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UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

In the Matter of the Application of

AUTOCHINA INTERNATIONAL LIMITED,
A/K/A FINCERA, INC.

For Review of Action Taken by

FINRA

Admin. Proc. File No. 3-16913

BRIEF IN SUPPORT OF APPLICATION OF AUTOCHINA INTERNATIONAL LIMITED, A/K/A FINCERA, INC. FOR REVIEW OF ACTION TAKEN BY FINRA

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES

Page(s)

Cases

Statutes And Rules

Pursuant to 15 U.S.C. § 78s, Fincera, Inc., formerly known as AutoChina International Limited ("AutoChina" or the "Company"), hereby submits this appeal to the United States Securities and Exchange Commission ("SEC" or the "Commission"), and respectfully requests that the Commission reverse the decision of a subcommittee of the Uniform Practice Code Committee ("UPCC Subcommittee") of the Financial Industry Regulatory Authority ("FINRA"), dated September 29, 2015, which upheld FINRA's initial denial of the Company's application to (i) effect a dividend in the nature of a 10-1 forward stock split, and (ii) change its name from AutoChina International Limited to Fincera, Inc. (together, the "Corporate Action Requests").[1] As more fully set forth below, the specific grounds on which FINRA based its denial do not exist in fact. Additionally, the UPCC Subcommittee's decision is detrimental to the protection of the Company's current shareholders, the investing public, and to the maintenance of fair and orderly markets. The decision to deny the Company's application therefore should be reversed, and the Company's Corporate Action Requests should be processed.

STATEMENT OF FACTS

I. PROCEDURAL POSTURE

A. The Company's Application

FINRA Rule 6490 establishes procedures for the submission, review, and approval of requests, by issuers to FINRA, to process certain corporate actions ("Company-Related Actions"). On February 17, 2015, pursuant to FINRA Rule 6490, the Company submitted an application to FINRA's Department of Market Operations (the "Department") requesting that the Department process documentation which would allow the Company to effect a dividend in the

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[1] Although this brief discusses both requests together, the Company believes that the two Corporate Action Requests should be considered separately instead of in an "all-or-nothing" manner.

nature of a 10-1 forward stock split (the "10-1 forward stock split"). (*See* FINRA 000049-54, Issuer Company-Related Action Notification Form, dated February 17, 2015).[2] On June 8, 2015, the Company also requested that the Department process documentation related to the proposed name change. (*See* FINRA 000093-98, Issuer Company-Related Action Notification Form, dated June 8, 2015).

In filing these requests, the Company complied with all of Rule 6490's requirements and submitted all required documentation. Among other things, in response to FINRA's request for such information, the Company disclosed to FINRA in June 2015 that Hui Kai Yan ("Yan"), who was one of the individual defendants in a 2012 civil action that the Commission had commenced against the Company and others (the "SEC Action"), was an employee of the Company during the time of the SEC complaint in that action. (*See* Email from G. Caruso to OTC Corporate Actions, dated June 3, 2015, attached hereto as Appendix A).[3] As part of the settlement of the SEC Action, the Company and Mr. Yan, without admitting or denying the SEC's allegations, consented to a judgment enjoining them from violating certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. (*See* FINRA 000046.1-46.6, Final Judgment as to Defendant AutoChina International Limited, dated June 25, 2014; FINRA 000046.7-46.12, Final Judgment as to Defendant Hui Kai Yan, dated June 25, 2014). In addition, Mr. Yan agreed to no longer be an officer or director of AutoChina or any other issuer. (FINRA 000046.10).

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[2] Citations to "FINRA 0000" refer to the Bates number in FINRA's certified record on appeal.

[3] The Appendices attached hereto all were reviewed by or available to the UPCC Subcommittee, but were not included in FINRA's certified record on appeal.

B. FINRA's Deficiency Notice

On August 21, 2015, FINRA notified the Company that pursuant to FINRA Rule 6490(d), the Company's Corporate Action Requests were deficient and that "it [was] necessary for the protection of investors, the public interest, and to maintain fair and orderly markets that documentation related to [the Company's] Company-Related Actions [would] not be processed." (FINRA 000099-102, Deficiency Notice to AutoChina from P. Casimates, dated August 21, 2015 (the "Deficiency Notice"), at FINRA 000099). FINRA based its determination on the following:

> FINRA has actual knowledge of a civil injunctive action filed on April 11, 2012 by the Securities and Exchange Commission ("SEC") against AUTCF, Hui Kai Yan ("Yan"), Rui Ge Dong, Victory First Limited, Rainbow Yield Limited, Yong Qi Li, Ai Xi Ji, Ye Wang, Zhong Wen Zhang, Li Xin Ma, Yong Li Li, and Shu Ling Li, Civil Action No. 1:12-CV-10643-GAO (District of Massachusetts, Complaint filed on April 11, 2012) ("SEC Complaint").
>
> The SEC's complaint alleged that AUTCF's senior executive and director Yan and others fraudulently traded AUTCF's stock to boost its daily trading volume in order to create the appearance of liquidity of AUTCF's stock and thereby enhance the company's ability to get much-needed financing ...
>
> The above activity resulted in a final SEC judgment, enjoining AUTCF and Yan from violations of Section 17(a) of the Securities Act of 1933 and Sections 9(a)(1), and 9(a)(2), and 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and ordered AUTCF to pay a civil penalty of $4.35 million and Yan to pay a civil penalty of $150,000. The recent federal court judgment and the remaining pending SEC action against ten other defendants has raised concerns for FINRA regarding the protection of investors and the transparency to the marketplace as it relates to the proposed corporate action requests. (FINRA 000099-100).

As stated above, the fact that the Company and Mr. Yan consented to the entry of the final judgments was fully and accurately disclosed to FINRA in the notices concerning the 10-1 forward stock split and name change, and in subsequent correspondence with FINRA. However, as discussed below, FINRA's statement that "the remaining pending SEC action against ten other

defendants has raised concerns for FINRA" was not based in fact because there are no pending SEC actions.

C. The Company's Appeal and FINRA's Final Decision

On August 28, 2015, the Company appealed FINRA's deficiency determination. (*See* FINRA 000103-106, Fincera, Inc. Notice of Appeal, dated August 28, 2015). This appeal was supplemented by the Company's letter to FINRA dated September 16, 2015. (*See* FINRA 000111-126). FINRA's deficiency determination was based on factual errors, which were addressed in the Company's August 28, 2015 letter appealing the deficiency determination. First, although FINRA's August 21 determination stated that the Company and Mr. Yan settled the SEC Action, it incorrectly stated that the SEC Action was "pending" against the other defendants. Second, FINRA's August 21 determination also incorrectly implied that these individuals were employed by the Company when in fact they were not.

In its August 28 letter appealing the deficiency determination, the Company explained that "FINRA erroneously state[d] the SEC action remains pending against the ten other defendants," and that "[i]n fact, it has been almost a year since a Massachusetts federal court entered final default judgments against the ten other defendants." (FINRA 000103). The Company's August 28 letter further explained that the monetary penalties imposed against the Company were paid in full in July 2014; that Mr. Yan, the only officer or director of the Company named in the SEC Action, is no longer employed by the Company;[4] and that, more

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[4] Although Mr. Yan was no longer an officer or director of the Company, the August 28, 2015 letter incorrectly stated that Mr. Yan was "no longer employed by the Company." While Mr. Yan ceased his role as an officer and director following the consent decree in June 2014, his last official day of employment was September 30, 2015. Currently, and at the time of the Company's October 15, 2015 appeal, Mr. Yan is and was not an officer, director, or employee of the Company.

importantly, none of the other individuals named as defendants in the SEC Action are employed by the Company, nor were they employees at the time of the SEC Action. (FINRA 000103-104).

In its September 16 letter, the Company further explained that FINRA's decision to deny the Company's request to change its name caused confusion in the market and disrupted the orderly trading of the Company's securities. (FINRA 000115). The Company also explained that it requested to effectuate a stock split for legitimate business reasons, and its inability to do so will negatively affect its competitiveness. (FINRA 000116).

Nonetheless, on September 29, 2015, the UPCC Subcommittee affirmed the Department's denial of the Company's request for a name change and 10-1 forward stock split (the "Decision"). (*See* FINRA 000133-136, Decision of the Uniform Practice Code Committee Filed with the SEC, dated September 29, 2015). In affirming the Department's denial, the UPCC Subcommittee listed four key findings, none of which were based in fact, as explained in Sections I(A)-(C) below.

First, the UPCC Subcommittee claimed that the conduct described in the Commission's complaint in the SEC Action involved not only the Company and former senior executive and director Mr. Yan, but also ten other defendants still "affiliated with" the Company and its current Chief Executive Officer and Chairman, Yong Hui Li ("Li"). (FINRA 000135). The UPCC Subcommittee found that "[a]lthough AutoChina has stated that Yan is no longer with the company, it has made no such representations with regard to the other AutoChina Defendants. AutoChina's failure to address why the other AutoChina Defendants are apparently still employed by or affiliated with AutoChina weighs heavily against processing the company's proposed name change and forward stock split." (*Id.*).

Second, the UPCC Subcommittee alleged that the Commission's investigation, which led to the filing of the SEC Action, initially focused on the conduct of Mr. Li and the Company's current Chief Financial Officer, Jason Wang ("Wang"), and that the continued involvement of executives who were employed at AutoChina at the time of the Commission's complaint in the SEC Action "raises significant concerns about the company-related actions that AutoChina has requested." (*Id.*).

Third, the UPCC Subcommittee alleged that the Company's business reasons to support the proposed name change and forward stock split "[did] not present a compelling basis to reverse the Department's denial of the corporate actions." (*Id.*). Invoking its "role as gatekeepers of the over-the counter securities markets," it claimed that the requested name change would make it more difficult for investors to connect Fincera, Inc. with AutoChina. (*Id.*)

Lastly, the UPCC Subcommittee asserted that "AutoChina's payment of $4.35 million as a civil penalty a little over a year ago" demonstrates the Company's "profound disregard for securities regulation," therefore making the processing of the Company's Corporate Action Requests "pose too great of a risk to the investing public and the securities markets." (FINRA 000136).

As stated above, in its August 28 appeal of FINRA's deficiency determination, the Company noted, among other things, three factual inaccuracies contained in the Department's deficiency determination: (i) that FINRA erroneously stated that the SEC Action remains pending against the ten other defendants when, in fact, it settled in 2014; (ii) that the deficiency determination failed to note that the monetary penalties imposed against the Company had been paid in full; and (iii) that the other defendants to the SEC Action are not employed by the Company (and were not so employed at the time of the SEC Action) and that the Company had

no control over their appearance in U.S. courts. (*See* FINRA 000103-106). The UPCC Subcommittee failed to acknowledge these corrected facts in its Decision. (*See* FINRA 000134-136). As discussed further below, because the Decision was based on facts that do not exist, the decision to deny the Company's application respectfully should be reversed.

II. The SEC Action

A. The Allegations in the Complaint

In April 2012, the Commission filed a complaint against AutoChina and Mr. Yan, along with ten other defendants, which it amended on July 6, 2012. (*See* First Amended Complaint re: *SEC v. AutoChina*, No. 1:12-cv-10643-GAO (D. Mass. July 6, 2012) (the "Complaint"), attached hereto as Appendix B). The Complaint alleged that the defendants engaged in a scheme, involving trading through matched orders and wash trades, designed to influence the trading volume of AutoChina's common stock. The SEC alleged that, through this scheme, AutoChina and Mr. Yan violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Section 9(a) of the Exchange Act. (*Id.*). The Complaint did not allege that the defendants had driven up the stock price. (*Id.*). The Complaint did not name the Company's current CEO and Chairman, Yong Hui Li, or the Company's current Chief Financial Officer, Jason Wang, as defendants. (*Id.*).

The Complaint named nine individuals. Mr. Yan, as previously discussed, was an officer and director of AutoChina at the time of the Complaint. (*Id.* at ¶ 19). The Complaint also identified defendant Shu Ling Li as a "former manager of AutoChina." (*Id.* at ¶ 27). In fact, Shu Ling Li last worked at AutoChina on September 8, 2010, over five years ago and nearly two

years before the Complaint was filed.[5] None of the other seven individual defendants named in the Complaint have ever been AutoChina employees, as the Company already communicated to FINRA. (*See* FINRA 000104; App. A, Email from G. Caruso, dated June 3, 2015, at 1). Although the SEC alleged in its complaint that certain of these defendants may have listed AutoChina as their employer on their account opening documents, they were not AutoChina employees. The Company and Mr. Yan denied these and the other allegations contained in the Complaint in their answers, and in particular denied that they participated in a manipulative trading scheme. (*See* Dkt. No. 82, Assented-To Motion of Plaintiff SEC for Entry of Final Judgments as to AutoChina International Limited and Hui Kai Yan, dated June 19, 2014, attached hereto as Appendix C, at 2-3).[6]

B. The Final Judgments

AutoChina and Mr. Yan consented to the entry of final judgment on June 25, 2014. (*See* FINRA 000046.1-46.12). As part of the final judgment, AutoChina and Mr. Yan consented to pay monetary sums representing penalties in the amounts of $4.35 million and $150,000, respectively. (*See* FINRA 000046.4, FINRA 000046.10). The monetary penalties imposed against the Company were paid in full in July 2014. (*See* FINRA 000103).

When AutoChina and Mr. Yan consented to the final judgment order, they neither admitted nor denied any of the factual allegations contained in the Complaint. (*See* FINRA 000046.1, FINRA 000046.7).

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[5] Indeed, Shu Ling Li was not even an AutoChina employee during the time period when the conduct alleged in the Complaint is alleged to have occurred. (*See, e.g.,* App. B, Complaint at ¶¶ 3, 35, 53); *see also* App. A, email from G. Caruso, dated June 3, 2015, at 1 ("Except for Hui Kai Yan...no other person named as a Defendant in the Complaint was a director, officer or employee of AutoChina or had any other affiliation with AutoChina during the time of the SEC Complaint.")

[6] The exhibits to the Assented-To Motion are not included in Appendix C.

Entries of default were made as to the remaining ten defendants, each of whom was served with, and failed to respond to the Complaint. (*See* App. C, Consent Motion for Entry of Final Judgments as to AutoChina and Yan, at 2 n.1).

ARGUMENT

FINRA Rule 6490(d)(3) requires FINRA to conduct a two-step analysis in determining whether to process an issuer's Company-Related Action, such as stock dividends, stock splits, rights offerings, and changes to a trading symbol or company name. *See In the Matter of the Application of mPhase Technologies, Inc.*, Exchange Act Release No. 74187, 2015 SEC LEXIS 398, at *4-6, *17-18 (Feb. 2, 2015). First, FINRA must assess whether the issuer's request is deficient. *Id.* A Company-Related Action is "deficient" if, among other factors, "FINRA has actual knowledge that . . . officers [or] directors . . . connected to the issuer or the [Company-Related Action requested] . . . are the subject of a pending, adjudicated or settled regulatory action or investigation by a federal, state or foreign regulatory agency, or a self-regulatory organization; or a civil or criminal action related to fraud or securities laws violations." *Id.* at *6 n.11. Second, in the event that FINRA deems an issuer's request deficient, FINRA may determine not to process the request if it finds that denial is "necessary for the protection of investors, the public interest and to maintain fair and orderly markets." *Id.* at *4-6, *17-18.

Section 19(f) of the Exchange Act governs the SEC's review of a self-regulatory organization's denial of access to services. Under Section 19(f), the SEC must dismiss an issuer's appeal of a denial by FINRA if it finds that "(i) the specific grounds on which FINRA based its denial exist in fact, (ii) the denial was in accordance with FINRA rules, and (iii) those rules are, and were applied in a manner consistent with the purposes of the Exchange Act." *Id.* at *16; *see also* 15 U.S.C. § 78s(f); *In the Matter of the Application of Positron Corp.*, Exchange

Act Release No. 74216, 2015 SEC LEXIS 442, at *21 (Feb. 5, 2015). The SEC must also dismiss an appeal if FINRA's decision imposes no unnecessary or inappropriate burden on competition under the Act. *See mPhase Technologies*, 2015 SEC LEXIS 398, at *16 n.30. To the extent discretion entered into FINRA's decision to deny access to services, the SEC cannot substitute its judgment for FINRA's unless FINRA's decision is unsupported by the record. *Id.* at *20.

I. THE GROUNDS ON WHICH FINRA BASED ITS DENIAL OF THE COMPANY'S CORPORATE ACTION REQUESTS DO NOT EXIST IN FACT

A. The UPCC Subcommittee's Decision Relies on Factually Inaccurate Grounds Regarding the Defendants in the SEC Action

The UPCC Subcommittee's decision to affirm the Department's denial of AutoChina's request for a name change and 10-1 forward stock split relied on plainly incorrect facts and is unsupported by the record. The Company does not deny that the 2014 final judgments with respect to AutoChina and Mr. Yan involved alleged violations of the federal securities laws, or that FINRA had "actual knowledge" of those final judgments. However, FINRA did not (and could not) have any "actual knowledge" that the other named individual defendants in the SEC Action were connected to the Company, as they were not employed by and did not exercise any level of control over the Company at the time of the SEC Action, the Company's Corporate Action Requests, or now.

The UPCC Subcommittee found that six of the individual defendants in the SEC Action "are apparently still employed by or affiliated" with AutoChina. (FINRA 000135)[7]. This is factually incorrect. The Company specifically communicated to FINRA on June 3, 2015, in

[7] The Company objects to the UPCC Subcommittee's use of the term "AutoChina Defendants" to describe all of the defendants named in the Complaint. As the UPCC Subcommittee knows, only Mr. Yan was an AutoChina officer, director, or employee during the time of the Complaint.

response to FINRA's request for such information, that only one of the individual defendants (Hui Kai Yan) was an employee of the Company during the time of the SEC complaint, and that "no other person named as a Defendant in the complaint was a director, officer or employee of AutoChina or had any other affiliation with AutoChina during the time of the SEC complaint." (App. A, Email from G. Caruso, dated June 3, 2015, at 1). Furthermore, FINRA specifically asked whether the individuals were employed by or had any affiliation with the Company "during the time of the SEC complaint" (*id.*), and at no point requested information about whether the other defendants were currently employees of the Company, which they are not. Nonetheless, on August 28, 2015, in its appeal of the Department's Deficiency Notice, the Company further explained that, other than Mr. Yan, who was no longer an officer or director of the Company, "the other defendants to the SEC action are not employed by the Company (and were not so employed at the time of the SEC action)." (FINRA 000104). We therefore fail to understand how FINRA could then state that the Company's "failure to address why the other AutoChina Defendants are apparently still employed by or affiliated with AutoChina weighs heavily against processing the company's proposed name change and forward stock split," (FINRA 000135), when in fact the Company did address that and made clear that those defendants were not currently employed by or affiliated with the Company.

Putting aside the fact that the Company made this clear, the UPCC Subcommittee's initial confusion is somewhat understandable. The SEC's Complaint alleged that six of the defendants "listed their employer as AutoChina on their E*Trade account-opening documents." (App. B, Complaint at ¶ 57). However, AutoChina denied the allegations in the Complaint in its answer (App. C at 2-3), and subsequently informed FINRA that those defendants "are not employed by the Company (and were not so employed at the time of the SEC action) . . . ." (FINRA 000104).

That FINRA continues to insist, without any support and contrary to the Company's clear representations, that these individuals "are apparently still employed by" AutoChina ignores entirely the fact that these individuals were never employed by AutoChina in the first place.

Nor are these other defendants "affiliated" with the Company. The UPCC Subcommittee noted that four of the individual defendants are related to Mr. Li. (*See* FINRA 000135). However, this mere relationship is insufficient to establish affiliation under the relevant rules. *See, e.g.,* Regulation D at Section 230.501(b) and Section 230.144. Similarly, the UPCC Subcommittee noted that the Company identified Rainbow Yield Limited as "an affiliate in documents filed with the Commission." (FINRA 000135). However, that disclosure was made in an abundance of caution because Shu Ling Li was Mr. Li's sister. However, as is clear from the definition of "affiliate" in Section 230.144, simply being related does not make two people affiliates—such persons must also share the same household to be considered affiliates. Ms. Li did not share the same household as Mr. Li, and therefore was not an affiliate of Mr. Li notwithstanding the prior disclosure.[8]

Furthermore, as the Company previously has stated, Mr. Yan is not an officer, director, or employee of the Company. This key fact distinguishes the present case from two recent decisions in which the SEC upheld FINRA's denial of issuers' Company-Related Action requests where the issuers' *current* officers were the subject of a settled regulatory action involving securities laws violations. *See mPhase Technologies*, 2015 SEC LEXIS 398, at *9-10, *15 (dismissing appeal where two of the named parties to mPhase's prior settlement with the SEC regarding alleged federal securities laws violations were also current mPhase officers, who

[8] The other corporate entity named as a defendant in the Complaint, Victory First Limited, was not alleged to have any affiliation with either AutoChina or Mr. Li either at the time of the Complaint or now.

both had "significant roles" that presented opportunities for abuse); *Positron*, 2015 SEC LEXIS 442, at *1-3, *8, *23 (finding the issuer's Company-Related Action was deficient where the issuer's chief executive officer and chairman at the time of both its request and FINRA's subsequent denial had been the subject of a settlement with the SEC and an SEC administrative proceeding). Unlike the grounds cited by FINRA in those cases, the grounds cited by FINRA here do not exist.[9]

B. The UPCC Subcommittee's Concerns about the SEC's Investigation of Mr. Li and Mr. Wang Are Unfounded and Not Based in Fact

In its denial letter, the UPCC Subcommittee also noted that the Commission's investigation, which led to the filing of the SEC Action, initially focused on the conduct of the Company's current CEO and Chairman, Yong Hui Li, and current Chief Financial Officer, Jason Wang, and that the "continued involvement of executives, managers, and directors" who were employed with the Company during the time of the alleged misconduct "raises significant concerns" about the Company's Corporate Action Requests. (FINRA 000135). The UPCC Subcommittee casts these aspersions despite the fact that these individuals were not named as defendants in the SEC Complaint. (*See* App. B, Complaint). Whether Mr. Li or Mr. Wang were investigated, as alleged by the UPCC Subcommittee, or not, has no bearing on the Company's Corporate Action Requests because the Commission did not file suit against either. In basing its decision to deny the Company's Corporate Action Requests in part on this basis, (*see* FINRA

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[9] Because the Company denied that the defendants named in the SEC Action were employed by the Company, FINRA's contested findings on this point should not be accepted on appeal. *Cf. mPhase Technologies*, 2015 SEC LEXIS 398, at *26 n.45 (finding that uncontested grounds for FINRA's denial existed in fact) (citing *NLRB v. Konig*, 79 F.3d 354, 356 n.1 (3d Cir. 1996) (uncontested findings on appeal accepted as true)); *NLRB v. Tenn. Packers, Inc.*, 344 F.2d 948, 949 (6th Cir. 1965) ("Since respondent's brief failed to challenge the Board's order on the merits, that issue is considered . . . abandoned . . . .")).

000135), the UPCC Subcommittee unfairly assigns liability to Messers. Li and Wang, where in fact they were not found liable. *See In re Hutchinson Tech., Inc., Sec. Litig.*, 536 F.3d 952, 962 (8th Cir. 2008) ("we consider the SEC's opening and closing an investigation irrelevant," and "[t]he mere existence of an SEC investigation does not suggest that any of the allegedly false statements were actually false"); *see also Frank v. Dana Corp.*, 649 F. Supp. 2d 729, 742 (N.D. Ohio 2009) (holding that an SEC investigation that has not resulted in charges or any finding of wrongdoing cannot support an inference of scienter).

Both Mr. Li and Mr. Wang fully cooperated with the SEC's investigation. The SEC's investigation did not lead to any charges, sanctions, or settlements with Mr. Li or Mr. Wang. Despite the fact that no actions or proceedings were taken against either Mr. Li or Mr. Wang, nor were any findings ever made against them, the UPCC states that the "continued involvement" of Mr. Li and Mr. Wang, "who were employed with AutoChina when the misconduct occurred raises significant concerns about the company-related actions that AutoChina has requested." (FINRA 000135). The implication that the Company must replace all of its officers, directors, and managers in order for FINRA to allow it to process normal-course corporate actions is clearly unsupported by the record here. Because the UPCC Subcommittee's concern is not based in fact, it cannot support the affirmation of the Department's deficiency determination and the Decision should be reversed.

C. In Relying on Factually Inaccurate Grounds, the UPCC Subcommittee Incorrectly Dismissed the Company's Compelling Business Reasons for Its Corporate Action Requests

The Company's request to change its name and to effectuate the 10-1 forward stock split are routine actions supported by compelling business reasons, specifically designed to benefit the

Company's stockholders and the investing public, as well as to contribute to the maintenance of fair and orderly markets.

With respect to the name change, the Company's name was changed to Fincera, Inc. to better reflect the Company's new core businesses and new focus on financial technology related products and services. The Company's old name was overdue to be changed since it dated to when the Company was primarily an automobile dealership business, which business it divested in 2009. Now that the Company is changing its focus from a heavy truck leasing company and service provider to a company providing financial technology related products and services, its old name is no longer appropriate or relevant.

With respect to the proposed 10-1 forward stock split, the Company wishes to declare a dividend in the nature of a stock split in order to reduce the price of its ordinary shares so that it can issue a greater number of shares (at a lower value per share) as compensation to employees from the technology industry. Although the absolute value of the compensation would be the same, employees would look more favorably at a greater number of shares issued at a lower value per share. The Company believes that its competitiveness in hiring and retaining employees will be negatively impacted if the dividend is not permitted.[10]

Despite the Company's articulation of these business reasons in its appeal, (*see* FINRA 000103-106, FINRA 000116-126), the UPCC Subcommittee, in relying on incorrect facts, failed to thoroughly consider these reasons. Contrary to the UPCC Subcommittee's conclusion, (*see* FINRA 000135), FINRA's denial of the Company's Corporate Action Requests is unnecessary for the protection of investors and the public interest because the individual defendants in the

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[10] *See infra* at Section III for discussion of how the UPCC Subcommittee's decision imposes an inappropriate burden on competition.

SEC Action are not employed by the Company and do not assert any control over the Company, thus eliminating any potential for ongoing regulatory concerns about the Company's operations. Further, the UPCC Subcommittee's contention that "the requested name change would make it more difficult for the investing public to connect Fincera, Inc. with AutoChina," (*id.*), is similarly unsupported as (i) the Company's prior names will continue to appear on the Company's SEC Edgar page and will be easily located through online searches, and (ii) the SEC Action is disclosed in many of the Company's SEC filings and was mentioned again in the Company's mid-year report on Form 6-K, which utilized the Company's new name, Fincera, Inc.

Because the UPCC Subcommittee's concerns on which it based its denial of the Company's Corporate Action Requests are unsupported by the record, its conclusion that the Company's business reasons did not provide a compelling basis to outweigh those concerns must be overturned. Accordingly, because FINRA's decision is unsupported by the record, the Commission may substitute its judgment and grant AutoChina's appeal. *Positron*, 2015 SEC LEXIS 442, at *24-25.

II. FINRA'S DENIAL OF THE COMPANY'S CORPORATE ACTION REQUESTS WAS NOT IN ACCORDANCE WITH ITS RULES

FINRA adopted Rule 6490 pursuant to Exchange Act Section 15A(b). That provision authorizes FINRA to adopt rules that, among other things, are "designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, [and] processing information with respect to, and facilitating transactions in securities" and, in general, "to protect investors and the public interest." 15 U.S.C. § 78o-3(b)(6). FINRA adopted Rule 6490 in furtherance of these statutory principles. *Positron*, 2015 SEC LEXIS 442, at *32. Here,

the UPCC Subcommittee's denial of the Company's appeal is, in fact, detrimental to the protection of investors, the public interest, and the maintenance of fair and orderly markets.

A. The Decision Fails to Maintain Fair and Orderly Markets Because It Prevents the Settlement of Trades

The denial of the name change has already created an untenable situation that hinders market transparency, confuses investors, and prevents the settlement of trades. The Company's name has already been legally changed in its jurisdiction of formation (the Cayman Islands), its website, press releases and public filings. The Company was required to effect this change because it could only obtain CUSIP numbers (which are necessary for the submission to FINRA for a name change) once its corporate name was already changed. (*See* FINRA 000111-126). The Company's mismatching name and ticker symbol/CUSIP number is damaging to the public interest of facilitating efficient capital markets because it prevents the settlement of trades, and creates widespread confusion and disarray among investors and the marketplace. In late October 2015, the Company was informed by brokers who had placed trades for the Company's ordinary shares that the Depository Trust Company ("DTC") would not allow the trades to settle because the CUSIP number for the "AutoChina" name had been suspended by CUSIP Global Services when the Company received the CUSIP number for the "Fincera" name. So, although a broker can place a trade for a client, that trade will not be able to settle and will have to be reversed. The Company has spoken with DTC about this issue and DTC has indicated that it cannot allow settlement unless an active CUSIP number is available for the trading name allowed by FINRA. This results in the Company's stock not being able to be traded by the Company's shareholders, which of course harms the Company's shareholders, who are unable to sell their securities. This also harms potential new shareholders, who are unable to acquire the Company's securities, as

well as the Company, whose securities now have limited value (both for compensatory and capital raising purposes) in the absence of a trading market. In November 2015, counsel for the Company called representatives at FINRA's OTC Corporate Actions group to discuss this matter but were informed that there was nothing FINRA could do regarding this. The confusion caused by this state of affairs is exacerbated by the fact that FINRA initially processed the name change and then inaccurately informed the marketplace that the Company was changing its name back to AutoChina International Limited. The failure to process the name change has resulted and will continue to result in trades that cannot settle because the available CUSIP numbers do not match the name recognized by FINRA. Further, denying the stock split fails to aid transparency in the marketplace and does not protect shareholders. Because the 10-1 forward stock split would apply equally to all shareholders, no shareholder would be enriched or harmed because of the stock split.

B. The Decision Does Not Protect Investors and the Public Interest

Two additional aspects of the UPCC Subcommittee's findings demonstrate that the Decision does not protect investors and the public interest: (i) the many factual inaccuracies throughout the Decision; and (ii) the UPCC Subcommittee's inaccurate characterization of the civil penalty paid by the Company in the SEC Action.

1. The Decision Was Based on Factual Inaccuracies

The UPCC Subcommittee's incorrect assumption that the other six defendants in the SEC Action are current employees of the Company, as well as their improper consideration of the investigation of Mr. Li and Mr. Yang, is discussed above. In addition, the UPCC Subcommittee also incorrectly stated that the final judgment "determined that the company engaged in fraudulent and manipulative conduct and violated the federal securities laws." (FINRA 000135).

The final judgment makes no such statements and instead clearly states that the Company consented to the final judgment without admitting or denying the allegations of the complaint. (*See* FINRA 000046.1, FINRA 000046.7).

2. The Decision Mischaracterized the Civil Penalty Paid by the Company in the SEC Action

The Decision also mischaracterized the civil penalty that the Company paid to settle the SEC Action. The UPCC Subcommittee claimed that the $4.35 million civil penalty paid by the Company in the SEC Action demonstrates the Company's "profound disregard for securities regulation," therefore concluding that the processing of the Company's Corporate Action Requests "pose[s] too great of a risk to the investing public and the securities markets." (FINRA 000136). The Company disagrees with this assertion. The Decision fails to consider that: (i) the Company entered into its final judgments without admitting nor denying the allegations of the Complaint (*see* FINRA 000046.1, FINRA 000046.7); (ii) the Company paid the penalty in full (*see* FINRA 000138, AutoChina's Application for Review, dated October 15, 2015); and (iii) the Company has demonstrated a high regard for securities regulations since it settled this matter.

The UPCC Subcommittee erroneously cited the Company's payment of the civil penalty as evidence of AutoChina's alleged "disregard for securities regulation." Rather, the Company's payment of the civil penalty, and its settlement of the SEC Action, demonstrate that the Company has a high regard for securities regulations because the Company addressed these matters, paid its penalty, and took steps to ensure that such issues do not arise again. Moreover, while it is true that the "neither admit nor deny" provision does not preclude the admissibility of the findings of the settled order in a subsequent proceeding, this is the case only "so long as [it is] not adduced to establish liability against a party." *mPhase Technologies*, 2015 SEC LEXIS

398, at *32 (citing *Carpenters Health & Welfare Fund v. Coca-Cola Co.*, 2008 U.S. Dist. LEXIS 112503, at *12-14 (N.D. Ga. Apr. 23, 2008) (holding that settled order inadmissible as hearsay: "the court should weigh the need for such evidence against the potentiality of discouraging future settlement negotiations . . . Admitting the SEC Order into evidence in this matter would likely have a chilling effect on future attempts by the SEC to settle similar cases as companies that are the subject of an SEC investigation would necessarily weigh the benefits of a settlement against the possible damage that the settlement would do to their prospects in pending or future litigation.")).

Contrary to the UPCC Subcommittee's negative portrayal of the Company, since entering into the final judgment in the SEC Action, the Company consistently has demonstrated its regard for securities regulation. The Company has continued to meet its reporting obligations and has taken steps to attempt to ensure that it would not be the subject of such an SEC action again in the future. For example, the Company has provided mandatory training for management regarding important topics such as insider trading, and required directors and officers to complete an annual certification regarding insider trading. (*See* FINRA 000138).

Because the Company does not presently demonstrate any disregard for securities regulation, the UPCC's Subcommittee's Decision is without basis and does not protect the public interest.

III. THE UPCC SUBCOMMITTEE'S DECISION IMPOSES AN INAPPROPRIATE BURDEN ON COMPETITION

Section 19(f) of the Exchange Act requires that the Commission set aside FINRA's decision if it imposes an undue burden on competition. *See mPhase Technologies*, 2015 SEC LEXIS 398, at *16 n.30; 15 U.S.C. § 78s(f). The Company wishes to declare a dividend in the

nature of a stock split so that it can issue a greater number of shares as compensation to its employees. The Company believes that its competitiveness in hiring and retaining employees will be negatively impacted if the stock split is not permitted. By denying the dividend, FINRA is hindering the ability of the Company to operate and compete in its industry, and such denial may affect the long term success and viability of the Company's business. Therefore, not only does denying the stock split not protect shareholders or aid transparency in the marketplace, FINRA's denial of the stock split is detrimental to the Company and imposes an undue burden on competition, further necessitating that the Commission set aside the Decision.

CONCLUSION

For all of the foregoing reasons, we respectfully request that the Commission reverse the decisions of FINRA's Department of Market Operations and UPCC Subcommittee in favor of the Company, and that the Company's Corporate Action Requests be processed in due course.

Dated: December 16, 2015

LOEB & LOEB LLP

By: _____

Jay K. Musoff
Mitchell S. Nussbaum
Giovanni Caruso
Amanda-Jane Thomas
345 Park Avenue
New York, NY 10154-1895
(212) 407-4000

Attorneys for Applicant,
AutoChina International Limited,
a/k/a Fincera, Inc.

CERTIFICATE OF SERVICE

I hereby certify that on this day, I caused the original and three copies of the foregoing brief and the Appendices referenced therein to be sent by overnight delivery (as well as one facsimile copy) to:

Brent J. Fields
Office of the Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Via Overnight Courier
Via Facsimile: (202) 772-9324

I hereby certify that on this day, I also caused one copy of the foregoing brief and the Appendices referenced therein to be sent by overnight delivery (as well as one facsimile copy) to:

Jante C. Turner
FINRA – Office of General Counsel
1735 K Street, NW
Washington, DC 20006

Via Overnight Courier
Via Facsimile: (202) 728-8264

Dated: December 16, 2015

Jay K. Musoff
Loeb & Loeb LLP
345 Park Avenue
New York, NY 10154-1895
(212) 407-4000

Appendix A

From: Giovanni Caruso
Sent: Wednesday, June 03, 2015 4:11 PM
To: 'OTC Corporate Actions'
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Except for Hui Kai Yan, who was employed as the Secretary and a Director of AutoChina during the time of the SEC complaint, no other person named as a Defendant in the complaint was a director, officer or employee of AutoChina or had any other affiliation with AutoChina during the time of the SEC complaint.

Please let us know if you require further information. Thank you

Giovanni Caruso
Loeb & Loeb LLP
345 Park Avenue
New York, NY 10154
(212) 407-4866
(212) 937-3943 (Fax)

From: OTC Corporate Actions [mailto:otccorpactions@finra.org]
Sent: Wednesday, June 03, 2015 2:30 PM
To: Giovanni Caruso
Cc: OTC Corporate Actions
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Mr. Caruso,

Please state what, if any, were the positions/titles of the individuals with the company during the time of the SEC complaint. Please state any affiliation they may have had with the company during the time of the SEC complaint if they were not employees of the company.

Thank you,

From: Giovanni Caruso [mailto:gcaruso@loeb.com]
Sent: Wednesday, May 20, 2015 5:32 PM
To: OTC Corporate Actions
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Please see the below list of relationships for the defendants listed in the complaint provided by the company:

1. HUI KAI YAN: no relationships, former officer and director of the company
2. RUI GE DONG: sister-in-law of Mr. Yong Hui Li
3. VICTORY FIRST LIMITED: no relationships

4. RAINBOW YIELD LIMITED: formerly controlled by Shijiazhuang Tiangong Real Estate Development Ltd.On Dec 1, 2014 the company was acquired by Honest Best International Ltd., which is controlled by Mr. Yong Hui Li
5. YONG QI LI: elder brother of Mr. Yong Hui Li
6. AI XI JI: sister-in-law of Mr. Yong Hui Li (Mr. Yong Qi Li's spouse)
7. YE WANG: no relationships
8. ZHONG WEN ZHANG: brother-in-law of Mr. Yong Hui Li
9. LI XIN MA: no relationships
10. YONG LI LI: younger brother of Mr. Yong Hui Li
11. SHU LING LI: younger sister of Mr. Yong Hui Li

Please let us know if you need any further information. Thanks.

Giovanni Caruso
Loeb & Loeb LLP
345 Park Avenue
New York, NY 10154
(212) 407-4866
(212) 937-3943 (Fax)

From: OTC Corporate Actions [mailto:otccorpactions@finra.org]
Sent: Tuesday, May 19, 2015 3:19 PM
To: Giovanni Caruso
Cc: OTC Corporate Actions
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Mr. Caruso,

Per the attached SEC complaint, please list and provide an explanation for any and all relationships (familial or otherwise) that the defendants listed in the complaint may have with any of the current officers and board of directors of the company.

Thank you,

LUIS CANTILLO

FINRA | Corporate Actions
Transparency Services
9509 Key West Ave. | Rockville, Md 20850
otccorpactions@finra.org | www.finra.org
Ph. (866) 776-0800 (option 1)| Fx. (202) 689-3533

From: Giovanni Caruso [mailto:gcaruso@loeb.com]
Sent: Thursday, May 14, 2015 11:08 AM
To: OTC Corporate Actions
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Just wanted to follow up on the below to get a sense of timing. Thanks.

Giovanni Caruso

Loeb & Loeb LLP
345 Park Avenue
New York, NY 10154
(212) 407-4866
(212) 937-3943 (Fax)

From: OTC Corporate Actions [mailto:otccorpactions@finra.org]
Sent: Thursday, May 07, 2015 12:37 PM
To: Giovanni Caruso
Cc: OTC Corporate Actions
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Mr. Caruso,

The case is under review by my manager. I do not have a definitive date as to when a decision will be made. However, once I know, I will notify you immediately.

Thanks,

LUIS CANTILLO

FINRA | Corporate Actions
Transparency Services
9509 Key West Ave. | Rockville, Md 20850
otccorpactions@finra.org | www.finra.org
Ph. (866) 776-0800 (option 1)| Fx. (202) 689-3533

From: Giovanni Caruso [mailto:gcaruso@loeb.com]
Sent: Wednesday, May 06, 2015 3:15 PM
To: OTC Corporate Actions
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Following up on the below. Thank you.

Giovanni Caruso
Loeb & Loeb LLP
345 Park Avenue
New York, NY 10154
(212) 407-4866
(212) 937-3943 (Fax)

From: Giovanni Caruso
Sent: Monday, May 04, 2015 10:23 AM
To: 'OTC Corporate Actions'
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Just wanted to follow up on the below. Thank you.

Giovanni Caruso
Loeb & Loeb LLP
345 Park Avenue
New York, NY 10154
(212) 407-4866
(212) 937-3943 (Fax)

From: OTC Corporate Actions [mailto:otccorpactions@finra.org]
Sent: Wednesday, April 15, 2015 10:14 AM
To: Giovanni Caruso
Cc: OTC Corporate Actions
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Thank you Mr. Caruso,

I hope to get back to you early next week on this.

Thanks,

LUIS CANTILLO

FINRA | Corporate Actions
Transparency Services
9509 Key West Ave. | Rockville, Md 20850
otccorpactions@finra.org | www.finra.org
Ph. (866) 776-0800 (option 1) | Fx. (202) 689-3533

From: Giovanni Caruso [mailto:gcaruso@loeb.com]
Sent: Tuesday, April 14, 2015 11:02 AM
To: OTC Corporate Actions
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Sorry – please see the attached.

Giovanni Caruso
Loeb & Loeb LLP
345 Park Avenue
New York, NY 10154
(212) 407-4866
(212) 937-3943 (Fax)

From: OTC Corporate Actions [mailto:otccorpactions@finra.org]
Sent: Tuesday, April 14, 2015 10:47 AM
To: Giovanni Caruso
Cc: OTC Corporate Actions
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Mr. Caruso,

Nothing was attached.

From: Giovanni Caruso [mailto:gcaruso@loeb.com]
Sent: Monday, April 13, 2015 4:14 PM
To: OTC Corporate Actions
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Please see the attached NOBO list from the company (apologies for the delay – the list was mis-delivered and lost for a few days).

Giovanni Caruso
Loeb & Loeb LLP
345 Park Avenue
New York, NY 10154
(212) 407-4866
(212) 937-3943 (Fax)

From: OTC Corporate Actions [mailto:otccorpactions@finra.org]
Sent: Friday, March 27, 2015 9:12 AM
To: Giovanni Caruso
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Thank you Mr. Caruso

From: Giovanni Caruso [mailto:gcaruso@loeb.com]
Sent: Wednesday, March 25, 2015 6:36 PM
To: OTC Corporate Actions; FOrihuela@amstock.com
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

I have asked the company if they have a copy of a recent NOBO list. If they do not have one, I will need to order a list from Broadridge.

Giovanni Caruso
Loeb & Loeb LLP
345 Park Avenue
New York, NY 10154
(212) 407-4866
(212) 937-3943 (Fax)

From: OTC Corporate Actions [mailto:otccorpactions@finra.org]
Sent: Wednesday, March 25, 2015 3:33 PM
To: Giovanni Caruso; FOrihuela@amstock.com
Cc: OTC Corporate Actions
Subject: RE: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF) CRM:0091000013

Mr. Caruso,

Please provide the NOBO list.

Thanks,

LUIS CANTILLO

FINRA | Corporate Actions
Transparency Services
9509 Key West Ave. | Rockville, Md 20850
otccorpactions@finra.org | www.finra.org
Ph. (866) 776-0800 (option 1)| Fx. (202) 689-3533

From: Giovanni Caruso [mailto:gcaruso@loeb.com]
Sent: Thursday, March 12, 2015 1:33 PM
To: OTC Corporate Actions
Subject: AUTCF RE: FINRA Preliminary Review of Corporate Actions- AutoChina International Limited (AUTCF)

Per our discussion, attached are the e-mails I received form the transfer agent. The transfer agent's information is included in the e-mails. All the shares other than those in the name of CEDE would be considered "restricted" securities.

In addition, also as discussed, the Board did not formally accept Mr. Yan's resignation in a resolution. The Company would be happy to ask its Board of Directors to adopt such a resolution now, if FINRA would like, but does not feel it is necessary to do so.

Giovanni Caruso
Loeb & Loeb LLP
345 Park Avenue
New York, NY 10154
(212) 407-4866
(212) 937-3943 (Fax)

Confidentiality Notice:: This email, including attachments, may include non-public, proprietary, confidential or legally privileged information. If you are not an intended recipient or an authorized agent of an intended recipient, you are hereby notified that any dissemination, distribution or copying of the information contained in or transmitted with this e-mail is unauthorized and strictly prohibited. If you have received this email in error, please notify the sender by replying to this message and permanently delete this email, its attachments, and any

Confidentiality Notice:: This email, including attachments, may include non-public, proprietary, confidential or legally privileged information. If you are not an intended recipient or an authorized agent of an intended recipient, you are hereby notified that any dissemination, distribution or copying of the information contained i or transmitted with this e-mail is unauthorized and strictly prohibited. If you have received this email in error, please notify the sender by replying to this message and permanently delete this email, its attachments, and any copies of it immediately. You should not retain, copy or use this e-mail or any attachment for any purpose, nor disclose all or any part of the contents to any other person. Thank you.
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Confidentiality Notice:: This email, including attachments, may include non-public, proprietary, confidential or legally privileged information. If you are not an intended recipient or an authorized agent of an intended recipient, you are hereby notified that any dissemination, distribution or copying of the information contained i or transmitted with this e-mail is unauthorized and strictly prohibited. If you have received this email in error, please notify the sender by replying to this message and permanently delete this email, its attachments, and any copies of it immediately. You should not retain, copy or use this e-mail or any attachment for any purpose, nor disclose all or any part of the contents to any other person. Thank you.
Confidentiality Notice:: This email, including attachments, may include non-public, proprietary, confidential or legally privileged information. If you are not an intended recipient or an authorized agent of an intended recipient, you are hereby notified that any dissemination, distribution or copying of the information contained i or transmitted with this e-mail is unauthorized and strictly prohibited. If you have received this email in error, please notify the sender by replying to this message and permanently delete this email, its attachments, and any copies of it immediately. You should not retain, copy or use this e-mail or any attachment for any purpose, nor disclose all or any part of the contents to any other person. Thank you.

Appendix B

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. AUTOCHINA INTERNATIONAL LIMITED, HUI KAI YAN, RUI GE DONG, VICTORY FIRST LIMITED, RAINBOW YIELD LIMITED, YONG QI LI, AI XI JI, YE WANG, ZHONG WEN ZHANG, LI XIN MA, YONG LI LI, and SHU LING LI, Defendants,	Civil Action No. 12-10643-GAO JURY TRIAL DEMANDED

FIRST AMENDED COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges the following against defendants AutoChina International Limited ("AutoChina"), Hui Kai Yan, Rui Ge Dong, Victory First Limited ("Victory First"), Rainbow Yield Limited ("Rainbow Yield"), Yong Qi Li, Ai Xi Ji, Ye Wang, Zhong Wen Zhang, Li Xin Ma, Yong Li Li, and Shu Ling Li (collectively, "Defendants"):

SUMMARY

1. AutoChina is a company based in the People's Republic of China whose stock is registered with the Commission and trades in the United States. In late 2010, AutoChina and the other Defendants engaged in a manipulative scheme by artificially boosting the trading volume

of AutoChina's stock. This scheme was designed to create the appearance of liquidity of AutoChina's publicly traded stock, enhancing the company's ability to get much-needed financing. During the course of this scheme, Massachusetts investors purchased AutoChina stock.

2. For example, AutoChina negotiated with potential lenders for a loan to its Chairman to be secured by AutoChina stock owned by the Chairman through an entity he controls. But the efforts failed. Potential lenders were leery about extending sufficient credit because AutoChina's stock didn't trade often or broadly enough.

3. Beginning in or about October 2010, the Defendants and others opened 26 brokerage accounts at E*Trade Financial Corporation ("E*Trade") (collectively, the "E*Trade Accounts"). The Defendants and others deposited more than $60 million into the E*Trade accounts over four months, and from October 2010 through February 2012, bought and sold millions of shares of AutoChina stock through these accounts. They traded only in AutoChina stock.

4. Many of the E*Trade Accounts were opened on the same day, or within days of each other. Many of the applications listed AutoChina as the applicant's employer, or provided AutoChina's address as a mailing address. Also, many of the applications for the E*Trade Accounts listed the same building as either a mailing or a home address. Though the Defendants and others deposited more than $60 million into the E*Trade Accounts, the account applications listed annual incomes of only $15,000 to $99,999.. The size of the deposits to the Defendants' accounts, and the volume of their trading, was well beyond what their self-described means (as set out on their E*Trade Account applications) would indicate was possible for them. For example, among the E*Trade Account-holders was a 27-year-old "actress," Ye Wang, whose

account-opening application showed her as the sole owner of Defendant Victory First. Together, Victory First's and Wang's accounts were funded with over $15 million.

5. Defendants AutoChina, Rui Ge Dong, Rainbow Yield, Yong Qi Li, Ai Xi Ji, Zhong Wen Zhang, Li Xin Ma, Yong Li Li, and Shu Ling Li also maintained brokerage accounts at Polaris Securities (Hong Kong) Limited ("Polaris"). The Polaris accounts traded nearly exclusively in AutoChina securities.

6. Through their E*Trade Accounts and their Polaris accounts, the Defendants aggressively bought and sold AutoChina's stock to create the false appearance of a liquid market and stable price for the stock. The Defendants placed matched orders, as well as wash trades and other non-economic trades, creating an appearance of an active market for AutoChina shares, increasing sales volume, and supporting the price of the stock.

7. Many of the trades in different Defendants' accounts were made from the same computer network, or even the same computer.

8. Average daily trading volume increased dramatically as a result of the manipulative trading. Between June and October 31, 2010 (prior to the opening of all but one of the E*Trade Accounts), the average daily trading volume for AutoChina stock was approximately 18,000 shares per day. During the period November 1, 2010, through January 31, 2011, the average daily trading volume increased to over 139,000 shares per day. During this period, Massachusetts investors traded AutoChina stock. On some days, trades made by the E*Trade Accounts, including those owned by the Defendants, accounted for more than 70% of the market in AutoChina stock.

9. Near the end of this period, in or about February 2011, an entity controlled by AutoChina's Chairman and his spouse obtained approximately $120 million in financing. That

entity's only asset was AutoChina stock. The entity subsequently transferred at least $60 million of the loan proceeds to AutoChina.

10. By engaging in the conduct alleged herein, Defendants violated Section 17(a) of the Securities Act of 1933 ("Securities Act") and Sections 9(a) and 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder, and Defendants Rui Ge Dong, Victory First, Rainbow Yield, Yong Qi Li, Ai Xi Ji, Ye Wang, Zhong Wen Zhang, Li Xin Ma, Yong Li Li, and Shu Ling Li aided and abetted AutoChina's violation of Section 17(a) of the Securities Act and Sections 9(a) and 10(b) of the Exchange Act and Rule 10b-5 thereunder.

11. Based on these violations, the Commission seeks: (1) entry of a permanent injunction prohibiting Defendants from further violations of the relevant provisions of the federal securities laws; (2) disgorgement of Defendants' ill-gotten gains, plus pre-judgment interest; (3) the imposition of a civil monetary penalty due to the egregious nature of Defendants' violations; (4) the imposition of an officer and director bar against defendant Hui Kai Yan; and (5) such other and further relief as the Court deems just and proper.

JURISDICTION AND VENUE

12. The Commission brings this action pursuant to the enforcement authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. §§78u(d)].

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

14. Venue is proper in this district pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Section 27 of the Exchange Act [15 U.S.C. §78aa], because certain of the

transactions, acts, practices, and courses of business constituting the violations alleged herein occurred within the District of Massachusetts. Massachusetts investors bought and sold AutoChina stock during the period of manipulative trading.

15. In connection with the conduct alleged in this Complaint, the Defendants directly or indirectly made use of the means or instruments of transportation or communication in interstate commerce, the facilities of a national securities exchange, or the mails.

16. The Defendants' conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

17. Unless enjoined, the Defendants will continue to engage in the securities law violations alleged herein, or in similar conduct that would violate the federal securities laws.

DEFENDANTS

18. AutoChina is a Cayman Islands corporation located in the People's Republic of China. AutoChina is a foreign private issuer that files Forms 20-F with the Commission as its annual report. AutoChina was listed on the NASDAQ Stock Market ("NASDAQ") under the ticker symbol "AUTC" until October 4, 2011, after which its listing was suspended for failing to be current in its filing requirements with the Commission. AutoChina is currently quoted on the OTC Link under the symbol "AUTCF.PK." AutoChina is a holding company whose only business operations are conducted through its wholly owned subsidiaries AutoChina Group Inc. and Fancy Think Limited. The company owns and operates a commercial vehicle leasing business in China.

19. Hui Kai Yan, age 47, is AutoChina's Secretary and a member of the AutoChina Board of Directors. He is a [redacted].

20. Rui Ge Dong, age 43, is a [redacted]

21. Ye Wang, age 28, is the Signatory, sole Director, and sole shareholder of defendant Victory First. [redacted]

22. Yong Qi Li, age 56, is a Manager at Beijing Ching Hun Chang located at Yuan Shi County, Shijiazhuang, Hebei, China. [redacted]

23. Ai Xi Ji, age 57, is a [redacted] On information and belief, Ai Xi Ji is married to Yong Qi Li.

24. Zhong Wen Zhang, age 52, is a [redacted]

25. Li Xin Ma, age 45, is a manager at Shijiazhuang Kaiyuan Auto, a subsidiary of AutoChina. [redacted]

26. Yong Li Li, age 46, is an engineer at Rui Da Project Construction Co. [redacted]

27. Shu Ling Li, age 40, is a former manager at AutoChina as well as the sole Director of Rainbow Yield. [redacted]

28. Victory First is a foreign entity with a registered address of 3rd Floor, Omar Hodger Building, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. Ye Wang is the Signatory, sole Director and sole shareholder of Victory First.

29. Rainbow Yield is a foreign entity with a registered address of 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. Signatories on its E*Trade Application

are Hui Kai Yan, Manager and Secretary for the Board of Directors at AutoChina, and Shu Ling Li, the Chairman's sister and former AutoChina employee.

FACTUAL ALLEGATIONS

A. AutoChina seeks liquidity of publicly traded stock.

30. AutoChina's business requires external financing for the business to grow. The low liquidity of AutoChina's publicly traded stock negatively affected its efforts to secure financing.

31. For example, beginning no later than August 2009, AutoChina was engaged in ongoing efforts to obtain financing from various lenders. Some of those efforts focused on a loan that would be made to AutoChina's Chairman (who would subsequently lend the money to AutoChina), with AutoChina stock owned by the Chairman serving as collateral for the loan (a "share-backed" loan). Acting through the Chairman, Hui Kai Yan, AutoChina's Chief Financial Officer ("CFO") and others, AutoChina sought to borrow more than $90 million. However, from August 2009 through January 2011, no share-backed loan was consummated.

32. Potential lenders expressed concerns to AutoChina that the low trading volume of AutoChina's stock would not support a share-backed loan. For example, in August 2009, one possible lender indicated that the volume of the stock was too low for it to provide adequate collateral for the loan. In November 2009, another potential lender indicated that, given the stock's low liquidity, it was unlikely that lender would provide a loan. A third lender made a similar comment in February 2010.

33. In or about October 2010, AutoChina contacted a number of new potential lenders about a possible share-backed loan. Lenders continued to express concerns about trading volume and were hesitant to extend the requested loans.

34. In weekly status reports, the CFO updated the Chairman, Yan and others about the status of AutoChina's financing efforts. In one such report, during October 2010, the CFO indicated that one potential lender had determined not to extend the loan because of low trading volume in AutoChina's stock.

B. Opening the E*Trade Accounts.

35. During this same time period, in or about late October and November 2010, the 26 E*Trade Accounts were opened by people with some relationship to AutoChina or each other. Some did business with AutoChina. Others, according to account-opening documents, were employed by AutoChina, were related to people employed by AutoChina, identified AutoChina's business address as an address on account-opening documentation, and/or reside in the same building with each other. AutoChina Secretary Hui Kai Yan advised AutoChina officers, employees, and other shareholders who wished to trade in AutoChina stock to open accounts at both Polaris and E*Trade and helped them to do so.

36. The E*Trade account-opening documents list annual incomes of less than $100,000, and no individual claimed to have a liquid net worth of more than $999,999. Nonetheless, these accounts were funded with approximately $60 million from approximately November 2010 through February 2011.

37. The E*Trade Accounts subsequently traded solely in AutoChina stock, using limit orders (orders to buy or sell at a specified price) rather than market orders. The Defendants held 11of the 26 E*Trade Accounts.

38. With the exception of the company accounts, all of the E*Trade Accounts were opened as individual accounts with no co-holder listed. Each applicant listed only him- or herself as the beneficial owner of the account.

C. The Defendants are Connected to AutoChina.

39. The Defendants' connections to each other and to AutoChina are revealed by their E*Trade account-opening forms, by their other brokerage accounts, and by their holding of stock options and warrants issued by AutoChina through a series of private stock transactions. These connections are described below and set out in Table 1. In addition, the Defendants traded solely in AutoChina stock through the E*Trade Accounts.

40. Rui Ge Dong opened an E*Trade Account on or about November 8, 2010. She also had an account at Polaris. Her employer was listed as "AutoChina" on the E*Trade account-opening documents and she provided a mailing address of 216 Hong Qi St. She listed an annual income of $50,000 to $99,999. Her E*Trade account was funded with approximately $14.8 million.

41. Victory First opened an E*Trade Account on or about November 11, 2010. Victory First's account-opening records listed Ye Wang as both the primary account holder and the sole beneficial owner. The same account-opening documentation identifies Ye Wang as a 27-year-old actress. The Victory First account was funded with approximately $11.8 million.

42. In or about April 2010, AutoChina transferred approximately $2 million to Victory First pursuant to a purported currency exchange agreement.

43. Ye Wang, the primary account holder and sole beneficiary of Victory First, opened an individual E*Trade Account on or about October 13, 2010. She listed an annual income of $15,000 to $24,999 . Her account was funded with approximately $3.7 million.

44. Rainbow Yield opened an E*Trade Account on or about November 17, 2010. It also had a Polaris account. The E*Trade account was funded with approximately $7 million. At

the time the account was opened, Shu Ling Li was the sole director of Rainbow Yield. Shu Ling Li is the sister of AutoChina's Chairman.

45. Hui Kai Yan had signatory authority over Rainbow Yield's E*Trade account and Yan was the person responsible for signing the account-opening documents on Rainbow Yield's behalf.

46. In or about June 2010, AutoChina transferred approximately $18 million to Rainbow Yield pursuant to a purported currency exchange agreement. In or about January 2011, an account in Rainbow Yield's name transferred approximately $800,000 to AutoChina's U.S. offices purportedly for operating expenses. Defendant Hui Kai Yan was involved in the transaction. On or about November 30, 2011, AutoChina filed its Form 20-F with the Commission for the period ending December 31, 2010, for the first time publicly acknowledging Rainbow Yield as an "affiliate."

47. Yong Qi Li opened an E*Trade Account on or about November 9, 2010. He also had a Polaris account. His E*Trade account-opening forms reflected a home and mailing address of 216 Hong Qi St. He listed an annual income of $50,000 to $99,999. His E*Trade account was funded with over $6.2 million. Yong Qi Li is a brother of AutoChina's Chairman.

48. Ai Xi Ji opened an E*Trade Account on or about November 9, 2010. She also had a Polaris account. On the E*Trade account-opening documents, she listed AutoChina as her employer and gave a home and mailing address of 216 Hong Qi St. She listed an annual income of $50,000 to $99,999. Her account was funded with over $3.8 million. On information and belief, Ai Xi Ji is married to Yong Qi Li. Therefore, on information and belief, Ai Xi Li is the sister-in-law of AutoChina's Chairman.

49. Zhong Wen Zhang opened an E*Trade Account on or about November 9, 2010. He also had a Polaris account. On the E*Trade account-opening documents, he listed AutoChina as his employer and gave a home and mailing address of 216 Hong Qi St. He listed an annual income of $50,000 to $99,999. His E*Trade account was funded with approximately $3.1 million.

50. Li Xin Ma opened an E*Trade Account on or about November 10, 2010. She also had a Polaris account. On her E*Trade account-opening documents, she listed AutoChina as her employer and gave a home and mailing address of 216 Hong Qi St. She listed an annual income of $50,000 to $99,999. Her E*Trade account was funded with approximately $1.4 million.

51. Hui Kai Yan opened an E*Trade Account on or about November 8, 2010. He also had a Polaris account. On the E*Trade account-opening documents, he listed AutoChina as his employer and gave the AutoChina offices as his mailing address. He listed an annual income of $50,000 to $99,999. His E*Trade account was funded with approximately $1.1 million.

52. Yong Li Li opened an E*Trade Account on or about November 9, 2010. He also had a Polaris Account. Yong Li Li is a brother of AutoChina's Chairman. On his E*Trade account-opening documents, he listed a mailing address of 216 Hong Qi St. He listed an annual income of $25,000 to $49,999. His E*Trade account was funded with approximately $1million.

53. Shu Ling Li opened an E*Trade Account on or about November 8, 2010. She also had a Polaris account. Shu Ling Li is a sister of AutoChina's Chairman. Her E*Trade account-opening documents list a mailing address of AutoChina's offices, and show AutoChina as her employer. She listed an annual income of $50,000 to $99,999. Her E*Trade account was funded with over $700,000.

54. Nine of the Defendants (Rui Ge Dong, Victory First, Yong Qi Li, Ai Xi Ji, Zhong Wen Zhang, Li Xin Ma, Hui Kai Yan, Yong Li Li, and Shu Ling Li) opened their E*Trade Accounts between November 8 and November 11, 2010. Eleven of the other 26 E*Trade Accounts were also opened during this four-day period.

55. Six of the Defendants (Rui Ge Dong, Yong Qi Li, Ai Xi Li, Zhong Wen Zhang, Li Xin Ma, and Yong Li Li) listed the same address, 216 Hong Qi Street, as either their home or mailing address on the E*Trade account opening documents. Five of the other 26 E*Trade Account-holders also listed this address on their account opening documents.

56. Two of the Defendants (Hui Kai Yan and Shu Ling Li) listed the AutoChina offices as a mailing address on their E*Trade account opening documents. Seven of the 26 other E*Trade Account-holders also listed AutoChina's offices as a mailing address on their account opening documents.

57. Six of the Defendants (Rui Ge Dong, Ai Xi Ji, Zhong Wen Zhang, Li Xin Ma, Hui Kai Yan, and Shu Ling Li) listed their employer as AutoChina on their E*Trade account-opening documents. Of these six, AutoChina has acknowledged that two (Hui Kai Yan and Shu Ling Li) were current or former employees. Eight of the other 26 E*Trade Account-holders also listed their employer as AutoChina on their account opening documents. Of these eight, AutoChina has acknowledged that five were current or former employees.

58. In addition to opening the E*Trade Accounts, 19 of the 26 E*Trade Account-holders also had brokerage accounts at Polaris Securities (Hong Kong). The majority of the Polaris accounts appear to have been opened on the same day (May 9, 2009). The Defendants held nine of these Polaris accounts.

59. Another connection between several of the E*Trade Account-holders and AutoChina is revealed through a series of private stock transactions, as disclosed by AutoChina on its 2009 Form 20-F filed with the Commission. That filing lists the following Defendants as having received stock options and warrants in the Company: Rui Ge Dong, Rainbow Yield, Yong Qi Li, Ai Xi Ji, Zhong Wen Zhang, Li Xin Ma, Hui Kai Yan, Yong Li Li, and Shu Ling Li. Thus, beginning no later than 2009, AutoChina had a prior relationship with these Defendants.

60. Some or all of the stock described in the prior paragraph was restricted stock.

61. Many of the Defendants sold millions of dollars' worth of restricted shares of AutoChina stock in or about December 2010, during the period of the Defendants' heavy trading in AutoChina stock. The restricted stock was held in these Defendants' brokerage accounts at Polaris. At or around the time of these restricted stock sales, the Defendants transferred millions of dollars from their Polaris Account to their E*Trade Accounts. After selling the restricted stcok through Polaris, the Defendants subsequently bought additional AutoChina stock through E*Trade.

62. For example, on or about December 14, 2010, Yong Li Li sold 25,000 shares of restricted stock for $25.00 per share, for total proceeds in excess of $600,000. Shortly thereafter, Yong Li Li transferred more than $600,000 to his E*Trade account, which was reflected as available cash as of December 20, 2010. On that day, Yong Li Li purchased 40,000 shares of AUTC stock, again for $25.00 per share.

63. The following table depicts these connections.

Table 1. Defendants' Connections			Information per E*Trade Application Forms				
Account Name	Polaris Account	Options / Warrants	Employer	Opening Date	Annual Income	Home Address	Mailing Address
Proposed Defendants							
Rui Ge Dong	X	X	AutoChina	11/8/2010	$50 - 99k		216 Hong Qi St (A)
Victory First Limited				11/11/2010	$100 - 199k		
Rainbow Yield Limited	X	X		11/17/2010	$50 - 99k		
Yong Qi Li	X	X		11/9/2010	$50 - 99k	216 Hong Qi St	216 Hong Qi St
Ai Xi Ji	X	X	AutoChina	11/9/2010	$50 - 99k	216 Hong Qi St	216 Hong Qi St
Ye Wang				10/13/2010	$15 - 24k		
Zhong Wen Zhang	X	X	AutoChina	11/9/2010	$50 - 99k	216 Hong Qi St	216 Hong Qi St
Li Xin Ma	X	X	AutoChina	11/10/2010	$50 - 99k		216 Hong Qi St
Hui Kai Yan	X	X	AutoChina	11/8/2010	$50 - 99k		AutoChina Offices
Yong Li Li	X	X		11/9/2010	$25 - 49k		216 Hong Qi St
Shu Ling Li	X	X	AutoChina	11/8/2010	$50 - 99k		AutoChina Offices

(A) The E*Trade Account applications listed different apartment numbers, but the same building as a home or mailing address: 216 Hong Qi Street, Qiaoxi District, China, Shijiazhuang, Hebei 050000.

D. Trading in the E*Trade Accounts.

64. During the period November 2010 to February 2011 Defendants and the related E*Trade Accounts bought and sold millions of shares of AutoChina stock.

65. In many cases, Defendants used the same computers and computer networks to affect their trades. As more fully described below, many of these trades were coordinated between Defendants buying and selling AutoChina stock.

66. For example, during the period between November 2010 and February 2011, the E*Trade accounts of Victory First, Rainbow Yield, Ye Wang, Hui Kai Yan, and Shu Ling Li were accessed at least once using an internet protocol address ("IP address") assigned to Kaiyuan Real Estate, an entity owned by AutoChina's Chairman that shares a business address with AutoChina. In addition, seven other E*Trade Accounts used this IP address to trade AutoChina stock.

67. An IP address is a unique numerical label assigned to each participant in a computer network. Thus, an IP address indicates a connection to the internet. An IP address could represent a single computer (e.g., a home computer) or an entire network of computers.

68. Many of the E*Trade Accounts shared common browser cookies for their AutoChina trading on at least one occasion, which indicates that the same computer was used to effect the trades. For example, Rui Ge Dong, Rainbow Yield, Yong Qi Li, Ai Xi Ji, Li Xin Ma and Yong Li Li used the same browser cookie when logging into their E*Trade accounts on at least one occasion. In addition, two other E*Trade Accounts used this same browser cookie to trade AutoChina stock on at least one occasion.

69. A browser cookie is a unique message passed from a web server (on the internet) to a web browser (on a computer) that is then stored on the computer's local hard drive. The browser cookie allows web servers to identify who returns to the website. Browser cookies allow websites to trace access from an individual computer.

70. The Rainbow Yield account also shared a browser cookie on at least twenty different occasions with Hui Kai Yan and on more than one other occasion with Shu Ling Li. The Rainbow Yield account also used the same browser cookie as at least three other E*Trade Accounts.

E. Matched Orders and other Non-economic Trading.

1. Matched Orders.

71. A "matched order" is a coordinated order for the purchase or sale of a security – that is, an order placed with the knowledge that another order (or orders) of substantially the same size, at substantially the same time, and at substantially the same price, has been or will be entered. Beginning no later than December 2010 and continuing until at least February 2011, some or all of the E*Trade Account-holders, including some or all of the Defendants, were involved in placing matched orders for AutoChina stock on dozens of occasions. In aggregate, the matched orders transferred hundreds of thousands of shares of AutoChina stock among

E*Trade Account-holders. All of these were limit orders, and in many cases the buy and sell orders were placed less than one minute apart.

72. The majority of the orders were placed for exactly the same share price. For the remaining orders, the buy and sell order prices were within pennies of each other.

73. The majority of the orders were for the exact same number of shares.

74. For example, on January 12, 2011, Rui Ge Dong placed a buy order for 8,000 shares of AutoChina stock at a price of $26.25 per share at 3:38:09 p.m. EST. At exactly the same time, Rainbow Yield (of which Shu Ling Li is the sole shareholder and director) placed a sell order for 8,000 shares of AutoChina stock at a price of $26.25 per share. Rui Ge Dong also engaged in matched orders with approximately five other E*Trade Account-holders, including Victory First, Ye Wang, Zhong Wen Zhang, and Yong Qi Li.

75. On January 20, 2011, in a four-minute time span, Rainbow Yield placed three separate sell orders for a total of 6,000 shares of AutoChina stock at $26.26 per share; during those same four minutes, Hui Kai Yan placed a buy order for 5,800 shares of AutoChina stock, also at $26.26 per share. These January 20, 2011, trades by Rainbow Yield and Hui Kai Yan used the same browser cookie, indicating they were placed from the same computer. Rainbow Yield also engaged in matched orders with approximately nine other E*Trade Account-holders, including Rui Ge Dong, Victory First, Li Xin Ma, Ai Xi Ji, Zhong Wen Zhang, Yong Qi Li, Shu Ling Li, and Ye Wang. Trading under her own account, Shu Ling Li engaged in a matched order with Rainbow Yield on January 26, 2011.

76. On December 17, 2010, in a fifteen-minute time span, Victory First (of which Ye Wang is the sole director) placed two separate sell orders for a total of 30,000 shares of AutoChina stock at $24.99 per share; during those same fifteen minutes, Rui Ge Dong placed

two separate buy orders for a total of 26,000 shares at $25.00 per share. Victory First also engaged in matched orders with approximately two other E*Trade Account-holders, including Rainbow Yield.

77. On January 14, 2011, Yong Qi Li placed a buy order for 15,000 shares of AutoChina stock at $26.20 per share. At exactly the same time, Ai Xi Ji (believed to be his wife) placed a sell order for 15,000 shares at $26.20 per share. Yong Qi Li also engaged in matched orders with approximately four other E*Trade Account-holders, including Zhong Wen Zhang, Rainbow Yield, Li Xin Ma, and Rui Ge Dong.

78. On January 6, 2011, Ye Wang placed a sell order for 7,985 shares of AutoChina stock at $26.25 per share. Just over a minute later, Rui Ge Dong placed a buy order for 6,000 shares at $26.26 per share. Ye Wang (trading through the Victory First account) also engaged in matched orders with other E*Trade Account-holders, including Rainbow Yield.

79. On January 26, 2011, Ai Xi Ji placed a buy order for 6,000 shares of AutoChina stock at $27.29 per share. At exactly the same time, Li Xin Ma placed a sell order for 6,000 shares at $27.28 per share. Ai Xi Ji also engaged in matched orders with approximately three other E*Trade Account-holders, including Rainbow Yield and Yong Qi Li.

80. In addition to the trade described in the preceding paragraph, Li Xin Ma also engaged in matched orders with approximately two other E*Trade Account-holders, including Rainbow Yield and Yong Qi Li.

81. On January 27, 2011, Zhong Wen Zhang placed a buy order for 2,000 shares of AutoChina stock at $27.58 per share. Just over a minute later, Rainbow Yield placed a sell order for 2,000 shares at $27.58 per share. On at least a few additional occasions, Zhong Wen Zhang

either bought or sold approximately the same amount of shares on the same day as Yong Qi Li, Rue Ge Dong, or Rainbow Yield.

82. Table 2 sets out the allegations described above in table form.

Table 2: Examples of Matched Orders

		Buy					Sell				
Date	Time	Account	Order Price	Order Qty	Fill Qty	Fill Price	Account	Order Price	Order Qty	Fill Qty	Fill Price
1/12/2011	3:38:09 PM	RUI GE DONG	$26.25	8,000	8,000	$26.25					
1/12/2011	3:38:09 PM						RAINBOW YIELD LIMITED	$26.25	8,000	6,200	$26.25
1/20/2011	12:12:34 PM						RAINBOW YIELD LIMITED	$26.26	1,000	1,000	$26.26
1/20/2011	12:13:21 PM						RAINBOW YIELD LIMITED	$26.26	4,000	4,000	$26.26
1/20/2011	12:15:21 PM	HUI KAI YAN	$26.26	5,800	5,800	$26.26					
1/20/2011	12:15:53 PM						RAINBOW YIELD LIMITED	$26.26	1,000	1,000	$26.26
12/17/2010	9:48:49 AM						VICTORY FIRST LIMITED	$24.99	12,000	12,000	$24.99
12/17/2010	9:53:29 AM	RUI GE DONG	$25.00	12,000	12,000	$24.99					
12/17/2010	9:59:26 AM						VICTORY FIRST LIMITED	$24.99	18,000	18,000	$24.99
12/17/2010	10:03:51 AM	RUI GE DONG	$25.00	14,000	14,000	$24.99					
1/14/2011	11:28:59 AM	YONG QI LI	$26.20	15,000	15,000	$26.20					
1/14/2011	11:28:59 AM						AI XI JI	$26.20	15,000	15,000	$26.20
1/6/2011	12:41:06 PM						YE WANG	$26.25	7,985	7,985	$26.26
1/6/2011	12:42:08 PM	RUI GE DONG	$26.26	6,000	6,000	$26.26					
1/26/2011	9:39:09 AM	AI XI JI	$27.29	6,000	6,000	$27.29					
1/26/2011	9:39:09 AM						LI XIN MA	$27.28	6,000	6,000	$27.29
1/26/2011	2:13:24 PM						SHU LING LI	$27.48	2,780	2,780	$27.48
1/26/2011	3:31:26 PM	RAINBOW YIELD LIMITED	$27.48	3,000	3,000	$27.31					
1/27/2011	10:06:07 AM	ZHONG WEN ZHANG	$27.58	2,000	2,000	$27.58					
1/27/2011	10:07:18 AM						RAINBOW YIELD LIMITED	$27.58	2,000	2,000	$27.58

2. Other Non-economic trading.

83. The manipulative scheme also involved wash trades (trades where there was no change in beneficial ownership), and other trading for which there was no economic rationale. The only purpose for this trading was to further the manipulation of AutoChina's trading volume and stock price.

84. For example, on January 6, 2011, Ye Wang placed a buy order for 5,000 shares of AutoChina stock at $25.99 per share. Approximately six minutes later, Victory First (of which Ye Wang is the sole shareholder and director) placed a sell order for 3,150 shares at $25.99 per share. Both trades were placed by a computer using the same browser cookie. This trade resulted in no change of beneficial ownership.

85. Also on January 6, 2011, within an hour of the earlier trade, Ye Wang again placed a buy order, this time for 7,550 shares of AutoChina stock at a price of $26.04. Within five minutes, Victory First placed a sell order for 8,120 shares at a price of $26.04. Both of these trades were made by a computer using the same browser cookie as the trades noted in the preceding paragraph. These trades did not result in a change in beneficial ownership.

86. On January 27, 2011, Rainbow Yield placed a buy order for 2,000 shares of AutoChina stock at $27.75 per share. Within a minute, Rainbow Yield placed a sell order for 1,000 shares at $27.77 per share. Within the next minute, Rainbow Yield placed a second sell order, also for 1,000 shares, also at $27.77 per share. All three of these trades were made by a computer using the same browser cookie. These trades did not result in any change in beneficial ownership.

87. Throughout the day on January 27, 2011, Rainbow Yield continued to place additional buy and sell orders within minutes of each other.

88. On January 20, 2011, between 10:57 and 11:03 a.m., Rainbow Yield placed buy orders for 4,000 shares of AutoChina stock. These shares were purchased for $26.25 per share (2,000 shares) and $26.26 per share (2,000 shares). Between 12:06 and 12:10 p.m., Rainbow Yield placed sell orders for a total of 2,500 shares. These shares were sold for $26.25 per share (1,500 shares) and $26.28 per share (1,000 shares).

89. On January 28, 2011, Yong Qi Li placed an order to buy 3,000 shares of AutoChina stock at $27.56 per share. Within one minute, he placed an order to sell 1,000 shares, also at $27.56 per share. Less than a minute later, he placed an order to sell another 1,000, also at $27.56 per share. These orders resulted in his selling 500 shares of AutoChina stock at $27.56 per share and buying 2,000 shares of AutoChina stock at $27.56 per share.

90. On January 28, 2011, Rainbow Yield placed a buy order for 2,000 shares of AutoChina stock at $27.68 per share. Within three minutes, Rainbow Yield placed a sell order for 1,000 shares at $27.68 per share. These orders resulted in Rainbow Yield's buying 2,000 shares at $27.68 per share and selling 1,000 shares at $27.69 per share.

91. On February 1, 2011, Rainbow Yield placed a sell order for 1,000 shares of AutoChina stock at $28.21 per share. Within a minute, Rainbow Yield placed a buy order for 3,000 shares at $28.20 per share. Approximately two minutes later, Rainbow Yield placed a sell order for 1,000 shares at $28.21 per share. All of these trades were executed at the order price.

92. In addition to the trades between E*Trade Accounts, there were non-economic trades between E*Trade and Polaris accounts held by the same defendant.

93. For example, on December 10, 2010, beginning at or about 9:30 in the morning, Rui Ge Dong (through her E*Trade account) placed a series of buy orders for AutoChina stock, all at $25.00 per share, for a total of 104,000 shares. That same day, Rui Ge Dong (through her Polaris account) placed one or more sell orders and sold 96,200 shares at $25.00 per share.

94. On December 16, 2010, Zhong Wen Zhang placed a buy order in his E*Trade account for 41,000 shares of AutoChina stock at $25.00 per share. That same day, he placed a sell order through his Polaris account and sold 20,000 shares at $25.00 per share.

95. The trades described above, as well as others like them, were designed to create the false appearance of an active and stable market in AutoChina stock.

96. By engaging in these matched orders and other non-economic trading (including wash trades), the defendants compromised the integrity of the market by creating the appearance of genuine trading activity in AutoChina stock.

3. Volume.

97. The Defendants' activity caused a dramatic increase in the trading volume of AutoChina stock and created the artificial appearance of an actively traded stock. Between June and October 31, 2010 (prior to the opening of all but one of the E*Trade accounts), the average daily trading volume for AutoChina stock was approximately 18,000 shares per day. During the period November 1, 2010 through January 31, 2011, the average daily trading volume increased to over 139,000 shares per day, and Massachusetts investors traded in AutoChina stock.

98. For the period November 2010 through January 2011, the Defendants purchased over four million shares of AutoChina stock and sold over three million shares, excluding margin sales. This trading represented a substantial percentage of the trading in AutoChina stock during this time period. Trading by the Defendants accounted for over 45% of buying and over 15% of selling of AutoChina stock in November 2010; over 40% of buying and over 35% of selling in December 2010; and over 50% of buying and over 40% of selling in January 2011. When combined, trading by all of the E*Trade Accounts accounted for over 45% of buying and over 20% of selling of AutoChina stock November 2010; over 50% of buying and over 40% of selling in December 2010; and over 50% of buying and over 40% of selling in January 2011.

99. The Defendants participated in this manipulative trading as follows: From November 2010 through January 2011, Rui Ge Dong bought over 900,000 shares of AutoChina stock and sold over 600,000 shares.

100. From November 2010 through January 2011, Victory First bought over 700,000 shares of AutoChina stock and sold over 100,000 shares.

101. From November 2010 through January 2011, Rainbow Yield bought over 700,000 shares of AutoChina stock and sold over 1 million shares.

102. From November 2010 through January 2011, Yong Qi Li bought over 400,000 shares of AutoChina stock and sold over 300,000 shares.

103. From November 2010 through January 2011, Ai Xi Ji bought over 200,000 shares of AutoChina stock and sold over 200,000 shares.

104. From November 2010 through January 2011, Ye Wang bought over 200,000 shares of AutoChina stock and sold over 100,000 shares.

105. From November 2010 through January 2011, Zhong Wen Zhang bought over 200,000 shares of AutoChina stock and sold over 200,000 shares.

106. From November 2010 through January 2011, Li Xin Ma bought over 100,000 shares of AutoChina stock and sold over 100,000 shares.

107. From November 2010 through January 2011, Hui Kai Yan bought over 50,000 shares of AutoChina stock.

108. From November 2010 through January 2011, Yong Li Li bought over 50,000 shares of AutoChina stock and sold over 40,000 shares.

109. From November 2010 through January 2011, Shu Ling Li bought over 60,000 shares of AutoChina stock and sold over 40,000 shares.

110. By making many trades at coordinated prices, the Defendants misrepresented the market price of the shares to the investing public in that, for much of the period of November 2010 through January 2011, the Defendants accounted for the majority of the market in AutoChina stock.

111. Defendants' trades also misrepresented the liquidity of the shares to the investing public by dramatically increasing daily and monthly trading volume beyond the naturally occurring market level.

112. On February 1, 2011, when an online blogger posted a critical report about AutoChina, the market responded by heavily selling AutoChina stock. On that day, the E*Trade Account-holders (including the Defendants) were net buyers of AutoChina in the amount of approximately 275,000 shares – the highest single daily total during the relevant period. In addition to the trading through their E*Trade Accounts, the Defendants purchased approximately 90,000 shares of AutoChina stock through their Polaris accounts on February 1, 2011.

4. Closing of Accounts and Retention of Financing.

113. The Defendants' scheme to create artificial trading volume in AutoChina stock appears to have ended in or about February 2011.

114. On or about February 16, 2011, AutoChina's CFO circulated an email urging Defendant Hui Kai Yan and others to "stop shopping for a stock loan immediately" because "our constant shopping may be contributing to our share price decline."

115. An entity controlled by AutoChina's Chairman and his spouse obtained approximately $120 million in financing in or about February and March 2011. The entity's sole asset was AutoChina's stock. The entity subsequently transferred at least $60 million of the loan proceeds to AutoChina.

116. E*Trade closed many of the Defendants' accounts in or about March 2011 after making efforts to verify the account activity.

117. The period in which the Defendants' trades abated, beginning in February 2011 and continuing until April 2011, coincided with a dramatic decrease in the average daily volume of AutoChina stock. For example, the average daily trading volume of AutoChina stock declined to approximately 44,000 shares per day for the month of April 2011 – a sharp contrast from the average daily trading volume created by the Defendants' activity in the previous months. The

average daily trading volume further declined to approximately 11,000 shares per day for the month of May 2011.

First Claim for Relief
(Violation of Section 17(a) of Securities Act By Defendants)

118. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 117 above as if set forth fully herein.

119. By reason of the foregoing, Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, in the offer or sale of securities: (a) have employed or are employing devices, schemes, or artifices to defraud; or (b) have engaged or are engaging in transactions, practices, or courses of business which operated as a fraud or deceit upon the purchasers of such securities.

120. By engaging in the conduct described above, Defendants have violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

Second Claim for Relief
(Violation of Section 10(b) of Exchange Act and Rule 10b-5 By Defendants)

121. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 117 above as if set forth fully herein.

122. By reason of the foregoing, Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, in connection with the purchase or sale of securities, by use of the means or instrumentalities of interstate commerce or the facilities of a national securities exchange or the mail: (a) have employed or are employing devices, schemes, or artifices to defraud; (b) have made or are making untrue statements of material fact or have omitted or are omitting to state material fact(s) necessary to make the statements made not misleading; or (c)

have engaged or are engaging in acts, practices, or courses of business which operate as a fraud or deceit upon certain persons.

123. By engaging in the conduct described above, Defendants have violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5].

Third Claim for Relief
(Violations of Section 9(a) of the Exchange Act)

124. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 117 above as if set forth fully herein.

125. By reason of the foregoing, Defendants directly or indirectly, acting intentionally, knowingly or recklessly, in connection with the purchase or sale of securities, by use of the means or instrumentalities of interstate commerce or the facilities of a national securities exchange or the mail: (1) for the purposes of creating a false or misleading appearance of active trading in any security registered on a national exchange, or a false or misleading appearance with respect to the market for such security, (A) effected transactions in such security which involves no change in the beneficial ownership thereof, or (B) entered an order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties; or (C) entered an order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties; and/or (2) effected, alone or with one or more persons, a series of transactions in securities registered on a national exchange, creating actual or apparent active trading in such securities, or

raising or depressing the price of such securities, for the purpose of inducing the purchase or sale of such securities by others.

126. By engaging in the conduct described above, Defendants violated Section 9(a) of the Exchange Act [15 U.S.C. § 78i(a)].

Fourth Claim for Relief
(Aiding and Abetting AutoChina's Violations of Section 17(a) of the Securities Act)

127. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 117 above as if set forth fully herein.

128. By reason of the foregoing, Defendant AutoChina, directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, in the offer or sale of securities: (a) has employed or is employing devices, schemes, or artifices to defraud; or (b) has engaged or is engaging in transactions, practices, or courses of business which operated as a fraud or deceit upon the purchasers of such securities.

129. Defendants Rui Ge Dong; Victory First; Rainbow Yield; Yong Qi Li; Ai Xi Ji; Ye Wang; Zhong Wen Zhang; Li Xin Ma; Yong Li Li; and Shu Ling Li each knowingly or recklessly provided substantial assistance to Defendant AutoChina's violations of Section 17(a) of the Securities Act.

130. By reason of the foregoing, Defendants Rui Ge Dong; Victory First; Rainbow Yield; Yong Qi Li; Ai Xi Ji; Ye Wang; Zhong Wen Zhang; Li Xin Ma; Yong Li Li; and Shu Ling Li each aided and abetted violations of Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

Fifth Claim for Relief
(Aiding and Abetting AutoChina's Violations of Section 10(b) of the Exchange Act And Rule 10b-5 thereunder)

131. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 117 above as if set forth fully herein.

132. By reason of the foregoing, Defendant AutoChina, directly or indirectly, acting intentionally, knowingly or recklessly, in connection with the purchase or sale of securities, by use of the means or instrumentalities of interstate commerce or the facilities of a national securities exchange or the mail: (a) has employed or are employing devices, schemes, or artifices to defraud; (b) has made or are making untrue statements of material fact or have omitted or are omitting to state material fact(s) necessary to make the statements made not misleading; or (c) has engaged or are engaging in acts, practices, or courses of business which operate as a fraud or deceit upon certain persons.

133. Defendants Rui Ge Dong; Victory First; Rainbow Yield; Yong Qi Li; Ai Xi Ji; Ye Wang; Zhong Wen Zhang; Li Xin Ma; Yong Li Li; and Shu Ling Li each knowingly or recklessly provided substantial assistance to AutoChina's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

134. By reason of the foregoing, Defendants Rui Ge Dong; Victory First Rainbow Yield; Yong Qi Li; Ai Xi Ji; Ye Wang; Zhong Wen Zhang; Li Xin Ma; Yong Li Li; and Shu Ling Li each aided and abetted violations of Section 10(b) of the Exchange Act [15 U.S.C. §§78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder.

Sixth Claim for Relief
(Aiding and Abetting AutoChina's Violations of Section 9(a) of the Exchange Act)

135. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 117 above as if set forth fully herein.

136. By reason of the foregoing, Defendant AutoChina, directly or indirectly, acting intentionally, knowingly or recklessly, in connection with the purchase or sale of securities, by use of the means or instrumentalities of interstate commerce or the facilities of a national securities exchange or the mail: (1) for the purposes of creating a false or misleading appearance of active trading in any security registered on a national exchange, or a false or misleading appearance with respect to the market for such security, (A) effected transactions in such security which involves no change in the beneficial ownership thereof, or (B) entered an order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties; or (C) entered an order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties; and/or (2) effected, alone or with one or more persons, a series of transactions in securities registered on a national exchange, creating actual or apparent active trading in such securities, or raising or depressing the price of such securities, for the purpose of inducing the purchase or sale of such securities by others.

137. Defendants Rui Ge Dong; Victory First, Limited; Rainbow Yield, Limited; Yong Qi Li; Ai Xi Ji; Ye Wang; Zhong Wen Zhang; Li Xin Ma; Yong Li Li; and Shu Ling Li each knowingly or recklessly provided substantial assistance to AutoChina's violations of Section 9(a) of the Exchange Act.

138. By reason of the foregoing, Defendants Rui Ge Dong; Victory First; Rainbow Yield; Yong Qi Li; Ai Xi Ji; Ye Wang; Zhong Wen Zhang; Li Xin Ma; Yong Li Li; and Shu

Ling Li each aided and abetted violation of Section 9(a) of the Exchange Act [15 U.S.C. § 78i(a)].

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that this Court:

A. Enter a permanent injunctions restraining Defendants and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]; Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and Section 9(a) of the Exchange Act [15 U.S.C. § 78i(a)];

B. Require Defendants to disgorge their ill-gotten gains and losses avoided, plus pre-judgment interest;

C. Require Defendants to pay appropriate civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)]; Section 21(d)(3) of the Securities Exchange Act [15 U.S.C. § 78u(d)(3)];

D. Impose an officer and director bar against Hui Kai Yan pursuant to Section 21(d)(2) of the Exchange Age [15 U.S.C. § 78u(d)(4)] ;

E. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

F. Grant such other and further relief as the Court deems just and proper.

JURY DEMAND

The Commission hereby demands a trial by jury on all claims so triable.

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

By its attorneys,

/s/ Rachel E. Hershfang
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Dated: July 6, 2012

CERTIFICATE OF SERVICE

I certify that this document filed through the Court's Electronic Case Filing (ECF) system will be sent electronically to the registered participants as identified on the Notice of Electronic Filing.

/s/ Rachel E. Hershfang
Rachel E. Hershfang

Appendix C

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. AUTOCHINA INTERNATIONAL LIMITED, HUI KAI YAN, RUI GE DONG, VICTORY FIRST LIMITED, RAINBOW YIELD LIMITED, YONG QI LI, AI XI JI, YE WANG, ZHONG WEN ZHANG, LI XIN MA, YONG LI LI, and SHU LING LI, Defendants,	Civil Action No. 12-10643-GAO

ASSENTED-TO MOTION OF PLAINTIFF SECURITIES AND EXCHANGE COMMISSION FOR ENTRY OF FINAL JUDGMENTS AS TO AUTOCHINA INTERNATIONAL LIMITED AND HUI KAI YAN

The Securities and Exchange Commission ("SEC" or "Commission") filed its complaint in this matter on April 11, 2012, and a First Amended Complaint on July 6, 2012. Following the Court's denial of the motion to dismiss filed by AutoChina International Limited ("AutoChina") [D.20], the parties have been conducting discovery on the schedule set by the Court [D. 35, 59]. During the course of discovery, the parties discussed settlement, eventually agreeing on a proposed settlement in this matter with respect to AutoChina and defendant Hui Kai Yan ("Yan"). Following the process for review and approval of proposed settlement terms by the

Commission, the parties now submit those proposed terms to the Court and request entry of final judgments as to both defendants. Attached as exhibits to this motion are signed and notarized consents for both defendants as well as proposed final judgments for both.

A. The Allegations in the Complaint.

AutoChina and Yan, along with ten other defendants,[1] are charged with engaging in a market manipulation scheme designed to influence the trading volume of AutoChina's common stock. First Amended Complaint ("Cmplt" or "Complaint") ¶ 1. The Complaint alleges that, beginning in or about October 2010, the defendants opened brokerage accounts at E*Trade Financial Corporation ("E*Trade"), deposited more than $60 million in the accounts, Cmplt. ¶¶ 3, 35-38, 40-41, 43-44, 47-53, and from October 2010 through February 2011,[2] bought and sold millions of shares of AutoChina stock through the accounts. Id. ¶¶ 3, 64, 98. The allegations include that some of the defendants made these trades using computers with the same internet protocol ("IP") addresses, id. ¶¶ 65-67, and from computers with common browser cookies. Id. ¶¶ 68-70. According to the Complaint, the defendants effectuated much of their trading through matched orders and wash trades. Id. ¶¶ 71-95. The Complaint alleges that this activity dramatically increased the trading volume of AutoChina stock. Id. ¶ 97. The Complaint does not allege that the defendants had driven up the stock price. The SEC alleged that, through this scheme, both AutoChina and Yan violated Section 17(a) of the Securities Act (15 U.S.C. § 77q(a)), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder (15 U.S.C. ¶ 78j(b) and 17 C.F.R. ¶ 240.10b-5), and Section 9(a) of the Exchange Act (15 U.S.C. § 78i(a)). Through their Answers to the First Amended Complaint, AutoChina and Yan denied the allegations

[1] Entries of default have been made as to these ten defendants, each of whom was served with, and failed to respond to, the Complaint. [D. 44, 65, 67, 69, 71, 73, 75, 77, 79].

[2] The Complaint alleges an end-date of February 2012, but that is a typographical error.

contained in the relevant paragraphs of the Complaint, and in particular denied that they participated in a manipulative trading scheme.

B. Proposed Settlements.

For AutoChina the proposed settlement terms are: (a) injunctive relief that permanently restrains and enjoins AutoChina from violation of Sections 9(a)(1), 9(a)(2), and 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, as well as Section 17(a) of the Securities Act; and (b), payment of a civil penalty in the amount of $4.35 million.

For Yan, the proposed settlement terms are: (a) injunctive relief that permanently restrains and enjoins Yan from violation of Sections 9(a)(1), 9(a)(2), and 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, as well as Section 17(a) of the Securities Act; (b), payment of a civil penalty in the amount of $150,000; and (c) entry of a bar preventing him 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 [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

The proposed settlement terms for AutoChina and Yan are appropriate and in the public interest. The proposed civil monetary penalties are substantial, as is appropriate given the seriousness of the conduct alleged. There is no request for disgorgement because the SEC is unable conclusively to establish, through economic analysis, a disgorgement figure related to the claimed misconduct. Unlike many market manipulation cases, this is not one in which the defendants are alleged to have driven up the stock price. Injunctive relief is an appropriate sanction as a deterrent for future conduct. Finally, given that Yan's alleged conduct a) occurred while he was serving as an officer of a publicly traded company, and b) involved trading in the

shares of that company, the proposed officer and director bar is appropriate.

Respectfully submitted,

June 19, 2014

/s/ Rachel E. Hershfang
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CERTIFICATE OF COMPLIANCE WITH LOCAL RULE 7.1

Counsel for the SEC hereby certifies that she has conferred with counsel for defendants AutoChina and Yan in connection with this motion and that counsel for those defendants assents to the relief requested herein.

/s/ Rachel E. Hershfang

CERTIFICATE OF SERVICE

I, Rachel E. Hershfang, hereby certify that this document filed on this date through the ECF system will be sent to the registered participants as identified on the Notice of Electronic Filing (NEF) and that paper copies will be sent to those indicated as non-registered participants as of the date of this filing.

/s/ Rachel E. Hershfang