

UNITED STATES BANKRUPTCY COURT		District of Delaware	PROOF OF CLAIM
Name of Debtor: AgFeed Industries Inc.		Case Number: 13-11762	<div style="border: 1px solid black; height: 100px; margin-bottom: 5px;"></div> <div style="text-align: center; font-weight: bold; font-size: small;">COURT USE ONLY</div> <div style="padding: 5px;"> <input type="checkbox"/> Check this box if this claim amends a previously filed claim. Court Claim Number: _____ (If known) Filed on: _____ </div>
NOTE: Do not use this form to make a claim for an administrative expense that arises after the bankruptcy filing. You may file a request for payment of an administrative expense according to 11 U.S.C. § 503.			
Name of Creditor (the person or other entity to whom the debtor owes money or property): Shareholders incl. putative class in Blitz v. AgFeed Indus. Inc., No. 3:31-cv-0992 (M.D. Tenn.)			
Name and address where notices should be sent: Joshua B. Silverman Pomerantz Grossman Hufford Dahlstrom & Gross LLP 10 South LaSalle Street, Suite 3505, Chicago, IL 60603		<div style="border: 1px solid black; height: 100px; margin-bottom: 5px;"></div> <div style="text-align: center; font-weight: bold; font-size: small;">COURT USE ONLY</div> <div style="padding: 5px;"> <input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to this claim. Attach copy of statement giving particulars. </div>	
Telephone number: (312) 377-1181 email: jbsilverman@pomlaw.com		<div style="border: 1px solid black; height: 100px; margin-bottom: 5px;"></div> <div style="text-align: center; font-weight: bold; font-size: small;">COURT USE ONLY</div> <div style="padding: 5px;"> <input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to this claim. Attach copy of statement giving particulars. </div>	
Name and address where payment should be sent (if different from above):		<div style="border: 1px solid black; height: 100px; margin-bottom: 5px;"></div> <div style="text-align: center; font-weight: bold; font-size: small;">COURT USE ONLY</div> <div style="padding: 5px;"> <input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to this claim. Attach copy of statement giving particulars. </div>	
Telephone number: email:		<div style="border: 1px solid black; height: 100px; margin-bottom: 5px;"></div> <div style="text-align: center; font-weight: bold; font-size: small;">COURT USE ONLY</div> <div style="padding: 5px;"> <input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to this claim. Attach copy of statement giving particulars. </div>	
1. Amount of Claim as of Date Case Filed: \$ <u>26,000,000.00</u>		<div style="font-size: 2em; font-weight: bold;">RECEIVED</div> <div style="font-size: 1.5em; font-weight: bold;">SEP 18 2013</div> <div style="font-size: 1.5em; font-weight: bold;">BMC GROUP</div>	
If all or part of the claim is secured, complete item 4.			
If all or part of the claim is entitled to priority, complete item 5.			
<input type="checkbox"/> Check this box if the claim includes interest or other charges in addition to the principal amount of the claim. Attach a statement that itemizes interest or charges.			
2. Basis for Claim: <u>Amounts owed to class for violations of federal securities law</u> (See instruction #2)			
3. Last four digits of any number by which creditor identifies debtor:	3a. Debtor may have scheduled account as: _____ (See instruction #3a)	3b. Uniform Claim Identifier (optional): _____ (See instruction #3b)	
4. Secured Claim (See instruction #4) Check the appropriate box if the claim is secured by a lien on property or a right of setoff, attach required redacted documents, and provide the requested information.		Amount of arrearage and other charges, as of the time case was filed, included in secured claim, if any: \$ _____	
Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe:		Basis for perfection: _____	
Value of Property: \$ _____		Amount of Secured Claim: \$ _____	
Annual Interest Rate _____ % <input type="checkbox"/> Fixed or <input type="checkbox"/> Variable (when case was filed)		Amount Unsecured: \$ _____	
5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507 (a). If any part of the claim falls into one of the following categories, check the box specifying the priority and state the amount.			
<input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507 (a)(1)(A) or (a)(1)(B). <input type="checkbox"/> Up to \$2,775* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use – 11 U.S.C. § 507 (a)(7).	<input type="checkbox"/> Wages, salaries, or commissions (up to \$12,475*) earned within 180 days before the case was filed or the debtor's business ceased, whichever is earlier – 11 U.S.C. § 507 (a)(4). <input type="checkbox"/> Taxes or penalties owed to governmental units – 11 U.S.C. § 507 (a)(8).	<input type="checkbox"/> Contributions to an employee benefit plan – 11 U.S.C. § 507 (a)(5). <input type="checkbox"/> Other – Specify applicable paragraph of 11 U.S.C. § 507 (a)(____).	
		Amount entitled to priority: \$ _____	
*Amounts are subject to adjustment on 4/01/16 and every 3 years thereafter with respect to cases commenced on or after the date of adj			
6. Credits. The amount of all payments on this claim has been credited for the purpose of making this proof of claim. (See instruction #6)			

AgFeed POC



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7. Documents: Attached are **redacted** copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, security agreements, or, in the case of a claim based on an open-end or revolving consumer credit agreement, a statement providing the information required by FRBP 3001(c)(3)(A). If the claim is secured, box 4 has been completed, and **redacted** copies of documents providing evidence of perfection of a security interest are attached. If the claim is secured by the debtor's principal residence, the Mortgage Proof of Claim Attachment is being filed with this claim. (See instruction #7, and the definition of "redacted".)

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

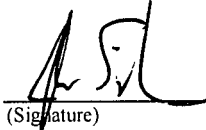
8. Signature: (See instruction #8)

Check the appropriate box.

- ☐ I am the creditor. ☒ I am the creditor's authorized agent. ☐ I am the trustee, or the debtor, or their authorized agent. ☐ I am a guarantor, surety, indorser, or other codebtor. (See Bankruptcy Rule 3005.)
(See Bankruptcy Rule 3004.)

I declare under penalty of perjury that the information provided in this claim is true and correct to the best of my knowledge, information, and reasonable belief.

Print Name: Joshua B. Silverman
Title: Partner and Co-lead counsel
Company: Pomerantz
Address and telephone number (if different from notice address above):


(Signature)

9/17

(Date)

Telephone number: _____ email: _____

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

INSTRUCTIONS FOR PROOF OF CLAIM FORM

The instructions and definitions below are general explanations of the law. In certain circumstances, such as bankruptcy cases not filed voluntarily by the debtor, exceptions to these general rules may apply.

Items to be completed in Proof of Claim form

Court, Name of Debtor, and Case Number:

Fill in the federal judicial district in which the bankruptcy case was filed (for example, Central District of California), the debtor's full name, and the case number. If the creditor received a notice of the case from the bankruptcy court, all of this information is at the top of the notice.

Creditor's Name and Address:

Fill in the name of the person or entity asserting a claim and the name and address of the person who should receive notices issued during the bankruptcy case. A separate space is provided for the payment address if it differs from the notice address. The creditor has a continuing obligation to keep the court informed of its current address. See Federal Rule of Bankruptcy Procedure (FRBP) 2002(g).

1. Amount of Claim as of Date Case Filed:

State the total amount owed to the creditor on the date of the bankruptcy filing. Follow the instructions concerning whether to complete items 4 and 5. Check the box if interest or other charges are included in the claim.

2. Basis for Claim:

State the type of debt or how it was incurred. Examples include goods sold, money loaned, services performed, personal injury/wrongful death, car loan, mortgage note, and credit card. If the claim is based on delivering health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information. You may be required to provide additional disclosure if an interested party objects to the claim.

3. Last Four Digits of Any Number by Which Creditor Identifies Debtor:

State only the last four digits of the debtor's account or other number used by the creditor to identify the debtor.

3a. Debtor May Have Scheduled Account As:

Report a change in the creditor's name, a transferred claim, or any other information that clarifies a difference between this proof of claim and the claim as scheduled by the debtor.

3b. Uniform Claim Identifier:

If you use a uniform claim identifier, you may report it here. A uniform claim identifier is an optional 24-character identifier that certain large creditors use to facilitate electronic payment in chapter 13 cases.

4. Secured Claim:

Check whether the claim is fully or partially secured. Skip this section if the

claim is entirely unsecured. (See Definitions.) If the claim is secured, check the box for the nature and value of property that secures the claim, attach copies of lien documentation, and state, as of the date of the bankruptcy filing, the annual interest rate (and whether it is fixed or variable), and the amount past due on the claim.

5. Amount of Claim Entitled to Priority Under 11 U.S.C. § 507 (a).

If any portion of the claim falls into any category shown, check the appropriate box(es) and state the amount entitled to priority. (See Definitions.) A claim may be partly priority and partly non-priority. For example, in some of the categories, the law limits the amount entitled to priority.

6. Credits:

An authorized signature on this proof of claim serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

7. Documents:

Attach redacted copies of any documents that show the debt exists and a lien secures the debt. You must also attach copies of documents that evidence perfection of any security interest and documents required by FRBP 3001(c) for claims based on an open-end or revolving consumer credit agreement or secured by a security interest in the debtor's principal residence. You may also attach a summary in addition to the documents themselves. FRBP 3001(c) and (d). If the claim is based on delivering health care goods or services, limit disclosing confidential health care information. Do not send original documents, as attachments may be destroyed after scanning.

8. Date and Signature:

The individual completing this proof of claim must sign and date it. FRBP 9011. If the claim is filed electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what constitutes a signature. If you sign this form, you declare under penalty of perjury that the information provided is true and correct to the best of your knowledge, information, and reasonable belief. Your signature is also a certification that the claim meets the requirements of FRBP 9011(b). Whether the claim is filed electronically or in person, if your name is on the signature line, you are responsible for the declaration. Print the name and title, if any, of the creditor or other person authorized to file this claim. State the filer's address and telephone number if it differs from the address given on the top of the form for purposes of receiving notices. If the claim is filed by an authorized agent, provide both the name of the individual filing the claim and the name of the agent. If the authorized agent is a servicer, identify the corporate servicer as the company. Criminal penalties apply for making a false statement on a proof of claim.

DEFINITIONS**Debtor**

A debtor is the person, corporation, or other entity that has filed a bankruptcy case.

Creditor

A creditor is a person, corporation, or other entity to whom debtor owes a debt that was incurred before the date of the bankruptcy filing. See 11 U.S.C. §101 (10).

Claim

A claim is the creditor's right to receive payment for a debt owed by the debtor on the date of the bankruptcy filing. See 11 U.S.C. §101 (5). A claim may be secured or unsecured.

Proof of Claim

A proof of claim is a form used by the creditor to indicate the amount of the debt owed by the debtor on the date of the bankruptcy filing. The creditor must file the form with the clerk of the same bankruptcy court in which the bankruptcy case was filed.

Secured Claim Under 11 U.S.C. § 506 (a)

A secured claim is one backed by a lien on property of the debtor. The claim is secured so long as the creditor has the right to be paid from the property prior to other creditors. The amount of the secured claim cannot exceed the value of the property. Any amount owed to the creditor in excess of the value of the property is an unsecured claim. Examples of liens on property include a mortgage on real estate or a security interest in a car. A lien may be voluntarily granted by a debtor or may be obtained through a court proceeding. In some states, a court judgment is a lien.

A claim also may be secured if the creditor owes the debtor money (has a right to setoff).

Unsecured Claim

An unsecured claim is one that does not meet the requirements of a secured claim. A claim may be partly unsecured if the amount of the claim exceeds the value of the property on which the creditor has a lien.

Claim Entitled to Priority Under 11 U.S.C. § 507 (a)

Priority claims are certain categories of unsecured claims that are paid from the available money or property in a bankruptcy case before other unsecured claims.

Redacted

A document has been redacted when the person filing it has masked, edited out, or otherwise deleted, certain information. A creditor must show only the last four digits of any social-security, individual's tax-identification, or financial-account number, only the initials of a minor's name, and only the year of any person's date of birth. If the claim is based on the delivery of health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information.

Evidence of Perfection

Evidence of perfection may include a mortgage, lien, certificate of title, financing statement, or other document showing that the lien has been filed or recorded.

INFORMATION**Acknowledgment of Filing of Claim**

To receive acknowledgment of your filing, you may either enclose a stamped self-addressed envelope and a copy of this proof of claim or you may access the court's PACER system (www.pacer.psc.uscourts.gov) for a small fee to view your filed proof of claim.

Offers to Purchase a Claim

Certain entities are in the business of purchasing claims for an amount less than the face value of the claims. One or more of these entities may contact the creditor and offer to purchase the claim. Some of the written communications from these entities may easily be confused with official court documentation or communications from the debtor. These entities do not represent the bankruptcy court or the debtor. The creditor has no obligation to sell its claim. However, if the creditor decides to sell its claim, any transfer of such claim is subject to FRBP 3001(e), any applicable provisions of the Bankruptcy Code (11 U.S.C. § 101 *et seq.*), and any applicable orders of the bankruptcy court.

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

LAWRENCE BLITZ, Individually and On
Behalf of All Others Similarly Situated,

Plaintiff,

v.

AGFEED INDUSTRIES, INC., JOHN A.
STADLER, GERARD DAIGNAULT, CLAY
MARSHALL, EDWARD PAZDRO, SONGYAN
LI, SELINA JIN, LIANGFAN YAN, JUNHONG
XIONG, GOLDMAN KURLAND & MOHIDIN,
LLP, and McGLADREY & PULLEN LLP

Defendants.

No. 3:11-cv-0992

CONSOLIDATED CLASS ACTION

Chief Judge Todd J. Campbell

Magistrate Judge E. Clifton Knowles

CONSOLIDATED AMENDED CLASS
ACTION COMPLAINT FOR
VIOLATION OF SECTIONS 10(b)
AND 20(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 AND
JURY DEMAND

Lead Plaintiffs William McCaffery, Ginger-Haubeck McCaffery, Joseph Boccuti, Larry Ewing and Stephen Arseneault ("Plaintiffs"), individually and on behalf of all other persons similarly situated, by their undersigned attorneys, for their Consolidated Amended Class Action Complaint against defendants, allege upon personal knowledge as to themselves and their own acts, and upon information and belief as to all other matters, based on, *inter alia*, the investigation conducted by and through their attorneys, which included, among other things: a review of the defendants' public documents; conference calls and announcements made by defendants; Securities and Exchange Commission ("SEC") filings; wire and press releases published by and regarding AgFeed Industries, Inc. ("AgFeed" or the "Company"); securities analysts' reports and advisories about the Company; and information readily obtainable on the Internet. Plaintiffs believe that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a securities fraud class action, on behalf of all persons who purchased or otherwise acquired the securities of AgFeed during the period from March 16, 2009 through and including September 29, 2011 (the "Class Period"), against AgFeed, certain of its officers and directors, and AgFeed's accountants, for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a), and SEC Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

2. AgFeed began in the 1990's as a Chinese manufacturer of animal nutrition products. In 2006, AgFeed went public in the United States via a reverse takeover transaction. In late 2007, AgFeed was listed on the NASDAQ. Thereafter, AgFeed began to grow rapidly by expanding sales for its animal nutrition operations through hundreds of independent dealers, and by acquiring dozens of independent Chinese hog farms in 2007 and 2008 to enter the hog breeding and production business. AgFeed's growth culminated in its September 2010 acquisition of M2P2, LLC ("M2P2"), a substantial United States hog producer based in this District.

3. AgFeed's global expansion masked serious problems in its core Chinese businesses. To fuel and sustain growth, the animal nutrition business began to extend credit to borrowers without established repayment ability. AgFeed concealed this credit problem from investors by unlawfully treating as collectible customer debts that were invalid and/or uncollectible. As a result, throughout the Class Period, AgFeed's financial statements: (a) materially overstated accounts receivable; (b) materially underreserved the allowance for doubtful accounts; and (c) as a result of (a) and (b), materially overstated operating results, net income and assets.

4. AgFeed also misrepresented in its financial statements the value of equipment, inventory and cost of goods sold in the Chinese hog operations it acquired in 2007 and 2008. Although these operations were acquired prior to the Class Period, inflated values of these operations were included in financial statements during the Class Period. As a result, the Company materially overstated its net assets (and thus its shareholder equity) in periodic reports and filings throughout the Class Period.

5. AgFeed was able to get away with these financial improprieties during the Class Period because it utilized auditors that recklessly rubber-stamped its financial statements despite numerous red flags. For the audits of its 2008 and 2009 financial statements, AgFeed retained an accountant that was not independent and instead was prearranged by (and beholden to) the same stock promoter that engineered AgFeed's reverse takeover. In 2010, AgFeed finally retained a truly independent accounting firm to audit its books. Not surprisingly, less than a year later, AgFeed was forced to admit that it lacked effective internal controls, that its loss reserves were vastly understated, and that its accounting for equipment and inventory was incorrect and did not comply with Generally Accepted Accounting Practices ("GAAP"). Ultimately, AgFeed admitted that the vast majority of its receivables were invalid and/or uncollectable, that its accounting irregularities were so severe that it would restate its financial statements, and that investors should withdraw reliance on AgFeed's financial reports issued during the Class Period altogether.

6. To minimize the impact of these disclosures on AgFeed's stock price, Defendants dribbled out the truth in three separate disclosures over a span of six months. First, on March 16, 2011, AgFeed filed an annual report on Form 10-K with the SEC revealing that, contrary to prior

Class Period representations, AgFeed had material weaknesses in its financial controls. On this information, AgFeed shares dropped from the prior day's closing price of \$2.01 to as low as \$1.52, but recovered to close the day at \$1.81 for a loss of \$.20, or 10%, on heavy volume. This drop in price was limited because the SEC filing did not disclose the most serious deficiencies – those involving AgFeed's accounts receivable, allowance for doubtful accounts, and asset valuation in the legacy hog businesses.

7. Then, on August 2, 2011, AgFeed revealed serious and previously undisclosed deficiencies in its receivables causing it to: (a) write off \$9.2 million of outstanding accounts receivable in its animal nutrition business as uncollectible; and (b) take a charge of an additional \$5 million to increase its allowance for bad debt. Together, these charges caused a substantial loss for the quarter and caused AgFeed's stock price to plummet \$0.97, or nearly 50%, in five consecutive trading sessions, to close at \$1.02 on August 8, 2011.

8. Finally, on September 29, 2011, after the market closed, the Company disclosed for the first time that its accounting irregularities were so pervasive that not only the collectability, but also the validity, of its debts was in question, and that even its asset values may have been misrepresented.

9. The problems were so severe that the Company's board had to appoint a special committee to investigate "the accounting relating to certain of the Company's Chinese farm assets (acquired during 2007 and 2008) used in its hog production business, as well as the validity and collectability of certain of the Company's accounts receivable relating to its animal nutrition business in China and any other issues that may arise during the course of the investigation."

10. As a result of this final partial disclosure, which closes the Class Period, AgFeed's stock price declined an additional \$0.25 or 38% in two consecutive trading sessions, to close at \$0.40 per share on October 3, 2011.

11. On December 19, 2011, AgFeed confirmed that the accounting irregularities rendered unreliable the financial statements contained in AgFeed's 2009 and 2010 periodic filings with the SEC. Almost immediately after this admission, trading in AgFeed shares was halted and did not resume until February 2012.

12. On January 31, 2012, the Company announced that the special committee had completed its investigation into accounting deficiencies in the Company's animal nutrition and legacy farm hog operations in China. The investigation confirmed the lack of controls identified in the first partial disclosure on March 16, 2011, as well as the specific concerns identified in the two subsequent partial disclosures on August 2, 2011 and September 29, 2011. As AgFeed admitted, the investigation established accounting irregularities in the Company's legacy farm hog operations in China resulting in the misstatement of revenues, inventory, property and equipment, and cost of goods sold for the 2008 fiscal year and subsequent periods through the first two quarters of 2011. For these reasons, the Company's interim chief executive officer and chief financial officer concluded that the Company's audited financial statements for the year ended December 31, 2008 should no longer be relied upon. This was in addition to the 2009 and 2010 financial statements the Company previously conceded were unreliable.

13. To avoid mandatory delisting from NASDAQ, on January 31, 2012, AgFeed announced that it would voluntarily delist its common stock. Following delisting, AgFeed's

stock resumed trading over-the counter in February 2012, where it has traded primarily in a depressed range between \$0.20 and \$0.40 per share.

14. While AgFeed has represented that it will restate its financial results for the affected periods to precisely quantify its accounting irregularities, it has not done so to date. According to AgFeed's latest statement to investors, the Company expects to file restated financial results for the years 2007 through 2011 on or before March 31, 2013.

15. Defendants' wrongful conduct as detailed herein has caused a precipitous decline in the market value of the Company's securities, wiping out over \$60 million in shareholder value.

JURISDICTION AND VENUE

16. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and SEC Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

17. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337 and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

18. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). Many of the acts and transactions alleged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this District.

19. In connection with the challenged conduct, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

20. Plaintiffs William McCaffery, Ginger-Haubeck McCaffery, Joseph Boccuti, Larry Ewing and Stephen Arseneault are each individual investors and, collectively, have been appointed Lead Plaintiffs in this litigation. Each purchased AgFeed securities during the Class Period, and suffered damages as a result of the disclosure of Defendants' material misrepresentations or omissions.

21. Defendant AgFeed is a Nevada corporation that engages in the manufacture and sale of animal nutrition products in China, and in the production of finished and breeding hogs in the United States and China. AgFeed's animal nutrition business serves hog producers throughout southeastern China through five feed mills where AgFeed produces primarily hog feed premix, a nutrient formula that is combined with corn and soy meal to produce complete hog feed. AgFeed also produces hog feed concentrates and complete feed.

22. AgFeed conducts its operations through its subsidiaries, including Shandong AgFeed Agribusiness Co., Ltd. ("Shandong Feed"), Hainan HopeJia Feed Co., Ltd. ("HopeJia"), Nanchang AgFeed Animal Feed Co., Ltd. ("Nanchang Feed"), Shanghai AgFeed Animal Feed Co., Ltd. ("Shanghai Feed"), and Nanning AgFeed Animal Feed Co., Ltd. ("Nanning Feed").

23. AgFeed sells its animal nutrition products through over 1,800 independently owned retail distributors and also sells directly to over 900 large commercial farms. AgFeed's feed operating companies operate manufacturing facilities in the provinces of Jiangxi, Guangxi, Shandong, Hainan, and the municipality of Shanghai.

24. Throughout the Class Period, the Company's principal executive offices were located at 100 Bluegrass Commons Boulevard, Suite 310, Hendersonville, Tennessee. The aggregate

number of shares of AgFeed common stock outstanding as of August 9, 2011, was approximately 64 million shares. AgFeed common stock was listed on the NASDAQ Stock Market ("NASDAQ") under the ticker "FEED" until approximately February 10, 2012, when the Company filed a Form 25 to delist its common stock with the SEC and NASDAQ. AgFeed's common stock currently trades on the over-the-counter "grey market."

25. Defendant John A. Stadler ("Stadler") served as the Company's Chairman of the Board of Directors ("Board") and Interim Chief Executive Officer from ("CEO") February 2011 until December 16, 2011. Stadler served as a Director of the Board from September 2010 to December 16, 2011, and also served as the Company's Interim President from February 2011 to March 31, 2011.

26. Defendant Gerard Daignault ("Daignault") served as the Company's Chief Operating Officer between August 2008 and 2011 and currently serves as Managing Director – Strategic Initiatives. During parts of the Class Period, Defendant Daignault also served as the President and CEO of AgFeed's animal nutrition business.

27. Defendant Clay Marshall ("Marshall") has served as the Company's Chief Financial Officer ("CFO") since July 15, 2011.

28. Defendant Edward Pazdro ("Pazdro") served as the Company's CFO from February 2011 to July 2011 and, prior to that, as acting CFO from November 2010 to February 2011. He has served as the Company's Chief Accounting Officer ("CAO") since spring 2011. During at least parts of the Class Period, Defendant Pazdro was also the CFO of AgFeed International Protein Technology Corporation.

29. Defendant Songyan Li (“Li”) was AgFeed’s Executive Chairman and Chairman of the Board from December 2006 to February 2011 and a director from October 2006 to February 2011. Following his departure as Executive Chairman and Chairman of the Board, Defendant Li remained with AgFeed as Vice Chairman of the Company’s hog production business. Defendant Li was also AgFeed’s Chief Technology Officer from April 2009 to August 2010.

30. Defendant Selina Jin (“Jin”) served as the Company’s CFO from April 16, 2009 to November 9, 2010.

31. Defendant Liangfan Yan (“Yan”) served as the Company’s CFO from 2006 to April 15, 2009. From April 15, 2009 until the end of the Class Period, Defendant Yan served as the Company’s Controller.

32. Defendant Junhong Xiong (“Xiong”) served as the Company’s Vice Chairman of the Board, President, CEO, and director from November 2006 to February 14, 2011. Following his departure as CEO, Defendant Xiong remained with the Company as Chairman of the animal nutrition business.

33. The defendants referenced above in ¶¶ 25 through 32 are collectively referred to herein as the “Individual Defendants,” or when referenced in conjunction with the Company, as the “Defendants.”

34. Defendant Goldman Parks Kurland Mohidin (“Goldman”) is an accounting firm that provided accounting services to AgFeed from at least 2007 to November 2010. Goldman also provided accounting services to at least three other companies associated with Chinese stock promoter Tianbing “Benjamin” Wey, whose New York Global Group was closely affiliated with AgFeed during the Class Period, and engagement partner Mohidin’s prior firm, Kabani & Co.,

provided accounting services to at least eight other Wey-promoted stocks. Goldman was responsible for auditing AgFeed's books and records, and falsely certified that its 2008 and 2009 annual financial statements filed with the SEC conformed with GAAP.

35. Defendant McGladrey & Pullen LLP ("McGladrey") is an accounting firm that replaced Goldman as AgFeed's independent auditor in November 2010 and continued in that capacity through the end of the Class Period. McGladrey audited AgFeed's books and records for the second part of the Class Period, and falsely certified that its 2010 annual financial statements filed with the SEC conformed with GAAP.

36. Defendants Goldman and McGladrey, collectively, are referenced hereafter as the "Accountant Defendants," or when referenced in conjunction with the Company, as the "Defendants."

SUBSTANTIVE ALLEGATIONS

AgFeed's Rapid Expansion

37. AgFeed is engaged in the animal nutrition and commercial hog production business through its operating subsidiaries, Nanchang Best, Shanghai Best, and Guangxi Huijie in China, and M2P2 in the United States.

38. AgFeed went public on or about October 31, 2006 via a reverse merger with Wallace Mountain Resources Corporation, a preexisting Nevada corporation that was already listed and trading on the OTC Bulletin Board. The SEC defines a reverse merger (also known as a reverse takeover or "RTO") as a transaction in which "an existing public 'shell company,' which is a public reporting company with few or no operations, acquires a private operating company—

usually one that is seeking access to funding in the U.S. capital markets.”¹ A reverse merger is perceived to be a cheaper and quicker means of going public than utilizing an initial public offering registered under the Securities Act of 1933. In recent years, Chinese RTOs have come under increased scrutiny and now, as a result of scores of high profile frauds, have a considerably worse reputation than in 2006, when AgFeed went public.

39. AgFeed’s reverse merger was masterminded by a now-infamous stock promoter, Tianbing “Benjamin” Wey (“Wey”), and his firm, New York Global Group (the “NYGG”). As one commentator has described, Wey “acts like a supermarket for a certain kind of Chinese company seeking access to the deep and liquid U.S. capital markets without the messy disclosures that serve as red flags for cautious investors.” Specifically, Wey finds a corporate shell, helps select an attorney, helps raise initial funds through murky deals known as PIPEs (private investment in public equities), promotes the stock and, most importantly, lines up a friendly auditor.² The friendly auditor Wey used to legitimate AgFeed and other Chinese reverse merges was an accountant named Ahmed Mohidin (“Mohidin”), formerly a partner in Kabani & Co. and more recently a named partner at Defendant Goldman.

40. Wey is now notorious because “his deals have systematically collapsed under the weight of claims of poor governance, self-dealing and outright fraud” and “have become graveyards of investor capital.”³ Ultimately, “dubious governance and implausible accounting

¹ See <http://www.sec.gov/investor/alerts/reversemergers.pdf>

² “How They Did It: The Continuing Adventures of Benjamin Wey In The U.S. Capital Markets.” *The Financial Investigator*. <http://www.thefinancialinvestigator.com/?p=529>, p. 1 (Sept. 29, 2011) (accessed May 30, 2012).

³ *Id.*

led to an eventual stock-price collapse for many of [these stocks].”⁴ Wey-sponsored stocks have suffered, on average, an eventual 84% decline from their peak price. AgFeed has fared the worst – it has dropped more than 96% from its peak based mostly on accounting woes.

41. The Oklahoma Department of Securities censured Wey in 2005 for not advising customers of the risks of stocks he sold and not disclosing consulting relationships with some of the companies. Wey agreed to a ban on working in the securities business in the state without admitting to the allegations. AgFeed did not disclose to investors its affiliation with a censured securities professional.

42. On January 25, 2012, the FBI raided Wey’s home and office. Jim Margolin, an FBI spokesman, was quoted as saying that the searches “were conducted in relation to an ongoing FBI investigation.”

43. Wey also facilitates fraud at his clients’ companies. For example, the CEO of Wey’s client SmartHeat, Inc. wanted to dispose of half his shares in SmartHeat. The CEO’s shares were subject to a lock-up agreement that prevented their sale. Moreover, as an officer of SmartHeat, the CEO was required to publicly disclose all transactions he made in SmartHeat’s stock. Hence, the CEO would have been required to disclose the sales, which would have alerted shareholders that he had breached his lock-up agreement.

44. However, Wey helped the CEO skirt the law using a small, disreputable brokerage firm Wey controlled called First Merger Capital, Inc., which had been established with a \$350,000 payment from Wey for unspecified future services. Wey caused his personal counsel, Robert Newman, to be appointed as SmartHeat’s counsel and the escrow agent for the locked-up

⁴ *Id.*

shares. Thereafter, Wey arranged to have Newman sell the CEO's shares through First Merger, for \$23 million, of which First Merger took \$1 million as a bribe. As of the date of this filing, NASDAQ has delisted SmartHeat in the public interest; and, as security for a loan of a mere \$2 million on unfavorable terms, the CEO has obtained a security interest in almost half of SmartHeat's operating subsidiaries.

45. Reflecting on these and other events, Maureen Gearty, formerly of First Merger,⁵ told Plaintiffs' investigator that Wey's various organizations are like "the Mob," led by Wey. As Ms. Gearty had been charged by FINRA for the events leading up to SmartHeat, this was an admission against interest, and hence especially reliable.

Goldman's Relationship With Wey

46. Defendant Goldman is an audit firm with three partners located in Encino, California. It employs sixteen (16) accountants, of whom eight (8) are certified public accountants.

47. According to its report to the PCAOB for FY 2011, Goldman audits twenty-two (22) public companies, and derives 80% of its revenues from these audits.

48. Fifteen (15) of the 22 companies Goldman audits either have their main office in China, or conduct the majority of their operations there. Despite this, Goldman has no office in China.⁶ Instead, to conduct audit work in China, Goldman retains one of two audit firms: Beijing Ever Trust CPAs Co., Ltd. ("BETL")⁷ or Beijing AnShun International CPAs Co., Ltd. ("AnShun").⁸

⁵ Ms. Gearty was employed by First Merger between November 2009 and May 2011.

⁶ Source: Goldman Kurland & Mohidin report to PCAOB for period beginning April 1, 2011.

⁷ Source: AgFeed Industries, Inc., letter to Securities and Exchange Commission dated

49. AnShun receives approximately 90% of its revenues from aiding Goldman in auditing U.S.-listed companies; BETL receives 83% of its revenues from aiding Goldman in auditing U.S.-listed companies.

50. Between them, BETL and AnShun aided Goldman in 12 audits in for the year ended December 31, 2010.⁹ Other than aiding Goldman's audits, BETL and Anshun performed no work for U.S.-based reporting companies.

51. Despite its limited involvement with any of these audit clients, Goldman nevertheless signed audit reports for all 12 firms. Goldman's involvement is limited to drafting a planning memo and training Anshun or BETL personnel.¹⁰ In other words, Goldman outsources to Anshun and BETL the due diligence aspects of its audit. According to one of Goldman's audit clients, "Anshun's international audit department works exclusively for [Goldman] and is, in substance, their office in China."¹¹

52. Wey invariably recommends that clients use Mohidin of Goldman. For example, Wey's client CleanTech Innovations, Inc. was removed from the NASDAQ after it concealed some of Wey's involvement with it. CleanTech later sued the NASDAQ, and attached as

August 17, 2007, answer to question 34 [unpaginated].

⁸ Source: China Recycling Energy Corporation, letter to SEC dated August 31, 2010, answer to question 8 [unpaginated].

⁹ BETL's firms are Deer, SmartHeat, Inc, Shiner International, Inc., and FusionTech, Inc.; Anshun's firms are China Green Material Technologies, Inc., Zoom Technologies, Inc., Sunity Online Entertainment, Ltd., Weikang Bio-Technology Group Co., Inc., U.S. China Mining Group, Inc., Asia Carbon Industries, Inc., Asia Leechdom Holding, Corp., China United Insurance Services, Inc., and China Recycling Energy Corp.

¹⁰ Sources: AgFeed Industries, Inc., letter to Securities and Exchange Commission dated August 17, 2007, answer to question 34 [unpaginated]; China Recycling Energy Corporation, letter to SEC dated August 31, 2010, answer to question 8 [unpaginated].

¹¹ Source: China Recycling Energy Corporation, letter to SEC dated August 31, 2010, answer to question 8 [unpaginated].

exhibits certain of its formal communications with the NASDAQ regarding Wey's role. CleanTech stated that Wey and his New York Global Group had introduced it to a variety of law firms and investment banks, but only one auditor: Goldman.¹²

53. Similarly, Wey's clients employed Ahmed Mohidin at Goldman, or Mohidin at his previous firm, Kabani & Co. Wey's known clients include: Bodisen Biotech, Inc. (delisted and subsequently dismissed Mohidin when it dismissed Wey);¹³ Deer Consumer Products, Inc. (delisted by NASDAQ for making "false and misleading disclosures" and its "involvement in a scheme to illicitly transfer corporate funds to a group of stockbrokers [i.e., Wey and his cronies] through a bogus consulting contract");¹⁴ Genex Pharmaceutical, Inc.;¹⁵ China Natural Gas, Inc., (restated financial results and sued by investors and the SEC for fraud); China Housing & Land Development, Inc.;¹⁶ Shiner International, Inc.;¹⁷ and AgFeed. Because of their relationships with Wey, Goldman and Mohidin are insulated from the reputational effects felt by other auditors who perform shoddy audit work. Goldman and Mohidin will continue to have lucrative relationships with Chinese reverse merger companies so long as they satisfy Wey. Thus, where

¹² Source: *CleanTech Innovations, Inc. v. NASDAQ Stock Market LLC*, Index No./653524-2011, Dkt. # 11-7, Exh. 4 (Email from William Uchimoto, counsel to CleanTech, to Michael J. Wolf of NASDAQ).

¹³ Source: Bodisen Biotech, Inc., 10-K for the year ended December 31, 2007, at F-2, filed with the SEC on April 15, 2008.

¹⁴ Source: Deer Consumer Products, Inc., Form 8-K filed with the SEC on October 9, 2012.

¹⁵ Source: Genex Pharmaceutical, Inc., 10-KSB for the year ended December 31, 2004, filed with the SEC on May 16, 2005.

¹⁶ Source: China Housing & Land Development, Inc., 10-K for the year ended December 31, 2006, at F-2, filed with the SEC on April 2, 2007.

¹⁷ Source: Shiner International, Inc., 10-K for the year ended December 31, 2011, at F-1, filed with the SEC on April 12, 2012.

other auditors seek to cultivate a reputation for probity and independence, Goldman and Mohidin seek to cultivate Wey's good opinion of them and their usefulness to Wey's purposes.

54. Just as Wey regularly installs Goldman as auditor, he regularly installs Arnold Staloff as a director and audit committee member or chair of Wey's companies.

55. Staloff was audit committee chair or member in Wey vehicles SmartHeat, Inc.,¹⁸ CleanTech Innovations, Inc.,¹⁹ Deer Consumer Products, Inc.,²⁰ Shiner International, Inc.,²¹ and, most significantly, AgFeed.²² As audit committee chair or member, Staloff selected the audit firm. In every single case, he made sure to hire the firm chosen by Wey because it would not challenge improper accounting, *i.e.*, Goldman.

56. AnShun and BETL are alter egos, and both are controlled by Wey. In the operation of their businesses, the two firms do not maintain separate identifies but instead operate as one:

- Both claimed to have the same head of their "International Department" -- a graduate of York University in Canada, who is licensed by the State of Delaware as a CPA.^{23,24}
- BETL and Anshun listed the same building as their physical address in their applications to the PCAOB.²⁵

¹⁸ Letter from SmartHeat Inc. to the SEC dated October 7, 2011, at 13.

¹⁹ CleanTech Innovations, Inc., Amended 10-K filed with the SEC on September 30, 2011, at 45.

²⁰ Source: Deer Consumer Products, Inc., Form 10-K for the year ended December 31, 2011, at 40, filed with the SEC on March 29, 2012.

²¹ Shiner International, Inc., Proxy Statement filed April 30, 2010 [unpaginated].

²² AgFeed Industries, Inc., Amended 10-K filed April 30, 2010, at 4.

²³ Source: AgFeed Industries, Inc., letter to Securities and Exchange Commission dated August 17, 2007, answer to question 34 [unpaginated].

²⁴ Source: China Recycling Energy Corporation, letter to SEC dated August 31, 2010, answer to question 8 [unpaginated].

- BETL and Anshun listed the same primary contact in their application -- Xuefei Na -- with the same phone number, fax number, and email prefix (nancy@ansuncpa.com and nancy@evertrustcpa.com) on both applications. Ms. Na is listed Department Manager of BETL and Director of Anshun.²⁶
- There is a Delaware CPA permit-holder named Xuefei Na, who practices in China (license No. CA-0002398). Ms. Na told The Financial Investigator that she graduated from York University in Canada.
- The Financial Investigator visited Anshun's offices, and there obtained a business card belonging to Simon Shang of BETL. The sign on Anshun's offices reads "Beijing Ever Trust Fair Accounting Business Office Company".

AnShun and BETL Are Controlled By Wey

57. Anshun's offices are located in suite 509 of the fifth floor of the He Qiao Building in Beijing. Suites 503-508 are rented by the New York Global Group (the "NYGG") and other entities associated with Benjamin Wey. On its website, the NYGG claims that its Chinese location is the 5th floor of the He Qiao Building C, 8A Guang Hua Road, Chao Yang District, Beijing, China 100026. This is the same physical address the NYGG claims on its website.²⁷

58. According to The Financial Investigator, who visited AnShun's offices, AnShun's offices have a door that opens into the NYGG's offices, and AnShun shares a computer server with the NYGG. Plaintiffs' counsel spoke with a representative of alfredlittle.com; this

²⁵ Sources: Beijing Ever Trust CPAs Co., Ltd., application to practice on Form 1, at 2; Beijing AnShun International CPAs Co., Ltd., application to practice on Form 1, at 2.

²⁶ *Id.*

²⁷ New York Global Group, Contact Us, available at [<.>](http://www.nygggroup.com/contactbenjaminweyandnygg.php?type=2)

representative confirmed that he had independently heard that Anshun shared a server with the NYGG.

59. There is no legitimate business reason for AgFeed's auditor to have a door opening into AgFeed's promoter's offices or to share a server with AgFeed's promoter -- particularly when that promoter is Wey. The professional independence of AgFeed's auditor is plainly compromised because AgFeed's promoter has physical access to that auditor's audit work.

60. Before the Class Period, AgFeed was expressly warned by its investor relations firm regarding Wey, but did not disclose the warning to investors and did not investigate the possibility of Wey's misconduct with respect to AgFeed. Specifically, Dixon Chen of Global Consulting Group warned executives at AgFeed to distance themselves from Wey.

61. In a February 4, 2008 e-mail from Chen to AgFeed's executives, including Defendant Yan, Chen stated that "[m]any people wonder why [Wey] is not in jail for what he did to investors two years ago." Chen also warned that Wey's promotion of AgFeed "exposed the company to liability."²⁸

62. AgFeed ignored these warnings and, despite having knowledge of Wey's misconduct, chose to have its next two annual financial statements audited by Goldman, the accounting firm handpicked by and unofficially affiliated with Wey.

63. To offset any reservations that investors had arising from its reverse merger origins, in addition to upgrading to a NASDAQ listing, AgFeed repeatedly promised to employ the best practices of corporate governance and accounting. For example, prior to the Class Period, an

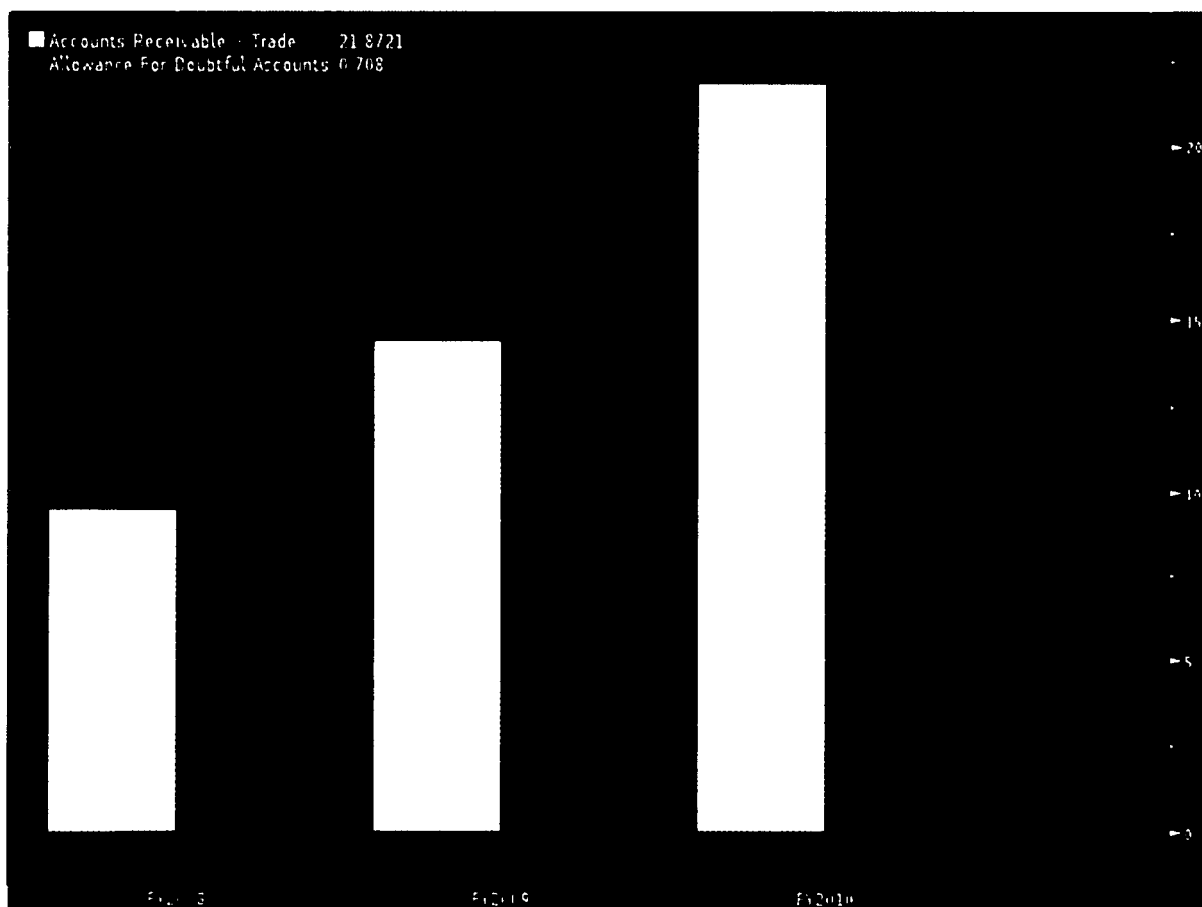
²⁸ Subsequently, Wey sued the maker of these statements for defamation. However, in an opinion dated May 23, 2011, Justice Sherwood of the New York State Supreme Court determined that the allegedly defamatory statements were *substantially true*.

AgFeed representative told *Barron's*, a widely-read investor weekly publication, that AgFeed endeavors “to employ best practices in terms of corporate governance and disclosure.” Similarly, in press releases prior to the Class Period, AgFeed touted its “focus[] on strong corporate governance” and “total commitment to the interest of our public shareholders.”²⁹ AgFeed achieved its uplisting to NASDAQ in 2007, and began trading on its global capital markets under the symbol FEED on or about August 29, 2007.

64. Shortly thereafter, in November 2007, AgFeed began to rapidly expand into the hog breeding and production business by acquiring a 90% stake in Lushan, a significant hog breeding operation in China. By the end of 2008, AgFeed had acquired thirty more meat-producing hog operations in China. AgFeed continued to acquire Chinese hog farms throughout the Class Period, and in September 2010 made its largest acquisition of all – the U.S.-based hog producer M2P2. AgFeed also rapidly expanded its animal feed business by adding hundreds of new distributors and large farm direct customers throughout the Class Period. The assets and financial results of the hog farms AgFeed acquired were included, following acquisition, in the consolidated financial statements that AgFeed reported to investors.

65. Although AgFeed’s receivables, primarily from its animal nutrition business, grew sharply from 2008 to 2010, its allowance for doubtful accounts barely budged during that time period:

²⁹ Norton, Leslie P. “AgFeed Trips on Its Way to the Trough.” *Barron's*. <http://online.barrons.com/article/SB121098117405700167.html> (May 10, 2008) (accessed May 30, 2012).



(source: Bloomberg).

66. By artificially lowering its accrual rate for doubtful accounts, AgFeed was able to boost its financial results during the Class Period. AgFeed senior management, including Defendants, were aware of or recklessly disregarded that doubtful accounts had not been accrued as required by GAAP and were instead held artificially low to hide the fact that AgFeed's accounts receivable consisted in large part of uncollectible debts.

67. All of AgFeed's periodic reports issued during the Class Period falsely represented that AgFeed had prepared its financial statements under U.S. GAAP rules and that the financial statements complied with U.S. GAAP rules. However, AgFeed's decision to artificially lower its allowance for doubtful accounts violated GAAP. The GAAP standard for accounting for

allowances for doubtful accounts receivable, as well as other loss contingencies, is set forth in the Financial Accounting Standards Board's Statement of Financial Accounting Standards ("FAS") 5. Under paragraph 8 of FAS 5:

An estimated loss from a loss contingency shall be accrued by a charge to income if both of the following conditions are met: (a) information available prior to issuance of the financial statements that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements [and] (b) the amount of loss can be reasonably estimated.³⁰

68. FAS 5, paragraph 22 specifies that losses from uncollectable receivables should be accrued when it is probable that the reporting entity will not be able to collect all accounts receivable when due, and can reasonably estimate the overall amount of losses. It is not necessary that the reporting entity be able to identify the particular receivables that are uncollectible; under GAAP, "the allowance for doubtful accounts is fungible and applicable to the balance of receivables as a whole." FAS 5, Paragraph 22. FAS 5 identifies the following evidence as relevant to determining the amount to accrue: (a) experience of the enterprise or reference to the experience of other enterprises in the same business; (b) information about particular debtors' ability to pay (*i.e.*- credit reports, defaults, bankruptcy, financial statements); and (c) appraisal of the receivables in light of the current economic environment. *Id.*, ¶ 23.

³⁰ AgFeed's SEC filings indicate that its underaccrual of losses from doubtful accounts was not caused by any inability to reasonably estimate those losses. Had AgFeed been unable to reasonably estimate all or any part of those losses, GAAP required it to report the nature of any reasonably possible losses and, in lieu of accruing for doubtful accounts, provide either a range of probable losses or a statement that such an estimate cannot be made. *See* FAS 5, ¶ 10. AgFeed did not take that position in any of its Class Period financial statements. To the contrary, AgFeed did accrue allowances for doubtful accounts in each of the Class Periods as set forth in paragraphs 78 to 129, *infra*; it just did so recklessly.

69. AgFeed's decision to accrue only a miniscule portion of its receivables as uncollectible violated GAAP in the face of obvious adverse factors the Company knew would diminish, not enhance, the odds of collecting outstanding receivables.

70. First, as the Company conceded in its Q3 2009 10-Q and other Class Period filings, its animal feed division had engaged in "aggressive sales practices."

71. The Finance Director of Jiangxi Region at AgFeed's Finance Management Department in Nanchang from February 2008 to March 2011 disclosed that this problem related in part to a decision from top management of AgFeed not to allocate sufficient operating capital to the hog farms it acquired, resulting in the inability of those hog farms to pay for premix feed supplied by AgFeed's animal feed division.

72. Plaintiffs' investigator interviewed the Jiangxi Finance Director referenced in Paragraph 71 above, who was responsible for making the annual budget for all of AgFeed's hog farm operations in Jiangxi Province. According to this director, AgFeed's practice was to immediately record sales to hog farms as revenue, and record virtually the full amount as accounts receivable, even though the hog farms had not paid for the feed and did not demonstrate the ability to pay for the feed. This account is corroborated by interviews with the sales director of AgFeed subsidiary Guangxi Huijie, who was employed in that position from January 2010 to May 2012, and a former Deputy General Manager of subsidiary Nanchang AgFeed, who was employed there from 2003 to 2012. The accounts receivable in 2008-2010 were \$9,462,380, \$14,397,793 and \$21,872,121, respectively.

73. Second, as the Company acknowledged in its Class Period 10-Ks, deterioration of credit markets could adversely affect its customers and increase its bad debts.

74. Third, the Company knew that the hog farmers who bought the Company's animal feed products were pressured by the rising price of corn, which had to be mixed with AgFeed's product and, according to AgFeed, comprised 60% of the overall hog feed cost.

75. Fourth, the Company knew that China's hog farmers had boosted inventory in advance of China hosting the 2008 Summer Olympic Games, and were selling off inventory thereafter, pressuring hog prices and therefore margins for end users of its animal nutrition products.

76. Fifth, the Company knew that the financial conditions of its end customers worsened in 2010, when many hogs were lost to flooding. AgFeed's decision to lower its reserve rates in the face of worsening economic trends and known problems adversely affecting the financial condition of its end users directly contravenes both FAS 5 and the manner in which Defendants represented to investors that they would calculate allowances for doubtful accounts, as set forth in Paragraphs 78 -129, *infra*.

77. AgFeed had no reasonable basis for maintaining an artificially low allowance for doubtful accounts, especially because it was expanding into new markets and extending credit to customers it had no basis to believe were creditworthy, and it knew that the end users for its products were facing both macroeconomic and industry-specific difficulties. Nor did AgFeed have any reasonable basis to book invalid debts as "receivables." Nevertheless, by artificially lowering its reserve for doubtful accounts and boosting its reported accounts receivable net of doubtful accounts, AgFeed was able to report artificially high earnings and maintain inflated share prices during the Class Period.

Defendants' Materially False and Misleading Statements In The Class Period

78. The Class Period begins on March 16, 2009, when the Company filed its annual report for the year ended December 31, 2008 on Form 10-K with the SEC ("2008 10-K"). The document was signed by, among others, Defendants Xiong, Li and Yan. The 2008 10-K represented that, as of December 31, 2008, the Company's assets included \$20,616,560 in inventory and \$20,810,094 in plant and equipment (consisting mostly of breeding hogs that the Company valued at \$13,137,425).

79. The 2008 10-K reported \$9.46 million in accounts receivable balance as of December 31, 2008, net of an allowance for doubtful accounts of \$520,413. The Company also stated the following:

Allowance For Doubtful Accounts. We continually monitor customer payments and maintain a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer credit worthiness, geographic risk and the current business environment.

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

80. The 2008 10-K falsely represented that internal control deficiencies had been remedied, primarily by the implementation of security controls and a comprehensive accounting and enterprise resource planning ("ERP") system. As a result, Defendants falsely represented in

the 2008 10-K that "internal control over financial reporting was effective and that there was no material weakness or significant deficiency discovered as of December 31, 2008." The 2008 10-K also represented that AgFeed had prepared its financial statements in accordance with GAAP.

81. Defendants Xiong and Yan each made additional certifications that were incorporated in the 2008 10-K certifying that:

A. the filing fully complied with the requirements of Section 13(a) and 15(d) of the Securities Exchange Act of 1934;

B. the information contained in the filing fairly presents, in all material respects, the financial condition and results of operations of the Company;

C. each had reviewed the filing and determined that the filing did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading;

D. the financial statements, and other financial information included in the filing, fairly presented in all material respects the financial condition, results of operations and cash flows of AgFeed for the periods presented in the filing;

E. Xiong and Yan had designed or supervised the design of disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to them by others within those entities;

F. Xiong and Yan had designed internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States generally accepted accounting principles;

G. Xiong and Yan had evaluated the effectiveness of AgFeed's disclosure controls and procedures and accurately presented the conclusions stated in the body of the report that the controls were effective.

H. Xiong and Yan had accurately disclosed in the filing any material change in the registrant's internal control over financial reporting that occurred during the most recent fiscal quarter; and

I. Xiong and Yan had disclosed to the audit committee all material

deficiencies and signs of fraud.

82. The 2008 10-K also contained, by express consent, the audit report of Goldman. Goldman's audit report falsely characterized Goldman as an "independent" auditing firm, assured investors that Goldman conducted a reasonable audit, and concluded that:

the financial statements referred to above present fairly, in all material respects, the financial position of AgFeed Industries, Inc. as of December 31, 2008, and 2007, and the results of its operations and its cash flows for the years ended December 31, 2008, 2007 and 2006, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, AgFeed Industries, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

83. The statements Defendants made in the 2008 10-K as specified in Paragraphs 78 to 82 above were materially false and misleading because: (a) the Company had materially misstated the value of its key assets – inventory and equipment; (b) the Company had under-reserved for doubtful accounts and had not, as it represented, adjusted the reserves to reflect the changing composition of its receivables, the economic status of its customers, and then-current economic trends; (c) as a result of (a) and (b), the Company's financial statements did not comply with GAAP and did not fairly represent the financial affairs of the Company; (d) the Company lacked effective internal controls; (e) Goldman was not an independent auditing firm but was instead beholden to Benjamin Wey, the same shady stock promoter that pumped AgFeed to public investors; (f) they failed to disclose that AgFeed was affiliated with a person banned by securities regulators, about whose fraudulent conduct AgFeed had been expressly warned; and (g) Goldman had not conducted a reasonable audit of the Chinese operations and thus was unable

to meaningfully determine whether the Company's stated asset values, inventories, allowances, and receivables were accurately reflected on the Company's financial statements.

84. The inflated financial statements and false assurances of effective internal controls allowed the Company to raise \$10 million in a PIPE offering on or around May 7, 2009. In the press release announcing this transaction, Defendant Li boasted that the Company's "ability to acquire this type of equity financing given the nature of the global tight markets... speaks well of how the investment community views AgFeed."

85. On May 11, 2009, the Company filed with the SEC its quarterly report on Form 10-Q for the first quarter ended March 31, 2009 ("Q1 2009 10-Q"). The document was signed by Defendants Xiong and Jin, represented that the financial statements were prepared in accordance with GAAP, and stated that the Company's disclosure controls and procedures were effective. In addition, pursuant to SOX, the Q1 2009 10-Q incorporated certifications signed by Defendants Xiong and Jin, making identical representations to those made by Xiong and Yan with respect to the 2008 10-K as detailed in Paragraph 81 above.

86. The Q1 2009 10-Q reported \$20.59 million of inventory, \$22.75 million in equipment and property (consisting primarily of \$14.75 million in breeding hogs), \$11.97 million in accounts receivable as of the end of the quarter, net of an allowance for doubtful accounts of only \$282,958. The Q1 2009 10-Q also stated the following:

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

Allowance For Doubtful Accounts. We continually monitor customer payments and maintain a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer credit worthiness, geographic risk and the current business environment.

87. The statements Defendants made in the Q1 2009 10-Q as specified in Paragraphs 85 to 86 above were materially false and misleading because: (a) the Company had materially misstated the value of its key assets – inventory and equipment; (b) the Company had underreserved for doubtful accounts and had not, as it represented, adjusted the reserves to reflect the changing composition of its receivables, the economic status of its customers, and then-current economic trends; (c) as a result of (a) and (b), the Company's financial statements did not comply with GAAP and did not fairly represent the financial affairs of the Company; (d) the statements failed to disclose that AgFeed was affiliated with a person banned by securities regulators, about whose fraudulent conduct AgFeed had been expressly warned; and (e) the Company lacked effective internal controls.

88. On August 10, 2009, the Company filed with the SEC its quarterly report on Form 10-Q for the second quarter ended June 30, 2009 ("Q2 2009 10-Q"). The Q2 2009 10-Q was signed by Defendants Xiong and Jin, represented that the financial statements were prepared in accordance with GAAP, and stated that the Company's disclosure controls and procedures were effective. In addition, pursuant to SOX, the Q1 2009 10-Q incorporated certifications signed by

Defendants Xiong and Jin, making identical representations to those made by Xiong and Yan with respect to the 2008 10-K as detailed in Paragraph 81 above.

89. The Q2 2009 10-Q reported that AgFeed had \$22.52 million in inventory at the end of the quarter, \$23.55 million in equipment and property (consisting primarily of \$14.46 million in breeding hogs), \$14.6 million in accounts receivable, net of an allowance for doubtful accounts of only \$69,660. The 10-Q also stated the following:

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

Allowance For Doubtful Accounts. We continually monitor customer payments and maintain a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer credit worthiness, geographic risk and the current business environment.

90. The statements Defendants made in the Q2 2009 10-Q as specified in Paragraphs 88 to 89 above were materially false and misleading because: (a) the Company had materially misstated the value of its key assets – inventory and equipment; (b) the Company had underreserved for doubtful accounts and had not, as it represented, adjusted the reserves to reflect the changing composition of its receivables, the economic status of its customers, and then-current economic trends; (c) as a result of (a) and (b), the Company's financial statements did not comply with GAAP and did not fairly represent the financial affairs of the Company; (d)

the statements failed to disclose that AgFeed was affiliated with a person banned by securities regulators, about whose fraudulent conduct AgFeed had been expressly warned; and (e) the Company lacked effective internal controls.

91. AgFeed continued to take advantage of its inflated financial statements and false assurances of effective internal controls to raise capital. On September 10, 2009, AgFeed announced that it had entered into an Equity Credit Agreement with an institutional investor, giving the Company the option to put to the investor up to \$50 million in AgFeed shares.

92. On November 9, 2009, the Company filed with the SEC its quarterly report on Form 10-Q for the third quarter ended September 30, 2009 ("Q3 2009 10-Q"). The Q3 2009 10-Q was signed by Defendants Xiong and Jin, represented that the financial statements were prepared in accordance with GAAP, and stated that the Company's disclosure controls and procedures were effective. In addition, pursuant to SOX, the Q1 2009 10-Q incorporated certifications signed by Defendants Xiong and Jin, making identical representations to those made by Xiong and Yan with respect to the 2008 10-K as detailed in Paragraph 81 above.

93. The Q3 2009 10-Q reported \$22.02 million in inventory at the end of the quarter, \$23.06 million in equipment and property (consisting primarily of \$13.33 million in breeding hogs), \$16.2 million in accounts receivable, net of an allowance for doubtful accounts of only \$246,847. The Q3 2009 10-Q also stated the following:

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

Allowance For Doubtful Accounts. We continually monitor customer payments and maintain a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer credit worthiness, geographic risk and the current business environment.

94. The statements Defendants made in the Q3 2009 10-Q as specified in Paragraphs 92 to 93 above were materially false and misleading because: (a) the Company had materially misstated the value of its key assets – inventory and equipment; (b) the Company had underreserved for doubtful accounts and had not, as it represented, adjusted the reserves to reflect the changing composition of its receivables, the economic status of its customers, and then-current economic trends; (c) as a result of (a) and (b), the Company's financial statements did not comply with GAAP and did not fairly represent the financial affairs of the Company; (d) the statements failed to disclose that AgFeed was affiliated with a person banned by securities regulators, about whose fraudulent conduct AgFeed had been expressly warned; and (e) the Company lacked effective internal controls.

95. In January and February 2010, AgFeed announced a series of realignments intended to split leadership between its animal feed and its hog production operations. Each of the two business units was provided its own board, CEO, and CFO. AgFeed further announced that it would sell up to 20% of its animal feed subsidiary to investors in an initial public offering.

96. Also in January 2010, JunQin Xiong, an affiliate of AgFeed and brother of Defendant Xiong, reported that he would sell 716,078 shares of AgFeed stock, taking advantage of the artificially increased share price.

97. On March 8, 2010, the Company filed with the SEC its annual report on Form 10-K for the year ended December 31, 2009 ("2009 10-K"). For the year, the Company reported net income of \$10.35 million or \$0.25 diluted EPS, and revenue of \$173.2 million, as compared to net income of \$16.95 million or \$0.53 diluted EPS and revenue of \$143.66 million for the same period the previous year. The 2009 10-K was signed by Defendants Xiong and Jin, represented that the financial statements were prepared in accordance with GAAP, and stated that the Company's disclosure controls and procedures were effective. In addition, pursuant to SOX, the 2009 10-K incorporated certifications signed by Defendants Xiong and Jin, making identical representations to those made by Xiong and Yan with respect to the 2008 10-K as detailed in Paragraph 81 above.

98. The 2009 10-K reported \$23.84 million in inventory at the end of the fiscal year, \$26.99 million in equipment and property (consisting primarily of \$13.43 million in breeding hogs), \$14.4 million in accounts receivable, net of an allowance for doubtful accounts of only \$415,765. Despite rapidly increasing revenues in a difficult macroeconomic environment, the 2009 10-K stated that AgFeed only accrued \$196,005 in bad debt expense for 2009. The document was signed by, among others, Defendants Xiong, Li and Jin. In addition, pursuant to SOX, the Form 10-K contained certifications signed by Xiong and Jin, stating that the financial information contained therein was accurate, and that they disclosed any material changes to the Company's internal control over financial reporting.

99. The 2009 10-K reported \$14.4 million in accounts receivable balance as of December 21, 2009, and an allowance for doubtful accounts of only \$415,765. The 2009 10-K also stated the following:

Allowance For Doubtful Accounts. We continually monitor customer payments and maintain a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer credit worthiness, geographic risk and the current business environment.

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

100. The 2009 10-K also contained, by express consent, the audit report of Goldman. Goldman's audit report falsely characterized Goldman as an "independent" auditing firm, assured investors that Goldman conducted a reasonable audit, and concluded that:

the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AgFeed Industries, Inc. and subsidiaries as of December 31, 2009, and 2008, and the consolidated results of their operations and their cash flows for the years ended December 31, 2009, 2008 and 2007, in conformity with accounting principles generally accepted in the United States of America. In our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

101. The statements Defendants made in the 2009 10-K as specified in Paragraphs 97 to 100 above were materially false and misleading because: (a) the Company had materially misstated the value of its key assets – inventory and equipment; (b) the Company had underreserved for doubtful accounts and had not, as it represented, adjusted the reserves to reflect the changing composition of its receivables, the economic status of its customers, and then-current economic trends; (c) as a result of (a) and (b), the Company's financial statements did not comply with GAAP and did not fairly represent the financial affairs of the Company; (d) the Company lacked effective internal controls; (e) Goldman was not an independent auditing firm but was instead beholden to Benjamin Wey, the same shady stock promoter that pumped AgFeed to public investors; (f) the statements failed to disclose that AgFeed was affiliated with a person banned by securities regulators, about whose fraudulent conduct AgFeed had been expressly warned; and (g) Goldman had not conducted a reasonable audit of the Chinese operations and thus was unable to meaningfully determine whether the Company's stated asset values, inventories, allowances, and receivables were accurately reflected on the Company's financial statements.

102. On May 10, 2010, the Company filed a Form 10-Q for the first quarter ended March 31, 2010 ("Q1 2010 10-Q") with the SEC, reporting its financial results for that quarter. The Q1 2010 10-Q was signed by Defendants Xiong and Jin, stated that the financial statements were prepared by AgFeed in accordance with GAAP, and stated that the Company's disclosure controls and procedures were effective. In addition, pursuant to SOX, the Q1 2010 10-Q incorporated certifications signed by Defendants Xiong and Jin, making identical representations

to those made by Xiong and Yan with respect to the 2008 10-K as detailed in Paragraph 81 above.

103. The Q1 2010 10-Q reported \$25.65 million in inventory as of the end of the quarter, \$27.51 million in equipment and property (consisting primarily of \$12.55 million of breeding hogs), and \$23.0 million in accounts receivable balance, net of an allowance for doubtful accounts of only \$498,612. The Q1 2010 10-Q also stated the following:

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

Allowance For Doubtful Accounts. We continually monitor customer payments and maintain a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer credit worthiness, geographic risk and the current business environment.

104. The statements Defendants made in the Q1 2010 10-Q as specified in Paragraphs 102 to 103 above were materially false and misleading because: (a) AgFeed had not prepared the financial statements but had instead outsourced that task to an undisclosed and incompetent "third party service provider" that failed to comply with GAAP; (b) the Company had materially misstated the value of its key assets – inventory and equipment; (c) the Company had underreserved for doubtful accounts and had not, as it represented, adjusted the reserves to reflect the changing composition of its receivables, the economic status of its customers, and

then-current economic trends; (d) as a result of (b) and (c), the Company's financial statements did not comply with GAAP and did not fairly represent the financial affairs of the Company; (e) the statements failed to disclose that AgFeed was affiliated with a person banned by securities regulators, about whose fraudulent conduct AgFeed had been expressly warned; and (f) the Company lacked effective internal controls.

105. On August 9, 2010, the Company filed a Form 10-Q for the second quarter ended June 30, 2010 ("Q2 2010 10-Q") with the SEC, reporting its financial results for that quarter. The Q2 2010 10-Q was signed by Defendants Xiong and Jin, stated that the financial statements were prepared by AgFeed in accordance with GAAP, and stated that the Company's disclosure controls and procedures were effective. In addition, pursuant to SOX, the Q2 2010 10-Q incorporated certifications signed by Defendants Xiong and Jin, making identical representations to those made by Xiong and Yan with respect to the 2008 10-K as detailed in Paragraph 81 above.

106. The Q2 2010 10-Q reported \$27.29 million in inventory, \$33.91 million in equipment and property (consisting primarily of \$13.41 million of breeding hogs), and \$17.4 million in accounts receivable balance, net of an allowance for doubtful accounts of only \$609,980. The Q2 2010 10-Q also stated the following:

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

Allowance For Doubtful Accounts. We continually monitor customer payments and maintain a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the

reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer credit worthiness, geographic risk and the current business environment.

107. The statements Defendants made in the Q2 2010 10-Q as specified in Paragraphs 105 to 106 above were materially false and misleading because: (a) AgFeed had not prepared the financial statements but had instead outsourced that task to an undisclosed and incompetent "third party service provider" that failed to comply with GAAP; (b) the Company had materially misstated the value of its key assets – inventory and equipment; (c) the Company had underreserved for doubtful accounts and had not, as it represented, adjusted the reserves to reflect the changing composition of its receivables, the economic status of its customers, and then-current economic trends; (d) as a result of (b) and (c), the Company's financial statements did not comply with GAAP and did not fairly represent the financial affairs of the Company; (e) the statements failed to disclose that AgFeed was affiliated with a person banned by securities regulators, about whose fraudulent conduct AgFeed had been expressly warned; and (f) the Company lacked effective internal controls.

108. On August 10, 2010, the Company issued a press release announcing its financial results for the second quarter of 2010. The release touted increasing revenue in the animal nutrition business and attempted to assuage any concerns investors might have about account receivables, quoting Defendant Daignault for the proposition that while the Company had from time to time "supported its customers with extended payment terms," it had "limited this practice during the quarter and reduced accounts receivable by over \$5.6 million from March 31st."

Defendant Daignault's statements were false and misleading because they omitted that the Company had failed to properly adjust the accounts receivable to allow for doubtful accounts and invalid debts.

109. On September 13, 2010, AgFeed announced that it had completed its acquisition of M2P2, a major hog producer in the United States. In connection with the merger, M2P2's chairman, Defendant Stadler, became a director of AgFeed.

110. On November 9, 2010, the Company filed a Form 10-Q for the third quarter ended September 30, 2010 ("Q3 2010 10-Q") with the SEC, reporting its financial results for that quarter. The Q3 2010 10-Q was signed by Defendants Xiong and Pazdro, stated that the financial statements were prepared by AgFeed in accordance with GAAP, and stated that the Company's disclosure controls and procedures were effective. In addition, pursuant to SOX, the Q3 2010 10-Q incorporated certifications signed by Defendants Xiong and Pazdro, making identical representations to those made by Xiong and Yan with respect to the 2008 10-K as detailed in Paragraph 81 above.

111. The Q3 2010 10-Q reported \$85.48 million in inventories as of the end of the quarter, \$59.77 million in equipment and property (including \$17.53 million in breeding hogs) and \$19.93 in accounts receivable, net of an allowance for doubtful accounts of only \$536,110. The 10-Q also stated the following:

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

Allowance For Doubtful Accounts. We continually monitor customer payments and maintain a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer credit worthiness, geographic risk and the current business environment.

112. The statements Defendants made in the Q3 2010 10-Q as specified in Paragraphs 110 to 111 above were materially false and misleading because: (a) AgFeed had not prepared the financial statements but had instead outsourced that task to an undisclosed and incompetent "third party service provider" that failed to comply with GAAP; (b) the Company had materially misstated the value of its key assets – inventory and equipment; (c) the Company had underreserved for doubtful accounts and had not, as it represented, adjusted the reserves to reflect the changing composition of its receivables, the economic status of its customers, and then-current economic trends; (d) as a result of (b) and (c), the Company's financial statements did not comply with GAAP and did not fairly represent the financial affairs of the Company; (e) the statements failed to disclose that AgFeed was affiliated with a person banned by securities regulators, about whose fraudulent conduct AgFeed had been expressly warned; and (f) the Company lacked effective internal controls.

The Truth Emerges Through a Series of Partial Disclosures

113. On March 16, 2011, the Company filed with the SEC its annual report on Form 10-K for the year ended December 31, 2010 ("2010 10-K"). For the year, the Company reported a net loss of \$42.7 million or (\$0.90) diluted EPS, and revenue of \$243.6 million, as compared to

net income of \$10.35 million or \$0.25 diluted EPS and revenue of \$173.2 million for the same period the previous year. The 2010 10-K, signed by, among others, Defendants Stadler and Pazdro, represented that AgFeed had prepared financial statements in accordance with GAAP, and stated that the Company's disclosure controls and procedures were effective. In addition, pursuant to SOX, the 2010 10-K incorporated certifications signed by Defendants Stadler and Pazdro, making identical representations to those made by Xiong and Yan with respect to the 2008 10-K as detailed in Paragraph 81 above.

114. The 2010 10-K reported \$84.58 million in inventories at the end of the fiscal year, \$66.0 million in equipment and property (including \$13.28 million in breeding hogs), and \$21.87 million in accounts receivable, net of an allowance for doubtful accounts of only \$707,968. The 2010 10-K also stated the following:

Allowance For Doubtful Accounts. We continually monitor customer payments and maintain a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer credit worthiness, geographic risk and the current business environment.

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

115. The 2010 10-K contained, by express consent, the audit report of McGladrey. McGladrey's audit report asserted that the audit had provided "a reasonable basis" for McGladrey's opinion, and identified "[t]he following material weaknesses":

(1) Ineffective controls over review of U.S. Generally Accepted Accounting Principles (US GAAP) financial statements.

Management engaged a third party service provider during the year to prepare consolidated financial statements and identify adjustments for preparation of financial statements in conformity with US GAAP. Both the outsourced third party service provider and management failed to identify all necessary GAAP adjustments. As a result, certain adjustments of a material level were recorded in the December 31, 2010 financial statements and reflected in reported results.

(2) Ineffective controls over monitoring of the adequacy of accruals over payroll-related expenses at the hog companies

Certain hog production companies in China have not accrued sufficient payroll-related expenses related to their farmer employees who reside in certain rural areas. As such, a material adjustment was recorded to accrue for the under-provision of such expenses.

116. McGladrey concluded that "because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, AgFeed Industries, Inc. has not maintained effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission." McGladrey did not include similar cautionary language with respect to the financial statements contained in the 2010 10-K. Instead, McGladrey recklessly blessed the 2010 financial statements with an "unqualified" opinion that did not note any GAAP violations or deficiencies. Moreover, McGladrey in its audit letter did not reveal the most serious Class Period misrepresentations

regarding accounts receivable, allowance for doubtful accounts, and asset valuations in the Chinese hog division, as outlined in Paragraphs 78 to 112 above.

117. The statements Defendants made in the 2010 10-K as specified in Paragraphs 113 to 116 above were materially false and misleading because: (a) the Company had materially misstated the value of its key assets – inventory and equipment; (b) the Company had underreserved for doubtful accounts and had not, as it represented, adjusted the reserves to reflect the changing composition of its receivables, the economic status of its customers, and then-current economic trends; (c) the Company engaged a third party service provider during the year to prepare consolidated financial statements but failed to disclose that fact or identify the third party service provider in the 2010 10-K or in relevant previous filings; (d) as a result of (a) (b) and (c), the Company's financial statements did not comply with GAAP and did not fairly represent the financial affairs of the Company; (e) the Company lacked effective internal controls; and (f) McGladrey had not conducted a reasonable audit of the Chinese operations and thus was unable to meaningfully determine whether the Company's stated asset values, inventories, allowances, and receivables were accurately reflected on the Company's financial statements.

118. On May 10, 2011, the Company filed with the SEC its quarterly report on Form 10-Q for the first quarter ended March 31, 2011 ("Q1 2011 10-Q"). The document, signed by Defendants Stadler and Pazdro, represented that the financial statements were prepared in accordance with GAAP, and stated that the Company's disclosure controls and procedures were effective. In addition, pursuant to SOX, the Q1 2011 10-Q incorporated certifications signed by

Defendants Stadler and Pazdro, making identical representations to those made by Xiong and Yan with respect to the 2008 10-K as detailed in Paragraph 81 above.

119. The Q1 2011 10-Q reported \$85.74 million in inventories as of the end of the quarter, \$67.1 million in equipment and property (including \$15.36 million in breeding hogs), and \$28.7 million in accounts receivable, net of an allowance for doubtful accounts of \$1.93 million. The 10-Q also stated the following:

Accounts receivable are carried at original invoice less an estimate for doubtful accounts. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Accounts receivable are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The Company's accounts receivable and reserves for doubtful accounts are substantially representative of its credit dealings with animal nutrition customers. The Company ages its receivables into traditional 30-day buckets and monitors the customers and balances on a regular basis. Generally the Company uses a formula-based analysis to more broadly assign collection risk to its aging groups primarily over 90 days past due, subject to specific customer review. This formula-based approach applies a declining percentage of collectability to each bucket-aging category at least 90 days past due as the past due days increase. For the current quarter, however, the Company placed greater reliance on individual customer assessment and then applied an overall factor of collection as it believes the Company is experiencing a new set of market dynamics exacerbated by the reorganization of its animal feed nutrition segment, cash constraints of its long-standing customers related to increasing feed raw material costs and herd expansion initiatives. [emphasis added]

Allowance For Doubtful Accounts. We continually monitor customer payments and maintain a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length

of time the receivables are past due, customer credit worthiness, geographic risk and the current business environment.

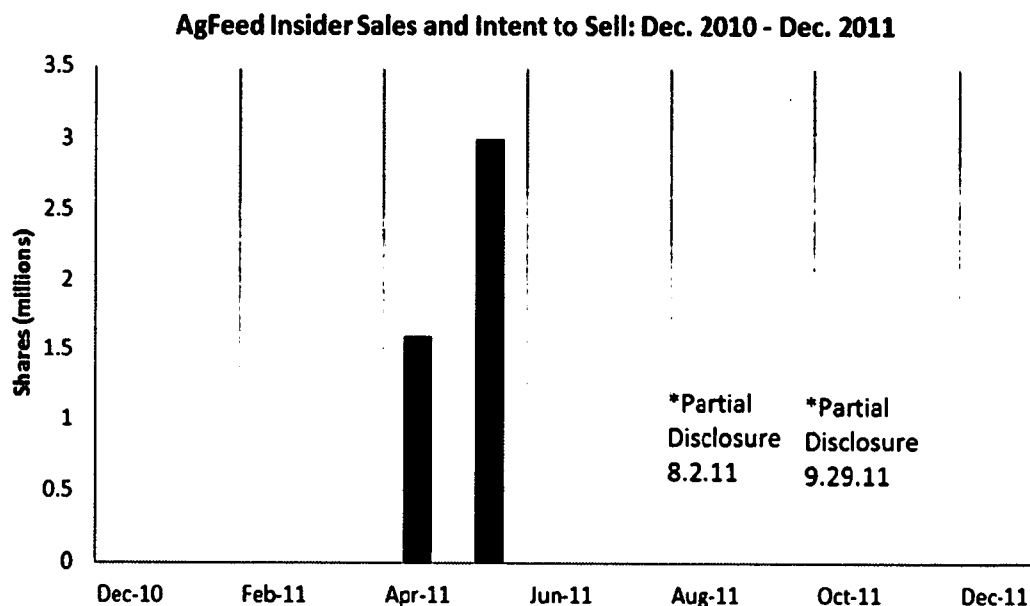
120. The statements Defendants made in the Q1 2011 10-Q as specified in Paragraphs 118 to 119 above were materially false and misleading because: (a) the Company had materially misstated the value of its key assets – inventory and equipment; (b) the Company had underreserved for doubtful accounts and had not, as it represented, adjusted the reserves to reflect the changing composition of its receivables, the economic status of its customers, and then-current economic trends; (c) as a result of (a) and (b), the Company's financial statements did not comply with GAAP and did not fairly represent the financial affairs of the Company; and (d) the Company lacked effective internal controls.

121. Understanding that their scheme was unraveling, AgFeed insiders took advantage of the still-inflated share prices to dump millions of shares on unsuspecting public investors. Form 144 insider sale forms filed with the SEC on or about May 13, 2011 indicated that:

- Yunlin Zheng, a corporate officer at AgFeed, had already sold 805,674 shares, or approximately 42.7% of his holdings, on or around April 9, 2011.
- Zhengru Xiong, a Company founder and corporate officer had sold an equal number of shares, 805,674 shares (also approximately 42.7% of his holdings), on or around April 9, 2011.
- JunQing Xiong, an AgFeed affiliate, intended to sell 2,356,074 shares, or approximately 49.6% of his holdings, in the following two days. Virtually all of these shares were funneled to him by his brother, Defendant Xiong.

- Defendant Li, who was then Vice Chairman of the Company's hog production business, filed to sell 734,328 shares, or approximately 40.2% of his holdings, in the following two days.

122. The combined value of the insider transactions described in the Form 144 filings detailed in Paragraph 121 above was over \$8.7 million (based on an approximate sales price of \$1.92 per share on April 9, 2011 and \$1.65 per share on May 15, 2011. These insider sales, which came just as the Company's accounting irregularities were beginning to surface and only months before the worst deficiencies were revealed, were highly unusual and uncharacteristic:



123. On August 2, 2011, the Company disclosed losses for the second quarter ended June 30, 2011 due principally to reserves and write-offs charged against accounts receivable. Specifically, the Company disclosed the following, in relevant part:

For the second quarter of 2011, the Company expects to report revenues of approximately \$84.0 million and a net loss of approximately \$17 million for the three months ended June 30, 2011. This loss includes an expense

of \$9.2 million related to the collection of outstanding accounts receivable in the Company's Chinese animal nutrition business and an additional \$5.0 million of bad debt allowance to increase its bad debt provision from \$1.9 million to \$7.0 million. Accordingly, we expect accounts receivable to decrease by approximately \$14.2 million. The operating pressures facing the Company's customers has led management and the board to be aggressive in establishing reserves due to concerns regarding credit quality. The Company's leadership remains committed to pursuing every available remedy to collect all amounts due.

124. Also on August 2, 2011, the Company conducted its annual meeting of stockholders in Hendersonville, Tennessee. A copy of the Company's presentation to investors filed with the SEC on Form 8-K indicates that management continued to make overly optimistic projections, serving to buffer the adverse disclosures made in the Company's press release earlier that day. For example, while the Company acknowledged less favorable market conditions in China, it assured investors that "a base of U.S. domiciled cash flow which will provide opportunities to issue debt and achieve a better balance to our capital structure."

125. The statements set forth in Paragraphs 123 to 124 were materially false and misleading because: (a) the Company had materially misstated the value of its key assets – inventory and equipment; (b) the Company had underreserved for doubtful accounts and had not, as it represented, adjusted the reserves to reflect the changing composition of its receivables, the economic status of its customers, and then-current economic trends; (c) as a result of (a) and (b), the Company's financial statements still did not comply with GAAP and did not fairly represent the financial affairs of the Company; (d) the Company lacked effective internal controls; (e) the Company's adverse results in the Chinese animal nutrition business were not due to recent market events, but to economic conditions that were known to the Company for years and should have been reserved for throughout the Class Period; (f) the statements failed to disclose that

AgFeed was affiliated with a person banned by securities regulators, about whose fraudulent conduct AgFeed had been expressly warned; and (g) prior to the publication of the press release, Chinese courts had entered settlement agreements confirming that at least \$7 million of the Company's so-called receivables were invalid and uncollectable.

126. As a result of the August 2, 2011 partial disclosure, AgFeed's stock plummeted \$0.65 or nearly 33%, to close at \$1.34 on August 2, 2011. For the next four trading sessions, AgFeed stock declined an additional \$0.32 or nearly 24%, to close at \$1.02 on August 8, 2011.

127. On August 9, 2011, after the market closed, the Company filed a Form 10-Q with the SEC for the second quarter ended June 30, 2011 ("Q2 2011 10-Q"). Consistent with the prior press release, the Q2 2011 10-Q stated that the Company had \$13.2 million in accounts receivable, net of a \$7 million allowance for doubtful accounts as of June 30, 2011.

128. On September 29, 2011, after the market closed, AgFeed filed a Form 8-K with the SEC conceding, *inter alia*, that there was sufficient question as to the validity, as well as the collectability, of the accounts receivable from its animal nutrition business (constituting most of the Company's overall accounts receivables), and of irregularities in accounting for assets in the hog division that provided the majority of AgFeed's revenues during the Class Period, to warrant a special investigative committee:

AgFeed Industries, Inc. announced today that its Board of Directors has established a special committee to investigate the accounting relating to certain of the Company's Chinese farm assets (acquired during 2007 and 2008) used in its hog production business, as well as the validity and collectability of certain of the Company's accounts receivables relating to its animal nutrition business in China and any other issues that may arise during the course of the investigation.

129. As a result of the September 29, 2011 partial disclosure, AgFeed stock declined an additional \$0.25 or 38% in two consecutive trading sessions, to close at \$0.40 on October 3, 2011.

Post-Class Period Events Confirm Defendants' Fraud

130. On November 10, 2011, the Company filed a Form 8-K with the SEC announcing that the audit committee of the Company's board of directors had concluded that GAAP required it to cure its underreserving of accounts receivable in its animal nutrition business by recording an additional \$7 million charge against earnings, above and beyond the charges previously disclosed. The Company further conceded that the \$7 million were related to Chinese court-ordered settlement agreements entered between July 7, 2011 and July 28, 2011, prior to the Company's filing of its Q2 2011 10-Q on August 9, 2011.

131. On December 16, 2011, Defendant Stadler tendered his resignation as Chairman of the Board and Interim Chief Executive Officer and as a director of the Company, falsely claiming that the resignation was for "personal reasons" rather than a desire to separate himself from the misconduct alleged herein.

132. Three days later, on December 19, 2011, the Company filed a Form 8-K with the SEC admitting that the special investigative committee formed at the end of the Class Period concluded that, like the Company's 2008 financial statements, its financial statements for 2009, 2010, and 2011 were false and unreliable due to "accounting improprieties":

The facts learned in the Investigation to date indicate that the Company's financial accounting staff and management based in China engaged in accounting improprieties during 2009 and 2010 and the first two quarters of 2011 in connection with the Company's Chinese legacy hog production business that they concealed from the Company's management in the United States. The facts

learned in the Investigation to date do not indicate that such improprieties occurred outside of the Chinese legacy hog production business or involved members of the Company's staff and management located in the United States.

After discussing the facts learned in the Investigation to date with management, the Company's audit committee concluded on December 16, 2011 that the Company's previously issued unaudited financial statements for the quarters ended March 31 and June 30, 2011, as well as its audited financial statements for the years ended December 31, 2010 and 2009, should be restated. As a result, the Company's consolidated balance sheets as of March 31 and June 30, 2011 and December 31, 2010 and 2009, the Company's consolidated statements of operations and other comprehensive income (loss) for the quarters ended March 31 and June 30, 2011 and the years ended December 31, 2010 and 2009, the Company's consolidated statements of cash flows for the quarters ended March 31 and June 30, 2011 and the years ended December 31, 2010 and 2009 and the footnotes thereto should no longer be relied upon. Management discussed these matters with the Company's independent registered public accounting firms for the applicable periods. These restatements are in addition to those previously reported by the Company in its Current Report on Form 8-K filed with the Commission on November 10, 2011.

133. On January 31, 2012, while its stock remained halted, the Company filed a Form 8-K announcing its intent to voluntarily delist its common stock from the NASDAQ. On information and belief, the Company did so to avoid a mandatory delisting. Plaintiffs base this belief on the facts that: (a) the Company was in clear violation of NASDAQ listing requirements; and (b) AgFeed shares were halted by NASDAQ at the time it "voluntarily" delisted from NASDAQ.

134. As of the date of this filing, the Company has still failed to restate its financial statements to disclose its true financial results during the Class Period.

Additional Allegations Regarding The Accountant Defendants

135. Both Goldman and McGladrey misrepresented in the audit reports they caused to be included in the 2008 and 2009 10-Ks (Goldman) and the 2010 10-K (McGladrey and

Goldman) that they conducted their respective audits pursuant to Generally Accepted Auditing Standards ("GAAS"), and that a proper audit concluded that, without qualification, that the financial statements contained in the respective 10-Ks complied with U.S. GAAP. In fact, none of their audits were conducted consistent with GAAP, and the only reason they were able to provide AgFeed with unqualified audit opinions was their own recklessness in the conduct of the audits and refusal to investigate red flags.

136. GAAS are the standards prescribed by the Auditing Standards Board of the American Institute of Certified Public Accountants ("AICPA") for the conduct of auditors in the performance of an examination of management's financial statements.

Goldman's Misrepresentation of Itself As An Independent Auditor

137. Goldman's 2007 and 2008 audit letters each describe Goldman as an "independent" accounting firm. These representations were false and misleading because Goldman did not maintain the independence required under GAAS. The Second General Standard under GAAS requires that auditors "maintain independence in mental attitude in all matters relating to the audit." According to the AICPA's interpretive Statement of Accounting Standards 1, § 220:

This standard requires that the auditor be independent; aside from being in public practice (as distinct from being in private practice), he must be without bias with respect to the client since otherwise he would lack that impartiality necessary for the dependability of his findings, however excellent his technical proficiency may be.

138. Defendant Goldman violated GAAS's independence standard and misrepresented both its own independence and the propriety of its audits because Goldman did not maintain independence. Far from being independent, Goldman was deeply beholden to AgFeed's stock

promoter, Wey, and in through this obligation, to AgFeed's management. AgFeed's auditing engagement was secured and overseen by Ahmed Mohidin ("Mohidin"), who himself was deeply beholden to Wey and profited substantially from his decade-long relationship with Wey. As detailed by a leading investigative reporter, Wey consistently caused the shoddy Chinese reverse mergers he brought public to engage Mohidin's firm (originally Kabani and more recently Defendant Goldman) as its "independent" auditor.³¹ This created a steady and profitable revenue stream for Mohidin and his firms, including Defendant Goldman. Moreover, with AgFeed, and with at least four other now-disgraced Wey stock promotions (DEER Products, SmartHeat, Bodisen Biotech, and Cleantech Innovations), Wey enforced the selection of Mohidin's firm as auditor by installing a Wey affiliate, Arnold Staloff, as a director in charge of the audit committee.

139. Wey and Defendant Goldman's partner, Mohidin, had a reciprocal relationship. Using his control of management and the audit committee of the board of directors, Wey ensured that his client companies would steer audit business to Mohidin. Mohidin, in turn, provided soft audits that allowed the companies to hide financial irregularities and/or deficiencies internal controls.

140. In addition to its own ties with Wey, Goldman retained third-party Chinese accounting firms BETL and Anshun that were also under Wey's influence to perform critical field work. BETL and Anshun worked out of the Chinese office building of Wey's firm, NYGG, and had a side door that opened directly into NYGG's offices. According to one visitor, BETL even shared a computer server with NYGG. BETL and AnShun, were consistently provided

³¹ See <http://www.thefinancialinvestigator.com/resources/mohidin.jpg>.

field work on audits of Wey-promoted companies and, on information and belief, such field work was the primary source of their revenues.

141. By virtue of its own ties to Wey, its outsourcing of field work to a Chinese firm tied to Wey, and its relationship with audit committee chair Staloff who was installed by Wey, Defendant Goldman was unable to provide the independence required under GAAS. Defendant Goldman recklessly omitted these ties from investors in misrepresenting itself as independent.

Defendant Goldman Misrepresents the Thoroughness of its Audit

142. Each of Goldman's audit reports in the Class Period misrepresented that Goldman had "conducted [its] audits in accordance with the standards of the Public Company Accounting Oversight Board (United States)," which it acknowledged required Goldman to "plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects." In fact, Goldman failed to plan and perform the audit in conformance with required standards in two material respects.

143. First, Goldman outsourced virtually all of the field work to a third-party entity, BETL and/or Anshun, and lacked reasonable assurance that BETL and/or Anshun had adequately determined the fair value of assets, including property, equipment and inventory in the hog business and accounts receivable and a corresponding allowance for doubtful accounts in the animal feed business. Indeed, in a review of a Goldman audit of AgFeed by the Public Company Accounting Oversight Board ("PCAOB"), PCAOB investigators found that the audit "included deficiencies of such significance that it appeared to the inspection team that the Firm

did not obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements." See PCAOB Release No. 104-2011-224.³²

144. Second, Goldman recklessly disregarded numerous red flags indicating a likelihood that AgFeed's financial statements were not "free of misstatement" and that AgFeed did not maintain "effective control over financial reporting." GAAS³³ provides that an auditor's "professional care requires the auditor to exercise professional skepticism," including having "a questioning mind and a critical assessment of audit evidence." Statement of Auditing Standards No. 99. To exercise this duty, an auditor must consider known external and internal factors that create incentives for misrepresentation or provide the opportunity for fraud to be perpetrated. *Id.* Moreover, an auditor is not free to disregard red flags, but instead must "acquire additional evidence as necessary ... rather than rationalize or dismiss" suspicious information. *Id.*

145. Despite these obligations, Goldman repeatedly and recklessly disregarded red flags that alerted it to the possibility of fraud and the need for a more thorough audit. By the time that Defendant Goldman had issued its audit reports in March 2009 and 2010, Goldman was well aware that Wey's reverse-merger stock promotions were riddled with fraud, and that Wey himself had been charged with improprieties by the State of Oklahoma and by investors in another Wey firm that Goldman audited, Bodisen Biotech. Goldman also knew that prior to its

³² Plaintiffs are informed and believe that the audit in question involved AgFeed. While the PCAOB Release does not expressly indicate that the Goldman audit found to be deficient was an AgFeed audit, the attached correspondence indicates that the audit involved the mispricing of breeder hogs and hog breeding equipment in a manner that could only refer to AgFeed. In particular, those assets referred to in the PCAOB Release track perfectly with those assets later found to be misstated in AgFeed's hog business. Moreover, Plaintiffs are aware of no other Goldman clients involved in the breeding hog business.

³³ PCAOB has adopted all of the GAAS standards discussed in this Amended Complaint.

fiscal year 2008 and 2009 audits, AgFeed did have deficiencies in its internal and financial reporting controls, and further knew that the Chinese hog operations AgFeed acquired in 2007 and 2008 had not previously been audited consistent with U.S. GAAP standards, thus requiring particular attention. Goldman's failure to follow up on these red flags grossly violated GAAS, and its statement that it complied with applicable accounting standards was reckless.

Defendant Goldman Misrepresents AgFeed's Compliance With GAAP

146. In its audit reports, Defendant Goldman also misrepresented that AgFeed's financial statements "present fairly, in all material respects, the financial position of AgFeed Industries, Inc." at the end of each reporting period "in conformity with accounting principles generally accepted in the United States of America." This statement was false and misleading because AgFeed's financial statements did not comply with GAAP for the reasons set forth in Paragraphs 78 to 112 above, and Goldman had actual knowledge that it lacked a reasonable basis to proffer this view under applicable GAAS standards as set forth in Paragraphs 135 to 138 above.

Defendant McGladrey Misrepresents the Thoroughness of its Audit

147. McGladrey's audit report contained in the 2010 10-K was also false and misleading. Like Goldman, McGladrey misrepresented that it had "conducted [its] audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that [McGladrey] plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects." McGladrey also affirmed that its "audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material

weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk” and “included performing such other procedures as we considered necessary in the circumstances.”

148. Contrary to these affirmations, McGladrey failed to perform procedures sufficient to test the veracity of claimed receivables, even though McGladrey had publicly conceded that such procedures were necessary for audits of Chinese companies. Indeed, McGladrey’s marketing publication, *Insights*, warned that “extra diligence should be used in auditing accounts receivable [of Chinese companies] because that is where fraud is often first disguised before being hidden in exaggerated cash balances.”³⁴ Despite understanding the need for “extra due diligence” regarding purported Chinese accounts receivable, McGladrey’s auditors assigned to AgFeed recklessly chose not to conduct meaningful, let alone “extra,” due diligence before they signed off on AgFeed’s inflated accounts receivable figures.

149. McGladrey also ignored other red flags. McGladrey knew that AgFeed had weaknesses in its financial reporting controls and had outsourced those functions to a third-party service provider that did not comply with GAAP. McGladrey also knew that fraud accusations had been leveled at several companies associated with AgFeed’s stock promoter, Benjamin Wey, demanding heightened scrutiny. Moreover, McGladrey itself believed that the prior accounting was materially flawed, making it reckless to sign off on the 2010 financial statements without a meaningful review of all questionable items.

150. Because McGladrey’s audit of AgFeed did not comply with GAAS, failed to apply the level of enhanced due diligence that McGladrey itself believed necessary with respect

³⁴ Available at http://mcgladrey.com/pdf_download/insights_20110614.pdf.

to Chinese accounts receivable, and ignored numerous red flags, McGladrey's representations regarding the thoroughness of its audit and review of internal controls, as set forth in Paragraph 147 above, were reckless.

McGladrey Misrepresents AgFeed's Compliance with GAAP

151. Like Goldman, McGladrey also recklessly misrepresented that AgFeed's financial statements, "present fairly, in all material respects, the financial position of AgFeed Industries, Inc." at the end of the reporting period "in conformity with accounting principles generally accepted in the United States of America." This statement was false and misleading because AgFeed's financial statements did not comply with GAAP for the reasons set forth in Paragraphs 67 to 77 above, and McGladrey had actual knowledge that it lacked a reasonable basis to proffer this view under applicable GAAS standards as set forth in Paragraphs 135 to 136 above.

CLASS ACTION ALLEGATIONS

152. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf a Class of all persons who purchased or acquired AgFeed securities during the Class Period (the "Class"). Excluded from the Class are defendants herein, the officers and directors of the Company at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns, and any entity in which defendants have or had a controlling interest.

153. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, AgFeed securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiffs at this time and can be ascertained only through appropriate discovery, Plaintiffs believe that there are hundreds

or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by AgFeed or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

154. Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

155. Plaintiffs will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiffs have no interests antagonistic to or in conflict with those of the Class.

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

- whether the federal securities laws were violated by the Defendants' acts as alleged herein;
- whether statements made by the Defendants to the investing public during the Class Period misrepresented material facts about the business, operations, financial condition, and prospects of AgFeed;
- whether the Individual Defendants caused AgFeed to issue false and misleading financial statements during the Class Period;
- whether the Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the Accountant Defendants recklessly misrepresented their own independence, the thoroughness of their audits of AgFeed, and AgFeed's compliance with GAAP;
- whether the prices of AgFeed securities during the Class Period were artificially inflated because of the defendants' conduct complained of herein; and

- whether the members of the Class sustained damages when the truth began to be disclosed and, if so, what is the proper measure of damages.

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

158. Plaintiffs will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- AgFeed securities are traded in efficient markets;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- during the Class Period, the Company traded on the NASDAQ, and was covered by multiple analysts;
- AgFeed securities reacted to the dissemination of information into the market;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiffs and members of the Class purchased and/or sold AgFeed securities between the time the defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

159. Based upon the foregoing, Plaintiffs and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

CLAIMS FOR RELIEF

COUNT I

**(Against All Defendants For Violations of
Section 10(b) And Rule 10b-5 Promulgated Thereunder)**

160. Plaintiffs re-allege each and every allegation contained above as if fully set forth herein.

161. This Count is asserted against all defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5.

162. During the Class Period, Defendants knowingly or recklessly misrepresented material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. In particular, as detailed above, Defendants misrepresented, *inter alia*: (a) AgFeed's accounts receivable, allowance for doubtful accounts, assets and financial results on its Class Period financial statements; (b) AgFeed's compliance with GAAP; (c) the efficacy of AgFeed's internal controls; (d) the independence of auditor Goldman; and (d) the thoroughness of the audits conducted by auditors Goldman and McGladrey. This scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of AgFeed securities; and (iii) cause Plaintiffs and other members of the Class to purchase AgFeed securities at artificially inflated prices.

163. As detailed in Paragraphs 78 to 129 above, each of the Defendants participated in the preparation and/or issuance of the false representations detailed herein, which were intended to be and were disseminated to investors and influenced the market for AgFeed securities. Such

reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about AgFeed's balance sheet, financial results, internal controls and business prospects.

164. By virtue of their positions at AgFeed, the Individual Defendants and the Company itself had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiffs and the other members of the Class, or, in the alternative, the Individual Defendants and the Company acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to defendants. These misrepresentations were made willfully or with reckless disregard for the truth.

165. The Individual Defendants, as indicated above in Paragraphs 121 to 122, were further personally motivated to make false statements and omit material information necessary to make the statements not misleading in order to personally benefit from the sale of AgFeed securities from their personal portfolios. AgFeed and all of the Individual Defendants were also motivated to keep AgFeed shares inflated to raise funds for AgFeed as specified in Paragraph 84 above.

166. The Accounting Defendants misrepresented to investors: (a) the thoroughness of their own audits, which were in fact reckless and ignored numerous red flags; (b) AgFeed's compliance with GAAP, helping to mask from investors that the Company had systematically misrepresented its financial condition throughout the Class Period; and (c) in the case of Defendant Goldman, its own status as an "independent" auditor.

167. As a result of the dissemination of the aforementioned false and misleading SEC filings, releases and public statements, the market price of AgFeed securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning AgFeed's business and financial condition which were concealed by defendants, Plaintiffs and the other members of the Class purchased AgFeed securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities, and/or upon statements disseminated by defendants and were damaged thereby.

168. During the Class Period, AgFeed securities were traded on an active and efficient market. Plaintiffs and the other members of the Class, relying on the materially false and misleading statements described herein, which the defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased shares of AgFeed securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiffs and the other members of the Class known the truth, they would not have purchased said shares, or would not have purchased them at the inflated prices that were paid. At the time of the purchases by Plaintiffs and the Class, the true value of AgFeed securities were substantially lower than the prices paid by Plaintiffs and the other members of the Class. The market price of AgFeed securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiffs and Class members.

169. By reason of the conduct alleged herein, defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

170. As a direct and proximate result of defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

COUNT II

(Violations of Section 20(a) of the Exchange Act Against The Individual Defendants)

171. Plaintiffs repeat and re-allege each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

172. During the Class Period, the Individual Defendants participated in the operation and management of AgFeed, and conducted and participated, directly and indirectly, in the conduct of AgFeed's business affairs. Because of their senior positions, they knew the adverse non-public information about AgFeed's misstatement of income and expenses and false financial statements.

173. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to AgFeed's financial condition and results of operations, and to promptly correct any public statements issued by AgFeed which had become materially false or misleading.

174. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which AgFeed disseminated in the marketplace during the Class Period concerning AgFeed's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause AgFeed to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of

AgFeed within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of AgFeed securities.

175. Each of the Individual Defendants, therefore, acted as a controlling person of AgFeed. By reason of their senior management positions and/or being directors of AgFeed, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause AgFeed to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of AgFeed and possessed the power to control the specific activities which comprise the primary violations about which Plaintiffs and the other members of the Class complain.

176. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by AgFeed.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand judgment against defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying the Class as defined herein;

B. Certifying Plaintiffs as the Class representatives and certifying Plaintiffs' Counsel, Bramlett Law Offices, Pomerantz Grossman Hufford Dahlstrom & Gross LLP, and the Rosen Law Firm, P.A., as co- Lead Class Counsel, and Bramlett Law Offices as liason counsel;

C. Awarding compensatory damages in favor of Plaintiffs and the other class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

D. Awarding Plaintiffs and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs;

E. Awarding such other relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiffs hereby demand trial by jury of all issues that may be so tried.

Dated: February 14, 2013

Respectfully Submitted

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CERTIFICATE OF SERVICE

I hereby certify that on **FEBRUARY 14, 2013**, I electronically filed the foregoing ***CONSOLIDATED AMENDED CLASS ACTION COMPLAINT*** with the Clerk of the Court by using the CM/ECF system, which will send a notice of electronic filing to counsel as follows:

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SO CERTIFIED this 14th day of FEBRUARY 2013.

/s/Paul Kent Bramlett

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 POMERANTZ HAUDEK BLOCK GROSSMAN & G
 10 S. LASALLE ST., SUITE 3505
 CHICAGO, IL 60603



Ship Date: 17SEP13
 ActWgt: 1.0 LB
 CAD: 5105500/INET3430

Delivery Address Bar Code



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 Dept #

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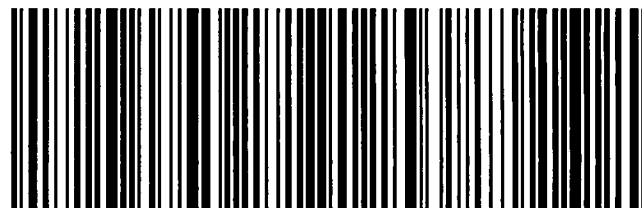
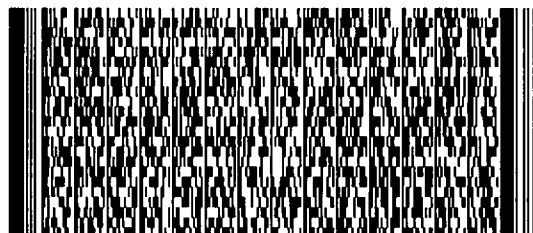
SHIP TO: (800) 655-1129 BILL SENDER
 ATTN: AgFeed USA, LLC Claims Proces
 BMC Group, Inc
 18675 Lake Drive East
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3. Place label in shipping pouch and affix it to your shipment so that the barcode portion of the label can be read and scanned.

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Use of this system constitutes your agreement to the service conditions in the current FedEx Service Guide, available on fedex.com. FedEx will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of \$100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is \$1,000, e.g. jewelry, precious metals, negotiable instruments and other items listed in our ServiceGuide. Written claims must be filed within strict time limits, see current FedEx Service Guide.