

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

_____)	
IN THE MATTER OF:)	
)	
ZIPBOX, INC.,)	
CHARMINGBLISS INC.,)	
LEETOWN DEVELOPMENT, INC.,)	
ADVANCZ MANAGEMENT GROUP INC.,)	
FRANZ WAI CHAN,)	
and POU SAN AU,)	Docket No. E-2021-0038
)	
RESPONDENTS.)	
_____)	

ADMINISTRATIVE COMPLAINT

I. PRELIMINARY STATEMENT

The Enforcement Section of the Securities Division of the Office of the Secretary of the Commonwealth of Massachusetts (the “Enforcement Section” and the “Division,” respectively) files this Administrative Complaint (this “Complaint”) to commence an adjudicatory proceeding against Zipbox, Inc., Charmingbliss Inc., Leetown Development, Inc., Advancz Management Group Inc., Franz Wai Chan, and Pou San Au (together, “Respondents”) for violations of the Massachusetts Uniform Securities Act, MASS. GEN. LAWS ch. 110A (the “Act”), and the regulations promulgated thereunder at 950 MASS. CODE REGS. 10.01-14.413 (the “Regulations”). The Enforcement Section alleges that Respondents (1) committed securities fraud in the Commonwealth by (a) misrepresenting the intended use of a Massachusetts investor’s investment capital, (b) furnishing forged bank records to a Massachusetts investor in order to hide the true destination of transferred investment capital, and (c) purporting to issue common stock to a Massachusetts investor

in what was actually a fictitious business entity; and (2) sold unregistered securities in the Commonwealth.

The Enforcement Section seeks an order: (1) finding as fact all allegations set forth in Sections IV through VII of this Complaint; (2) finding that all of the sanctions and remedies requested herein are in the public interest and necessary for the protection of Massachusetts investors; (3) requiring Respondents to permanently cease and desist from further conduct in violation of the Act; (4) censuring Respondents; (5) requiring Respondents to provide restitution to compensate individuals for those losses attributable to the wrongdoing; (6) requiring Respondents to provide a verified accounting of all proceeds which were received as a result of the wrongdoing; (7) requiring Respondents to disgorge all profits and other direct or indirect remuneration received as a result of the wrongdoing; (8) rescinding all contracts involved in the wrongdoing; (9) permanently barring Respondents from associating with or acting as (a) a registered broker-dealer or a registered investment adviser, (b) a broker-dealer or an investment adviser required to be registered, (c) a broker-dealer or an investment adviser exempt from registration, (d) a person relying on an exclusion from the definitions of “broker-dealer” or “investment adviser” in any capacity, (e) an issuer, (f) a broker-dealer agent, an investment adviser representative, or an issuer-agent, or (g) a partner, an officer, a director, or a control person of any of the foregoing; (10) permanently barring Respondents from offering or selling securities in the Commonwealth; (11) imposing an administrative fine upon Respondents in an amount and upon such terms and conditions as the Director of the Division or the Presiding Officer may determine; and (12) taking any such further action which may be

necessary or appropriate in the public interest and for the protection of Massachusetts investors.

II. SUMMARY

In February 2019, a mutual friend introduced a Massachusetts resident (“Investor One”) to Franz Wai Chan (“Chan”), the owner of a cannabis business in southern California who was looking to expand operations to Massachusetts. Investor One is a biochemistry researcher, and Chan stated that he was seeking him out for his expertise in analytical chemistry. Chan and Investor One met several times at restaurants in the Boston area during early-2019. During their second meeting, Chan explained that he intended to purchase an old paper mill in Lee, Massachusetts, known as the Greylock Mill, and convert it into a cannabis processing and packaging facility; it was on this occasion when Chan first broached the topic of Investor One potentially providing investment capital. In March 2019, Chan signed a mortgage and unlimited guaranty to purchase the Greylock Mill.

In April 2019, Investor One traveled to southern California to meet with Chan and inspect Chan’s active business: Zipbox Operation Inc. During this trip, Investor One met Pou San Au (“Au”), a California resident and business partner to Chan. After Investor One returned to Massachusetts, he and Chan discussed the terms of an agreement whereby Investor One’s investment company (“IC One”) would provide investment capital in exchange for shares in four business entities that Chan and Au had established to break into the Massachusetts cannabis industry: Zipbox, Inc. (“Zipbox”), Charmingbliss Inc. (“Charmingbliss”), Leetown Development, Inc. (“Leetown”), and New Corp Testing Lab (“New Corp”).

Leetown soon thereafter took possession of the Greylock Mill, and Chan represented to Investor One that Leetown owned the property outright. In May 2019, the Town of Lee approved Zipbox's proposal to use the Greylock Mill as a cannabis production and packaging facility. That same month, a consulting engineer that Zipbox had retained began the process of applying for a marijuana cultivator license from the Massachusetts Cannabis Control Commission on Zipbox's behalf. Encouraged by this progress and enticed by Chan's projections of future profits, Investor One decided to make an initial investment: On June 17, 2019, Investor One wired \$70,000.00 to Zipbox from his personal bank account.

By August 2019, Chan and Investor One had hammered out a formal written shareholder agreement. Chan signed the agreement on behalf of Zipbox on August 30, 2019, and Investor One signed on behalf of IC One in September 2019. Under the terms of the agreement, IC One would receive a 7% ownership stake in Zipbox, a 7% ownership stake in Leetown, a 7% ownership stake in Charmingbliss, and a 20% ownership stake in New Corp. Chan and Investor One separately agreed that IC One would receive the aforementioned shares of the four businesses in exchange for \$400,000.00 in investment capital, which Chan claimed would be spent on licensing and start-up expenses.

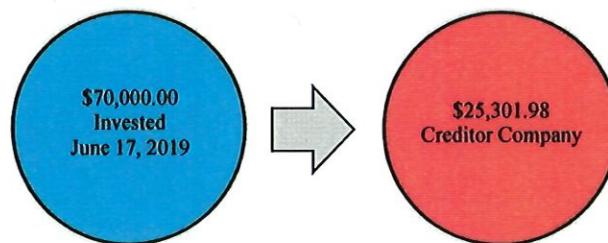
Given that Investor One had already furnished \$70,000.00 to Zipbox back in June 2019, IC One still owed \$330,000.00. Investor One satisfied most of this outstanding balance in September 2019 by making a series of three wire transfers to a Chinese bank account supposedly owned by an associate of Chan's. Au subsequently provided Investor One with forms from Standard Chartered Bank (Hong Kong) purporting to show that

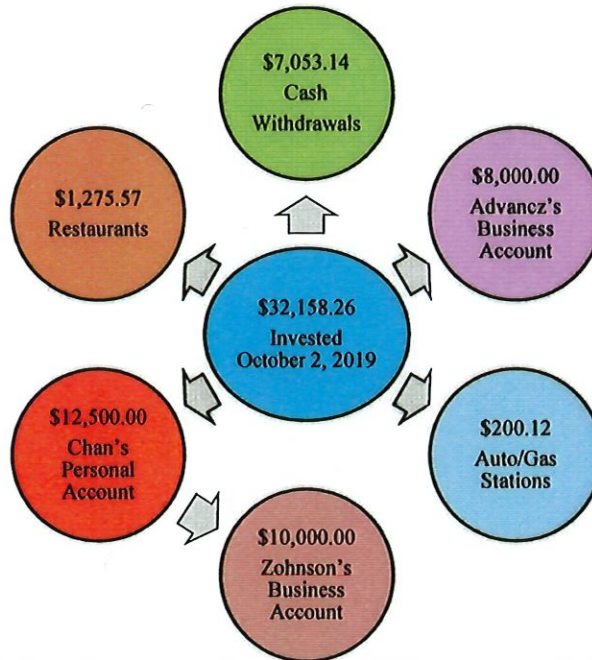
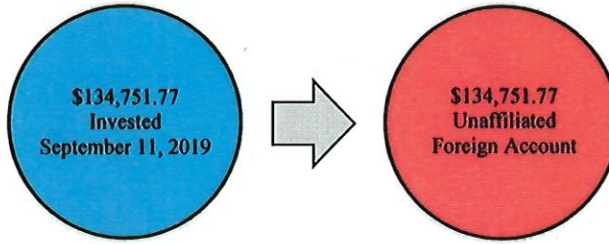
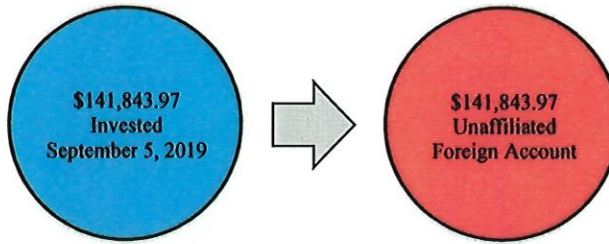
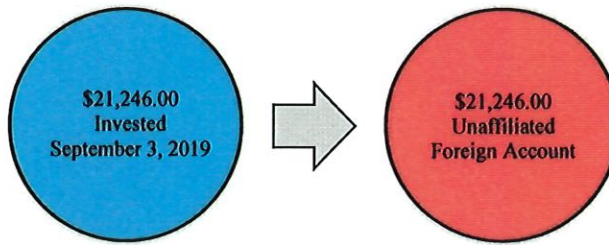
Zipbox ultimately received Investor One's funds. On October 2, 2019, Investor One made a final payment by wiring funds directly to one of Zipbox's bank accounts.

In connection with the sales to IC One, Respondents never registered the shares in Massachusetts as required under the Act. Respondents never filed any claim of exemption from registration. Respondents never filed the required Form U-2 consent to service of process.

The investment deal that Chan and Au offered to Investor One proved to be largely fraudulent. New Corp is a fictitious business entity; it was never organized under the laws of any United States jurisdiction, and it had no common stock to issue to IC One. Chan had also lied about the success and legal status of Zipbox Operation Inc. and about the financial position of Leetown in relation to its ownership of the Greylock Mill. Furthermore, other investors that Chan and Au had claimed to have secured either never invested or never even existed.

From June through October 2019, Chan and Au continued to deceive Investor One in order to ensure that they received the full \$400,000.00 that IC One had agreed to invest. Chan redirected sizeable sums of IC One's investment capital to outside businesses belonging to himself and Au's husband. Chan also used some of the investment capital to pay his own personal expenses, withdrew it as cash, or made it disappear into untraceable foreign bank accounts, all without Investor One's knowledge or permission.





Leetown ultimately defaulted on its mortgage, and the Greylock Mill went into foreclosure. Chan kept Investor One in the dark as to the status of their business venture, generally dodging or completely ignoring Investor One's questions about operational progress, future plans, and financial reports. In or about early-2020, prior to the outbreak of the COVID-19 pandemic, Chan stopped communicating with Investor One, and Investor One has not heard from him or Au since. Zipbox, Leetown, and Charmingbliss have all become defunct, thereby rendering their respective stocks worthless. IC One never recovered any of its investment capital, and Investor One never received any type of compensation from Respondents. The Enforcement Section takes this action to recover investor funds that Respondents obtained through fraudulent means and to prevent Respondents from furthering the ongoing fraud.

III. JURISDICTION AND AUTHORITY

1. The Division has jurisdiction over matters relating to securities pursuant to the Act, codified at Chapter 110A of the Massachusetts General Laws.
2. The Enforcement Section brings this action pursuant to the authority conferred upon the Division by Sections 407A and 414 of the Act, which empower the Division to conduct an adjudicatory proceeding to enforce the provisions of the Act and the Regulations.
3. This proceeding is brought in accordance with Sections 101, 301, 407A, and 414 of the Act.
4. The Enforcement Section reserves the right to amend this Complaint and bring additional administrative complaints to reflect information discovered during the current and ongoing investigation.

IV. RELEVANT TIME PERIOD

5. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of February 1, 2019 to October 5, 2021, inclusive (the “Relevant Time Period”).

V. RESPONDENTS

6. Zipbox, Inc. (“Zipbox”) is a corporation organized under the laws of Massachusetts on February 4, 2019. It has a last known principal place of business located at 701 Greylock Street, Lee, Massachusetts 01238.

7. Charmingbliss Inc. (“Charmingbliss”) was a corporation organized under the laws of Delaware on March 26, 2019. It had a last known mailing address located at 4560 Eucalyptus Avenue, # A, Chino, California 91710. On June 23, 2021, the Delaware Secretary of State officially proclaimed Charmingbliss to be inoperative and void for non-payment of taxes.

8. Leetown Development, Inc. (“Leetown”) is a business entity organized under the laws of Delaware on February 4, 2019. It has a last known principal place of business located at 745 East Valley Boulevard, # 228, San Gabriel, California 91776. As of July 21, 2021, Leetown is not in good standing with the Delaware Secretary of State due to failure to file an annual franchise tax report and failure to pay franchise taxes.

9. Advancz Management Group Inc. (“Advancz”) is a business entity organized under the laws of California on April 19, 2017. It has a last known principal place of business located at 133 North Altadena Drive, Unit 402, Pasadena, California 91107.

10. Franz Wai Chan (“Chan”) is an individual with a last known address in San Gabriel, California.

11. Pou San Au (“Au”) is an individual with a last known address in Rowland Heights, California.

VI. RELATED PERSONS

12. New Corp Testing Lab (“New Corp”) is a supposed business entity that is not organized under the laws of any United States jurisdiction.

13. Cherry Nanyu Liu (“Liu”) is an individual with a last known address in El Monte, California.

14. Tak Yue Au (“Tak Au”) is an individual with a last known address in Rowland Heights, California.

15. Zipbox Operation Inc. (“Zipbox Operation”) is a corporation organized under the laws of California on August 29, 2018. It has a last known principal place of business located at 4195 Chino Hills Parkway, # 171, Chino Hills, California 91709.

16. Zohnson & Co., Ltd. (“Zohnson”) is a business entity organized under the laws of California on October 10, 2017. It has a last known principal place of business located at 5912 Reno Avenue, Temple City, California 91780.

VII. STATEMENT OF FACTS

A. Investor One

17. Investor One is an individual who resided in Massachusetts during the Relevant Time Period.

18. Investor One is a biochemistry teacher and researcher.

19. Investment Company One (“IC One”) is a business entity organized under the laws of Delaware by Investor One.

20. IC One has a last known principal place of business located in Massachusetts.

21. Investor One founded IC One with the intent of using it as an investment vehicle.
22. IC One is still registered as an active business in Delaware, but it is not in good standing as of July 21, 2021.

B. Respondent Chan

23. Chan owns and/or operates numerous business entities in southern California, including, but not limited to, (a) Advancz, (b) Zipbox Operation, (c) US Unlimited Life Technology CO LTD (“US Unlimited Life”), (d) Golden Tree & Co. Technology Corp. (“Golden Tree”), (e) Concord Business Investment, Inc. (“Concord”), and (f) America Fonzou Co Ltd. (“AFCL”).
24. Chan is the Chief Executive Officer of Advancz.
25. Advancz purports to be a health research business.
26. Chan runs Zipbox Operation alongside Liu.
27. Chan was married to Liu for several years.
28. Chan represents that Zipbox Operation is a medicinal cannabis cultivation, manufacturing, and distribution corporation.
29. US Unlimited Life is a business entity organized under the laws of California on June 5, 2017.
30. US Unlimited Life has a last known principal place of business located at 16700 Valley View Avenue, Suite 200, La Miranda, California 90638.
31. Chan exercises control over at least one of US Unlimited Life’s bank accounts, and he has described himself as the business’s President.
32. Golden Tree is a corporation organized under the laws of California on September 15, 2017.

33. Golden Tree has a last known principal place of business located at 133 North Altadena Drive, Unit 402, Pasadena, California 91107.
34. Chan is the Chief Executive Officer of Golden Tree, as well as its agent for service of process.
35. Chan has claimed that Golden Tree cultivates cannabidiol (“CBD”) for medical and cosmetic use.
36. As of the date of this Complaint, the California Tax Franchise Board has suspended Golden Tree’s status as an entity in good standing.
37. Concord is a corporation organized under the laws of California on April 7, 2004.
38. Concord has a last known principal place of business located at 133 North Altadena Drive, Unit 303, Pasadena, California 91107.
39. Concord purports to offer business consulting services.
40. Chan is the Chief Executive Officer of Concord.
41. AFCL is a business entity organized under the laws of California on February 1, 2018 under the name M.C. Power Partners & Co.
42. The business changed its name from M.C. Power Partners & Co. to AFCL on March 16, 2020.
43. AFCL has a last known principal place of business located at 133 North Altadena Drive, Unit 303, Pasadena, California 91107.
44. AFCL purports to be a trading business.
45. Chan is AFCL’s registered agent for service of process.

C. Respondent Au

46. Au has been a partner of Chan's in many business ventures, including Zipbox Operation, for which she previously served as Secretary and Chief Financial Officer.

47. Au's husband is Tak Au.

48. Tak Au is the Chief Executive Officer of Zohnson.

D. Investor One's Dealings with Respondents

49. In or about February 2019, a mutual friend introduced Investor One to Chan.

50. Chan told Investor One that he was the owner of a cannabis business in California and that he was looking to expand operations to Massachusetts.

51. Chan and Investor One met several times at restaurants in the Boston area during early-2019.

52. During their second meeting, Chan explained that he intended to purchase an old paper mill in Lee, Massachusetts and convert it into a cannabis processing and packaging facility; it was on this occasion when Chan first broached the topic of Investor One potentially providing investment capital.

53. Chan also stated that he was interested in partnering with Investor One because of Investor One's expertise in analytical chemistry.

54. In or about April 2019, Investor One traveled to southern California to meet with Chan and inspect the latter's active business: Zipbox Operation.

55. During Investor One's April 2019 visit to southern California, Investor One met Au.

56. During Investor One's April 2019 visit to southern California, Investor One met Liu, who was introduced to him as Chan's wife.

57. After Investor One returned to Massachusetts, he and Chan discussed the terms of an agreement whereby Investor One would provide investment capital in exchange for shares in business entities that Chan and Au had established to break into the Massachusetts cannabis industry.

58. In exchange for investment capital, Chan and Au offered Investor One securities in the form of common stock in four business entities: (a) Zipbox, (b) Charmingbliss, (c) Leetown, and (d) New Corp.

59. Chan was the incorporator of Zipbox.

60. Chan and Au intended for Zipbox to cultivate, manufacture, and sell cannabis products in Massachusetts.

61. Au was the incorporator of Charmingbliss.

62. Chan and Au intended for Charmingbliss to sell CBD-based cosmetics.

63. Chan was the incorporator of Leetown.

64. Chan intended for Leetown to serve as a vehicle for purchasing industrial real estate that Zipbox could then use for producing and packaging cannabis products.

65. On March 12, 2019, Chan signed a mortgage and an unlimited guaranty to purchase a paper mill located at 701 Greylock Street, Lee, Massachusetts 01238 (the “Greylock Mill”)¹ from Lenox Development, LLC (“Lenox”).

66. In April 2019, Leetown took possession of the Greylock Mill.

67. Chan represented to Investor One that Leetown owned the Greylock Mill outright.

68. On April 16, 2019, the Town of Lee executed a Host Community Agreement with Zipbox as part of the cannabis licensing process.

¹ The Greylock Mill has an alternative address of 715 Columbia Street, Lee, Massachusetts 01238.

69. On May 6, 2019, the Town of Lee held a Community Outreach Meeting to discuss Zipbox's proposed marijuana establishment.
70. Encouraged by this progress and enticed by Chan's projections of future profits, Investor One decided to make an initial investment.
71. On June 17, 2019, Investor One wired \$70,000.00 to Zipbox's Bank of America account ending 3700 ("Zipbox Account 3700") from his personal bank account.
72. By August 2019, Chan and Investor One had devised a formal written investment agreement.
73. On August 30, 2019, Chan signed the agreement on behalf of Zipbox.
74. In September 2019, Investor One signed the agreement on behalf of IC One.
75. Under the terms of the agreement, IC One was to receive common stock representing a 7% ownership stake in Zipbox, a 7% ownership stake in Charmingbliss, a 7% ownership stake in Leetown, and a 20% ownership stake in New Corp.
76. Chan and Investor One separately agreed that IC One would receive the aforementioned shares of the four businesses in exchange for \$400,000.00 in investment capital, which Chan represented would be spent on licensing and start-up expenses.
77. On or about September 3, 2019, Investor One had 150,000.00 RMB, or \$21,246.00 USD, transferred from a Chinese bank account to a bank account held by an associate of Chan's in China.
78. By letter dated September 2, 2019 and printed on Zipbox stationary, Au notified Investor One that Zipbox had received the \$21,246.00 transfer.
79. On that letter, Au signed her name as follows:

Sam [sic] Au
C.F.O [sic]

Zipbox Inc [sic]

80. Au also provided Investor One with a copy of a Remittance Application Form, dated September 3, 2019, from Standard Chartered Bank (Hong Kong) purporting to show that \$21,246.00 was transferred to Zipbox's Chase Bank account ending 2886 ("Account 2886").

81. On or about September 5, 2019, Investor One had 1,000,000.00 RMB, or \$141,843.97 USD, transferred from a Chinese bank account to a bank account held by an associate of Chan's in China.

82. By letter dated September 2, 2019 and printed on Zipbox stationary, Au notified Investor One that Zipbox had received the \$141,843.97 transfer.

83. Au provided Investor One with a copy of a Remittance Application Form, dated September 5, 2019, from Standard Chartered Bank (Hong Kong) purporting to show that \$141,843.97 was transferred to Account 2886.

84. On or about September 11, 2019, Investor One had 950,000.00 RMB, or \$134,751.77 USD, transferred from a Chinese bank account to a bank account held by an associate of Chan's in China.

85. Au provided Investor One with a copy of a Remittance Application Form, dated September 11, 2019, from Standard Chartered Bank (Hong Kong) purporting to show that \$134,751.77 was transferred to Zipbox's Citibank account ending 9503 ("Zipbox Account 9503").

86. By letter dated September 13, 2019, Au informed Investor One that IC One still owed \$32,158.26 in investment capital under the terms of the parties' agreement.

87. On or about October 2, 2019, Investor One transferred \$32,158.26 from his personal bank account to Zipbox Account 9503.

E. Respondents Chan and Au's Fraudulent Practices

i. Soliciting Payment for Nonexistent Securities

88. The investment deal that Chan and Au offered to Investor One proved to be largely fraudulent.

89. New Corp is a fictitious business entity; it was never organized under the laws of any United States jurisdiction, and it had no common stock to issue to IC One.

90. By misrepresenting New Corp as a legitimate established business, Chan and Au deceived Investor One into purchasing 20% of something that never existed.

91. Chan took advantage of the fact that he and Investor One met through a mutual friend.

ii. Making Material Misrepresentations and Inflating the Value of Offered Securities

92. Chan and Au were successful in perpetrating a fraud upon Investor One because they made bold misrepresentations from the outset of their solicitation.

93. In an investor slideshow that Chan presented to Investor One, Chan described Zipbox Operation as an established, California-based medicinal cannabis company, when in reality, Zipbox Operation never even received a cannabis license from the California Department of Cannabis Control or from its predecessor, the California Bureau of Cannabis Control.

94. When Leetown acquired the Greylock Mill, Chan told Investor One that they owned the mill outright, when in actuality, Leetown had obtained a mortgage to purchase the property.

95. In the investment agreement, Chan and Au listed additional supposed investors in order to inflate Investor One's estimation of the value of the securities and the financial prospects of investing.

96. Included among Zipbox's other shareholders was "Seven Elements Development Co."

97. Seven Elements Development Co is a fictitious business entity.

98. Included among Charmingbliss's other shareholders was an individual person ("Individual One").

99. Investor One eventually spoke to Individual One and learned that she had never invested or been issued stock in Charmingbliss.

iii. Continuing Misrepresentations and Misuse of Investment Funds

100. Chan and Au misused IC One's investment capital and continued to deceive Investor One in order to ensure that they received the full \$400,000.00 that IC One had agreed to invest.

a. Chan spent most of IC One's \$70,000.00 investment payment on personal expenses and on the Greylock Mill mortgage that he had kept secret from Investor One.

101. The \$70,000.00 that Investor One transferred from his personal Bank of America account to Zipbox Account 3700 posted in the latter account on June 17, 2019.

102. Chan exercises control over Zipbox Account 3700.

103. Zipbox Account 3700 received its first deposit for the month on June 12, 2019.

104. The balance of Zipbox Account 3700 was -\$24,859.88 on June 14, 2019.

105. On June 17, 2019, Zipbox Account 3700 saw the return of posted checks for the amounts of \$8,082.45, \$6,875.00, \$5,000.00, \$4,476.45, and \$1,200.00.

106. On June 17, 2019, Zipbox Account 3700 received a wire transfer in the amount of \$30,000.00.

107. Zipbox Account 3700 did not receive any additional deposits until June 21, 2019.

108. Thus, from June 17, 2019 to June 20, 2019, inclusive, Zipbox Account 3700 held \$30,774.02 in funds not attributable to IC One.

109. Chan used the check card linked to Zipbox Account 3700 to make the following payments:

- \$100.35 to a restaurant in Alhambra, California on June 17, 2019;
- \$125.62 to a restaurant in Temple City, California on June 18, 2019;
and
- \$40.00 to a gas station convenience store on June 20, 2019.

110. Chan wrote the following checks from Zipbox Account 3700:

- \$56,076.00, payable to a certain creditor company ("Creditor Company"), dated and deposited June 17, 2019;
- \$3,000.00, payable to himself, dated and deposited June 17, 2019;
and
- \$1,200.00, payable to an engineer, dated June 12, 2019 and somehow deposited once on June 14, 2019 and again on June 18, 2019.

111. Chan issued the following cashier's checks from Zipbox Account 3700:

- \$13,280.00, payable to an engineering consulting firm, dated and deposited June 18, 2019; and
- \$12,628.90, payable to an engineering and architecture firm, dated and deposited June 18, 2019.

112. Thus, from June 17, 2019 to June 20, 2019, inclusive, and excluding what appears to have been a double-charge for the check to the engineer, Chan spent \$85,250.87 from Zipbox Account 3700.

113. The \$30,774.02 not attributable to IC One did not cover all of Zipbox Account 3700's expenses during this time period; it did not even cover the check written to Creditor Company.

114. Consequently, Chan paid a portion of IC One's initial investment capital to Creditor Company.

115. Creditor Company is a business entity organized under the laws of New Jersey in November 1998.

116. Creditor Company has a last known principal place of business located in Manalapan, New Jersey.

117. Creditor Company is an affiliate of Lenox that paid for some of the latter's expenses, which led to an arrangement whereby Creditor Company was owed Leetown's mortgage payments on the Greylock Mill.

118. In light of Chan's misrepresentation that Leetown had purchased the Greylock Mill outright, Investor One could not have reasonably anticipated that IC One's initial investment capital would be spent on a mortgage payment.

b. Chan caused IC One's \$21,246.00 investment capital payment to disappear into foreign bank accounts, and Au then provided Investor One with falsified bank records to obscure the true destination of the funds.

119. The September 3, 2019 Remittance Application Form that Au gave to Investor One contained falsified information.

120. The September 3, 2019 Remittance Application Form listed Zipbox as the owner of Account 2886.

121. In reality, Creditor Company is the owner of Account 2886.

122. The September 3, 2019 Remittance Application Form indicated that \$21,246.00 of IC One's investment capital was transferred from an account at Standard Chartered Bank (Hong Kong) to Account 2886 on September 3, 2019.

123. In reality, Account 2886 never received a wire transfer or any other deposit for that amount during the month of September 2019.

124. Account 2886 never received a wire transfer or any other deposit from Standard Chartered Bank (Hong Kong) for any amount during the month of September 2019.

c. Chan caused IC One's \$141,843.97 investment capital payment to disappear into foreign bank accounts, and Au then provided Investor One with falsified bank records to obscure the true destination of the funds.

125. The September 5, 2019 Remittance Application Form that Au gave to Investor One also contained falsified information.

126. The September 5, 2019 Remittance Application Form listed Zipbox as the owner of Account 2886 despite the fact that said account's actual owner is Creditor Company.

127. The September 5, 2019 Remittance Application Form indicated that \$141,843.97 of IC One's investment capital was transferred from an account at Standard Chartered Bank (Hong Kong) to Account 2886 on September 5, 2019.

128. In reality, Account 2886 never received a wire transfer or any other deposit for that amount during the month of September 2019.

d. Chan caused IC One's \$134,751.77 investment capital payment to disappear into foreign bank accounts, and Au then provided Investor One with falsified bank records to obscure the true destination of the funds.

129. The September 11, 2019 Remittance Application Form that Au gave to Investor One contained falsified information.

130. The September 11, 2019 Remittance Application Form indicated that \$134,751.77 of IC One's investment capital was transferred from an account at Standard Chartered Bank (Hong Kong) to Zipbox Account 9503 on September 11, 2019.

131. In reality, Zipbox Account 9503 never received a wire transfer or any other deposit for that amount between September 9, 2019 and September 30, 2019, inclusive.

132. Zipbox Account 9503 never received a wire transfer or any other deposit from Standard Chartered Bank (Hong Kong) for any amount between September 9, 2019 and September 30, 2019, inclusive.

e. Chan spent a portion of IC One's \$32,158.26 investment capital payment on personal expenses, and also transferred some of the funds to outside businesses belonging to himself and Au's husband, all without Investor One's knowledge.

133. IC One's final investment capital payment, in the amount of \$32,158.26 transferred from Investor One's personal account, posted in Zipbox Account 9503 on October 2, 2019.

134. Chan exercises control over Zipbox Account 9503.

135. Zipbox Account 9503 had a balance of \$52.86 prior to receiving the transfer from Investor One's account.

136. Zipbox Account 9503 did not receive any additional deposits or other funds until October 29, 2019.

137. On October 3, 2019, Citibank deducted \$15.00 from Zipbox Account 9503 to pay a service charge on the incoming wire transfer from Investor One's account.

138. Chan made the following cash withdrawals from Zipbox Account 9503:

- \$3,000.00 on October 2, 2019;
- \$203.00 on October 2, 2019;
- \$203.00 on October 7, 2019;
- \$1,000.00 on October 7, 2019;
- \$2,500.00 on October 8, 2019; and

- \$200.00 on October 9, 2019.

139. Chan made the following payments using the debit card linked to Zipbox Account 9503:

- \$186.58 to a restaurant in Temple City, California on October 4, 2019;
- \$100.35 to a gas station convenience store in Pasadena, California on October 7, 2019;
- \$64.22 to a restaurant in Rancho Cucamonga, California on October 8, 2019;
- \$490.40 to a restaurant in Rowland Heights, California on October 9, 2019;
- \$193.57 to a restaurant in Monterey Park, California on October 11, 2019;
- \$4.90 to a coffee shop in Temple City, California on October 15, 2019;
- \$36.25 to a cookware store in San Gabriel, California on October 15, 2019;
- \$340.80 to a restaurant in Alhambra, California on October 15, 2019; and
- \$99.77 to an automobile repair station on October 15, 2019.

140. Chan made the following transfers from Zipbox Account 9503:

- \$8,000.00 to Advanz's Bank of the West checking account ending 1689 ("Advanz Account 1689") on October 4, 2019;
- \$10,000.00 to Chan's personal Bank of America checking account ending 7550 ("Chan Account 7550") on October 4, 2019; and
- \$2,500.00 to Chan Account 7550 on October 8, 2019.

141. Zipbox Account 9503 incurred the following service charges from Citibank in connection with the above withdrawals and transfers that Chan made:

- \$17.00 on October 4, 2019;
- another \$17.00 on October 4, 2019; and
- \$17.00 on October 8, 2019.

142. Thus, from October 2, 2019 to October 28, 2019, inclusive, Chan spent \$29,188.84 from Zipbox Account 9503.

143. Because Zipbox Account 9503 had a balance of \$52.86 prior to receiving the transfer from Investor One on October 2, 2019, \$2,947.14 of the \$3,000.00 withdrawal made on October 2, 2019, and all of the aforementioned expenses incurred thereafter, relied on funds from Investor One.

144. After transferring \$10,000.00 of IC One's investment capital to Chan Account 7550 on October 4, 2019, Chan immediately made a transfer from that same amount to Johnson's Desert Community Bank account ending 3006 ("Johnson Account 3006").

145. Tak Au exercises control over Johnson Account 3006.

F. Respondents' Failures to Register Securities

146. Zipbox never registered, or filed any claim of exemption from registration in connection with, the common stock offered and sold to IC One as required under the Massachusetts Uniform Securities Act (the "Act").

147. Zipbox never filed a Form U-2 consent to service of process as required under the Act.

148. Charmingbliss never registered, or filed any claim of exemption from registration in connection with, the common stock offered and sold to IC One as required under the Act.

149. Charmingbliss never filed a Form U-2 consent to service of process as required under the Act.

150. Leetown never registered, or filed any claim of exemption from registration in connection with, the common stock offered and sold to IC One as required under the Act.

151. Leetown never filed a Form U-2 consent to service of process as required under the Act.

152. New Corp never registered, or filed any claim of exemption from registration in connection with, the common stock offered and sold to IC One as required under the Act.

153. New Corp never filed a Form U-2 consent to service of process as required under the Act.

G. Conclusion

154. Chan represented to Investor One that IC One's investment capital would be used for start-up and registration expenses for the four business included in the investment agreement.

155. It was not Investor One's understanding that Chan would instead use the investment capital to pay for several-hundred-dollar meals at various restaurants, among other personal expenses.

156. Investor One likewise did not expect that Chan would divert the investment capital to outside businesses owned by Chan and Au's husband.

157. Leetown ultimately defaulted on its mortgage, and the Greylock Mill was acquired by Spirtas Global LLC through foreclosure in or about January 2020.

158. Zipbox never completed an application for the necessary license from the Massachusetts Cannabis Control Commission.

159. Chan kept Investor One in the dark as to the status of their business venture, generally dodging or outright ignoring Investor One's questions about operational progress, future plans, and financial reports.

160. In or about early-2020, prior to the outbreak of the COVID-19 pandemic, Chan stopped communicating with Investor One, and Investor One has not heard from him or Au ever since.

161. IC One never recovered any of its investment capital.

162. As of the date of this Complaint, Investor One has not received any type of compensation from Respondents.

VIII. VIOLATIONS OF LAW

Count I - MASS. GEN. LAWS ch. 110A, § 101(2)

163. Section 101 of the Act provides:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

...

(2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading

MASS. GEN. LAWS ch. 110A, § 101(2).

164. The Enforcement Section restates and incorporates the allegations of fact set forth in Sections IV through VII above.

165. The conduct of Respondents, as described above, constitutes multiple violations of Section 101(2) of the Act. *See id.*

Count II - MASS. GEN. LAWS ch. 110A, § 101(3)

166. Section 101 of the Act provides:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

...

(3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

Id. § 101(3).

167. The Enforcement Section restates and incorporates the allegations of fact set forth in Sections IV through VII above.

168. The conduct of Respondents, as described above, constitutes multiple violations of Section 101(3) of the Act. *See id.*

Count III - MASS. GEN. LAWS ch. 110A, § 301

169. Section 301 of the Act provides:

It is unlawful for any person to offer or sell any security in the [C]ommonwealth unless:—

- (1) the security is registered under [the Act];
- (2) the security or transaction is exempted under [S]ection 402; or
- (3) the security is a federal covered security.

Id. § 301.

170. The Enforcement Section restates and incorporates the allegations of fact set forth in Sections IV through VII above.

171. The conduct of Respondents, as described above, constitutes multiple violations of Section 301 of the Act. *See id.*

Count IV - MASS. GEN. LAWS ch. 110A, § 414(g)

172. Section 414(g) of the Act provides:

Every applicant for registration under [the Act] and every issuer which proposes to offer a security in the [C]ommonwealth . . . shall file with the [S]ecretary, in such form as he by rule prescribes, an irrevocable consent appointing the [S]ecretary or his successor in office to be his attorney to receive service of any lawful process . . . which arises under [the Act] or any rule or order hereunder after the consent has been filed

Id. § 414(g).

173. The Enforcement Section restates and incorporates the allegations of fact set forth in Sections IV through VII above.

174. The conduct of Respondents, as described above, constitutes multiple violations of Section 414(g) of the Act. *See id.*

IX. STATUTORY BASIS FOR RELIEF

Section 407A of the Act provides:

If the [S]ecretary determines, after notice and opportunity for hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take such affirmative action, including the imposition of an administrative fine, the issuance of an order for an accounting, disgorgement or rescission or any other such relief as in his judgment may be necessary to carry out the purposes of [the Act].

Id. § 407A(a).

X. PUBLIC INTEREST

For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors for the Director of the Division to enter an order finding that the relief requested below is “necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of [the Act].” *Id.* § 412(b).

XI. RELIEF REQUESTED

The Enforcement Section requests that an order be entered:

- A. Finding as fact all allegations set forth in Sections IV through VII of this Complaint;
- B. Finding that all of the sanctions and remedies requested herein are in the public interest and necessary for the protection of Massachusetts investors;
- C. Requiring Respondents to permanently cease and desist from further conduct in violation of the Act;
- D. Censuring Respondents;
- E. Requiring Respondents to provide restitution to compensate individuals for those losses attributable to the wrongdoing;

- F. Requiring Respondents to provide a verified accounting of all proceeds which were received as a result of the wrongdoing;
- G. Requiring Respondents to disgorge all profits and other direct or indirect remuneration received as a result of the wrongdoing;
- H. Rescinding all contracts related to the wrongdoing;
- I. Permanently barring Respondents from associating with or acting as a registered broker-dealer or a registered investment adviser; a broker-dealer or an investment adviser required to be registered; a broker-dealer or an investment adviser exempt from registration; a person relying on an exclusion from the definitions of “broker-dealer” or “investment adviser” in any capacity; an issuer; a broker-dealer agent, an investment adviser representative, or an issuer-agent; or a partner, an officer, a director, or a control person of any of the foregoing;
- J. Permanently barring Respondents from offering or selling securities in the Commonwealth;
- K. Imposing an administrative fine upon Respondents in an amount and upon such terms and conditions as the Director of the Division or the Presiding Officer may determine; and
- L. Taking any such further action which may be necessary or appropriate in the public interest and for the protection of Massachusetts investors.

**MASSACHUSETTS SECURITIES DIVISION
ENFORCEMENT SECTION**

By and through its attorneys,

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