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11 **UNITED STATES DISTRICT COURT**
12 **NORTHERN DISTRICT OF CALIFORNIA**
13 **SAN JOSE DIVISION**
14

15 SECURITIES AND EXCHANGE COMMISSION,
16 Plaintiff,
17 v.
18 YOUPLUS, INC. and SHAUKAT SHAMIM,
19 Defendants.

Case No.

COMPLAINT

20
21 Plaintiff Securities and Exchange Commission (the “Commission”) alleges:

22 **SUMMARY OF THE ACTION**

23 1. Between 2018 and 2019, Shaukat Shamim and his company, YouPlus, Inc.
24 (“YouPlus”), (collectively, “Defendants”) fraudulently raised approximately \$11 million from
25 investors by making false and misleading statements about the company’s financial results and
26 future prospects.

27 2. Shamim falsely told investors that YouPlus, a private technology start-up that
28 purported to have developed a machine-learning tool to interpret and deliver customer insights

1 from videos on the internet, had earned revenue of millions of dollars. Shamim also misled
2 investors regarding the number of customers YouPlus had, and falsely told at least one investor
3 that a prominent venture capital firm had committed to lead YouPlus's Series A round of
4 financing.

5 3. Defendants' scheme unraveled in late 2019. In October 2019, after providing
6 certain investors with forged bank statements in an effort to conceal YouPlus's deteriorating
7 financial condition, Shamim confessed that, despite his prior repeated representations that
8 YouPlus had generated millions of dollars in revenue, YouPlus had in fact earned less than
9 \$500,000 in revenue since its inception in 2013. Around the same time, Shamim also said that
10 he "probably" had overstated revenue in order to get investors interested in the company.

11 4. As the scheme unraveled, Defendants' misrepresentations regarding the number
12 of YouPlus customers and the purported interest of a prominent venture capital fund in leading
13 YouPlus's Series A round of financing also came to light. For example, despite telling investors
14 that YouPlus had more than 150 customers, YouPlus had only approximately four paying
15 customers throughout the company's existence. And contrary to Defendants' representation that
16 a prominent Silicon Valley investor was interested in leading YouPlus's Series A financing,
17 YouPlus had not secured any funding for a Series A financing, let alone any commitments from
18 prominent Silicon Valley investors.

19 5. Defendants have violated, and unless restrained and enjoined will continue to
20 violate, the antifraud provisions of Section 10(b) of the Securities and Exchange Act of 1934
21 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5] and
22 Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77(q)(a)].

23 JURISDICTION AND VENUE

24 6. The Commission brings this action pursuant to Sections 20(b), 20(d), and 22(a)
25 of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)] and
26 Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act")
27 [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].
28

7. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d)(1), and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

8. Defendants, directly or indirectly, made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, transactions, practices, and courses of business alleged in this complaint.

9. Venue is proper in this District pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)]. Acts, transactions, practices, and courses of business that form the basis for the violations alleged in this complaint occurred in this District. Defendants met with and solicited prospective investors in this District, and offers and sales of securities took place in this District.

10. Under Civil Local Rule 3-2(d), this civil action should be assigned to the San Jose Division, because a substantial part of the events or omissions which give rise to the claims alleged herein occurred in Santa Clara County.

DEFENDANTS

11. **Shaukat Shamim**, age 48, resides in Santa Clara, California. He is the Chief Executive Officer (“CEO”) and founder of YouPlus.

12. **YouPlus, Inc.** is a Delaware corporation with its principal place of business in Mountain View, California. YouPlus purports to have developed a machine-learning tool to interpret and deliver customer insights from videos on the internet for marketers, researchers, and brand managers.

FACTUAL ALLEGATIONS

A. Defendants Raise Approximately \$11 Million In 2018 and 2019

13. Shamim founded YouPlus in 2013. From November 2013 through October 2019, YouPlus raised approximately \$17.5 million in seed funding from approximately 50 investors. Of that \$17.5 million, approximately \$11 million was raised in 2018 and 2019 from about 30 investors, a mixture of individuals and small funds or institutions.

1 14. Defendants raised money for YouPlus primarily through the offer and sale of
2 convertible promissory notes issued by YouPlus. The notes generally had two-year terms, paid
3 6% interest annually, and, if certain conditions were satisfied, entitled investors to convert the
4 notes to YouPlus preferred stock.

5 **B. Defendants Solicit Investors Through False and Misleading Statements**

6 15. While raising funds in 2018 and 2019, Defendants made numerous false and
7 misleading statements in both written and verbal communications to investors and prospective
8 investors.

9 **1. Defendants Misrepresent YouPlus's Financial Results and Expectations**

10 16. While raising funds from investors and pitching YouPlus to new investors in
11 2018 and 2019, Defendants repeatedly misrepresented YouPlus's financial results and future
12 revenue expectations.

13 17. For example, in or about June 2018, Shamim told certain investors that YouPlus
14 expected revenue of \$8 million in 2018 and over \$40 million in 2019. In or about September
15 2018, Shamim sent those investors a spreadsheet that purported to show actual revenue through
16 June 2018 of over \$1.5 million. The representations regarding prior revenue were false, and the
17 projections were baseless.

18 18. In or about September 2018, Shamim also sent email communications to certain
19 investors, including one of the investors to whom Shamim had sent the spreadsheet the same
20 month, representing that YouPlus earned revenue of over \$1.1 million through June 2018 and
21 that it projected revenue of \$7.8 million for 2018. Again, the representations regarding prior
22 revenue, which were not even consistent with the revenue representations contained in the
23 spreadsheet Shamim had sent, were false, and the projections were baseless.

24 19. Certain investors to whom Shamim communicated the false revenue numbers
25 made investments based on those misrepresentations. In particular, a venture fund invested a
26 total of nearly \$2 million in YouPlus in 2018 and 2019, including a \$600,000 investment in
27 December 2018. Several members of the Investment Committee of that venture fund also
28

1 personally invested hundreds of thousands of dollars in YouPlus in 2018 and 2019 based on
2 Defendants' misrepresentations regarding YouPlus's purported revenue, including a \$50,000
3 investment by one member of the Investment Committee in December 2018.

4 20. Defendants' misrepresentations regarding YouPlus's revenue continued in 2019.

5 21. In or about February 2019, Shamim met a different member of the Investment
6 Committee of the venture fund that had invested \$600,000 in December 2018. Shamim falsely
7 told that Investment Committee member that YouPlus had \$8 million in recurring annual
8 revenue. Based on that representation, the venture fund made another \$800,000 investment in
9 YouPlus in March 2019.

10 22. In or about April 2019, Shamim sent purported "financial statements" to a
11 prospective investor, in which he misrepresented that YouPlus had earned revenue of \$4.6
12 million in 2018. That representation was false.

13 23. In or about May 2019, Shamim sent two different "financial models" to investors
14 that contained false revenue numbers. Shamim provided one of the members of the venture
15 fund's Investment Committee a "financial model" that falsely reflected 2019 actual revenue of
16 more than \$3.55 million through April. Shamim provided a different investor a "financial
17 model" that falsely reflected 2019 actual revenue of approximately \$3.97 million for the same
18 time period.

19 24. In or about June 2019, Shamim circulated a YouPlus "Investor and Shareholder
20 Update" to all investors that touted YouPlus's "amazing growth and market traction" and falsely
21 represented 2019 actual revenue of \$4.62 million through May with "projected revenue for 2019
22 [of] \$17.8 million."

23 25. At the time these representations were made, Defendants knew, or were reckless
24 in not knowing, that YouPlus had earned only a small fraction of the millions of dollars in
25 revenue represented to investors. Indeed, by the end of October 2019, Shamim had
26 acknowledged to the venture fund investor that YouPlus had not even earned \$500,000 in total
27 revenue since the company was founded in 2013.
28

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