

1 **STATE OF CALIFORNIA**
2 **BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY**
3 **DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION**

4 **TO:** We Are All Satoshi
weareallsatoshi.org
5 Sam Lee

6
7
8 **DESIST AND REFRAIN ORDER**
9 **(For violations of sections 25110 and 25401 of the Corporations Code)**

10 The Commissioner of Financial Protection and Innovation (Commissioner) finds that:

11 1. The Department of Financial Protection and Innovation (Department) regulates the
12 offer and sale of securities in California under the Corporate Securities Law of 1968 (Cal. Corp. Code
13 §§ 25000-25707) (CSL).

14 2. At all relevant times, We Are All Satoshi (WAAS) is and was a business entity of
15 unknown type with an unknown principal place of business. WAAS operated the website
16 www.weareallsatoshi.org, as well as social media accounts on Facebook
17 (https://www.facebook.com/p/weareallsatoshi_waas-100091982554961/), Instagram
18 (@weareallsatoshiofficial), Twitter (@waa_satoshi), Telegram (https://t.me/weareallsatoshi_waas),
19 and YouTube (https://www.youtube.com/@Weareallsatoshi_waas).

20 3. At all relevant times, Sam Lee (Lee) was the founder, CEO, and chairman of WAAS.

21 4. Lee controlled and induced or provided substantial assistance to WAAS within the
22 meaning of Corporations Code section 25403, subdivisions (a) and (b).

23 5. Beginning at least as early as 2023, WAAS offered and sold securities in the form of
24 investment contracts in California through general solicitations on its website. WAAS referred to
25 these investment contracts as “Subscriptions.”

26 6. WAAS holds itself out as a crypto asset investment platform. The purported purpose
27 of the securities offerings is for WAAS to pool investor funds in order to purchase and hold bitcoin.

28 ///

1 7. In reality, WAAS is a fraudulent pyramid and Ponzi scheme. It does not sell or purport
2 to sell any actual product and has no apparent source of revenue other than funds received from
3 investors. By Lee’s own admission, WAAS intended to use 68% of investor funds to pay investors to
4 recruit other investors, 30% of investor funds to buy and hold bitcoin, and 2% of investor funds to
5 pay Lee a “management fee.” Thus, the payouts that investors received from WAAS were actually
6 funds deposited by other investors.

7 8. Investors and prospective investors were told that they could expect to profit from the
8 “Subscriptions” in several different ways: a projected increase in the price of bitcoin, fixed daily
9 returns, and referral commissions.

10 9. First, WAAS offered investors eleven different “Subscriptions” to purchase, ranging
11 in price from \$100 to \$204,700 per “Subscription.” WAAS and Lee stated that 30% of all investor
12 deposits would be pooled together and used by WAAS to purchase and hold bitcoin. In some
13 instances, Lee stated that WAAS aimed to acquire 10,000 bitcoins. WAAS’s bitcoin would be held in
14 a crypto asset wallet that WAAS referred to as both the “Vault Horizon” and its “Proof of Reserve.”
15 WAAS and Lee told investors and prospective investors that WAAS would purchase so much bitcoin
16 that it would reduce the supply of bitcoin on the open market, thereby causing the price to increase.
17 As early as May 2023, WAAS and Lee told investors that WAAS’s efforts would cause the price of
18 bitcoin to increase from under \$30,000 to at least \$100,000 within 500 days. As such, WAAS
19 represented that it would hold bitcoin in its Proof of Reserve for 500 days or until the price of bitcoin
20 reached \$100,000, whichever came first. Upon the occurrence of the first of these two events,
21 investors would be able to begin requesting pro rata distributions of the bitcoin WAAS held in the
22 Proof of Reserve. WAAS and Lee represented that investors could expect a significant profit due to
23 the increase in value of bitcoin caused by WAAS.

24 10. The price of bitcoin was under \$32,000 at the time Lee told investors the price would
25 increase to \$100,000 within 500 days. Historically, the price of bitcoin has never reached more than
26 approximately \$69,000. The total supply of bitcoin was over 19.3 million at the time WAAS and Lee
27 claimed that WAAS could singlehandedly drive the price of bitcoin to record highs by gradually
28 acquiring 10,000 bitcoins.

1 11. WAAS claimed to issue its own crypto token to investors that it called the WAAS
2 Token. WAAS Tokens were credited to investors' accounts on the WAAS website when the investors
3 purchased "Subscriptions" and deposited funds. The WAAS Tokens represented investors' claim to
4 the bitcoin in the Proof of Reserve. Investors were told that they could redeem their WAAS Tokens
5 for bitcoin in the Proof of Reserve upon the price of bitcoin reaching \$100,000 or at 500 days.
6 Investors could observe their WAAS Token balance in their account on the WAAS website, but the
7 tokens were locked-up and unavailable to access for 500 days or until the price of bitcoin reached
8 \$100,000.

9 12. As a second source of investor profits, WAAS guaranteed that investors would earn a
10 fixed daily rate of return of 1% on the "Subscriptions" that they purchased. Investors that recruited
11 new investors in accordance with WAAS's recruitment goals were upgraded to "Premium
12 Subscribers," which entitled them to a 2% fixed daily rate of return on the "Subscriptions" they
13 purchased. After purchasing at least one "Subscription," investors were encouraged to make
14 additional deposits that WAAS referred to as "Top-ups." Investors would earn either 1% or 2% daily
15 until they reached 300% of their original investment, at which point their earnings were capped and
16 the investors were forced to purchase additional "Subscriptions" to continue earning fixed daily
17 returns. The "Subscriptions" were publicly available to investors in California via WAAS's website:
18 www.weareallsatoshi.org.

19 13. As a third purported source of income, investors would be rewarded for inducing
20 others to send money to WAAS. According to WAAS's pyramid scheme structure, investors would
21 be paid a referral bonus based on the amount of funds deposited by the investors that they recruited.
22 Investors would also be paid additional referral bonuses when the investors that they recruited, in
23 turn, recruited new investors. WAAS referred to these commission payments as "Kickbacks."

24 14. Investors seeking to take advantage of WAAS's referral program created and posted
25 videos to YouTube and posted content on other social media websites to recruit others to invest in
26 WAAS.

27 ///

28 ///

1 15. After investors created their accounts on the WAAS website, investors could log into
2 their account using their username and password to monitor their purported balance and returns,
3 deposit funds, and request withdrawals.

4 16. WAAS facilitated investor deposits and withdrawals using crypto assets.

5 17. WAAS charged investors a 2% fee to withdraw their funds from the platform.

6 18. In his role as CEO and chairman of WAAS, Lee gave recruitment presentations to
7 prospective investors, in which he touted the purported profitability, sustainability, safety,
8 transparency, and simplicity of WAAS’s investments.

9 19. Lee claimed that the “Subscriptions” would be very lucrative, promising that investors
10 would all “make so much money.”

11 20. WAAS attempted to assure investors that it was not a scam and claimed that investors
12 would “not have to worry about any rug pulls.”

13 21. WAAS represented its “Subscriptions” as safe, sustainable investments, even
14 describing its business with the slogan “securing liquidity, ensuring sustainability.”

15 22. WAAS’s marketing materials and presentations to prospective investors prominently
16 featured its Proof of Reserve as a reason why investors’ funds were purportedly safe. WAAS falsely
17 represented that the Proof of Reserve would protect investors’ funds in the event of market volatility
18 or any other circumstances that would otherwise cause investor losses.

19 23. Lee also assured investors and prospective investors that WAAS was offering safe
20 investments, going so far as to promise that no investors would lose money. Lee told investors and
21 prospective investors that he was so confident that they would make their money back in 500 days
22 that he would “write [investors] a check and guarantee [their] investment.”

23 24. In reality, WAAS was not sustainable and was dependent on the continued recruitment
24 of new investors.

25 25. The “Subscriptions” offered by WAAS were securities that were neither qualified nor
26 exempt from the qualification requirement under the CSL. The Department has not issued a permit or
27 other form of qualification authorizing WAAS to sell these securities in California.

28 ///

1 26. In connection with the offer or sale of these securities, WAAS and Lee made, or
2 caused to be made, untrue statements of material fact and material omissions to investors and
3 potential investors, including but not limited to the following:

- 4 a. failing to disclose that WAAS used investor funds to pay purported profits to other
5 investors, in the manner of a Ponzi scheme;
- 6 b. falsely representing that WAAS’s business model was sustainable;
- 7 c. misrepresenting the expected profits and risk of loss; and
- 8 d. failing to disclose that the offer or sale of WAAS’s securities was not qualified in
9 California.

10 Based on the foregoing findings, the Commissioner is of the opinion that the securities offered
11 or sold by We Are All Satoshi and Sam Lee were subject to qualification under the CSL and have
12 been or are being offered or sold without first being qualified in violation of Corporations Code
13 section 25110.

14 Moreover, the Commissioner is of the opinion that Sam Lee has violated Corporations Code
15 section 25110 by knowingly, directly or indirectly controlling or inducing or providing substantial
16 assistance to We Are All Satoshi to violate Corporations Code section 25110 within the meaning of
17 Corporations Code section 25403, subdivisions (a) and (b).

18 Pursuant to Corporations Code section 25532, We Are All Satoshi and Sam Lee are hereby
19 ordered to desist and refrain from the further offer or sale of securities in California, including but not
20 limited to investment contracts known as “Subscriptions,” unless and until the qualification
21 requirements of the CSL have been met.

22 In addition, the Commissioner is of the opinion that We Are All Satoshi and Sam Lee offered
23 or sold securities in California by means of oral or written communications which included untrue
24 statements of material facts or omitted to state material facts necessary in order to make the
25 statements made, in the light of the circumstances under which they were made, not misleading, in
26 violation of Corporations Code section 25401.

27 Further, the Commissioner is of the opinion that Sam Lee has violated Corporations Code
28 section 25401 by knowingly, directly or indirectly controlling or inducing or providing substantial

1 assistance to We Are All Satoshi to violate Corporations Code section 25401 within the meaning of
2 Corporations Code section 25403, subdivisions (a) and (b).

3 Pursuant to Corporations Code section 25532, We Are All Satoshi and Sam Lee are hereby
4 ordered to desist and refrain from offering or selling or buying or offering to buy any security in
5 California, including but not limited to investment contracts known as “Subscriptions,” by means of
6 any written or oral communication which includes an untrue statement of a material fact or omits to
7 state a material fact necessary in order to make the statements made, in the light of the circumstances
8 under which they were made, not misleading.

9 Any person who with knowledge directly or indirectly controls and induces another person to
10 violate any provision of the CSL, or knowingly provides substantial assistance to another person to
11 violate any provision of the CSL, is deemed to be in violation of that provision to the same extent as
12 the other person. Cal. Corp. Code § 25403(a) and (b).

13 This Order is necessary, in the public interest, for the protection of investors, and is consistent
14 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

15 Dated: September 27, 2023
16 San Diego, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation



17 By _____
18 MARY ANN SMITH
19 Deputy Commissioner
20 Enforcement Division
21
22
23
24
25
26
27
28