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SEALED BY COURT ORDER

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

JSW

U.S. COMMODITY FUTURES TRADING COMMISSION and THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, Plaintiffs, vs. NATIONAL INVESTMENT CONSULTANTS, INC., a California corporation, SOUTH CHINA INVESTMENTS, INC., a California	Case No. C 05 2641 COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF AND FOR CIVIL PENALTIES UNDER THE COMMODITY EXCHANGE ACT, AS AMENDED, 7 U.S.C. §§ 1-25 AND CALIFORNIA COROPRATE CODE § 29520 AND 29536 FILED UNDER SEAL

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corporation,
PACIFIC BEST GROUP LTD, a.k.a.
PACIFIC BEST COMPANY LTD, a British
Virgin Islands Corporation, YI KERRY XU,
an individual, RUN PING ZHOU a.k.a
FLORA ZHOU, an individual, and WEI M.
TSE a.k.a. RAYMOND TSE, an individual,
Defendants,

and

THERESA C. WONG, an individual,
Relief Defendant.

Plaintiffs U.S. Commodity Futures Trading Commission and the Commissioner of Corporations of the State of California, by and through there attorneys, hereby allege as follows:

I. SUMMARY

1. Since at least March 2004, Defendants South China Investments, Inc. ("South China") acting as a common enterprise with National Investment Consultants, Inc. ("NICI") (together the "South China Common Enterprise") and Pacific Best Group Ltd ("Pacific Best") have been operating a foreign currency scam in San Francisco, California. As alleged herein, the South China Common Enterprise and Pacific Best have solicited and accepted at least $182,500 from at least five known retail investors to engage in speculative trading of illegal off-exchange foreign currency futures contracts. Investors lost almost all of their investment. Defendants have cheated, defrauded, and deceived customers by, among other practices: a) falsely misrepresenting the profit potential from trading through their business; b) failing to disclose the risk of loss from trading in foreign currency futures contracts through their business; c) failing to disclose the lack of experience of the South China Common Enterprise account executives; and d) failing to disclose the fact that Defendant Zhou had been the subject of prior California litigation stemming from similar fraudulent solicitation which resulted in an injunction against her.

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2. By offering the illegal futures contracts, Defendants the South China Common Enterprise and Pacific Best have violated Section 4(a) of the Commodity Exchange Act (the "Act"), 7 U.S.C. §§ 6(a)(2002). Furthermore, by making material misrepresentations and omissions, Defendants have engaged, are engaging, or are about to engage in acts and practices that violate the anti-fraud provisions of Section 4(b)(i) and (iii)of the Act, 7 U.S.C.§ 6b(a)(i) and (iii)(2002) and Section 1.1(b)(1) and (3) of the Commission's Regulations, 17 C.F.R. §§1.1(b)(1) and (3)(2002).

3. Defendants' conduct is also in violation of provisions of the California Commodity Law of 1990 (Cal. Corp Code Sections 29520 and 29536).

4. Accordingly, pursuant to Sections 6c and 6d of the Act, 7 U.S.C. §§ 13a-1 and 13a-2 (2002), and California Corporations Code Sec. 29540, and 29544, Plaintiff Commodity Futures Trading Commission (the "Commission") and Plaintiff Commissioner of Corporations of the State of California ("State of California") (collectively, "Plaintiffs") bring this action to enjoin the unlawful acts and practices of Defendants. In addition, Plaintiffs seek civil monetary penalties for each violation of the Commodity Exchange Act and each violation of the California Commodity Law, disgorgement of Defendants' ill-gotten gains, restitution to customers, prejudgment interest and such other relief as this Court may deem necessary or appropriate.

5. Unless enjoined by this Court, Defendants are likely to continue to engage in the acts and practices alleged in this Complaint, as more fully described below.

II. JURISDICTION

6. The Commodity Exchange Act, 7 U.S.C. § 1 et seq. (2002), establishes a comprehensive system for regulating the purchase and sale of commodity futures contracts and options. This Court has jurisdiction over this action pursuant to Sections 6c and 6d of the Act, 7 U.S.C. § 13a-1 and § 13a-2 (2002).

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7. Section 6c of the Act provides that whenever it shall appear to the Commission that any person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation, or order promulgated there under, the CFTC may bring an action against such person to enjoin such practice or to enforce compliance with the Act.

8. Section 6d(1) of the Act provides that whenever it shall appear to any State that the interests of the residents of the State have been, are being, or may be threatened or adversely affected because of such violations of the Act, the State may bring a suit in the district courts of the United States to enjoin such acts or practices and to enforce compliance with the Act, or to obtain such other and further relief as the court deems appropriate; this includes the State of California claims brought pursuant to Section 12(e) of the Act, 7 U.S.C. § 16(c), over which this Court has supplemental jurisdiction pursuant to 28 U.S.C. § 1367(a).

9. Section 2(c)(2)(B) of the Act, 7 U.S.C. § 2(c)(2)(B) (2002), expressly grants the Commission jurisdiction over certain transactions in foreign currency that are contracts for the sale of a commodity for future delivery, including the transactions alleged in this Complaint.

III. INTRADISTRICT ASSIGNMENT AND VENUE

10. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2002), in that Defendants transact business in this District and in particular the City and County of San Francisco, and the acts and practices in violation of the Act have occurred, are occurring, or are about to occur, within this District, among other places, and at least one of the individual Defendants lives in this District.

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IV. THE PARTIES

A. Plaintiffs

11. Plaintiff Commodity Futures Trading Commission is an independent federal regulatory agency that is charged with responsibility for administering and enforcing the provisions of the Commodity Exchange Act, 7 U.S C. §§ 1 et seq. (2002).

12. Plaintiff Commissioner of Corporations of the State of California brings this action on behalf of the people of California in the public interest. The Acting Commissioner, Wayne Strumpfer, is empowered by legislative enactment to protect the people of California from unlawful commodity and securities transactions and activities.

B. Defendants

13. Pacific Best Group Ltd. a.k.a. Pacific Best Company Ltd. is a British Virgin Islands Company whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Upon information and belief, Pacific Best also maintains a presence in Hong Kong. At all times relevant to this matter, Pacific Best has transacted business within and from California directly and through the agency of the South China Common Enterprise in San Francisco, California, and through various individuals, including but not limited to the individual Defendants Xu, Zhou and Tse. These business activities include entering into written agreements with investors in California and particularly San Francisco, soliciting and accepting money from the investors, purporting to execute trades for investors and issuing account statements to investors, through South China Common Enterprise. Pacific Best has never been registered with the Commission or the State of California in any capacity.

14. National Investment Consultants, Inc., incorporated in California on February 2, 2004, has its principal place of business at 300 Montgomery Street, Suite 660, in the City and

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County of San Francisco. NICI also maintains a presence on the world-wide web at *www.nationalinv.com*. On its website, NICI indicates an apparent corporate relationship with defendant Pacific Best, heading its web pages as "National Investment Consultants Inc. of Pacific Best Company Ltd." and describing itself as the "communication link between customers and Pacific Best Company Ltd." NICI has never been registered with the Commission in any capacity.

15. South China Investments, Inc., incorporated in California on November 9, 2000, has its principal place of business at 300 Montgomery Street, Suite 730, in the City and County of San Francisco. South China and NICI share the same street address and telephone number. The South China website *www.southchinainvestment.com* (now defunct) is substantially similar to the NICI website *www.nationalinv.com*. South China and NICI have bank accounts and employees in common. Like NICI, on its website, South China described itself as the communication link between customers and Pacific Best. South China has never been registered with the Commission in any capacity.

16. At all relevant times hereto, Yi Kerry Xu, an individual, was an account manager for the South China Common Enterprise. Xu is a California resident and her last known address is 300 Davey Glen Road Apartment 3822 Belmont, CA 94002. She has never been registered with the CFTC in any capacity.

17. At all relevant times hereto, Run Ping Zhou a.k.a. Flora Zhou, an individual, was a manager and, upon information and belief, a part owner of the South China Common Enterprise. Defendant Zhou was a defendant in a similar state court action filed by the State of California, *The People of the State of California v. Y&T, Inc d.b.a. Tokyo International Investment, LTD et al.*, Cal. Superior Court Case No. 310839 (March 2000) (the "prior California litigation"). The prior California litigation resulted in an injunction against Zhou prohibiting her

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from engaging in, among other things, the very conduct complained about herein, i.e, fraudulent solicitation. A copy of the injunction is attached hereto as Exhibit A. Zhou is a California resident and her last known address is 3567 Kimberly Road, Cameron Park, California 95682. She has never been registered with the CFTC in any capacity.

18. At all relevant times hereto, Wei M Tse, a.k.a. Raymond Tse, an individual, was a manager and, upon information and belief, a part owner of the South China Common Enterprise. Tse is a California resident and his last known address is 88 Howard Street #809, San Francisco, California. He has never been registered with the CFTC in any capacity.

C. Relief Defendant

19. At all relevant times hereto, Theresa C. Wong, an individual, was purportedly the accountant for the South China Enterprise. Wong has received ill-gotten gains from the individual Defendants, the South China Common Enterprise and/or Pacific Best. Wong is a California resident and her last known address is 88 Howard Street #809, San Francisco, California. Wong has never been registered with the CFTC in any capacity.

V. FACTUAL BACKGROUND

A. Defendants' Fraudulent Foreign Currency Scheme

Defendants' Advertising on the Internet and in Print

20. Since at least March 2004 through the present, Defendants South China Common Enterprise and Pacific Best, through their officers, employees and agents, including individual defendants Kerry Xu, Flora Zhou, and Raymond Tse, have operated a foreign currency business in their San Francisco, California office for the purpose of selling foreign currency futures contracts to the retail public.

21. In or around February 2004, the South China Common Enterprise abandoned the name South China Investments, Inc. and changed its name to National Investment Consultants,

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Inc.

22. Defendants South China Common Enterprise and Pacific Best initially advertised to potential customers through the website *www.southchinainvestment.com* (now defunct) and now use an almost identical website *www.nationalinv.com*. The mast head of the website reads: "National Investment Consultants, Inc. of Pacific Best Company Ltd.," and claims that NICI has over 30 years of management and trading experience. According to the website, NICI acts as the communication link between clients and Pacific Best.

23. Defendants, through the websites, advertise to the public that they have extensive management and trading experience in order to entice investors and create the impression that they are successful, well established, legitimate foreign currency traders.

24. Defendants South China Common Enterprise and Pacific Best also target customers in the San Francisco Chinese community by placing ads in the "Employment/Job Opportunity," classified section of the Chinese language *Sing Tao Daily* newspaper in San Francisco, California. The ads in the *Sing Tao Daily* offer employment/job opportunities with promises of health insurance, good pay and a professional work environment to persons who speak Chinese (Mandarin or Cantonese).

25. Persons who respond to the ads are invited to Defendants' office, where Defendants South China Common Enterprise and Pacific Best, through their officers, employees and agents, including individual defendants, Kerry Xu, Flora Zhou, and Raymond Tse, provid minimal training on how to trade foreign currency and solicited trainees to invest funds.

Defendants' Fraudulent Solicitation of Customers

26. Since on or about March 2004, Defendants have intentionally, knowingly, falsely, and misleadingly or with reckless disregard made material misrepresentations and omissions concerning foreign currency trading with the South China Common Enterprise and Pacific Best,

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including:

a. misrepresenting the profit opportunities available from trading through their business;

b. failing to disclose the risk of loss from trading through their business;

c. failing to disclose the lack of experience of the South China Common Enterprise account executives; and

d. failing to disclose the prior California litigation against Defendant Zhou.

27. In soliciting potential customers, Defendant Xu knowingly or with reckless disregard for the truth made misleading and false claims and failed to disclose material facts to one or more customers. These statements and omissions include, but are not limited to, the following statements or words to the same effect:

a. no one would lose money trading foreign currency because Xu had the capacity to "stop" or "lock in" a position before the customer sustained any loss;

b. the customer's investment was FDIC insured;

c. Xu had lots of clients who made "tons of money" in the foreign currency markets;

d. an investment in foreign currency was no more risky than, and no different from, investing in stocks; and

e. the customer's investment would be tax-free if he made deposits in cash.

28. In soliciting potential customers, Defendant Zhou knowingly or with reckless disregard for the truth made misleading and false claims and failed to disclose material facts to one or more customers. These statements and omissions include, but are not limited to, the following statements or words to the same effect:

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a. the South China Common Enterprise was FDIC insured;

b. there was a method in place to prevent the loss of any of the customer's initial investment;

c. the South China Common Enterprise was an off-shore company and if the customer invested in cash, the customer would not have to report tax information to the government; and

d. Zhou never disclosed that she was the subject of the prior California litigation or that she had been subject to a permanent injunction prohibiting similar conduct.

29. Defendants Xu, Zhou, and Tse, together, purported to train at least one customer in currency trading and then solicited the customer to invest money to trade with the South China Common Enterprise. During the course of the training and in subsequent solicitations, Defendants Xu, Zhou, and Tse, together, made misleading and false claims and failed to disclose material facts to at least one customer. These statements and omissions include, but are not limited to, the following statements, or words to the same effect:

a. there was more profit to be made trading foreign currency than trading stocks;

b. no one would lose money trading foreign currency; and

c. profits were not taxed because the trading was through an offshore company.

30. Defendants, including Defendants Xu, Zhou and Tse, never explain nor disclose the specific role of Pacific Best in their solicitations.

Customers' Investments With Defendants

31. At the conclusion of their training period, Defendants South China Common

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Enterprise and Pacific Best, and individual defendants, Kerry Xu, Flora Zhou, and Raymond Tse, solicit the "trainees" to open personal accounts at the South China Common Enterprise in order to speculate in foreign currency with their own money. Defendants seek initial investments of $20,000 from these trainees to place in personal accounts.

32. Defendants South China Common Enterprise and Pacific Best, and individual defendants, Kerry Xu, Flora Zhou, and Raymond Tse, encourage the trainees to bring Defendants additional investors and often, if and when they do so, they bring in relatives or friends. The trainees then become "Account Executives" who manage these new investors' accounts. Many of these "trainees" often have no experience trading in the foreign currency markets or any other trading experience prior to the minimal training provided by Defendants, even though the South China Common Enterprise touts the professional expertise and experience of its traders.

33. Defendants South China Common Enterprise and Pacific Best, and individual Defendants Kerry Xu, Flora Zhou, and Raymond Tse, then tell customers to bring a minimum investment of $20,000 in cash to Defendants' place of business. In one instance, Defendant Zhou accompanied a 78 year old customer to her bank as the investor withdrew $20,000 in cash and gave it to the Defendants to open her account. Defendants also accept checks made payable to Pacific Best. On at least one occasion, Defendant Tse requested that a customer make his $20,000 check payable to "Raymond Tse."

34. After opening their accounts, customers receive calls from Defendants urging them to place a currency trade. Upon information and belief, customers often receive these calls late at night or early in the morning. Customers are told that they needed to make a quick decision in order to cash in on a shift in a specific foreign currency's price. The South China Common Enterprise solicits and receives the customer orders on behalf of Pacific Best, the purported counterparty to the transactions.

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35. Within a few weeks of opening an account, the individual Defendants tell customers that they must place more money into their account to cover outstanding trades. Defendants tell customers that if they fail to invest additional funds, the customers will lose their entire investment.

36. At least five retail investors invested a total of $182,500 with Defendants and lost almost all of their investment.

37. Upon information and belief, there are at least several additional similarly situated investors.

B. Defendants South China Common Enterprise and Pacific Best Offered Illegal Futures Contracts to Members of the Retail Public

38. The Defendants South China Common Enterprise and Pacific Best have offered foreign currency futures contracts to members of the retail public. The foreign currency contracts marketed by the Defendants South China Common Enterprise and Pacific Best are standardized, fungible contracts for the purchase or sale of commodities for future delivery at prices, or using pricing formulas, that are established at the time the contracts are initiated. Further, the contracts may be fulfilled through offset, cancellation, cash settlement or other means to avoid delivery.

39. Defendants South China Common Enterprise and Pacific Best do not conduct their foreign currency futures transactions on or subject to the rules of a board of trade that has been designated by the Commission as a contract market, nor are any of these transactions executed or consummated by or through a member of such a contract market. Defendants South China Common Enterprise and Pacific Best do not conduct their transactions on a facility registered as a derivatives transaction execution facility.

40. Sections 2(c)(2)(B)(i) and (ii) of the Commodity Exchange Act provide that the Commission shall have jurisdiction over an agreement, contract or transaction in foreign currency that is a sale of a commodity for future delivery, so long as the contract is "offered to, or

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entered into with, a person that is not an eligible contract participant," and the counterparty, or the person offering to be the counterparty, is *not* one of the regulated entities enumerated in Section 2(c)(2)(B)(ii)(I-VI). 7 U.S.C. § 2(c)(2)(B)(i) and (ii).

41. Most, if not all, of the customers of Defendants South China Common Enterprise and Pacific Best are retail customers for purposes of the Act, meaning that they have a net worth of less than $5 million and therefore do not constitute eligible contract participants, as defined by Section 1a(12)(A)(xi) of the Act, 7 U.S.C. § 1.

42. Section 2(c)(2)(B)(ii)(I-VI) of the Act, 7 U.S.C. § 2(c)(2)(B)(ii)(I-VI), identifies regulated entities that are proper counterparties to foreign currency transactions with retail customers. Such proper counterparties include futures commission merchants registered with the CFTC, brokers or dealers registered with the SEC, and certain regulated financial institutions, insurance companies, financial holding companies, and investment banks.

43. Defendants Pacific Best and the South China Common Enterprise are not one of the enumerated entities that are proper counterparties identified in Section 2(c)(2)(B)(ii)(I-VI).

C. Relief Defendant Theresa C. Wong Has Received Customer Funds To Which She Is Not Entitled

44. Upon information and belief, relief Defendant Theresa C. Wong, an individual, shares an address with Defendant Tse and was purportedly employed as an accountant for the South China Common Enterprise. Upon information and belief Wong has received ill-gotten gains from the individual Defendants, the South China Common Enterprise, and/or Pacific Best. Wong has no legitimate entitlement to or interest in these funds.

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VI. CFTC COUNTS FOR VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND COMMISION REGULATIONS

COUNT ONE
(Offering Illegal Futures Contracts)

SALE OF ILLEGAL OFF-EXCHANGE FUTURES CONTRACTS IN VIOLATION OF SECTION 4(a) OF THE ACT

45. Plaintiffs re-allege and incorporate the allegations contained in paragraphs 1 through 44.

46. During the relevant time period, Defendants Pacific Best and the South China Common Enterprise, through their agents and/or employees, including individual Defendants Xu, Zhou and Tse, have offered to enter into, executed, confirmed the execution of, or conducted an office or business in the United States for the purpose of soliciting, accepting any order for, or otherwise dealing in transactions in, or in connection with, a contract for the purchase or sale of a commodity for future delivery in violation of Section 4(a) of the Act, 7 U.S.C. § 6(a) (2002), when:

a. such transaction has not been conducted on or subject to the rules of a board of trade which has been designated or registered by the Commission as a contract market or derivatives transaction execution facility for such commodity;

b. such contract has not been executed or consummated by or through a contract market; and

c. such contract has not been evidenced by a record in writing which shows the date, the parties to such contract and their addresses, the property covered and its price, and the terms of delivery: Provided, That each contract market or derivatives transaction execution facility member shall keep such record for a period of three years from the date thereof, or for a longer period if the Commission shall so direct, which record shall at all times be open to the inspection of any representative of the Commission or the Department of Justice.

47. Each foreign currency futures transaction not conducted on a designated contract

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market or registered derivatives transaction execution facility made during the relevant time period, including but not limited to those conducted by the Defendants as specifically alleged herein, is alleged as a separate and distinct violation of Section 4(a) of the Act.

COUNT TWO
(Fraud)

VIOLATION OF SECTION 4b(a)(2)(i) AND (iii) OF THE ACT, AND SECTION 1.1(b)(1) AND (3) OF THE COMMMISSION'S REGULATIONS, 17 C.F.R. §§1.1(b)(1) & (3)(2004):

FRAUD IN THE SALE OF ILLEGAL OFF-EXCHANGE FUTURES CONTRACTS

48. Plaintiffs re-allege and incorporate the allegations contained in paragraphs 1 through 47.

49. By engaging in the foregoing fraudulent acts and practices alleged in the Complaint, Defendants, in or in connection with orders to make, or the making of, contracts of sale of commodities for future delivery, made or to be made, for or on behalf of any other persons, where such contracts for future delivery were or could be used for the purposes set forth in Section 4b(a) of the Act, 7 U.S.C. § 6b(a) (2002), have: 1) cheated or defrauded or attempted to defraud other persons; and 2) willfully deceived or attempted to deceive other persons, all in violation of Sections 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. §§ 6b(a)(2)(i) and(iii) (2002) and Section 1.1(b)(1) and (3) of the Commission's Regulations, 17 C.F.R. §§1.1(b)(1) and (3)(2004).

50. Each fraudulent misrepresentation and omission, including those specifically alleged herein, is alleged as a separate and distinct violation of Section 4b of the Act and Section 1.1(b) of the Commission's Regulations.

COUNT THREE

DISGORGEMENT OF FUNDS FROM THE RELIEF DEFENDANT

51. Plaintiffs re-allege and incorporate the allegations contained in Paragraphs 1 through 50.

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52. The Defendants have engaged in fraudulent solicitation of customer funds.

53. The relief Defendant has received funds that were obtained as a result of the Defendants' fraudulent conduct.

54. The relief Defendant has no legitimate entitlement to or interest in the funds received from the Defendants' fraudulent conduct.

55. The relief Defendant should be required to disgorge the funds received from the Defendants' fraudulent conduct, or the value of those funds that the relief Defendant may have subsequently transferred to third parties.

56. By reason of the foregoing, the relief Defendant holds funds in constructive trust for the benefit of the South China Common Enterprise and Pacific Best customers who were victimized by Defendants' fraudulent scheme.

VII. STATE OF CALIFORNIA COUNTS FOR VIOLATIONS OF STATE LAW

COUNT ONE

VIOLATIONS OF CAL. CORPORATIONS CODE SECTION 29520

57. Plaintiffs incorporate by reference paragraphs 1 through 56 of this complaint as though fully set forth herein.

58. California Corporations Code ("CCC") Section 29520 provides as follows:

> "Except as otherwise provided in Section 29530, 29531, or 29532, no person shall sell or purchase or offer to sell or purchase any commodity under any commodity contract or under any commodity option, or offer to enter into, or enter into, as seller or purchaser any commodity contract or any commodity option."

59. According to California Corporations Code section 29504, " 'Commodity' means...any foreign currency...."

60. A "commodity contract" is defined in CCC Section 29505, in relevant part,

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as...any account, agreement, or contract for the purchase or sale, primarily for speculation or investment purposes and not for use or consumption by the offeree or purchaser, of one or more commodities... (emphasis added).

61. Defendants, and each of them, offered to sell and sold or purchased commodities and entered into commodity contracts in California, and in particular the San Francisco area, and their transactions fail to qualify under any exceptions or exemptions.

62. Unless enjoined by this Court, defendants will continue to violate CCC Section 29520.

COUNT TWO

WILLFUL OMISSION OF MATERIAL FACTS AND WILLFUL MAKING OF UNTRUE STATEMENTS UNDER CCC SECTION 29536

63. Plaintiff incorporates by reference paragraphs 1 through 62 of this complaint as though fully set forth herein.

64. California Corporations Code Section 29536 provides:

> "It is unlawful for any person, directly or indirectly, in connection with the purchase or sale of, the offer to sell, the offer to purchase, the offer to enter into, or the entry into, a commodity, commodity contract, or commodity option to do any of the following:
>
> a) To willfully employ any device, scheme, or artifice to defraud.
> b) To willfully make any false report, enter any false record, make any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
> c) To willfully engage in any transaction, act, practice, or course of business which operates or would operate as a fraud or deceit upon any persons.
> d) To willfully misappropriate or convert the funds, security, or property of any other person."

65. Defendants willfully omitted and willfully made untrue statements of material facts and engaged in fraudulent schemes in connection with the purchase and sale of, the offer to sell, the offer to purchase, the offer to enter into, and the entry into, commodities and commodity

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contracts.

66. Among other omissions, defendants omitted to tell investors:

a. The net of previous investors' transactions rarely, if ever, resulted in a profit.

b. Their investment was of a high risk nature;

c. There was a very high risk of losing one's entire investment;

d. Their account executives and managers had virtually no experience and ability to trade in the market;

e. There were prior federal and state actions against related companies and individuals and the California Superior Court had issued an injunction order against defendant Run Ping Zhou aka Flora Zhou based on a civil action filed by the Department of Corporations;

f. Any profits would not be tax free.

67. In addition, Defendants made untrue statements of material fact to the investors that:

a. That the defendants were FDIC insured;

b. Trading in foreign currencies would result in large profits in a short period of time;

c. Foreign currency investment opportunities are safe and low-risk;

d. Foreign currency investments offer a rare opportunity to make profit;

e. Investor profits are tax free;

f. The account executives and managers were trained and supervised, when in fact they were unskilled, not adequately trained and not adequately supervised.

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68. Unless enjoined by this Court, defendants will continue to violate CCC Section 29536(b).

RELIEF REQUESTED

WHEREFORE, Plaintiffs respectfully requests that this Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1(2002) and pursuant to the Court's equitable powers, enter:

a. an order of preliminary injunction and an order of permanent injunction prohibiting Defendants, and any other person or entity associated with them, including any successor thereof, from engaging in conduct violative of Sections 4(a) and 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. §§ 6(a) and 6b(a)(2)(i) and (iii)(2002) and Commission Regulation 1.1(b)(1) and (3);

b. an order of preliminary injunction and an order of permanent injunction prohibiting Defendants, and any other person or entity associated with them, including any successor thereof, from engaging in conduct violative of California Corporations Code Sections 29520 and 29536;

c. an order directing Defendants, relief Defendants and agents, employees or successors thereof, to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or practices which constituted violations of the Act, as described herein, and interest thereon from the date of such violations;

d. an order directing Defendants to make full restitution to every customer whose funds were received by them as a result of acts and practices which constituted violations of the Act, and interest thereon from the date of such

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violations;

e. an order directing Defendants to pay a civil penalty in the amount of not more than the higher of $120,000 (or $130,000 for each violation occurring on or after October 23, 2004) or triple the monetary gain to Defendants for each violation of the Act and $25,000 for each violation of the California Corporate Code Sections 29520 and 29536 as authorized by Section 29544;

f. an order requiring Defendants to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2); and

g. such other and further remedial ancillary relief as the Court may deem meet and just.

Dated: June 28, 2005

Commodity Futures Trading Commission

By _____
Attorney

Dated: June 28, 2005

Commissioner of Corporations

By _____
Attorney

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EXHIBIT A

WILLIAM KENEFICK (Bar # 59588)
Acting Commissioner of Corporations
MARK J. BRECKLER (Bar # 81577)
DANIEL P. O'DONNELL (Bar # 177872)
980 9th Street, 5th Floor
Sacramento, California 95814-3610
Telephone: (916) 445-3682

Attorneys for Plaintiff

ENDORSED
FILED
San Francisco County Superior Court

DEC 18 2000

ALAN CARLSON, Clerk
BY: KEVIN R. DOUGHERTY
Deputy Clerk

SUPERIOR COURT OF CALIFORNIA

COUNTY OF SAN FRANCISCO – UNLIMITED JURISDICTION

THE PEOPLE OF THE STATE OF CALIFORNIA, Plaintiff, vs. YET, INC. dba TOKYO INTERNATIONAL INVESTMENT, LTD., a California corporation; EASTERN VANGUARD FOREX LIMITED, a British Virgin Islands Corporation; EASTERN VANGUARD GROUP LIMITED, a British Virgin Islands Corporation; EASTERN TRADERS (H.K.), LTD., a Hong Kong corporation; EASTERN TRADING (H.K.) LTD., a Hong Kong corporation; TOKYO COMMODITY (BULLION & FOREX) LIMITED, a Hong Kong corporation; WING MING TAM, an individual; LEE CHUN WING, an individual; TO FAI CHENG, an individual; HUNG TAI SUM, an individual; SUEN SUK TAK, an individual; LUNG SIU HUNG, an individual; KARAN SHARMA, an individual; CHO HUNG YAM, an individual; GUO QUAN ZHANG, an individual; RUN PING ZHOU, an individual; MICHAEL E. CHO, an individual; PAUL KHONG, an individual; and DOES 1 through 100, inclusive, Defendants.	Case No.: 310-839 **JUDGMENT OF PERMANENT INJUNCTION AGAINST RUN PING ZHOU**

The Commissioner of Corporations of the State of California, having filed on behalf of the People of the State of California his Complaint for Injunctive Relief in San Francisco County, Superior Court Case No. 310-839, entitled The People of the State of California, by and

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through the Commissioner of Corporations, Plaintiff, vs. Y&T, INC. dba TOKYO INTERNATIONAL INVESTMENT, LTD., a California corporation; et al., (hereinafter "state court action"), and defendant RUN PING ZHOU, having acknowledged in the attached Stipulation and Agreement for entry of Judgment of Permanent Injunction and Ancillary Relief the receipt of a copy of the Summons and Complaint filed in the state court action, having consented to, for the purposes of this action only, the jurisdiction of this Court over her and over the subject matter of the state court action, having stipulated to the entry of this Judgment of Permanent Injunction and Ancillary Relief, and waiving any trial or adjudication of any fact or law herein and the taking of any proof pursuant to the Stipulation and Agreement in this matter filed concurrently herewith, without admitting or denying the allegations in the Complaint, and without any findings of fact or conclusions of law having been made,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that:

Defendant RUN PING ZHOU ("ZHOU"), and any officers, directors, successors in interest, agents, employees, attorneys in fact, and all persons acting in concert or participating with ZHOU, except the Receiver in the lawful exercise of his duties under the receivership, are, during the pendency of this action, restrained and enjoined from directly or indirectly:

1. Selling or purchasing or offering to sell or purchase any commodity under any commodity contract or under any commodity option or offering to enter into, or entering into, as seller or purchaser, any commodity contract or any commodity option, unless and until such activity is not in violation of Section 29520 of the California Commodity Law of 1990 ("CCL").

2. Violating CCL Section 29536 by willfully making any false report, entering any false record, making any untrue statement of a material fact, or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in connection with the purchase or sale of, the offer to sell or purchase, the offer to enter into, or entry into, a commodity, commodity contract, or commodity option.

3. Violating Section 25110 of the Corporate Securities Law of 1968 ("CSL") by offering or selling unqualified non-exempt investment contracts or any other securities.

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4. Violating CSL Section 25401 by offering or selling or buying or offering to buy investment contracts or any other securities by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

5. Violating CSL Section 25541 by willfully employing, directly or indirectly, any device, scheme, or artifice to defraud in connection with the offer, purchase, or sale of any investment contracts or any other securities or willfully engaging, directly or indirectly, in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person in connection with the offer, purchase, or sale of any security.

6. Violating Section 22100 of the California Finance Lenders Law ("FLL") by engaging in any acts as a broker in connection with consumer loans or commercial loans or in the lending of money or the taking of security for a loan, contract or obligation involving the forfeiture of rights in or to personal property, the use and possession of which property is retained by persons other than the mortgagee or lender, or any lien on, assignment of, or power of attorney relative to wages, salary, earnings, income, or commission which would violate FFL Section 22100.

7. Removing, destroying, mutilating, concealing, altering, transferring, or otherwise disposing of, in any manner, any books, records, documents, correspondence, brochures, manuals, or other documentation of any kind in the possession, custody or control of any of the Defendants.

8. Transferring, changing, disbursing, selling, dissipating, converting, pledging, assigning, foreclosing or otherwise disposing of any real or personal property or other assets, in their possession or under their control, or in the possession of, or under the control of, any of them, which property or other assets are or were to be held for the benefit of defendants' investors and/or creditors, or by any person for the benefit of any investors and/or creditors of defendants, and each of them, whether in trust or otherwise.

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9. Withdrawing from any bank account, transferring, changing, disbursing, selling, dissipating, converting, pledging, assigning, foreclosing, or otherwise disposing of any real property or personal property in their possession or under their control, or in the possession of, or under the control of, any of the Defendants, which property or other assets were derived or emanated from directly or indirectly, the sale or purchase or offer to sell or purchase commodities, commodities contracts, commodities options, investment contracts or other securities, or the making of any loan requiring licensure under the California Finance Lenders Law.

DONE AND ORDERED this _____ day of _____, 2000.

JUDGE OF THE SUPERIOR COURT
DAVID A. GARCIA

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