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# SUMMONS ISSUED

★ JAN 3 - 2011 ★

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

BROOKLYN OFFICE

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TODD AUGENBAUM, Individually and on  
Behalf of All Others Similarly Situated,

Civil Action **CV 11 - 0010**

Plaintiff,

COMPLAINT

-against-

CLASS ACTION

TONGXIN INTERNATIONAL, LTD,  
JACQUELINE CHANG, WILLIAM ZIELKE,  
RUDY WILSON, and DUANXIANG ZHANG

JURY TRIAL DEMANDED

Defendants.  
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**VITALIANO, J.  
REYES, M.J**

Plaintiff, by his attorneys, alleges the following upon personal knowledge as to himself and his own acts, and upon information and belief as to all other matters. Plaintiff's information and belief is based on, *inter alia*, his investigation made by and through his attorneys, which investigation includes, among other things, a review of public documents, a review and analysis of regulatory filings, including filings made by Tongxin International, Ltd. ("Tongxin" or the "Company") with the Securities and Exchange Commission ("SEC"), pleadings and documents related to other judicial proceedings, analyst reports, and news releases and media reports of Tongxin and its related entities. Many of the facts supporting the allegations contained herein are known only to the defendants or are exclusively within the defendants' custody and control. Plaintiff believes that further substantial evidentiary support will exist for the allegations in the Complaint after a reasonable opportunity for discovery.

### INTRODUCTION

Defendants made materially false or misleading statements concerning Tongxin's financial condition and future business prospects. After initially delaying release of its year end

financial statements, Tongxin was forced to withdraw its previously reported results as unreliable and later sued its former Chief Executive Officer (CEO) and Chief Financial Officer (CFO) for wrongfully transferring the Company's funds. The resulting precipitous decline in the market value of the Company's securities has caused Plaintiff and a class (the "Class") of similarly situated investors who purchased Tongxin securities at artificially inflated prices to suffer damages, which this action seeks to recover.

### **JURISDICTION AND VENUE**

1. This action arises under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder ("Rule 10b-5"), 17 C.F.R. §240.10b-5. Jurisdiction is conferred by Section 27 of the Exchange Act, 15 U.S.C. §78aa.

2. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b) because Plaintiff resides in this District.

3. In connection with the acts, transactions and conduct alleged herein, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of a national securities exchange and market.

### **PARTIES**

4. Plaintiff Todd Augenbaum as set forth in the accompanying Certification, purchased Tongxin securities at artificially inflated prices during the Class Period and was damaged thereby.

5. Defendant Tongxin is a British Virgin Island Corporation, founded in 1984, with its principle U.S. offices located at 199 Pierce Street, Suite 202, Birmingham, Michigan, 48009 having most of its operations in East Asia.

6. Defendant Jacqueline Chang (a.k.a Jackie Chang) was at relevant times during the Class Period the CFO and CAO of Tongxin. Ms. Chang was removed from her position as CFO and CAO of Tongxin on or about November 19, 2010.

7. Defendant William Zielke was at all relevant times during the Class Period a member of the Board of Directors of Tongxin, and currently serves as the Company's CEO and CAO.

8. Defendant Rudy Wilson is the co-founder of Tongxin and was, at relevant times during the Class Period, the CEO and Chairman of the Board of Directors of Tongxin. Mr. Wilson was removed from his positions as CEO and Chairman of Tongxin on or about November 19, 2010, but remains a member of the Company's Board of Directors.

9. Defendant Duanxiang Zhang is the current Chairman of the Board of Directors of Tongxin and was, at relevant times during the Class Period, the President and Vice Chairman of the Company.

10. Defendants Chang, Zielke, Wilson and Zhang are collectively referred to herein as the "Individual Defendants"

#### **CLASS ACTION ALLEGATIONS**

11. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of a class of all persons who purchased Tongxin securities from May 15, 2009 through December 14, 2009 ("Class Period") and where damaged thereby (the "Class").

12. Excluded from the Class are the defendants, as set forth herein, any directors and officers of Tongxin, and their families and affiliates.

13. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. According to the Company's SEC filings, Tongxin has over 13.4 million shares of stock outstanding, owned by thousands of persons.

14. There is a well-defined community of interest in questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether defendants violated the Exchange Act;
- (b) Whether defendants omitted or misrepresented material facts;
- (c) Whether defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) Whether defendants knew or recklessly disregarded that their statements were false and misleading when made;
- (e) Whether the prices of Tongxin securities were artificially inflated during the Class Period; and
- (f) The extent of damage sustained by Class members and the appropriate measure of damages.

15. Plaintiff's claims are typical of those of other Class members because both sustained damages as a result of defendants' wrongful conduct.

16. Plaintiff will adequately protect the interests of the Class and has retained counsel who is experienced in class action securities litigation. Plaintiff has no interests which conflict with the interests of the Class.

17. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

### **SUBSTANTIVE ALLEGATIONS OF FRAUD**

#### **A. Company Background**

18. Tongxin, together with its wholly-owned subsidiary Hunan Tongxin Enterprise Co., Ltd., is an independent manufacturer in China of EVBS, SUV passenger vehicle bodies and stamped vehicle body parts for the Chinese commercial vehicle market and the South East Asian market, particularly in Vietnam.

19. Tongxin was formed as a British Virgin Islands company on February 8, 2008 as a wholly-owned subsidiary of Asian Automotive Acquisition Company (“AAAC”), a Special Purpose Acquisition Company (SPAC) formed for the sole prospective acquisition of an automotive supplier operating business with its primary operating facilities in the People’s Republic of China, India or a South East Asian market.

20. AAAC acquired all of the stock of Hunan Enterprise Co. Ltd., an automotive supplier established in the People’s Republic of China in 1984 and engaged in the business of design, development, manufacturing and sales of and servicing of automotive EVBS for the Chinese and South East Asian market. Then, on or about April 17, 2008, AAAC was merged into Tongxin.

**B. Materially False and Misleading Statements During the Class Period**

21. The Class Period begins on May 15, 2009. On this day, the Company issued a press release announcing its financial results for the first quarter of 2009. For the quarter, the Company reported net income of \$4.1 million on overall revenues of \$29.5 million, and EPS (earnings per share) of \$0.36. In terms of guidance, the Company stated, “For the fiscal year ending December 31, 2009, we anticipate consolidated earnings per share of \$1.10 (based upon shares outstanding of 11,294,633).” Additionally, the Company stated in relevant parts:

Tongxin’s decrease in revenue is consistent with the market and representative of the strong first quarter the industry witnessed in 2008 in an effort to build trucks prior to the Euro III emissions standards enacted on July 1, 2008, and prior to additional factory restrictions imposed on manufacturers prior to the Beijing Olympics. Additionally, the Company also reported a drop in exports, from \$4.4 million in export sales the first quarter of 2008 to approximately \$1.8 million for the first quarter in 2009, due to timing of customer shipments to Vietnam. Since both the cabs and chassis are shipped to Vietnam, the drop could be attributable to timing of components availability *and not a loss of customer volume*; Tongxin has three export customers in Vietnam.

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*“We believe that the first quarter of 2009 is a better representation of our performance for the coming year”*, stated vice Chairman Duanxiang Zhang of Hunan Tongxin. “Baring the regulation of Euro III standards that produced the strong first quarter in 2009, we are very encouraged by the uptick in business and shipments for the last three months. *As domestic demand and the effects of the stimulus package begin to work their way through the economy plus a noticeable return of export orders, we anticipate a succession of strong quarters for Tongxin and continued demand for our commercial vehicle cabs in 2009.*” Zhang concluded.

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Ms. Jackie Chang, Chief Financial and Accounting Officer stated, *“The Company will continue to experience the favorable Impact [sic] of lower steel prices and increasing vehicle production volumes throughout the year.* Steel is approximately 80% of our cost of goods thus we allocate significant time managing these costs carefully and our pricing to our customer base.” (Emphasis added.)

22. The financial results reported in the Company's May 15, 2009 press release were repeated and affirmed in the Company's Form 6-K filed with the SEC on May 18, 2009, and signed by Defendants Wilson and Chang.

23. On August 10, 2009, the Company issued a press release announcing its financial results for the second quarter of 2009. For the quarter, the Company reported net income of \$4.4 million on overall revenues of \$34.8 million, and EPS of \$0.39. In addition, the Company revised its guidance for FY 2009, stating "Based upon continuing growth in the Chinese domestic market *and anticipated improvement in exports to Vietnam*. . . . Earnings per basic share outstanding are forecasted to be \$1.30 compared to previous guidance of \$1.10."

Additionally, the Company stated in relevant parts:

"We have been pleased with the rebound in our business for this quarter and the improving trends in key operating metrics we have witnessed compared to 2008," opened Jackie Chang, CFO of Tongxin International. "Although margins came down a bit in the second quarter of 2009 compared to the first quarter, we made a decision on pricing to gain market share and position us for further growth. *We negotiated a contract for steel, our largest cost component, which effectively locks us in on current prices for the remainder of 2009, which we believe serves as a good hedge against rising prices in the face of improving economic activity,*" Chang concluded. (Emphasis added.)

24. The financial results reported in the Company's August 10, 2009 press release were repeated and affirmed in the Company's Form 6-K filed with the SEC on August 11, 2009, and signed by Defendants Wilson and Chang.

25. On November 9, 2009, the Company issued a press release announcing its financial results for the third quarter of 2009. For the quarter, the Company reported net income of \$3.8 million on overall revenues of \$27.1 million, and EPS of \$0.29. In addition, the Company reported:

“We believe that the nine months of 2009 give us a strong representation of our capabilities as a valued [sic] added supplier to the market,” stated CEO, Duanxiang Zhang, of Tongxin International. “As domestic demand *and the effects of the stimulus package including the latest subsidy program announced on July 15 to spur commercial vehicles sales continue to work their way through the economy* plus a noticeable return of export orders, we anticipate a succession of strong quarters for Tongxin and continued demand for EVBS through the end of the year,” Zhang concluded.

26. The financial results reported in the Company’s November 9, 2009 press release were repeated and affirmed in the Company’s Form 6-K filed with the SEC on November 9, 2009, and signed by Defendants Wilson and Chang.

27. On February 23, 2010, the Company issued a press release announcing its estimated financial results for the fourth quarter of 2009 and its preliminary results for FY 2009. For the quarter, the Company estimated revenues of \$29.5 to \$32.5 million. In addition, the Company announced preliminary unaudited revenue of \$121 to \$124 million for FY 2009, which was above its previously released guidance of \$120.0 million in revenues and net income of \$16.7 million. In addition, the Company issued guidance for FY 2010, stating:

Tongxin International is providing revenue guidance of \$150 - \$160 million for the fiscal year ended December 31, 2010. Guidance is based on anticipated orders and shipments of the company’s new medium and heavy-duty cab models, a further increase in market share, and incremental orders from international customers during 2010.

“Consistent with the continued growth of the commercial vehicle segment in China, we anticipate Tongxin to achieve growth of approximately 25% in 2010,” began Duanxiang Zhang, CEO of Hunan Tongxin. “We have recovered completely from the 2008 downturn *and we are set to report record results for 2009*. Our 2010 growth targets are consistent with our Company’s goal to outperform the overall Chinese commercial vehicle market’s growth.” Zhang concluded. (Emphasis added.)

28. The financial results reported in the Company’s February 23, 2010 press release were repeated and affirmed in the Company’s Form 6-K filed with the SEC on February 23, 2010, and signed by Defendants Wilson and Chang



29. The statements contained in paragraphs 23-30 were materially false and misleading when made because defendants failed to disclose or indicate: (i) that the Company's financial results, as reported, failed to properly account for certain related-transactions, and as a result, the Company would be unable to file its audited consolidated financial statements for FY 2009; (ii) that the Company would not have earnings growth, particularly in the South East Asian markets, or meet expected earnings guidance due to the government's economic stimulus and the low price of steel; (iii) that the Company lacked adequate internal controls; and (v) that, as a result of the foregoing, the defendants lacked any reasonable basis for the positives statements about Tongxin's growth and prospects.

**C. The Truth Begins To Emerge**

30. On June 30, 2010, the Company filed its Form 12b-25 (NT 20-F) with the SEC, reporting that it would be unable to timely file its audited consolidated financial statements for FY 2009 because "THE COMPANY'S INDEPENDENT AUDITOR, BDO SEIDMAN LLP, IS STILL IN THE PROCESS OF COMPLETING ITS DOCUMENTATION AND REVIEW PROCESS." The next day, July 1, 2010, the Company issued a press release affirming that the Company's auditor BDO Seidman was still in the process of completing its year-end 2009 review, and that the Company would have 15 calendar days to file its year-end report on Form 20-F report with the SEC.

31. In reaction to these disclosures, the price per share of Tongxin stock fell \$0.46, or 10%, from its closing price of \$4.63 on June 29, 2010 to its closing price of \$4.17 on July 1, 2010.

32. On July 15, 2010, the Company issued a press release, filed with the SEC on Form 6-K, informing investors that it would not be able to timely file with the SEC its required audited consolidated financial statements on Form 20-F. As stated by the Company:

The Company is in the process of obtaining adequate documentation to support and determine the appropriate accounting treatment of certain related-party transactions of approximately \$7.7 million with a related party, Meihua Bus ("MB"). [Tongxin] will file audited financial statements as soon as they become available.

[Tongxin's] wholly-owned operating subsidiary is Hunan Tongxin Enterprises Co., Ltd. ("HT") in the People's Republic of China ("PRC"). [Tongxin] acquired HT in 2008. When HT sought approval from the PRC to be acquired by [Tongxin], there were concerns that government approval would not be forthcoming unless HT spun off its bus manufacturing business. Therefore, HT spun off its bus manufacturing business which resulted in the creation of MB as a separate company in July 2007.

As a result of the foregoing, the Company's completion of its annual consolidated financial statements and required disclosures are being delayed pending the Company's review of these related-party matters. The Company's Audit Committee has obtained a third-party to assist in obtaining adequate documentation of this review. The Company's Audit Committee and Management have discussed the facts and circumstances of these related-party matters with the Company's independent auditors.

33. At the same time, and within the same press release and SEC filing, the Company released unaudited financial results for FY 2009, reporting:

The Company had total revenues of \$121.6 million in 2009 compared to \$98.4 million in 2008, representing an increase of \$23.3 million or 23.7%. The increase was due primarily to Tongxin's market share increase during the period reflecting increased unit shipments of finished cabs and components to new customers as *well as an increase in shipments to Vietnam* of 4,810 EVBS (including 5 different EVBS models). The Vietnamese automotive market began to show signs of returning to an annual growth trend of approximately 15% in 2009 versus 2008. *The Company expects that this emerging market will continue to grow in 2010.* The Company does not anticipate any material changes in prices to consumers in this market. *The Company's sales were not impacted by the cost reduction of the steel material in 2009.*

34. The statements contained in paragraph 35 were materially false and misleading when made because defendants failed to disclose or indicate: (i) that the Company's financial results, as reported, failed to properly account for certain related-transactions, and as a result, the Company would be unable to file its audited consolidated financial statements for FY 2009; (ii) that the Company would not have earnings growth, particularly in the South East Asian markets, or meet expected earnings guidance due to the government's economic stimulus and the low price of steel; (iii) that the Company lacked adequate internal controls; and (v) that, as a result of the foregoing, the defendants lacked any reasonable basis for the positives statements about Tongxin's growth and prospects.

35. On July 23, 2010, Tongxin announced that it had received a NASDAQ Staff Deficiency Letter on July 19, 2010, indicating that the Company "no longer complies with NASDAQ Listing Rules" for continued listing. Under the NASDAQ Listing Rules, Tongxin would have sixty (60) days from the date of the letter to submit a plan to regain compliance.

36. On September 17, 2010, the Company filed with the SEC its Form 6-K informing investors that it submitted to NASDAQ a Plan to regain compliance with the NASDAQ Listing Rules that, if accepted, would provide the Company with an extension of 180 days, or until January 11, 2011 to comply with the listing requirements. The Company also restated its unaudited financial results for FY 2009.

37. On October 12, 2010, the Company filed with the SEC its Form 6-K informing investors that its Plan to regain compliance with the NASDAQ Listing Rules was rejected. As a result of this announcement, the price per share of Tongxin stock fell \$0.84, or over 22%, from its previous close of \$3.70 to \$2.86.

38. On October 14, 2010, trading of Tongxin was halted on the NASDAQ. On that same day, the Company announced in its Form 6-K filed with the SEC that trading of its common stock had been transferred to the OTC marketplace.

39. On November 20, 2010, Tongxin again surprised investors when it issued a press release revising its guidance for FY 2010, lowering expected revenue to \$100-\$110 million, from its previous guidance of \$150-\$160 million. The Company stated that it was lowering guidance “based on a decrease in market share due to in-house production of cabs, *and anticipated drop in orders from international customers in Vietnam*. Additionally, the impact of *the cessation of certain government sponsored stimulus programs throughout 2010*, the slower than anticipated startup of the medium duty model [ ] with substantially higher content than conventional cabs, and a drop in sales especially in the mini and light commercial truck segments *contributed to the revised revenue guidance*. The Company also anticipates a later than anticipated start-up on its new heavy duty model.” (Emphasis added.)

40. In the same November 20, 2010 press release, the Company announced that defendants Wilson and Chang were removed from their respective positions as CEO, and CFO/CAO of the Company. Defendant Zeilke was appointed as CEO and CAO, and defendant Zhang was appointed as Chairman of the Company.

41. Following this announcement, the price per share of Tongxin stock fell to \$1.63, down 30% from its closing price of \$2.35 on November 17, 2010.

42. On December 9, 2010, Tongxin announced the postponement of its annual shareholder meeting scheduled for December 16, 2010. On December 13, 2010, the Company announced that it would commence legal proceedings against its former CFO and CAO, defendant Chang, after an internal investigation uncovered the defendant Chang conspired with

defendant Wilson to wrongfully transfer assets of the Company for their own personal use. The Company further disclosed that it had retained the accounting firm of KPMG and the law firm of Squire Sanders & Dempsey to assist in conducting the investigation and legal proceedings.

43. On December 14, 2010, the Company filed a civil action against defendant Chang, alleging that she conspired with defendant Wilson to embezzle \$1.5 million from Tongxin's bank accounts. As alleged in the Company's action, defendants Chang and Wilson entered into an agreement memorialized on November 12, 2010, agreeing to "reserve" funds to be taken from Tongxin, which would be returned only if Wilson's preferred slate for the Board of Directors was elected. As alleged in the Company's action, these funds were intended to cover the severance packages and legal defense fees for defendants Chang and Wilson.

44. Following these disclosures, the market finally understood what defendants knew, but concealed from the investing public during the Class Period, including: (i) that the Company's financial results, as reported, failed to properly account for certain related-transactions, and as a result, the Company would be unable to file its audited consolidated financial statements for FY 2009; (ii) that the Company would not have earnings growth, particularly in the South East Asian markets, or meet expected earnings guidance due to the government's economic stimulus and the low price of steel; (iii) that the Company's top officers were conspiring to embezzle Company funds; (iv) that the Company lacked adequate internal controls; and (v) that, as a result of the foregoing, the defendants lacked any reasonable basis for the positives statements about Tongxin's growth and prospects.

#### **LOSS CAUSATION/ECONOMIC LOSS**

45. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class. The price of Tongxin's securities

significantly declined when the misrepresentations made to the market, or the information alleged herein to have been concealed from the market, or the effects thereof, were revealed, causing investors' losses. As a result of their purchases of Tongxin securities during the Class Period, Plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the Exchange Act and federal securities laws.

**ADDITIONAL SCIENTER ALLEGATIONS**

46. During the Class Period, defendants had both the motive and opportunity to commit fraud. They also had actual knowledge of the misleading nature of the statements they made or acted in reckless disregard of the true information known to them at the time. In doing so, the defendants participated in a scheme to defraud and committed acts, practices and participated in a course of business that operated as a fraud or deceit on purchasers of Tongxin securities during the Class Period.

47. In addition, defendants Chang and Wilson, the most senior officers of the Company, conspired to wrongfully transfer Company assets for their own personal benefit, as alleged in a civil action filed on behalf of Tongxin against defendant Chang. Moreover, defendant Wilson remains an active member of the Company's Board of Directors, despite his role in the wrongful transfer of Company assets, as alleged on behalf of Tongxin.

**APPLICABILITY OF PRESUMPTION OF RELIANCE:  
FRAUD ON THE MARKET DOCTRINE**

48. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine that, among other things: (i) defendants made public misrepresentations or failed to disclose material facts during the Class Period; (ii) the omissions and misrepresentations were material; (iii) the Company's securities traded in an efficient market; (iv) the misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of

the Company's securities; and (v) Plaintiff and other members of the Class purchased Tongxin securities between the time defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

49. At all relevant times, the market for Tongxin securities was efficient because, *inter alia*, (i) Tongxin was a regulated issuer, who filed periodic reports with the SEC; and (ii) Tongxin regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services.

#### **NO SAFE HARBOR**

50. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false and misleading statements pleaded in this Complaint. Any "Safe Harbor" warnings accompanying defendants' oral or written statements issued in respects to the allegedly false and misleading statements pleaded in this Complaint were ineffective to shield those statements from liability. At the time when each supposed forward-looking statement was made, the speaker knew that the statement was false or misleading; and the statement was authorized and/or approved by an executive officer of Tongxin who knew that the statement was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to the any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants expressly related to or stated to be dependent on this historic or present tense statements when made.

**FIRST CAUSE OF ACTION**

**For Violations of Section 10(b) of the Exchange Act  
and Rule 10b-5 Against All Defendants**

51. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

52. During the Class Period, Tongxin and the Individual Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (1) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (2) cause Plaintiff and other members of the Class to purchase Tongxin securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, each of these defendants took the actions set forth herein.

53. Tongxin and the Individual Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Tongxin securities in violation of Section 10(b) of the Exchange Act of Rule 10b-5.

54. Plaintiff and the Class, in reliance of the integrity of the market for Tongxin securities, suffered damages as a direct and proximate cause of defendants' wrongful conduct, in that they paid artificially inflated prices for Tongxin securities. Plaintiff and the Class would not have purchased Tongxin securities at the prices they paid, or at all, if they had been aware that the market prices for Tongxin securities had been artificially inflated by defendants' misleading statements and wrongful conduct.



**SECOND CAUSE OF ACTION**

**For Violations of Section 20(a) of the Exchange Act  
Against The Individual Defendants**

55. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

56. The Individual Defendants acted as controlling persons of Tongxin within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control, and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements, or to cause the statements to be corrected.

57. Each of the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and therefore are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

58. As set forth above, Tongxin and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omission as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of

the Exchange Act. As a direct and proximate result of these defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

**REQUEST FOR RELIEF**

**WHEREFORE**, Plaintiff prays for relief and judgment as follows:

- A. Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- B. Awarding compensatory damages and equitable relief in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- D. Such other relief as the Court may deem just and proper.

**JURY TRIAL DEMAND**

Plaintiff hereby demands a trial by Jury.

Dated: January 3, 2011

**ABRAHAM, FRUCHTER & TWERSKY, LLP**

By: 

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*Counsel for Plaintiff*

**CERTIFICATION FOR CLASS ACTION COMPLAINT**

Todd Augenbaum ("plaintiff") declares, as to the claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed the complaint prepared by counsel in the above-captioned case and has authorized its filing or the filing of a similar complaint.

2. Plaintiff did not purchase the security that is the subject of the complaint at the direction of plaintiff's counsel or in order to participate in any private action arising under the federal securities laws.

3. Plaintiff is willing to serve as a representative party on behalf of a class, including providing testimony at deposition and trial, if necessary.

4. During the proposed Class Period, plaintiff executed the following transactions in the securities of Tongxin International, Ltd.. See Attachment A:

5. In the past three years, plaintiff has sought to serve as a representative party on behalf of a class in an action filed under the federal securities laws in the following action:  
In re Rochester Fund Municipals Securities Litigation (D. Colo.) .

6. Plaintiff will not accept payment for serving as a representative party on behalf of a class beyond plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the Class as ordered or approved by the Court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 30<sup>th</sup> day of December, 2010.

  
TODD AUGENBAUM