrants, rights and options of U.S. and non-U.S. entities."

Attached to this Declaration as Exhibit G is a true and correct copy of a Private Offering Memorandum for WinWin Capital Partners, LP. According to Yu and Peng, WinWin Capital Partners, LP was created to serve as a U.S. version of Tang's Toronto-based Hedge Fund to provide Tang's U.S. investors with greater transparency over his investment decisions affecting their funds.

17. From January 26 – 30, 2009, Tang conducted a public, real-time demonstration of his trading operations and strategy at his office in Toronto. Tang invited prospective investors, existing investors, and the media to attend. After watching Tang's public demonstration, many investors became concerned about their investments, because Tang was unable to duplicate the percentage returns that the Hedge Fund had purported to achieve – as reflected in the investors' account statements on the Hedge Fund website.

18. On February 7, 2009, Tang sent an e-mail to all Hedge Fund investors, acknowledging that the public demonstration had failed. Attached to this Declaration as Exhibit H are true and correct copies of the February 7, 2009 e-mail from Tang in Chinese and, as translated by an investor, in English. Although Tang claimed not to have lost money during the demonstration, he conceded that the results were far from his stated goal of one percent per week. As an apparent result of the demonstration's failure, many investors lost confidence in his trading abilities and closed their accounts or attempted to withdraw large amounts of money from the Hedge Fund. Tang informed investors that the Hedge Fund had insufficient assets from which to pay the withdrawal requests. And Tang vowed to return all principal to investors within six months, and noted that it would not affect the Hedge Fund's normal operation.

19. On February 27, 2009, approximately 200 Hedge Fund investors met with Tang in Toronto. Among the attendees at the meeting was a contingent of Dallas-area investors. During the meeting, many investors confronted Tang about his repeated failures to honor withdrawal requests. In response, Tang admitted that (i) the Hedge Fund had no more money, (ii) deposits into the Hedge Fund by recent investors had been

used to pay withdrawals and purported profits to earlier investors, and (iii) the information posted on the Hedge Fund's website, showing the daily value of each investor's account, was false.

20. Several subsequent investor meetings occurred in the Dallas area the days after Tang's revelation. At one such meeting, approximately 40 Dallas-area investors elected twelve investors to serve on a volunteer committee (the "Dallas Committee") and act on their behalf to investigate Tang's fraud and to report back to all Dallas-area investors. Similarly, Hedge Fund investors in the Toronto-area had previously selected its own committee of investors (the "Toronto Committee").

21. On March 6, 2009, a California investor spoke directly with Tang by telephone. During this conversation, Tang admitted that:

- the Hedge Fund sustained trading losses in 2006 and the first part of 2007;
- he posted fake profits on the Hedge Fund's website in order to conceal his losses and to attract more investors and more money;
- because of the huge trading losses in 2006 and 2007, he was not able to follow his Trading Strategy; and
- he did not conduct very much trading in 2008, because there was not much money with which to trade.

22. Later that day (March 6th), during a conference call with a group of Dallas-area investors (some of whom were in Toronto with him), Tang further revealed that:

- the Hedge Fund sustained trading losses of \$15 million in 2006 and 2007;
- he conducted very limited trading in 2008, because there was not much money with which to trade;
- he used deposits from more recent investors to pay earlier investors when they sought to withdraw funds (principal and fake profits) from their accounts; and

- investor deposits into the Hedge Fund were pooled together and commingled in a Hedge Fund account at Bank of Montreal.

23. On March 8, 2009, Tang sent an e-mail to all Hedge Fund investors (including each investor in WinWin Partners), acknowledging that the purported profits he and the Hedge Fund listed in each investor's account statement on the Hedge Fund's website were false. Attached to this Declaration as Exhibit I are true and correct copies of the March 8, 2009 e-mail from Tang in Chinese and, as translated by an investor, in English. Tang also claimed that, during the last three years, he and the Hedge Fund distributed over \$30 million in principal and \$8 million of purported profits to investors. Further, Tang implored investors to give him a year to repay each investor's debt. To persuade investors to afford him some time to repay investor losses, Tang claimed to have borrowed money from a friend, traded in her account, made \$2 million in 12 days of trading, and used \$1 million to repay some investors.

24. On March 14, 2009, the managers of JOR sent an e-mail to investors, relaying that it learned from a group of Toronto-area investors that Tang is actively trying to raise approximately \$1 million to continue his trading activities. Additionally, it appears that Tang is proactively attempting to elude seemingly inevitable action by the Commission and/or the Ontario Securities Commission. Attached to this Declaration as Exhibit J is a true and correct copy of the March 14, 2009 e-mail from the managers of JOR to investors. Specifically, the e-mail reveals that,

[i]t is inappropriate and unsafe to continue using the original Oversea Chinese Fund (OCF) [the Hedge Fund] Trading account because the account can be frozen if government investigation is started. A new business entity, trust account and a new trading account should be formed in order to carry out this pay-back plan properly ... a temporary trading platform will be used for Tang to start trading, in order to demonstrate his trading skill, which is essential for all of us to consider if this pay-back

plan will work or not. This temporary trading platform will become available before next Wednesday, and it will be supervised and monitored by a few of Toronto and Dallas committee members ... once the final official structure is established, trading will be moved to that new platform.

25. On March 17, 2009, the Ontario Securities Commission (“OSC”) instituted a Temporary Order that ordered that “all trading by Weizhen Tang, Oversea Chinese Fund Limited Partnership, Weizhen Tang and Associates, Inc. and Weizhen Tang Corp. shall cease.” Attached to this Declaration as Exhibit K is a true and correct copy of the Temporary Order. This Temporary Order appears limited to Tang’s Canadian entities and has no apparent effect on U.S. assets, entities, or trading activities.

26. On March 19, 2009, Tang sent out another e-mail to Hedge Fund investors, revealing, among other things, that “[e]ven if I have to go to jail, I still hope that I can go after I have repaid all of you. Now finally I have a chance to trade again.” Attached to this Declaration as Exhibit L are true and correct copies of the March 19, 2009 e-mail from Tang in Chinese and, as translated by an investor, in English. Tang also represented that:

[u]nder the close monitoring of the client committee, I will be able to give you convincing results using my trading skill. By then, a lot of investors will be willing to let me trade for them under such a transparent system. As a result, this will be no problem to repay all of your money. Please give me some time and please give me this last chance.

27. On March 21, 2009, Tang sent another e-mail to Hedge Fund investors, admitting that, from 2006 to the first half of 2007, he lost more than \$10 million in a few stocks during the first phase of the subprime crisis. Attached to this Declaration as Exhibit M are true and correct copies of the March 21, 2009 e-mail from Tang in Chinese and, as translated by an investor, in English.

28. According to WinWin Partners' bank records provided by JOR's managers, funds from newer investors were used to pay redemptions (principal and purported profits) to earlier investors.

29. Additionally, during my interview of Yu and Peng, I learned that Tang-related entities currently control more than \$750,000 of investor funds in U.S. accounts in the names of WinWin Capital Partners LP and Bluejay Investment LLC.

30. Further, during the course of my investigation, I have spoken with compliance officers at U.S.-based broker-dealers. I have learned that Tang and Tang-related entities have opened and attempted to open several new brokerage accounts within the last several weeks for the purpose of trading. Further, as a result of trading in some of these accounts, they have lost more than \$500,000 of investor funds.

Executed on Thursday, April 2, 2009 in Fort Worth, Texas.


B. David Fraser

EXHIBIT A

OVERSEA CHINESE FUND LIMITED PARTNERSHIP

19 Robinter Dr., North York, Ontario, Canada M2M 3R3
Tel: 416-512-1894; Fax: 416-512-9338; E-mail: manager@wtang.com

OVERSEA CHINESE FUND LIMITED PARTNERSHIP

Private Offering: An unlimited units at \$150,000 per unit to maximum of 25 partners.

Prospected Limited Partners: Prospected partners must be qualified accredited investors only: Securities laws define the term accredited investor in Rule 501 of Regulation D as: 1. a bank, insurance company, registered investment company, business development company, or small business investment company; 2. an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of \$5 million; 3. a charitable organization, corporation, or partnership with assets exceeding \$5 million; 4. a director, executive officer, or general partner of the company selling the securities; 5. a business in which all the equity owners are accredited investors; 6. a natural person who has individual net worth, or joint net worth with the person spouse, that exceeds \$1 million at the time of the purchase; 7. a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year; or 8. a trust with assets in excess of \$5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

Structure: Open-end, limited partnership that will invest all the assets to invest equity indices, currencies.

Minimum: \$150,000 U.S. initial investment for one unit-there is no maximum investment an individual can purchase; although the investment manager will not allow any one unitholder to own more than 30% of the total amount of units outstanding.

Offering Start: May 1st, 2004

Investment Manager: Weizhen Tang, President of **Weizhen Tang & Associates Inc.** Mr. Tang has been a securities trader for about 10 years. He has worked intensively in developing profitable investment methodologies. He will apply the 'best' of what he has learned to manage the **OVERSEA CHINESE FUND LIMITED PARTNERSHIP**.

Fees and Expenses: No initial sales charge. An incentive is paid to the trading manager on profits generated. The partnership will pay commissions to brokerages and bank fees to maintain the accounts. The trading manager will not receive commission as compensation.

General Partner: **Weizhen Tang and Associates Inc.**, wholly owned by the trading