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ARKANSAS SECURITIES DEPT.

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-20-0007

IN THE MATTER OF:
VEKX GLOBAL, LLC **RESPONDENT**

REQUEST FOR CEASE AND DESIST ORDER

The Staff of the Arkansas Securities Department ("Staff") has received information and has in its possession certain evidence indicating that VEKX GLOBAL, LLC ("VEKX") has violated provisions of the Arkansas Securities Act ("Act"), Ark. Code Ann. §§ 23-42-101 through 23-42-509.

ADMINISTRATIVE AUTHORITY

1. This matter is brought in connection with violations of the Act and is therefore properly before the Arkansas Securities Commissioner ("Commissioner") in accordance with Ark. Code Ann. § 23-42-209.

RESPONDENTS

2. VEKX is a limited liability company incorporated with the Arkansas Secretary of State's office and purporting to have a principal place of business located at 16115 St. Vincent Way Little Rock, Arkansas 72223. VEKX has never been registered with the Arkansas Securities Department ("Department") in any capacity pursuant to the Act.

FACTS SUPPORTING REQUEST FOR CEASE AND DESIST ORDER

3. VEKX is a cryptocurrency company that claims to combine cryptocurrency mining operations with onsite solar and wind energy plants. VEKX alleges that this business plan reduces the cost of mining which will in turn increase profitability in its trading operations.

4. VEKX maintains an internet website accessible by the public at www.vekx.io (the "VEKX website"). The VEKX website promotes investments tied to cryptocurrency mining and serves as a platform for purchasing the investments.

5. The VEKX website guaranteed profits on all investments made with the company, stating:

> "[w]e ensure total security of all the investments and firmly guarantee that every invested fund will be paid back and turned into profits by our experience Forex experts."

6. The VEKX website promised guaranteed, daily returns based on the level of investment. The VEKX website described the investment plans and their purported returns as follows:

(a). Starter Budget: Investment starts at $20.00, 1.7% daily return for 21 days, deposit insured, quick withdrawal, principal returned, 5% referral commission.

(b). Bronze Budget: Investment starts at $50.00, 2.0% daily return for 200 days, deposit insured, quick withdrawal, principal returned, 5% referral commission.

(c). Gold Budget: Investment starts at $700.00, 3.8% daily return for 30 days, deposit insured, quick withdrawal, principal returned, 5% referral commission.

With regard to its investment plans, the VEKX website touted a "stable accrual of profit", explaining:

> "[o]ur investment plans are designed to generate maximum profits with minimum investment."

7. The Staff discovered the VEKX website and its online investment solicitations after receiving a complaint from a resident of Ohio ("OH1"). From November through December of 2019, OH1 made three different investments with VEKX through the website, totaling $1,560.00. To date, OH1 has received only $15.00 in returns on the three investments made with VEKX.

8. The Staff conducted an onsite inspection of the supposed brick and mortar business address for VEKX. The Staff discovered through the onsite inspection and subsequent correspondence with the building manager that VEKX had never been a tenant in the office building located 16115 St. Vincent Way, Little Rock, Arkansas 72223.

9. The Staff found that the investments offered by VEKX were not registered pursuant to the Act. Additionally, the Staff found no record of a filing evidencing a proof of exemption in accordance with the Act and no notice filing pursuant to federal law in connection with a covered security.

APPLICABLE LAW

10. Ark. Code Ann. § 23-42-102(17)(A)(xi) defines "security" to include investment contracts.

11. Ark. Code Ann. § 23-42-102(9) defines "investment adviser' as any person who, for compensation, engages in the business of advising others as to the advisability of investing in, purchasing, or selling securities.

12. Ark. Code Ann. § 23-42-301(c) provides that it is unlawful for any person to transact business as an investment adviser without first being registered as such pursuant to the Act.

13. Ark. Code Ann. § 23-42-501 states it is unlawful for any person to offer or sell any security in Arkansas unless: (1) it is registered under the Act; (2) the security or transaction is exempted under Ark. Code Ann § 23-42-503 or Ark Code Ann § 23-42-504; or (3) it is a covered security.

14. Ark. Code Ann. § 23-42-507(2) makes it unlawful for any person in connection with the offer, sale or purchase of any security, directly or indirectly 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 light, of the circumstances under which they are made, not misleading.

15. Ark Code Ann. § 23-42-507(3) states that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to engage in any practice, or course of business which operates or would operate as a fraud or deceit upon any person.

16. Ark. Code Ann. § 23-42-209(a) states that whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, that, any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule or order under the Act, the Commissioner may summarily order the person to cease and desist from the act or practice.

CONCLUSIONS OF LAW

17. The investments offered by VEKX in general to Arkansans and agreed to between OH1 and VEKX, where OH1 invested monetary value into a fund from which profits would be derived from the efforts of VEKX, were securities in the form of investment contracts under Ark. Code Ann. § 23-42-102(17)(A)(xi).

18. The securities offered by VEKX were not registered with the Department, exempt from registration with the Department, or covered securities under federal law. Therefore, VEKX violated Ark. Code Ann. § 23-42-501 when it offered securities to Arkansans and entered into investment contracts with OH1.

19. VEKX acted as an investment adviser under Ark. Code Ann. § 23-42-102(9) by engaging in the business of advising others when it offered to operate a trading program tied to cryptocurrency mining in exchange for compensation. VEKX violated Ark. Code Ann. § 23-42-301(c) when it conducted business as an investment adviser in Arkansas without being registered with the Department pursuant to the Act.

20. VEKX violated Ark. Code Ann. § 23-42-507(2) by making false and misleading statements, including claiming it had onsite solar and wind energy plants that could provide affordable cryptocurrency mining; promising guaranteed, unattainable daily returns on investments; and representing that its place of business was located at 16115 St. Vincent Way Little Rock, Arkansas 72223. VEKX further violated Ark. Code Ann. § 23-42-507(2) by omitting to state material facts necessary to make statements made, in light of circumstances under which they are made, not misleading. VEKX was not registered with the Department to provide investment advice within the state of Arkansas.

21. VEKX violated Ark. Code Ann. § 23-42-507(3) by falsely representing that it could provide guaranteed, daily returns on investments due to onsite solar and wind energy plants that would allow for increased profitability in cryptocurrency mining. VEKX made these false representations to induce OH1 into entering in an investment contract agreement and in further attempt to induce Arkansas investors into investment contract agreements.

22. The conduct, acts, and practices of VEKX threaten immediate and irreparable public harm. A cease and desist order is in the public interest and is appropriate to Ark. Code Ann § 23-42-209(a).

PRAYER FOR RELIEF

WHEREFORE, the Staff respectfully requests that the Commissioner summarily order VEKX GLOBAL, LLC to immediately cease and desist from offering and/or selling fraudulent, unregistered securities to residents of the state of Arkansas; acting as an unregistered investment adviser in Arkansas; and committing fraud in connection with the offer and sale of securities in Arkansas.

Respectfully Submitted,

Joseph S. Joslin
Staff Attorney
Arkansas Securities Department