

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9556 / March 11, 2014

SECURITIES EXCHANGE ACT OF 1934
Release No. 71687 / March 11, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15782

In the Matter of

John A. Stadler

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted against John A. Stadler (“Stadler” or “Respondent”) pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Respondent

1. **John A. Stadler**, age 70, is a resident of Cape Coral, Florida. He joined AgFeed Industries, Inc. in September 2010 as a director. He then served as AgFeed's chairman and interim chief executive officer ("interim CEO") from February 2011 until December 2011, when he left the company.

Other Relevant Entity

2. **AgFeed Industries, Inc.** ("AgFeed" or "the Company"), is a Nevada corporation with its principal place of business in Hendersonville, TN. At all relevant times, AgFeed was an animal nutrition and hog production company with operations in China and the United States. On July 15, 2013, AgFeed filed a Chapter 11 bankruptcy petition and is currently in liquidation. Until February 2012, AgFeed's common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act. At all relevant times, AgFeed's stock was quoted on The NASDAQ Stock Market LLC, until the company was delisted on March 24, 2012. AgFeed's stock is currently quoted on OTC Link operated by OTC Markets Group Inc.

Facts

3. From approximately mid-2008 through June 30, 2011, AgFeed's publicly-reported revenues were inflated falsely by approximately \$239 million due to actions by former members of AgFeed's Chinese management including, among other things, inflating revenues by booking sales of non-existent hogs and manipulating hog weights, and later covering it up by, among other things, reporting that the fake hogs had died.

4. In September 2010, AgFeed began a plan of expansion by merging with a privately-held U.S. company. Respondent joined AgFeed as part of the merger. By approximately early June 2011, Respondent was aware that fraud had been reported regarding operations in the Jiangxi region, one of the five Chinese regions where AgFeed maintained hog farms. Company management preliminarily investigated the fraud reports and, as a result, Respondent, and others, learned that former and current Chinese management, including the former CEO and former chief financial officer, had recorded false revenues in Jiangxi and maintained a second set of accounting books for the purpose of inflating revenue and profits. Respondent also learned that the Company obtained a physical copy of a portion of the two sets of books on a USB drive (the "USB Drive").

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Information obtained during the preliminary investigation was provided to Respondent in a memorandum (the “Jiangxi Memo”).

5. Respondent knew or was reckless in not knowing that AgFeed failed to undertake certain investigative steps regarding the Jiangxi region fraud report, such as hiring a professional firm to analyze the USB Drive. Respondent also failed to ensure that the Jiangxi Memo and the USB Drive were provided to the Company’s independent auditor.

6. In or about mid-June 2011, Respondent, and others, learned of a new report of fraud allegations regarding operations in another AgFeed Chinese region (the Fujian region) that corroborated the Jiangxi region fraud report. Among other things, the report alleged that the Company had recorded false revenues and inflated fixed assets. Respondent knew or was reckless in not knowing that AgFeed failed to undertake a sufficient investigation regarding the Fujian region fraud allegations. Further, Respondent knew or was reckless in not knowing that the Company, following a limited review of its fixed assets, was unable to substantiate its fixed asset values. Further, Respondent learned that additional information had been discovered by a consultant to the Company relating to the maintenance of two sets of accounting books in the Company’s China operations that further corroborated, among other things, the previous reports of a second set of books. Respondent, however, did not ensure that appropriate action was taken to determine whether AgFeed’s current or prior financial statements were accurate. Respondent also failed to ensure that the Fujian report and the consultant’s discovery relating to the two sets of books were provided to the Company’s independent auditor.

7. On July 15, 2011, AgFeed published a press release, reviewed and approved by Respondent, touting the Company’s “transformation, development, and growth” and expected revenues following certain expansion efforts. On July 18, 2011 and August 2, 2011, AgFeed published investor and shareholder presentations on Forms 8-K signed by Respondent, containing historical and projected revenues for the Company. On August 2, 2011, AgFeed published its earnings release for the period ended June 30, 2011. Respondent knew or was reckless in not knowing that these releases were false and misleading.

8. On August 9, 2011, Respondent signed the Company’s management representation letter to AgFeed’s independent auditor. The management representation letter was materially false or misleading as it, among other things, failed to provide the auditor with sufficient information about the reports of fraud in the Jiangxi and Fujian regions.

9. On August 9, 2011, AgFeed filed with the Commission the Company’s Form 10-Q for the period ended June 30, 2011 (the “Form 10-Q”), which Respondent signed and certified as interim CEO. The Form 10-Q was incorporated into the Company’s active June 2009 Form S-3 registration statement. The Form 10-Q also incorporated by reference the Company’s Form 10-K for the period ended December 31, 2010. Respondent knew or was reckless in not knowing that the Company’s Form 10-Q for the period ended June 30, 2011 was false and misleading.

10. On December 19, 2011, AgFeed finally disclosed that “financial accounting staff and management based in China engaged in accounting improprieties” and that “the

Company's previously issued unaudited financial statements for the quarters ended March 31 and June 30, 2011, as well as its audited financial statements for the years ended December 31, 2010 and 2009, should be restated. As a result, the Company's consolidated balance sheets as of March 31 and June 30, 2011 and December 31, 2010 and 2009, the Company's consolidated statements of operations and other comprehensive income (loss) for the quarters ended March 31 and June 30, 2011 and the years ended December 31, 2010 and 2009, the Company's consolidated statements of cash flows for the quarters ended March 31 and June 30, 2011 and the years ended December 31, 2010 and 2009 and the footnotes thereto should no longer be relied upon." On January 31, 2012, AgFeed further disclosed that due to the "accounting irregularities" in China, "the Company's audited financial statements for the year ended December 31, 2008 should no longer be relied upon."

Violations

11. Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

12. Section 13(a) of the Exchange Act and Rules 13a-11 and 13a-13 thereunder require issuers of securities registered pursuant to Section 12 of the Exchange Act, such as AgFeed, to file with the Commission accurate current and quarterly reports. Rule 12b-20 of the Exchange Act requires that these reports contain such further material information as may be necessary to make the required statements in the reports not misleading. Section 13(b)(5) of the Exchange Act prohibits any person from knowingly circumventing or falsifying any book, record, or account described in Section 13(b)(2) of the Exchange Act. Section 13(b)(2)(A) of the Exchange Act requires issuers to "make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer." Exchange Act Rule 13b2-1 prohibits any person from directly or indirectly falsifying, or causing to be falsified, any book or record subject to Section 13(b)(2)(A). Section 13(b)(2)(B) of the Exchange Act requires reporting companies to devise and maintain an adequate system of internal accounting controls. Rule 13b2-2 of the Exchange Act prohibits officers and directors from, directly or indirectly, making or causing to be made materially false or misleading statements or omissions to accountants in connection with an audit or preparation of reports to be filed with the Commission. Rule 13a-14 of the Exchange Act requires that the principal executive and financial officers certify each periodic report containing financial statements filed by an issuer pursuant to Section 13(a) of the Exchange Act.²

13. As a result of the conduct described above, Stadler violated Section 17(a) of the Securities Act and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13a-14, 13b2-1, and 13b2-2 thereunder, and was a cause of AgFeed's violations of Sections 13(a),

² Under Section 302 of the Sarbanes-Oxley Act of 2002, the principal executive and financial officers are required to certify, among other things, that: (1) they reviewed annual and quarterly reports; (2) based upon their knowledge, the report does not omit or misstate a material fact; and (3) they had disclosed any fraud, whether or not material, involving management to the audit committee and the auditors.

13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-11, and 13a-13 thereunder.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Stadler's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act and 21C of the Exchange Act, Respondent Stadler cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) of the Exchange Act and Rules 10b-5, 12b-20, 13a-11, and 13a-13, 13a-14, 13b2-1, and 13b2-2 thereunder.

B. Pursuant to Section 21C(f) of the Exchange Act and Section 8A(f) of the Securities Act, Respondent is prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

C. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$100,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Payment must be made in one of the following ways: (1) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or (2) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to: Enterprise Services Center, Accounts Receivable Branch, HQ Bldg., Room 181, AMZ-341, 6500 South MacArthur Boulevard, Oklahoma City, OK 73169. Payments by check or money order must be accompanied by a cover letter identifying John A. Stadler as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Ian S. Karpel, Assistant Regional Director, Division of Enforcement, Denver Regional Office, U.S. Securities and Exchange Commission, 1801 California St., Denver, CO 80238.

D. Such civil money penalty may be distributed pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended ("Fair Fund distribution"). Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the

Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Jill M. Peterson
Assistant Secretary