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DEPARTMENT OF CORPORATIONS
California's Investment and Financing Authority

NEWS RELEASE

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Arnold Schwarzenegger, Governor

Preston DuFauchard, Commissioner

FOR IMMEDIATE RELEASE

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SAN FRANCISCO FOREIGN CURRENCY FIRMS AND THREE ACCOUNT EXECUTIVES TO PAY MORE THAN \$2 MILLION TO SETTLE FRAUD ACTION

At least 45 Bay Area residents lost more than \$1.78 million

(Sacramento, CA)—The California Department of Corporations (DOC) and the U.S. Commodity Futures Trading Commission (CFTC) announced an agreement has been reached to settle charges of fraudulent solicitation and illegal operation against National Investment Consultants, Inc. (NICI) of San Francisco, Pacific Best Group Limited, a.k.a. Pacific Best Company Ltd., a foreign corporation doing business in San Francisco, and individual defendants Run Ping Zhou, a.k.a. Flora Zhou, Yi Kerry Xu, and Wei M. Tse, a.k.a. Raymond Tse. The consent order of permanent injunction covers the period from 2004 to 2006, and requires the defendants to pay more than \$2 million, consisting of \$1.78 million in restitution and a civil penalty of \$400,000, for fraudulent solicitation and offering illegal foreign currency futures contracts in violation of the California Commodities Law and federal law.

The Honorable Jeffrey S. White of the U.S. District Court for the Northern District of California, San Francisco division, approved the order, which permanently bans the defendants from engaging in any commodity-related activity, including soliciting and trading commodity futures and options. The order named as a relief defendant former NICI employee Theresa C. Wong, and requires that she disgorge \$18,500, representing the funds she received from the company. According to the order, the defendants fraudulently solicited at least 45 Bay Area residents, largely from the Chinese community. The customers have invested and lost more than \$1.78 million since March 2004. The defendants neither admit nor deny the findings in the order.

“Tightly-knit ethnic communities need to be wary of those community members who are trying to attract their hard-earned money for investment schemes,” said Corporations Commissioner Preston DuFauchard. “Commodities investing is relatively sophisticated and can be obscure to most investors. Those who are solicited should consider whether they could stand to lose most or all of their funds very quickly trading foreign currency futures or contracts.”

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Since March 2004, the order states that Pacific Best and NICI placed ads in the local San Francisco Chinese language newspaper Sing Tao Daily offering job opportunities with promises of health insurance, good pay and a professional work environment to persons who speak Chinese. Pacific Best and NICI, through Tse, Zhou, and others, provided persons responding to the ads training on how to trade foreign currency and solicited trainees to invest funds and trade themselves. In soliciting trainees and customers, the defendants misrepresented the profitability and risk of loss involved in foreign currency futures trading, the experience of the account executives, and failed to disclose that Zhou had a similar prior action against her brought by DOC.

DOC Counsel Kelly Shinnick and CFTC Counsel Kevin Batteh were responsible for prosecuting this case.

The Department of Corporations (DOC) is California's investment and financing authority and is responsible for the regulation, enforcement, and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending, DOC residential mortgage lending, payday lenders, check sellers, bill payers, and debt reduction services. Consumers should contact the department to check on the status of the companies, investments or other services they are considering and the licensing status of the person. Contact DOC's toll-free Consumer Resource Center at 1-866-ASK-CORP (1-866-275-2677) or visit www.corp.ca.gov.

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