

TRAVIS J. ILES
SECURITIES COMMISSIONER



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DEPUTY SECURITIES COMMISSIONER

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MEMBER

IN THE MATTER OF
COINVAULTPRO

§
§

Order No. ENF-20-CDO-1808

Coinvaultpro

145 Edgemont Street, New Rochelle, New York 10801.

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas (the "**Securities Commissioner**") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1-581-45 (the "**Securities Act**").

The Enforcement Division of the Texas State Securities Board (the "**Enforcement Division**") has presented evidence sufficient for the Securities Commissioner to find:

FINDINGS OF FACT

1. Coinvaultpro ("**Respondent**") may be served by certified mail, return receipt requested, addressed to 145 Edgemont Street, New Rochelle, New York 10801.

CRYPTOCURRENCY INVESTMENTS

2. Respondent has been using public solicitation to offer cryptocurrency investments to Texas residents.
3. Respondent maintains an internet website accessible by the public at coinvaultpro.com (the "**CoinVaultPro Website**").
4. The CoinVaultPro Website is promoting investments tied to cryptocurrency mining, and it also serves as a platform for purchasing the investments.
5. The CoinVaultPro Website describes the investments as Deposit Plans and explains their terms as follows:
 - A. Investors can pay between \$50.00 and \$999.99 to purchase an investment in the Novice Deposit Plan and earn a return of 20 percent over a term of 12 hours;

- B. Investors can pay between \$1,000.00 and \$4,999.99 to purchase an investment in the Enthusiast Deposit Plan and earn a return of 35 percent over a term of 12 hours;
 - C. Investors can pay between \$5,000.00 and \$9,999.99 to purchase an investment in the Professional Deposit Plan and earn a return of 50 percent over a term of 24 hours; and
 - D. Investors can pay \$10,000.00 or more to purchase an investment in the Leader Deposit Plan and earn a return of 75 percent over a term of 24 hours.
6. The CoinVaultPro Website is also promoting a "welcome bonus" that entitles new investors to a return of 100 percent over a term of 12 hours so long as they invest at least \$1,000.00.
7. The CoinVaultPro Website claims the Novice, Enthusiast, Professional and Leader Deposit Plans are guaranteed and protected by insurance.

MANAGEMENT

8. The CoinVaultPro Website claims Respondent's "expert team has worked all over the world for top tech and finance companies such as Google, Amazon, Morgan Stanley and Barclays."
9. The CoinVaultPro Website identifies Respondent's team as Andy Sant, its founder and Chief Executive Officer, Saru Matt, its Marketing Officer, and Cyrus Nato, its Lead Product Manager.
10. The CoinVaultPro Website presents photographs that purport to depict Andy Sant, Saru Matt and Cyrus Nato.
11. The photograph that purports to depict Andy Sant is actually a stock photograph of a model published in various unrelated internet websites.
12. The photograph that purports to depict Saru Matt is actually a stock photograph of a model published in various unrelated internet websites.
13. The photograph that purports to depict Cyrus Nato is actually a photograph of a billionaire businessperson who directly or indirectly controls, among other things, a pension fund, a life insurance agency, a retail bank and a power plant.

TESTIMONIALS

14. The CoinVaultPro Website contains testimonials that purport to portray images of satisfied clients.
15. The CoinVaultPro Website identifies the clients as Julian T., Susan P. and Ken F.

16. The CoinVaultPro Website presents photographs that purport to depict Julian T., Susan P. and Ken F.
17. The photograph that purports to depict Julian T. is actually a photograph of a retired administrator of a state agency charged with promoting involvement in the arts.
18. The photograph that purports to depict Susan P. is actually a photograph of a public figure who entered a diversion agreement to settle charges of felony theft by welfare fraud and perjury.
19. The photograph that purports to depict Ken F. is actually a stock photograph of a model published in various unrelated internet websites.

REGISTRATION VIOLATIONS

20. Respondent is claiming it has the appropriate licensure to deal in the cryptocurrency mining investments.
21. Respondent has not, however, been registered with the Securities Commissioner as a dealer, agent, investment adviser or investment adviser representative at any time material hereto.
22. The investments in the Novice, Enthusiast, Professional and Leader Deposit Plans have not been registered by qualification, notification or coordination at any time material hereto, and no permit has been granted for their sale in Texas at any time material hereto.

FRAUD AND THE IDENTITY, BUSINESS REPUTE AND QUALIFICATIONS OF THE PRINCIPALS AND MANAGERS

23. In connection with the offer of investments in the Novice, Enthusiast, Professional and Leader Deposit Plans, Respondent is misrepresenting the identities of principals of the company, and these misrepresentations constitute misrepresentations of relevant facts.
24. In connection with the offer of investments in the Novice, Enthusiast, Professional and Leader Deposit Plans, Respondent is intentionally failing to disclose the business repute and qualifications of its principals and managers, and this information constitutes a material fact.
25. In connection with the offer of investments in the Novice, Enthusiast, Professional and Leader Deposit Plans, Respondent is representing the investments are guaranteed but is intentionally failing to disclose its assets, liabilities, cash flow or any other information that reflects its ability to pay guaranteed returns to investors, and this information constitutes a material fact.

FRAUD AND THE STRATEGIES FOR GENERATING PROFITS

26. In connection with the offer of investments in the Novice, Enthusiast, Professional and Leader Deposit Plans, Respondent is intentionally failing to disclose the following material facts relating to its strategy for mining cryptocurrencies to generate profits for investors:
- A. The identity, business repute and qualifications of persons or organizations responsible for managing its cryptocurrency mining program;
 - B. Whether Respondent is mining Bitcoin or some other minable cryptocurrency or combination of minable cryptocurrencies;
 - C. The type of specialized hardware used to mine cryptocurrencies and the collective hash rate of hardware used to mine cryptocurrencies, whether expressed as GH/s, TH/s, PH/s or some other metric;
 - D. Information about the costs of powering cryptocurrency mining hardware, including the average electricity costs tied to cryptocurrency mining hardware and the ratio of average power cost to computational hash rate;
 - E. The strategies or procedures for overcoming hardware failures, power outages or network disconnections;
 - F. Information about the security of its premises or any other facility that maintains custody of hardware involved in cryptocurrency mining;
 - G. Information about the security of its hardware and software, as well as its strategies of protecting against malicious cyberattacks; and
 - H. Information about the recent halving of Bitcoin, including strategies for dealing with changes to the price of Bitcoin or cryptocurrencies correlated with Bitcoin that result from the decrease in the number of bitcoins introduced into the marketplace through mining.

FRAUD AND THE RISKS ASSOCIATED WITH CRYPTOCURRENCY INVESTMENTS

27. In connection with the offer of investments in the Novice, Enthusiast, Professional and Leader Deposit Plans, Respondent is intentionally failing to disclose the following material facts relating to the risks associated with cryptocurrency investments:
- A. Governments may adopt legislation or regulation that may negatively impact the use, transfer, exchange or price of cryptocurrencies;

- B. Cryptocurrencies are volatile and the price of a cryptocurrency as it relates to fiat currency may decrease over a short period of time, resulting in significant loss to the owners of cryptocurrencies;
- C. A system or technical failure, or deficient source code, may negatively impact the ability to exchange cryptocurrencies for fiat currencies as well as the price of cryptocurrencies;
- D. A hacking incident or malicious attack may negatively impact the price of cryptocurrencies; and
- E. Cryptocurrencies compete with other cryptocurrencies, and this competition may negatively impact the price of a specific cryptocurrency.

FRAUD AND THE INSURANCE POLICY

28. In connection with the offer of investments in the Novice, Enthusiast, Professional and Leader Deposit Plans, Respondent is intentionally failing to disclose the following material facts relating to the insurance policy that purportedly protects its cryptocurrencies:
- A. The issuer of the insurance policy;
 - B. The term of the insurance policy and the coverage provided by the insurance policy; and
 - C. The cost of the insurance policy and premiums for the insurance policy.

THE FRAUDULENT TESTIMONIALS

29. In connection with the offer of investments in the Novice, Enthusiast, Professional and Leader Deposit Plans, Respondent is misrepresenting the identity of persons portrayed in its testimonials, and this information constitutes a misrepresentation of a relevant fact.

THE DECEPTIVE STATEMENTS REGARDING THE LICENSE

30. Respondent is claiming it has the appropriate licensure to deal in the cryptocurrency investments, and this statement is materially misleading or otherwise likely to deceive the public because Respondent has not been registered with the Securities Commissioner as a dealer, agent, investment adviser or investment adviser representative at any time material hereto.

CONCLUSIONS OF LAW

1. The investments in the Novice, Enthusiast, Professional and Leader Deposit Plans are securities as the term is defined by Section 4.A of the Securities Act.

2. Respondent is violating Section 7 of the Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondent is violating Section 12 of the Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Securities Act.
4. Respondent is engaging in fraud in connection with the offer for sale of securities.
5. Respondent has made an offer containing a statement that is materially misleading or otherwise likely to deceive the public.
6. Respondent's conduct, acts, and practices threaten immediate and irreparable public harm.
7. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Securities Act.

ORDER

1. It is therefore ORDERED Respondent immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Securities Act.
2. It is further ORDERED Respondent immediately CEASE AND DESIST from acting as a securities dealer, agent, investment adviser or investment advisor representative in Texas until Respondent is registered with the Securities Commissioner or is acting pursuant to an exemption from registration under the Securities Act.
3. It is further ORDERED Respondent immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
4. It is further ORDERED Respondent immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, and state the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$10,000, or imprisonment in the penitentiary for two to ten years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 5th day of June 2020.



TRAVIS J. ILES
Securities Commissioner