

1 JOHN B. BULGOZDY (Cal. Bar No. 219897)
Email: bulgozdyj@sec.gov
2 PETER F. DEL GRECO (Cal. Bar No. 164925)
Email: delgreco@sec.gov

3 Attorneys for Plaintiff
4 Securities and Exchange Commission
Michele Wein Layne, Regional Director
5 Lorraine Echavarria, Associate Regional Director
John W. Berry, Regional Trial Counsel
6 5670 Wilshire Boulevard, 11th Floor
Los Angeles, California 90036
7 Telephone: (323) 965-3998
Facsimile: (323) 965-3908

8
9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11
12 **SECURITIES AND EXCHANGE**
COMMISSION,

13
14 **Plaintiff,**

15 **vs.**

16 **WORLD CAPITAL MARKET INC.;**
WCM777 INC.; WCM777 LTD. d/b/a
17 **WCM777 ENTERPRISES, INC.; and**
MING XU a/k/a PHIL MING XU,

18
19 **Defendants,**
and

20 **KINGDOM CAPITAL MARKET, LLC;**
MANNA HOLDING GROUP, LLC;
21 **MANNA SOURCE INTERNATIONAL,**
22 **INC.; WCM RESOURCES, INC.; AEON**
23 **OPERATING, INC.; PMX JEWELS,**
24 **LTD.; TOPACIFIC INC.; TO_PACIFIC**
INC.; VINCENT J. MESSINA; and
25 **INTERNATIONAL MARKET**
VENTURES,

26 **Relief Defendants.**
27
28

Case No. CV-14-2334-CAS-MRW

FIRST AMENDED COMPLAINT

1 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

2 **JURISDICTION AND VENUE**

3 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
4 20(d)(1), 22(a), and 22(c) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C.
5 §§ 77t(b), 77t(d)(1), 77v(a) & 77v(c), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and
6 27(a) and 27(b) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C.
7 §§ 78u(d)(1), 78u(d)(3)(A), 78u(e), 78aa(a) & 78aa(b).

8 2. 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(a) of the Exchange Act, 15 U.S.C. § 78aa(a).
10 because certain of the transactions, acts, practices and courses of conduct constituting
11 violations of the federal securities laws occurred within this district.

12 **SUMMARY**

13 3. This matter involves an pyramid scheme, Ponzi scheme, and
14 misappropriation of investor funds through an unregistered securities offering that
15 targets members of the Asian-American and Hispanic-American communities, as
16 well as foreign investors. Beginning around March 2013 and continuing through at
17 least March 2014, operating under the offering name “WCM777,” Defendants
18 collected over \$80 million from investors in the United States and abroad. Of that
19 amount, over \$43 million was deposited into bank accounts in the United States
20 between March 2013 and March 2104. After October 2013, Defendants deposited
21 investor funds into a bank account in Hong Kong, as well as into accounts in the
22 United States.

23 4. “WCM777” is the umbrella name that Defendants use for their multi-
24 level marketing scheme, and as used herein, the term “WCM777” refers to that
25 offering. Through publicly available websites and promotional materials, Defendants
26 offer packages or membership units in “WCM777.” Defendants portray WCM777 as
27 a profitable multi-level marketing venture that sells packages of “cloud media” or
28 cloud services. In the WCM777 offering, Defendants promise investors that they will

1 earn 100% or more returns in 100 days. Defendants represent that the “points”
2 investors receive for their investments will be convertible into equity in initial public
3 offerings (“IPOs”) of “high tech” companies Defendants are purportedly incubating.
4 Defendants have facilitated a “secondary market” in the points they award to
5 investors, and Defendants estimate that \$890 million of the points have traded on this
6 market.

7 5. In fact, Defendants do not realize any appreciable revenue other than
8 from the sale of “packages” of cloud services to investors. WCM777 is not
9 profitable, and is a pyramid scheme. Defendants use some of the investor funds to
10 make Ponzi payments of returns to investors. The bulk of the investor funds have
11 been used to pay cash for real property purchased in the United States, purchased in
12 many cases with funds transferred through Defendant World Capital Market Inc.
13 (“WCM”), and held in the names of Relief Defendants Manna Holding Group LLC
14 and Kingdom Capital Market LLC, which are affiliated with Defendant Xu. The
15 properties include two golf courses, a warehouse, vacant land, and several single
16 family homes. Defendants have also used investor funds to play the stock market and
17 to make investments, through intermediary companies, in an oil and gas offering of
18 Relief Defendant Aeon Operating, Inc. Defendants have also sent investor funds to
19 Relief Defendant PMX Jewels, Limited, which is a rough diamond jewel merchant in
20 Hong Kong, and to Relief Defendant Manna Source International, Inc., which is
21 affiliated with Defendant Xu. Defendants caused at least \$5.2 million to be
22 transferred to accounts controlled by Relief Defendant Vincent J. Messina
23 (“Messina”), an in-house counsel for World Capital Market. Messina, who is also
24 general counsel of Relief Defendant International Market Ventures (“IMV”),
25 disbursed those funds to, among others, IMV and possibly entities affiliated with
26 IMV. Messina, who holds himself out as a licensed attorney in Florida, in fact, has
27 been on “inactive” status with the Florida Bar since 2007 and therefore cannot hold
28 himself out as duly licensed and active in Florida. Nonetheless, IMV states that

1 Messina is practicing law as in-house counsel to www.worldcapitalmarket.com on
2 IMV's website.

3 6. Defendant Ming Xu is involved in all aspects of the fraud: He is chief
4 executive officer of Defendant WCM, chairman of Defendants WCM, WCM777 Inc.
5 and WCM777 Ltd., and President of Relief Defendants ToPacific Inc. (a Delaware
6 corporation), and To Pacific Inc. (a California corporation). Defendant Xu is also a
7 signatory on the bank accounts of Relief Defendants Kingdom Capital Market LLC,
8 WCM Resources, Inc., ToPacific Inc. (a Delaware corporation), To Pacific Inc. (a
9 California corporation), and was a signatory on the bank accounts of Manna Source
10 International Inc. Defendant Xu's spouse is the managing member of Relief
11 Defendant Manna Holding Group LLC.

12 7. As a result of the conduct alleged herein, Defendants have violated the
13 antifraud provisions of the Securities Act of 1933 ("Securities Act") and the
14 Securities Exchange Act of 1934 ("Exchange Act"), and have violated the registration
15 provisions of Section 5 of the Securities Act. Defendant Xu is liable for these
16 violations directly, and as a control person under Section 20(a) of the Exchange Act.

17 8. The SEC brings this action to halt Defendants' unlawful conduct and
18 preserve the *status quo*. The SEC also seeks entry of permanent injunctions against
19 Defendants; disgorgement of ill-gotten gains and prejudgment interest thereon from
20 Defendants and Relief Defendants; and civil penalties from Defendants. Finally, the
21 SEC seeks an officer and director bar against Defendant Xu.

22 **THE DEFENDANTS**

23 9. **World Capital Market Inc.** is a Delaware corporation headquartered in
24 Pasadena, California. Xu is the founder and chairman of WCM. WCM maintains a
25 website at www.worldcapitalmarket.com which describes WCM as a "merchant
26 banking firm" that acts as a "strategic investor" and "incubates" companies in a
27 variety of industries. WCM is not registered with the SEC, and has not registered any
28 offering or class of its securities with the SEC.

1 10. **WCM777 Inc.** is a Nevada corporation headquartered in City of
2 Industry, California. Xu is the chairman of WCM777 Inc. WCM777 Inc. was
3 incorporated in March 2013, and a notice of dissolution was filed dated September
4 24, 2013. WCM777 Inc. is not registered with the SEC, and has not registered any
5 offering or class of its securities with the SEC.

6 11. **WMC777 Ltd., d/b/a WCM777 Enterprises, Inc.**, is a Hong Kong
7 corporation headquartered in Kowloon. On February 21, 2014, WCM777 Ltd. filed a
8 notice with the California Secretary of State to do business in California as WCM777
9 Enterprises, Inc., and has offices at the same address in the City of Industry,
10 California, as WCM777 Inc. Xu is the registered agent for the entity. On January 27,
11 2014, WCM777 Ltd. filed a lawsuit against a former employee in the Superior Court
12 for the State of California, County of Los Angeles.

13 12. **Ming Xu a/k/a Phil Ming Xu** is a resident of Temple City, California.
14 Xu is the chief executive officer of Defendant WCM. Xu is the chairman of WCM,
15 and of Defendants WCM777 Inc. and WCM777 Ltd. d/b/a WCM777 Enterprises,
16 Inc. Xu is the sole managing member of Relief Defendant Kingdom Capital Market,
17 LLC. Xu is the chief executive officer of Relief Defendant Manna Source
18 International, Inc. Xu is a director of Relief Defendant WCM Resources, Inc. Xu's
19 spouse is the managing member of Relief Defendant Manna Holding Group, LLC.

20 **RELIEF DEFENDANTS**

21 13. **Kingdom Capital Market, LLC** ("Kingdom Capital") is a Delaware
22 limited liability company headquartered at the same address in the City of Industry,
23 California, as WCM777 Inc. Kingdom Capital Market LLC was incorporated on
24 August 13, 2013. Xu is the sole managing member, registered agent, and is a
25 signatory, either individually or as a co-signer, on all known bank accounts.

26 14. **Manna Holding Group, LLC** ("Manna Holding") is a California
27 limited liability company headquartered in Temple City, California. Its managing
28 member and sole contributing member is Xu's spouse. Manna Holding's operating

1 agreement give Xu's home address as the address for the managing member.

2 15. **Manna Source International, Inc.** ("Manna Source International") is a
3 California corporation that purportedly is headquartered in Corona, California. In
4 bank account opening documents, it uses the same address in Pasadena, California, as
5 WCM. Manna Source International was organized in September 2013. In September
6 2013, Xu was identified as its chief executive officer and sole signatory on a bank
7 account application. In January 2014, Xu was removed as a signatory on its bank
8 accounts.

9 16. **WCM Resources, Inc.** ("WCM Resources") is a Texas corporation
10 headquartered in Terrell, Texas. Xu is one of its directors, and is a co-signer on its
11 bank account.

12 17. **Aeon Operating, Inc.** ("Aeon") is a Texas corporation headquartered in
13 Fate, Texas. Aeon's registered agent for service of process is an individual who is a
14 director of WCM Resources.

15 18. **PMX Jewels Ltd.** ("PMX Jewels") is a Hong Kong company based in
16 Kowloon. PMX Jewels has the same address as WCM777 Ltd. PMX is engaged in
17 the business of trading in rough diamonds.

18 19. **ToPacific Inc.** ("ToPacific (DE)") is a Delaware corporation
19 incorporated in August 2103. Defendant Xu is its sole director, and was the signatory
20 on its bank account. During 2014, ToPacific (DE) received investor funds from, or
21 related to, the Defendants' fraudulent offering.

22 20. **To Pacific Inc.** ("To_Pacific (CA)") is a California corporation. Xu is
23 its president and registered agent. Xu was the signatory on its bank account. During
24 2013, To_Pacific (CA) received investor funds from, or related to, the Defendants'
25 fraudulent offering.

26 21. **Vincent J. Messina** is currently a resident of California. In June 2013,
27 Messina was named as in-house legal counsel of "World Capital Market." Messina is
28 also the general counsel of Relief Defendant IMV. Messina holds himself out as duly

1 licensed to practice law in the State of Florida; however, the Florida Bar Internet site
2 lists Messina as “inactive” and “Not eligible to practice in Florida.” Messina has an
3 office in Los Angeles, California.

4 22. **International Market Ventures** is a consulting firm based in
5 Washington, D.C., with correspondent offices in Los Angeles, Shanghai, Hong Kong,
6 United Arab Emirates, Nigeria, Congo, Benin, and South Africa. IMV’s Internet site
7 identifies “Dr. Vincent J. Messina” as its general counsel.

8 **FACTUAL ALLEGATIONS**

9 **A. Background of the WCM and WCM777 Corporate Entities**

10 23. WCM, WCM777 Inc., and WCM777 Ltd. are controlled by Ming Xu.
11 Defendant WCM, a Delaware corporation, was incorporated on or about March 27,
12 2012. Defendant Xu is variously identified as the founder, chairman, and/or
13 president of WCM in various documents made available to investors.

14 24. WCM describes itself as a “global merchant investment bank” with
15 branch offices in the United States, China, and Japan. WCM purports to be in
16 “partnership with over 700 investment organizations” including, among others,
17 Siemens, Denny’s, and Goldman Sachs. WCM’s profit and loss statement for the
18 period March to September 2013 shows no revenue and a net loss of \$282,603.48.

19 25. WCM777 Inc. was a Nevada corporation in existence for less than a year
20 in 2013. Defendants opened and maintained bank accounts in the United States in the
21 name of WCM777 Inc., and in the name of WCM777. WCM777 Inc. was a wholly-
22 owned subsidiary of WCM.

23 26. WCM777 Ltd., d/b/a WCM777 Enterprises, Inc. is a Hong Kong
24 corporation that is a wholly-owned subsidiary of WCM.

25 27. WCM777 USA Inc. is a California corporation headquartered in
26 Pasadena, California, at the same address used by WCM and Manna Source
27 International. WCM777 USA was incorporated on September 25, 2013, which is the
28 day after Defendants dissolved WCM777 Inc., their Nevada corporation. Defendant

1 Xu is the registered agent for this entity. Therefore, Defendants have a United States
2 corporation, WCM777 USA Inc., which is ready to start operations at any time.

3 28. Defendants operate a website at WCM777.com, through which they
4 make or made the WCM777 offering. The website domain is registered to Xu and is
5 domiciled in the United States. The website has operated continuously since at least
6 March 2013 through early 2014.

7 **B. The Unregistered WCM777 Offering**

8 **1. Defendants' solicitation of investors**

9 29. Beginning in March 2013, and continuing through at least March 2014,
10 Defendants have offered securities, in the form of packages of services or
11 membership units, to the public in the WCM777 offering.

12 30. Defendants, directly and indirectly, solicited investors through the
13 website at WCM777.com, in-person seminars and presentations, webinars, and
14 through the Internet such as through posts on message boards. Defendants solicited
15 investors in the United States and abroad, through the Internet and rallies and other
16 events. At all relevant times, Defendant Xu resided in the United States, and
17 Defendants WCM, WCM777 Inc., and/or WCM777 Ltd. had offices in and or did
18 business in the United States.

19 31. At all material times, the terms of the offering on the WCM777 website
20 have remained constant. Defendants have prepared and distributed a PowerPoint
21 presentation that explains the WCM777 offering. This presentation has been
22 translated into Chinese and Spanish. WCM777's website posts comments and other
23 information in English and Chinese.

24 32. From March 2013 through September 2013, Defendants deposited
25 investor funds from the WCM777 offering into two bank accounts in the United
26 States. One account held in the name "WCM777" received approximately \$20
27 million of investor proceeds during this period. The other account held in the name
28 "WCM777 Inc." received approximately \$8 million of investor funds. The investor

1 funds deposited into Defendants' United States bank accounts originated from
2 persons in the United States and from abroad.

3 33. Around October 2013, at the same time that state regulators began
4 investigating the WCM777 offering, Defendants stopped depositing investor funds
5 into their United States bank accounts, although the WCM777 offering continued.
6 Since October 2013, Defendants have raised more than \$37 million from investors
7 which has been deposited into their Hong Kong bank account.

8 34. In 2013 and 2014, Defendants directed investor funds into accounts of
9 ToPacific (DE) and To_Pacific (CA). At least \$1.4 million of investor funds were
10 deposited into accounts of To_Pacific (CA), and at least \$15 million of investor funds
11 were deposited into accounts of ToPacific (DE).

12 **2. The terms of the WCM777 offering**

13 35. In the WCM777 offering, Defendants offer and sell five different levels
14 of "packages" of cloud-based computing services. In addition to the computing
15 services, each package level promises returns in the form of cash and "points."

16 36. Investors can earn the cash and "points" by referring new members, or
17 they can earn the cash and points passively based on the growth of the WCM777
18 business and its profits. The "points" have two uses: (1) they can be redeemed for
19 goods and services to be offered by WCM777 and its affiliates, or (2) they can be
20 also converted into equity in an initial public offering of a company named
21 WCM7.com, or other unidentified "high tech" companies that Defendants claim they
22 will bring public.

23 37. In addition, Defendants facilitate a third use of "points" by providing a
24 "secondary" market for individuals to buy and sell "points" for cash. Defendants
25 maintain accounts that keep track of the amount of an individual's points and record
26 transfers of points.

27 38. Each of the five different levels of membership units purport to provide
28 purchasers with some combination of cloud computing services, with more services

1 being provided to members who purchase higher levels. There are seven types of
 2 “World Cloud Media Products:” (1) “Videos,” (2) “Books,” (3) “Music,” (4)
 3 “Games,” (5) “Space,” (6) “Social,” and (7) the “Lucky Cloud.” The five levels of
 4 membership units provide different combinations of World Cloud Media Products for
 5 different terms of from one to five years.

6 39. Each of the five levels of packages promises to pay a return in 100 days,
 7 which is called the “Global Business Bonus.” The first four levels of packages
 8 promise to pay a total return of approximately 100% of the amount invested, with
 9 half paid in cash and half paid in points. The fifth, or highest, level offers to pay a
 10 total return 160% of the amount invested, with half paid in cash and half paid in
 11 points. Thus, the fifth level offers to pay an 80% return in cash in 100 days.

12 40. According to Defendants’ offering materials, the five levels of cloud
 13 packages offered and sold by WCM777, including cost, benefits, and promised 100-
 14 day returns, are:

WCM777 Package	Cost	Benefits	100-Day Return
WCM701 – WCM 3 Introductory Package (“junior distributor”)	\$399	<ul style="list-style-type: none"> • 1 year of Space and Music cloud services • 300 raffle tickets • 30 lottery draw coupons • Platinum Card 	\$4 per day [\$200 and 200 points]
WCM702 – WCM 3 Progressive Package (“supervisor”)	\$799	<ul style="list-style-type: none"> • 3 years of Space and Music cloud services • 700 raffle tickets • 70 lottery draw coupons • Platinum Card 	\$8 per day [\$400 and 400 points]
WCM703 – WCM 3 Official Package (“manager”)	\$1,199	<ul style="list-style-type: none"> • 5 years of Space and Music cloud services • 1100 raffle tickets • 110 lottery draw coupons • Platinum Card 	\$12 per day [\$600 and 600 points]

WCM777 Package	Cost	Benefits	100-Day Return
WCM704 – WCM 5 Official Package (“senior manager”)	\$1,599	<ul style="list-style-type: none"> • 5 years of Space, Music, Books, and Video cloud services • 1500 raffle tickets • 150 lottery draw coupons • Platinum Card 	\$16 per day [\$800 and 800 points]
WCM705 – WCM 7 Official Package (“director”)	\$1,999	<ul style="list-style-type: none"> • 5 years of all cloud services • 1900 raffle tickets • 190 lottery draw coupons • Platinum Card 	\$32 per day [\$1,600 and 1,600 points]

41. Defendants represent that WCM777 members earn bonus points based on the level of their investment, the business volume of WCM777, and the profits of WCM777. In fact, the “Global Business Bonus” is described as “profit-sharing units, namely 100 times bonus-sharing of the profits.”

42. Defendants encourage investors to accumulate points. For example, an October 1, 2013 thread posted on WCM777’s online forum purportedly authored by Defendant Xu states: “If you redeem for cash, you are obligated to pay tax in your country. So far only 20% of people redeem for cash.” A July 24, 2013 thread posted on WCM777’s online forum purportedly authored by Defendant Xu states, in pertinent part: “All members can get stocks of our cloud media Company, WCM7.com, a pre-IPO company in NASDAQ We are incubating 300 high tech companies. All Kingdom members can participate by swapping points for stocks of our incubated companies. After the companies go public, our community wealth will multiply.”

43. Defendants also encourage investors to buy and sell points on a secondary market that Defendants facilitate. Defendants provide a trading platform referred to on the WCM777 PowerPoint as an “auction platform of internal system”

1 and on the WCM777 website as a “profit point trading platform.” Defendants
2 represent that investors can sell points on this secondary market as an “exit strategy,”
3 and that the points have a dollar value.

4 44. Defendants claim that more than \$890 million of points have been traded
5 in the secondary market platform operated by Defendants.

6 45. The points acquired by investors provide the investor with the right to
7 receive stock, or convert the points to stock, in any of the companies that Defendants
8 represent they are bringing to the market.

9 46. The packages and the points are also securities in the form of investment
10 contracts. They represent an investment of money, in a common enterprise, with the
11 expectation of profits to be derived from the efforts of a third party. The investments
12 purportedly gain in value depending on the success of the WCM777 enterprise, and
13 returns are based on, among other things, its growth and profitability.

14 **3. The WCM777 offering is not registered**

15 47. Defendants have not registered with the SEC any offering of any kind by
16 WCM, WCM777 Inc., or WCM777 Ltd.

17 48. As alleged below, several states have brought actions against Defendants
18 for the offer and sale of unregistered securities, and Defendants consented to orders in
19 California and Colorado charging, among other things, that Defendants had engaged
20 in the sale of unregistered securities.

21 **C. Defendants’ Misrepresentations and Omissions**

22 **1. WCM777 is a pyramid scheme**

23 49. WCM777 is a classic unlawful pyramid scheme. WCM777 sells its
24 products exclusively to investors and has no apparent source of revenues other than
25 money received from new investors. WCM777 does not offer to sell any of the so-
26 called “World Cloud Media Services” other than as part of a package to investors
27 who receive points. In fact, points are needed to “activate” the cloud services.

28 ///

1 50. In fact, as alleged above, WCM recorded a net loss of \$282,603.48 for
2 the period from March 2013 to September 2013. WCM777 Inc.'s profit and loss
3 statement for the same period shows total revenues of \$26,342,239.82 from sales, and
4 a net loss of \$7,954,862.16. Bank accounts in the name of "WCM777" and
5 "WCM777 Inc." in the United States show that almost all of its revenue came from
6 sales of packages of cloud services to investors. These bank accounts do not show
7 any substantial source of deposits from any other source.

8 51. The WCM777 offering and operation depends almost entirely on the
9 recruitment of new investors and purchases by existing investors to provide funds to
10 pay any returns to investors. Because there is no source of money other than from
11 new and existing investors, the scheme is destined to collapse and leave investors
12 with substantial losses.

13 52. Defendants falsely represented that WCM777 is and was a profitable
14 enterprise, when in fact it is a pyramid scheme with no source of revenue other than
15 sales to investors, and it is not and was not deriving a profit from sale of goods and
16 services to third parties. Defendants failed to disclose material information that
17 WCM777 was not profitable and did not have any source of revenue other than sales
18 to investors.

19 **2. Ponzi payments to investors**

20 53. Defendants represented that WCM777 paid cash returns to investors
21 from profits and/or net profits of the WCM777 enterprise.

22 54. On its website, WCM777 specifically addressed the question: "Is
23 WCM777 a Ponzi Game?" WCM777 stated, among other comments in response to
24 that question: "In summary, we are not a Ponzi game company. We are creating a
25 new business model."

26 55. In fact, despite having no identifiable source of revenue other than
27 proceeds from sales to new investors, during the period from March to October 2013,
28 Defendants paid approximately \$4.07 million in returns to WCM777 investors.

1 During the period March to September 2013, WCM777 Inc. reported a net loss of
2 over \$7 million, and WCM reported a net loss of over \$280,000.

3 56. The cash paid to investors were Ponzi payments made with funds
4 received from other investors, and were not paid from net income or profits of the
5 WCM777 enterprise.

6 57. Defendants' statements that they paid returns from net profits and that
7 they were "not a Ponzi game company" were false and misleading, and omitted
8 material information that WCM777 did not have any revenue producing business
9 operations other than the sale of investments, did not have profits or net profits, and
10 that payments of cash returns were being funded by money received from new
11 investors.

12 **3. WCM777's purported IPOs**

13 58. Defendants represent to investors that the points they acquire will be
14 convertible into equity of an IPO of an entity named WCM7.com, and of other
15 unidentified companies. Defendants have, on the WCM777 website, advised
16 investors to hold on to their points so that they can become wealthy when there is an
17 IPO.

18 59. On the WCM777 website, Defendants state that points can be converted
19 into equity of "WCM7.com" which is described as a "pre-IPO company in
20 NASDAQ." The NASDAQ and the New York Stock Exchange have not received
21 applications for listings for the Defendants' companies. WCM7.com also is not
22 registered with any state in the United States.

23 60. Defendants have not filed any registration statements with the SEC for
24 any company or offering of securities.

25 61. Defendants' statements about an IPO of WCM7.com and other
26 unidentified companies were false and misleading, and omitted material information
27 that Defendants were not preparing for an IPO of WCM7.com or any other
28 companies.

1 **4. Defendants' background and experience**

2 62. Defendants make various false claims about their connections to and
3 experience with major companies.

4 63. Defendants claim on WCM777's website that it is in partnership with
5 Siemens. This claim is false, and no form of cooperation exists between Siemens and
6 Defendants.

7 64. Defendants claim on WCM777's website to have a partnership with
8 Denny's and use Denny's corporate logo. This claim is false, and Denny's does not
9 have and has not had any business relationship with Defendants, and Defendants do
10 not have permission to use Denny's name or logo.

11 65. Defendants claim on WCM777's website to have a relationship with
12 Goldman Sachs. This claim is false, and Goldman Sachs does not have any
13 relationship to Defendants.

14 66. Defendants claim that WCM acted as a financial advisor to Stouffer
15 Hotels and Resorts in a \$45 million refinancing. This statement is false. In fact,
16 Stouffer Hotels has not been in business since 1996 when it sold its real estate
17 portfolio to another company, and that was then purchased by Marriot in 1997.
18 Marriott does not have any relationship with Defendants.

19 67. Defendants' statements about their corporate relationships were
20 materially false and misleading, and omitted material information that Defendants did
21 not have business relationships with these entities.

22 **5. Defendants' misappropriation and misuse of investor proceeds**

23 68. Defendants represented that investor funds were being used to grow the
24 cloud media products and to incubate "300 high tech" companies.

25 69. In addition to making Ponzi payments to investors as alleged above,
26 Defendants used the bulk of the approximately \$28 million in investor proceeds
27 deposited into United States bank accounts: (1) to buy real property in the United
28 States held in the name of third parties associated with Defendant Xu; (2) to open a

1 brokerage account in the name of WCM to trade listed equities; and (3) to provide
2 funds to companies controlled by Xu.

3 70. Defendants opened and used numerous accounts located at three
4 different banks in the United States, to move and commingle most of the investor
5 proceeds before they were disbursed to third parties. The bulk of the investor
6 proceeds were initially deposited into two primary accounts, one held in the name of
7 “WCM777” and the other in the name of “WCM777 Inc.” Defendants then
8 transferred most of the investor proceeds into and out of other accounts held in the
9 names of WCM, WCM777, and the Relief Defendants. The commingled funds were
10 ultimately disbursed to or for the benefit of the Defendants and their affiliates,
11 including but not limited to the Relief Defendants.

12 71. In addition, Defendants caused investor funds to be deposited into
13 accounts of ToPacific (DE) and To_Pacific (CA), and then used those funds to make
14 various payments, including \$5 million paid to Relief Defendant Messina.

15 72. Upon information and belief, Defendants have also used investor
16 proceeds deposited into accounts in Hong Kong to purchase real property in the
17 United States held in the name of third parties associated with Defendant Xu.

18 **a. Purchases of real property in the United States**

19 73. Beginning in August 2013, third parties associated with Defendant Xu
20 purchased seven properties, at a total cost of about \$13.78 million, paid in cash. Of
21 that amount, at least \$9.93 million is directly traceable to investor proceeds deposited
22 in WCM777 bank accounts in the United States. The remaining \$3.85 million was
23 transferred to the United States from Hong Kong, and upon information and belief,
24 represents investor proceeds deposited into Defendants’ Hong Kong accounts.

25 74. Defendants purchased the following properties with investor funds that
26 originated from WCM777 accounts in the United States:

27 a. In August 2013, Defendants purchased the Glen Ivy Golf Club,
28 located in Corona, California, for \$6.5 million in cash. All of the cash used to

1 purchase this property originated from WCM777 accounts that held investor
2 proceeds. The property was titled in the name of Defendant WCM at the time of
3 purchase. Approximately two weeks later, Defendants transferred title to Relief
4 Defendant Kingdom Capital.

5 b. In August 2013, Defendants purchased a single family home
6 located in Walnut, California, for \$2.4 million in cash. At least \$75,000 of the cash
7 used for that purchase originated from WCM777 accounts that held investor
8 proceeds. Upon information and belief, some or all of the remaining cash used to
9 purchase that property are proceeds from the WCM777 offering that were transferred
10 to the United States from Hong Kong to complete the transaction. The property is
11 titled in the name of Relief Defendant Manna Holding.

12 c. In September 2013, Defendants purchased a golf club named the
13 Links at Summerly, located in Lake Elsinore, California, for \$1.65 million in cash.
14 The cash used for that purchase originated from WCM777 accounts that held investor
15 proceeds. The property is titled in the name of Relief Defendant Kingdom Capital.

16 d. In October 2013, Defendants purchased a single family home in
17 Monrovia, California for \$980,000 in cash. The cash used for that purchase
18 originated from WCM777 accounts that held investor proceeds. The property is titled
19 in the name of Relief Defendant Manna Holding.

20 e. In November 2013, Defendants purchased a single family home in
21 Lake Elsinore, California for \$500,000 in cash. The cash used for that purchase
22 originated from WCM777 accounts that held investor proceeds. The property is titled
23 in the name of Relief Defendant Kingdom Capital.

24 f. In January 2014, Defendants purchased vacant land in New
25 Cuyama, California, for \$700,000 in cash. Upon information and belief, some or all
26 of the funds used for that purchase are proceeds from the WCM777 offering. The
27 property is titled in the name of Relief Defendant Kingdom Capital.

28 g. In January 2014, Defendants purchased a warehouse in El Monte,

1 California for \$1,051,750 in cash. At least \$200,000 of the purchase price constitutes
2 proceeds from the WCM777 offering. Upon information and belief, the remaining
3 cash used to purchase this property are also proceeds from the WCM777 offering.
4 The property is titled in the name of Relief Defendant Kingdom Capital.

5 75. Also, in October 2013, Defendants contracted to purchase a single
6 family home located in Monrovia, California. The property was to be titled in the
7 name of Relief Defendant Manna Holding. In or around October 2013, Defendants
8 deposited into escrow \$1,456,041.56 to close this purchase, but the sale did not close.
9 In February 2014, Relief Defendant Manna Holding recorded a \$40,000 deed of trust
10 on the property, the escrow was closed, and the funds were disbursed to Manna
11 Holding Group.

12 **b. Brokerage account**

13 76. Defendant Ming Xu opened an account at a major brokerage firm in
14 June 2013 in the name of WCM. Between June 2013 and January 2014, Defendants
15 deposited a total of \$2.155 million into this brokerage account. The cash originated
16 from WCM777 accounts that held investor proceeds.

17 77. Defendants use these funds to play the stock market and invest in listed
18 equities.

19 78. In December 2013, Defendants transferred the funds from the brokerage
20 account to a WCM bank account.

21 **c. Cash transferred to WCM and Relief Defendants**

22 79. Defendants disbursed a total of \$7.5 million of investor proceeds to bank
23 accounts held in the name of Relief Defendant Kingdom Capital.

24 a. As alleged above, a total of approximately \$1.96 million of these
25 funds were disbursed to buy real property.

26 b. Approximately \$4.1 million was transferred from Kingdom
27 Capital to Relief Defendant WCM Resources, which in turn transferred
28 approximately \$2.667 million to Relief Defendant Aeon.

1 80. Defendants disbursed approximately \$2 million of investor proceeds to
2 bank accounts held in the name of Relief Defendant Manna Source International,
3 which transferred, directly or indirectly, approximately \$1 million to bank accounts
4 held in the name of WCM.

5 81. Defendants disbursed approximately \$550,000 of investor proceeds to
6 Relief Defendant PMX Jewels, and another \$200,000 was disbursed to a principal or
7 officer of PMX Jewels.

8 82. Defendants disbursed approximately \$3.38 million of investor proceeds
9 for the benefit of Relief Defendant Manna Holding. In 2013, Manna Holding
10 purportedly executed two non-recourse “agreements” to pay WCM the amount of
11 \$2.5 million plus interest in 2019, and to pay Kingdom Capital the amount of \$1
12 million plus interest in 2019.

13 83. Defendants also disbursed investor proceeds to the following companies
14 associated or otherwise affiliated with Defendant Xu:

- 15 a. \$200,000 was disbursed to ToPacific Inc.,
- 16 b. \$210,000 was disbursed to Agape Technology,
- 17 c. \$230,000 was disbursed to Media for Christ

18 **D. Defendants Acted with Scienter**

19 84. At all relevant times, Defendant Xu controlled WCM, WCM777 Inc.,
20 and WCM777 Ltd. Defendant Xu has been identified in the WCM777 offering
21 materials as the founder, chairman, and president of WCM, and the chairman of
22 WCM777. Defendant Xu registered and owned the WCM777 website.

23 85. At all relevant times, Defendant Xu acted with scienter.

24 86. Defendant Xu knew, or was reckless in not knowing, that the false and
25 misleading representations, and material omissions, were being made to investors
26 about WCM777’s profitability, IPOs, use of proceeds, and the affiliations with
27 prominent companies. Xu knew, or was reckless in not knowing, that Defendants did
28 not have any products that were generating revenue other than from investors, and

1 that any payments to investors were Ponzi payments made with other investors'
2 money.

3 87. As a principal of WCM and WCM777, Xu's mental state is imputed to
4 his companies.

5 **E. Relief Defendants Hold Proceeds of the Fraud**

6 88. Relief Defendant Kingdom Capital, in addition to any remaining cash,
7 holds title to five pieces of property purchased with approximately \$10.4 million of
8 investor proceeds.

9 89. Relief Defendant Manna Holding holds two pieces of property
10 purchased with approximately \$3.38 million of investor proceeds. In addition,
11 approximately \$1.352 million was returned from an escrow account to Manna
12 Holding.

13 90. Relief Defendant WCM Resources holds cash estimated to be in excess
14 of \$1 million of investor proceeds. The only identifiable source of deposits into
15 WCM Resources accounts was investor proceeds from the WCM777 offering.

16 91. Relief Defendant Aeon received approximately \$2.667 million in
17 investor proceeds transferred through WCM Resources.

18 92. Relief Defendant PMX Jewels received approximately \$550,000 of
19 investor proceeds.

20 93. Relief Defendant Manna Source International may hold cash. The only
21 identifiable source of deposits into Manna Source International accounts was investor
22 proceeds from the WCM777 offering.

23 94. Relief Defendant ToPacific (DE) received over \$16 million in proceeds
24 from the Defendants' fraudulent offering in an account at Comerica bank, between
25 December 30, 2013 and March 31, 2014. Relief Defendant To_Pacific (CA) received
26 at least \$1.4 million in proceeds from Defendants' fraudulent offering.

27 95. Relief Defendant Messina was named in-house legal counsel of "World
28 Capital Market" in June 2013. Beginning around July 2013 through December 2013,

1 Messina received monthly payments of \$5,000 from accounts held in the name of
2 Defendants WCM777 or WCM.

3 96. On December 17, 2013, Messina received \$200,000 from WCM that was
4 deposited into an IOLTA account he held at JP Morgan Chase.

5 97. On February 4, 2014, Messina opened two new accounts at Bank of
6 America: (1) an IOLTA account (“BofA IOLTA Account”), and (2) a “professional
7 association” account (“BofA PA Account”).

8 98. On February 26, 2014, \$5 million was wired into Messina’s BofA
9 IOLTA Account from one of ToPacific (DE)’s bank accounts. Between February 26,
10 2014 and March 31, 2014, Messina disbursed approximately \$5.2 million, consisting
11 of virtually all the funds received WCM and ToPacific (DE), from his BofA IOLTA
12 Account. Messina disbursed substantial amounts to other accounts he controlled,
13 including his BofA PA Account, as well as accounts at other banks.

14 99. Messina also disbursed at least \$650,000, and in excess of \$1 million, to
15 IMV, where he has the title “general counsel.”

16 100. Messina also disbursed funds to persons in Canada, Abu Dhabi, and to
17 an entity in Hong Kong. Messina disbursed funds directly from his BofA IOLTA
18 Account, and in a series of transactions, or stepped transfers, where Messina
19 transferred funds from his BofA IOLTA Account to his BofA PA Account, or to
20 other accounts in his name at other banks, and then from those accounts disbursed the
21 funds to third parties in the United States and abroad.

22 101. Messina claims that the funds from ToPacific (DE) were provided to him
23 by Xu to hold, but he refused and instead conceived of a three-line “agreement” in
24 which Xu loaned Messina \$5 million, which was to be repaid in interest in one
25 balloon payment in 2019.

26 102. At some point in time, Messina drafted an “Agreement” purportedly
27 dated February 27, 2014, in which Messina promised to pay Defendant Xu \$5 million
28 with interest computed at five percent per annum, with interest and principal due on

1 January 2, 2019. The loan is non-recourse. There is no evidence of any transfer of
2 funds from Defendant Xu, individually, to Messina on or around February 27, 2014.

3 103. There is no known loan agreement between ToPacific (DE), the owner
4 of the \$5 million deposited into Messina's BofA IOLTA Account, and Messina.

5 **F. Regulatory Actions against Defendants**

6 104. On November 11, 2013, the Securities Division of the Commonwealth
7 of Massachusetts issued a Consent Order in the Matter of World Capital Markets, Inc.
8 & WCM777, Inc. The Consent Order stated that Massachusetts opened an
9 investigation in September 2013, and in November 2013 the respondents submitted
10 an offer of settlement.

11 105. On January 8, 2014, the State of California, Business, Consumer
12 Services and Housing Agency, Department of Business Oversight, issued a Desist
13 and Refrain Order against WCM; WCM777, Inc.; WCM777 Limited; Ming Xu, and
14 others, which found that the named parties had unlawfully sold unregistered
15 securities, and had made untrue statements of material fact and omission of material
16 fact necessary to make statements not misleading in the offer and sale of securities,
17 and ordered them to desist from such conduct.

18 106. On January 21, 2014, the Securities Commissioner for the State of
19 Colorado issued a Stipulation for Consent Cease and Desist Order Concerning World
20 Capital Markets, Inc., WCM777, Inc. and Ming Xu.

21 **FIRST CLAIM FOR RELIEF**

22 **(Against All Defendants)**

23 **Fraud in Connection With the Sale of Securities**

24 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

25 107. The SEC realleges and incorporates by reference paragraphs 1 through
26 106 above.

27 108. Defendants, by engaging in the conduct described above, directly or
28 indirectly, in connection with the purchase or sale of a security, by the use of means

1 or instrumentalities of interstate commerce, of the mails, or of the facilities of a
2 national securities exchange, with scienter:

- 3 a. employed devices, schemes, or artifices to defraud;
- 4 b. made untrue statements of a material fact or omitted to state a
5 material fact necessary in order to make the statements made, in
6 the light of the circumstances under which they were made, not
7 misleading; or
- 8 c. engaged in acts, practices, or courses of business which operated
9 or would operate as a fraud or deceit upon other persons.

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

13 **SECOND CLAIM FOR RELIEF**

14 **(Against All Defendants)**

15 **Fraud in the Offer and Sale of Securities**

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

17 110. The SEC realleges and incorporates by reference paragraphs 1 through
18 106 above.

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

- 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.

1 112. 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 **(Against all Defendants)**

6 **Sale of Unregistered Securities**

7 **Violations of Sections 5(a) and 5(c) of the Securities Act**

8 113. The SEC realleges and incorporates by reference paragraphs 1 through
9 106 above.

10 114. Defendants, by engaging in the conduct described above, directly or
11 indirectly, made use of means or instruments or transportation or communication in
12 interstate commerce or of the mails, to offer to sell or to sell securities, or to carry or
13 cause such securities to be carried through the mails or in interstate commerce for the
14 purpose of sale or for delivery after sale.

15 115. No registration statement has been filed with the SEC or has been in
16 effect with respect to any of the offerings alleged herein, and no exemption from
17 registration applies.

18 116. By engaging in the conduct described above, Defendants have violated,
19 and unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of
20 the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

21 **FOURTH CLAIM FOR RELIEF**

22 **Controlling Person Liability**

23 **Under Section 20(a) of the Exchange Act**

24 **(Against Xu)**

25 117. The SEC realleges and incorporates by reference paragraphs 1 through
26 106 above.

27 118. Defendant Xu is, or was at the time of the acts and conduct set forth
28 herein were committed, directly or indirectly, a person who controlled WCM,

1 WCM777 Inc., and WCM777 Limited, each of which sold securities through
2 fraudulent means in violation of Section 10(b) of the Exchange Act, 15 U.S.C. §
3 78j(b), and Rules 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

4 119. By engaging in the conduct described above, under Section 20(a) of the
5 Exchange Act, 15 U.S.C. § 78t(a), defendant Xu is jointly and severally liable with,
6 and to the same extent as, the persons he controlled for violations of Sections 10(b) of
7 the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §
8 240.10b-5.

9 **PRAYER FOR RELIEF**

10 WHEREFORE, the SEC respectfully requests that the Court:

11 **I.**

12 Issue findings of fact and conclusions of law that Defendants committed the
13 alleged violations.

14 **II.**

15 Issue judgments, in forms consistent with Fed. R. Civ. P. 65(d), temporarily,
16 preliminarily and permanently enjoining Defendants, and their agents, servants,
17 employees, and attorneys, and those persons in active concert or participation with
18 any of them, who receive actual notice of the judgment by personal service or
19 otherwise, and each of them, from violating Section 17(a) of the Securities Act, 15
20 U.S.C. § 77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. §§ 78j(b), and Rule
21 10b-5 thereunder, 17 C.F.R. § 240.10b-5, Sections 5(a) and 5(c) of the Securities Act,
22 15 U.S.C. §§ 77e(a) and 77e(c), and Section 20(a) of the Exchange Act, 15 U.S.C.
23 § 78t(a).

24 **III.**

25 Issue an order freezing the assets of Relief Defendants Vincent J. Messina and
26 International Market Ventures, traceable to the fraud; ordering Relief Defendants
27 Vincent J. Messina and International Market Ventures to repatriate and recover all
28 funds received, directly or indirectly, from Defendants or Relief Defendants that were

1 sent to any associates or affiliates of Messina or IMV, prohibiting Relief Defendants
2 from destroying documents; granting expedited discovery on the limited issue of the
3 disbursement of funds by Messina and IMV; requiring verified accountings from
4 Relief Defendants Messina and IMV, including production of documents; and adding
5 ToPacific (DE) and To_Pacific (CA) as entities under control of the Permanent
6 Receiver.

7 **IV.**

8 Order Defendants and Relief Defendants to disgorge all ill-gotten gains they
9 received, together with prejudgment interest thereon.

10 **V.**

11 Order Xu, WCM, WCM777 Inc., and WCM777 Ltd. to pay civil penalties
12 under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of
13 the Exchange Act, 15 U.S.C. § 78u(d)(3).

14 **VI.**

15 Issue an order barring Defendant Xu from serving as an officer or director of a
16 public company pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e),
17 and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2).

18 **VII.**

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

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VIII.

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

Dated: May 7, 2014

/s/ Peter F. Del Greco
Peter F. Del Greco
Attorney for Plaintiff
Securities and Exchange Commission