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

DESIST AND REFRAIN ORDER

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

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.

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

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

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

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

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

a. the claim that GemCoin would be able to be transferred between persons and used to purchase goods and services online by July 2015;

b. the claim that GemCoin would be able to be bought, sold and traded with others via a website and through ATMs by July 2015;

c. the claim that, unlike any other virtual currency, GemCoin was backed by "hard assets." USFIA claimed that GemCoin would be backed by over $5 billion in amber gemstones stored in a vault that would be verified by a third party auditor;

d. the claim that various local, state and national governments had endorsed, approved or registered the sale and transfer of GemCoins, including the State of California.

10. Beginning at least by September 2014, USFIA claimed that it would offer currency exchange services, currency trading, currency transfer services, provision of a virtual currency for use by members of an online community via a global computer network, provision of electronic transfers of a virtual currency for use by members of an online community via a global computer network, and online real-time currency trading. USFIA claimed that these services would allow persons to transmit virtual currency to another person and that the virtual currency could then be redeemed or exchanged for fiat currency.

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

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

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

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

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

16. In public presentations and in online videos posted or promoted by USFIA, USFIA claimed that GemCoin is "the new gold rush" and a "business opportunity 100 years in the making." USFIA claimed that GemCoin has "appreciable value" and has had "overwhelming success" and "unstoppable growth" since its first issuance in 2014.

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

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

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

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

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

21. Respondents offered and sold securities and commodities contracts by means of written and oral communications which included untrue statements of material fact and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The materials misrepresentations and omissions include, without limitations, the following:

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a. misrepresenting the endorsement, approval or registration of GemCoin and USFIA's GemCoin auction house and exchange by local, state or national governments;

b. misrepresenting that USFIA investors would be able to cash out or sell their investments within 60 days of purchasing their investment contracts;

c. misrepresenting that the value of GemCoin was "guaranteed, "secured" and less subject to risk than other virtual currencies; and

d. failing to disclose the risk of obtaining and the expense of obtaining regulatory approvals necessary to operate USFIA's GemCoin auction house and exchange.

Based on the foregoing findings, the California Commissioner of Business Oversight is of the opinion that USFIA, Inc., Steve Chen, Leonard Stacy Johnson, and Weiwen (Wayne) Zhao engaged in the offer and sale of securities in the form of USFIA investment contracts. These securities have not been qualified under the California Corporate Securities Law of 1968, in violation of section 25110 of the Corporations Code. Pursuant to section 25532 of the California Corporate Securities Law of 1968, USFIA, Inc., Steve Chen, Leonard Stacy Johnson, and Weiwen (Wayne) Zhao are hereby ordered to desist and refrain from the further offer or sale of securities in the State of California, including but not limited to USFIA investment contracts, unless and until qualification has been made under the law or unless exempt.

The California Commissioner of Business Oversight is further of the opinion that USFIA, Inc., Steve Chen, Leonard Stacy Johnson, and Weiwen (Wayne) Zhao offered and sold securities in the form of USFIA investments contracts, by means of written and oral communications including untrue statements of material fact and omission of material facts necessary to make the statements not misleading, in violation of sections 25401 of the Corporations Code. Pursuant to sections 25532 of the Corporations Code, USFIA, Inc., Steve Chen, Leonard Stacy Johnson, and Weiwen (Wayne) Zhao are hereby ordered to desist and refrain from offering and selling any security in the State of California, 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 made, not misleading.

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

Dated: October 1, 2015
Sacramento, California

JAN LYNN OWEN
Commissioner of Business Oversight

By_____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

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