

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 72289 / June 2, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15899

In the Matter of

S. PAUL KELLEY,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE
PROCEEDINGS PURSUANT TO
SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT
OF 1934, MAKING FINDINGS,
AND IMPOSING REMEDIAL
SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against S. Paul Kelley (“Kelley” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings and the findings contained in Section III.2. below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

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

1. Kelley has never been registered with the Commission as a broker-dealer or associated with a registered broker-dealer, and for at least a portion of the time in which Kelley engaged in the conduct underlying the complaint described further below, he acted as an unregistered broker-dealer. Further, Kelley participated in offerings of penny stocks issued by publicly listed shell companies that, after reverse mergers and name changes, became China Auto Logistics, Inc. ("China Auto") and Guanwei Recycling Corp. ("Guanwei"). Kelley, 49 years old, is a citizen of Canada.

2. On May 12, 2014, a final judgment was entered by consent against Kelley, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, Sections 9(a), 10(b), 13(d), 15(a), and 16(a) of the Exchange Act and Rules 10b-5, 13d-1, 13d-2, and 16a-3 thereunder, and Rule 101 of Regulation M thereunder, in the civil action entitled Securities and Exchange Commission v. S. Paul Kelley, et al., Civil Action Number 2:14-cv-02827 SRC-CLW, in the United States District Court for the District of Colorado. Under the final judgment, Kelley is liable to pay disgorgement in the amount of \$2,828,353.53, plus prejudgment interest thereon in the amount of \$560,812.47, and Kelley is liable to pay civil penalties in the amount of \$2,828,353.53.

3. The Commission's complaint alleged that Kelley engaged in a scheme to take China Auto and Guanwei public through reverse mergers with public shell companies, and then manipulate the trading of the issuers. Specifically, the complaint alleged that Kelley structured the acquisition of public shell companies and their respective reverse merger transactions with China Auto and Guanwei to control the free trading shares in the stocks, and then orchestrated manipulative trading to artificially inflate the issuers' price, to facilitate their listing on national securities exchanges. The complaint also alleged that Kelley did not disclose certain securities holdings and transactions, sold unregistered securities, acted as an unregistered broker-dealer, and while distributing the securities and while the distributions were ongoing, he purchased the offered securities.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act that Respondent Kelley be, and hereby is:

Barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other

person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock, with the right to apply for reentry after five years to the appropriate self-regulatory organization, or if there is none, to the Commission.

Any reapplication for association or participation by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Jill M. Peterson
Assistant Secretary