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The Questionable Involvement of Former Philadelphia Stock Exchange Officials with Benjamin Wey's Companies.

Several former officials of the Philadelphia Stock Exchange (PHLX) and their associates have become questionably involved in Chinese reverse mergers arranged by Benjamin Wey, and appear to have a history with Wey arising from a scandal at the PHLX in the 1990s. Wey became infamous after his involvement with Chinese reverse merger Bodisen Biotech, Inc. (OTC: BBCZ).

Wey conducts business through New York Global Group, a "middle market advisory firm," according to its website. New York Global's FINRA-member broker-dealer has been inactive since it was suspended in 2007 for failing to disclose "material conflicts of interest," according to a http://www.asensio.com/china/ny_global.pdf FINRA BrokerCheck report.

A separate <http://www.asensio.com/Reports/ReportView.aspx?ReportId=1081> asensio.com report discusses the adverse implications of Wey's connections with ex-regulators, including that Wey's companies may avoid regulatory scrutiny through conflicts of interest on the part of NASDAQ officials.

Wey is connected to the PHLX from his time at Ashton Technology Group, Inc., a firm that developed a trading platform for the PHLX, that used its PHLX contract as a selling point for an IPO, and that was involved in a scandal at the PHLX that led to the ouster of the exchange's chairman. Wey's involvement with Ashton is detailed in a <http://www.asensio.com/china/vey-ashton.pdf> Daily Oklahoman article from 2002. At least six former executives of the PHLX and Ashton have gone to work for Chinese reverse mergers arranged by Wey, including AgFeed Industries, Inc. (NASDAQ: FEED).

FEED has disclosed in SEC filings that it has compensated Wey for "advisory services" while noting that "Wey is not a member of FINRA and is not affiliated or associated with a FINRA member." Like other Wey deals, FEED shares have had a precipitous rise and fall, going from a high of \$21.31 to just \$3 since FEED was listed on NASDAQ in 2007.

According to FEED's SEC filings, FEED has had two directors that were formerly senior officers of the PHLX: Arnold Staloff and John Egan, a former PHLX chairman. A third FEED director served as chairman and CEO of Ashton. FEED's counsel was formerly general counsel at both PHLX and Ashton, in addition to serving on Ashton's board. Finally, yet another FEED director also served as a director at Ashton and worked for the broker dealer that was underwriter for Ashton's IPO.

Ashton was the source of a scandal at the PHLX owing to a conflict-of-interest on the part of the exchange's chairman, Vincent Casella. After Casella made a personal investment in Ashton, the PHLX then awarded Ashton a key contract to develop a trading system for the exchange, according to a <http://www.asensio.com/china/nyt-phlx1.pdf> New York Times article. The PHLX contract was awarded just months before Ashton's IPO in 1996, and Ashton "did not have many other attractions" for investors, according to the article. The Ashton matter became the subject of an SEC inquiry, and

<http://www.asensio.com/china/nyt-phlx2.pdf>>Casella left PHLX, along with William Uchimoto, PHLX's general counsel. Uchimoto then [went to work for Ashton](http://www.asensio.com/china/uchimoto-ashton.pdf) as general counsel and a member of Ashton's board of directors. Uchimoto later became legal counsel to FEED.

Frederic W. Rittereiser was a FEED director from 2007 to 2009, according to FEED's SEC filings. Rittereiser became CEO of Ashton in the midst of the PHLX scandal in October 1996, according to Ashton's SEC filings. Rittereiser appears to have played a direct role in the transaction that led to the PHLX scandal. According to the [New York Times](http://www.asensio.com/china/nyt-phlx1.pdf), the Ashton shares that the PHLX chairman received came from an entity called the Dover Group. Rittereiser "represented" Dover in the transaction, according to the Times. Ben Wey later worked with Rittereiser at Ashton, and Rittereiser spoke highly of Wey to the [press](http://www.asensio.com/china/vey-ashton.pdf).

Rittereiser had some experience with scandal prior to Ashton. Rittereiser became CEO of the infamous brokerage firm [First Jersey Securities Inc.](http://www.asensio.com/china/ritt-jersey.pdf) directly after the resignation of the firm's founder Robert E. Brennan. Brennan was convicted of [criminal charges](http://www.asensio.com/china/us_v_brennan.pdf), and First Jersey was found liable for [securities fraud](http://www.asensio.com/china/sec_v_first_jersey.pdf). For his part, Rittereiser has a regulatory history as a respondent in an [SEC proceeding](http://www.asensio.com/china/ritt_sec_1979.pdf) for securities regulatory violations in 1979, and his NASD registration was [suspended](http://www.asensio.com/china/ritt_brokercheck.pdf) in 1994.

Rittereiser's replacement on FEED's board is Ivan Gothner, who was a director of Ashton from 1997 to 2002. Gothner was also a managing director at First United Equities Corp. in the 1990s, according to Ashton's SEC filings. First United Equities served as [managing underwriter](http://www.asensio.com/china/ashton-ipo.pdf) for Ashton's IPO. Eighteen people associated with First United were the subject of criminal and SEC proceedings for securities fraud specifically related to sales of Ashton stock. All 18 of the First United brokers submitted guilty pleas in the criminal prosecution, according to an [SEC order](http://www.asensio.com/china/sec-first-united.mht). In fact, the [New York Times](http://www.asensio.com/china/first_united_mob.pdf) reported that First United allegedly raised money for the Gambino crime family, and that at a First United principal was a "known Gambino associate." FEED does not disclose Gothner's history with Ashton or First United.

Given Wey's history, the involvement of so many individuals tied to a self-regulatory organization or even the SEC - some of whom have troubled histories of their own - raises substantial questions. These include whether Wey's companies are attempting to avoid regulatory scrutiny by manipulating regulatory conflicts of interest.

The same individuals discussed above have also worked as directors or advisors to other Chinese companies whose reverse mergers were reportedly arranged by Wey, such as SmartHeat Inc. (NASDAQ: HEAT). Rittereiser and Staloff have both served on HEAT's board of directors, and Uchimoto has served as HEAT's counsel, according to HEAT's SEC filings.

Other Chinese reverse mergers where the same individuals from the PHLX and Ashton appear include Shiner International, Inc. (NASDAQ: BEST), Deer Consumer Products, Inc. (NASDAQ: DEER), and CleanTech Innovations, Inc. (NASDAQ: CTEK). Wey appears to have been involved with each of these companies, as discussed below.

Staloff is a director of DEER and was also a director of BEST until July 2010. After leaving BEST, Staloff became a director of CTEK last July. Joseph Rizzello, yet another former employee of the PHLX, joined Staloff on CTEK's board of directors in December 2010. [Rizzello](http://www.asensio.com/china/rizzello.pdf) also appears to have been at the PHLX during the Ashton scandal and to have resigned shortly thereafter.

Tracking down Wey's involvement in a Chinese reverse merger is problematic. asensio.com believes that Wey has been involved in at least 13 reverse mergers for Chinese companies currently listed in the US. Of these, only two have directly disclosed in SEC filings that Wey was involved. By contrast, HEAT does not disclose Wey's involvement, but [theStreet.com](http://www.asensio.com/china/street5.pdf) reported that Wey "guided" HEAT's reverse

merger.

Press releases from Wey's firm, New York Global, suggest that it was responsible for the reverse mergers of DEER and BEST. See press release on BEST in [Chinese](http://www.asensio.com/china/nyg_best_ch.pdf) and [English](http://www.asensio.com/china/nyg_best.pdf), and press release on DEER in [Chinese](http://www.asensio.com/china/nyg_deer_ch.pdf) and [translation](http://www.asensio.com/china/nyg_deer.pdf). [Barron's](http://www.asensio.com/CGA/cga-barrons.pdf) has suggested that DEER and CTEK are Wey's deals. According to SEC filings, a large block of DEER shares was owned by Wei Tian Yi, who is identified as Ben Wey's sister by [Barron's](http://www.asensio.com/china/barrons-feed.pdf). In the same article, Barron's identifies a FEED shareholder known as Strong Growth Capital as being controlled by a New York Global employee. Strong Growth only appears in SEC filings for FEED, DEER, HEAT and CTEK.

CTEK in particular raises substantial questions about NASDAQ'S deficiencies. NASDAQ listed CTEK in December 2010, just as news was breaking that the SEC and Congress have taken action to conduct broad investigations into US-listed Chinese companies. Indeed, NASDAQ chose to list CTEK after Wey was reported to have been involved with the company, and after the track record of Wey's companies victimizing investors was well established. NASDAQ's listing of CTEK and the involvement of former PHLX officials with CTEK add to questions about the extent to which NASDAQ may be improperly protecting Chinese reverse mergers where the above PHLX-Ashton individuals are involved. This is despite NASDAQ's vice chairman Meyer S. Frucher having witnessed some of the same individuals' involvement in a scandal at the PHLX after Frucher was made chairman of the PHLX to clean up after the scandal.

For their part, some of the PHLX-Ashton crew have moved on from Wey to do their own dealmaking with Chinese companies. Covenant Group of China Inc. (OTC: CVGC) compares itself to a private equity firm investing in Chinese companies, though "not a private equity firm in the traditional sense" according to an amended 10K filed on December 17th. Gothner is a director of CVGC, and Rittereiser is chairman of CVGC's board. Unsurprisingly, CVGC will seek to list on NASDAQ, according to CVGC's SEC filings.