

**STATE OF CALIFORNIA
BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
DEPARTMENT OF BUSINESS OVERSIGHT**

TO: USFIA, Inc.
135 E. Live Oak Ave., Suite 100
Arcadia, California 91006

Steve Chen
135 E. Live Oak Ave., Suite 100
Arcadia, California 91006

Leonard Stacy Johnson
135 E. Live Oak Ave., Suite 100
Arcadia, California 91006

Weiwen (Wayne) Zhao
135 E. Live Oak Ave., Suite 100
Arcadia, California 91006

AMENDED DESIST AND REFRAIN ORDER

(For violations of sections 25110 and 25401, subdivision (b), of the Corporations Code)

Pursuant to Government Code section 11507, this Amended Desist and Refrain Order (Amended Order) serves to amend a Desist and Refrain Order (Order) initially issued by the California Commissioner of Business Oversight on October 1, 2015.

The California Commissioner of Business Oversight finds that:

1. At all relevant times herein, USFIA, Inc. (USFIA) is an active status California corporation with its principal place of business at 135 E. Live Oak Ave., Suite 100, Arcadia, California 91006. USFIA registered with the California Secretary of State on September 2, 2010. USFIA maintains a website at www.usfiainc.com.
2. At all relevant times herein, Steve Chen (Chen) is an owner and officer of USFIA, as well as its President and Agent for Service of Process.
3. At all relevant times herein, Leonard Stacy Johnson (Johnson) is the Vice President of Investor Relations at USFIA and acts as a company spokesman.
4. At all relevant times herein, Weiwen (Wayne) Zhao (Zhao) is an executive at USFIA and acts as a company spokesman.

1 5. USFIA stands for “US Fine Investment Arts.” USFIA claims to be a manufacturer
2 and retailer of amber gemstone jewelry under the brand name AMN Jewelry. USFIA’s website
3 indicates that it began operations in 2013.

4 6. USFIA’s website claims that it is “founded and owned” by the US-China
5 Consultation Association Liaison/Consulting Services (UCCA). In other material published by
6 USFIA, however, the Alliance Financial Group, Inc. (AFG) is identified as the parent company of
7 USFIA. USFIA, UCCA and AFG are all controlled by Chen and operate from the same address.

8 7. USFIA claims to own amber mines across the world, which support its jewelry
9 business, and claims to have amber gemstone holdings that are valued over \$5 billion.

10 8. Around March 2014, USFIA entered into a new line of business, claiming to have
11 invented and issued a new virtual currency called GemCoin. USFIA claims that GemCoin was a
12 virtual currency “built on top of Bitcoin.” However, unlike Bitcoin, USFIA’s GemCoin was a
13 centralized virtual currency and its entire supply was created, held and distributed by USFIA.

14 9. In presentations, videos and advertisements posted or promoted by USFIA, USFIA
15 claimed that GemCoin had significant advantages over competing virtual currencies, such as:

- 16 a. the claim that GemCoin would be able to be transferred between persons and used to
17 purchase goods and services online by July 2015;
- 18 b. the claim that GemCoin would be able to be bought, sold and traded with others via
19 a website and through ATMs by July 2015;
- 20 c. the claim that, unlike any other virtual currency, GemCoin was backed by “hard
21 assets.” USFIA claimed that GemCoin would be backed by over \$5 billion in amber
22 gemstones stored in a vault that would be verified by a third-party auditor;
- 23 d. the claim that various local, state and national governments had endorsed, approved
24 or registered the sale and transfer of GemCoins, including the State of California.

25 10. Beginning at least by September 2014, USFIA claimed that it would offer currency
26 exchange services, currency trading, currency transfer services, provision of a virtual currency for
27 use by members of an online community via a global computer network, provision of electronic
28 transfers of a virtual currency for use by members of an online community via a global computer

1 network, and online real-time currency trading. USFIA claimed that these services would allow
2 persons to transmit virtual currency to another person and that the virtual currency could then be
3 redeemed or exchanged for fiat currency.

4 11. USFIA claimed that GemCoin could be used as a form of payment at various online
5 and offline merchants. USFIA also claimed that GemCoin could be redeemed for electronics,
6 travel, and other luxury items.

7 12. Since at least February 2015, Respondents have been soliciting the general public —
8 through websites, internet presentations and live presentations—to purchase investment contracts.
9 The investment contracts entitled the purchaser to a token amount of amber jewelry and, most
10 importantly, a number of “reward points” that could later be converted to GemCoin when USFIA
11 fully launched its trading and exchange website as planned in July 2015. USFIA often referred to
12 its investment contract purchasers as USFIA “investors” or “members.”

13 13. USFIA’s investment contracts were sold for set amounts of \$1,000.00; \$2,000.00;
14 \$5,000.00; \$10,000.00 or \$30,000.00; the larger the purchase price, the more convertible “reward
15 points” were received. Payments for the investment contracts could be made through a USFIA
16 website.

17 14. In addition to its own presentations and websites, USFIA marketed its investment
18 contracts through a multi-level marketing scheme. Under the scheme, investors could obtain
19 additional, convertible “rewards points” in exchange for recruiting new investors. USFIA assisted
20 its investors’ own efforts to recruit new investors by having its executives pose for interviews,
21 providing photo opportunities at its headquarters, and linking to the investors’ marketing materials
22 on the USFIA website.

23 15. USFIA hosted a number of events promoting its investment contracts and its multi-
24 level marketing scheme. Chen, Johnson and Zhao made presentations at many of these events. At
25 these events, USFIA purported to give away cars, trips, luxury purses and other valuable items to
26 persons who had recruited a large number of new investors.

27 16. In public presentations and in online videos posted or promoted by USFIA, USFIA
28 claimed that GemCoin is “the new gold rush” and a “business opportunity 100 years in the

1 making.” USFIA claimed that GemCoin has “appreciable value” and has had “overwhelming
2 success” and “unstoppable growth” since its first issuance in 2014.

3 17. At an approximately four-hour presentation to prospective investors at the Marriot
4 Mission Valley in San Diego, California on February 8, 2015, USFIA claimed that, in exchange for
5 a \$10,000.00 investment contract purchased that day, an investor would receive “rewards points”
6 redeemable for 66,000 GemCoins at that day’s current price of 15 cents per GemCoin. USFIA
7 then claimed that investors would “make money” by later selling that GemCoin at a “guaranteed”
8 higher price in 60 days. “The price would never go back, it will only go up. It will go up to \$1.00,”
9 an increase in value over 650%, USFIA claimed.

10 18. Around December 2014, USFIA offered GemCoin brochures at the front desk in the
11 lobby of its headquarters. The brochure, in relevant part, stated:

12 According to the bill of 129 that was passed on June 28, 2014, in the State of
13 California, U.S.A., the virtual currency, reward points and GemCoin was legalized.
14 . . . GemCoin value is backed by [AFG], which owns amber mines across the world,
15 and will become more popular. . . . GemCoin’s price is equal to the price of [AFG’s]
16 gemstones and, if you invest \$10,000 . . . you will receive \$10,000 of GemCoin. . .
17 . [AFG] has total assets of \$50 billion, 2 million customers, and will have 3,000
18 franchises, which will make sure the foundation for GemCoin is unbeatable and
19 that its market value will be stable.

20 19. In another brochure, USFIA claimed that, “[b]ecause GemCoins are based on the
21 gemstones that [USFIA] owns, and their base is done using a financial formula of Pegging, these
22 can never lose their value and they will always be worth something. Some people and investors
23 consider these coins to have a perfect guarantee, as they are backed up by the gemstones and they
24 place more trust in them than they do for other cryptocurrencies.”

25 20. The investment contracts offered and sold by Respondents constitute securities.
26 These securities were offered for sale in the State of California in an issuer transaction.
27 Respondents have neither applied for nor secured from the California Commissioner of Business
28 Oversight a qualification to offer or sell securities in the State of California.

29 21. Respondents, in connection with the offer and sale of a security, directly or
30 indirectly made untrue statements of material fact and omitted to state material facts necessary in
31 order to make the statements made, in light of the circumstances under which they were made, not

1 misleading. The materials misrepresentations and omissions include, without limitations, the
2 following:

- 3 a. misrepresenting the endorsement, approval or registration of GemCoin and USFIA’s
4 GemCoin auction house and exchange by local, state or national governments;
- 5 b. misrepresenting that USFIA investors would be able to cash out or sell their
6 investments within 60 days of purchasing their investment contracts;
- 7 c. misrepresenting that the value of GemCoin was “guaranteed, “secured” and less
8 subject to risk than other virtual currencies; and
- 9 d. failing to disclose the risk of obtaining and the expense of obtaining regulatory
10 approvals necessary to operate USFIA’s GemCoin auction house and exchange.

11 Based on the foregoing findings, the California Commissioner of Business Oversight is of
12 the opinion that USFIA, Inc., Steve Chen, Leonard Stacy Johnson, and Weiwen (Wayne) Zhao
13 engaged in the offer and sale of securities in the form of USFIA investment contracts. These
14 securities have not been qualified under the California Corporate Securities Law of 1968, in
15 violation of section 25110 of the Corporations Code. The California Commissioner of Business
16 Oversight is also of the opinion that Leonard Stacy Johnson and Weiwen (Wayne) Zhao violated
17 section 25110 of the Corporations Code, as provided by section 25403, subdivision (b), of the
18 Corporations Code, due to their knowing provision of substantial assistance to the violations of
19 sections 25110 by USFIA, Inc. and Steven Chen. Pursuant to section 25532 of the California
20 Corporate Securities Law of 1968, USFIA, Inc., Steve Chen, Leonard Stacy Johnson, and Weiwen
21 (Wayne) Zhao are hereby ordered to desist and refrain from the further offer or sale of securities in
22 the State of California, including but not limited to USFIA investment contracts, unless and until
23 qualification has been made under the law or unless exempt.

24 The California Commissioner of Business Oversight is further of the opinion that USFIA,
25 Inc., Steve Chen, Leonard Stacy Johnson, and Weiwen (Wayne) Zhao, in connection with the offer
26 and sale of securities in the form of USFIA investments contracts, directly or indirectly, made
27 untrue statements of material fact and omitted to state material facts necessary to make the
28 statements made, in light of the circumstances under which they were made, not misleading, in

1 violation of section 25401, subdivision (b), of the Corporations Code.¹ The California
2 Commissioner of Business Oversight is also of the opinion that Leonard Stacy Johnson and
3 Weiwen (Wayne) Zhao violated section 25401, subdivision (b), of the Corporations Code, as
4 provided by section 25403, subdivision (b), of the Corporations Code, due to their knowing
5 provision of substantial assistance to the violations of 25401, subdivision (b), by USFIA, Inc. and
6 Steven Chen. Pursuant to sections 25532 of the Corporations Code, USFIA, Inc., Steve Chen,
7 Leonard Stacy Johnson, and Weiwen (Wayne) Zhao are hereby ordered to desist and refrain from,
8 in connection with the offer and sale of any security in the State of California, directly or indirectly,
9 making an untrue statement of a material fact or omitting to state a material fact necessary in order
10 to make the statements made, in light of the circumstances under which they made, not misleading.

11 These Orders are necessary, in the public interest, for the protection of investors and
12 consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

13
14 Dated: September 6, 2018
15 Sacramento, California

JAN LYNN OWEN
Commissioner of Business Oversight

16
17 By _____
18 MARY ANN SMITH
19 Deputy Commissioner
20 Enforcement Division

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28 ¹ The operative facts recited in the Order and this Amended Order occurred between January 1, 2014 and January 1, 2016. The Order was issued on October 1, 2015. Consequently, this Amended Order recites the language of section 25401 that was in effect at that time.