

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY  
NEWARK DIVISION

SECURITIES AND EXCHANGE :  
COMMISSION, : Civil No.  
 :  
Plaintiff, :  
v. :  
 :  
S. PAUL KELLEY, :  
GEORGE TAZBAZ, :  
ROGER D. LOCKHART, :  
ROBERT S. AGRIOGIANIS, and :  
SHAWN A. BECKER, : Jury Trial Demanded  
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Defendants. :  
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**COMPLAINT**

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Plaintiff United States Securities and Exchange Commission (“SEC”), 1801 California Street, Suite 1500, Denver, Colorado 80202, states for its Complaint against Defendants S. Paul Kelley, whose last known address is 45 Bryon Street, Oakville, Ontario Canada L6J 1H7; George Tazbaz, whose last known address is 2276 Chancery Lane West, Oakville, Ontario Canada L6J 6A3; Roger D. Lockhart, whose last known address is 55 Lakeside Drive, Holiday Island, Arkansas 72631; Robert S. Agriogianis, whose last known address is 16 Harvale Drive, Florham Park, New Jersey 07932; and Shawn A. Becker, whose last known address is 13929 Mackey Street, Overland Park, Kansas 66223; and alleges as follows:

**I. SUMMARY**

1. From 2008 through 2012, the Defendants engaged in two nearly identical schemes to illegally reap millions in profits by taking two Chinese companies, China Auto Logistics, Inc.

(“China Auto”), and Guanwei Recycling Corp. (“Guanwei”), public through reverse mergers with U.S. public shell companies. The Defendants hid their control over the Chinese companies’ stock through a vast network of U.S. and international entities, sold shares in unregistered distributions, and manipulated trading in the stock, ultimately obtaining millions in profits as a result of their schemes. The schemes were orchestrated by Kelley, in coordination with Tazbaz, Lockhart, and Agriogianis (collectively, “the Kelley Group”), and an affiliated stock promoter, Becker.

2. The Defendants’ schemes regarding China Auto and Guanwei followed a similar pattern. The schemes began when the Kelley Group reached secret oral agreements with the management of China Auto and Guanwei that they would cover all of the companies’ costs of going public in the United States, plus costs associated with the companies’ securities remaining publicly traded for at least two years, in exchange for approximately 30 - 40% of the public companies’ stock. The Kelley Group then acquired controlling interests in the stock of two publicly-held U.S. “shell” companies, which were used as the vehicles to bring China Auto and Guanwei public. Next, and consistent with their secret agreement, the Kelley Group paid for expenses on behalf of China Auto and Guanwei, including outside auditors, lawyers, and stock promoters, in order to prepare the companies to go public. The Kelley Group then structured reverse mergers between China Auto, Guanwei, and the respective shell companies, such that they initially controlled nearly all of the companies’ shares that were available to be publicly traded – the “public float” – but hid that control by directing that the stock be distributed to myriad entities that the Kelley Group controlled in the U.S., Canada, and Hong Kong, and by failing to file the required SEC reports. At times after China Auto and Guanwei’s stock began publicly trading, the Kelley Group, acting in concert with Becker and other stock promoters,

manipulated the trading of the stocks, artificially boosting the stock price and volume to help facilitate the listing of both companies on NASDAQ.

3. Finally, after succeeding in taking China Auto and Guanwei public in the United States, the Defendants sold millions of their shares in China Auto and Guanwei, and made millions in profits from their fraudulent schemes.

4. From approximately June 2009 through at least December 2010, Tazbaz, Lockhart, and Becker also engaged in a separate scheme to artificially inflate the price and volume of the stock of a third Chinese company that members of the Kelley Group had previously taken public, Kandi Technologies Group Inc. (“Kandi”).

5. By virtue of his conduct, as described more fully herein, Kelley violated, and unless enjoined by this Court, will continue to violate Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)]; and Sections 9(a), 10(b), 13(d), 15(a), and 16(a) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78i, 78j(b), 78m(d), 78o(a) and 78p(a)], Rules 10b-5, 13d-1, 13d-2, and 16a-3 thereunder [17 C.F.R. §§ 240.10b-5, 240.13d-1, 240.13d-2, and 240.16a-3], and Rule 101 of Regulation M thereunder [17 C.F.R. § 242.101]. Through this action, the SEC requests the Court to enter a permanent injunction prohibiting Kelley from further violations of these provisions, and to order him to disgorge his ill-gotten gains from the schemes and to pay civil money penalties.

6. By virtue of his conduct, as described more fully herein, Tazbaz violated, and unless enjoined by this Court, will continue to violate Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)]; and Sections 9(a), 10(b), 13(d), and 16(a) of the Exchange Act [15 U.S.C. §§ 78i, 78j(b), 78m(d), and 78p(a)], Rules 10b-5, 13d-1,

13d-2, and 16a-3 thereunder [17 C.F.R. §§ 240.10b-5, 240.13d-1, 240.13d-2, and 240.16a-3], and Rule 101 of Regulation M thereunder [17 C.F.R. § 242.101]. Through this action, the SEC requests the Court to enter a permanent injunction prohibiting Tazbaz from further violations of these provisions, to order him to disgorge his ill-gotten gains from the schemes and to pay civil money penalties, and to permanently bar him from participating in future offerings of penny stocks.

7. By virtue of his conduct, as described more fully herein, Lockhart violated, and unless enjoined by this Court, will continue to violate Sections 5(a), 5(c), 17(a)(1), and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)(1) and (3)]; and Sections 9(a), 10(b), 13(d), and 16(a) of the Exchange Act [15 U.S.C. §§ 78i, 78j(b), 78m(d), and 78p(a)], Rules 10b-5(a) and (c), 13d-1, 13d-2, and 16a-3 thereunder [17 C.F.R. §§ 240.10b-5(a) and (c), 240.13d-1, 240.13d-2, and 240.16a-3], and Rule 101 of Regulation M thereunder [17 C.F.R. § 242.101]. Through this action, the SEC requests the Court to enter a permanent injunction prohibiting Lockhart from further violations of these provisions, to order him to disgorge his ill-gotten gains from the schemes and to pay civil money penalties, and to permanently bar him from participating in future offerings of penny stocks.

8. By virtue of his conduct, as described more fully herein, Agriogianis violated, and unless enjoined by this Court, will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)]; and Sections 10(b), 13(d), and 16(a) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(d), and 78p(a)] and Rules 10b-5(a) and (c), 13d-1, 13d-2, and 16a-3 thereunder [17 C.F.R. §§ 240.10b-5(a) and (c), 240.13d-1, 240.13d-2, and 240.16a-3]. Through this action, the SEC requests the Court to enter a permanent injunction prohibiting Agriogianis from further violations of these provisions, to order him to disgorge his ill-gotten gains from the

schemes and to pay civil money penalties, and to permanently bar him from participating in future offerings of penny stocks.

9. By virtue of his conduct, as described more fully herein, Becker violated, and unless enjoined by this Court, will continue to violate Sections 5(a), 5(c), 17(a)(1) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)(1) and (3)]; and Sections 9(a), 10(b), and 15(a) of the Exchange Act [15 U.S.C. §§ 78i, 78j(b), and 78o(a)], Rule 10b-5(a) and (c) thereunder [17 C.F.R. §240.10b-5(a) and (c)], and Rule 101 of Regulation M thereunder [17 C.F.R. § 242.101]. Through this action, the SEC requests the Court to enter a permanent injunction prohibiting Becker from further violations of these provisions, to order him to disgorge his ill-gotten gains from the schemes and to pay civil money penalties, and to permanently bar him from participating in future offerings of penny stocks.

## **II. JURISDICTION AND VENUE**

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

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

12. Venue lies in this Court pursuant to Section 22(a) of the Securities Act and Section 27 of the Exchange Act [15 U.S.C. §§ 77v(a) and 78aa], and 28 U.S.C. § 1391(b)(1) and (2). Certain of the transactions, acts, practices, and courses of business constituting the violations of law alleged herein occurred within this judicial district.

13. In connection with the transactions, acts, practices, and courses of business described in this Complaint, Defendants, directly and indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the means and instruments of transportation or communication in interstate commerce.

### III. DEFENDANTS

14. S. Paul Kelley, age 49, is a Canadian citizen who resides in Oakville, Ontario. Kelley was the joint or sole owner of several Canadian and American entities used in the schemes, including Asia First Financial Corporation, MCC Management Inc., MCC Group USA Inc., and APK Management Inc. Kelley also directed the formation of, and/or, along with other members of the Kelley Group, maintained *de facto* control over, at least nine Hong Kong companies used in the schemes: Top Art Investment Limited; Brilliant Asia Investment Limited; Asia Region Investments Limited; Perfect Clear International Limited; Easy Fame Asia Investment Limited; Silver Way Asia Investment Limited; Sino Peace Limited; St. George's International Limited; and Chenxin International Limited. He has never been registered with the SEC as a broker-dealer, or associated with any registered broker-dealer.

15. George Tazbaz, age 44, is a Canadian citizen who resides in Oakville, Ontario. Tazbaz is the sole owner of Tazbaz Holdings Limited, a Canadian company used in the schemes. Tazbaz is also the joint owner of Westlake Capital Inc., which is the manager of a private fund used in the schemes called China Limited Partnership n/k/a C2 Limited Partnership. Tazbaz is also the vice president and manager of Pacific Well Management Limited, a Canadian company owned by a relative of Tazbaz, which was used in the schemes. Tazbaz also, along with other members of the Kelley Group, maintained *de facto* control over certain of the Hong Kong entities used in the schemes.

16. Roger D. Lockhart, age 50, resides in Holiday Island, Arkansas. Lockhart was a stock broker from 1986 until August 2006, when he terminated his association with a brokerage firm in Arkansas. Lockhart also, along with other members of the Kelley Group, maintained *de facto* control over certain of the Hong Kong entities used in the schemes.

17. Robert S. Agriogianis, age 48, resides in Florham Park, New Jersey. He is the sole owner of Focus Asia Partners, LLC, an investor relations firm used in the schemes. Agriogianis was a stock broker from 1991 through April 2006, when he terminated his association with a brokerage firm in New Jersey.

18. Shawn A. Becker, age 54, resides in Overland Park, Kansas. Becker owns Grace Consulting Corp., a purported investor relations firm used in the schemes. Becker was a stock broker from 1983 until 1994, when he terminated his association with a brokerage firm in Kansas City, Missouri. Becker has never been registered with the SEC as a broker-dealer.

#### **IV. RELEVANT ENTITIES**

##### **A. Issuers**

19. Tianjin Seashore New District Shisheng Business Trading Group Co. Ltd., now known as China Auto Logistics, Inc., is a Nevada corporation with its principal place of business in Tianjin, China. It purports to operate a web-based automobile sales and trading platform. China Auto's stock is registered under Section 12(g) of the Exchange Act. China Auto's stock began trading on NASDAQ on June 29, 2009; prior to that time, it was quoted on the Over-The-Counter Bulletin Board ("OTCBB").

20. Fuqing Guanwei Plastic Industry Co. Ltd., now known as Guanwei Recycling Corp., is a Nevada corporation with its principal place of business in Fuqing City, China. It purports to manufacture and distribute recycled plastic products. Guanwei's stock is registered

under Section 12(g) of the Exchange Act. Guanwei's stock began trading on NASDAQ on April 14, 2010; prior to that time, it was quoted on the OTCBB.

21. Kandi Technologies Corp. is a Delaware corporation with its principal place of business in Jinhua City, China. It purports to design and manufacture all-terrain and electric vehicles. Kandi's stock is registered under Section 12(g) of the Exchange Act and trades on NASDAQ.

**B. U.S. Public Shell Companies**

22. Fresh Ideas Media, Inc. ("Fresh Ideas"), a Nevada corporation, was incorporated in February 2005 by two Colorado residents, who appointed themselves as the company's sole officers and directors. In May 2007, the company filed a Form 8-A to register its common stock under Section 12(g) of the Exchange Act. Beginning in September 2007, Fresh Ideas stock was quoted on the OTCBB. Fresh Ideas was a shell company, with nominal business operations, which merged with China Auto in November 2008. During a portion of the time period alleged in the Complaint, Fresh Ideas was a "penny stock" as defined by the Exchange Act and rules thereunder.

23. MD Holdings Corp. ("MD Holdings"), a Nevada corporation, was incorporated in December 2006, by a Maryland resident who appointed himself as the sole officer and director. MD Holdings' stock was quoted on the OTCBB beginning in approximately September 2009. On November 5, 2009, the company filed a Form 8-A to register its common stock under Section 12(g) of the Exchange Act. MD Holdings was a shell company, with nominal business operations, which merged with Guanwei in November 2009. During a portion of the time period alleged in the Complaint, MD Holdings was a "penny stock" as defined by the Exchange Act and rules thereunder.

**C. Hong Kong Entities Controlled By the Kelley Group**

24. In order to conceal the Kelley Group's ownership and trading in China Auto and Guanwei, Kelley directed two of his key employees to have their relatives or associates in China form numerous Hong Kong companies, open Hong Kong bank accounts in the names of the respective companies, and open U.S. brokerage accounts in the names of the respective companies. In several instances, Kelley reimbursed the nominal owners for their expenses in flying from mainland China to Hong Kong to form the entities, to open bank and brokerage accounts, or when the banks required them to appear in person to conduct large transactions.

25. At various times, the Kelley Group maintained *de facto* control over one or more of the Hong Kong entities. Among other things, they provided specific instructions to one of Kelley's employees to conduct transactions in the Hong Kong entities' bank and brokerage accounts. Kelley's employee in turn either carried out those instructions directly, or passed them along for execution by others under their control.

**V. FACTS**

**A. Background: "The Kelley Group"**

26. Since approximately 2004, Kelley has been involved in taking at least ten Chinese companies public in the United States through reverse merger transactions.

27. To assist him in these transactions, Kelley recruited individuals in China, Canada, and the United States.

28. In China, Kelley employed, or was otherwise associated with, a series of "finders" that assisted the Kelley Group in locating private Chinese companies with promising business plans and certain financial characteristics that made them attractive candidates to take public in the U.S.

29. In Canada and the U.S., Kelley enlisted Tazbaz and Lockhart, both of whom were sophisticated investors, to, among other things, help cover the Chinese companies' costs of going public. Kelley also recruited Agriogianis, a seasoned securities industry professional, to provide investor and public relations services.

30. Kelley, Tazbaz, Lockhart, and Agriogianis acted as a group for all major decisions, including their acquisition, holding, and disposition of the stock of China Auto and Guanwei. Throughout the relevant time period, they held periodic conference calls during which they would discuss their Chinese company deals, including China Auto and Guanwei. Often, after discussion among just the Kelley Group members, they would join additional parties, including stock promoters, onto the call.

31. Among other things, the Kelley Group collectively:

- a. Selected China Auto and Guanwei to be taken public;
- b. Selected the U.S. public shell companies that would serve as the vehicles for the reverse merger, and decided how those acquisitions would be financed;
- c. Determined the allocation of shares in the shell companies to the Kelley Group members, their Hong Kong entities, stock promoters, and others;
- d. Determined how to pay expenses on behalf of China Auto and Guanwei, and paid those expenses, both before and after the companies were taken public;
- e. Orchestrated the stock promotion and compensation of the stock promoters; and
- f. Coordinated stock trading once China Auto and Guanwei were taken public.

**B. The China Auto Scheme**

**1. The Kelley Group's Oral Agreement to Take China Auto Public in the United States**

32. In approximately January 2008, Kelley, Tazbaz, and Agriogianis flew to China to meet with various Chinese businesses. As a result of that trip, the Kelley Group reached an oral agreement with the management of China Auto, which at that time was a privately-held company in China. Under this oral agreement, the Kelley Group agreed to pay all costs relating to making China Auto a publicly-traded company in the U.S., as well as costs related to maintaining China Auto's public listing for two years, in exchange for approximately 30% of the stock in the resulting public company. China Auto's offshore holding company was to receive the majority of the remaining stock, which would be restricted from immediate public trading, meaning the Kelley Group would initially control more than 90% of the shares available to be publicly traded – the “public float.”

33. As part of its arrangement with China Auto's management, in exchange for stock, the Kelley Group agreed to, among other things:

- a. Locate and purchase a controlling interest in a U.S. public shell company;
- b. Hire and pay an accounting firm to audit at least two years of China Auto's financial statements, in order to qualify it for public listing in the U.S.;
- c. Retain and pay U.S. attorneys to effectuate the reverse merger transaction between China Auto and a U.S. public shell company, and then prepare the necessary regulatory filings announcing the transaction;
- d. Pay U.S. attorneys to prepare periodic SEC filings, such as Forms 10-K and 10-Q, for approximately two years after going public; and

e. Pay U.S. stock promoters to tout China Auto's stock for approximately two years after going public.

34. As part of the arrangement, the Kelley Group told the management of China Auto that after going public they could increase the company's stock price and volume to levels sufficient for listing on NASDAQ or another U.S. stock exchange within approximately six months, due to their control over most of the public float and the efforts of stock promoters that they planned to hire.

35. Shortly after the trip, Tazbaz began paying expenses to carry out the acquisition, including the fees for an accounting firm to audit China Auto's financial statements. Throughout the scheme, the Kelley Group paid more than \$1 million in expenses on behalf of China Auto. Kelley, in consultation with other members of the Kelley Group, took the lead in hiring various professionals and negotiating their fees. Kelley, Tazbaz, and entities under their respective control paid most of these expenses, although in some instances Lockhart and Agriogianis directly or indirectly paid expenses as well.

## **2. The Kelley Group Purchased a Control Block of Stock in a Public Shell Company – Fresh Ideas Media, Inc.**

36. By approximately June 2008, Kelley had located the Fresh Ideas public shell company for the Kelley Group to purchase for later use in a reverse merger transaction with China Auto.

37. In or about July 2008, Kelley spoke by telephone with the president of Fresh Ideas, who lived in Colorado, and negotiated the Kelley Group's acquisition of nearly all the stock of Fresh Ideas. On or about July 3, 2008, Fresh Ideas' president emailed Kelley draft stock purchase and escrow agreements offering to sell nearly all of the outstanding shares of Fresh Ideas' stock to the Kelley Group for \$590,000.

38. Kelley forwarded those draft agreements to Tazbaz, noting that he “[m]ay have found a good shell for [China Auto],” and that Fresh Ideas “will be a good fit for us and [China Auto].” In response to issues raised by Tazbaz, Kelley responded that, once due diligence checked out on Fresh Ideas, “we own it one way or another.”

39. Tazbaz paid the entire \$590,000 to acquire Fresh Ideas on behalf of the Kelley Group. On or about July 18, 2008, Tazbaz wire transferred \$50,000 to Fresh Ideas’ attorney in Colorado, and then on or about September 8, 2008, wire transferred the balance of \$540,000 to a law firm in New Jersey. Thus, the Kelley Group obtained beneficial ownership and control of nearly all of the shares of the Fresh Ideas shell company by September 2008. By early October 2008, Tazbaz alone beneficially owned more than five percent of Fresh Ideas’ outstanding shares.

40. The securities laws require that people or groups disclose their ownership of more than a threshold amount of a company’s securities in reports filed with the SEC. Specifically, Section 13(d) of the Exchange Act requires any person or group of persons who is directly or indirectly the beneficial owner of more than 5% of any security to disclose those holdings. Section 13(d) also requires disclosure when there is a material increase or decrease in the percentage of securities owned. Similarly, Section 16(a) of the Exchange Act requires disclosure of direct or indirect beneficial ownership of more than 10% of any security, as well as disclosure of changes in ownership and an annual statement of ownership.

41. None of the Kelley Group members made any of these required disclosures at the time the Kelley Group purchased the Fresh Ideas shell (and therefore beneficially owned nearly all of the company’s shares), nor at any other point during the scheme.

42. Indeed, rather than disclose their holdings, the Kelley Group attempted to conceal their ownership and control of the Fresh Ideas shell company by directing the principal shareholders of the shell to transfer shares to Kelley, Tazbaz, Lockhart, Agriogianis, and various Hong Kong entities controlled by the Kelley Group over several months, from September 2008 through at least March 2009.

### **3. China Auto's Reverse Merger Transaction with Fresh Ideas**

43. Shortly before the reverse merger, on September 24, 2008, there was a forward split of Fresh Ideas' stock, which had the effect of increasing the number of shares beneficially owned by the Kelley Group to more than six million.

44. On November 10, 2008, the reverse merger between Fresh Ideas and China Auto occurred. As a result of the acquisition, Fresh Ideas had new shares of stock issued, which were transferred to China Auto's offshore holding company and were restricted from immediate public trading. Even with these additional shares, as of November 10, 2008 the Kelley Group beneficially owned nearly 35% of the outstanding shares of the new public company, and nearly the entire public float. Even so, the members of the Kelley Group still did not disclose their holdings in the required SEC reports.

45. On or about November 10, 2008, at Kelley's direction, attorneys for Fresh Ideas filed a report with the SEC on Form 8-K announcing the terms of the merger with China Auto.

46. On November 26, 2008, Fresh Ideas changed its name to China Auto, and soon thereafter China Auto's stock began trading under the ticker symbol CALI on the OTCBB.

47. Throughout the scheme, the Kelley Group's stock holdings changed. For example, shortly after the reverse merger, and as described below, the Kelley Group began selling their China Auto stock in an unregistered distribution, which effectively reduced their

percentage ownership in the company. Despite this, the members of the Kelley Group did not disclose their changes in ownership in the required SEC reports.

**4. The Defendants Transferred China Auto Stock in Unregistered Transactions**

48. Starting in November 2008 and continuing through at least 2011, Kelley, Lockhart, Tazbaz, Agriogianis, and Becker made offers and sales of China Auto stock when there was no registration statement filed and in effect for their transactions.

49. The Defendants offered and sold China Auto stock using the means or instruments of interstate commerce, including, but not limited to, telephones, the Internet, commercial couriers, and the mails.

**a. The Defendants Distributed China Auto Stock to Promoters as Compensation**

50. In order to stimulate investor demand for China Auto's stock after it began trading on the OTCBB, the Defendants hired approximately a dozen U.S. stock promoters to solicit investors to purchase shares of the company. These promoters were paid either in cash or in shares of China Auto stock. From 2008 through 2010, the Kelley Group and Becker, directly or indirectly, transferred at least 700,000 shares of China Auto stock to these promoters.

**b. The Defendants Distributed China Auto Stock to Investors in Private and Open Market Sales**

51. Kelley, Agriogianis, and some of the stock promoters hired by the Kelley Group periodically made presentations soliciting prospective investors to purchase China Auto stock in either private or open market transactions. In addition, Tazbaz, Lockhart, and Becker each directly solicited investors and recommended that they purchase the stock.

52. In many instances, the Kelley Group determined: (i) the number of China Auto shares to be sold to the investors; (ii) the price at which China Auto shares would be sold,

depending upon whether the sale was in a private transaction or in the open market; and (iii) the selling party (which included Kelley Group members, Hong Kong entities, or other entities controlled by members of the Kelley Group).

53. Throughout the scheme, the Defendants sold more than \$4.8 million of China Auto stock to investors in unregistered sales transactions. The Defendants sold: (i) at least 1,236,000 China Auto shares in private transactions, raising more than \$2.5 million; and (ii) at least 932,000 China Auto shares in open market sales, raising more than \$2.3 million.

54. In just the first six months after the reverse merger occurred, from November 2008 through May 2009:

- a. Kelley sold approximately 473,100 shares of China Auto in private and open-market transactions;
- b. Lockhart sold approximately 46,800 shares of China Auto in private and open-market transactions;
- c. Tazbaz sold approximately 305,500 shares of China Auto in private and open-market transactions; and
- d. Agriogianis sold approximately 118,000 shares of China Auto in private and open-market transactions.

55. Becker's primary role in the distribution was to offer China Auto stock to investors. Throughout the scheme, Becker directly solicited numerous investors and recommended that they purchase the stock.

## **5. The Kelley Group and Becker Manipulated The Price And Volume Of China Auto Stock**

56. As described above, the Kelley Group promised China Auto's management that they would increase the price and volume of China Auto's stock in order to facilitate the

company's listing on NASDAQ. Consistent with this promise, and as part of their larger scheme, the Kelley Group and Becker engaged in manipulative trading of China Auto's stock from October 2008 through at least 2010. The manipulative trading began almost immediately after the Kelley Group began receiving shares in the Fresh Ideas shell company, and continued until – and even after – the stock began trading on NASDAQ in late June 2009.

57. As detailed below, the manipulative trading techniques included: trading at successively higher prices in order to bid up the price of the stock and induce others to buy; coordinating trading between and among members of the group, particularly at key price points; engaging in coordinated trading to prevent price declines; “marking the close” of the stock (a manipulative trading technique that involves submitting trade orders at or near the close of the market that are executed, in order to affect the closing price of the security); and engaging in matched and wash trading of the stock. Examples of the manipulative trading are detailed below.

58. As part of the scheme, members of the Kelley Group also agreed to coordinate trading to “take out” market orders they viewed as unfavorable – *i.e.*, to buy stock when the offered price was too low and risked driving the overall price of the stock down – and then place additional buy orders at higher prices.

59. This manipulative trading was done with scienter. In addition, and specifically for the trading that occurred subsequent to the stock's listing on NASDAQ, the manipulative trading was done for the purposes of creating a false or misleading appearance of an active market in the stock and inducing the stock's sale or purchase by others.

- a. **Immediately Before and After the Reverse Merger, the Kelley Group Engaged in a Series of Transactions at Successively Higher Prices to Induce Others to Buy the Stock**

60. As alleged above, the Kelley Group structured their purchases of stock such that after the completion of Fresh Ideas' reverse merger with China Auto, they controlled the vast majority of the public float. The Kelley Group's secret control of the public float allowed them to control the supply, and therefore the timing, price and quantity of China Auto's stock sales.

61. As alleged above, in September 2008 the Kelley Group agreed to acquire nearly all of the stock of the shell company for \$590,000 – a cost of approximately \$0.40 per share.

62. In or about October 2008, Kelley, Tazbaz, Agriogianis and Lockhart began their efforts to increase the price and volume of that stock in order to facilitate China Auto's company's listing on NASDAQ.

63. Although the shares of the shell company had initially been offered for sale on the OTCBB in September 2007, during 2008 there was no trading activity – no prices quoted to buy or sell the stock and no trading volume – until the Kelly Group began their purchases and sales.

64. To restart trading, Kelley placed a limit order on October 17, 2008, offering to buy 5,000 shares at \$0.50 per share, and then placed another limit order on October 28, 2008 offering to sell 5,000 shares at \$1.25. Kelley's orders established a price range to buy or sell shares. Kelley placed these orders with the intent to artificially increase the price of Fresh Ideas' shares and induce the purchase or sale of these securities by others.

65. The Kelley Group then began their manipulative trading. The following trades illustrate how, particularly in early trading (immediately before and after the China Auto reverse merger), the Kelley Group engaged in trades at successively higher prices to induce other market participants to buy:

a. On November 5, 2008, Kelley put in orders to sell 4,500 shares of Fresh Ideas stock at \$1.25 per share. Lockhart bought 5,000 shares in a matched trade at \$1.25 - \$1.35

per share, and Tazbaz bought 1,500 shares in a matched trade at \$1.35 per share. These were the only reported trades in the market;

b. On November 6, 2008, Tazbaz bought 4,500 shares of Fresh Ideas stock at successively increasing prices of \$1.50 - \$1.75 per share. Tazbaz's buys were the only reported trades in Fresh Ideas on that date;

c. On November 7, 2008, Tazbaz made wash trades by selling 500 shares of Fresh Ideas stock from one entity he controlled, and buying 3,000 shares through another account he controlled, at prices ranging from \$1.75 - \$2.00 per share. His trades accounted for more than 75% of the reported trades in the market, and the stock closed at \$2.00 per share that day;

d. On November 10, 2008, China Auto completed its reverse merger with Fresh Ideas and began actively trading on OTCBB. On that same day, Kelley, through four separate accounts, sold 120,000 shares of China Auto stock at \$2.50, and Lockhart bought 15,000 of those shares in matched trades at \$2.50 per share.

66. Using these and other manipulative trading techniques, the Kelley Group quickly inflated China Auto's stock price. For example, on November 11, 2008, just the second day of trading after the reverse merger was announced, and a week after the buying and selling at \$1.25 - \$1.35 per share, members of the Kelley Group sold shares at double that price: Tazbaz sold 50,000 shares of China Auto stock at \$2.50 - \$2.62 per share; Kelley sold 25,000 shares at \$2.50 - \$2.75 per share; Agriogianis sold 77,000 shares at \$2.50 - \$2.55 per share; and one of the Hong Kong entities sold 10,000 shares at \$2.55 - \$2.65 per share. By November 26, 2008 – just 16 days after the reverse merger – China Auto's stock closed at \$3.98 per share.

**b. The Kelley Group Coordinated Their Trading to Meet Key Price Thresholds for China Auto Stock**

67. The Kelley Group's manipulative trading did not stop after completion of the reverse merger. Between the time the merger with China Auto was announced in November 2008 and its listing on NASDAQ in June 2009, Kelley coordinated manipulative trading by the Kelley Group and its stock promoters. These efforts intensified when the stock neared certain key price thresholds, such as the \$4 per share price necessary for listing on NASDAQ. For example:

a. From approximately February 24, 2009 through March 6, 2009, the Kelley Group, including Tazbaz and stock promoters that they controlled, submitted buy orders at steadily increasing prices, thereby increasing the price of China Auto stock from \$3.45 to \$4.06 per share;

b. From approximately April 3, 2009 through April 28, 2009, Lockhart placed at least 18 orders to buy China Auto stock at successively increasing prices from \$3.20 - \$3.80 per share. Only four of those orders resulted in an actual purchase of 8,000 shares. The remaining orders were canceled by Lockhart within a matter of minutes after being placed, or remained open until the end of the day without execution;

c. On or about April 13, 2009 and April 14, 2009, Kelley purchased at least 41,000 shares of China Auto stock, allowing one of the Hong Kong entities to sell its shares without the price falling too much.

**c. Lockhart, Agriogianis, Tazbaz, and Kelley Engaged in Matched Trades with Becker to Prevent the Collapse of China Auto's Stock Price**

68. The manipulative trading continued even after China Auto's stock was listed on NASDAQ. As a particular example, the Kelley Group and Becker coordinated matched trades in

order to prevent the price of the stock from collapsing when Becker had to “dump” a significant number of shares.

69. Becker often used margin loans from his brokerage firm to pay for his living expenses. However, in mid-2010 the price of China Auto’s stock steadily declined, and beginning in approximately June 2010, Becker periodically needed to liquidate a portion of his China Auto stock to meet margin calls.

70. Because at that time China Auto was relatively thinly traded, to avoid negatively impacting China Auto’s price, Becker arranged matched trades with Lockhart and Agriogianis as follows:

a. On or about June 16, 2010, Becker sold 48,700 shares of China Auto stock at prices from \$3.15 - \$3.20 per share, and Lockhart bought over 40,000 of those shares at prices from \$3.15 - \$3.20 per share;

b. On or about July 15, 2010, Becker sold 34,800 shares of China Auto stock at \$3.00 - \$3.03 per share, and Agriogianis bought 9,500 of those shares at \$3 per share.

71. On or about August 2, 2010, Becker’s brokerage firm notified him that his positions would be liquidated to pay his margin balance of more than \$140,000. Becker’s position in China Auto stock was so large – over 350,000 shares – that he understood that he could not put in sell orders without materially affecting the market price.

72. Therefore, on or about August 6, 2010, Becker telephoned Agriogianis in New Jersey and told Agriogianis that Becker’s brokerage firm intended to liquidate a substantial portion of his position in China Auto. Agriogianis in turn contacted Lockhart, Kelley, and Tazbaz and warned them that if Becker’s brokerage firm liquidated his China Auto shares in the market, the price would collapse.

73. In response, Agriogianis, Lockhart, Tazbaz, and Kelley each agreed to match a portion of Becker's sell orders. Specifically, on or about August 6, 2010:

a. Becker sold 130,000 shares of China Auto at prices from \$3.03 - \$3.06 per share;

b. Lockhart put in orders to buy 32,000 shares of China Auto at prices ranging from \$3.00 - \$3.03 per share;

c. Agriogianis bought 35,000 shares of China Auto at \$3.03 per share;

d. Tazbaz bought 60,500 shares of China Auto at prices ranging from \$3.03 - \$3.06 per share; and

e. Kelley bought 12,000 shares of China Auto at \$3.03 - \$3.05 per share.

**d. Becker, Lockhart, and Agriogianis Engaged in Other Manipulative Trading**

74. In addition to the manipulative trading in connection with Becker's margin calls, Becker, Lockhart, and Agriogianis engaged in other manipulative trading of China Auto stock. Examples of such trading are described below.

75. Becker, Lockhart, and Agriogianis each "marked the close" for China Auto. In some instances, Becker, Lockhart, and Agriogianis placed successive orders at successively higher prices before marking the close with a final order.

76. For example, on February 11, 2010:

a. At 3:49:18 p.m., Lockhart placed an order to purchase 2,100 shares of China Auto stock at a limit price of \$4.44, which was executed;

b. At 3:51:52 p.m., Lockhart placed an order to purchase 5,000 shares at a limit price of \$4.45, which was executed;

c. At 3:53:07 p.m., Lockhart placed an order to purchase 1,172 shares at a limit price of \$4.50, which was executed;

d. At 3:54:17 p.m., Lockhart placed an order to purchase 5,000 shares at a limit price of \$4.50, which was executed;

e. At 3:56:44 p.m., Becker placed an order to purchase 200 shares at a limit price of \$4.54, which was executed;

f. At 3:57:52 p.m., Lockhart placed an order to purchase 4,058 shares at a limit price of \$4.54, which was executed;

g. At 3:58:39 p.m., Lockhart placed an order to purchase 1,200 shares at a limit price of \$4.58, which marked the close at \$4.58 per share.

77. In addition, in numerous instances, Becker broke down larger buy or sell orders into numerous smaller orders, often as small as 100 share lots, to have more trades appear on the “tape” and induce others to buy. He did this despite the fact that the small orders often cost him more to execute than they netted in sales proceeds because of the on-line trading fees he paid on every order.

78. For example, on June 22, 2010, Becker entered five separate buy orders for China Auto stock in increments of 100 shares, for a total purchase of 500 shares at a cost of approximately \$1,695 plus \$50 in fees, or a total of \$1,745. He sold 200 of those shares on the same day at a slightly higher price, but actually lost money on the sale because of the fees incurred for each separate purchase.

79. In numerous other instances, Becker engaged in wash trades in China Auto. Becker had trading authority over at least four accounts at three different brokerage firms, including accounts in his girlfriend’s name. In some cases, Becker placed limit orders to sell

from one of his accounts for 100 shares at a certain price, and then put in buy orders in different accounts for 100 shares at the same or even higher prices. This technique artificially inflated the reported trading volume of China Auto, and in instances in which Becker bought back his own shares at higher prices, it also inflated the price of China Auto stock.

80. Lockhart also engaged in wash trades of China Auto stock. Lockhart used more than a dozen accounts at multiple broker-dealers, in the names of various relatives, as well in his own name, to make his trades and to inflate the volume of trading in China Auto stock.

81. For example, on or about August 17, 2010, Lockhart sold 16,000 shares of China Auto from his wife's account at prices from \$2.88 - \$2.98 per share. He then purchased 10,000 of those shares in his mother-in-law's account at \$2.90 per share. Two days later, on or about August 19, 2010, Lockhart used his wife's account to sell 21,800 shares of China Auto stock at prices ranging from \$2.88 - \$2.92 per share, while he purchased 18,262 of those shares in a different account he controlled at prices ranging from \$2.89 - 2.90 per share. Lockhart's wash trades often occurred during periods in which the Kelley Group was attempting to keep the price of China Auto from falling below key thresholds, such as the \$3 per share minimum that many broker-dealers require to buy stocks on margin.

82. Lockhart also frequently placed successive purchase orders at increasing prices in his various accounts within minutes of each other, which served to help raise the price of the stocks. This pattern often culminated in Lockhart submitting orders marking the close, as alleged above.

83. The Kelley Group members also attempted to use matched trades amongst themselves as part of their efforts to maintain the stock price of China Auto. For example:

a. On or about June 21, 2010, when China Auto was at risk of falling below \$3 per share, Lockhart and Agriogianis went back and forth buying and selling each other's stock at \$3.20 per share until the end of the day when Lockhart put in a purchase order at \$3.30, which he then canceled.

b. On or about July 15, 2010, Agriogianis placed buy orders to match Becker's sell orders at \$3.01.

84. Throughout the scheme, Defendants sold a significant amount of their China Auto stock at the inflated prices they had created, reaping millions of dollars in illicit profits.

### **C. The Guanwei Scheme**

#### **1. The Kelley Group's Oral Agreement to Take Guanwei Public in the United States**

85. In approximately July 2009, the Kelley Group reached an oral agreement with the management of Guanwei, which at that time was a privately-held company in China. Under this oral agreement, the Kelley Group agreed to pay all costs relating to making Guanwei a publicly traded company in the U.S., as well as costs related to maintaining Guanwei's public listing for two years, in exchange for ownership of approximately 30% of the resulting public company. The Chinese management of Guanwei was to receive the majority of the remaining stock, which would be restricted from immediate public trading, meaning that, as with the China Auto scheme, the Kelley Group would initially control more than 90% of the public float.

86. As part of its arrangement with Guanwei's management, in exchange for stock, the Kelley Group agreed to, among other things:

- a. Locate and purchase a controlling interest in a U.S. public shell company;
- b. Hire and pay an accounting firm to audit at least two years of Guanwei's financial statements, in order to qualify it for public listing in the U.S.;

c. Retain and pay U.S. attorneys to effectuate the reverse merger transaction between Guanwei and a U.S. public shell company, and then prepare the necessary regulatory filings announcing the transaction;

d. Pay U.S. attorneys to prepare periodic SEC filings, such as Forms 10-K and 10-Q, for approximately two years after going public; and

e. Pay U.S. stock promoters to tout Guanwei's stock for two years after going public.

87. As part of the arrangement, the Kelley Group told the management of Guanwei that after going public they could increase the company's stock price and volume to levels sufficient for listing on NASDAQ or another U.S. exchange within approximately six months, due to their control over most of the public float and the efforts of stock promoters that they planned to hire.

## **2. The Kelley Group Purchased a Control Block of Stock in a Public Shell Company – MD Holdings Corp.**

88. In approximately July 2009, Kelley identified MD Holdings as a public shell corporation for the Kelley Group to purchase for later use in a reverse merger transaction with Guanwei. At that time, one majority shareholder owned 91% of MD Holdings' stock, while the remaining 9% of its stock was held by thirty-five additional shareholders.

89. Using funds provided by Kelley, Tazbaz, Lockhart, and Agriogianis, the Kelley Group paid approximately \$200,000 for a controlling interest in the MD Holdings public shell company. To acquire part of the block of shares of MD Holdings, Tazbaz directed payment of approximately \$17,058 by wire transfer to a law firm in New Jersey.

90. The Kelley Group attempted to conceal their ownership and control of the shell company by having the MD Holdings shares transferred to Kelley, Tazbaz, Lockhart,

Agriogianis, and various Hong Kong entities controlled by the Kelley Group over the course of several months, from approximately September 2009 through December 2009.

**3. Guanwei's Reverse Merger Transaction with MD Holdings and the Subsequent Issuance of Additional Stock to the Kelley Group**

91. Shortly before the reverse merger, on November 2, 2009, there was a forward split of MD Holdings' stock, which had the effect of increasing the number of shares beneficially owned by the Kelley Group to more than six million.

92. On November 5, 2009, the reverse merger between MD Holdings and Guanwei occurred. As a result of the acquisition, MD Holdings had new shares of stock issued, which were transferred to Guanwei's Chinese management and were restricted from immediate public trading. Even with these additional shares, after the closing of the reverse merger transaction, the Kelley Group beneficially owned more than 30% of the outstanding shares in the new public company, and the vast majority of the public float.

93. On the same day the reverse merger occurred, MD Holdings registered its stock with the SEC pursuant to Section 12(g) of the Exchange Act.

94. On or about November 6, 2009, at Kelley's direction, attorneys for MD Holdings filed a report with the SEC on Form 8-K announcing the terms of the merger with Guanwei.

95. On November 9, 2009, various MD Holdings shareholders transferred approximately 700,000 additional shares to the Kelley Group, which alone totaled more than 3% of the outstanding shares of the new public company. This transfer triggered the Kelley Group's requirement to disclose their ownership of the stock pursuant to Section 13 and Section 16 of the Exchange Act, described at paragraph 40, above.

96. Combined with the more than six million shares the Kelley Group had previously acquired, by November 9, 2009, the Kelley Group beneficially owned nearly 35% of the

outstanding shares of the new public company. Indeed, Tazbaz alone beneficially owned more than 5% of the outstanding shares of the new public company. Despite this, none of the Kelley Group members disclosed their holdings in the required SEC reports.

97. Throughout the scheme, the Kelley Group's stock holdings changed. For example, shortly after the reverse merger, and as described below, the Kelley Group began selling their Guanwei stock in an unregistered distribution. Despite this, the members of the Kelley Group did not disclose their changes in ownership in the required SEC reports.

#### **4. The Defendants Transferred Guanwei Stock in Unregistered Transactions**

98. Starting in November 2009 and continuing through at least 2011, Kelley, Lockhart, Tazbaz, Agriogianis, and Becker made offers and sales of Guanwei stock when there was no registration statement filed and in effect for their transactions.

99. The Defendants offered and sold Guanwei stock using the means or instruments of interstate commerce, including, but not limited to, telephones, the Internet, commercial couriers, and the mails.

##### **a. The Defendants Distributed Guanwei Stock to Promoters as Compensation**

100. In order to stimulate investor demand for Guanwei's stock after it began trading on the OTCBB, the Defendants hired approximately a dozen U.S. stock promoters to tout the company. These promoters were paid either in cash or in shares of Guanwei stock. From 2009 through 2010, the Kelley Group and Becker, directly or indirectly, transferred at least 750,000 shares of Guanwei stock to the promoters.

**b. The Defendants Distributed Guanwei Stock to Investors in Private and Open Market Sales**

101. Kelley, Agriogianis, and some of the stock promoters hired by the Kelley Group periodically made presentations soliciting investors to purchase Guanwei stock in either private or open market transactions. In addition, Tazbaz, Lockhart, and Becker each directly solicited investors and recommended that they purchase the stock.

102. In some instances, the Kelley Group determined: (i) the number of Guanwei shares to be sold to the investors; (ii) the price at which Guanwei shares would be sold, depending upon whether the sale was in a private transaction or in the open market; and (iii) the selling party (which included, Kelley Group members, Hong Kong entities, or other entities controlled by members of the Kelley Group).

103. Throughout the scheme, Defendants sold more than \$5.8 million of Guanwei stock to investors in unregistered transactions. Specifically, the Kelley Group sold: (i) at least 2.6 million Guanwei shares in private transactions, raising more than \$3.7 million; and (ii) at least 1,116,000 Guanwei shares in open market sales, raising more than \$2.1 million.

104. In just the first six months after the reverse merger occurred, from November 2009 through May 2010:

a. Kelley sold approximately 363,249 shares of Guanwei in private and open-market transactions;

b. Lockhart sold approximately 211,428 shares of Guanwei in private and open-market transactions;

c. Tazbaz sold approximately 299,000 shares of Guanwei in private and open-market transactions; and

d. Agriogianis sold approximately 3,000 shares of Guanwei in private and open-market transactions.

105. Becker's primary role in the distribution was to offer Guanwei stock to investors. Throughout the scheme, Becker directly solicited numerous investors and recommended that they purchase the stock.

#### **5. The Kelley Group and Becker Manipulated the Price and Volume of Guanwei Stock**

106. As described above, the Kelley Group promised Guanwei's management that they would increase the price and volume of Guanwei's stock in order to facilitate the company's listing on NASDAQ. Consistent with this promise, and as part of the larger scheme, the Kelley Group and Becker engaged in manipulative trading of Guanwei stock from November 2009 through at least 2010. The manipulative trading began almost immediately after the Kelley Group began receiving shares in the shell company, and continued until – and even after – the stock began trading on NASDAQ in April 2010.

107. Similar to their trading in China Auto stock, and as detailed below, the manipulative trading techniques included: trading at successively higher prices in order to bid up the price of the stock and induce others to buy; coordinating trading between and among members of the group, particularly at key price points; “marking the close” of the stock; and engaging in matched and wash trading of the stock.

108. As part of the scheme, members of the Kelley Group also agreed to “take out” market orders they viewed as unfavorably low and then place additional buy orders at higher prices.

109. This manipulative trading was done with scienter. In addition, and specifically for the trading that occurred subsequent to the stock's listing on NASDAQ, the manipulative

trading was done for the purposes of creating a false or misleading appearance of an active market in the stock and inducing the stock's purchase or sale by others.

**a. Using Their Control of the Float, the Kelley Group Engaged in a Series of Transactions at Successively Higher Prices to Induce Others to Buy Guanwei**

110. As described above, the Kelley Group structured their purchases of stock such that after the completion of MD Holdings' reverse merger with Guanwei, they controlled the vast majority of the public float.

111. The Kelley Group's secret control of the public float allowed them to control the supply, and therefore the timing, price and quantity of Guanwei sales.

112. The following trades illustrate how, particularly in early trading (immediately before and after the Guanwei reverse merger), the Kelley Group engaged in trades at successively higher prices to induce other market participants to buy:

a. Prior to its acquisition by the Kelley Group, MD Holdings' stock almost never traded. Prior to the reverse merger, the stock last traded on September 21, 2009 for \$.03 per share;

b. On November 5, 2009, Guanwei completed its reverse merger with MD Holdings and began actively trading on OTCBB;

c. On November 9, 2009, Kelley sold 21,000 shares of Guanwei stock at \$1.75 per share, Agriogianis sold 57,000 shares of stock at \$1.75 per share, and one of the Hong Kong entities sold 52,500 shares of stock at \$1.65 - \$1.74 per share. 75,750 of those shares were purchased in matched trades by Lockhart and stock promoters controlled by the Kelley Group at \$1.65 - \$1.76 per share;

d. On November 10, 2009 through December 31, 2009, the Kelley Group continued to sell Guanwei stock. At least some of these shares were purchased by stock promoters controlled by the Kelley Group in matched or wash trades that slowly ramped up the price from \$2.05 to \$3.15 per share;

e. From December 4, 2009 forward, Kelley Group members also bought Guanwei stock. For example, on December 9, 2009, Lockhart sold shares at \$1.81 per share, but also purchased shares at \$1.81 - \$1.84 per share in wash trades. He continued to periodically purchase some of the shares sold by the other members of the Kelley Group in matched trades, while he also sold shares, through at least early January 2010.

113. Using these and other manipulative trading techniques described below, the Kelley Group quickly inflated Guanwei's stock price. On December 31, 2009, less than two months after going public through a reverse merger, Guanwei's stock price closed at \$3.15 per share.

**b. The Kelley Group Coordinated Their Trading to Meet Key Price Thresholds for Guanwei Stock**

114. In addition to this manipulative trading at the time of the reverse merger, Kelley coordinated manipulative trading by the Kelley Group and its stock promoters to meet certain key price thresholds, including the \$4 per share price necessary for listing Guanwei on NASDAQ.

115. For example, from approximately January 2010 through at least March 2010, the Kelley Group engaged in matched trades with stock promoters they controlled at successively higher prices to drive up the price of Guanwei to significantly more than \$4 per share. In January 2010 alone, Lockhart purchased more than 35,000 shares of Guanwei at increasing prices from \$3.40 per share to \$4.45 per share.

**c. Becker and Lockhart Engaged in Other Manipulative Trading**

116. Becker and Lockhart engaged in other manipulative trading of Guanwei stock.

117. For example, each “marked the close” for Guanwei. In some instances, Becker and Lockhart placed successive orders at successively higher prices at or near the close of the market. Examples of this manipulative trading include:

a. On June 17, 2010, at 3:59:02 p.m., Becker placed an order to purchase 200 shares of Guanwei stock at a limit price of \$4.00, which marked the close at \$4.00 per share.

b. On June 25, 2010, at 3:58:47 p.m., Lockhart placed an order to purchase 3,000 shares of Guanwei stock at a limit price of \$4.01, which marked the close at \$4.01 per share.

c. On September 7, 2010, at 3:57:58 p.m., Lockhart placed a market order to purchase 500 shares of Guanwei stock, which marked the close at \$2.95 per share.

118. In addition, in numerous instances, Becker broke down larger Guanwei buy or sell orders into numerous smaller orders, often as small as 100 share lots, to have more trades appear on the “tape” and attract investor interest. He did this despite the fact that the small orders often cost him more to execute than they netted in sales proceeds because of the on-line trading fees he paid on every order.

a. For example, on May 6, 2010, Becker placed six separate buy orders for Guanwei stock in increments of 100 shares.

b. Becker placed similar multiple, small orders in Guanwei stock daily from May 17, 2010 through May 21, 2010, during which time the stock price had fallen below \$4 per share. Becker also made a wash sale on May 17, and marked the close at least twice during this period.

c. Guanwei's share price recovered to \$4 per share on May 24, 2010 but quickly dipped again on May 25. On that day, Becker placed nine separate small orders to buy the stock. He continued this pattern on a daily basis through at least June 2, 2010, while the stock price generally hovered at or just below \$4 per share. On three days during this time period, Becker also marked the close.

119. Other examples of manipulative trading include:

a. From June 22, 2010 through June 25, 2010, Becker placed wash sales and purchase orders as the stock price was again hovering at around \$4 per share. During that same time period, Becker engaged in at least one matched trade and marked the close at least once.

b. On July 7, 2010, Lockhart engaged in wash trades between three different accounts he controlled.

c. On July 13, 2010, Lockhart engaged in wash trades in the accounts of his family members, as well as matched trades with Becker. On that same day, Becker engaged in wash trades between accounts he controlled, as well as marked the close at \$4.09 per share.

d. On September 1, 2010, Lockhart matched trades with Becker, engaged in wash trades between accounts he controlled, and marked the close.

120. Throughout the scheme, Defendants sold a significant amount of their Guanwei stock at the inflated prices they had created, reaping millions of dollars in illicit profits.

**D. Kelley and Tazbaz Made Fraudulent Misrepresentations and Omissions to China Auto and Guanwei Investors**

121. As alleged above, Kelley and Tazbaz sold some of their China Auto and Guanwei stock in private transactions with investors. To effectuate the sales, from approximately November 2008 through at least November 2009, Kelley and Tazbaz signed written stock sale agreements. The agreements included, among other things, representations that the China Auto

and Guanwei shares were “unrestricted,” and that the seller had never been an affiliate of the issuer.

122. At the time Kelley and Tazbaz entered into written stock sale agreements with investors, each of them knew that the Kelley Group had secretly: (a) previously acquired controlling interests in the Fresh Ideas and MD Holdings shell companies; and (b) paid expenses, and agreed to pay certain future expenses, on behalf of the issuers.

123. As a result, at the time Kelley and Tazbaz entered into written stock sale agreements with investors, each of them knew, or were reckless in not knowing, that contrary to their representations: (a) Kelley and Tazbaz were in fact affiliates of the issuers; and (b) the stock they were selling in private transactions was restricted.

124. Because Kelley and Tazbaz made representations in the written stock sale agreements as to their purported independence from the issuers, they also failed to disclose the material fact that the Kelley Group controlled almost the entire public float of China Auto and Guanwei.

125. The misrepresentations and omissions made by Kelley and Tazbaz as to their affiliation with the issuers, the restricted nature of the stock, and the Kelley Group’s control of the public float were material to investors’ decision to buy the securities from Kelley or Tazbaz in the private transactions.

**E. Defendants’ Roles in the Schemes to Defraud China Auto and Guanwei Investors**

126. As alleged herein, from approximately January 2008 through 2012, Defendants Kelley, Tazbaz, Lockhart, Agriogianis, and Becker each engaged in schemes to defraud China Auto and Guanwei investors by, among other things, structuring reverse merger transactions to gain secret control of the vast majority of the public float of both companies, orchestrating

manipulative trading to artificially inflate the companies' stock prices, and selling their stock at inflated prices.

127. In furtherance of the schemes, Kelley knowingly or recklessly engaged in numerous manipulative and deceptive acts, including, but not limited to:

- a. Forming the Kelley Group, and agreeing to act secretly as a group as to their acquisition, holding, and disposition of stock;
- b. Directing the formation of the Hong Kong entities and their opening of bank and brokerage accounts for the purpose of concealing the Kelley Group's ownership and trading in the securities of China Auto and Guanwei;
- c. Reaching secret oral agreements with the management of China Auto and Guanwei that the Kelley Group would, in essence, take the companies public in the United States in exchange for approximately 30 - 40% of the resulting public companies' stock;
- d. Structuring reverse mergers between China Auto/Fresh Ideas, and Guanwei/MD Holdings, such that the Kelley Group initially controlled nearly all of the resulting public companies' public float;
- e. Along with the other members of the Kelley Group, acquiring controlling interests in the stock of two publicly-held "shell" corporations – Fresh Ideas and MD Holdings – and directing the transfer of stock to various members of the Kelley Group and the Hong Kong entities to conceal the Kelley Group's controlling interests;
- f. Providing a portion of the funds on behalf of the Kelley Group to pay for a controlling interest in MD Holdings;
- g. Secretly paying expenses on behalf of China Auto and Guanwei, including outside auditors, attorneys, and stock promoters;

- h. Exercising *de facto* control over the Hong Kong entities, including as to the acquisition, holding, and disposition of the stock of China Auto and Guanwei;
- i. Failing to file beneficial ownership reports with the SEC on Schedules 13D within ten days of the Kelley Group's ownership of more than 5% of the stock of China Auto and Guanwei;
- j. Failing to file statements of ownership with the SEC on Forms 3, 4 and 5 when the Kelley Group beneficially owned more than ten percent of the stock of China Auto and Guanwei;
- k. Making material misrepresentations and omissions in private purchase/sale transactions with China Auto and Guanwei investors;
- l. Effecting securities transactions through at least fourteen brokerage accounts he controlled, but that were held in the names of entities and extended family members, to conceal his trading activities;
- m. Engaging in manipulative trading of China Auto and Guanwei stock;
- n. Orchestrating manipulative trading by others of China Auto and Guanwei stock; and
- o. Selling China Auto and Guanwei stock at prices inflated by the fraudulent schemes.

128. In furtherance of the schemes, Tazbaz knowingly or recklessly engaged in numerous manipulative and deceptive acts, including, but not limited to:

- a. Forming the Kelley Group, and agreeing to act secretly as a group as to their acquisition, holding, and disposition of stock;

- b. Reaching secret oral agreements with the management of China Auto and Guanwei that the Kelley Group would, in essence, take the companies public in the United States in exchange for approximately 30 - 40% of the resulting public companies' stock;
- c. Along with the other members of the Kelley Group, acquiring controlling interests in Fresh Ideas and MD Holdings and participating in the transfer of stock to various members of the Kelley Group and the Hong Kong entities to conceal the Kelley Group's controlling interests;
- d. Providing all funds on behalf of the Kelley Group to pay for a controlling interest in Fresh Ideas, and a portion of the funds on behalf of the Kelley Group to pay for a controlling interest in MD Holdings;
- e. Secretly paying expenses on behalf of China Auto and Guanwei, including outside auditors, attorneys, and stock promoters;
- f. Exercising *de facto* control over certain of the Hong Kong entities, including as to the acquisition, holding, and disposition of the stock of China Auto and Guanwei;
- g. Failing to file beneficial ownership reports with the SEC on Schedules 13D within ten days of the Kelley Group's – and his own – ownership of more than 5% of the stock of China Auto and Guanwei;
- h. Failing to file statements of ownership with the SEC on Forms 3, 4 and 5 when the Kelley Group beneficially owned more than ten percent of the stock of China Auto and Guanwei;
- i. Making material misrepresentations and omissions in private purchase/sale transactions with China Auto and Guanwei investors;

j. Effecting securities transactions through at least thirteen brokerage accounts he controlled, but that were held in the names of entities, to conceal his trading activities;

k. Engaging in manipulative trading of China Auto stock;

l. Orchestrating manipulative trading by others of China Auto and Guanwei stock; and

m. Selling China Auto and Guanwei stock at prices inflated by the fraudulent schemes.

129. In furtherance of the schemes, Lockhart knowingly or recklessly engaged in numerous manipulative or deceptive acts, including, but not limited to:

a. Forming the Kelley Group, and agreeing to act secretly as a group as to their acquisition, holding, and disposition of stock;

b. Reaching secret oral agreements with the management of China Auto and Guanwei that the Kelley Group would, in essence, take the companies public in the United States in exchange for approximately 30 - 40% of the resulting public companies' stock;

c. Along with the other members of the Kelley Group, acquiring controlling interests in Fresh Ideas and MD Holdings and participating in the transfer of Fresh Ideas and MD Holdings stock to various members of the Kelley Group and the Hong Kong entities to conceal the Kelley Group's controlling interests;

d. Providing a portion of the funds on behalf of the Kelley Group to pay for a controlling interest in MD Holdings;

e. Secretly paying expenses on behalf of China Auto and Guanwei, including outside auditors, attorneys, and stock promoters;

- f. Exercising *de facto* control over the Hong Kong entities, including as to the acquisition, holding, and disposition of the stock of China Auto and Guanwei;
- g. Failing to file beneficial ownership reports with the SEC on Schedules 13D within ten days of the Kelley Group's ownership of more than 5% of the stock of China Auto and Guanwei;
- h. Failing to file statements of ownership with the SEC on Forms 3, 4 and 5 when the Kelley Group beneficially owned more than ten percent of the stock of China Auto and Guanwei;
- i. Effecting securities transactions through at least thirty-two brokerage accounts he controlled, but that were held in the names of entities and extended family members, to conceal his trading activities;
- j. Engaging in manipulative trading of China Auto and Guanwei stock;
- k. Orchestrating manipulative trading by others of China Auto and Guanwei stock; and
- l. Selling China Auto and Guanwei stock at prices inflated by the fraudulent schemes.

130. In furtherance of the schemes, Agriogianis knowingly or recklessly engaged in numerous manipulative or deceptive acts, including, but not limited to:

- a. Forming the Kelley Group, and agreeing to act secretly as a group as to their acquisition, holding, and disposition of stock;
- b. Reaching secret oral agreements with the management of China Auto and Guanwei that the Kelley Group would, in essence, take the companies public in the United States in exchange for approximately 30 - 40% of the resulting public companies' stock;

c. Along with the other members of the Kelley Group, acquiring controlling interests in Fresh Ideas and MD Holdings and participating in the transfer of Fresh Ideas and MD Holdings stock to various members of the Kelley Group and the Hong Kong entities to conceal the Kelley Group's controlling interests;

d. Providing a portion of the funds on behalf of the Kelley Group to pay for a controlling interest in MD Holdings;

e. Secretly paying expenses on behalf of China Auto and Guanwei, including outside auditors, attorneys, and stock promoters;

f. Failing to file beneficial ownership reports with the SEC on Schedules 13D within ten days of the Kelley Group's ownership of more than 5% of the stock of China Auto and Guanwei;

g. Failing to file statements of ownership with the SEC on Forms 3, 4 and 5 when the Kelley Group beneficially owned more than ten percent of the stock of China Auto and Guanwei;

h. Engaging in manipulative trading of China Auto and Guanwei stock;

i. Orchestrating manipulative trading by others of China Auto and Guanwei stock; and

j. Selling China Auto and Guanwei stock at prices inflated by the fraudulent schemes.

131. In furtherance of the schemes, Becker knowingly or recklessly engaged in numerous manipulative or deceptive acts, including, but not limited to:

a. Soliciting investors to buy China Auto and Guanwei stock;

- b. Effecting securities transactions through at least four brokerage accounts held in the name of an entity he controlled or his girlfriend to conceal his trading activities;
- c. Engaging in manipulative trading of China Auto, and Guanwei stock;
- d. Orchestrating manipulative trading by others of China Auto and Guanwei stock; and
- e. Selling China Auto and Guanwei stock at prices inflated by the fraudulent schemes.

**F. Tazbaz, Lockhart, and Becker Orchestrated a Scheme to Defraud Through Manipulative Trading in a Third Chinese Issuer, Kandi Technologies**

132. From approximately April 2009 through at least December 2010, Tazbaz, Lockhart, and Becker orchestrated a scheme to defraud investors of a third Chinese issuer, Kandi Technologies Group Inc., primarily through manipulative trading in Kandi's stock.

133. The manipulative trading was done with scienter. In addition, the manipulative trading was done for the purposes of creating a false or misleading appearance of an active market in the stock and inducing the stock's sale or purchase by others.

134. Kandi was listed on NASDAQ on March 18, 2008, and was trading as high as \$6.82 per share in April 2008. However, by the end of 2008, Kandi's stock price had dropped to less than \$1.00.

135. Tazbaz and Lockhart held large positions in Kandi's securities that they sought to liquidate.

136. In approximately September 2009, Tazbaz and Lockhart traveled to China to meet with Kandi's CEO. In that meeting, Kandi's CEO reached an oral agreement with Tazbaz and Lockhart as follows:

- a. Kandi agreed to provide Tazbaz and Lockhart with 350,000 additional shares of Kandi;
- b. Despite Kandi's prior oral agreement that the Kelley Group would cover certain expenses related to maintaining Kandi's public listing for the first two years after going public, Kandi agreed to cover certain additional of its own post-public expenses;
- c. In exchange, Tazbaz and Lockhart agreed to pay U.S. stock promoters to tout Kandi; and
- d. Tazbaz and Lockhart further agreed to orchestrate U.S. stock promoters to manipulate the trading of Kandi stock to increase its price to at least \$3 per share within three months.

137. In or about September 2009, Tazbaz received a proposal through an intermediary for Becker's services regarding Kandi. The agreement provided, in relevant part, that Becker would receive stock for increasing Kandi's share volume or price.

138. Tazbaz provided 25,000 shares at \$0.89 per share to another promoter, as well as 10,000 shares to the intermediary referenced above.

139. In or about November 2009, Tazbaz provided another approximately 350,000 shares in Kandi free of charge to three promoters, including Becker, who had previously been retained by the Kelley Group to solicit investors to buy Kandi stock.

140. In total, and in exchange for nominal monetary compensation, Tazbaz transferred Kandi stock with market valuations of more than \$855,000 to various promoters.

141. From late 2009 through 2010, Becker engaged in numerous manipulative trades in Kandi stock. Becker's manipulative trading in Kandi included wash trades, matched trades,

marking the close, and breaking down larger orders into numerous smaller orders to have more trades appear on the “tape” to create the appearance of an active market.

142. Similarly, from late 2009 through 2010, Lockhart repeatedly engaged in manipulative trading to raise the price of Kandi stock. Lockhart’s manipulative trading in Kandi included wash trades, matched trades, marking the close, and creating the appearance of trading by putting in multiple buy orders within minutes at increasing prices (and often within minutes of the market close).

143. Lockhart and Becker also matched trades with each other in Kandi stock. When, as described above, Becker faced margin calls from his brokerage firm, he sold 18,255 shares of Kandi in prices ranging from \$4.12 - \$4.15 per share, and Lockhart put in orders to purchase 14,945 shares at \$4.12 - \$4.15 per share.

144. In furtherance of the scheme, Tazbaz knowingly or recklessly engaged in numerous practices or courses of business that defrauded Kandi investors, including, but not limited to:

- a. Reaching a secret agreement with Kandi’s management that in exchange for his receipt of additional stock options, Tazbaz agreed to orchestrate U.S. stock promoters’ efforts to artificially inflate Kandi’s stock price to more than \$3 per share;
- b. Providing Kandi stock free of charge to U.S. stock promoters involved in touting Kandi;
- c. Orchestrating manipulative trading by others of Kandi stock; and
- d. Selling Kandi stock at prices inflated by the fraudulent scheme.

145. In furtherance of the scheme, Lockhart knowingly or recklessly engaged in numerous practices or courses of business that defrauded Kandi investors, including, but not limited to:

- a. Reaching a secret agreement with Kandi's management that in exchange for his receipt of additional stock options, Lockhart agreed to orchestrate U.S. stock promoters' efforts to artificially inflate Kandi's stock price to more than \$3 per share;
- b. Engaging in manipulative trading of Kandi stock, as further alleged herein;
- c. Orchestrating manipulative trading by others of Kandi stock; and
- d. Selling Kandi stock at prices inflated by the fraudulent scheme.

146. In furtherance of the scheme, Becker knowingly or recklessly engaged in numerous practices or courses of business that defrauded Kandi investors, including, but not limited to:

- a. Receiving Kandi stock free of charge in exchange for touting Kandi;
- b. Providing Kandi stock to other U.S. stock promoters involved in touting Kandi;
- c. Engaging in manipulative trading of Kandi stock; and
- d. Selling Kandi stock at prices inflated by the fraudulent scheme.

**G. Defendants Reaped Millions in Illicit Profits from Their Schemes**

147. As a result of the various schemes detailed above, the Defendants received millions of dollars' worth of stock, much of which the Defendants sold at the inflated prices they had created. Each Defendant profited handsomely from the sales of stock or other illicit proceeds from the schemes.

**H. Kelley and Becker Acted as Unregistered Brokers**

148. Section 15(a)(1) of the Exchange Act prohibits a broker or dealer from using jurisdictional means such as the telephone or mails to effect transactions in securities unless the broker or dealer is registered with the SEC, or associated with a broker-dealer registered with the SEC. Section 3(a)(4) of the Exchange Act defines a “broker” as any person who is engaged in the business of effecting transactions in securities for the account of others.

149. Kelley and Becker were not registered as broker-dealers with the SEC or affiliated with a broker-dealer registered with the SEC during the time in which they engaged in conduct alleged herein.

150. Kelley negotiated with the owners of the Fresh Ideas and MD Holdings shell companies on behalf of himself, Tazbaz, Lockhart, and Agriogianis. Kelley also advised the management of China Auto and Guanwei, as well as Tazbaz, Lockhart, and Agriogianis, as to the structure of the reverse merger transactions and the distribution of shares among the group. Kelley received compensation in the form of stock for effectuating the acquisition of the controlling interest in the Fresh Ideas and MD Holdings public shell companies and the completion of their subsequent reverse mergers with China Auto and Guanwei, respectively.

151. Becker used the telephone and the mails to actively solicit investors to purchase China Auto, Guanwei, and Kandi securities, and he thereby effected purchases and sales of securities for the accounts of others. Becker received transaction-based compensation in the form of stock for soliciting investors.

**I. Kelley, Tazbaz, Lockhart, and Becker Purchased China Auto and Guanwei Stock during Public Distributions**

152. As described above, Kelley, Tazbaz, Lockhart, and Becker participated in the distributions of China Auto and Guanwei stock to the public.

153. The Kelley Group's acquisition of stock, and subsequent sales and transfers of that stock, constituted at least 30% of the outstanding shares of both China Auto and Guanwei.

154. Kelley, Tazbaz, and Lockhart engaged in special selling efforts with respect to China Auto and Guanwei by, among other things, hiring promoters to tout the stocks and bring in additional shareholders, as well as engaging people to issue press releases and set up websites for the companies. Becker personally engaged in the selling efforts.

155. During the distributions of China Auto and Guanwei stock, Kelley, Tazbaz, Lockhart, and Becker each purchased stock of China Auto and Guanwei.

**FIRST CLAIM FOR RELIEF**  
**Fraud - Violations of Securities Act Section 17(a)**  
**[15 U.S.C. § 77q(a)]**

156. The SEC incorporates the allegations of paragraphs 1 through 155 as if fully set forth herein.

157. Defendants Kelley, Tazbaz, Lockhart, and Becker, directly or indirectly, with scienter, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, employed a device, scheme, or artifice to defraud, in violation of Section 17(a)(1) of the Securities Act.

158. Defendants Kelley and Tazbaz, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, obtained money or property by means of untrue statements of material fact or by omissions to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Section 17(a)(2) of the Securities Act.

159. Defendants Kelley, Tazbaz, Lockhart, and Becker, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication

in interstate commerce or by use of the mails, engaged in transactions, practices, or courses of business which have been or are operating as a fraud or deceit upon the purchasers of securities, in violation of Section 17(a)(3) of the Securities Act.

160. Defendants Kelley, Tazbaz, Lockhart, and Becker have violated, and unless restrained and enjoined will in the future violate Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

**SECOND CLAIM FOR RELIEF**  
**Fraud – Violations of Exchange Act Section 10(b) and Rule 10b-5**  
**[15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5]**

161. The SEC incorporates the allegations of paragraphs 1 through 155 as if fully set forth herein.

162. Defendants Kelley, Tazbaz, Lockhart, Agriogianis, and Becker, directly or indirectly, with scienter, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, the mails, or any facility of a national securities exchange, employed devices, schemes, or artifices to defraud; or engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person; in violation of Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c).

163. Defendants Kelley and Tazbaz, directly or indirectly, with scienter, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, the mails, or any facility of a national securities exchange, made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Section 10(b) of the Exchange Act and Rule 10b-5(b).

164. Defendants Kelley, Tazbaz, Lockhart, Agriogianis, and Becker have violated, and unless restrained and enjoined will in the future violate Section 10(b) of the Exchange Act and Rule 10b-5.

**THIRD CLAIM FOR RELIEF**  
**Market Manipulation**  
**Violations of Exchange Act Section 9(a)**  
**[15 U.S.C. § 78i]**

165. The SEC incorporates the allegations of paragraphs 1 through 155 as if fully set forth herein.

166. Defendants Kelley, Tazbaz, Lockhart, and Becker, directly and indirectly, with scienter, by use of the mails or any means or instrumentality of interstate commerce, for the purpose of creating a false or misleading appearance of active trading in China Auto, Guanwei, and/or Kandi securities while they were trading on NASDAQ, or for the purpose of creating a false or misleading appearance with respect to the market for China Auto, Guanwei, and/or Kandi securities while they were trading on NASDAQ, engaged in the following unlawful activity:

a. Effected transactions in the securities which involved no change in the beneficial ownership thereof;

b. Entered an order or orders for the purchase of the securities 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 the securities, had been or would be entered by or for the same or different parties; or

c. Entered an order or orders for the sale of the securities 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 the securities, has been or will be entered by or for the same or different parties.

167. Defendants Kelley, Tazbaz, Lockhart, and Becker, directly or indirectly, with scienter, by use of the mails or any means or instrumentality of interstate commerce, effected, alone or with one or more other persons, a series of transactions in China Auto, Guanwei, and/or Kandi securities creating actual or apparent active trading in those securities, or raising or depressing the price of those securities, for the purpose of inducing the purchase or sale of those securities by others.

168. Defendants Kelley, Tazbaz, Lockhart, and Becker have violated, and unless restrained and enjoined will in the future violate Section 9(a) of the Exchange Act.

**FOURTH CLAIM FOR RELIEF**  
**Offers and Sales of Unregistered Securities**  
**Violations of Securities Act Sections 5(a) and 5(c)**  
**[15 U.S.C. §§ 77e(a) and 77e(c)]**

169. The SEC incorporates the allegations of paragraphs 1 through 155 as if fully set forth herein.

170. Defendants Kelley, Tazbaz, Lockhart, Agriogianis, and Becker, directly or indirectly, have made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, when no registration statement was in effect with the SEC as to such securities, and have made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell such securities when no registration statement had been filed with the SEC as to such securities.

171. There were no applicable exemptions from registration, and Defendants Kelley, Tazbaz, Lockhart, Agriogianis, and Becker have violated, and unless restrained and enjoined will in the future violate Sections 5(a) and 5(c) of the Securities Act.

**FIFTH CLAIM FOR RELIEF**  
**Purchasing During a Distribution**  
**Violations of Exchange Act Rule 101 of Regulation M**  
**[17 C.F.R. § 242.101]**

172. The SEC incorporates the allegations of paragraphs 1 through 155 as if fully set forth herein.

173. Defendants Kelley, Tazbaz, Lockhart, and Becker, directly and indirectly, by use of the means or instrumentalities of interstate commerce, or of the mails, in connection with the distribution of securities of China Auto and Guanwei, for which they were distribution participants, bid for, purchased, or attempted to induce another person to bid for or purchase, such securities during the restricted periods before they had completed their distribution.

174. Defendants Kelley, Tazbaz, Lockhart, and Becker have violated, and unless restrained and enjoined will in the future violate Rule 101 of Regulation M of the Exchange Act.

**SIXTH CLAIM FOR RELIEF**  
**Offers and Sales of Securities by an Unregistered Broker-Dealer**  
**Violations of Exchange Act Section 15(a)**  
**[15 U.S.C. § 78o(a)]**

175. The SEC incorporates the allegations of paragraphs 1 through 155 as if fully set forth herein.

176. Defendants Kelley and Becker, while engaged in the business of effecting transactions in securities for the account of others made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, a security without being registered in accordance with Section 15(a) of the Exchange Act.

177. Defendants Kelley and Becker have violated, and unless restrained and enjoined will in the future violate Section 15(a) of the Exchange Act.

**SEVENTH CLAIM FOR RELIEF**  
**Failure to Disclose Beneficial Ownership and Changes Thereto**  
**Violations of Exchange Act Section 13(d)**  
**And Rules 13d-1 and 13d-2**  
**[15 U.S.C. § 78m(d) and 17 C.F.R. §§ 240.13d-1 and 240.13d-2]**

178. The SEC incorporates the allegations of paragraphs 1 through 155 as if fully set forth herein.

179. Defendants Kelley, Tazbaz, Lockhart, and Agriogianis, after acquiring directly or indirectly the beneficial ownership of more than 5% of a class of equity securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l], failed to file with the SEC a statement containing the information required by Schedule 13D [17 C.F.R. § 240.13d-101] and, after disposing of beneficial ownership of securities in an amount equal to 1% or more of the class of securities, failed to file with the SEC an amendment disclosing this material change.

180. Defendants Kelley, Tazbaz, Lockhart, and Agriogianis have violated, and unless restrained and enjoined will in the future violate Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2.

**EIGHTH CLAIM FOR RELIEF**  
**Failure to Disclose Beneficial Ownership**  
**Of Stock Greater than Ten Percent and Changes Thereto**  
**Violations of Exchange Act Section 16(a) and Rule 16a-3**  
**[15 U.S.C. § 78p(a) and 17 C.F.R. § 240.16a-3]**

181. The SEC incorporates the allegations of paragraphs 1 through 155 as if fully set forth herein.

182. Defendants Kelley, Tazbaz, Lockhart, and Agriogianis, after acquiring directly or indirectly the beneficial ownership of more than 10% of a class of equity securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l], failed to file with the SEC a Form 3 providing an initial statement of beneficial ownership and, after effecting transactions in the

securities, failed to file with the SEC Forms 4 and 5 providing statements of changes in beneficial ownership.

183. Defendants Kelley, Tazbaz, Lockhart, and Agriogianis have violated, and unless restrained and enjoined will in the future violate Section 16(a) of the Exchange Act and Rule 16a-3.

### **PRAYER FOR RELIEF**

WHEREFORE, the SEC respectfully requests that the Court:

#### **I.**

Enter judgment in favor of the SEC finding that each of the Defendants violated the securities laws as alleged in this Complaint, and unless restrained and enjoined, will continue to do so.

#### **II.**

Enter injunctions, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining Defendants Kelley, Tazbaz, Lockhart, Agriogianis, and Becker, and their officers, agents, servants, employees, attorneys, fictitious trade name entities, and those persons in active concert or participation with them who receive actual notice by personal service or otherwise, from violating the federal securities laws as alleged herein.

#### **III.**

Order that Defendants Kelley, Tazbaz, Lockhart, Agriogianis, and Becker disgorge all ill-gotten gains, together with prejudgment and post judgment interest.

**IV.**

Enter an Order requiring Defendants Kelley, Tazbaz, Lockhart, Agriogianis, and Becker to pay civil money penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d) [15 U.S.C. § 78u(d)].

**V.**

Permanently prohibit Defendants Tazbaz, Lockhart, Agriogianis, and Becker from participating in any offering of penny stock pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)].

**VI.**

Order such other relief as this Court deems necessary and appropriate.

**JURY DEMAND**

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the SEC demands that this case be tried to a jury.

DATED: May 5, 2014.

Respectfully submitted,

/s/ Leslie J. Hughes  
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Nicholas Heinke, Colo. Bar No. 38738  
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### **LOCAL RULE 11.2 CERTIFICATION**

Pursuant to Local Rule 11.2, I certify under penalty of law of the United States of America that the matter in controversy alleged in the foregoing Complaint is not the subject of any other action pending in any court, or of any pending arbitration or administrative proceeding.

/s/ Leslie J. Hughes  
Leslie J. Hughes, Colo. Bar No. 15043  
*Counsel for Plaintiff*  
U.S. SECURITIES AND EXCHANGE COMMISSION  
1801 California Street, Suite 1500  
Denver, CO 80202

### **DESIGNATION OF AGENT FOR SERVICE**

Pursuant to Local Rule 101.10, because the Securities and Exchange Commission (the “SEC”) does not have an office in this district, the United States Attorney for the District of New Jersey is hereby designated as eligible as an alternative to the Commission to receive service of all notices or papers in the above captioned action. Therefore, service upon the United States or its authorized designee, Paul Blaine, Chief, Civil Division, United States Attorney’s Office for the District of New Jersey, 970 Broad Street, 7th Floor, Newark, NJ 07102 shall constitute service upon the Commission for purposes of this action.

/s/ Leslie J. Hughes  
Leslie J. Hughes, Colo. Bar No. 15043  
*Counsel for Plaintiff*  
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