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## Texas State Securities Board

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IN THE MATTER OF §  
EXY CRYPTO AKA EXECRYPTO, MORGAN § Order No. ENF-18-CDO-1772  
NOLAN, RAFAEL LOGAN AND MELISSA SPRING §

TO: EXY CRYPTO AKA EXECRYPTO  
La Cité-Limoilou, Vieux Limoilou, Quebec, Canada

MORGAN NOLAN  
La Cité-Limoilou, Vieux Limoilou, Quebec, Canada

RAFAEL LOGAN  
La Cité-Limoilou, Vieux Limoilou, Quebec, Canada

MELISSA SPRING  
La Cité-Limoilou, Vieux Limoilou, Quebec, Canada

### EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas (hereinafter referred to as 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 to 581-45 (West 2010 & Supp. 2017) (hereinafter referred to as the "**Securities Act**").

The Enforcement Division of the Texas State Securities Board has presented evidence sufficient for the Securities Commissioner to find that:

### FINDINGS OF FACT

1. Exy Crypto aka Execrypto (hereinafter referred to as "**Respondent EXY Crypto**") is located in La Cité-Limoilou, Vieux Limoilou, Quebec, Canada.
2. Morgan Nolan (hereinafter referred to as "**Respondent Nolan**") is the Promotions Manager for Respondent EXY Crypto. He is located in La Cité-Limoilou, Vieux Limoilou, Quebec, Canada.

3. Rafael Logan (hereinafter referred to as "**Respondent Logan**") is the Business Development Manager for Respondent EXY Crypto. He is located in La Cité-Limoilou, Vieux Limoilou, Quebec, Canada.
4. Melissa Spring (hereinafter referred to as "**Respondent Spring**") is the Strategy Director for Respondent EXY Crypto. She is located in La Cité-Limoilou, Vieux Limoilou, Quebec, Canada.

#### THE ADVERTISEMENTS PUBLISHED ON LINKEDIN

5. Respondents are offering investments in a cryptocurrency mining program issued by Respondent EXY Crypto.
6. Respondents are offering these investments by publishing advertisements on LinkedIn, an online professional network with more than 562 million users in more than 200 countries and territories worldwide. Users, including Texas residents, are receiving these advertisements in their LinkedIn feeds.
7. The advertisements tout the security of the cryptocurrency investments and claim investors will earn at least a 10% return or more on a weekly basis.
8. The advertisements also claim Respondent EXY Crypto is a licensed and/or registered company.
9. The advertisements direct potential investors to access an internet webpage maintained by Respondent EXY Crypto that is accessible by the public at <https://exycrypto.com> (hereinafter referred to as the "**EXY Crypto Website**"). They also direct potential investors to contact Respondent Nolan and Respondent Logan through electronic mail or WhatsApp, a messaging platform that allows users to communicate through text messages or telephone calls, or to contact Respondent Spring by electronic mail.

#### RESPONDENT NOLAN AND HIS OFFER OF INVESTMENTS ISSUED BY RESPONDENT EXY CRYPTO

10. Respondent Nolan claims to be from the United Kingdom. In truth and in fact, however, Respondent Nolan is from San Antonio, Texas.
11. Respondent Nolan is offering investments issued by Respondent EXY Crypto to potential investors, including Texas residents, who review the advertisements published on LinkedIn and contact him through the means identified therein, including via WhatsApp using a telephone number with an area code assigned to the geographic region in and around San Antonio, Texas.
12. Respondent Nolan is telling these potential investors that Respondent EXY Crypto is a properly licensed and registered firm. He is also telling these potential investors that its licensure relates to cryptocurrency investments and cryptocurrency mining.
13. Respondent Nolan is touting the security of Respondent EXY Crypto's investments in cryptocurrency mining. He is telling potential investors their investments will be "100% safe and secure."

**RESPONDENT LOGAN**  
**AND HIS OFFER OF INVESTMENTS ISSUED BY RESPONDENT EXY CRYPTO**

14. Respondent Logan is offering investments issued by Respondent EXY Crypto to potential investors through advertisements published on LinkedIn. Respondent Logan is also offering investments issued by Respondent EXY Crypto to potential investors, including Texas residents, who review the EXY Crypto Website and contact him for additional information.
15. Respondent Logan is telling potential investors that Respondent EXY Crypto has “successfully satisfied over 12,000 investors in the past 5 [years]” and that Respondent EXY Crypto “has never left any investor unsatisfied.”
16. Respondent Logan is also touting the security of Respondent EXY Crypto’s investments in cryptocurrency mining. He is telling potential investors their investments will be “100% safe and secured.”

**RESPONDENT SPRING**  
**AND HER OFFER OF INVESTMENTS ISSUED BY RESPONDENT EXY CRYPTO**

17. Respondent Spring is the Strategy Director for Respondent EXY Crypto and she claims to reside in Tyler, Texas.
18. Respondent Spring is offering investments issued by Respondent EXY Crypto to potential investors through an advertisement published on LinkedIn. She is also touting the safety of these investments, telling potential investors, including Texas residents, that Respondent EXY Crypto is a “safe and secure investment company.”
19. Respondent Spring is highlighting the qualifications of Respondent EXY Crypto. She is telling potential investors that Respondent EXY Crypto has “been involved in the cryptocurrency revolution since the early days of Bitcoin” and that it has “many years [of] experience in the cryptocurrency market, [in] mining and [with] [c]ryptocurrency investment[s].”

**THE EXY CRYPTO WEBSITE AND THE**  
**CRYPTOCURRENCY MINING INVESTMENT PROGRAM**

20. The EXY Crypto Website describes Respondent EXY Crypto as “a cryptocurrency mining company” operated “by a team of crypto mining experts” who manage “a private mining pool.”
21. The EXY Crypto Website explains that Respondent EXY Crypto is issuing four different investments tied to mining cryptocurrency.
22. The EXY Crypto Website refers to these investments as the Bronze Plan, the Silver Plan, the Gold Plan and the Platinum Plan. These four investment plans are described in greater detail as follows:
  - a. Investors may purchase an investment in the Bronze Plan for \$500.00 and receive a 10% return on their investment, amounting to \$50.00, paid on a

weekly basis. They may elect to receive weekly payouts for an indefinite term or elect to have their interest compounded for a term of three, six or twelve months.

- b. Investors may purchase an investment in the Silver Plan for \$1,000.00 and receive a 15% return on their investment, amounting to \$150.00, paid on a weekly basis. They may elect to receive weekly payouts for an indefinite term or elect to have their interest compounded for a term of three, six or twelve months.
- c. Investors may purchase an investment in the Gold Plan for \$10,000.00 and receive a 20% return on their investment, amounting to \$2,000.00, paid on a weekly basis. They may elect to receive weekly payouts for an indefinite term or elect to have their interest compounded for a term of three, six or twelve months.
- d. Investors may purchase an investment in the Platinum Plan for \$25,000.00 and receive a 25% return on their investment, amounting to \$6,250.00, paid on a weekly basis. They may elect to receive weekly payouts for an indefinite term or elect to have their interest compounded for a term of three, six or twelve months.

23. Respondent EXY Crypto is also using the EXY Crypto Website to recruit investors to solicit new investors, thereby acting as sales agents for Respondent EXY Crypto. The EXY Crypto Website explains that investors who purchase the Bronze Plan will receive a 5% commission for recruiting new investors and investors who purchase the Silver Plan, Gold Plan or Platinum Plan will receive a 10% commission for recruiting new investors into the investment scheme.

#### THE EXY CRYPTO WEBSITE AND THE FRAUDULENT USE OF CLIENT TESTIMONIALS

24. The EXY Crypto Website is publishing photographs of people purported to be investors of Respondent EXY Crypto. The photographs are accompanied by testimonials attributed to the purported investors claiming they have received returns from their investments.
25. Although Respondent EXY Crypto claims all such persons are investors, Respondent EXY Crypto is using photographs that do not actually portray investors of Respondent EXY Crypto and falsely attributing testimonials to these persons.

#### REGISTRATION VIOLATIONS

26. The investments issued by Respondent EXY Crypto have not been registered by qualification, notification or coordination, and no permit has been granted for their sale in Texas.
27. Respondent EXY Crypto has not been registered with the Securities Commissioner as a dealer at any time material hereto.

28. Respondent Nolan, Respondent Logan and Respondent Spring have not been registered with the Securities Commissioner as an agents of Respondent EXY Crypto.
29. Respondent EXY Crypto is recruiting investors who are not registered as dealers or agents to offer the investments issued by Respondent EXY Crypto in Texas.

**FRAUD IN CONNECTION WITH  
THE OFFER OF INVESTMENTS ISSUED BY RESPONDENT EXY CRYPTO**

30. In connection with the offer of investments issued by Respondent EXY Crypto, Respondents are intentionally failing to disclose the following material facts relating to Respondent EXY Crypto:
  - a. The identity of the principals of Respondent EXY Crypto;
  - b. The experience and qualifications of the principals of Respondent EXY Crypto;
  - c. The address of Respondent EXY Crypto's principal place of business;
  - d. Any information about the costs or fees incurred by investors who purchase an investment issued by Respondent EXY Crypto; and
  - e. Its assets, liabilities and capitalization.
31. In connection with the offer of investments issued by Respondent EXY Crypto, Respondent EXY Crypto is intentionally failing to disclose the following material facts relating to Respondent EXY Crypto's mining operations:
  - a. The identity, business repute or qualifications of the persons responsible for managing the operations of Respondent EXY Crypto's cryptocurrency mining operation;
  - b. Whether Respondent EXY Crypto only mines Bitcoin or some combination of cryptocurrencies that use proof of work hashing;
  - 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 Respondent EXY Crypto's strategy for mining cryptocurrencies, including the proportion of its hardware's hash power dedicated to the mining of various cryptocurrencies that use proof of work;
  - e. Information about the costs of powering its cryptocurrency mining farm, including the average electricity costs accrued by its cryptocurrency mining farms and the ratio of average power cost to computational hash rate;
  - f. Its history of hardware failures, power outages, and network disconnections, as well as its strategy and protocols for overcoming such hardware failures, power outages, or network disconnections;

- g. Information about the security of the premises of its cryptocurrency mining farms, its data centers, and any other facility that maintains custody of hardware involved in cryptocurrency mining; and
  - h. Information about the security of software and/or hardware used to maintain possession of cryptocurrencies secured through mining, including whether cryptocurrencies are stored in a “cold” wallet or a “hot” wallet.
32. In connection with the offer of investments issued by Respondent EXY Crypto, Respondent EXY Crypto is publishing testimonials of persons who purport to be investors of Respondent EXY Crypto when in truth and in fact these persons are not investors of Respondent EXY Crypto, and this conduct constitutes the misrepresentation of a relevant fact.

**MISLEADING AND DECEPTIVE STATEMENTS AND  
THE OFFER OF INVESTMENTS ISSUED BY RESPONDENT EXY CRYPTO**

33. Respondents are claiming that Respondent EXY Crypto is a licensed and/or registered firm. Respondent EXY Crypto and Respondent Nolan are representing that this licensure permits offering cryptocurrency investments and engaging in cryptocurrency mining. These statements are materially misleading or otherwise likely to deceive the public because:
- a. Respondents are violating Section 7 of the Securities Act by offering securities in Texas that have not have not been permitted or registered by qualification, notification or coordination;
  - b. Respondents are violating Section 12 of the Securities Act by offering securities in Texas without being registered as dealers or agents with the Securities Commissioner; and
  - c. Respondent EXY Crypto is about to violate Section 12 of the Securities Act by recruiting Texas residents who are not registered as dealers or agents with the Securities Commissioner to offer investments issued by Respondent EXY Crypto.
34. Respondents EXY Crypto, Nolan and Logan are representing that investments issued by Respondent EXY Crypto are “100% safe and secure,” and Respondent Spring is representing the same investments are “safe and secured.” These statements are materially misleading or otherwise likely to deceive the public because Respondents are not describing the means Respondent EXY Crypto will employ to return principal and pay profits to investors if the cryptocurrency mining operation fails to yield the anticipated returns.
35. Respondents are representing that investments issued by Respondent EXY Crypto pay a fixed rate of return. These statements are materially misleading or otherwise likely to deceive the public because Respondents are not disclosing the following risks associated with investments in cryptocurrency mining:

- a. Governments may adopt legislation or regulations 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 and to other cryptocurrencies, may decrease over a short period of time resulting in significant loss to purchasers or traders of the cryptocurrency;
- c. A system failure, technical failure, or deficient source code may negatively impact the ability to exchange cryptocurrencies and the price of cryptocurrencies;
- d. A hacking incident or malicious attack may negatively impact the price of cryptocurrencies;
- e. Cryptocurrencies compete with all other cryptocurrencies, and this competition may negatively impact the price of a specific cryptocurrency;
- f. Changes in policy by public utilities may reduce the availability of electricity to power mining operations;
- g. Equipment failure, equipment obsolescence, power outages, network disconnections, and shipping delays may negatively impact mining operations and lead to a decrease in profitability; and
- h. The addition of new cryptocurrency mining pools in the market, or the consolidation of existing mining pools, may result in an increase in the difficulty of proof of work mining hashes, thereby negatively impacting the ability to mine cryptocurrencies for a profit.

### **CONCLUSIONS OF LAW**

1. The investments issued by Respondent EXY Crypto are “securities” as that term is defined in Section 4.A of the Securities Act.
2. Respondents are 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 or permitted for sale in Texas.
3. Respondents are violating Section 12 of the Securities Act by offering securities for sale in Texas without being registered as dealers or agents pursuant to Section 12 of the Securities Act.
4. Respondents are engaging in fraud in connection with the offer for sale of securities.
5. Respondents are making offers containing statements that are materially misleading or otherwise likely to deceive the public.
6. Respondents’ conduct, acts and practices threaten immediate and irreparable 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 that Respondents 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 Texas Securities Act.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until they are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED that Respondents 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 that Respondents 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 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 Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 6<sup>th</sup> day of November, 2018.



TRAVIS J. ILES  
Securities Commissioner