

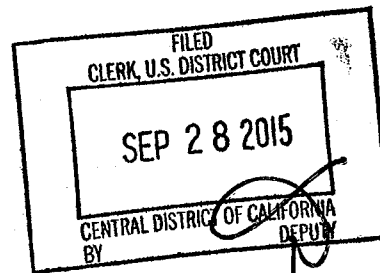
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8
9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA

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13 SECURITIES AND EXCHANGE
14 COMMISSION,

15 Plaintiff,

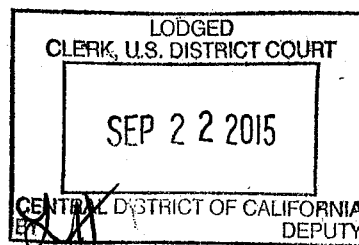
16 vs.

17 STEVE CHEN, USFIA, INC.,
18 ALLIANCE FINANCIAL GROUP,
INC., AMAUCTION, INC.,
19 ABORELL MGMT I, LLC,
ABORELL ADVISORS I, LLC,
20 ABORELL REIT II, LLC, AHOME
REAL ESTATE, LLC, ALLIANCE
21 NGN, INC., APOLLO REIT I, INC.,
APOLLO REIT II, LLC, AMKEY,
INC., US CHINA CONSULTATION
22 ASSOCIATION, and QUAIL RANCH
GOLF COURSE, LLC

23 Defendants.

Cas. **CV 15-07425** RGK (GJSx)
COMPLAINT

(FILED UNDER SEAL)



24
25 Plaintiff Securities and Exchange Commission (the "SEC") alleges as follows:

26 **JURISDICTION AND VENUE**

27 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
28

1 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
2 77t(b), 77t(d)(1) and 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the
3 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
4 78u(d)(3)(A), 78u(e), and 78aa.

5 2. Defendants have, directly or indirectly, made use of the means or
6 instrumentalities of interstate commerce or of the mails, in connection with the
7 transactions, acts, practices and courses of business alleged in this Complaint.

8 3. Venue is proper in this district pursuant to Section 22(a) of the Securities
9 Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa,
10 because certain of the transactions, acts, practices and courses of conduct constituting
11 violations of the federal securities laws occurred within this district. In addition,
12 venue is proper in this district because all defendants reside and transact business in
13 this district.

14 SUMMARY

15 4. This is an action brought to halt an ongoing securities offering fraud
16 perpetrated by defendant Steve Chen, and various purported business entities that he
17 operates and controls including defendants US Fine Investment Arts, Inc. (“USFIA”),
18 Alliance Financial Group, Inc. (“AFG”), Amauction, Inc., Aborell Mgmt I, LLC,
19 Aborell Advisors I, LLC, Aborell REIT II, LLC, Ahome Real Estate, LLC, Alliance
20 NGN, Inc., Apollo REIT I, Inc. Apollo REIT II, LLC, Amkey, Inc., US China
21 Consultation Association (“USCCA”), and Quail Ranch Golf Course, LLC. All of
22 these entities are co-located in an office building owned by one of Chen’s business
23 entities, Apollo REIT II, LLC, located in Arcadia, California.

24 5. According to its website, www.usfiainc.com, USFIA is a subsidiary of
25 and founded by US China Consultation Association (“USCCA”), which is
26 purportedly a joint venture between the Unites States and Chinese governments.
27 Beginning in approximately April 2013, Chen and USFIA began to raise, and have
28 continued to raise, significant funds from investors, totaling approximately \$32

1 million. Among other false and misleading representations made by Chen, or by
2 others acting at his direction, to investors to cause them to invest in USFIA, Chen has
3 claimed that USFIA owns several large mines, including amber mines in the
4 Dominican Republic and Argentina; that an investment in USFIA was guaranteed to
5 increase in value sixty four times over a very short period; that USFIA was going to
6 conduct an initial public offering (“IPO”) in the near future, and that investors would
7 receive or be entitled to receive pre-IPO shares in USFIA that would increase in value
8 once the company went public. No IPO ever took place. Later, in approximately
9 September 2014, investors were told that instead of cash or shares, they would
10 receive a cryptocurrency known as “Gemcoins” in exchange for their investment in
11 USFIA, which would greatly increase in value.

12 6. In fact, Chen, through his various business entities, is operating nothing
13 more than a pyramid scheme, where investors are encouraged to build out a network
14 of downstream investors and are compensated on their ability to do so. The USFIA
15 amber-mining investments that Chen and his related business entities sold to
16 investors, with the prospect of receiving pre-IPO shares, as well the Gemcoin offering
17 ~~constitute offering~~ constitute securities under the federal securities laws.

18 7. In offering and selling these securities to U.S. investors, Defendants,
19 acting with scienter, made material misrepresentations and omissions as to the value
20 of those securities and uses of investors’ monies. By this conduct, Defendants have
21 violated and are violating the antifraud provisions of Section 17(a) of the Securities
22 Act, 15 U.S.C. § 77q, and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and
23 Rule 10b-5 thereunder.

24 8. Defendants offered and sold these securities to U.S. investors in
25 unregistered transactions, with no available exemption from registration. In doing so,
26 Defendants have violated and are violating the registration provisions of Sections 5(a)
27 and 5(c) of the Securities Act, 15 U.S.C. § 77f.

28 9. In the face of growing investor unrest, and negative publicity in the

1 press, Chen was interviewed by the Arcadia Police Department on September 15,
2 2015, regarding his operation of USFIA. Immediately after that interview, Chen
3 attempted to wire \$7.5 million out of USFIA's bank account at Bank of America to a
4 bank in the Peoples Republic of China. The wire was broken down into two parts,
5 and \$3.5 million was sent abroad, while the remainder is still held by the bank.

6 10. In light of the Defendants' ongoing conduct, and Chen's recent efforts
7 to move investor funds overseas, the SEC seeks a temporary restraining order and
8 preliminary and permanent injunctions prohibiting future such violations and
9 prohibiting Defendants from soliciting, accepting or depositing any investor monies;
10 an order freezing Defendants' assets, appointing a temporary receiver, providing for
11 expedited discovery, requiring preservation of documents, and ordering an
12 accounting; and disgorgement of Defendants' ill-gotten gains, prejudgment interest,
13 and civil penalties.

14 **THE DEFENDANTS**

15 11. **Steve Chen.** Steve Chen is a resident of Arcadia, California.

16 12. **USFIA, Inc.** USFIA, Inc. is an active California corporation located at
17 135 East Live Oak Avenue in Arcadia, California. Steve Chen is its registered agent
18 and its sole principal.

19 13. **Alliance Financial Group, Inc.** Alliance Financial Group, Inc. is a
20 California corporation located at 135 East Live Oak Avenue in Arcadia, California.
21 Promotional materials describe it as the holding company for the various entities
22 owned by Steve Chen.

23 14. **Amauction, Inc.** Amauction, Inc. is an active California corporation
24 located at 135 East Live Oak Avenue in Arcadia, California. Steve Chen is its
25 registered agent and its sole principal.

26 15. **Aborell Mgmt I, LLC.** Aborell Mgmt I, LLC is an active California
27 limited liability company located at 135 East Live Oak Avenue in Arcadia,
28 California. Steve Chen is its registered agent and its sole manager.

1 16. **Aborell Advisors I, LLC.** Aborell Advisors I, LLC is an active
2 California limited liability company located at 135 East Live Oak Avenue in Arcadia,
3 California. Steve Chen is its registered agent and its sole manager.

4 17. **Aborell REIT II, LLC.** Aborell REIT II LLC is an active California
5 limited liability company located at 135 East Live Oak Avenue in Arcadia,
6 California. Steve Chen is its registered agent.

7 18. **Ahome Real Estate, LLC.** Ahome Real Estate, LLC is a California
8 limited liability company located at 135 East Live Oak Avenue in Arcadia,
9 California. Steve Chen is its registered agent and its sole principal. It purports to be
10 in the business of real estate and gemstone investments.

11 19. **Alliance NGN, Inc.** Alliance NGN, Inc. is an active California
12 corporation located at 135 East Live Oak Avenue in Arcadia, California. Steve Chen
13 is its registered agent and its sole principal.

14 20. **Apollo REIT I, Inc.** Apollo REIT I, Inc. was a California corporation
15 located at 12801 Schabarum Avenue in Irwindale, California. Steve Chen was its
16 registered agent and its principal.

17 21. **Apollo REIT II, LLC.** Apollo REIT II is a California limited liability
18 company located at 12801 Schabarum Avenue in Irwindale, California. Steve Chen
19 is identified as its General Partner and 50% owner on a loan application it submitted
20 to JPMorgan Chase in 2011

21 22. **Amkey, Inc.** Amkey, Inc. is an active California corporation located at
22 135 East Live Oak Avenue in Arcadia, California. Steve Chen is its registered agent
23 and its sole principal.

24 23. **US China Consultation Association.** US China Consultation
25 Association is an active California corporation located at 135 East Live Oak Avenue
26 in Arcadia, California. Steve Chen is its registered agent and its sole principal.

27 24. **Quail Ranch Golf Course, LLC.** Quail Ranch Golf Course LLC is a
28 California limited liability company located at 135 East Live Oak Avenue in Arcadia,

1 California. Steve Chen is its registered agent.

2 **THE FRAUDULENT SCHEME**

3 **A. USFIA Initial Offering Materials**

4 25. The USFIA is physically located in Arcadia, California, and its offerings
5 were made, using the facilities of interstate commerce, to investors located in the
6 United States, as well as overseas. Investor funds were received by USFIA in the
7 United States and those funds were maintained in U.S. bank accounts.

8 26. USFIA's website is registered to Steve Chen and AFG. Investors in
9 USFIA received units of ownership in USFIA. Chen represented that these units
10 would be convertible to USFIA common stock, on a 1:1 basis, when USFIA went
11 public. Chen also told investors that when USFIA went public, its common stock
12 would not be worth less than \$20 per share. USFIA identified the units as "points" in
13 the investor accounts it maintained on its computer system.

14 27. In addition to receiving units or points in USFIA, investors also typically
15 received an amount of amber, purportedly equal to 30% of their investment. USFIA
16 did sent the amber to investors, but upon obtaining appraisals of the amber, investors
17 learned that the amber was practically worthless.

18 28. USFIA also represented that it had an extensive bonus and award system
19 to encourage investors to recruit additional investors. As set forth in its written
20 investor "Compensation Program," investors could choose from five different
21 "packages" ranging in amounts of \$1,000, \$2,000, \$5,000, \$10,000 and \$30,000.
22 Depending on the type of package purchased by a downstream investor, the
23 recommending investor would receive a 10% "Recommendation Award," and an
24 additional "binary" reward based on sales of an investor's downline investors.
25 Investors would also receive a "Recurring Bonus" generated by different
26 "generations" of downstream investors, ranging from 5% to 20%. USFIA's materials
27 also represented that investors would receive minimum monthly income depending
28 on how many teams of investors the investor managed. USFIA's materials also

1 provided for other rewards, including a travel reward, a car reward (a BMW or
2 Mercedes Benz), and a house reward (for a house at the Quail Ranch Golf Course).

3 **B. The “Gemcoin” Offering**

4 29. Beginning on or about September 1, 2014, Chen’s and USFIA’s
5 investors were told that instead of receiving IPO shares in exchange for their units in
6 USFIA, they would be required to convert their units or points into “Gemcoins,”
7 some type of virtual currency which was to be issued by USFIA, and allegedly
8 secured by USFIA’s amber mines in the Dominican Republic and Argentina. Chen
9 told investors that the conversion from USFIA units to Gemcoins was necessitated by
10 a change in U.S. government policy. According to Chen, this change also caused a
11 delay in the promised USFIA IPO by about two years, but when USFIA finally went
12 public investors would be able to use their Gemcoins to purchase USFIA stock.

13 **C. Defendants’ Misrepresentations and Omissions to Investors**

14 30. In connection with Chen’s “Gemcoin” offering, Chen, through the
15 USFIA website, and through secondary websites that link to websites Chen
16 controlled, made the following outlandish statements designed to encourage investors
17 to invest in Gemcoins, which on information and belief, the SEC believes to be false:

- 18 • Gemcoin is growing exponentially and there are millions of Gemcoin
19 users around the world today;
- 20 • Gemcoin’s value is backed by Alliance Financial Group’s mines around
21 the world;
- 22 • Gemcoin is issued by USFIA Currency Fund, “a multinational
23 corporation” in California that is owned, supported and backed by AFG;
- 24 • AFG is involved in the processing of world class jewelry, REITs,
25 biotech, information technology, and the aerospace industry;
- 26 • AFG has more than \$50 billion in assets worldwide and more than 2,000
27 business associates; and
- 28 • AFG owns the unique Copper Pectolite mines and Rhodochrosite mines

1 in Argentina and El Valle mines in the Dominican Republic, where its
2 30,000 square foot mine produces 2/3 of the world's high-quality amber.

3 31. In addition, through the USFIA website, and through secondary websites
4 that link to websites Chen controlled, made the following material misrepresentations
5 designed to encourage investors to invest in Gemcoins:

- 6 • the use of Gemcoin as a virtual currency has been legalized by the State
7 of California;
- 8 • Gemcoin is backed by \$15 billion in assets and that there is "zero"
9 chance of devaluation because Gemcoins are backed by their equivalent
10 in precious stones; and
- 11 • that 2000 ATM platforms exist for converting Gemcoins into paper
12 money.

13 32. In addition to these Internet-based misrepresentations, Chen, and others
14 acting on his behalf, made numerous oral representations to investors that were
15 equally incredible, and on information and belief the SEC believes are false,
16 including the following:

- 17 • that USFIA would open 3000 coffee shops in the next three years;
- 18 • that USFIA owned 70% of the amber mines in the Dominican Republic;
- 19 • that investors would receive amber equal in value to 30% of their
20 investment principal, in addition to units in USFIA, in exchange for their
21 investments;
- 22 • that Steve Chen founded China Unicom, had been an undersecretary to
23 the Secretary of States of the People Republic of China, and that the
24 USCCA reported to both the presidents of the United States and the
25 PRC; and
- 26 • that units in USFIA would increase exponentially every two months,
27 such that 10,000 units would become 100,000 units in two months, and
28 would double every two months after that.

1 *Id.* ¶¶ 23, 34, 41-42, 45-46, 54, 86.

2 33. In addition, Chen, and others acting on his behalf, made numerous oral
3 misrepresentations to investors designed to encourage investors to invest in Gem
4 Coins, including the following:

- 5 • the investors would be permitted to withdraw or sell their Gemcoins
6 within 60 days on investing;
- 7 • that investors would be able to sell their Gemcoins to other investors at
8 an online auction facility conducted on USFIA's website;
- 9 • that the price of Gemcoins would steadily increase over time;
- 10 • that the United States government has purchased 70% of the Gemcoins
11 in circulation; and,

12 34. Defendants knew, or were reckless in not knowing, that all of the
13 aforementioned statements and misrepresentations were false and misleading.

14 35. Each of these statements and misrepresentations were also materially
15 misleading to investors. Indeed, USFIA never engaged in an IPO and investors have
16 been unable to sell or auction off their Gemcoins, and their value is *de minimus*.

17 **D. Defendants' Commingling and Misuse of Investor Funds**

18 36. During the period from July 2011 through May 2015, approximately \$32
19 million had been credited to USFIA's primary bank account at the Bank of America.
20 Of that amount, almost \$19 million came in the form of wires, made by individuals,
21 primarily located in Asia, from foreign banks located in Asia. Approximately \$5.7
22 million came in the form of checks, the majority of which were drawn on U.S. banks.
23 It does not appear from USFIA's bank records that it had any apparent revenues
24 during the period in issue. Other amounts, both credited to and debited from
25 USFIA's primary account at the Bank of America, consisted of transactions with
26 corporate entities controlled by Chen, including Ahome Real Estate, Amauction,
27 Amkey, Apollo REIT I, Apollo REIT II, and Quail Ranch Golf Course. On
28 information and belief, all of these funds represent funds obtained from investors in

1 connection with Chen's and USFIA's securities offering as many of the wires and
2 checks credited to USFIA's primary bank account at Bank of America were in
3 denominations of the investment amounts promoted by USFIA.

4 37. In addition, substantial amounts were drawn out of USFIA's primary
5 bank account to purchase luxury automobiles, entertainment, travel, and as cash
6 withdrawals.

7 38. In the face of growing investor unrest, and negative publicity in the
8 press, Chen was interviewed by the Arcadia Police Department on September 15,
9 2015, regarding his operation of USFIA. Immediately after that interview, Chen
10 attempted to wire \$7.5 million out of USFIA's bank account at Bank of America to a
11 bank in the Peoples Republic of China. The wire was broken down into two parts,
12 and \$3.5 million was sent abroad, while the remainder is still held by the bank.

13 **E. Defendants' Offer and Sale of Securities Without Registration or**
14 **Exemption**

15 39. Defendants did not register with the SEC any of securities they offered
16 or sold.

17 40. Defendants' solicitations and offerings are ongoing.

18 41. By his actions described herein, Chen was a necessary participant and a
19 substantial factor in the offer and sale of the securities described herein.

20
21 **FIRST CLAIM FOR RELIEF**

22 **Unregistered Offer and Sale of Securities**

23 **Violations of Section 5(a) and (c) of the Securities Act**

24 **(against all Defendants)**

25 42. The SEC realleges and incorporates by reference paragraphs 1 through 41
26 above.

27 43. The USFIA and Gemcoin offerings that were offered and sold to U.S.
28 customers as alleged herein constitute "securities" as defined by the Securities Act and

1 the Exchange Act.

2 44. Defendants, by engaging in the conduct described above, directly or
3 indirectly, singly and in concert with others, made use of the means or instruments of
4 transportation or communication in interstate commerce, or of the mails, to offer to sell
5 or to sell securities, or carried or caused to be carried through the mails or in interstate
6 commerce, by means or instruments of transportation, securities for the purpose of sale
7 or for delivery after sale, when no registration statement had been filed or was in effect
8 as to such securities, and when no exemption from registration was applicable.

9 45. By engaging in the conduct described above, Defendants violated, and
10 unless restrained and enjoined, will continue to violate, Section 5(a) and (c) of the
11 Securities Act, 15 U.S.C. §§ 77e.

12 **SECOND CLAIM FOR RELIEF**

13 **Fraud in the Offer or Sale of Securities**

14 **Violations of Section 17(a) of the Securities Act**

15 **(against all Defendants)**

16 46. The SEC realleges and incorporates by reference paragraphs 1 through
17 41 above.

18 47. Defendants, and each of them, by engaging in the conduct described
19 above, directly or indirectly, in the offer or sale of securities by the use of means or
20 instruments of transportation or communication in interstate commerce or by use of
21 the mails:

- 22 (a) with scienter, employed devices, schemes, or artifices to defraud;
- 23 (b) obtained money or property by means of untrue statements of a
24 material fact or by omitting to state a material fact necessary in
25 order to make the statements made, in light of the circumstances
26 under which they were made, not misleading; or
- 27 (c) engaged in transactions, practices, or courses of business which
28 operated or would operate as a fraud or deceit upon the purchaser.

1 48. By engaging in the conduct described above, Defendants violated, and
2 unless restrained and enjoined, will continue to violate, Section 17(a) of the Securities
3 Act, 15 U.S.C. § 77q(a).

4 **THIRD CLAIM FOR RELIEF**

5 **Fraud in Connection with the Purchase or Sale of Securities**
6 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**
7 **(against all Defendants)**

8 49. The SEC realleges and incorporates by reference paragraphs 1 through
9 41 above.

10 50. Defendants, by engaging in the conduct described above, directly or
11 indirectly, in connection with the purchase or sale of a security, by the use of means
12 or instrumentalities or interstate commerce, of the mails, or of the facilities of a
13 national securities exchange, with scienter:

14 (a) employed devices, schemes, or artifices to defraud;

15 (b) made untrue statements of a material fact or omitted to state a
16 material fact necessary in order to make the statements made, in the
17 light of the circumstances under which they were made, not
18 misleading; or

19 (c) engaged in acts, practices or courses of business which operated or
20 would operate as a fraud or deceit upon other persons.

21 51. By engaging in the conduct described above, Defendants violated, and
22 unless restrained and enjoined, will continue to violate, Section 10(b) of the
23 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

24 **PRAYER FOR RELIEF**

25 WHEREFORE, the SEC respectfully requests that the Court:

26 **I.**

27 Issue findings of fact and conclusions of law that Defendants committed the
28 alleged violations.

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II.

Issue orders, in a form consistent with Fed. R. Civ. P. 65(d), temporarily, preliminarily and permanently enjoining Defendants and their agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Section 5(a) and (c) and Section 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c), and 77q(a) and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §§ 240.10b-5.

III.

Issue orders, in a form consistent with Fed. R. Civ. P. 65(d), temporarily, preliminarily and permanently enjoining Defendants and their agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from soliciting, accepting, or depositing any monies from actual or prospective investors in connection with any offering of securities pursuant to Section 20(b) of the Securities Act and Section 21(d) of the Exchange Act.

IV.

Issue in a form consistent with Fed. R. Civ. P. 65, a temporary restraining order and a preliminary injunction freezing the assets of Defendants Steven Chen, defendants US Fine Investment Arts (“USFIA”), Alliance Financial Group, Inc. (“AFG”), US China Consultation Association (“USCCA”), Amauction, Inc., Aborell REIT I, LLC, Aborell REIT II, LLC, Ahome Real Estate, LLC, Alliance NGN, Apollo REIT I, Apollo REIT II, LLC, Amkey, Inc., and Quail Ranch Golf Club, LLC.; prohibiting each of the Defendants from destroying documents; and ordering accountings by each of the Defendants; and appointing a receiver over defendants US Fine Investment Arts (“USFIA”), Alliance Financial Group, Inc. (“AFG”), US China

1 Consultation Association (“USCCA”), Amauction, Inc., Aborell REIT I, LLC,
2 Aborell REIT II, LLC, Ahome Real Estate, LLC, Alliance NGN, Apollo REIT I,
3 Apollo REIT II, LLC, Amkey, Inc., and Quail Ranch Golf Club, LLC.

4 **V.**

5 Order Defendants to disgorge all ill-gotten gains from their illegal conduct,
6 together with prejudgment interest thereon.

7 **VI.**

8 Order Defendants to pay civil penalties under Section 20(d) of the Securities
9 Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. §
10 78u(d)(3).

11 **VII.**

12 Retain jurisdiction of this action in accordance with the principles of equity and
13 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
14 all orders and decrees that may be entered, or to entertain any suitable application or
15 motion for additional relief within the jurisdiction of this Court.

16 **VIII.**

17 Grant such other and further relief as this Court may determine to be just and
18 necessary.

19
20 Dated: September 22, 2015

Respectfully submitted,

21 /s/ Donald W. Searles

22 Donald W. Searles

23 Peter Del Greco

24 Attorneys for Plaintiff

25 Securities and Exchange Commission
26
27
28