

## Fallon-Houle, Nancy

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**From:** Securities and Exchange Commission <sec@service.govdelivery.com>  
**Sent:** Monday, May 05, 2014 2:47 PM  
**To:** Fallon-Houle, Nancy  
**Subject:** SEC Charges Toronto-Based Consultant and Four Others in Reverse Merger Schemes Involving China-Based Companies

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### **[SEC Charges Toronto-Based Consultant and Four Others in Reverse Merger Schemes Involving China-Based Companies](#)**

*05/05/2014 03:39 PM EDT*

The Securities and Exchange Commission today charged a Toronto-based consultant and four associates with conducting illegal reverse merger schemes to bring a pair of China-based companies into the U.S. markets so they could manipulate trading and reap millions of dollars in illicit profits.

The SEC alleges that S. Paul Kelley and three of the associates acquired controlling interests in two U.S. public shell companies in order to orchestrate reverse mergers with China Auto Logistics Inc. and Guanwei Recycling Corp. They then hired stock promoter Shawn A. Becker of Overland Park, Kan., and others to tout the two companies' unregistered stock to investors. Kelley and his associates engaged in various forms of manipulative trading in order to further drive up the price and volume of China Auto and Guanwei Recycling stock, and they profited when they dumped their shares into the inflated market they created.

Kelley and two associates – Roger D. Lockhart of Holiday Island, Ark., and Robert S. Agriogianis of Florham Park, N.J. – have agreed to settle the SEC's charges. Kelley agreed to pay more than \$6 million and will be barred from the securities industry as well as participation in any penny stock offering. Lockhart agreed to pay more than \$3 million and Agriogianis entered into a cooperation agreement. The SEC's litigation continues against Becker and another Kelley associate, George Tazbaz of Oakville, Ontario.

“Kelley and his associates concealed their acquisition and control of public shell companies, and they manipulated trading in two China-based companies following reverse mergers with those shells,” said Julie Lutz, director of the SEC's Denver Regional Office. “The SEC has exposed their scheme with persistence and the help of fellow regulators.”

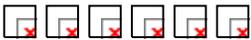
According to the SEC's complaint filed in U.S. District Court for the District of New Jersey, the schemes involving China Auto and Guanwei Recycling occurred in 2008 and 2009. Becker, Lockhart, and Tazbaz orchestrated manipulative trading in a third China-based issuer Kandi Technologies in 2009 and 2010.

The SEC alleges that Kelley, Tazbaz, Lockhart, and Agriogianis reached secret oral agreements with management at China Auto and Guanwei Recycling in which they covered all of the costs to take the companies public in the U.S. in exchange for approximately 30 to 40 percent of the resulting stock. Kelley and his associates then acquired controlling interests in the two U.S. public shell companies used to conduct the reverse mergers with China Auto and Guanwei. They concealed their controlling interest in the public shell companies and the reverse merger transactions by having others create at least nine Hong Kong-based companies to hold their shares. Despite their concealment efforts, the SEC was able to obtain documents and testimony to corroborate the suspected conduct with assistance from the Ontario Securities Commission.

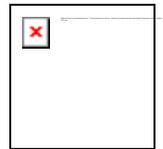
The SEC's complaint charges Kelley, Tazbaz, Lockhart, Agriogianis, and Becker with violating the antifraud, securities registration, and securities ownership reporting provisions of the federal securities laws. Becker is charged with violating the antifraud and securities registration provisions. Kelley and Becker also are charged with violating the broker-dealer registration provisions. The SEC's complaint seeks disgorgement of ill-gotten gains plus prejudgment interest and financial penalties as well as penny stock bars.

In the settlements, Kelley agreed to pay disgorgement of \$2,828,353.53, prejudgment interest of \$560,812.47, and penalty of \$2,828,353.53. Lockhart agreed to pay disgorgement of \$1,819,211.77, prejudgment interest of \$332,268.15, and a penalty of \$1 million. Lockhart also consented to a bar from participation in any penny stock offering. Agriogianis entered into a cooperation agreement with the SEC under terms that reflect his assistance in the investigation and anticipated cooperation in the pending litigation. Agriogianis agreed to a penny stock bar, and financial sanctions will be determined by the court at a later date upon the SEC's motion. Kelley, Lockhart, and Agriogianis consented to the entry of final judgments including permanent injunctions without admitting or denying the allegations. The settlements are subject to court approval.

The SEC's investigation was conducted by Jennifer A. Ostrom and Kurt L. Gottschall in the Denver office. The SEC's litigation will be led by Leslie J. Hughes and Nicholas Heinke. The SEC appreciates the assistance of the Ontario Securities Commission.



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