



## U.S. Securities and Exchange Commission

### U.S. SECURITIES AND EXCHANGE COMMISSION

**Litigation Release No. 23116 / October 21, 2014**

***Securities and Exchange Commission v. Subaye, Inc. and James T. Crane, Civil Action No. 13 CIV 3114 (S.D.N.Y.)***

#### **Judgment Entered Against Former Chief Financial Officer of China-Based Company in Fraudulent Scheme Involving Purported Web Services Business**

The Securities and Exchange Commission announced today that on October 20, 2014, a federal court in New York entered a final judgment, in an enforcement action filed by the Commission in May 2013, against James T. Crane, the former Chief Financial Officer of Subaye, Inc., a company based in China whose stock traded in the U.S. Among other things, the judgment orders Crane to pay a civil penalty of \$150,000 and bars Crane from serving as an officer or director of a public company for a period of ten years.

The Commission's complaint, filed on May 8, 2013, in the U.S. District Court for the Southern District of New York, alleged that Subaye began promoting itself during 2010 as a provider of cloud computing services to Chinese businesses. According to the complaint, Subaye claimed to have over 1,400 sales and marketing employees in 2010, with reported revenues of \$39 million that fiscal year and projected revenues of more than \$71 million for 2011. However, by May 2011, according to the complaint, Subaye was revealed to be a company with no verifiable revenues, few, if any, real customers, and no infrastructure to support its claimed cloud computing business. The complaint alleges that the business that Subaye had presented to investors and described in filings with the Commission was imaginary and non-existent.

The complaint further alleged that Crane signed Subaye's materially misleading filings with the Commission that contained false statements about Subaye's revenues, business, number of employees, and number of paying customers. According to the complaint, Crane also falsified the books, records, and accounts of Subaye and provided false information to Subaye's outside auditors. The Commission's complaint also charged Crane with violating a bar from the Public Company Accounting Oversight Board (PCAOB). According to the complaint, in January 2011, Crane and his Cambridge, Massachusetts-based accounting firm were sanctioned by the PCAOB, which permanently revoked his firm's registration and barred him from being associated with a registered accounting firm or being associated with any public company in an accounting or financial management capacity. The complaint allege that, in violation of the January 2011 PCAOB order, Crane remained as the CFO of Subaye until March 2011, even after the PCAOB denied his request to remain as Subaye's CFO for those two months.

Crane consented to the injunction and penalty components of the final judgment. The court determined the length of the officer and director bar after considering the filings in the case. The final judgment permanently enjoins Crane from violating Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rules 10b-5, 13a-14, 13b2-1 and 13b2-2 thereunder, and Section 105(c)(7)(B) of the Sarbanes-Oxley Act of 2002, and from aiding and abetting any violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, thereunder, and orders Crane to pay a civil penalty of \$150,000. The final

judgment also prohibits Crane from serving as an officer or director of a public company for a period of ten years.

The Court previously entered a final judgment by consent against Subaye on May 16, 2013.

The Commission acknowledges the assistance of the Ontario Securities Commission and the Public Company Accounting Oversight Board.

For further information, see [Litigation Release No. 22698](#) (May 8, 2013), and Securities and Exchange Act of 1934 [Release No. 34-72199](#) (May 20, 2014) [enforcement action against former outside auditors of Subaye].

<http://www.sec.gov/litigation/litreleases/2014/lr23116.htm>

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Modified: 10/21/2014