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HONORABLE ROBERT S. LASNIK

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

In re: L&L ENERGY, INC.
SECURITIES LITIGATION

No.: C11-1423-RSL

**AMENDED CLASS ACTION
COMPLAINT FOR
VIOLATIONS OF THE
FEDERAL SECURITIES LAWS**

JURY TRIAL DEMANDED

Court appointed lead plaintiff Gregg Irvin (“Lead Plaintiff” or “Plaintiff”), individually and on behalf of all other persons or entities similarly situated, by his undersigned attorneys, for his complaint against Defendants, alleges the followings based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the defendants’ public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission (“SEC”) filings, press releases and other public statements issued by Defendants, investigation and analysis of Chinese State Administration of Industry and Commerce (“SAIC”)

1 filings, securities analysts' reports and advisories about the Company, information
2 readily obtainable on the Internet, and the other sources set forth below.

3
4 **I. NATURE OF THE ACTION**

5 1. This is a federal securities class action on behalf of a class consisting
6 of all persons and entities other than Defendants and their affiliates, who purchased
7 or otherwise acquired the common stock of L&L Energy, Inc. ("L&L," or the
8 "Company") between August 13, 2009 through August 2, 2011, inclusive, (the
9 "Class Period"), seeking to recover damages caused by Defendants' violations of
10 federal securities laws.

11 2. Through its subsidiaries in Yunnan and Guizhou provinces in the
12 southern part of the People's Republic of China ("China" or "PRC"), L&L engages
13 in coal mining and related operations. In its 2011 annual report on form 10-K
14 ("2011 10-K"), L&L claims to own four coal mines, three coal washing plants, one
15 coking facility, and two coal wholesale and distribution networks.

16 3. Until recently, investors in L&L's securities believed that they had
17 invested in a thriving and profitable company with substantial coal operations as set
18 forth in L&L's periodic reports filed with the SEC and the Company's other public
19 announcements.

20 4. In truth, during the Class Period, L&L concealed that it didn't own
21 many of the coal mines it claimed it did.

22 5. L&L's financial statements it filed with the SEC overstated its revenue
23 by material amounts, because (i) it is not permitted to record revenue from coal
24 operations that it doesn't own, and (ii) even for the operations it does own, L&L
25 overstated the revenue derived from those businesses.

26 6. L&L kept two sets of books, an accurate set for the Chinese authorities
27 reporting the Company's true financial condition, and another set filed with the
28 SEC materially overstating the Company's true financial condition.

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3 7. In its 2009 10-K and its 2008 10-K, L&L overstated its revenue for the
4 twelve-month period from February 1, 2008 to January 31, 2009¹ by approximately
5 \$42.90 million or 213.55%, and overstated net income by \$5.97 million or 280.31%.

6 8. In its 2010 10-K, L&L overstated its revenue for the twelve-month
7 period from February 1, 2009 to January 31, 2010 by \$49.95 million or 141.64%,
8 and it overstated net income by \$19.09 million or 567.3%.

9 9. In its 2011 10-K, L&L overstated its revenue for the twelve-month
10 period from February 1, 2010 to January 31, 2011 by \$165.25 million or 2,825%; it
11 also overstated net income by \$34.25 million or 1,351.6%.

12 10. Keeping two sets of books is the paradigmatic example of securities
13 fraud.

14 11. The extraordinary discrepancies between L&L's SEC filings and its
15 PRC corporate filings cannot be explained by differences between U.S. and Chinese
16 accounting rules. The accounting principles governing revenue recognition are
17 substantially the same in China as in the U.S. The revenue L&L reported to
18 Chinese regulators should match closely the revenue it reports to the SEC. It
19 doesn't. And these stark differences evidence fraud.

20 12. That L&L inflated its true financial condition in its SEC filings is
21 further demonstrated by the fact that L&L did not own certain coal mines it claims
22 to have purchased, and to have earned revenue from.

23 13. Throughout the Class Period, L&L misstated or completely fabricated
24 the Company's equity interest in at least four of its direct or indirect subsidiaries in
25 China, evidenced by examination of these subsidiaries' ownership registrations
26 with Chinese governmental authorities.

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28 ¹ L&L's fiscal year ends on April 30.

1 14. Additionally, when questioned, the true owners, whose names are
2 listed as owners in the PRC government registration offices, denied that L&L
3 owned the mines. Information available from Chinese internet sites indicates that
4 L&L is not the true owner of the mines.

5 15. Because the Company did not own these mines, under generally
6 accepted accounting principles (“GAAP”), the Company was not permitted to
7 consolidate and include the revenue and assets of these mines in the Company’s
8 financial statements filed with the SEC. Because the Company improperly
9 consolidated the revenue and assets of mines it did not own in its financial
10 statements, all of the Company’s financial statements were materially false and
11 misleading during the Class Period.

12 16. While L&L was issuing false and misleading financial statements
13 during the Class Period, defendants Dickson Lee and his brother Robert Lee sold or
14 disposed of over \$7.0 million in value of L&L stock.

15 17. The truth about L&L’s financial performance and false claims to
16 owning certain mines was revealed to the market on August 2, 2011, when analyst
17 firm Glaucus Research Group (“Glaucus”) published an extensive 22-page report
18 detailing its findings that L&L overstated its true financial condition in its SEC
19 filings and public announcements to investors. Glaucus reported the following
(among other things):

- 20 • L&L misstated, and in some circumstances completely fabricated,
21 L&L’s ownership interest in certain mining assets.
- 22 • SAIC filings show that L&L has been greatly exaggerating its revenue,
23 net income and the value of its assets in its SEC financial statements.
24 Glaucus analyzed the financial statements for 2009 as an example.

25 18. The Glaucus report shocked the market, causing L&L’s stock price to
26 fall over \$0.84/share or 17.3% from August 2, 2011 through August 4, 2011.

1 19. Although L&L continued to issue general denials of Glaucus' findings,
2 Glaucus' thesis that L&L exaggerated and fabricated its ownership of certain
3 mining properties was subsequently corroborated by another research firm,
4 Geoinvesting.com.

5 20. According to a Geoinvesting report published on January 13, 2012 and
6 a following-up report on January 19, 2012, L&L never purchased the Ping Yi Mine.
7 Geoinvesting provided evidence including corporate filings with Chinese
8 authorities and interviews with the registered owners of Ping Yi Mine to prove its
9 allegations.

10 21. Lead Plaintiff's counsel's investigators have verified first-hand
11 Glaucus' and Geoinvesting's findings that L&L did not own four of the businesses
12 it said it did, and that L&L overstated the revenue from those it did own.

13 22. Within three weeks of the date Glaucus issued its report, two directors
14 of L&L resigned.

15 23. Five months later, the Company's CEO's brother Robert Lee also
16 resigned from the Company's board of directors.

17 **II. JURISDICTION AND VENUE**

18 24. The claims asserted herein arise under and pursuant to Sections 10(b)
19 and 20(a) of the Securities Exchange Act, and Rule 10b-5 promulgated thereunder
20 (17 C.F.R. §240.10b-5).

21 25. This Court has jurisdiction over the subject matter of this action
22 pursuant to Section 27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §
23 1331.

24 26. Venue is proper in this Judicial District pursuant to §27 of the
25 Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b).

26 27. In connection with the acts, conduct, and other wrongs alleged in this
27 Complaint, Defendants, directly or indirectly, used the means and instrumentalities
28 of interstate commerce, including but not limited to, the United States mails,

1 interstate telephone communications and the facilities of the national securities
2 exchange.

3 **III. PARTIES**

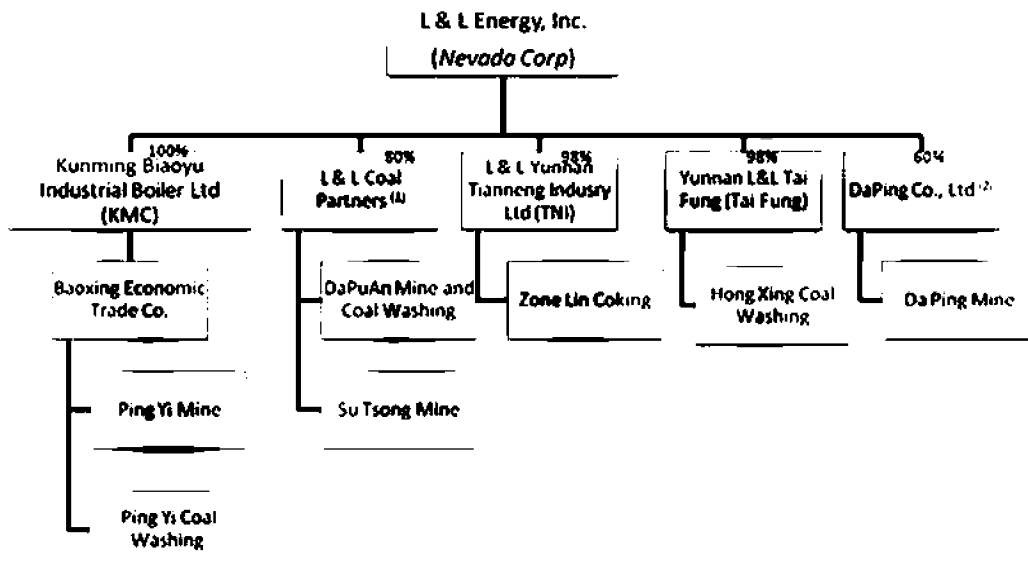
4 28. Lead Plaintiff Gregg Irvin purchased L&L securities at artificially
5 inflated prices during the Class Period and has been damaged thereby. His PSLRA
6 certification has previously been filed with the Court and is incorporated herein by
7 reference.

8 29. Defendant L&L is a Nevada Corporation, with its principal executive
9 offices in Seattle, Washington. L&L purports, through its subsidiaries, to engage in
10 coal mining, clean coal washing, coal coking, and coal wholesaling businesses in
11 China. The company's coal products include washed coal and metallurgical coke
12 used primarily for steel manufacturing.

13 30. In August 2008, the Company's common stock began to trade on the
14 NASDAQ Bulletin Board under ticker "LLFH." In December 2009, L&L Energy,
15 Inc., a Nevada Corporation, merged into L&L International Holdings, Inc. and L&L
16 International Holdings, Inc., the surviving entity after the merger, changed its name
17 to "L&L Energy, Inc."

18 31. On February 18, 2010, the Company's stock began trading on the
19 NASDAQ Global Market under ticker "LLEN."
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32. L&L’s corporate structure is shown in the following chart:



33. Defendant Dickson V. Lee (“Lee”) is and was the Company’s founder, CEO and Chairman of the Board of Directors. When the Company filed its 2009 10-K, 2010 10-K and 2011 10-K, Defendant Lee owned 35.08%, 24.7% and 21.58%² of the Company’s stock, respectively. Lee is a U.S. licensed CPA. Lee signed the Company’s 2009 10-K, 2010 10-K and 2011 10-K.

34. Defendant Jung Mei (Rosemary) Wang (“Wang”) was the Company’s acting CFO from June 22, 2009 until her resignation on January 18, 2011. Wang is a CPA. Wang signed the Company’s 2009 10-K and 2010 10-K.

35. Defendant Ian G. Robinson (“Robinson”) is and was a director of L&L. Effective June 30, 2011, Robinson was also appointed the Company’s CFO and Chief Accounting Officer (“CAO”). Robinson signed the Company’s 2009 10-K, 2010 10-K and 2011 10-K. Robinson served as the Chairman of the Audit Committee in fiscal year 2010. Robinson is a CPA.

36. Defendant Shirley Kiang (“Kiang”) is and was a Company director at all relevant times. Kiang signed the Company’s 2009 10-K, 2010 10-K and 2011

² As of July 31, 2011, according to the Form S-1 filed on December 8, 2011.

1 10-K. Kiang served as Chairman of the Audit Committee in fiscal year 2009 and a
2 member of the audit committee in 2010 and 2011.

3 37. Defendant Robert Lee (“R. Lee”) is and was the Company’s director at
4 all relevant times herein. Lee signed the 2009 10-K, 2010 10-K and 2011 10-K, at
5 which times he owned 3.89%, 3.2% and 2.29% of L&L’s common stock,
6 respectively.³ R. Lee is the brother of the Company’s CEO and Chairman
7 Defendant Lee.

8 38. Defendant Dennis Bracy (“Bracy”) is and was a Company director
9 from November 2, 2009 to present. Bracy was also the Company’s audit committee
10 member when the Company filed its 2011 10-K. Bracy signed the 2011 10-K.

11 39. Defendant Robert Okun (“Okun”) was a Company director from
12 November 2, 2009 until his resignation on August 17, 2011. Okun was also the
13 Company’s audit committee member when the Company filed its 2011 10-K. Okun
14 signed the 2011 10-K.

15 40. Lee, Wang, Robinson, Kiang, R. Lee, Bracy and Okun are herein
16 referred to collectively, as the “Individual Defendants.”

17 **A. The Audit Committee**

18 41. According to the Company’s Audit Committee charter, the audit
19 committee was charged with assisting the Board in:

- 20 1) Monitoring the quality, reliability and integrity of the accounting policies and
21 financials statements of the Company;
22 2) overseeing the Company's compliance with legal and regulatory
23 requirements;
24 3) reviewing the independence, qualifications and performance of the
25 Company's internal and external auditors,
26 4) overseeing the performance of the Company's internal audit function and
27 independent auditors and,

28 ³ *Id.*

1 5) preparing an audit committee report as required by the Securities and
2 Exchange Commission (the "SEC") to be included in the
3 Company's annual proxy statement.”

4 **With respect to the independent auditor:**

5 1. To be directly responsible for the appointment, compensation, retention
6 and oversight of the independent auditor ... for the purpose of preparing its
7 audit reports or performing other audit... The independent auditor shall report
8 directly to the Committee;

8 **With respect to financial statements and audit:**

9 7. To meet with the independent auditor prior to the audit to review the
10 planning and staffing of the audit, and to discuss with the independent
11 auditor the scope of its examinations of the books and records of the
12 Company and its subsidiaries and the matters required to be discussed by
13 Statement on Auditing Standards No. 61 relating to the conduct of the audit;

14 8. To review and discuss with management and the independent auditor the
15 Company's annual audited and quarterly un-audited financial
16 statements and the Company's disclosures under "Management's Discussion
17 and Analysis of Financial Condition and Results of
18 Operations" in the Company's filings with the SEC and review other relevant
19 reports or financial information submitted by the Company to
20 any governmental body or the public;

21 9. To recommend to the Company's Board whether the Company's annual
22 audited financial statements should be included in the annual
23 report on Form 10-K;...”

24 42. When the Company filed its 2009 10-K on August 13, 2009, the audit
25 committee was comprised of defendants Kiang, Robinson and R. Lee. Kiang
26 served as the chairman, and Robinson served as the financial expert.

27 43. When the Company filed its 2010 10-K on July 28, 2010, the audit
28 committee was comprised of defendants Robinson, Kiang and non-defendant Ed
Dowd. Robinson served as the chairman.

1 44. When the Company filed its 2011 10-K, the audit committee was
2 comprised of defendants Kiang, Bracy and Okun. Kiang served as the chairman,
3 Kiang and Okun served as the financial experts.⁴

4 45. Defendants Kiang, Robinson, R. Lee, Bracy and Okun as members of
5 the audit committee had primary responsibility for overseeing, and ensuring, the
6 integrity and accuracy of L&L's financial reporting.

7 **B. Respondeat Superior Liability**

8 46. L&L is liable for the acts of the Individual Defendants and its
9 employees under the doctrine of *respondeat superior* and common law principles of
10 agency as all of the wrongful acts complained of herein were carried out within the
11 scope of their employment with authorization.

12 47. The *scienter* of the Individual Defendants and other employees and
13 agents of the Company is similarly imputed to L&L under *respondeat superior* and
14 agency principles.

15 **IV. THE DETAILS OF DEFENDANTS' FRAUDULENT STATEMENTS**

16 **A. L&L's 2009 10-K is False and Misleading**

17 48. The Class Period begins on August 13, 2009, when L&L filed with the
18 SEC its annual report on Form 10-K for the 2009 fiscal year from May 1, 2008 to
19 April 30, 2009 ("2009 10-K").

20 49. The 2009 10-K was signed by defendants Lee, Wang, and Robinson.
21 Lee and Wang separately executed certifications pursuant to the Sarbanes-Oxley
22 Act of 2002 ("SOX"), falsely attesting to the accuracy of the 10-K.

23 50. The 2009 10-K falsely reported that L&L earned consolidated net
24 revenue of \$40.9 million and net income of \$9.9 million for the fiscal year of May 1,
2008 to April 30, 2009.

25 51. Plaintiffs' counsel's investigators obtained the financial information

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27 ⁴ According to the proxy statement on Form DEC 14A filed with the SEC on
28 August 15, 2011.

1 filed by each of L&L's subsidiaries with the PRC State Administration for Industry
2 and Commerce ("SAIC")⁵.

3 52. Because the SAIC fiscal year is from January 1 to December 31, and
4 L&L's SEC fiscal year runs from May 1 through April 30, Plaintiff's counsel used
5 two different methods to compare L&L's combined financial results reported to the
6 SAIC with those it reported to the SEC.

7 53. The first method was to compare the aggregate revenue and income
8 reported by L&L's subsidiaries in its filings with the SAIC for the annual period
9 January 1, through December 31 against L&L's consolidated annual revenue it
10 reported to the SEC for the period from February 1, through January 31
11 ("Comparison I").

12 54. The second method was to compare two fiscal years of SAIC filings
13 against one year of SEC reported results to eliminate the possibility that any
14 extraordinary revenue or expenses occurred in the first or last months of the SAIC
15 fiscal year which could affect the validity of Comparison 1 above.

16 55. Comparing L&L's combined subsidiaries' revenue and income
17 reported in SAIC filings for January 1, 2008 to December 31, 2008 against the
18 financial statements reported to the SEC for the period February 1, 2008 to January
19 31, 2009, shows that the SAIC revenue and income is a small fraction of the SEC
20 reported revenue.

21 56. For the 12 month period from February 1, 2008 to January 31, 2009,

22 ⁵ The SAIC (State Administration for Industry and Commerce) is the Chinese
23 government body that regulates industry and commerce in China. It is primarily
24 responsible for business registrations, issuing and renewing business licenses and
25 acts as the government supervisor of corporations. All Chinese companies are
26 required to 1) file audited financial statements with the Chinese government
27 annually or bi-annually; 2) file amendment to its business registration records
whenever there is a change to its owners, business address, legal representative and
board of directors and etc. within 15 or 30 days of such changes depending on
character of its business.

1 L&L reported to the SEC consolidated net revenue of \$62.99 million and net
2 income of \$8.1 million.⁶

3 57. However, L&L's financial statements for the similar 12 month period
4 from January 1, 2008 to December 31, 2008 reported to Chinese authorities in
5 SAIC filings was only a fraction of those reported to the SEC, as shown in
6 **Comparison I**, below.

7 58. According to the combined financial results reported by L&L's PRC
8 subsidiaries to the SAIC, L&L only earned \$20.09 million net revenue for SAIC
9 fiscal year ended December 31, 2008, which is only 31.89% of the net revenue
10 reported by L&L to the SEC for the similar period, meaning L&L overstated its
11 revenue by approximately \$42.9 million or 213.53% for the period from February 1,
12 2008 to January 31, 2009.⁷

13 59. According to the combined financial results reported by L&L's PRC
14 subsidiaries to the SAIC, L&L only earned \$2.13 million net income for fiscal year
15 ended December 31, 2008, which is only 26.29% of the net income reported by
16 L&L to the SEC for the similar period, meaning L&L overstated its revenue by
17 approximately \$5.97 million or 280.31% for the 12 month period from February 1,
18 2008 to January 31, 2009.

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⁶ Based on the footnotes in L&L's 2010 10-K and 2008 10-K reporting quarterly
22 revenue and income.

23 ⁷ When combining the SAIC net revenue and net income of L&L's PRC
24 subsidiaries throughout the class period, each subsidiary is treated as if 100%
25 owned by L&L, even though some are not and some were never owned by L&L .
26 Also this method of calculation does not eliminate inter-company transactions
27 which if eliminated would decrease revenue for the subsidiary. For instance, L&L's
28 2010 10-K mentioned that "We wash coal produced from our own mining operation
and coal that we purchase from other coal suppliers." Thus, this is the most
favorable method of calculation for L&L.

Comparison I: SAIC 1/1/08 to 12/31/08 vs. SEC 2/1/08 to 1/31/09

USD in million	SAIC ⁸	SEC	Difference	SAIC as % of SEC	Percentage Overstated
Net revenue	\$ 20.09	\$ 62.99	\$ 42.90	31.89%	213.53%
Net income	\$ 2.13	\$ 8.10	\$ 5.97	26.29%	280.31%

60. The financial statements filed with the SAIC indicate L&L's true financial performance and the SEC financial statements overstate revenue and income.

61. Under PRC law, penalties for filing false SAIC filings include fines and revocation of the entity's business license.⁹

62. If an entity's business license is revoked, the People's Bank of China¹⁰ requires the bank account of that entity to be closed.¹¹

63. Without a business license the entity cannot legally conduct business in the PRC. Thus, L&L had a strong incentive to file accurate annual reports with the SAIC because its business could be shut down if it was caught filing false financial statements.

64. Reflecting their importance, SAIC filings must be signed by the legal representative of the entity submitting it. The legal representative must state "I

⁸ The revenue and income includes 100% revenue and income from the following PRC subsidiaries: KMC, Baoxing Trade, DaPuAn Mine and SuTsong Mine. According to L&L's 2009 10-K: "Principles of Consolidation – The consolidated financial statements include the accounts of the Company, and its 100% ownership of KMC subsidiary, and 60% of operations of L&L Coal Partners, "2 Mines". All significant inter-company accounts and transactions are eliminated."

⁹ "Measures for the Annual Inspection of Enterprises" issued in February 24, 2006, Article 20.

¹⁰ People's Bank of China in PRC is equivalent to the Federal Reserve in the U.S.

¹¹ "Measures for the Administration of RMB Bank Settlement Accounts" issued in April 2003 (No.5 [2003]), Article 49.

1 confirm that the content of the submitted company's annual inspection report is
2 true."

3 65. As further evidence of SAIC filings' reliability, well-known auditing
4 firm Deloitte & Touche Tomatsu LLP ("DTT") noisily resigned as registered
5 independent auditor to Chinese-based company ChinaMedia Express Holdings, Inc.
6 ("CCME"), citing in part the fact that CCME's subsidiary's SAIC filings did not
7 match CCME's SEC filings.

8 66. The financial statements filed by certain of L&L's subsidiaries in the
9 PRC with the SAIC are required to be audited by Chinese CPA firms in
10 conformance with Chinese GAAP¹²;

11 67. Chinese GAAP is substantially the same as U.S. GAAP. In particular
12 for revenue recognition for sales of goods, U.S. GAAP, Chinese GAAP and L&L's
13 stated revenue recognitions policy are the same.

14 68. There are no significant differences between Chinese GAAP and U.S.
15 GAAP with respect to revenue recognition. Authoritative bodies have specifically
16 noted that there are no differences between U.S. GAAP and Chinese GAAP.

17 69. The Committee of European Securities Regulators, in a paper entitled
18 CESR's advice on the equivalence of Chinese, Japanese and US GAAPs (2007),
19 noted that there were no significant differences between US GAAP and
20 International Financial Reporting Standards ("IFRS").¹³ Pg. 25, at 2nd entry on
21 page.

22 70. There are no significant differences between IFRS and Chinese GAAP
23 on revenue recognition. *Id.* at 35, 6th entry on page. Thus, transitively, there are

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25 _____
26 ¹² For example, Chinese law requires that L&L's subsidiaries KMC and TNI, which
27 are sino-foreign jointly owned must file audited financial reports with the SAIC.

28 ¹³ Available at <http://www.iasplus.com/europe/0712cesrequivalence.pdf>. Last
checked on February 8, 2012.

1 no significant differences between U.S. GAAP or Chinese GAAP on revenue
2 recognition.

3 71. The law firm K & L Gates LLP has represented to the U.S. Securities
4 & Exchange Commission (the "SEC") in an October 27, 2010 letter that: "The
5 basic accounting principles and practice of Chinese GAAP are similar to US
6 GAAP. There are no substantial differences between Chinese GAAP and U.S.
7 GAAP." ¹⁴

8 72. Thus, there are no significant differences between U.S. GAAP and
9 Chinese GAAP that can explain the differences in L&L's SAIC financial statements
10 and those it filed with the SEC.

11 73. L&L's 2009 10-K describes its revenue recognition policy as:

12 "The Company's revenue recognition policies are in compliance with
13 Staff accounting bulletin 104, which stipulates recognition of revenue
14 when a formal arrangement exists, the price is fixed or determinable, the
15 delivery is completed, no other significant obligations of the Company
16 exist and collectability is reasonably assured. Payments received before
17 all of the relevant criteria for revenue recognition are satisfied are
18 recorded as advances from customers."

19 74. L&L's 2010 10-K describes its revenue recognition policy as:

20 Revenue Recognition - In accordance with the Securities and Exchange
21 Commission's ("SEC") Staff Accounting Bulletin ("SAB") Topic 13,
22 "Revenue Recognition," the Company recognizes revenue when it is
23 realized or realizable and earned. The Company must meet all of the
24 following four criteria under SAB 104 to recognize revenue:

- 25 • Persuasive evidence of an arrangement exists
- 26 • Delivery has occurred
- 27 • The sales price is fixed or determinable
- 28 • Collection is reasonably assured

26 ¹⁴ Source:

27 <http://www.sec.gov/Archives/edgar/data/1423242/000114420410055856/filename1.htm>

1 75. The Chinese accounting standard governing revenue recognition for
2 L&L's PRC subsidiaries, ASBE 14, is similar. It states:

3
4 Chapter II Revenue from Selling Goods

5 Article 4 No revenue from selling goods may be recognized unless the
6 following conditions are met simultaneously:

- 7 (1) The significant risks and rewards of ownership of the goods have been
8 transferred to the buyer by the enterprise;
9 (2) The enterprise retains neither continuing management involvement to the
10 degree usually associated with ownership, nor effective control over the
11 goods sold;
12 (3) The relevant amount of revenue can be measured in a reliable way;
13 (4) The relevant economic benefits associated with the transaction will flow
14 to the enterprise; and
15 (5) The relevant costs incurred or to be incurred can be measured in a reliable
16 way.

17 76. Accordingly, there are no significant differences between US GAAP
18 and Chinese GAAP for recognizing revenue for the sale of goods in L&L's case.

19 77. Differences between U.S. GAAP and Chinese GAAP are not the cause
20 of the huge differences in revenue and income between L&L's SEC filed financial
21 statements and its SAIC financial statements. Fraud is the only plausible
22 explanation for the differences.

23 78. Nor can the one month difference (January 1 to December 31 fiscal
24 year for SAIC vs. February 1 to January 31 for SEC) in the comparable periods
25 between L&L's SAIC filings and its SEC filings above cannot explain the huge
26 discrepancies in revenue and income between the two. This is further evidenced by
27 Comparison II below.

28 79. In Comparison II, totaling up L&L's revenue it reported in its
subsidiaries' SAIC filings for the two fiscal years ended December 31, 2008 and
2009, the total revenue is approximately equal to the revenue L&L reported to the
SEC for just the one year ended April 30, 2009, while the net income in L&L's
SAIC filings for those two years is around half that reported in its SEC filings for

1 the one year period, as shown in Comparison II.

2 **Comparison II: SAIC 1/1/08 to 12/31/09 (24 months) vs. SEC 5/1/08 to 4/30/09**
 3 **(12 months)**

4 USD in million	5 SAIC	6 SEC	7 Difference	8 SAIC as % of SEC	9 Percentage Overstated
10 Revenue	\$ 47.94	\$ 40.90	\$ (7.00)	117.11%	(15%)
12 Net income	\$ 5.5	\$ 9.96	\$ 4.46	55.19%	81%

13 80. According to its 2009 10-K, L&L's main business is operating coal
 14 mines and coal related businesses in Yunnan and Guizhou provinces in South China.
 15 Thus, there is no other source of operating revenue and operating income other than
 16 those PRC subsidiaries, whose financials are reported to PRC authorities in SAIC
 17 filings that have all been combined for the purpose of the above two comparisons.
 18 L&L's non-operating revenue was insignificant during the Class Period.

19 81. In short, for the 12 month period ended January 31, 2009, L&L
 20 significantly overstated its net revenue by 213.53%, and overstated net income by
 21 280.31% in the 2009 10-K, causing the 2009 10-K to be materially false and
 22 misleading.¹⁵

23 **B. L&L's 2010 10-K is False and Misleading**

24 82. On July 28, 2010, L&L filed its annual report on Form 10-K for the
 25 fiscal year ended April 30, 2010 ("2010 10-K"). The 2010 10-K was signed by Lee,
 26 Wang and Robinson, and separately certified by Lee and Wang under SOX, falsely
 27 attesting to the accuracy of the 10-K.

28 83. The 2010 10-K is materially false and misleading because of the
 following reasons.

¹⁵ Source: 2010 10-K, pg 54.

1 84. First, L&L falsely reported that it earned consolidated net revenue of
2 \$109.2 million and net income of \$32.9 million for the fiscal year May 1, 2009 to
3 April 30, 2010.

4 (a) Similar to Comparison 1 above for the 2009 10-K, L&L's subsidiaries'
5 combined SAIC financial information filed with the Chinese authorities show that
6 L&L's subsidiaries earned only \$35.27 million net revenue and \$3.36 million net
7 income from January 1, 2009 to December 31, 2009.

8 (b) For the 12 month period from February 1, 2009 to January 31, 2010,
9 L&L reported in its 2010 10-K consolidated net revenue of \$85.22 million and net
10 income of \$22.45 million.¹⁶

11 (c) This means in the 2010 10-K, L&L overstated net revenue by
12 approximately \$49.95 million or 141.64%, and overstated net income by
13 approximately \$19.09 million or 567.3%.

14 (d) Comparison III below compares L&L's revenue and income reported
15 in its SAIC filings for the 12 months ended December 31, 2009 against the revenue
16 and income L&L reported to the SEC for the comparable 12 month period ended
17 January 31, 2010 and shows that L&L substantially overstated revenue and income
18 in its SEC filings.

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27 ¹⁶ Based on the footnotes in L&L's 2010 10-K reporting quarterly revenue and
income.

Comparison III: SAIC 1/1/09 to 12/31/09 v. SEC 2/1/09 to 1/31/10

USD in million	SAIC ¹⁷	SEC	Difference	SAIC as % of SEC	Percentage Overstated
Net revenue	\$35.27	\$85.22	\$49.95	41.38%	141.64%
Net income	\$3.36	\$22.45	\$19.09	14.99%	567.30%

(e) The one month difference in the comparable periods between the SEC filing and PRC filings in Comparison III cannot account for the huge discrepancy.

(f) When totaling up L&L's revenue reported in its subsidiaries' combined SAIC filings for the two fiscal years ended December 31, 2009 and 2010, the total is only 85.95% of the revenue L&L reported to the SEC for just the one year period ended April 30, 2010; while the net income in its SAIC filings for those two years is only 17.92% of the revenue L&L reported in its SEC filings for the one year period, as shown in Comparison IV below.

Comparison IV: SAIC 1/1/09 to 12/31/10 (24 months) vs. SEC 5/1/09 to 4/30/10 (12 months)

USD in million	SAIC	SEC	Difference	SAIC as % of SEC	Percentage Overstated
Revenue	\$ 93.87	\$ 109.22	\$ 15.35	85.95%	16%
Net income	\$ 5.90	\$ 32.91	\$ 27.01	17.92%	458%

¹⁷ The revenue and income includes 100% of the revenue and income from the following PRC subsidiaries: KMC, Baoxing Trade, PYC, DaPuAn mine, SuTsong mine, ZoneLin Coking, Hong Xing Coal Washing, TNI, and HSC (whose revenue and net income was \$0 because of cancellation of its business license in January 2009 – according to the SAIC records).

According to L&L's 2010 10-K: "Principles of Consolidation - The fully consolidated financial statements include the accounts of the Company, and its 100% ownership of KMC subsidiary including coal wholesale and PYC coal mine, 80% of operations of LLC "2 Mines" including both coal mining and coal washing, and 93% of HSC (disposed in year ended April 30, 2010), and 98% of TNI (coal washing and coking operations). All significant inter-company accounts and transactions are eliminated."

1
2 85. Second, in the 2010 10-K, Defendants falsely claimed that L&L
3 owned the Ping Yi Coal Mine (“Ping Yi”):

4
5 KMC acquired 100% of the Ping Yi Coal Mine on January 18, 2010,
6 with an effective date of November 1, 2009. The purchase price of
7 the acquisition contract was 27,042,593 RMB (equivalent to
8 US\$3,955,041) with the first payment of 23,042,593 RMB (equivalent
9 to US \$3,369,390). The remaining balance of 4,000,000RMB
10 (equivalent to US \$585,651) will be paid in 2 years after signing the
11 contract. In February, the Company made the second payment of
12 1,000,000 RMB (equivalent to US\$146,412) to decrease the
13 remaining balance to 3,000,000 RMB (equivalent to US\$439,239).

14 ***

15 Principles of Consolidation - The fully consolidated financial
16 statements include the accounts of the Company, and its 100%
17 ownership of KMC subsidiary including coal wholesale and PYC
18 coal mine, 80% of operations of LLC “2 Mines” including both coal
19 mining and coal washing, and 93% of HSC (disposed in year ended
20 April 30, 2010), and 98% of TNI (coal washing and coking
21 operations).

22 [emphasis added]

23 86. In truth, L&L never acquired the Ping Yi Coal Mine.

24 87. Plaintiffs confirmed the facts concerning true ownership of the Ping Yi
25 by obtaining and reviewing Ping Yi’s filings from the SAIC office in January 2012,
26 evidencing the registration of the equity ownership of Ping Yi that Chinese law
27 requires to be filed.¹⁸ The SAIC is the Chinese government agency that regulates
28 corporations in China.

23
24 ¹⁸ According to China Company Law, a company which transfers its equity shall
25 amend the names of the shareholders and their capital contributions in the bylaws
26 accordingly. Source: Company Law of the People's Republic of China issued by
27 Standing Committee of the National People's Congress on October 27, 2005, and
28 became effective on January 1, 2006. According to China Administration of
Company Registration, in the event of equity transfer or sale of shares of a limited
liability company, the company or shareholder shall register the change in such

1 88. The SAIC registration filings for Ping Yi show that the registered
2 owners are Honglin Chen, Shiwei Hu, Shuangyou Liu and Baoguo Zhang from at
3 least May 2008 to present.

4 89. In January 2012, Plaintiff counsel's investigator contacted Mr. Shiwei
5 Hu, Ping Yi's legal representative under Chinese law and one of its listed owners.
6 Mr. Hu stated that back in 2009, L&L contacted Ping Yi and discussed the
7 possibility of an acquisition, but no deal was agreed to, or closed. During the
8 interview, Mr. Hu, as the true owner, told Plaintiffs' counsel's investigator that
9 L&L's statement about acquiring and owning Ping Yi Mine is false.

10 90. Mr. Hu also told the investigator that the true owners are seeking to
11 sell Ping Yi Mine because of an executive order from the government mandating
12 that all small coal operators be consolidated into larger coal businesses to increase
13 efficiency and safety in the industry.

14 91. The true owners of Ping Yi have been advertising the Ping Yi mine for
15 sale on several Chinese websites.¹⁹ This corroborates Mr. Hu's statement that he
16 and his partners own Ping Yi and that it is for sale.

17 92. Ping Yi's true ownership is also demonstrated by Geoinvesting's
18 finding, which is consistent with Plaintiffs' counsel's own investigation. According
19 to a January 13, 2012 report, Geoinvesting found that L&L's indirect subsidiary
20 Baoxing Economic Trade was not the listed owners in Ping Yi's SAIC filings. It
21 also confirmed with Ping Yi's true owner that L&L did not buy Ping Yi, and that
22 the true owners are seeking to sell Ping Yi.

23 ownership and capitalization with the SAIC by appropriate filing within 30 days
24 immediately after such equity transfer. Source: Regulations of the People's
25 Republic of China on the Administration of Company Registration (Revised 2005)
26 issued by State Council on December 18, 2005, and became effective on July 1,
27 1994.

¹⁹ <http://www.kc81.com/kqcx/caikuang.aspx?id=4250>
http://www.mycoal.cn/sell/1/sell_info_54.html

1 93. Third, in its 2010 10-K, L&L included in its consolidated financial
2 statements for fiscal year ended April 30, 2010, \$22,679,872 of net revenue derived
3 from the Ping Yi Coal Mine.

4 94. Under GAAP, L&L was not permitted to include the revenue derived
5 from Ping Yi because it did not own Ping Yi.

6 95. L&L's financial statements in its 2010 10-K are false and misleading
7 because it is improper to consolidate revenue from a business that L&L does not
8 own, i.e. Ping Yi Coal Mine.

9 96. SEC regulations required L&L's financial statements comply with
10 GAAP, which are those principles recognized by the accounting profession as the
11 conventions, rules and procedures necessary to define accepted accounting practice
12 at a particular time. Specifically, SEC Regulation S-X requires that annual and
13 interim financial statements as filed with the SEC to be prepared in accordance with
14 GAAP. Filings that do not comply with GAAP are "presumed to be misleading or
15 inaccurate." 17 C.F.R. §210.4- 01(a)(1).

16 (a) GAAP, according to Statement of Financial Accounting Standards
17 ("SFAS") 94, requires consolidation in certain situations and precludes it in Ping
18 Yi's situation:

- 19 • Similarly, the first sentence of paragraph 2 [of ARB 51] describes
20 its general rule of consolidation policy. The usual condition for a
21 controlling financial interest is ownership of a majority voting
22 interest, and, therefore, as a general rule ownership by one
23 company, directly or indirectly, of over fifty percent of the
24 outstanding voting shares of another company is a condition
25 pointing toward consolidation.
- 26 • Paragraph 2 precludes consolidation of a majority-owned
27 subsidiary where the control does not rest with the majority owners
28 (as, for instance, where the subsidiary is in legal reorganization or
in bankruptcy).

1 97. Fourth, the 2010 10-K is materially false and misleading because
2 Defendants falsely claimed that L&L owned the Zone Lin Coal Coking Company
3 (“Zone Lin Coking”):

4 Effective November 1, 2009, our subsidiary L&L Yunnan Tiannen Industry,
5 Ltd (“TNI”), of which we own a 98% equity interest, acquired 100% of the
6 equity interest of Zone Lin Coal Coking Factory in China (“Zone Lin”).

7 ***

8 We acquired Hong Xing Coal washing, Zone Lin Coking and Ping Yi Mine.
9 These acquisitions were made in the third quarter of the fiscal year, which
10 primarily added to the 3rd and 4th quarter numbers.

11 98. Defendants’ statements as to L&L’s acquisition of Zone Lin Coking
12 are false because L&L never acquired or owned Zone Lin Coking.

13 99. In February 2012, Plaintiff counsel’s investigator interviewed Mr. Hou,
14 the contact person of Zone Lin Coking and the assistant to Zone Lin Coking’s
15 owner Mr. Laozhong Yang.

16 100. According to Mr. Hou, L&L’s subsidiary TNI never acquired any
17 ownership interest in Zone Lin Coking. Zone Lin Coking is owned by Mr.
18 Laozhong Yang.

19 101. Mr. Hou also told the investigator that due to an executive order from
20 the government mandating that all small coal operators be consolidated into larger
21 coal businesses to increase efficiency and safety in the industry and because Zone
22 Lin Coking lacks the operating capital to become a large coal operator, Mr.
23 Laozhong Yang is seeking to sell Zone Lin Coking.

24 102. Plaintiff counsel’s investigator also obtained the SAIC filing of Zone
25 Lin Coking, which shows that TNI has never been an owner of Zone Lin Coking²⁰.

26 _____
27 ²⁰ Law of the People's Republic of China on Individual Proprietorship Enterprises,
28 issued by Standing Committee of the National People's Congress and became

1 According to SAIC filings, Zone Lin Coking's registered owner has always been
2 Mr. Laozhong Yang since its establishment in August 2008.

3 103. Indeed, according to Chinese law, TNI could not be an owner of Zone
4 Lin Coking, because Zone Lin is a sole proprietorship. According to PRC law, the
5 interests in a sole proprietorship may only be owned by one Chinese national.²¹ A
6 legal entity like TNI may not own a sole proprietorship.

7 104. Fifth, L&L's financial statements in its 2010 10-K are also false and
8 misleading because it is improper to consolidate in L&L's financial statements the
9 revenue derived from Zone Lin Coking because L&L never acquired and never
10 owned Zone Lin Coking.

11 105. L&L included \$13,380,737 in revenue derived from Zone Lin Coking
12 in its financial statements for the year ended April 30, 2010 in its 2010 10-K: "We
13 acquired Hong Xing Coal washing, Zone Lin Coking and Ping Yi Mine. These
14 acquisitions were made in the third quarter of the fiscal year, which primarily added
15 to the 3rd and 4th quarter numbers."²² Because Zone Lin's revenue cannot be
16 consolidated into L&L's pursuant to GAAP, the 2010 10-K financial statements
17 overstated revenue by at least \$13,380,737.

18 **C. L&L's 2011 10-K is False and Misleading**

19 106. On July 29, 2011, L&L filed a materially false and misleading Annual
20 Report on Form 10-K for the fiscal year ended April 30, 2011 ("2011 10-K"). The
21 2011 10-K was signed by Lee, Robinson, Kiang and R. Lee, and separately certified
22 by Lee (as CEO) and Robinson (as CFO) under SOX, falsely attesting to the
23 accuracy of the 10-K.

24
25
26 effective on January 1, 2000, Article 15,

27 ²¹ *Id.*, Article 2, 8,

28 ²² Source: 2010 10-K pg. 19.

1 107. In the 2010 10-K, L&L falsely reported that L&L earned consolidated
2 net revenue of \$223.85 million and net income of \$36.78 million, for the fiscal year
3 from May 1, 2010 to April 30, 2011.

4 108. The SAIC filed financial statements of L&L's subsidiaries show that
5 L&L really earned only \$58.6 million in net revenue and \$2.53 net income for the
6 12 months from January 1, 2010 to December 31, 2011. Yet, for the comparable 12
7 month period from February 1, 2010 to January 31, 2011, L&L reported in its 2011
8 10-K consolidated net revenue of \$212.68 million and net income of \$48.29
9 million.²³

10 109. Thus, in its 2011 10-K, L&L overstated net revenue by approximately
11 \$54.08 million or 262.93%, and overstated net income by approximately \$45.76
12 million or 1,806%.

13 110. The following comparison of the revenue and income L&L reported in
14 its SAIC filings for the 12 months ended December 31, 2010 against the revenue
15 and income L&L reported to the SEC for the comparable 12 month period ended
16 January 31, 2011 shows that L&L substantially overstated revenue and income in
17 its SEC filings.²⁴

24 ²³ Based on the footnotes in L&L's 2011 10-K reporting quarterly revenue and
25 income.

26 ²⁴ Because SAIC annual filings for the year ended Dec. 31, 2011 for L&L's PRC
27 subsidiaries have not been filed yet, we cannot do the same comparison between the
28 two years of SAIC financials and one year of SEC financials as we did for fiscal
2009 and 2010.

Comparison V: SAIC 1/1/10 to 12/31/10 v. SEC 2/1/10 to 1/31/11

USD in million	SAIC ²⁵	SEC	Difference	SAIC as % of SEC	Percentage Overstated
Net revenue	\$58.60	\$212.68	\$154.08	27.5%	262.9%
Net income	\$2.53	\$48.29	\$45.76	5.2%	1,806%

111. Because the revenue and income that L&L's subsidiaries reported to the SAIC for the comparable 12 month period is only 27.5% and 5.2% respectively of the amounts L&L reported to the SEC, L&L has overstated its revenue and income in its 2011 10-K.

112. Additionally, in the 2011 10-K, L&L repeated the false statements that it owned the Ping Yi Mine and Zone Lin Coking business detailed above.

113. Because L&L did not own the Ping Yi Mine or the Zone Lin Coking business, it was not permitted to consolidate the revenue and income from those businesses and included it in its consolidated financial statements in its 2011 10-K.

114. In its 2011 10-K, L&L recorded revenue of approximately \$25 million from the Ping Yi Mine from coal production and more than \$25 million from coal washing at the Ping Yi facility – for a total of more than \$50 million in improperly recorded revenue. L&L also recorded \$28.42 million in revenue from the Zone Lin Coking business. Because L&L never owned these businesses, it was not

²⁵ The revenue and income includes 100% revenue and income from the following PRC subsidiaries: KMC, Baoxing Trade, PYC, DaPuAn mine, SuTsong mine, ZoneLin Coking, Hong Xing Coal Washing and TNI. Excludes HSC because L&L sold HSC in April 2010, outside the period of 2011 10-K fiscal year starting on May 1, 2010.

According to L&L's 2011 10-K: "The fully consolidated financial statements include the accounts of (i) the Company, (ii) its 100% ownership of KMC subsidiary including coal wholesale and PYC coal mine, (iii) 80% of operations of LLC "2 Mines" including both coal mining and coal washing, (iv) 93% of , and HSC, and 98% of TNI (coal washing and coking operations)."

1 permitted by GAAP to include the revenue from these businesses in its consolidated
2 financial statements for the reasons stated above. Thus more than 25% of its
3 revenue for the year ended April 30, 2011 was overstated.

4 115. L&L's 2011 10-K is also false and misleading because it overstated
5 the amount of revenue earned from the Zone Lin coking business. Zone Lin's
6 SAIC filings report that it earned revenue of \$7.8 million for the 12 month period
7 January 1, 2010 through December 31, 2010. Yet, L&L recorded revenue from the
8 Zone Lin business in its 2011 10-K for just the 8 month period from May 2010 to
9 January 31, 2011 of more than \$22.1 million.²⁶ Thus, L&L overstated revenue
10 from Zone Lin by more than \$14.3 million.

11 **D. Additional Misleading Statements**

12 116. L&L's financial statements contained in its interim quarterly reports
13 filed with the SEC during the Class Period were also materially false and
14 misleading for the same reasons the above 10-Ks were materially false and
15 misleading. The following Form 10-Qs were false:

16 (a) September 14, 2009: L&L filed with the SEC a materially false and
17 misleading 10-Q for the first quarter ended July 31, 2009. The 10-Q, signed by Lee
18 and separately certified by Lee and Wang under SOX, reported for the Q1 net
19 revenue of \$12.7 million and net income of \$2.7 million.

20 (b) December 16, 2009: L&L filed with the SEC a materially false and
21 misleading 10-Q for the second quarter ended October 31, 2009. The 10-Q, signed
22 by Lee and separately certified by Lee and Wang under SOX, reported Q2 net
23 revenue of \$24.4 million and net income \$8.8 million.

24 (c) March 17, 2010: L&L filed with the SEC a materially false and
25 misleading 10-Q for third quarter ended January 31, 2010. The 10-Q, signed by

26 ²⁶ Beginning May 1 2010, Zone Lin was L&L's only coking business and L&L's
27 2011 10-K and relevant 10-Q s show that L&L recorded more than \$21.1 million of
28 revenue from the Zone Lin subsidiary from May 1, 2010 to January 31, 2011.

1 Lee and separately certified by Lee and Wang under SOX, reported Q3 net revenue
2 \$37.9 million and net income \$11.0 million.

3 (d) September 14, 2010: L&L filed with the SEC a materially false and
4 misleading 10-Q/A for third quarter ended July 31, 2010. The 10-Q/A, signed by
5 Lee and separately certified by Lee and Wang under SOX, reported Q3 net revenue
6 \$55.33 million and net income \$10.94 million.

7 (e) December 10, 2010: L&L filed with the SEC a materially false and
8 misleading 10-Q/A for third quarter ended October 31, 2010. The 10-Q/A, signed
9 by Lee and separately certified by Lee and Wang under SOX, reported Q3 net
10 revenue \$57.42 million and net income \$12.73 million.

11 (f) March 14, 2011: L&L filed with the SEC a materially false and
12 misleading 10-Q/A for third quarter ended January 31, 2011. The 10-Q/A, signed
13 by Lee and separately certified by Lee and non-defendant David Lin under SOX,
14 reported Q3 net revenue \$65.89 million and net income \$14.52 million.

15 **V. ADDITIONAL FACTS DEMONSTRATING SCIENTER AND**
16 **FALSITY**

17 117. Defendants have also profited handsomely from sales of L&L stock.
18 This demonstrates that defendants had a strong profit motive to inflate the stock
19 price by overstating its financials.

20 118. Defendants CEO and Chairman Dickson Lee and his brother Director
21 Robert Lee all profited handsomely from sales and disposition of L&L stock during
22 the period of the fraud. Lists of their specific L&L share sales and disposition are
23 as follows.

24 **Dickson Lee (CEO & Chairman)**

<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Proceeds/Cost</u>
Donation	9/30/2009	400000	\$ 2,120,000
	4/27/2010	200000	\$ 2,314,000
	12/16/2010	200000	\$ 2,626,000

1	Sell	1/19/2011	36806	\$ 287,087
2		1/20/2011	179000	\$ 1,353,240
3		1/21/2011	3000	\$ 23,190
4	Buy	4/29/2010	48000	\$ (108,000)
5		4/30/2010	108860	\$ (276,000)
6		6/2/2010	12000	\$ (102,708)
7		7/1/2010	200000	\$ (507,000)
8		8/25/2010	54000	\$ (157,500)
9		9/15/2010	138711	\$ (1,011,203)
10		4/6/2011	1600	\$ (9,483)
11		8/29/2011	49,411	\$ (419,994)
12		9/22/2011	4800	\$ (13,293)
13		10/28/2011	26250	\$ (105,000)
14	Summary	Total Donation		\$ 7,060,000
15		Total Sell		\$ 1,663,517
16		Total Buy		\$ (2,710,181)
17		Net Disposition		\$ 6,013,336

Robert Lee (Director)

<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Proceeds/Cost</u>
Sell	12/3/2010	80000	\$ 985,600
	1/6/2011	100000	\$ 1,048,000
Buy	9/3/2010	57750	\$ (173,250)
	12/2/2010	656	\$ (5,999)
	1/31/2011	303	\$ (3,003)
	4/30/2010	52320	\$ (156,960)
	5/2/2011	413	\$ (2,998)
	8/1/2011	529	\$ (3,005)
Summary	Total sell		\$ 2,033,600
	Total buy		\$ (345,215)
	Total Net Disposition		\$ 1,688,385

119. Dickson Lee donated \$7.0 million (at then current market value) of L&L stock to two charitable foundations.²⁷ In doing so, Lee received a tax deduction for the market value of the shares on date of donation (\$7.1 million) against ordinary income. Since Lee is in the 50% tax bracket (state and federal) he receives a tax benefit of about \$3.5 million against payment of future taxes that may be carried forward. Moreover, because he donated the shares, he was not required to pay capital gains taxes on the shares, which would have been payable at 20% of the gain. Thus, his “charitable donation” provided him a financial benefit of well over \$3.5 million.

120. Robert Lee had total net sales of about \$1.7 million of L&L stock during the Class Period. A tidy sum.

121. This is not the first time Dickson Lee has violated the securities laws. Five different regulators have charged defendant Lee with securities law violations in connection with the sale of L&L securities in the recent past.

<u>Regulator</u>	<u>Date initiated</u>	<u>Summary of Allegations</u>
Dept. of Financial Institutions, State of Washington	10/26/2009	<ul style="list-style-type: none"> - Misrepresented to investors the percentage of the gross proceeds of the offering that certain retained referral agents and brokers could receive as a commission for their services. The agent was not even a licensed broker-dealer. - Offered unregistered securities.
FINRA	1/12/2007	<ul style="list-style-type: none"> - While engaging in the offer and sale of L&L common stock and warrants, Lee violated NASD Conduct Rules. - Lee was fined \$65,000 and suspended from associating with any FINRA member firm in any capacity for one year.

²⁷ According to the Glaucus Report, defendant Wang serves as the accountant and principal contact person for one of the charities that received L&L stock from Lee.

1 2 3	Dept. of Banking, State of Connecticut	4/26/2007	- Use of an unregistered agent and the offer and/pr sale of unregistered securities.
4 5 6 7	Dept. of Corp., State of California	5/16/2006	- Offered and sold unqualified, non-exempted securities in the form of common stock and warrants in L&L without a license by making material misrepresentations and omissions of material facts to over 23 investors in excess of \$2.5 million.
8 9 10	State of New Mexico	3/14/ 2006	- Use of an unregistered securities sales person and failure to adequately supervise Johnston [the salesperson].

11 122. In addition to Defendants' false statements about owning Ping Yi and
12 Zone Lin Coking, Plaintiff believes that Defendants' falsely claimed to have
13 acquired ownership of an entity named Hon Shen Coal Company ("HSC") further
14 rendering the 2010 10-K and 2011 10-K false and misleading.

15 123. In the 2010 10-K, L&L purportedly acquired 93% of HSC and
16 included HSC's financials in the 2010 10-K. L&L stated that:

17 In July 2009, we acquired 65% equity interest of coal washing
18 facilities (with 300,000 tons of coal washing capacity) from Hon Shen
19 Coal Company. Then in October 2009, we increased the equity
20 interest to 93% in Hon Shen's coal washing facilities and acquired
21 93% equity interest in Hon Shen's coal coking facilities, thus reaching
22 an overall 93% ownership of both Hon Shen's coal washing and coking
23 operations.

24 ***

25 Our results of operations discussed below include those of the LEK air
26 compressor business, which we disposed of in January 2009 and Hon Shen
27 Coal Co., Ltd. ("HSC"), disposed of in April 2010.

28 124. In the 2011 10-K, L&L stated that it sold its 93% ownership of Hon
Shen:

1 On April 18, 2010, we executed an Equity Sale and Purchase Agreement
2 with Guangxi Liuzhou Lifu Machinery Co, Ltd, selling our 93% equity
3 ownership in Hon Shen Coal Co. Ltd (“HSC”) for a total of 41,000,000 RMB
4 or approximately US \$6 Million. Our original purchase price for our
aggregate 93% interest in HSC was approximately US \$3.86 Million.

5 125. However, several facts uncovered by Plaintiffs’ Counsel’s
6 investigators indicate that HSC never existed, and L&L’s purported acquisition and
7 sale of it are not true.

8 (a) According to an Acquisition and Capital Increase Agreement dated
9 December 9, 2009 between L&L and Mr. Fuchang Wang, the seller of HSC,
10 Fuchang Wang was the legal representative and owner of HSC.²⁸

11 (b) Searches of relevant PRC governmental authority databases show that
12 there is no company named Hon Shen Coal Company with Fuchang Wang listed as
13 legal representative or owner at any time.²⁹

14 (c) PRC governmental authority database searches indicate that the only
15 company once owned by a person named Fuchang Wang in Luxi County was Luxi
16 Shenshen Hon Coking Factory (“Shenshen Hon”). Shenshen Hon’s business
17 license was cancelled and the company closed on January 8, 2009, seven months
18 before L&L purportedly acquired 65% of Hon Shen.

19 (d) Plaintiff counsel’s investigator believe that Shenshen Hon is the Hon
20 Shen described in L&L’s SEC filings because: 1) both owners and legal
21 representative are Fuchang Wang who have the same birth date of January 20, 1942;
22 2) both are located in Banqiao Village; 3) both have a coal washing and coking
23 business; 4) according to a Chinese website, the phone number “0873-6944573”

24
25 _____
26 ²⁸ This agreement was attached to an Form 8-K filed on December 14, 2009.

27 ²⁹ Plaintiff counsel’s investigator used all possible Chinese character for “Hon
28 Shen” for the search but could not find any one whose legal representative or owner
was Fuchang Wang at any time.

1 which was listed as HSC's phone number in L&L's SEC filings³⁰, belongs to
2 Shenshen Hon.³¹

3 (e) Because Shenshen Hon was closed in January 8, 2009, it was
4 impossible for L&L to acquire it in July 2009.

5 (f) Plaintiff's counsel's investigator also searched on governmental
6 databases and found only one company named Liuzhou Lifu Machinery Co, Ltd
7 ("Lifu Machine") whose address is the same as the one included in L&L's
8 purported Equity Sale and Purchase Agreement dated April 18, 2010.

9 (g) The investigator obtained SAIC records of Lifu Machinery, which
10 show that its business license expired on April 1, 2009, and the SAIC office of
11 Liuzhou City has revoked its business license on February 24, 2010, and never
12 activated it.

13 (h) According to Chinese law, revocation of a company's business license
14 means the company is closed and cannot conduct any business.

15 126. This means that it is impossible for Lifu Machine to acquire HSC from
16 L&L in April 2010, two month after Lifu's closure. Therefore, Defendants'
17 statements about acquiring, owning and selling HSC are false and misleading.

18 127. Defendants also overstated L&L's ownership in KMC in the 2009,
19 2010 and 2011 10-Ks, falsely claiming to have obtained 100% ownership of KMC
20 in 2007. KMC's SAIC records show L&L has been always owned only 60% of
21 KMC, rather than 100%.

22 128. Two weeks after Defendants' fraud was exposed in the Glaucus report,
23 L&L's director Andrew Leitch resigned on August 15, 2011.

24 129. On August 24, another director Robert Okun resigned.

25
26
27 ³⁰ The Acquisition and Capital Increase Agreement dated December 9, 2009 and
attached to an Form 8-K filed on December 14, 2009.

28 ³¹ <http://www.qiyew.com/companys/4205816/>. Last checked on February 8, 2012.

1 130. Five months later, the Company's CEO' own brother Robert Lee also
2 resigned from the Company's board of directors, a position he has been serving at
3 all relevant time.

4 131. L&L keeps a revolving door for CFOs. For four years from March
5 2008 to present, the Company already had 5 CFOs, and 3 of them resigned soon
6 after the end of the Company's fiscal year April 30 but before the CFO would have
7 been required to certify the Company's financial statements to the filed with the
8 SEC.³²

9
10 **VI. THE TRUTH BEGINS TO MATERIALIZE CAUSING L&L'S**
11 **STOCK PRICE TO DROP**

12 132. On July 29, 2011, an amendment to the Company's 2010 10-K was
13 filed with the SEC, that revealed L&L Energy additional internal control
14 deficiencies for 2010. The amendment states:

15 A material weakness is a control deficiency, or combination of
16 deficiencies, in internal control over financial reporting, such that there
17 is a reasonable possibility that a material misstatement of the
18 Company's annual or interim financial statements will not be
19 prevented or detected on a timely basis. We have identified the
20 following material weakness that has not been identified as a material
21 weakness in Management's Report, included with the Company's
22 Form 10-K filed on July 28, 2010. The Company did not maintain
23 effective controls over its process to ensure the timely completeness
24 and accuracy of the preparation and review of its consolidated
25 financial statements. This resulted in several adjustments to the
26 Company's consolidated financial statements, principally including
timely transfer of completed construction projects to property, plant
and equipment, as well as reclassification of negative balances in
accounts payable and accounts receivable. It was also determined that
the Company's entity level controls were not adequately designed and
that weaknesses were noted in the financial reporting process. These

27 ³² Gene Michael Bennett resigned in May 2008; Nicol Leung resigned in June 2009; and David Lin resigned in June
28 2011.

1 material weaknesses were considered in determining the nature,
2 timing, and extent of audit tests applied in our audit of the 2010
3 financial statements, and this report does not affect our report dated
4 July 28, 2010 on those financial statements.

5 In our opinion, because of the effect of the material weakness
6 described above on the achievement of the objectives of the control
7 criteria, L&L Energy, Inc. and its subsidiaries have not maintained
8 effective internal control over financial reporting as of April 30, 2010,
9 based on the criteria established in Internal Control—Integrated
10 Framework issued by the Committee of Sponsoring Organizations of
11 the Treadway Commission (COSO).

12 133. This adverse news caused the Company's stock to fall \$0.79/share, or
13 15.9% on August 1, 2011.

14 134. On August 2, 2011, Glaucus Research Group, an independent financial
15 research firm, published a 22-page report alleging that L&L had grossly
16 exaggerated its true financial condition. Among other things, Glaucus cited the fact
17 that L&L's subsidiaries had reported revenues and earnings merely a fraction of
18 what L&L had reported in its SEC filings. Glaucus, citing PRC regulatory
19 documents, found that L&L had overstated or completely fabricated its ownership
20 interest in certain coal properties. The report concludes that L&L's assets are only
21 25% of the value of that L&L's claims in its SEC filings, and that L&L's net sales
22 are four times smaller than what L&L claims in its SEC filings.

23 135. The report called into question L&L's ownership of certain of its
24 subsidiaries and assets. The report raised questions about the validity of the
25 Company's supposed ownership of the Luoping County Zone Lin Coal Coking
26 Factory ("Zone Lin") and the Hong Xing Coal Washing Facility ("Hong Xing").
27 Specifically, the report points to Chinese regulatory filings signed April 15, 2010,
28 which states that Hong Xing remained a sole proprietorship that was wholly owned
by Hong Xing Li, the same individual who was supposed to have sold the factory to
L&L.

136. The Glaucus report also raised additional red flags of fraud:

1 (a) The report cites Chinese regulatory filings from June 2, 2010 showing
2 that Zone Lin is a sole proprietorship and that Lao Yang is the registered owner of
3 all of the outstanding equity interests of the firm.

4 (b) The report also points to the weaknesses of the Company's auditors.
5 For example, Jaspers and Hall, PC ("Jaspers") was the Company's auditor from
6 February 28, 2006 to October 29, 2008. The end of its tenure with the Company
7 came approximately one week after its registration was revoked by the Public
8 Company Accounting Oversight Board (PCAOB) and its only two partners barred
9 by the same organization from being associated with a registered public accounting
10 firm for five years.

11 (c) The Report also raises evidence questioning the history of Kabani &
12 Company ("Kabani"), the accounting firm that took over as L&L's auditor on
13 November 9, 2008, immediately after Jaspers departed from the Company. The
14 Report cites the PCAOB's 2010 inspection of Kabani, which found, in over 60% of
15 the audits performed by the firm:

16 [D]eficiencies of such significance that it appeared to the inspection
17 team that the Firm did not obtain sufficient competent evidential
18 matter to support its opinion on the issuer's financial statements.

19 137. The adverse information from the Glaucus report caused L&L's stock
20 price to fall more than \$0.84/share or 17.3% from August 2, 2011 through August 4,
21 2011.

22 138. While L&L continued to issue general denials of Glaucus' findings,
23 Glaucus' thesis that L&L exaggerated and fabricated its ownership of certain
24 mining properties was subsequently corroborated by analyst Geoinvesting.com.

25 139. According to a Geoinvesting report published on January 13, 2012 and
26 a following-up report on January 19, 2012, L&L never purchased the Ping Yi Mine.
27 Geoinvesting provided evidence including SAIC filings with the Chinese authority
28 and interview with the registered owners of Ping Yi Mine to prove its allegations.

1 140. Lead Plaintiff's counsel's investigators have verified first-hand
2 Glaucus' and Geoinvesting's findings.

3
4 **VII. PLAINTIFF'S CLASS ACTION ALLEGATIONS**

5 141. Plaintiff brings this action as a class action pursuant to Federal Rules
6 of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons
7 who purchased the common stock of L&L during the Class Period and who were
8 damaged thereby. Excluded from the Class are Defendants, the officers and
9 directors of the Company at all relevant times, members of their immediate families
10 and their legal representatives, heirs, successors or assigns and any entity in which
11 defendants have or had a controlling interest.

12 142. The members of the Class are so numerous that joinder of all members
13 is impracticable. Throughout the Class Period, L&L's securities were actively
14 traded on the NASDAQ.

15 143. While the exact number of Class members is unknown to Plaintiff at
16 this time and can only be ascertained through appropriate discovery, Plaintiff
17 believes that there are at least hundreds of members in the proposed Class.
18 Members of the Class may be identified from records maintained by L&L or its
19 transfer agent and may be notified of the pendency of this action by mail, using a
20 form of notice customarily used in securities class actions.

21 144. Plaintiff's claims are typical of the claims of the members of the Class,
22 as all members of the Class are similarly affected by Defendants' wrongful conduct
23 in violation of federal law that is complained of herein.

24 145. Plaintiff will fairly and adequately protect the interests of the members
25 of the Class and has retained counsel competent and experienced in class and
26 securities litigation.

1 146. Common questions of law and fact exist as to all members of the Class
2 and predominate over any questions solely affecting individual members of the
3 Class. Among the questions of law and fact common to the Class are:

4 (a) whether the federal securities laws were violated by Defendants'
5 acts as alleged herein;

6 (b) whether statements made by Defendants to the investing public
7 during the Class Period misrepresented material facts about the business, operations
8 and management of L&L Energy, Inc.; and

9 (c) to what extent the members of the Class have sustained damages
10 and the proper measure of damages.

11 147. A class action is superior to all other available methods for the fair and
12 efficient adjudication of this controversy since joinder of all members is
13 impracticable. Furthermore, as the damages suffered by individual Class members
14 may be relatively small, the expense and burden of individual litigation make it
15 impossible for members of the Class to redress individually the wrongs done to
16 them. There will be no difficulty in the management of this action as a class action.

17 **VIII. Applicability of Presumption of Reliance: Fraud-on-the-Market**
18 **Doctrine**

19 148. At all relevant times, the market for L&L's common stock was an
20 efficient market for the following reasons, among others:

21 (a) During the Class Period, L&L's stock met the requirements for
22 listing the NASDAQ, and was listed and actively traded on the NASDAQ, a
23 highly efficient and automated market;

24 (b) According to L&L's July 29, 2011 10-K, there were 31,891,467 shares of
25 the Company's common stock issued and outstanding. The public float (shares not held
26 by insiders/defendants) was about 21.8 million.

1 (c) During the class period, on average, 2,704,079 shares of L&L common
2 stock were traded on a weekly basis. Approximately 12.4% of the public float, and 8.5%
3 of all outstanding shares, were bought and sold on a weekly basis, demonstrating a very
4 strong presumption of an efficient market;

5 (d) As a regulated issuer, L&L filed periodic public reports with the SEC;

6 (e) L&L regularly communicated with public investors via established
7 market communication mechanisms, including through regular disseminations of
8 press releases on the national circuits of major newswire services and through
9 other wide-ranging public disclosures, such as communications with the financial
10 press and other similar reporting services;

11 (f) L&L was followed by several securities analysts employed by
12 major brokerage firms who wrote reports that were distributed to the sales force
13 and certain customers of their respective brokerage firms during the Class
14 Period, including Global Hunter Securities and RedChip. Each of these reports
15 was publicly available and entered the public marketplace;

16 (g) More than 30 NASD member firms were active market-makers in
17 L&L stock at all times during the Class Period; and

18 (h) Unexpected material news about L&L was rapidly reflected and
19 incorporated into the Company's stock price during the Class Period.

20 149. As a result of the foregoing, the market for L&L's common stock
21 promptly digested current information regarding L&L from all publicly available
22 sources and promptly reflected such information in L&L's stock price, permitting a
23 presumption of reliance on the integrity of the market for L&L stock.

24 **IX. FIRST CLAIM**

25 **Violation of Section 10(b) Of**

26 **The Exchange Act Against and Rule 10b-5**

27 **Promulgated Thereunder Against L&L, Dickson Lee, Wang and Robinson**

1 150. Plaintiff repeats and realleges each and every allegation contained
2 above as if fully set forth herein.

3 151. This claim is brought against L&L, Dickson Lee, Wang and Robinson.

4 152. During the Class Period, Defendants carried out a plan, scheme and
5 course of conduct which was intended to and, throughout the Class Period, did: (1)
6 deceive the investing public, including plaintiff and other Class members, as
7 alleged herein; and (2) cause plaintiff and other members of the Class to purchase
8 L&L's common stock at artificially inflated prices. In furtherance of this unlawful
9 scheme, plan and course of conduct, Defendants, and each of them, took the actions
10 set forth herein.

11 153. Defendants (a) employed devices, schemes, and artifices to defraud;
12 (b) made untrue statements of material fact and/or omitted to state material facts
13 necessary to make the statements not misleading; and (c) engaged in acts, practices,
14 and a course of business that operated as a fraud and deceit upon the purchasers of
15 the Company's common stock in an effort to maintain artificially high market
16 prices for L&L's common stock in violation of Section 10(b) of the Exchange Act
17 and Rule 10b-5 thereunder. All Defendants are sued either as primary participants
18 in the wrongful and illegal conduct charged herein or as controlling persons as
19 alleged below.

20 154. Defendants, individually and in concert, directly and indirectly, by the
21 use, means or instrumentalities of interstate commerce and/or of the mails, engaged
22 and participated in a continuous course of conduct to conceal adverse material
23 information about the business, operations and future prospects of L&L as specified
24 herein.

25 155. These Defendants employed devices, schemes and artifices to defraud,
26 while in possession of material adverse non-public information and engaged in acts,
27 practices, and a course of conduct as alleged herein in an effort to assure investors
28 of L&L's value and performance and continued substantial growth, which included

1 the making of, or participation in the making of, untrue statements of material facts
2 and omitting to state material facts necessary in order to make the statements made
3 about L&L and its business operations and future prospects in the light of the
4 circumstances under which they were made, not misleading, as set forth more
5 particularly herein, and engaged in transactions, practices and a course of business
6 that operated as a fraud and deceit upon the purchasers of L&L's common stock
7 during the Class Period.

8 156. Each of the Individual Defendants' primary liability, and controlling
9 person liability, arises from the following facts: (1) the Individual Defendants were
10 high-level executives, directors, and/or agents at the Company during the Class
11 Period and members of the Company's management team or had control thereof;
12 (2) each of these defendants, by virtue of his or her responsibilities and activities as
13 a senior officer and/or director of the Company, was privy to and participated in the
14 creation, development and reporting of the Company's financial condition; (3) each
15 of these defendants enjoyed significant personal contact and familiarity with the
16 other defendants and was advised of and had access to other members of the
17 Company's management team, internal reports and other data and information
18 about the Company's finances, operations, and sales at all relevant times; and
19 (4) each of these defendants was aware of the Company's dissemination of
20 information to the investing public which they knew or recklessly disregarded was
21 materially false and misleading.

22 157. Defendants had actual knowledge of the misrepresentations and
23 omissions of material facts set forth herein, or acted with reckless disregard for the
24 truth in that they failed to ascertain and to disclose such facts, even though such
25 facts were available to them. Such Defendants' material misrepresentations and/or
26 omissions were done knowingly or recklessly and for the purpose and effect of
27 concealing L&L's operating condition and future business prospects from the
investing public and supporting the artificially inflated price of its common stock.

1 As demonstrated by Defendants' overstatements and misstatements of the
2 Company's financial condition throughout the Class Period, Defendants, if they did
3 not have actual knowledge of the misrepresentations and omissions alleged, were
4 reckless in failing to obtain such knowledge by deliberately refraining from taking
5 those steps necessary to discover whether those statements were false or
6 misleading.

7 158. As a result of the dissemination of the materially false and misleading
8 information and failure to disclose material facts, as set forth above, the market
9 price of L&L's common stock was artificially inflated during the Class Period. In
10 ignorance of the fact that market prices of L&L's publicly-traded common stock
11 were artificially inflated, and relying directly or indirectly on the false and
12 misleading statements made by Defendants, or upon the integrity of the market in
13 which the common stock trades, and/or on the absence of material adverse
14 information that was known to or recklessly disregarded by Defendants but not
15 disclosed in public statements by Defendants during the Class Period, Plaintiff and
16 the other members of the Class acquired L&L common stock during the Class
17 Period at artificially high prices and were or will be damaged thereby.

18 159. At the time of said misrepresentations and omissions, Plaintiff and
19 other members of the Class were ignorant of their falsity, and believed them to be
20 true. Had Plaintiff and the other members of the Class and the marketplace known
21 the truth regarding L&L's financial results, which were not disclosed by
22 defendants, Plaintiff and other members of the Class would not have purchased or
23 otherwise acquired their L&L common stock, or, if they had acquired such common
24 stock during the Class Period, they would not have done so at the artificially
inflated prices that they paid.

25 160. By virtue of the foregoing, Defendants have violated Section 10(b) of
26 the Exchange Act, and Rule 10b-5 promulgated thereunder.

1 165. In particular, each Defendant had direct and supervisory involvement
2 in the day-to-day operations of the Company and, therefore, is presumed to have
3 had the power to control or influence the particular transactions giving rise to the
4 securities violations as alleged herein, and exercised the same.

5 166. As set forth above, L&L and the Individual Defendants each violated
6 Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this
7 Complaint.

8 167. By virtue of their positions as controlling persons, the Individual
9 Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct
10 and proximate result of Defendants' wrongful conduct, Plaintiff and other members
11 of the Class suffered damages in connection with their purchases of the Company's
12 common stock during the Class Period.

13 168. This action was filed within two years of discovery of the fraud and
14 within five years of each Plaintiff's purchases of securities giving rise to the cause
15 of action.

16 **XI. PRAYER FOR RELIEF**

17 **WHEREFORE**, Plaintiff prays for relief and judgment, as follows:

18 (a) Determining that this action is a proper class action, designating
19 Plaintiff as class representative under Rule 23 of the Federal Rules of Civil
20 Procedure and Plaintiff's counsel as Class Counsel;

21 (b) Awarding compensatory damages in favor of Plaintiff and the
22 other Class members against all defendants, jointly and severally, for all damages
23 sustained as a result of defendants' wrongdoing, in an amount to be proven at trial,
24 including interest thereon;

25 (c) Awarding Plaintiff and the Class their reasonable costs and
26 expenses incurred in this action, including counsel fees and expert fees; and

27 (d) Awarding such other and further relief as the Court may deem

1 just and proper.
2

3 **XII. JURY TRIAL DEMANDED**

4 Plaintiff hereby demands a trial by jury.
5

6 DATED: February 8, 2012 **THE ROSEN LAW FIRM, P.A.**

7 
8

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CERTIFICATE OF SERVICE

I, Phillip Kim, hereby declare under penalty of perjury as follows:

I am an attorney with the Rosen Law Firm, P.A., with offices at 275 Madison Avenue, 34th Floor, New York, New York 10016. I am over the age of eighteen.

On February 8, 2012, I electronically filed the following **AMENDED CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS** with the Clerk of the Court using the CM/ECF system which sent notification of such filing to counsel of record.

Executed on February 8, 2012.

/s/ Phillip Kim
Phillip Kim