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Counsel for Plaintiff

**IN THE UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

YANLI LIN, INDIVIDUALLY AND ON
BEHALF OF ALL OTHERS SIMILARLY
SITUATED,

Plaintiff,

vs.

PUDA COAL, INC.; MING ZHAO; LIPING
ZHU; and QIONG WU,

Defendants.

CASE No.:

COMPLAINT

CLASS ACTION

JURY TRIAL DEMANDED

Plaintiff Yanli Lin, individually and on behalf of all other persons similarly situated, by his undersigned attorneys, for his complaint against Puda Coal, Inc. (“PUDA” or the “Company”), alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the Defendant’s public

1 documents, conference calls and announcements made by the Defendants, United
2 States Securities and Exchange Commission (“SEC”) filings, wire and press
3 releases published by and regarding the Company, securities analysts’ reports and
4 advisories about the Company, and information readily obtainable on the Internet.
5 Plaintiff believes that substantial evidentiary support will exist for the allegations
6 set forth herein after a reasonable opportunity for discovery.
7

8 **SUBSTANTIVE ALLEGATIONS**

9
10 1. This is a securities class action on behalf of all persons or entities who
11 purchased or otherwise acquired the securities of PUDA during the period from
12 November 13, 2009 to April 8, 2011, inclusive (the “Class Period”), seeking to
13 pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of
14 1934 (the “Exchange Act”).
15

16
17 2. During the Class Period the Company issued materially false and
18 misleading statements about its sole operating subsidiary Shanxi Puda Coal Group
19 Co. Ltd. (“Shanxi Coal”), that PUDA purportedly had 90% ownership, through
20 PUDA’s two wholly owned subsidiaries: Puda Investment Holding Limited (“Puda
21 Investment”) and Shanxi Putai Resources Limited (“Shanxi Putai”). Puda
22 Investment owns 100% of Shanxi Putai. Shanxi Putai purportedly owns 90% of
23 Shanxi Coal.
24

25
26 3. On April 8, 2011 a stock market analyst, Alfred Little issued a report
27 claiming that the PUDA’s Chairman, defendant Ming Zhao, secretly engaged in
28

1 related party transactions in order to “steal” half of PUDA’s ownership interest in
2 Shanxi Coal and pledged the other half of the Company’s ownership of Shanxi
3 Coal to Chinese private equity investors (the “Report”).
4

5 4. This Report shocked the market, and caused the Company’s stock to
6 fall \$3.10/share or 34% to \$6.00/share on April 8, 2010. The following trading day,
7 April 11, 2011, trading in the Company stock was halted.
8

9 5. On April 11, 2011 PUDA issued an announcement that the Company
10 had initiated a full investigation relating to the “various unauthorized transactions in
11 the shares of a subsidiary company, Shanxi Coal. The Audit Committee has
12 retained professionals in the United States and China to assist it in its
13 investigation.”
14

15
16 6. In the announcement the Company admitted that “evidence supports
17 the allegation that there were transfers by Mr. Zhao in subsidiary ownership that
18 were inconsistent with disclosure made by the Company in its public securities
19 filings.”
20

21 7. The announcement also revealed that defendant Ming Zhao agreed to
22 the leave of absence as the Company’s Chairman until the investigation was
23 complete.
24

25 **JURISDICTION AND VENUE**
26
27
28

1 process. During the Class Period the Company's common stock was listed on the
2 NYSE AMEX under ticker "PUDA."

3
4 14. Defendant Ming Zhao ("Zhao") at all relevant times was the Chairman
5 of the Board of PUDA since July 2005. Zhao has been the co-founder, Chairman,
6 and CEO of Shanxi Coal since 1995.

7
8 15. Defendant Liping Zhu ("Zhu") at all relevant times was the Chief
9 Executive Officer, President and director of the Company since June 2008.

10
11 16. Defendant Qiong Wu ("Wu") at all relevant times was the Company's
12 Chief Financial Officer since July 2008.

13
14 17. Defendants Zhao, Zhu and Wu are collectively the "Individual
15 Defendants".

16 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

17 18. Plaintiff brings this action as a class action pursuant to Federal Rules
18 of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who
19 purchased or otherwise acquired the securities of PUDA during the Class Period.
20 Excluded from the Class are the officers and directors of the Company at all
21 relevant times, members of their immediate families and their legal representatives,
22 heirs, successors or assigns and any entity in which Defendants have or had a
23 controlling interest.
24

25
26 19. The members of the Class are so numerous that joinder of all members
27 is impracticable. Throughout the Class Period, the Company's common stock was
28

1 actively traded on the NYSE AMEX. While the exact number of Class members is
2 unknown to Plaintiff at this time, and can only be ascertained through appropriate
3 discovery, Plaintiff believes that there are at least hundreds of members in the
4 proposed Class. Members of the Class may be identified from records maintained
5 by PUDA or its transfer agent, and may be notified of the pendency of this action
6 by mail using a form of notice customarily used in securities class actions.
7
8

9 20. Plaintiff's claims are typical of the claims of the members of the Class,
10 as all members of the Class are similarly affected by Defendants' wrongful conduct
11 in violation of federal law that is complained of herein.
12

13 21. Plaintiff will fairly and adequately protect the interests of the members
14 of the Class and has retained counsel competent and experienced in class and
15 securities litigation.
16

17 22. Common questions of law and fact exist as to all members of the Class
18 and predominate over any questions solely affecting individual members of the
19 Class. Among the questions of law and fact common to the Class are:
20

21 (a) whether the federal securities laws were violated by Defendants'
22 acts as alleged herein;
23

24 (b) whether statements made by the Defendants to the investing public
25 during the Class Period misrepresented material facts about the
26 business, operations, and management of the Company; and
27
28

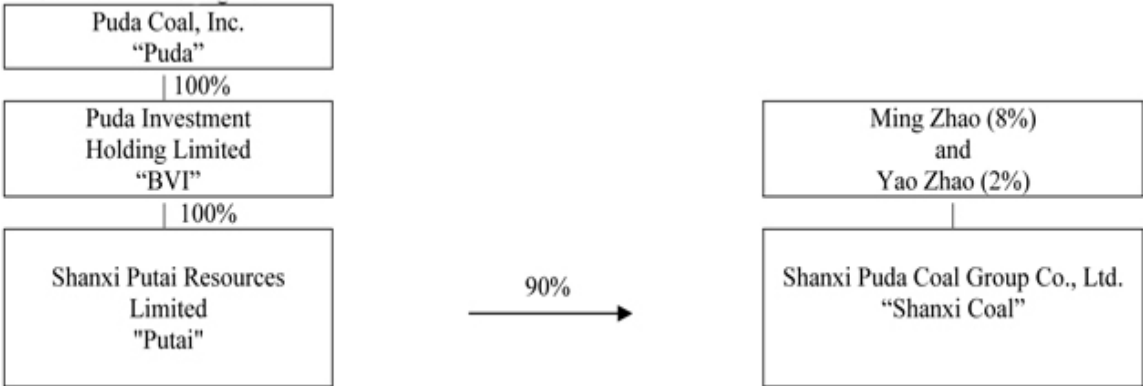
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(c) to what extent the members of the Class have sustained damages, and the proper measure of damages.

23. 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 redress individually the wrongs done to them. There will be no difficulty in the management of this action as a class action.

SUBSTANTIVE ALLEGATIONS

24. The Class Period begins on November 13, 2009 when the Company filed with the SEC its 10-Q for the third quarter ended September 30, 2009, signed by defendant Zhu. The 10-Q provided a description of the Company’s ownership of Shanxi Coal. The following chart, included in the 10-Q purported to summarize the Company’s ownership of Shanxi Coal.



1 25. The third quarter 10-Q also claimed that following an evaluation by
2 the defendants Zhu and Wu that the Company's Disclosure Controls and
3
4 Procedures were "effective," and the Company had improved its internal controls
5 and corporate culture. The 10-Q states in relevant part:

6 **ITEM 4. CONTROLS AND PROCEDURES**

7
8 **(a) Disclosure Controls and Procedures**

9 Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-
10 15(e) under the Securities Exchange Act of 1934 are controls and other
11 procedures that are designed to provide reasonable assurance that the
12 information that we are required to disclose in the reports that we file or
13 submit under the Exchange Act is recorded, processed, summarized and
14 reported within the time periods specified in the SEC's rules and forms, and
15 that such information is accumulated and communicated to our management,
16 including our Chief Executive Officer and Chief Financial Officer, as
17 appropriate to allow timely decisions regarding required disclosure.

18 In connection with the preparation of this quarterly report on Form 10-Q for
19 the fiscal quarter ended September 30, 2009, an evaluation was performed by
20 our management, with the participation of CEO and CFO, of the
21 effectiveness of the design and operation of our disclosure controls and
22 procedures as of the end of the period covered by this quarterly report.

23 Our management concluded that our disclosure controls and procedures were
24 effective as of September 30, 2009.

25 **(b) Changes in Internal Control over Financial Reporting**

26 During the period covered by this quarterly report on Form 10-Q, with the
27 assistance of our internal control compliance consultant, we improved the
28 internal control function throughout our company and our culture regarding
control consciousness. We have (i) set policies to make sure that account
reconciliations and analyses for significant financial statement accounts are
reviewed for completeness and accuracy by the Chief Financial Officer, (ii)
redesigned control procedures with standard documentation for review and
authorization in the purchase, sales and payroll transactions cycles, (iii)

1 implemented a process that ensures the timely review and approval of
2 complex accounting estimates by qualified accounting personnel and subject
3 matter experts, where appropriate, and (iv) established better monitoring
4 controls at the corporate accounting, factory operation and anti-fraud levels.
5 We believe that the actions we have taken have improved our internal control
6 over financial reporting, as well as our disclosure controls and procedures
7 such that, as of September 30, 2009, no material weakness exists in our
8 disclosure controls and procedure or internal control over financial reporting
(as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange
Act) that has materially affected, or is reasonably likely to materially affect,
our internal control over financial reporting.

9
10 26. Filed with third quarter 10-Q were separately executed Sarbanes-
11 Oxley Act of 2002 (“SOX”) certifications by defendants Zu and Wu, attesting to,
12 among other things, the accuracy and completeness of the 10-Q, that any changes in
13 internal controls were disclosed, and that any fraud whether or not
14 material involving management or other employees who have a significant role in
15 the Company’s internal control over financial reporting had been disclosed.
16
17

18 27. On February 24, 2010 the Company filed an 8-K with the SEC
19 announcing that it had completed a public offering of 2,855,652 shares of the
20 Company’s common stock at \$4.75/share, raising net proceeds of \$14.5 million to
21 the Company.
22

23 28. On March 31, 2010 the Company filed with the SEC its annual report
24 for the fiscal year ended December 31, 2009, signed by defendants Zhao, Zhu and
25 Wu. This 10-K in sum and substance repeated the representations about the
26
27
28

1 Company's ownership of the Shanxi Coal contained in the third quarter 10-Q noted
2 above.

3
4 29. The 10-K also stated that the Company's internal controls were
5 effective.

6
7 30. Attached the 10-K were separately executed SOX certifications of Wu
8 and Zhu that were in sum and substance the same as the SOX certifications filed
9 with the third quarter 10-Q.

10
11 31. On May 17, 2010 the Company filed its first quarter ended March 31,
12 2010 10-Q with the SEC, signed by defendant Zhu. The 10-Q repeated in sum and
13 substance the representations about the Company's ownership of Shanxi Coal and
14 the effectiveness of the Company's disclosure controls. The 10-Q did not identify
15 any changes that may materially impact the Company's internal control over
16 financial reporting.
17

18
19 32. Attached to the first quarter 10-Q were separately executed SOX
20 certifications of defendants Zhu and Wu, that were in sum and substance to the
21 SOX certifications noted above.

22
23 33. On August 16, 2010 the Company filed its second quarter ended June
24 30, 2010 10-Q with the SEC, signed by defendant Zhu. The 10-Q repeated in sum
25 and substance the representations about the Company's ownership of Shanxi Coal
26 and the effectiveness of the Company's disclosure controls. The 10-Q did not
27
28

1 identify any changes that may materially impact the Company's internal control
2 over financial reporting.

3
4 34. Attached to the second quarter 10-Q were separately executed SOX
5 certifications of defendants Zhu and Wu, that were in sum and substance to the
6 SOX certifications noted above.

7
8 35. On November 15, 2010 the Company filed its third quarter ended
9 September 30, 2010 10-Q with the SEC, signed by defendant Zhu. The 10-Q
10 repeated in sum and substance the representations about the Company's ownership
11 of Shanxi Coal and the effectiveness of the Company's disclosure controls. The
12 10-Q did not identify any changes that may materially impact the Company's
13 internal control over financial reporting.

14
15
16 36. Attached to the third quarter 10-Q were separately executed SOX
17 certifications of defendants Zhu and Wu, that were in sum and substance to the
18 SOX certifications noted above.

19
20 37. On December 8, 2010 the Company issued a press release announcing
21 the pricing of the Company's public offering at \$12/share for 7.85 million shares.
22 According to the announcement the offering would yield net proceeds of \$88.3
23 million.

24
25 38. On March 16, 2011 the Company filed with the SEC its annual report
26 for the year ended December 31, 2010, signed by defendants Zhao, Zhu and Wu.
27 The 10-k repeated in sum and substance the representations about the Company's
28

1 ownership of Shanxi Coal and the effectiveness of the Company's disclosure
2 controls and procedures, and the Company's internal control over financial
3 reporting.
4

5 39. Attached to the 10-K were separately executed SOX certifications of
6 defendants Zhu and Wu, that were in sum and substance to the SOX certifications
7
8 noted above.

9 **TRUTH BEGINS TO EMERGE**

10 40. On April 8, 2011 a stock market analyst, Alfred Little issued a report
11
12 claiming that the PUDA's Chairman, defendant Ming Zhao, secretly engaged in
13 related party transactions in order to "steal" half of PUDA's ownership interest in
14 Shanxi Coal and pledged the other half of the Company's ownership of Shanxi
15 Coal to Chinese private equity investors (the "Report").
16

17 41. The Report states in relevant part:
18

19 **Puda Coal Chairman Secretly Sold Half the Company and Pledged the 20 Other Half to Chinese PE Investors**

21 *Posted on April 8, 2011 by Alfred Little*

22 Chinese RTO Puda Coal, Inc. (NYSE AMEX: PUDA) Chairman Ming Zhao
23 transferred the ownership of PUDA's sole Chinese operating entity, Shanxi
24 Puda Coal Group Co., Ltd ("Shanxi Coal"), to himself in 2009 without
25 shareholder approval according to official government filings. Then, in 2010
26 Zhao sold 49% and pledged the other 51% of Shanxi Coal to CITIC Trust
27 Co., Ltd ("CITIC"), a Chinese private equity fund, for RMB245 million
28 (\$37.1 million). Zhao then recklessly leveraged Shanxi Coal by borrowing
RMB3.5 billion (\$530.3 million) from CITIC at an incredibly high 14.5%
annual interest rate (including fees) to finance the development of its coal

1 mines. PUDA shareholders are completely unaware of these transactions
2 that decimate the value of its U.S. listed shares.

3 **Background – An Industry Facing Government Mandated** 4 **Consolidation**

5 According to PUDA’s 2010 10-K filing:

6 In order to improve production efficiency, workplace safety and to reduce
7 coal mine accidents, the Shanxi provincial government issued a policy in
8 2009 requiring mergers and consolidations of smaller coal mining companies
9 in Shanxi Province. Pursuant to the government policy, the government
10 awarded certain selected larger coal production enterprises the opportunity to
11 acquire, consolidate and restructure smaller coal mines through mergers,
12 acquisitions and asset or share transfers.

13 The aggressive government mandated consolidation of the coal mining
14 industry beginning in 2009 coincided with the darkest days of the world
15 financial crisis. PUDA management either had to become a consolidator,
16 requiring massive additional capital, or else dispose of its coal businesses.
17 Management, lead by Chairman Ming Zhao, made the decision to pursue
18 aggressive growth by becoming a consolidator. Unfortunately for PUDA,
19 during the financial crisis the U.S. capital markets were completely closed.
20 Therefore, in September 2009 Chairman Ming Zhao made a fateful first step
21 to attract Chinese domestic investors: he transferred the ownership of Shanxi
22 Coal to himself.

23 **PUDA Chairman Ming Zhao Takes Action, Stealing Shanxi Coal from** 24 **U.S. Shareholders**

25 In order to raise money domestically, Zhao needed to sever the direct foreign
26 shareholder ownership of Shanxi Coal, PUDA’s sole Chinese operating
27 subsidiary. On 9/3/09, Yao Zhao (Ming Zhao’s brother and the legal
28 representative of PUDA’s WFOE, Shanxi Putai Resources Limited, “Putai”)
illegally authorized Putai to transfer 90% of Shanxi Coal to Ming Zhao,
adding to the 8% Ming Zhao already held. Additionally, Yao Zhao divided
his own 2% of Shanxi Coal between Ming Zhao and Wei Zhang. An official
copy of the “Notification of Share Registry Change” can be downloaded
[here](#), including a partial translation. **The transfers resulted in Ming Zhao
owning 99% of Shanxi Coal, leaving U.S. investors with nothing.**
Incredibly, PUDA’s auditor, Moore Stephens, failed to catch this theft of

1 **an entire company that is clearly documented in government ownership**
2 **filings that any lawyer can obtain direct from the source.**

3 After stealing Shanxi Coal from U.S. investors, Ming Zhao began looking for
4 domestic investors to fund his aggressive expansion plans. At the same time,
5 Zhao brazenly continued trying to raise money for PUDA in the U.S., despite
6 the fact PUDA (without Shanxi Coal) was just a shell company. As U.S.
7 capital markets recovered, on 2/18/10 PUDA sold 3.284 million shares in a
8 public offering underwritten by Brean Murray and Newbridge Securities
9 raising \$14.5 million (8-K [here](#)), without disclosing to the investors that
10 PUDA no longer owned Shanxi Coal, its sole operating subsidiary in China.
11 Why did Brean Murray fail to perform any basic legal due diligence on the
12 real ownership of Shanxi Coal?

11 **Chairman Zhao Sells Half of Shanxi Coal and Borrows \$530.3 Million at 12 14.5%**

12 In July 2010, Zhao recklessly accepted a highly leveraged RMB2.745 billion
13 (\$416 million) equity and debt investment from the \$31.3 billion Chinese
14 private equity arm of China International Trust and Investment Company
15 (“CITIC”, website [here](#)). **On 7/15/10 Zhao sold 49% of Shanxi Coal to
16 CITIC for RMB245 million (\$37.1 million) and pocketed the proceeds.**
17 An official copy of the “Notification of Share Registry Change” can be
18 downloaded [here](#), including a partial translation. **On 7/19/10 Zhao and
19 Zhang pledged the other 51% of Shanxi Coal to CITIC as security so
20 that the company could obtain a 3-year loan for RMB2.5 billion (\$379
21 million) at a cost of 14.5% (annual interest plus fees) from CITIC.** (Note:
22 Zhao pledged 50% and Wei Zhang pledged his 1% of Shanxi Coal to CITIC
23 so that the entire remaining 51% of the company was thus pledged to
24 CITIC). **The loan was subsequently increased to RMB3.5 billion (\$530.3
25 million), bringing the combined investment to RMB 3.745 billion (\$567.4
26 million).** The official filed copies of the share pledge agreements detailing all
27 these amounts can be downloaded ([here](#) and [here](#)).

28 As of 1/26/11 the outstanding principal, interest and fees payable under the
14.5% 3-year loan agreement amounted to RMB5.0225 billion (\$761
million). **Annual interest and fees on the loan are an incredible
RMB507.5 million (\$76.9 million USD), over twice the \$34 million EBIT
shown in PUDA’s 2010 10-K filing.** Shanxi Coal is now a highly leveraged
bet on Ming Zhao’s operational ability to dramatically increase coal
production and profitability enough to service the company’s crushing debt

1 load. Any disruption could lead to default and loss of the pledged shares to
2 CITIC.

3 On 12/16/10 PUDA again tapped the U.S. capital markets, this time for
4 \$101.5 million by selling 7.85 million shares at \$12 per share in a public
5 offering underwritten by Macquarie Capital and Brean Murray (8-K [here](#)).
6 PUDA again failed to disclose Chairman Zhao's 9/3/09 illegal transfer of
7 99% of Shanxi Coal to himself, nor Zhao's illegal sale of 49% of Shanxi
8 Coal to CITIC for \$37.1 million, nor the \$530.3 million 14.5% loan from
9 CITIC secured by the pledge of the remaining 51% of Shanxi Coal shares.
10 Why did Macquarie Capital also fail to perform basic legal due diligence on
11 the real ownership of Shanxi Coal, half of which had been already sold to
12 CITIC? Furthermore, at \$12 per share, Macquarie investors paid over six
13 times the \$1.91 valuation CITIC paid for 49% of Shanxi Coal in July (see my
14 discussion of valuation at the end of this report).

15 **Chairman Zhao Secretly Returns a Portion of the Shanxi Coal to the** 16 **Rightful Owner**

17 In a partial attempt to cover up his theft of the company, Chairman Zhao and
18 Wei Zhang transferred their pledged 51% interest in Shanxi Coal to Shanxi
19 Puda Mining Industry Ltd ("Puda Mining"), a former 100% owned
20 **subsidiary** of Shanxi Coal that, through suspicious shareholder shuffling,
21 Zhao maneuvered to make it the **51% parent** of Shanxi Coal. Puda
22 Mining's 51% interest in Shanxi Coal continues to be completely pledged to
23 CITIC (see official agreement [here](#)). **According to the government filing**
24 **(available [here](#)), Puda Mining shares are now 90% owned by Putai (the**
25 **WFOE), 8% Ming Zhao and 2% Yao Zhao. Following these transfers,**
26 **PUDA now owns only 45.9% (90% of 51%) of Shanxi Coal, about half**
27 **of the 90% PUDA owned before Chairman Zhao began his shenanigans.**

28 **PUDA's 2009 and 2010 Audited Financials can No Longer be Relied** **Upon**

Since Ming Zhao stole 99% of Shanxi Coal in 2009, the operating company's
2009 and 2010 financials should not have been consolidated into PUDA's
2009 and 2010 audited financials. **PUDA's audited 2009 and 2010**
financials can thus no longer be relied upon. For 2011, even though Zhao
recently returned 45.9% of Shanxi Coal to PUDA through its 90% ownership
of Puda Mining (the 51% owner of Shanxi Coal), Puda Mining's 51%
interest in Shanxi Coal is entirely pledged to CITIC.

1 **PUDA Cannot Consolidate Shanxi Coal’s Financials in 2011 and Beyond**

2 **Since CITIC has 100% control of Shanxi Coal, via its 49% ownership**
3 **plus 51% share pledge agreement including voting, veto and other**
4 **control provisions, PUDA can no longer consolidate the financial results**
5 **of this subsidiary (see SFAS 94 page 5 Section 4 link [here](#)). PUDA**
6 **should record its stake in Shanxi Coal as a long-term investment on its**
7 **balance sheet, valued at cost.**

8 The damage done cannot be reversed. There is no way CITIC will give up
9 their 49% of Shanxi Coal, 51% pledged shares, veto rights and other control
10 provisions. Shanxi Coal owes CITIC over \$761 million. Until this debt is
11 repaid (if ever), the share pledge and other control provisions will certainly
12 persist. **PUDA is now just a holding company with a minority 45.9%**
13 **investment in a coal operation in China it does not control, with the**
14 **added overhead of being a public company (for now at least) in the U.S.**

15 **What is PUDA’s Investment in Shanxi Coal Worth?**

16 The book value of PUDA on 12/31/10 was \$251 million. Shanxi Coal owns
17 all the mining assets, coal washing plants, cash and receivables and bears the
18 obligation to repay the debt reflected on PUDA’s 12/31/10 balance sheet.
19 The 12/31/10 book value of Shanxi Coal is therefore roughly the same as the
20 12/31/10 book value of PUDA. I need only to deduct an estimated RMB184
21 million (\$27.7 million) in placement fees and accrued interest on the CITIC
22 loan from the book value of Shanxi Coal, bringing its book value down to
23 \$223.3 million. Since PUDA shareholders now only own 45.9% of Shanxi
24 Coal, multiplying \$223.3 million by 45.9% gives a value of \$102.5 million
25 for PUDA’s Shanxi Coal investment. Dividing \$102.5 million that by 30.02
26 million PUDA shares outstanding at 12/31/10 values PUDA at \$3.41 per
27 share.

28 There is significant risk of default due to the very high leverage and servicing
29 cost of the \$530.3 million 14.5% debt of Shanxi Coal. Annual interest and
30 fees on the loan total \$76.9 million USD, more than twice times the \$34
31 million EBIT PUDA generated from operations in 2010. **Even if Shanxi**
32 **Coal can grow its profit by 80% in 2011 (as CFO Laby Wu claimed**
33 **[here](#)) to \$61.2 million, this growth is insufficient to cover 2011’s \$76.9**
34 **million interest expense implying Shanxi Coal may incur an operating**
35 **loss in 2011.** Shanxi Coal is now racing to dramatically increase coal
36 production and profitability from its mines before it defaults on the massive

1 debt load. A default could force the transfer of the pledged shares to CITIC
2 and result in a total loss for PUDA's U.S. investors. Given the risks, I
3 believe PUDA deserves to be valued at a discount to the \$3.41 value of its
4 Shanxi Coal investment.

5 **Apparently CITIC agrees with me, since the \$37.12 million price CITIC**
6 **paid for their 49% of Shanxi Coal divided by 19.82 million PUDA shares**
7 **outstanding at the end of the third quarter (when the acquisition**
8 **occurred) equals only a \$1.91 per share valuation.**

9 **The average of the valuation CITIC paid (\$1.91) and the book value of**
10 **PUDA's investment in Shanxi Coal (\$3.41) is \$2.66. Considering the**
11 **2009 and 2010 audited financials can no longer be relied upon, and more**
12 **importantly the complete lack of internal control that allowed Chairman**
13 **Zhao to first steal the company, then sell half the company (pocketing**
14 **the proceeds) and then pledge the other half of the company to a Chinese**
15 **PE fund while piling on \$530.3 million of 14.5% debt, I strongly believe**
16 **\$2.66 is the most this stock is worth today.**

17 Note: I would like to thank GeoInvesting LLC (www.geoinvesting.com) for
18 obtaining official copies of all the ownership, loan and share pledge records
19 that I cited and linked in this report.

20 Disclosure: I am short PUDA

21 42. This Report shocked the market, and caused the Company's stock to
22 fall \$3.10/share or 34% to \$6.00/share on April 8, 2010. The following trading day,
23 April 11, 2011, trading in the Company stock was halted.

24 43. On April 11, 2011 PUDA issued an announcement that the Company
25 had initiated a full investigation relating to the "various unauthorized transactions in
26 the shares of a subsidiary company, Shanxi Coal. The Audit Committee has
27 retained professionals in the United States and China to assist it in its
28 investigation."

1 national circuits of major newswire services and through
2 other wide-ranging public disclosures, such as
3 communications with the financial press and other similar
4 reporting services;

5
6 (e) PUDA was followed by several securities analysts
7 employed by major brokerage firms who wrote reports that
8 were distributed to the sales force and certain customers of
9 their respective brokerage firms during the Class Period. Each
10 of these reports was publicly available and entered the public
11 marketplace; and
12

13
14 47. As a result of the foregoing, the market for the Company's common
15 stock promptly digested current information regarding the Company from all
16 publicly available sources and reflected such information in the Company's stock
17 price. Under these circumstances, all purchasers of the Company's common stock
18 during the Class Period suffered similar injury through their purchase of the
19 Company's common stock at artificially inflated prices, and a presumption of
20 reliance applies.
21
22

23
24 **Applicability of Presumption of Reliance:**

25 *Affiliated Ute*

26
27 48. Neither Plaintiff nor the Class need prove reliance – either individually or as
28 a class because under the circumstances of this case, positive proof of reliance is not a

1 prerequisite to recovery, pursuant to ruling of the United States Supreme Court in
2 *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972). All that is
3 necessary is that the facts withheld be material in the sense that a reasonable investor
4 might have considered the omitted information important in deciding whether to buy or
5 sell the subject security.
6

7
8 **FIRST CLAIM**
9 **Violation of Section 10(b) of**
10 **The Exchange Act and Rule 10b-5**
11 **Promulgated Thereunder Against All Defendants**

12 49. Plaintiff repeats and realleges each and every allegation contained
13 above as if fully set forth herein.

14 50. During the Class Period, defendants carried out a plan, scheme and
15 course of conduct which was intended to and, throughout the Class Period, did: (1)
16 deceive the investing public, including Plaintiff and other Class members, as
17 alleged herein; and (2) cause Plaintiff and other members of the Class to purchase
18 PUDA's securities at artificially inflated prices. In furtherance of this unlawful
19 scheme, plan and course of conduct, Defendants, and each of them, took the actions
20 set forth herein.
21

22 51. Defendants (a) employed devices, schemes, and artifices to defraud;
23 (b) made untrue statements of material fact and/or omitted to state material facts
24 necessary to make the statements not misleading; and (c) engaged in acts, practices,
25 and a course of business that operated as a fraud and deceit upon the purchasers of
26
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1 the Company's securities in an effort to maintain artificially high market prices for
2 PUDA's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-
3
4 5 thereunder.

5 52. Defendants, directly and indirectly, by the use, means or
6 instrumentalities of interstate commerce and/or of the mails, engaged and
7 participated in a continuous course of conduct to conceal adverse material
8 information about the business, operations and future prospects of PUDA as
9 specified herein.
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12 39. Defendants employed devices, schemes, and artifices to defraud while
13 in possession of material adverse non-public information, and engaged in acts,
14 practices, and a course of conduct as alleged herein in an effort to assure investors
15 of the Company's value and performance and continued substantial growth, which
16 included the making of, or participation in the making of, untrue statements of
17 material facts and omitting to state material facts necessary in order to make the
18 statements made about the Company and its business operations and future
19 prospects in the light of the circumstances under which they were made, not
20 misleading, as set forth more particularly herein, and engaged in transactions,
21 practices and a course of business that operated as a fraud and deceit upon the
22 purchasers of the Company's securities during the Class Period.
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27 40. Defendants had actual knowledge of the misrepresentations and
28 omissions of material facts set forth herein, or acted with reckless disregard for the

1 truth in that they failed to ascertain and to disclose such facts, even though such
2 facts were available. Such material misrepresentations and/or omissions were done
3 knowingly or recklessly and for the purpose and effect of concealing the
4 Company's operating condition and future business prospects from the investing
5 public and supporting the artificially inflated price of its securities. As
6 demonstrated by overstatements and misstatements of the Company's financial
7 condition throughout the Class Period, if the Defendants did not have actual
8 knowledge of the misrepresentations and omissions alleged, they were reckless in
9 failing to obtain such knowledge by deliberately refraining from taking those steps
10 necessary to discover whether those statements were false or misleading.
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14 41. As a result of the dissemination of the materially false and misleading
15 information and failure to disclose material facts, as set forth above, the market
16 price of PUDA's securities was artificially inflated during the Class Period. In
17 ignorance of the fact that market prices of the Company's publicly-traded securities
18 were artificially inflated, and relying directly or indirectly on the false and
19 misleading statements made by the Defendants, or upon the integrity of the market
20 in which the common stock trades, and/or on the absence of material adverse
21 information that was known to or recklessly disregarded by the Defendants, but not
22 disclosed in public statements by the Defendants during the Class Period, Plaintiff
23 and the other members of the Class acquired PUDA common stock during the Class
24 Period at artificially high prices, and were, or will be, damaged thereby.
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1 rights, participation in and/or awareness of the Company's operations and/or
2 intimate knowledge of the false financial statements filed by the Company with the
3 SEC and disseminated to the investing public, the Individual Defendants had the
4 power to influence and control, and did influence and control, directly or indirectly,
5 the decision-making of the Company, including the content and dissemination of
6 the various statements that plaintiff contends are false and misleading. The
7 Individual Defendants were provided with or had unlimited access to copies of the
8 Company's reports, press releases, public filings and other statements alleged by
9 Plaintiff to have been misleading prior to and/or shortly after these statements were
10 issued and had the ability to prevent the issuance of the statements or to cause the
11 statements to be corrected.
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16 47. In particular, each Individual Defendant had direct and supervisory
17 involvement in the day-to-day operations of the Company and, therefore, is
18 presumed to have had the power to control or influence the particular transactions
19 giving rise to the securities violations as alleged herein, and exercised the same.
20

21 48. As set forth above, the Defendants each violated Section 10(b) and
22 Rule 10b-5 by their acts and omissions as alleged in this Complaint.
23

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

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4 50. This action was filed within two years of discovery of the fraud and
5 within five years of each Plaintiff's purchases of securities giving rise to the cause
6 of action.

7
8 **WHEREFORE**, Plaintiff prays for relief and judgment, as follows:

9 (a) Determining that this action is a proper class action, designating
10 Plaintiff as Lead Plaintiff and certifying Plaintiff as a class representative under
11 Rule 23 of the Federal Rules of Civil Procedure and Plaintiff's counsel as Lead
12 Counsel;
13

14 (b) Awarding compensatory damages in favor of Plaintiff and the
15 other Class members against all Defendants, jointly and severally, for all damages
16 sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial,
17 including interest thereon;
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19 (c) Awarding plaintiff and the Class their reasonable costs and
20 expenses incurred in this action, including counsel fees and expert fees; and
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22 (d) Awarding such other and further relief as the Court may deem just
23 and proper.
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JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: April 14, 2011

Respectfully submitted,

THE ROSEN LAW FIRM, P.A.



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Los Angeles, CA 90071
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Facsimile: (213) 226-4684
Email: rosen@rosenlegal.com

Counsel for Plaintiff

Rosen, Laurence

From: postmaster@rosenlegal.com
Sent: Monday, April 11, 2011 1:05 PM
To: lr54321@gmail.com
Subject: Confirmation of Receipt of Certification

Dear Yanli Lin,

We have received your certification in the Puda Coal, Inc. class action litigation. Thank you for submitting your information. Below is a copy of your certification - please retain it for your records. If you have any questions, please feel free to contact us at 1-866-rosenlegal (866-767-3653) or via e-mail at info@rosenlegal.com.

With increasing frequency, we find that our new clients were victimized by more than one company. If you think you may have lost monies in the market due to the dishonest acts or statements of a different company and would like it to be investigated, free of charge, please email us at reportfraud@rosenlegal.com.

Sincerely,

The Rosen Law Firm P.A.

CERTIFICATION

Certification and Authorization of Named Plaintiff Pursuant to Federal Securities Laws

The individual or institution listed below (the "Plaintiff") authorizes and, upon execution of the accompanying retainer agreement by The Rosen Law Firm P.A., retains The Rosen Law Firm P.A. to file an action under the federal securities laws to recover damages and to seek other relief against Puda Coal, Inc.. The Rosen Law Firm P.A. will prosecute the action on a contingent fee basis and will advance all costs and expenses. The Puda Coal, Inc. Retention Agreement provided to the Plaintiff is incorporated by reference, upon execution by The Rosen Law Firm P.A.

First name: Yanli

Last name: Lin

Address: [REDACTED]

City: [REDACTED]

REDACTED

State, Zip: [REDACTED]

Email: [REDACTED]

Phone: [REDACTED]

The Plaintiff Certifies that:

1. Plaintiff has reviewed the complaint and authorized its filing.
2. Plaintiff did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.
3. Plaintiff is willing to serve as a representative party on behalf of a class, including providing testimony at deposition and trial, if necessary.
4. Plaintiff represents and warrants that he/she/it is fully authorized to enter into and execute this certification.
5. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.
6. Plaintiff has made no transaction(s) during the Class Period in the debt or equity securities that are the subject of this action except those set forth below:

Shares Purchased:

Purchase Date(s): 1/24/2011
Number of shares: 40
Price per Share: 12.31

Purchase Date(s): 1/7/2011
Number of shares: 50
Price per Share: 13.84

Purchase Date(s): 12/8/2010
Number of shares: 62
Price per Share: 11.95

Purchase Date(s): 12/7/2010
Number of shares: 50
Price per Share: 14.76

Shares Sold:

7. During the three years prior to the date of this Certification, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except if detailed below:

N/A

I declare under penalty of perjury, under the laws of the United States, that the information entered is accurate:
yes

By clicking on the button below, I intend to sign and execute this agreement: yes

Clicked to Submit Certification in the Puda Coal, Inc. Action

Signed pursuant to California Civil Code Section 1633.1, et seq. - Uniform Electronic Transactions Act