

1
2 **STATE OF CALIFORNIA**
3 **BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY**
4 **DEPARTMENT OF BUSINESS OVERSIGHT**

5
6 TO: World Capital Market, Inc.
7 150 S. Los Robles Ave., Suite 900
8 Pasadena, California 91101-2486

9
10 WCM777, Inc.
11 150 S. Los Robles Ave., Suite 900
12 Pasadena, California 91101-2486

13
14 WCM777 Limited
15 150 S. Los Robles Ave., Suite 900
16 Pasadena, California 91101-2486

17
18 Ming Xu
19 150 S. Los Robles Ave., Suite 900
20 Pasadena, California 91101-2486

21
22 Zhi Liu
23 150 S. Los Robles Ave., Suite 900
24 Pasadena, California 91101-2486

25
26 Harold Zapata
27 1526 W. Claridge Court
28 Hanford, California 93230

19 **DESIST AND REFRAIN ORDER**
20 **(For violations of section 25110 and 25401 of the Corporations Code)**

21 The Commissioner of Business Oversight finds that:

- 22 1. At all relevant times, World Capital Market, Inc. (“WCM”), is a company with its
23 principal place of business at 150 S. Robles Avenue, Suite 900, Pasadena, California, 91101-2486.
24 WCM registered with the State of Delaware on March 27, 2012. WCM also claims to be registered
25 in the British Virgin Islands. WCM maintains a website at www.worldcapitalmarket.com, which
26 states that WCM is a “merchant banking firm” that acts as a “strategic investor” and “incubates”
27 companies in a variety of industries.
28

1 2. At all relevant times, WCM777, Inc. and WCM777 Limited are two companies that
2 operate collectively as “WCM777,” a “social marketing” business with a headquarters in the United
3 States at 1218 John Reed Court, City of Industry, California, 91745.¹ WCM777, Inc. was
4 incorporated under the laws of Nevada on March 7, 2013 and was dissolved on September 24, 2013.
5 On one of its websites, www.wcm777.com, WCM777 states that it has also registered in Hong Kong
6 under the name WCM777 Limited. Despite changes in corporate form, WCM777 has operated
7 continually from at least March 7, 2013 to the present. WCM777, Inc. and WCM777 Limited are
8 wholly owned subsidiaries of WCM.

9 3. At all relevant times, Ming Xu is the Chief Executive Officer and Chairman of WCM
10 and the Chairman of WCM777. Ming Xu is also an owner of WCM.

11 4. At all relevant times, Zhi Liu is the Chief Executive Officer of WCM777 and one of
12 the executive managers at WCM.

13 5. At all relevant times, Harold Zapata is a Director and affiliate of WCM777. Zapata is
14 one of WCM777’s primary salespersons on YouTube. On his LinkedIn resume, Zapata also
15 identifies himself as “CEO at WCM777 Global Stars,” where he says that “I Help People Make
16 Money!”

17 6. Since at least March 7, 2013, Respondents have been soliciting the general public—
18 through websites, web-inars and live presentations—to purchase WCM777 membership units that
19 allow the purchaser access to WCM777’s alleged online cloud services. More importantly,
20 purchasers of WCM777 membership units are allegedly paid daily returns over a 100-day period.
21 WCM777’s claimed daily returns are allegedly paid out in the form of profit-sharing payments,
22 bonuses and commissions.

23 7. WCM777 offers five levels of membership units, which cost \$399, \$799, \$1,199,
24 \$1,599 and \$1,999 respectively. The amount of daily returns that a purchaser is allegedly paid
25 depends upon the unit level that the purchaser acquires; the more expensive the membership unit, the
26 higher the alleged daily returns.

27 _____
28 ¹ WCM777, Inc. and WCM777 Limited are hereinafter referred to collectively as WCM777.

1 8. For example, a person who purchases the \$399 membership unit receives an account
2 on WCM777's website that provides the purchaser one year of access to WCM777's alleged online
3 cloud services. In addition, WCM777 claims that the purchaser will receive up to \$4 per day in daily
4 returns over a 100-day period.

5 9. The most expensive and, by far, the most popular WCM777 membership unit costs
6 \$1,999. The \$1,999 membership unit provides the purchaser five years of access to WCM777's
7 alleged online cloud services. In addition, WCM777 claims that a purchaser of the \$1,999
8 membership unit will receive up to \$32 per day over a 100-day period in the form of profit-sharing
9 payments, bonuses and commissions. Thus, over a 100-day period, a purchaser of the \$1,999
10 membership unit would allegedly earn \$1,200 more than the original cost of the unit—an alleged
11 60% return in only 100 days.

12 10. The vast majority of purchasers buy the five year unit, rather than the less expensive
13 units that generate lesser returns. In fact, over 95% of purchasers in the United States bought the
14 \$1,999 membership unit.

15 11. There is no limit to how many WCM777 membership units an individual may
16 purchase at one time. In fact, a significant number of purchasers buy multiple WCM777 membership
17 units at the same time.

18 12. After the purchaser's 100-day daily returns cycle expires, the purchaser may "re-up"
19 by purchasing another membership unit at a 50% discount, which then restarts the 100-day cycle. A
20 purchaser can "re-up" indefinitely. Therefore, over a 300-day span, a purchaser of a single \$1,999
21 WCM777 membership unit who "re-ups" at the end of each 100-day cycle would allegedly earn up to
22 \$5,600 more than the cost of buying the membership units—an alleged 140% return in about 10
23 months.

24 13. In its marketing materials, WCM777 does not explain why an individual would need
25 or want multiple online cloud service accounts. In its marketing materials, WCM777 also does not
26 explain why a purchaser who buys five years of online cloud services would need or want to purchase
27 another five years of access only 100 days later.

28

1 14. WCM777 claims that there are seven sources for the alleged daily returns, including
2 payments for profit sharing based on WCM777's revenues, options to purchase stock in WCM777
3 following an initial public offering that is purportedly scheduled for 2014, and bonuses for referrals
4 of new purchasers of WCM777 units. In particular, WCM777's claimed profit sharing payments are
5 referred to by Respondents as WCM777's "Global Business Bonus." Under the "Global Business
6 Bonus," purchasers of WCM777 units allegedly receive a fixed percentage of WCM777's profits
7 from its global sales on a daily basis.

8 15. Each purchaser of a WCM777 membership unit receives an electronic account to
9 which WCM777 will allegedly pay out the purchaser's daily returns. Balances in a purchaser's
10 account would be nominally denominated in "Kingdom Card Points." However, WCM777 states that
11 a purchaser's "Kingdom Card Points" balance can be freely converted into United States dollars at
12 any time. Following conversion, a purchaser's balance can be withdrawn. In fact, when Respondents
13 advertise WCM777's alleged daily returns, the returns are usually denominated in United States
14 dollars, not in "Kingdom Card Points."

15 16. Respondents claim that some of the daily returns that are allegedly paid to purchasers
16 require no effort or work by the purchasers themselves, such as the efforts involved in actively
17 referring new purchasers.

18 17. Respondents also claim that WCM777's alleged daily returns are backed by the global
19 banking business of its parent company, WCM.

20 18. WCM777 and WCM had no significant income outside of sales of WCM777
21 membership units. From March 2013 to the end of September 2013, WCM777 and WCM generated
22 over \$20 million in sales of WCM777 membership units. During the same period, over 99% of the
23 income of WCM777 and WCM came from sales of WCM777 membership units, while less than 1%
24 of their income came from WCM's alleged global "merchant banking" or any other business.

25 19. Since at least March 7, 2013, Respondents and other persons acting on WCM777's
26 behalf have conducted investor meetings, presented in-person seminars, and disseminated solicitation
27 videos and websites on the internet from the State of California. These meetings, presentations and
28 internet content focus almost exclusively on the daily returns each purchaser will generate, rather

1 than the benefit or advantages offered by WCM777's alleged online cloud services. Indeed, some
2 marketing presentations state that WCM777's alleged online cloud services will not be fully available
3 until 2014 at the earliest.

4 20. Some marketing presentations claim that WCM777's alleged online cloud services
5 would be provided by the technology company, Siemens. However, Siemens has publicly disavowed
6 any relationship or contract with WCM777. In a press release, Siemens stated that it disavowed a
7 relationship with WCM777 "[i]n order to help . . . investors avoid making any investments based on
8 false assumptions[.]"

9 21. The WCM777 membership units offered and sold by Respondents constitute
10 securities. These securities were offered for sale in the State of California in an issuer transaction.
11 Respondents have neither applied for nor secured from the California Commissioner of Business
12 Oversight a qualification to offer or sell securities in the State of California.

13 22. Respondents offered and sold securities by means of written and oral communications
14 which included untrue statements of material fact and which omitted to state material facts necessary
15 in order to make the statements made, in light of the circumstances under which they were made, not
16 misleading. The material misstatements and omissions include, without limitation, the following:

17 i. the misstatement that Respondents' activities were not subject to the
18 jurisdiction of the United States Securities & Exchange Commission or the United States Federal
19 Trade Commission;

20 ii. the failure to disclose that WCM777 had no other significant sources of
21 income but for its sale of membership units; and

22 iii. the failure to disclose that WCM777 did not have an enforceable contract with
23 Siemens under which Siemens would provide the alleged online cloud services that WCM777
24 advertised.

25 Based upon the foregoing findings, the California Commissioner of Business Oversight is of
26 the opinion that World Capital Market, Inc., WCM777, Inc., WCM777 Limited, Ming Xu, Zhi Liu
27 and Harold Zapata engaged in the offer and sale of securities in the form of WCM777 membership
28 units. These securities have not been qualified under the California Corporate Securities Law of

1 1968, in violation of section 25110 of the Corporations Code. Pursuant to section 25532 of the
2 California Corporate Securities Law of 1968, World Capital Market, Inc., WCM777, Inc., WCM777
3 Limited, Ming Xu, Zhi Liu and Harold Zapata are hereby ordered to desist and refrain from the
4 further offer or sale of securities in the State of California, including but not limited to WCM777
5 membership units, unless and until qualification has been made under the law or unless exempt.

6 The California Commissioner of Business Oversight is further of the opinion that World
7 Capital Market, Inc., WCM777, Inc., WCM777 Limited, Ming Xu, Zhi Liu and Harold Zapata
8 offered and sold securities in the form of WCM777 membership units, by means of written and oral
9 communications including untrue statements of material fact and omission of material facts necessary
10 to make the statements not misleading, in violation of section 25401 of the Corporations Code.

11 Pursuant to section 25532 of the California Corporate Securities Law of 1968, World Capital Market,
12 Inc., WCM777, Inc., WCM777 Limited, Ming Xu, Zhi Liu and Harold Zapata are hereby ordered to
13 desist and refrain from offering or selling any security in the State of California, by means of any
14 written or oral communication which includes an untrue statement of a material fact or omits to state
15 a material fact necessary in order to make the statements made, in light of the circumstances under
16 which they were made, not misleading.

17 This Order is necessary, in the public interest, for the protection of investors and consistent
18 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

19
20 Dated: January 8, 2014
21 Sacramento, California

JANN LYNN OWEN
Commissioner of Business Oversight

22
23
24 By _____
25 MARY ANN SMITH
26 Deputy Commissioner
27 Enforcement Division
28