

Business Track

**The More Things Change,
the More They Stay the Same:
Cutting-Edge Issues
in Commercial Fraud Cases**

Francis C. Morrissey, Moderator

Morrissey, Wilson & Zafiropoulos LLP; Braintree, Mass.

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The More Things Change, the More They Stay the Same:
Cutting-Edge Issues in Commercial Fraud Cases

Panelist: Francis C. Morrissey, Moderator
Katherine R. Catanese - Foley & Lardner
Stephen B. Darr - Huron Consulting
Group, Inc
Geoff Varga - Duff & Phelps

Fraud & Chinese Reverse Mergers
By: Katherine Catanese

1. Order Appointing Receiver
2. Order Confirming Authority of Receiver
3. June 2011 SEC Investor Bulletin - *"Reverse Mergers"*
4. May 13, 2014 TheStreet - *"Nevada Judge Peck Appoints Seiden as Receiver for SCEI Effective Immediately"*
5. August 26, 2015 *"U.S. Court Appointed Receiver Victorious over Sino Clean Energy's former chairman Baowen Ren in getting his unauthorized bankruptcy filing dismissed"*

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

C.A. No. 8014-VCL

NOW, THEREFORE, IS HEREBY ORDERED as follows:

1. APPOINTMENT OF RECEIVER: Pursuant to 8 *Del. C.* § 322, Robert W. Seiden, Esq. is hereby appointed Receiver of the Company with the powers and duties specified in this Order.
2. ACCEPTANCE AND TERM OF APPOINTMENT: The Receiver shall submit to the Court a written acceptance of this appointment. The Receiver shall serve at the pleasure of the Court, and the provisions of this Order shall remain in effect pending further Order of the Court.
3. PURPOSES OF APPOINTMENT; GENERAL POWERS: The Receiver shall take all actions he deems appropriate to obtain ZSTN's compliance with the following orders of this Court (i) the Final Order, (ii) the Contempt Order, (iii) this Order, and (iv) such other and further orders the Court may enter in this action. Without limiting the foregoing, the Receiver shall take all appropriate action to ensure ZSTN's compliance with its obligation to reimburse Plaintiff's attorneys' fees and expenses and ZSTN's obligation to pay Plaintiff \$8.21 for each ZSTN share for which the Plaintiff seeks redemption.

The Receiver shall have all powers generally available to a receiver appointed pursuant to 8 *Del. C.* § 291, unless any such power would be inconsistent with a specific provision of this Order, in which case this Order shall govern. Upon the acceptance of this appointment, the Receiver shall have full authority and control over the property and/or assets of the Company, of whatever kind and wherever located, in the United States of America, the People's Republic of China or elsewhere. This includes, without limitation, authority to seize, deal in or dispose of any property of the Company. The Receiver shall have full and unrestricted access to all books and records of the Company, in whatever mode maintained and wherever located, in the United

States of America, the People's Republic of China or elsewhere. The Receiver may assert sole control over any present bank or other accounts of the Company and/or establish signature authority over such accounts as the Receiver deems appropriate. The Receiver shall have the power to commence, continue, join in, and/or control any action, suit or proceeding, of any kind or nature, in the name of the Company or otherwise, including without limitation proceedings to prevent or avoid transactions of any kind or nature that may hinder the Company's compliance with this Court's orders. The Receiver is authorized, in his sole discretion, to enlist the help of the employees or agents of the Company. The directors, officers, employees, and agents of the Company shall cooperate with the Receiver in the performance of his duties. The Receiver is authorized, in his sole discretion, to enlist the help of agents, employees or representatives of the governments of the United States of America, the People's Republic of China, or any other nation, or of any regional or local governments therein, or of any other regulatory body. The Receiver shall have the authority, but shall not be required, to petition this Court for instructions at any time or from time to time.

4. AUTHORITY TO RETAIN ADVISORS: The Receiver is authorized to retain one or more experts or advisors, including financial advisors, professional sales agencies, accountants, attorneys, brokers, and other professionals as the Receiver deems necessary in carrying out his duties. Without limiting the foregoing, the Receiver is specifically authorized to retain as counsel Windels Marx Lane & Mittendorf, LLP and Landis Rath & Cobb LLP.

5. COMPENSATION OF THE RECEIVER AND ANY PROFESSIONALS: The Company shall pay the compensation and expenses of the Receiver at his customary hourly rate. All professionals retained by the Receiver shall submit invoices to the Receiver. The Receiver shall petition the Court on a monthly basis, or at such other interval as the Court may direct, for

approval of the fees and expenses incurred by the Receiver and his advisors. All fees and expenses approved by the Court shall be paid promptly by the Company. Payment of the fees and expenses of the Receiver and any experts or advisors retained by the Receiver shall have priority over all other obligations, payments or distributions of the Company. Upon any failure by the Company to pay fees and expenses duly approved by the Court, the Receiver shall have full authority and control over the property and/or assets of the Company, of whatever kind and wherever located, for the purposes of satisfying the payment of such fees and expenses. The Receiver may seek further relief from the Court with respect to any non-payment of expenses.

6. AUTHORITY TO ACT: The Receiver is authorized to act through and in the name of the Company to carry out his duties. The Receiver is authorized to execute and deliver (or cause to be executed and delivered) any document in the name of the Company, including but not limited to contracts, deeds, other documents of title, and regulatory, administrative and governmental filings.

7. WAIVER OF DUTIES AND BOND; MONTHLY REPORTS: The provisions of Court of Chancery Rules 149-168, pertaining to the duties of a receiver and/or trustee, are hereby waived. The Receiver shall not be required to post a bond. In lieu of these provisions, the Receiver shall provide interim reports to the Court at monthly intervals from the date of this Order. Such monthly reports shall include a statement of (i) the Receiver's activities during the preceding month; (ii) a statement of the fees and expenses for which the Receiver seeks payment that were incurred during the preceding month; and (iii) such other information as the Receiver deems appropriate or as the Court may direct.

8. COOPERATION: The appointment of the Receiver hereunder is binding upon the directors, officers, employees, agents and stockholders of the Company, who shall cooperate

with the Receiver in the performance of his duties. Neither the Company, nor person acting or purporting to act on behalf of the Company, nor any director, officer, employee, agent, stockholder or creditor of the Company shall institute any proceeding in any forum other than this Court challenging any action, recommendation or decision by the Receiver.

9. EXCULPATION, INDEMNIFICATION, AND ADVANCEMENT: The Receiver, and anyone acting on his behalf, shall have no liability to the Company, its stockholders or any other person for actions taken in good faith pursuant to this Order. The Receiver shall be entitled to all protection, limitation from liability, and immunity available at law or in equity to a court-appointed Receiver including, without limitation, all protection, limitation from liability, and immunity to the fullest extent permitted by applicable law. Expenses, including attorneys' fees, incurred by the Receiver in defending any civil, criminal, administrative or investigative action, suit, or proceeding arising by reason of or in connection with the Receiver's designation as Receiver for the Company, or in the performance of his duties hereunder, shall be paid by the Company in advance of the final disposition of such action, suit, or proceeding subject to the repayment of such amount if it shall ultimately be determined by this Court that the Receiver is not permitted to be indemnified by the Company under applicable Delaware law.

10. OBJECTIONS TO AND REVIEW OF RECEIVER'S INTERIM ACTIONS, AND STANDARD OF REVIEW: All actions of the Receiver shall be presumed to have been made on an informed basis, in good faith, and in the honest belief that such actions taken appropriate to ensure ZSTN's compliance with this Court's orders. All interim actions shall be subject to review and reversal by the Court only upon a showing that the Receiver abused his discretion.

11. JURISDICTION. The Court shall retain jurisdiction to interpret, construe and enforce this Order and any such other or further orders of this Court.

The Honorable J. Travis Laster

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

| | | |
|-----------------------------|---|-------------------|
| PETER E. DEUTSCH, |) | |
| |) | |
| Plaintiff, |) | |
| |) | |
| v. |) | |
| |) | C.A. No. 8014-VCL |
| ZST DIGITAL NETWORKS, INC., |) | |
| |) | |
| Defendant. |) | |

ORDER CONFIRMING AUTHORITY OF RECEIVER

WHEREAS, the Court has considered the Court-appointed Receiver's April 18, 2013 letter request to take specific action pursuant to the Court's March 28, 2013 Order Appointing Receiver (the "Request");

IT IS HEREBY ORDERED, this 19th day of April, 2013, as follows:

1. The Request is GRANTED.
 2. The Receiver is authorized to exercise all power and authority that ZST Digital Networks, Inc. (the "Company") possesses with respect to its wholly owned subsidiaries by virtue of its ownership of those entities, including but not limited to (i) exercising voting rights associated with shares or equity interests in such wholly owned subsidiaries and (ii) utilizing such voting power to replace members of the boards of directors or similar governing body of such subsidiaries.
 3. With respect to entities that are indirect wholly owned subsidiaries of the Company, the Receiver is authorized to exercise all power and authority that the Company possesses over its indirect wholly owned subsidiaries by virtue of its ownership of intervening entities, including but not limited to (i) causing any wholly owned subsidiary or indirect wholly owned subsidiary to exercise voting rights associated with shares or equity interests in a lower-
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tier subsidiary and (ii) utilizing such voting power to replace members of the board of directors or similar governing body of the lower-tier subsidiary.

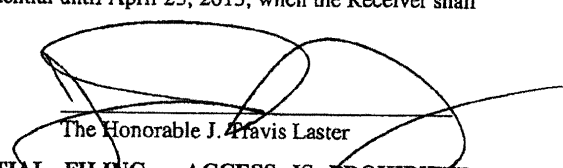
4. The Receiver is authorized to exercise all power and authority that the Company would have to seek judicial relief with respect to its wholly owned subsidiaries or indirect wholly owned subsidiaries, including but not limited to petitioning for a Court-appointed receiver or similar official for such entities.

5. With respect to any non-wholly owned subsidiary, the Receiver is authorized to exercise any rights that the Company may have by virtue of its ownership of shares or other equity interest in such non-wholly owned subsidiary.

6. Exercise of the foregoing authority is part of the authority conferred on the Receiver pursuant to this Court's Order Appointing Receiver dated March 28, 2013, which authorized the Receiver to take all actions he "deems appropriate" to obtain compliance by the Company with this Court's Orders and which grants him "full authority and control" over all of the Company's "property and assets" and authorizes him to "act through and in the name of the Company." The Receiver shall use the foregoing authority for the purposes set forth in the Order Appointing Receiver.

7. In taking such action, the Receiver and anyone acting on his behalf shall be entitled to the fullest protection from liability under the law available to a Court-appointed receiver, including without limitation the protections afforded by the Court's March 28, 2013 Order Appointing Receiver.

8. This Order shall remain confidential until April 23, 2013, when the Receiver shall file it publicly on the Court's docket.


The Honorable J. Travis Laster

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EXCEPT AS AUTHORIZED BY COURT ORDER UNTIL APRIL 23, 2013.**



SEC

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EDUCATION and ADVOCACY

Investor Bulletin: Reverse Mergers

Introduction

Many private companies, including some whose operations are located in foreign countries, seek to access the U.S. capital markets by merging with existing public companies. These transactions are commonly referred to as "reverse mergers" or "reverse takeovers (RTOs)."

What is a Reverse Merger?

In a reverse merger transaction, an existing public "shell company," which is a public reporting company with few or no operations,¹ acquires a private operating company—usually one that is seeking access to funding in the U.S. capital markets. Typically, the shareholders of the private operating company exchange their shares for a large majority of the shares of the public company. Although the public shell company survives the merger, the private operating company's shareholders gain a controlling interest in the voting power and outstanding shares of stock of the public shell company. Also typically, the private operating company's management takes over the board of directors and management of the public shell company. The assets and business operations of the post-

merger surviving public company are primarily, if not solely, those of the former private operating company.

Why Pursue a Reverse Merger?

A private operating company may pursue a reverse merger in order to facilitate its access to the capital markets, including the liquidity that comes with having its stock quoted on a market or listed on an exchange. Private operating companies generally have access only to private forms of equity, while public companies potentially have access to funding from a broader pool of public investors. A reverse merger often is perceived to be a quicker and cheaper method of "going public" than an initial public offering (IPO). The legal and accounting fees associated with a reverse merger tend to be lower than for an IPO. And while the public shell company is required to report the reverse merger in a Form 8-K filing with the SEC, there are no registration requirements under the Securities Act of 1933 as there would be for an IPO. In addition, being public may give a company increased value in the eyes of potential acquirers.

Trading Reverse Merger Company Stock

Shares of reverse merger companies may be traded in exchange markets or over-the-counter (OTC), as described on page 2.

¹ See Securities Act Release No. 8587 (July 15, 2005) [70 FR 42234, 42235 (July 21, 2005)].

Exchange Markets

If the reverse merger company securities are listed and traded on an [exchange](#), the listed company must meet the exchange's initial listing standards to be eligible for listing. The listed company must also satisfy the exchange's maintenance or continued listing standards to remain listed and must comply with the exchange's rules, the federal securities laws, and other applicable provisions of the law.

When certain market or company events occur, an exchange may halt trading in the securities of a listed company. Also, if a listed company fails to meet the exchange's continued listing standards, the exchange may initiate proceedings to delist that company's securities from its marketplace. There is no assurance that a security listed on an exchange will remain so and trade on that exchange indefinitely.²

In addition to enforcing listing and maintenance standards for companies trading on their market, the exchanges must have rules to oversee and monitor the trading of those securities. The exchanges also have rules in place to discipline those brokers and dealers who are exchange members.

Over-the-Counter

The [OTC market](#) operates on a decentralized, inter-dealer basis and does not require a direct relationship with the companies whose shares are traded. Generally, in order for a company's stock to trade in the OTC market, a market maker (a firm that stands ready to buy and sell a particular stock on a regular and continuous basis at a publicly quoted price) must first file a [Form 211](#) with the Financial Industry Regulatory

Authority (FINRA) and demonstrate that the company meets the requirements of [Rule 15c2-11](#) under the Securities Exchange Act of 1934 (Exchange Act) as well as FINRA's rules.³

However, if a company being acquired in a reverse merger was continuously quoted OTC before the takeover, the post-merger company may be able to rely on that status to permit its shares to continue to be quoted without going through the Form 211 review process. Unless a company that is quoted OTC is reporting under the Exchange Act, which is not always required in the OTC market, investors may find it difficult to discern whether a particular company is a reverse merger entity. Investors may also have trouble obtaining information about the management, operations, financials, and other important aspects of a company.

Some Risks of Investing in Reverse Merger Companies

As with any investment, investors should proceed with caution when considering whether to invest in reverse merger companies. Many companies either fail or struggle to remain viable following a reverse merger. Also, as with other kinds of investments, there have been instances of fraud and other abuses involving reverse merger companies. In light of these considerations, individual investors should take into account their own financial situation, consult their financial adviser, and perform thorough research before making any investment decisions concerning these types of companies.

Another consideration is that some of the foreign companies that access the U.S. markets through the reverse merger process have been using small U.S. auditing firms, some of which may not have the resources to meet its auditing obligations when all or substantially all of the private company's operations are in another country. As a result, such auditing firms might not identify circumstances where these companies may

² Delisted stocks may still trade in the OTC market, however, if certain statutory and regulatory conditions are met.

³ For example, a company whose securities are traded OTC generally does not have a direct relationship with the market maker that files the Form 211 with FINRA, with other market makers that trade the securities, or with FINRA itself, which oversees the OTC market and market participants.

not be complying with the relevant accounting standards.⁴ This can result in increased risks for investors.

Risk Disclosure

Public companies are required to disclose the risks of investing in their stock in a number of filings with the SEC. Below are examples of risk factor disclosures that some reverse merger companies have used in their SEC filings:

- *Because we became public by means of a "reverse merger," we may not be able to attract the attention of major brokerage firms.*
- *Additional risks may exist since we will become public through a "reverse merger." Securities analysts of major brokerage firms may not provide coverage of us since there is little incentive to brokerage firms to recommend the purchase of our common stock. We cannot assure you that brokerage firms will want to conduct any secondary offerings on behalf of our company in the future.*
- *The transaction involves a reverse merger of a foreign company into a domestic shell company; as a result, there is no history of compliance with United States securities laws and accounting rules.*
- *Our management has no experience in managing and operating a public company. Any failure to comply or adequately comply with federal securities laws, rules or regulations could subject us to fines or regulatory actions, which may materially adversely affect our business, results of operations and financial condition.*
- *We will incur significant costs to ensure compliance with United States corporate governance and accounting requirements.*
- *We may not be able to meet the filing and internal control reporting requirements imposed by the Securities and Exchange Commission resulting in a possible decline in*

the price of our common stock and our inability to obtain future financing.

- *As a public company, we are obligated to maintain effective internal controls over financial reporting. Our internal controls may not be determined to be effective, which may adversely affect investor confidence in us and, as a result, decrease the value of our ordinary shares.*
- *The relative lack of public company experience of our management team may put us at a competitive disadvantage.*

Recent Enforcement Actions Involving Reverse Merger Companies

In recent months, the SEC has suspended trading in a number of reverse merger entities: (1) Heli Electronics Corp. (HELI); (2) China Changjiang Mining & New Energy Co (CHJI); (3) RINO International Corporation (RINO); (4) Advanced Refractive Technologies, Inc. (ARFR); (5) HiEnergy Technologies, Inc. (HIET); and (6) Digital Youth Network Corp. (DYOUNF):

- On March 21, 2011, the SEC suspended trading in HELI because questions had arisen regarding the accuracy and completeness of information contained in HELI's public filings concerning, among other things, the company's cash balances and accounts receivable. HELI also failed to disclose that its independent auditor had resigned due to accounting irregularities.
- On April 1, 2011, the SEC suspended trading in CHJI because questions had arisen regarding the accuracy and completeness of information contained in CHJI's public filings concerning, among other things, the company's financial statements for 2009 and 2010. CHJI also failed to disclose that it filed its most recent Form 10-Q without the required review of interim financial statements by an independent public accountant and that the company's independent auditor had resigned, withdrawn its audit opinion issued April 16, 2010 relating to the audit of the company's consolidated financial statements as of December 21, 2009, and informed the company that the financial state-

⁴ See Public Company Accounting Oversight Board Staff Audit Practice Alert No. 6: Auditor Considerations Regarding Using the Work of Other Auditors and Engaging Assistants from Outside the Firm (July 12, 2010).

ments for quarters ended March 31, June 30, and September 30, 2010 could no longer be relied upon.

- On April 11, 2011, the SEC suspended trading in RINO because questions had arisen regarding the accuracy and completeness of information contained in RINO's public filings since, among other things, the company had failed to disclose that the outside law firm and forensic accountants hired by the company's audit committee to investigate allegations of financial fraud at the company had resigned after reporting the results of their investigation to management and the board, and that the chairman and independent directors have also resigned. In addition, questions had arisen regarding the size of RINO's operations and number of employees, the existence of certain material customer contracts, and the existence of two separate and materially different sets of corporate books and accounts.
- On May 3, 2011, the SEC suspended trading in ARFR and HIET due to a lack of current and accurate information about the companies because they had not filed certain periodic reports with the SEC.
- On May 12, 2011, the SEC suspended trading in DYOF due to a lack of current and accurate information about the company because it had not filed certain periodic reports with the SEC.

In addition to trading suspensions, the SEC has recently revoked the securities registration of several reverse merger companies. In each instance, the SEC revoked the registration because of a failure to make required periodic filings—filings that should contain information of critical importance to U.S. investors. Importantly, once the SEC has revoked a company's securities registration, no broker or dealer or national security exchange can execute a trade in the stock unless the company files to re-register its stock.

Be careful when considering investing in the stocks of reverse merger companies.

Take Precautions: Look for Reliable Information

Investors should be careful when considering investing in the stocks of reverse merger companies and should make sure that they have accurate and up-to-date information about a company before investing.

- ✓ **Research the Company:** Always research a company before buying its stock, particularly if the company has been subject to a trading suspension or has been delisted from an exchange. Evaluate the company's finances, organization, and business prospects. This type of information often is included in filings that a company makes with the SEC.

- ✓ **Review the Company's SEC Filings:** This information is free and can be found on the Commission's EDGAR filing system.
- ✓ **Be Aware of Companies that do not File Reports with the SEC:** Some companies are not required to file reports with the SEC. These are known as "non-reporting" companies. Be aware of the risks of trading the stock of such companies, as there may not be current and accurate information that would allow you to make an informed investment decision. Because an operating company that is not required to file reports with the SEC is, by definition, a non-reporting company, historical information about that company is likely to be limited. Further, information about a public reporting shell company that a non-reporting operating company merges into, in a reverse merger, would not be relevant to the operating company.
- ✓ **Be Skeptical:** Whenever someone gives you a "hot" tip, always ask what motivated them to do so. Make sure that you do your own research instead of relying on what somebody has told you. Keep in mind that information from online blogs, social networking sites, and even a company's own website may be inaccurate and sometimes intentionally misleading.

If you cannot obtain current, reliable information about a company and its stock, this may not be a suitable investment for you.

[Related Information](#)

[Administrative Proceeding \(Dec. 21, 2010\)](#)

We have provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.





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Nevada Judge Peck Appoints Seiden As Receiver For SCEI Effective Immediately

PR Newswire

05/13/14 - 02:38 AM EDT

XI'AN, China, May 13, 2014 /PRNewswire/ -- In an unprecedented ruling in the U.S.-listed Chinese stocks (RTOs) sector, Judge Bridget Robb Peck of the Second District Court of Nevada at a hearing on April 16, 2014 ruled in favor of all plaintiff shareholders' petitions against Sino Clean Energy, Inc. (SCEI), including their petition to place the Nevada corporation immediately into receivership. In her final Order issued on May 12, 2014, Judge Peck appointed Robert Seiden as the receiver for the Company effective immediately and, under applicable Nevada statute, Judge Peck's appointment of a receiver is not subject to appeal.

Mr. Seiden previously has been named as and has acted as a very effective receiver for a number of other U.S.-listed Chinese companies, including in the ground-breaking case of ZST Digital Technologies (ZSTN) before the Delaware Chancery Court. With respect to his new appointment as receiver for SCEI, Mr. Seiden said: "We plan to deploy an aggressive and experienced group of global professionals to help carry out this charge, including lawyers from international law firm Foley Lardner, forensic accountants and investigators from Confidential Security & Investigations (CSI), and other global financial, banking and business professionals. In addition, we intend to work cooperatively with U.S. and Chinese government agencies as we have in our past successful receiverships."

Judge Peck's ruling in the SCEI case in Nevada came under chapter NRS 78.650 which states in part:

NRS 78.650 Stockholders' application for injunction and appointment of receiver when corporation mismanaged.

1. Any holder or holders of one-tenth of the issued and outstanding stock may apply to the district court in the county in which the corporation has its principal place of business or, if the principal place of business is not located in this State, to the district court in the county in which the corporation's registered office is located, for an order dissolving the corporation and appointing a receiver to wind up its affairs, and by injunction restrain the corporation from exercising any of its powers or doing business whatsoever, except by and through a receiver appointed by the court, whenever: (a) The corporation has willfully violated its charter; (b) Its trustees or directors have been guilty of fraud or collusion or gross mismanagement in the conduct or control of its affairs; (c) Its trustees or directors have been guilty of misfeasance, malfeasance or nonfeasance;

All interested parties may request Judge Peck's final Order by contacting Department 13, Janet Taylor, Legal Assistant to The Honorable Bridget Robb Peck, (775) 325-6732.

SCEI last filed quarterly financials with the SEC in May, 2012. On August 4, 2013, a Form 13D was filed with the SEC by a Group of SCEI shareholders holding more than 5% ownership of SCEI based on its last common share count reported with the SEC. The Group joined together in a binding Voting Agreement with the intent to engage in communication with the Board of Directors and Management in order to facilitate a resumption of regular quarterly financial and operational performance reporting with the SEC and the investment community following the final settlement taking effect on July 10, 2013 for the outstanding consolidated shareholders class action lawsuit. Despite

repeated attempts in detailed letters to the Board of Directors and Management, the 13D Group was unable to achieve an effective dialogue with the Company. Accordingly, the 13D Group on October 22, 2013 joined with another group of shareholders in filing a lawsuit petitioning the Company under Chapter NRS 78.345 which states:

NRS 78.345 Election of directors by order of court upon failure of regular election.

1. If any corporation fails to elect directors within 18 months after the last election of directors required by [NRS 78.330](#), the district court has jurisdiction in equity, upon application of any one or more stockholders holding stock entitling them to exercise at least 15 percent of the voting power, to order the election of directors in the manner required by [NRS 78.330](#).
2. The application must be made by petition filed in the county where the principal office of the corporation is located or, if the principal office is not located in this State, in the county in which the corporation's registered office is located, and must be brought on behalf of all stockholders desiring to be joined therein. Such notice must be given to the corporation and the stockholders as the court may direct.
3. The directors elected pursuant to this section have the same rights, powers and duties and the same tenure of office as directors elected by the stockholders at the annual meeting held at the time prescribed therefore, next before the date of the election pursuant to this section, would have had.

The Company failed to respond to this petition and was found in default under Chapter NRS 78.345 by the Court in Clarke County (Las Vegas), Nevada on December 17, 2013. Shortly thereafter, the Shareholders Group filed the petition with the Second District Court in Washoe County (Reno), Nevada to place the Company into receivership under NRS 78.650.

Regarding Judge Peck's Order, Jim Sutter, the leader of the Nevada legal actions on behalf of the SCEI Shareholders stated, "This is not the first Chinese RTO that has been placed into receivership. There are prior precedent-setting cases in which the Delaware Chancery Court ruled to place a Chinese RTO into receivership. However, this is the first known ruling in Nevada to put a Chinese RTO into receivership. The previous rulings in Delaware are based on individual shareholders who petitioned the Delaware Court of Chancery to open the Company's books and records and in which the defendant Company ignored the petition. The Delaware Chancery Court's rulings ordered the Receiver to act on behalf of the Court-awarded 'put' option for the benefit only of the individual shareholder plaintiff in each case. By contrast, the Nevada Court Order by Judge Peck differs considerably, as it charges the receiver Mr. Seiden under applicable Nevada statute to maximize the value of SCEI on behalf of all the shareholders. The SCEI Shareholders Group views Judge Peck's Order to be a major precedent, as it sends a message to all Chinese RTO companies registered in Nevada that there can be severe legal consequences from a strategy to 'go dark' by discontinuing regular required reporting of Annual and Periodic Reports with the SEC and the holding of required regular Shareholders Meetings and Elections of Directors."

Alain Peracca, the elected leader by executed Voting Agreement of the Schedule 13D filing Group of SCEI Shareholders commented: "The purpose of the formation of our 13D Group was to try to work collaboratively with existing management and the Board of Directors in order for the Company to resume regular required financial and operational reporting to the SEC, all shareholders, and the investment community at large and to achieve material improvements in SCEI's corporate governance. With the favorable ruling by Judge Peck in Nevada on all of our petitions including to appoint Mr. Seiden as receiver, we are optimistic that we will be able to take strong steps in the months ahead to maximize the value of SCEI on behalf of all Shareholders. With SCEI's share price recently trading at about \$0.15, or less than 3% of the Company's last reported audited book value for 2011, we are very optimistic about the likelihood of Mr. Seiden's efforts as receiver to produce value on behalf of all SCEI shareholders that could be multiples of the recent share price. We will continue to monitor and evaluate the situation and we look forward to working with Mr. Seiden to act in the best interest of all SCEI shareholders in his capacity as newly-appointed receiver."

SCEI.OB: OTC MARKETS

SOURCE Alain Peracca

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U.S. Court-appointed Receiver Victorious over Sino Clean Energy's former chairman Baowen Ren in getting his unauthorized bankruptcy filing dismissed



LAS VEGAS and XI'AN, China, Aug. 26, 2015 /PRNewswire/ -- Sino Clean Energy Inc. (Nasdaq "SCEI") – Robert W. Seiden, Esq., Court-Appointed Receiver ("Receiver") of Sino Clean Energy, Inc. ("SCEI") has successfully beaten back Baowen Ren, the former chairman of SCEI, in the Nevada bankruptcy court where the Honorable Judge Bruce T. Beesley ruled today that Ren's unauthorized bankruptcy filing of SCEI had to be dismissed.

Ren and his Nevada lawyers filed a bankruptcy petition on July 7, 2015, seeking U.S. Bankruptcy Code protection for SCEI and availing the company of the automatic stay after SCEI was placed into receivership by the Nevada state court last year for failing to report to the SEC and going dark. Ren's timing of the bankruptcy petition was especially suspect as it came on the heels of the Receiver's filing of a motion in the Nevada state court asking that Mr. Ren be held in civil and criminal contempt.

The Receiver's lawyers at Foley & Lardner successfully persuaded the Bankruptcy Judge that the bankruptcy filing was not only impermissible but in violation of the receivership order and was filed based in part on false statements. Katherine Catanese, the lead bankruptcy lawyer for the Receiver, who successfully argued the case before the Bankruptcy Court, cited powerful facts and law that led to today's victory for US shareholders. Ms. Catanese was assisted by Ryan Works of McDonald Carano in Nevada, Douglas Spelfogel of Foley & Lardner and several staff members of the Receiver including Nathaniel Francis and Heike Vogel, Esq.

In the wake of today's ruling, Ren must now face the contempt of court proceeding pending in Nevada state court for his actions in violation of the Nevada state court order and in defiance of the Receiver's demands. Ren is also subject to an active criminal investigation in Hong Kong by the Commercial Crimes Bureau for his actions in falsifying documents in Hong Kong that was uncovered by the Receiver's auditors there.

SOURCE U.S. Court-appointed Receiver for Sino Clean Energy Inc.