

Approved: _____
BOYD M. JOHNSON III/KATHERINE A. LEMIRE/
ALEXANDER J. WILLSCHEER
Assistant United States Attorneys

Before: HONORABLE GABRIEL W. GORENSTEIN
United States Magistrate Judge
Southern District of New York

- - - - -x
UNITED STATES OF AMERICA : SEALED
: COMPLAINT
:
- v. - : Violation of
: 18 U.S.C. §§ 1341 and 1343;
NORMAN HSU, : 2 U.S.C. §§ 441f and
: 437g(d) (1) (A)
:
Defendant. : COUNTY OF OFFENSE:
: NEW YORK
- - - - -x

SOUTHERN DISTRICT OF NEW YORK, ss.:

PATRICIA O'CONNOR, being duly sworn, deposes and says that she is a Special Agent with the Federal Bureau of Investigation (the "FBI"), and charges as follows:

COUNT ONE

1. From in or about 2003, up to and including on or about September 6, 2007, in the Southern District of New York and elsewhere, NORMAN HSU, the defendant, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, unlawfully, willfully and knowingly would and did cause to be deposited any matter or thing whatever to be sent and delivered by any private and commercial interstate carrier, and would and did take and receive therefrom, any such matter and thing, and knowingly would and did cause to be delivered by such carrier according to the direction thereon, and at the place at which it is directed to be delivered by the person to whom it is addressed, any such matter and thing, to wit, on or about January 16, 2006, HSU sent via FedEx documents related to an investment from New York, New York, in furtherance of the scheme to defraud.

(Title 18, United States Code, Section 1341.)

COUNT TWO

2. From in or about 2003, up to and including on or about September 6, 2007, in the Southern District of New York and elsewhere, NORMAN HSU, the defendant, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money by means of false and fraudulent pretenses, representations and promises, would and did transmit and cause to be transmitted by means of wire and radio communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice; to wit, on or about December 23, 2005, HSU sent an e-mail from New York, New York, through a computer server located outside the state of New York, to an individual in New York, New York, regarding an investment in furtherance of the scheme to defraud.

(Title 18, United States Code, Section 1343.)

COUNT THREE

3. In or about 2006, in the Southern District of New York and elsewhere, NORMAN HSU, the defendant, knowingly and willfully violated the Federal Election Campaign Act by making contributions to various candidates for President of the United States, the United States Senate, and the United States House of Representatives in the names of others in excess of \$25,000 or more during the calendar year of 2006.

(Title 2, United States Code, Sections 441f and 437g(d)(1)(A).)

The bases for my knowledge of the foregoing charge are, in part, as follows:

4. I have been a Special Agent with the Federal Bureau of Investigation ("FBI") for approximately 12 years. I have participated in numerous investigations of frauds, including securities fraud, wire fraud, mail fraud, and bank fraud. Through my training, education, and experience, I have become familiar with the manner in which such frauds are conducted. I also have conducted or participated in surveillance, undercover operations, the execution of search warrants, debriefings of informants and cooperating witnesses, and reviews of taped conversations and records.

5. I am the FBI agent in charge of the investigation of NORMAN HSU for mail fraud, wire fraud, and federal campaign finance crimes. In addition to personal knowledge, I am familiar with the facts and circumstances of the charged offenses through:

(a) my conversations with other law enforcement agents who have participated in this investigation; (b) my conversations with numerous bank representatives, auditors, and investigators; (c) my interviews with witnesses; and (d) my review of documents and reports. Because this affidavit is being submitted for a limited purpose, I have not included details about every aspect of this investigation. Where the contents of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated. Where dollar figures are reported in this affidavit, they reflect preliminary results of ongoing financial analysis based on information gathered to date.

6. During the course of my investigation, I have obtained and reviewed numerous documents describing the activities of NORMAN HSU, the defendant, and his operation of Components Ltd. and Next Components Ltd. I have interviewed numerous victims of HSU's scheme to defraud (including "Victim-1," "Victim-2," "Victim-3," "Victim-4," and "Victim-5," as described below). I have also interviewed an additional witness ("Witness-1," as described below) who invested his/her money with HSU. Finally, I have examined records for bank accounts in the names of Components Ltd. and Next Components Ltd., as well as other relevant bank accounts. Based on this evidence, as described below, I believe that there is probable cause to believe that during the last several years, HSU has swindled scores of investors across the United States out of tens of millions of dollars, and, in the process, committed the crimes of mail fraud and wire fraud, as well as federal campaign finance law violations.

BACKGROUND

HSU'S Prior Felony Conviction And Subsequent Arrest While Fleeing From Prosecution

7. In or about 1992, NORMAN HSU, the defendant, pleaded no contest in San Mateo County, California, to grand theft charges for defrauding investors of \$1 million in connection with a scheme in which HSU failed to repay investors for money he raised to import latex gloves from China. At the time of his plea, HSU agreed to a term of imprisonment of three years and payment of restitution. HSU failed to appear for his sentencing hearing. A warrant was issued for HSU's arrest.

8. On or about August 31, 2007, NORMAN HSU, the defendant, surrendered to San Mateo County Court on the outstanding case. HSU was released on \$2 million bail.

9. On or about September 5, 2007, NORMAN HSU, the defendant, failed to report to San Mateo County Court for a bail hearing. A second warrant was issued for HSU's arrest.

10. On or about September 6, 2007, NORMAN HSU, the defendant, became ill while riding on an Amtrak train traveling from California to Denver, Colorado. HSU was removed from the train and taken to a hospital in Grand Junction, Colorado. Later that day, FBI agents arrested HSU pursuant to a warrant charging him with unlawful flight to avoid prosecution. Today, HSU was ordered extradited from Colorado to California to face his outstanding state court charges.

OVERVIEW OF THE FRAUDULENT SCHEME

11. Through my investigation of this matter, I have learned that, from at least 2003 through on or about September 6, 2007, NORMAN HSU, the defendant, was the Managing Director of Components Ltd. and of Next Components Ltd. HSU claimed to investors and potential investors that Components Ltd. and Next Components Ltd. were involved in extending short-term financing to businesses. HSU recruited investors by making false promises of guaranteed short-term, high-return investments. After receiving initial investments from victims, HSU, for a time, repaid both the victims' interest and principal as promised, and presented the opportunity to re-invest the funds. Believing Components Ltd. and Next Components Ltd. to be legitimate entities and potentially extremely profitable, and that HSU was trustworthy, victims often agreed to roll-over their invested funds into new investments, contributing additional, larger sums of money to the scheme, and/or recruiting new friends to invest with HSU. HSU then ceased paying the victims the promised interest and did not return the principal.

12. During the same time period, NORMAN HSU, the defendant, in an effort to raise his public profile and thereby convince more victims to invest in his fraudulent scheme, pressured victims into individually contributing tens of thousands of dollars to various candidates for President of the United States, the United States Senate, and the United States House of Representatives (collectively, "Federal Office") he supported. HSU made implied threats to the victims leading them to believe that their failure to make the required political contributions would adversely affect the victims' ongoing investment relationship with HSU.

13. Based on my training and experience and familiarity with the investigation, I have probable cause to believe that Components Ltd. and Next Components Ltd. were

vehicles for a classic "Ponzi" scheme, in which NORMAN HSU, the defendant, paid older investor-victims with the money he received from newer investor-victims, and that HSU did not in fact use the money for any sort of short-term financing as he had represented to his victims. In furtherance of his scheme to defraud, HSU used, or caused to be used, commercial interstate carriers and electronic mail. During the course of the scheme, HSU recruited investor-victims from across the United States, including from, among other places, New York, New Jersey, and California. To date, I believe that HSU has defrauded his victims out of at least \$60 million.

VICTIM-1

14. I have spoken with an individual who became a victim of the fraudulent scheme perpetrated by NORMAN HSU, the defendant ("Victim-1"). I have also reviewed documents provided to me by Victim-1. Based on these conversations and documents, I have learned that, in or about 2001, Victim-1 was introduced to HSU by a business partner of Victim-1 (the "Partner"). The Partner also invested money with HSU. The Partner explained to Victim-1 that HSU invested money on behalf of his clients by extending loans to finance letters of credit for the manufacture of apparel. Each loan carried a duration of several months and a fixed return of investment of approximately 14-18%, resulting in profits of more than 50% annually for the investors.

15. In or about March 2003, Victim-1 decided to give NORMAN HSU, the defendant, money to invest. Victim-1 wrote out a check for approximately \$50,000 to "Components," and gave the check to HSU. HSU, in return, gave Victim-1 an agreement and a check in the approximate amount of \$57,000, post-dated to approximately four and a half months later. Approximately four and half months later, Victim-1 cashed the check.

16. Over the course of the next two years, Victim-1 continued to invest in deals with NORMAN HSU, the defendant, investing in increasingly larger amounts and generally reinvesting his/her proceeds from each deal. For each deal, Victim-1 gave his/her investment money to HSU and, in return, HSU provided Victim-1 with an agreement and a post-dated check. For each deal, the post-dated check represented the investment money plus interest. Each time the post-dated check came due, Victim-1 cashed the check and realized a profit on his/her initial investment.

17. Because his/her investments with NORMAN HSU, the defendant, appeared to be successful, Victim-1 recommended HSU's investments to Victim-1's friends. By approximately 2005, a

number of Victim-1's friends were also investing with HSU, and more wanted to join. Victim-1 then set up an entity that collected investment money from Victim-1's friends (" Fund-1"). Victim-1 and the Partner served as the managers of Fund-1. Victim-1 took the investment money from Fund-1 and invested the money with HSU. Victim-1 invested Fund-1's money in multiple deals with HSU. For each deal, HSU provided Victim-1 with an agreement for the investment, as well as a post-dated check that represented the principal and the interest on Fund-1's investment.

18. I have reviewed correspondence between the Partner and NORMAN HSU, the defendant. The correspondence includes e-mail recovered from HSU's computer. In an e-mail dated December 8, 2005, sent from the Partner to HSU, the Partner advised HSU that he/she would be sending the next day via FedEx an envelope containing signed agreements between Fund-1 and Next Components. In an e-mail dated December 23, 2005, HSU asked the Partner to delay depositing various post-dated checks due to mature in the upcoming weeks. I have reviewed additional e-mails sent from HSU to the Partner which show that HSU commonly used FedEx to send agreements and checks to the Partner on behalf of Fund-1. Specifically, an e-mail from HSU provides a specific FedEx tracking number in connection with agreements and checks sent by HSU to the Partner on January 16, 2006. These e-mails were sent to and from HSU's e-mail account at AOL (formerly known as America Online). I know from other financial fraud investigations I have conducted that e-mails sent through AOL always pass through a server in Virginia before being routed to the ultimate recipient.

19. In addition, in or about 2006 and 2007, NORMAN HSU, the defendant, asked Victim-1 to make political contributions to a particular candidate for Federal Office. HSU did so by first pointing out how much money he had made for Victim-1. HSU also referred to another group of HSU's investors who had raised a significant amount of donations for the same candidate.

20. As a result of HSU's request, Victim-1 contributed several thousand dollars to the candidate. Victim-1 also agreed with HSU to request investors in Fund-1 to donate to the candidate.

21. I have reviewed Federal Election Commission records and confirmed that Victim-1 contributed several thousand dollars to the candidate in 2006 and 2007.

22. In or about late August 2007, Victim-1 read media accounts describing the legal problems of NORMAN HSU, the

defendant, including HSU's prior felony conviction in California. Victim-1 and the Partner were concerned about the impact HSU's arrest would have on Victim-1 and Fund-1's investments. The Partner then spoke with HSU on or about September 3, 2007. HSU assured Victim-1 that the investments were not in danger, but said that he might need additional time to ensure that checks maturing during the next several days would be covered.

23. On or about September 7, 2007, Victim-1 and the Partner attempted to cash two post-dated checks from NORMAN HSU, the defendant, which had come due that day. These checks were in the amounts of \$1,031,300 and \$1,562,790. When Victim-1 and the Partner attempted to cash these checks, however, the bank did not honor the checks. On or about September 10, 2007, the Partner attempted to deposit another check which came due that day in the amount of \$1,257,690. Once again, the bank did not honor the check.

24. As of September 18, 2007, Fund-1 was in possession of more than \$40 million worth of post-dated checks from NORMAN HSU, the defendant, written on a Components Ltd. bank account. I have reviewed statements for the same bank account and know that the account currently only contains approximately \$83,000.

VICTIM-2

25. I have spoken with a second individual who became a victim of the fraudulent scheme perpetrated by NORMAN HSU, the defendant ("Victim-2"). I have also reviewed documents provided to me by Victim-2. Based on these conversations and documents, I have learned that, in or about 2005, Victim-2 invested approximately \$275,000 in Fund-1, the same fund referenced to above. Victim-2 understood that Fund-1 would invest his/her money to provide financing to an entrepreneur (the "Entrepreneur") who was involved in importing high-end apparel from China. The first deal in which Victim-2 invested proved successful. Accordingly, Victim-2 continued to invest in Fund-1.

26. In or about May 2007, a manager of Fund-1, described in the preceding paragraphs as the Partner, told Victim-2 and other investors in Fund-1 that the Entrepreneur, whom Victim-2 later learned to be NORMAN HSU, the defendant, was a fund-raiser for a particular candidate for Federal Office. The Partner further reported that the investors in Fund-1 needed to make campaign contributions to the candidate in order to placate the Entrepreneur, whom Victim-2 later learned to be HSU, and to retain his lucrative business.

27. Victim-2 donated \$2,000 to the campaign of the designated candidate. Victim-2 stated that he/she has never made another political contribution in his/her life. Victim-2 further

stated that but for the pressure to donate that he/she received from the Partner on behalf of the Entrepreneur, whom Victim-2 later learned to be NORMAN HSU, the defendant, Victim-2 would not have donated to the candidate. I have reviewed Federal Election Commission records and confirmed that Victim-2 contributed approximately \$2,000 to a candidate for Federal Office in 2007.

28. In or about September 2007, Fund-1 advised the investors that it would not be able to liquidate its substantial investment in companies controlled by NORMAN HSU, the defendant.

VICTIM-3

29. I have spoken with an individual ("Victim-3") who became a victim of the fraudulent scheme perpetrated by NORMAN HSU, the defendant. I have also reviewed documents provided to me by Victim-3. Based on these conversations and documents, I have learned that, in or about 2003, Victim-3 was introduced to HSU by a former business partner of Victim-3 (the "Investor"). The Investor also invested money with HSU. The Investor explained to Victim-3 that HSU invested money on behalf of his clients by extending "bridge loans" to a variety of businesses for the purposes of effecting mergers and acquisitions. The "bridge loans" were allegedly short-term loans. HSU guaranteed a fixed return on each investment.

30. In late 2004, Victim-3 mailed his/her investment money to the Investor, who in turn invested the money with NORMAN HSU, the defendant, through HSU's company, Components Ltd. Victim-3's first investment was successful -- HSU repaid Victim-3 the guaranteed amount after approximately three months.

31. In approximately 2005, Victim-3 successfully invested in three more deals with NORMAN HSU, the defendant. Victim-3 gave his/her investment money to HSU; in return, HSU provided Victim-3 with a promissory note and a post-dated check. The post-dated check represented the investment money plus interest. When the post-dated check came due, Victim-3 cashed it and realized a profit on his/her initial investment.

32. Because his/her investments with NORMAN HSU, the defendant, were successful, Victim-3 recommended HSU's investments to Victim-3's friends. By approximately 2006, a number of Victim-3's friends were also investing with HSU, and more wanted to join. At some point, HSU told Victim-3 that it was too time-consuming for HSU to deal with each of Victim-3's investor-friends on an individual basis. Accordingly, HSU asked Victim-3 to serve as an intermediary between HSU and Victim-3's friends. Victim-3 accordingly set up an entity that collected investment money from Victim-3's friends ("Fund-2"). Victim-3

then took the investment money from Fund-2 and invested it with HSU. Victim-3 invested Fund-2's money in multiple deals with HSU. Each time, HSU provided Victim-3 with a promissory note for the investment, as well as a post-dated check that represented the principal and the interest on Fund-2's investment.

33. I have reviewed correspondence between Victim-3 and NORMAN HSU, the defendant. The correspondence includes e-mails recovered from HSU's computer. In an e-mail dated May 25, 2005, Victim-3 confirmed particular amounts of money Fund-2 investors wished to invest in upcoming deals with HSU.

34. As of on or about September 1, 2007, Victim-3 on behalf of Fund-2 had four post-dated checks from NORMAN HSU, the defendant. These four checks were worth approximately \$20 million. The checks were drawn on HSU's Next Components Ltd. bank account.

35. On or about September 3, 2007, Victim-3 met with NORMAN HSU, the defendant, in California to discuss Fund-2's outstanding investments. Victim-3 had read in the press that HSU had surrendered in connection with an old felony conviction in San Mateo County, California, and had been released on bail. Victim-3 was concerned about the impact HSU's arrest would have on Victim-3 and Fund-2's investments. At the meeting, HSU assured Victim-3 that the investments were not in danger. In addition, at the meeting, HSU advised Victim-3 that HSU was preparing to invest in yet another deal. HSU attempted to recruit Victim-3 and Fund-2 to invest in the new deal.

36. On or about September 5, 2007, Victim-3 attempted to cash one of the four post-dated checks from NORMAN HSU, the defendant, which had come due that day. The check was for approximately \$4.5 million. When Victim-3 attempted to cash the check, the check was rejected by the bank for lack of sufficient funds.

37. Victim-3 recounted that, during the course of his/her dealings with NORMAN HSU, the defendant, over the years, HSU always was very guarded about the details of the investments he was making through his companies. On occasions when Victim-3 inquired about the specifics of various investment decisions, HSU complained that Victim-3's questions were time-consuming. HSU further threatened Victim-3 by telling him/her that HSU had many investors, and that HSU would refuse to accept additional investments from Victim-3 if Victim-3 persisted in asking questions about HSU investment strategies.

38. In addition, at the end of 2006, NORMAN HSU, the defendant, pressured Victim-3 to make political contributions to

a particular candidate for Federal Office. HSU told Victim-3 that if Victim-3 did not raise political contributions in the maximum amount of \$4,600 from Victim-3's investors for the candidate, then HSU might not invite Victim-3 to participate in future investment opportunities.

39. As a result of HSU's pressure, investors affiliated with Fund-2 contributed in or about 2006 approximately \$30,000 to a candidate for Federal Office whom NORMAN HSU, the defendant, had identified. Victim-3 also made the maximum allowable donation to the candidate, and also had his/her family members make similar contributions. Victim-3 indicated that he/she is not a political person. Victim-3 stated that but for the pressure applied by HSU and the risk of losing his/her favored investment status with HSU, Victim-3 would not have donated to the candidate.

40. I have reviewed Federal Election Commission records and confirmed that Victim-3 contributed approximately \$2,100 to a candidate for Federal Office in 2006, and approximately \$4,600 to a candidate for Federal Office in 2007.

VICTIM-4

41. I have spoken with another individual who became a victim ("Victim-4") of the fraudulent scheme perpetrated by NORMAN HSU, the defendant. Based on these conversations, I have learned that, in or about 2000, Victim-4 was introduced to HSU by a friend who invested money with HSU. Victim-4's friend explained to Victim-4 that HSU invested money on behalf of his clients by extending short-term loans to businesses. HSU guaranteed a fixed return on investment.

42. In approximately 2001, Victim-4 made his first investment, in the amount of approximately \$10,000, with NORMAN HSU, the defendant. Victim-4's first investment was successful in that HSU repaid him/her the guaranteed amount after approximately three months.

43. Following the first investment, Victim-4 began investing with NORMAN HSU, the defendant, with more regularity. Typically, Victim-4 mailed checks from California to HSU's address in New York, New York. In return, HSU provided Victim-4 with a promissory note and a post-dated check, representing the investment money plus interest. When a post-dated check came due, Victim-4 cashed it and realized a profit on his/her initial investment.

44. Victim-4 regularly communicated with NORMAN HSU, the defendant, via e-mail to confirm Victim-4's continued

investments with HSU. I have reviewed files recovered from HSU's laptop computer, as described below, and found that the files contain e-mail correspondence between Victim-4 and HSU over HSU's AOL e-mail account.

45. Because his investments with NORMAN HSU, the defendant, were successful, Victim-4 recommended HSU's investments to Victim-4's friends. By approximately 2006, Victim-4 set up an entity that would collect investment money from Victim-4's friends ("Fund-3"). Victim-4 then took the investment money from Fund-3 and invested it with HSU. Victim-4 invested Fund-3's money in multiple deals with HSU. Each time, HSU provided to Victim-4 a promissory note for the investment, as well as a post-dated check that represented the principal and the interest on Fund-3's investment.

46. As of on or about September 1, 2007, Fund-3 had three post-dated checks from NORMAN HSU, the defendant, which were worth approximately \$1.02 million.

47. On or about August 29, 2007, Victim-4 e-mailed NORMAN HSU, the defendant, to discuss Fund-3's outstanding investments. Victim-4 had read in the media that HSU had surrendered in connection with his outstanding felony conviction in San Mateo County. Victim-4 was concerned about the impact HSU's arrest would have on his/her investments. On or about September 3, 2007, HSU called Victim-4. In the conversation, HSU assured Victim-4 that the investments were not in danger.

48. On or about September 12, 2007, Victim-4 attempted to cash one of the post-dated checks from NORMAN HSU, the defendant, which had come due on September 10, 2007. When Victim-4 attempted to cash the check, the check was rejected for insufficient funds.

VICTIM-5

49. I have spoken with another individual ("Victim-5") who is a victim to the fraudulent scheme perpetrated by NORMAN HSU, the defendant. Based on this conversation, I have learned that, in or about 2003, Victim-5 was introduced to HSU by a friend of Victim-5. Victim-5's friend told Victim-5 that HSU invested money on behalf of his clients with apparel manufacturers based in China. Victim-5's friend told Victim-5 that he/she had been investing money through HSU, and he/she recommended that Victim-5 do the same.

50. In or about June 2004, Victim-5 began investing with HSU. At that time, Victim-5 wrote a check to Components in

the amount of \$5,000. HSU then gave Victim-5 a check in the amount of \$6,131 post-dated to approximately four months later.

51. Victim-5's first investment was successful in that after approximately four months Victim-5 deposited the check into his/her bank account and the funds transferred from HSU's bank account into Victim-5's bank account.

52. From in or about October 2004 through in or about August 2007, Victim-5 successfully invested approximately seven more times with NORMAN HSU, the defendant. For each deal, Victim-5 gave his/her investment money to HSU and, in return, HSU provided Victim-5 with a post-dated check and agreement. For each investment, the post-dated check represented the investment principal plus interest. When each post-dated check came due, Victim-5 usually rolled the funds into a new investment deal.

53. For each investment Victim-5 made, NORMAN HSU, the defendant, gave Victim-5 an agreement reflecting guaranteed profits for each investment. HSU communicated with Victim-5 regarding his/her investments through e-mails and through FedEx.

54. On or about September 1, 2007, Victim-5 learned of the legal problems NORMAN HSU, the defendant, was facing. At that time, Victim-5 was in possession of two post-dated checks dated September 12, 2007, from HSU in the amounts of \$300,735 and \$42,787. Victim-5 attempted to cash the checks, but the checks were not honored by the bank.

55. In addition, in or about 2005 and 2006, on approximately four occasions, NORMAN HSU, the defendant, asked Victim-5 to make multiple political contributions for which HSU agreed to reimburse Victim-5. HSU told Victim-5 that in order to invest the amount of money he/she was investing with him, Victim-5 had to make the political contributions that HSU requested. On each of these occasions, HSU provided Victim-5 with a list of names of political organizations and candidates, including candidates for Federal Office, to which Victim-5 should write out checks. Victim-5 complied -- writing separate checks for each political contribution as directed by HSU. HSU reimbursed Victim-5 by adding the amounts from the political contributions to checks paying Victim-5 profits and principal on his/her investments with HSU.

56. Based on information provided by Victim-5, I have learned that at HSU's direction, Victim-5 donated more than \$32,000 in 2006 in political contributions, including more than \$20,000 to influence federal elections.

WITNESS-1

57. I have spoken with another FBI Agent who recently interviewed another individual ("Witness-1") who is a witness to the fraudulent scheme perpetrated by NORMAN HSU, the defendant. I have also reviewed documents provided to the FBI Agent by Witness-1. Based on these conversations and documents, I have learned the following:

a. In or about 2003, Witness-1 was introduced to HSU by a friend of Witness-1. Witness-1's friend told Witness-1 that HSU invested money on behalf of his clients in apparel manufacturers based in China. Witness-1's friend told Witness-1 that he/she had been investing money through HSU, and he/she recommended that Witness-1 do the same.

b. In or about late 2003, Witness-1 met with HSU at Witness-1's apartment in New York, New York, to discuss investing through HSU. During the meeting, HSU directed Witness-1 to write a check to "Components," in the amount of approximately \$20,000. HSU then gave Victim-1 a check in the amount of approximately \$24,496 post-dated to approximately three months later.

c. Witness-1's first investment was successful in that after approximately three months Witness-1 deposited the check into his/her bank account and the funds transferred from HSU's bank into Witness-1's bank account.

d. From in or about late 2003 through in or about August 2007, Witness-1 successfully invested several more times with HSU. For each deal, Witness-1 gave his/her investment money to HSU and, in return, HSU provided Witness-1 with a post-dated check. For each investment, the post-dated check represented the investment money plus interest. When each post-dated check came due, Witness-1 cashed the check and realized a profit on his/her initial investment.

e. During the course of investing with HSU, from in or about late 2003 through in or about August 2007, Witness-1 often communicated with HSU regarding the investments via e-mail. For example, on or about January 25, 2007, HSU sent Witness-1 an e-mail from HSU's e-mail account stating that HSU was imposing new requirements for future investments and that he needed to discuss the details with Witness-1 in person.

f. For each investment, HSU gave Witness-1 an agreement reflecting guaranteed profits for each investment. HSU, in turn, sent an agreement for each investment from his e-mail account. HSU delivered the agreements in one of three ways:

(1) in person in New York, New York; (2) through HSU's AOL e-mail account to Witness-1's computer in New York, New York; or (3) via FedEx to Witness-1's apartment in New York, New York.

g. In or about late August 2007, Witness-1 learned of HSU's legal problems. At that time, Witness-1 was in possession of a post-dated check from HSU in the amount of \$158,054. On or about September 1, 2007, Witness-1 successfully deposited the check, which had become due August 31, 2007.

h. In addition, in or about 2005 and 2006, HSU asked Witness-1 to make multiple political contributions for which HSU would reimburse Witness-1. On approximately five occasions, Witness-1 met with HSU at various locations in New York, New York, for this purpose. During each meeting, HSU provided Witness-1 with a list of names of political organizations and candidates, including candidates for Federal Office, to which Witness-1 should write out checks. Witness-1 complied, writing separate checks for each political contribution as directed by HSU. HSU wrote checks to Witness-1, directly reimbursing Witness-1 for the political contributions.

58. I have reviewed documents provided to the FBI Agent by Witness-1 in connection with the political contributions described in the previous paragraph. These documents include copies of the actual lists NORMAN HSU, the defendant, provided to Witness-1 and copies of checks representing political contributions made by Witness-1 at HSU's direction. Based on my review of these documents, I have learned that at HSU's direction, Witness-1 donated approximately \$28,600 in 2006 in political contributions, including more than \$20,000 to influence federal elections.

REVIEW OF RELEVANT CORPORATE AND BANK RECORDS

59. I have reviewed corporate records on file with the Department of State for New York State and found that both Components Ltd. and Next Components Ltd. were incorporated in the State of New York.

60. I have reviewed bank records for the Components Ltd. and Next Components Ltd. bank accounts used by NORMAN HSU, the defendant, to carry out his fraudulent scheme. I have also spoken with representatives of banks at which HSU conducted his banking activity. As a result, I have learned that in or about the week of September 3, 2007, several million dollars worth of checks written by HSU were not honored because of insufficient funds. Moreover, none of the bank records used by HSU that I have analyzed indicate that HSU made any bridge loans or extended

any letters of credit to banks or other entities, such as apparel manufacturers in China.

EVIDENCE RECOVERED FROM SEARCH WARRANT

61. As discussed above, on or about September 6, 2007, NORMAN HSU, the defendant, was arrested by FBI agents in Colorado. At the time of arrest, FBI agents recovered a number of items in HSU's possession, including, among other things, two cellular telephones, a Blackberry personal digital assistant, a laptop computer, a flashdrive, an iPod, and a locked suitcase (collectively, the "Evidence"). After arranging to have the Evidence transferred from the FBI office in Colorado to the FBI office in New York, New York, on or about September 15, 2007, I obtained a court-authorized search warrant in the Southern District of New York for the Evidence.

62. During the search of the Evidence, I recovered the following items from the locked suitcase in the possession of NORMAN HSU, the defendant, at the time of his arrest: (1) HSU's passport; (2) approximately \$7,000 in cash; (3) checkbooks for bank accounts used by HSU to carry out his fraudulent scheme; (4) hundreds of thousands of dollars worth of checks from HSU's victims; (5) bank receipts reflecting millions of dollars worth of financial transactions conducted by HSU; (6) hand-written ledgers reflecting specific amounts of campaign contributions to be made by specific victims on behalf of various candidates for Federal Office; (7) Federal Express shipping labels for materials sent by HSU via overnight mail from Components Ltd. in New York, New York; a Cartier watch and Tiffany jewelry; and (8) receipts reflecting HSU's travel throughout the United States via a corporate jet service.

HSU'S CONFESSION

63. On or about September 13 and 14, 2007, NORMAN HSU, the defendant, initiated contact with FBI agents in Colorado on three separate occasions. HSU informed FBI agents that he wanted to speak with them about his current criminal activity without his lawyers present. On or about September 14, 2007, two FBI agents went to meet HSU. I have spoken with one of the agents ("Agent-2") who was present during the meeting with HSU, and have learned the following:

a. At the beginning of the meeting, HSU confirmed to the agents that he was not represented by counsel for purposes of the information he wanted to discuss with them, and also indicated that he did not wish his attorneys who represented him in his California state case and his Colorado

extradition proceeding to be present for the meeting. HSU then waived his Miranda rights and admitted to the FBI agents that he used Components Ltd. and Next Components Ltd. for "phony" deals. HSU also admitted that the phony deals involved investments in the sale and distribution of items that did not actually exist, and that he used money he obtained from newer investors to pay initial investors.

b. HSU also admitted that he made implied threats to his investors to pressure them to contribute to political candidates he supported.

WHEREFORE, deponent prays that an arrest warrant be issued for NORMAN HSU and that he be arrested and imprisoned, or bailed, as the case may be.

PATRICIA O'CONNOR
SPECIAL AGENT
FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this
19th day of September, 2007.

HONORABLE GABRIEL W. GORENSTEIN
UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK