

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF:)	
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)	
Siva Ram Nekkhalapudi and)	File No. 1800370
Sony Nekkhalapudi)	
)	

NOTICE OF HEARING

TO THE RESPONDENTS: Siva Ram Nekkhalapudi
406 E. 1790 North Street
Pleasant Grove, UT 84062

Sony Nekkhalapudi
406 E. 1790 North Street
Pleasant Grove, UT 84062

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on **December 10, 2018**, at **10:00 a.m.**, or as soon as possible thereafter, before Hearing Officer James Kopecky, or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered to permanently prohibit Siva Ram Nekkhalapudi and Sony Nekkhalapudi from selling securities in or from the State of Illinois and/or granting such other relief as may be authorized under the Act, including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act.

The grounds for such proposed action are as follows:

BACKGROUND

1. Respondent Siva Ram Nekkhalapudi (Respondent "SRN", or collectively with Respondent Sony Nekkhalapudi, the "Respondents") is a natural person with a last known address of 406 E. 1790 North Street, Pleasant Grove, Utah 84062. From around December 2017 to at least May 2018, Respondent SRN maintained a part-time residential address of 1025 Sheridan Circle, Naperville, Illinois 60563.
2. Respondent Sony Nekkhalapudi is a natural person with a last known address of 406 E. 1790 North Street, Pleasant Grove, Utah 84062.

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3. Upon information and belief, Respondents are closely related individuals.
4. Respondents are not and were never registered with the State of Illinois to recommend or sell securities.
5. S.K. is a natural person who shares two children with Respondent SRN and currently resides in Illinois.
6. In September of 2016, Respondent Sony Nekkhalapudi, as President of SMRITI, Inc, entered into a vendor agreement with a Naperville, Illinois based technology company to provide the services of Respondent SRN.
7. From approximately March of 2017 to September of 2018, Respondent SRN worked at a location within the State of Illinois.
8. Respondent SRN represented himself to have made at least \$26,000,000.00 through investing and trading in cybercurrencies.
9. As demonstrated in more detail below, from December of 2017 to present, Respondent SRN solicited investors to invest in a variety of investment schemes that were either non-existent or fraudulent. Respondents together received at least \$185,000.00 of investors' funds to their joint bank accounts, and the majority of funds were used for their personal expenses.

COUNT I
FRAUD IN THE OFFER AND SALE OF SECURITIES

Respondent Siva Ram Nekkhalapudi
"Masternode" Cybercurrency Investment Program

10. In December of 2017, Respondent SRN began soliciting investors to partake in a fictitious "Masternode" cybercurrency investment program. Respondent SRN represented to investors that the investment guaranteed monthly returns on the principal ranging from 20% - 33%, and that the investor would receive the monthly return regardless of whether the particular cybercurrency went up or down in price. Respondent SRN also represented to investors that any profit made in trading cybercurrencies would be shared with the investor. As demonstrated below, Respondent SRN accepted forms of payment in cash, bank transfers, and cybercurrency.
11. In January of 2018, Respondent SRN solicited Investor A to invest in the Masternode investment. Investor A invested approximately \$24,000.00 worth of cybercurrency at the time to receive a guaranteed return of 20% per month on the principle thereafter.
12. Respondent SRN failed to make the monthly payment to Investor A beginning in February of 2018 and every month thereafter to date.

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13. Despite failing to make the monthly payment to Investor A, Respondent SRN solicited Investor B in February of 2018 to invest in the Masternode investment. Investor B invested approximately \$20,000.00 worth of cryptocurrency at the time to receive a guaranteed return of 33% per month on the principle thereafter.
14. Despite Respondent SRN's representation that the Masternode programs had a guaranteed rate of return, Respondent SRN omitted to disclose to Investor B that he failed to make the monthly payment to Investor A as described above.
15. Respondent SRN failed to make the monthly payment to Investor B beginning in March of 2018 and every month thereafter to date.
16. Despite failing to make the monthly payments to Investors A and B, Respondent SRN solicited Investor C in March of 2018 to invest in the Masternode investment. Investor C invested approximately \$16,400.00 worth of cash and cryptocurrency at the time to receive a guaranteed return of 20% per month on the principle thereafter.
17. Despite Respondent SRN's representation that the Masternode programs had a guaranteed rate of return, Respondent SRN omitted to disclose to Investor C that he failed to make the monthly payments to Investors A and B as described above.
18. Respondent SRN failed to make the monthly payment to Investor C beginning in April of 2018 and every month thereafter to date.
19. Despite failing to make the monthly payments to Investors A, B, and C, Respondent SRN solicited Investor D in March of 2018 to invest in the Masternode investment. Investor D invested \$25,000.00 to receive a guaranteed return of 20% per month on the principle thereafter. In the months following Investor D's initial \$25,000.00 investment, Respondent SRN systematically solicited Investor D to invest additional amounts totaling approximately \$16,000.00.
20. Despite Respondent SRN's representation that the Masternode programs had a guaranteed rate of return, Respondent SRN omitted to disclose to Investor D that he failed to make the monthly payments to Investors A, B, and C as described above.
21. Respondent SRN failed to make the monthly payment to Investor D beginning in April of 2018 and every month thereafter to date.
22. To "effectuate" the investments, Respondent SRN directed select investors to pay a specified amount of money through a bank transfer to X.G., a third-party, as follows:
 - a. Investor B: \$1,750.00 to X.G. in December of 2017
 - b. Investor B: \$1,750.00 to X.G. in December of 2017
 - c. Investor B: \$1,650.00 to X.G. in February of 2018
 - d. Investor C: \$2,000.00 to X.G. in March of 2018

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- e. Investor D: \$1,500.00 to X.G. in April of 2018
 - f. Investor D: \$1,750.00 to X.G. in May of 2018
23. Respondent SRN represented to investors that X.G. was his partner from China helping with the cybercurrency investment, when in fact X.G. was Respondent SRN's landlord for a property he was renting in Naperville, Illinois. The rental property was not investment related and it was occupied by Respondent SRN and S.K., along with their two children.
24. When soliciting investments from potential investors, Respondent SRN omitted to inform investors of the following:
- a. That the majority of the investors' funds would not be used toward a Masternode investment;
 - b. That the majority of the investors' funds would be used for his personal expenses and/or redirecting the funds to Respondent Sony Nekkalapudi for her personal expenses; and,
 - c. That the investors' funds directed to X.G. were used to pay Respondent SRN's landlord for rent.
25. The activities described above constitute the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Act.
26. Section 12.A of the Act states that it shall be a violation of the provisions of the Act for any person "To offer or sell any security except in accordance with the provision of this Act."
27. Section 12.F of the Act states that it shall be a violation of the provisions of the Act for any person "To engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof."
28. Section 12.G of the Act states that it shall be a violation of the provisions of this Act for any person "To obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading."
29. Section 12.H of the Act states that it shall be a violation of the provisions of the Act for any person "To sign or circulate any statement, prospectus, or other paper or document required by any provision of this Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue."
30. Section 12.I of the Act states that it shall be a violation of the provisions of this act for any person "To employ any device, scheme, or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly."

31. By virtue of the foregoing, Respondent SRN violated Sections 12.A, 12.F, 12.G, 12.H, and 12.I of the Act.

COUNT II
FRAUD IN THE OFFER OF SECURITIES

Respondent Siva Ram Nekkalapudi
Misrepresentation

32. In July of 2018, Investor C requested that Respondent SRN return the \$16,400 worth of cash and cybercurrency at the time that he invested with Respondent SRN.
33. On July 10, 2018, Respondent SRN represented to Investor C that \$16,400.00 would be wired to him with a reference code of "1132695IHG8645096." Respondent SRN represented to Investor C that he was on the way to the bank to wire the money and that it would be wired by 5:00p.m on July 11, 2018.
34. On July 11, 2018, Respondent SRN solicited Investor D in another alleged guaranteed investment whereby Investor D could buy bitcoin at less than half its value at the time, for \$3,000. Respondent SRN specifically requested that Investor D wire \$16,400.00 to Investor C with a reference code of "1132695IHG8645096" to effectuate the investment.
35. Investor D did not wire the money and Investor C did not receive any funds.
36. The activities described above constitute the offer a security as those terms are defined in Sections 2.1 and 2.5a of the Act.
37. Section 12.H of the Act states that it shall be a violation of the provisions of the Act for any person "To sign or circulate any statement, prospectus, or other paper or document required by any provision of this Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue."
38. By virtue of the foregoing, Respondent SRN violated Section 12.H of the Act.

COUNT III
FRAUD IN THE OFFER OF SECURITIES

Respondent Siva Ram Nekkalapudi
Misleading an Auditor in the Preparation of Financial Statements

39. On July 17, 2018, Respondent SRN represented to Investor D that Respondent SRN needed to demonstrate a transaction coming from Investor D's account for accounting purposes.

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40. After failed attempts to have Investor D transfer \$2,000.00, Respondent SRN then represented to Investor D that if Investor D transferred \$200.00, Respondent SRN would alter a screenshot of the transaction to demonstrate to the auditor that a \$6,200.00 transfer occurred.
41. Respondent SRN represented to Investor D that the \$200.00 transaction had to go to S.K. because the auditor had access to his accounts. Investor D transferred \$200.00 to S.K.
42. Section 12.L provides, *inter alia*, that it shall be a violation for any person "To knowingly influence, coerce, manipulate, or mislead any person engaged in the preparation or audit of financial statements or appraisals to be used in the offer or sale of securities for the purpose of rendering such financial statements or appraisals materially misleading."
43. By virtue of the foregoing, Respondent SRN violated Section 12.L of the Act.

COUNT IV
FRAUD IN THE OFFER AND SALE OF SECURITIES

Respondent Siva Ram Nekkhalapudi
Fraud in the Offer and Sale of "News Coin" Cybercurrency

44. Beginning in May of 2018, Respondent SRN represented himself to have created the cybercurrency "News Coin" and offered investors exclusive access to invest and own the coins prior to its initial coin offering ("ICO") at a reduced price. Respondent SRN guaranteed investors returns of up to 1,000% within months.
45. Respondent SRN represented to investors that many individuals were a part of his team developing and implementing News Coin. Respondent SRN represented to at least one investor that an individual named Harsha Anegondi was a partner.
46. Respondent SRN solicited Investor A, who invested \$20,000.00 in News Coin.
47. Respondent SRN solicited Investor E, who invested \$20,000.00 in News Coin.
48. When soliciting investments from potential investors, Respondent SRN omitted to inform investors of the following:
 - a. That the majority of the investors' funds would not be used toward a News Coin cybercurrency investment;
 - b. That the majority of the investors' funds would be used for his personal expenses and/or redirecting the funds to Respondent Sony Nekkhalapudi for her personal expenses; and,
 - c. That his partner Harsha Anegondi was a convicted felon who recently pled guilty to felony offenses of wire fraud and money laundering relating to the embezzlement of nearly \$1,000,000.00 from an employer, and that Harsha Anegondi was recently sentenced to 33 months in prison.

49. The activities described above constitute the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Act.
50. Section 12.A of the Act states that it shall be a violation of the provisions of the Act for any person "To offer or sell any security except in accordance with the provision of this Act."
51. Section 12.F of the Act states that it shall be a violation of the provisions of the Act for any person "To engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof."
52. Section 12.G of the Act states that it shall be a violation of the provisions of this Act for any person "To obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading."
53. Section 12.H of the Act states that it shall be a violation of the provisions of the Act for any person "To sign or circulate any statement, prospectus, or other paper or document required by any provision of this Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue."
54. Section 12.I of the Act states that it shall be a violation of the provisions of this act for any person "To employ any device, scheme, or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly."
55. By virtue of the foregoing, Respondent SRN violated Sections 12.A, 12.F, 12.G, 12.H, and 12.I of the Act.

COUNT V
FRAUD IN THE OFFER AND SALE OF SECURITIES

Respondent Siva Ram Nekkalapudi
Fraud in the Offer and Sale of "Graft" Cybercurrency

56. Beginning in February of 2017, Respondent SRN represented himself to have been affiliated with the cybercurrency "Graft" and offered investors exclusive access to invest and own the coins prior to its initial coin offering ("ICO") at a reduced price. Respondent SRN guaranteed investors returns of up to 1,000% within months.
57. Respondent SRN solicited Investor F, who invested \$15,000.00 in Graft.
58. Respondent SRN solicited Investor G, who invested \$20,000.00 in Graft.

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59. When soliciting investments from potential investors, Respondent SRN omitted to inform investors of the following:
 - a. That the majority of the investors' funds would not be used toward a Graft cybercurrency investment; and.
 - b. That the majority of the investors' funds would be used for his personal expenses and/or redirecting the funds to Respondent Sony Nekkhalapudi for her personal expenses.
60. The activities described above constitute the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Act.
61. Section 12.A of the Act states that it shall be a violation of the provisions of the Act for any person "To offer or sell any security except in accordance with the provision of this Act."
62. Section 12.F of the Act states that it shall be a violation of the provisions of the Act for any person "To engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof."
63. Section 12.G of the Act states that it shall be a violation of the provisions of this Act for any person "To obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state material fact necessary in order to make the statements made. in light of the circumstances under which they were made, not misleading."
64. Section 12.H of the Act states that it shall be a violation of the provisions of the Act for any person "To sign or circulate any statement, prospectus, or other paper or document required by any provision of this Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue."
65. Section 12.I of the Act states that it shall be a violation of the provisions of this act for any person "To employ any device, scheme, or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly."
66. By virtue of the foregoing, Respondent SRN violated Sections 12.A, 12.F, 12.G, 12.H, and 12.I of the Act.

COUNT VI
FRAUDULENT TRANSFER AND ACCEPTANCE OF INVESTOR FUNDS

Respondents Siva Ram Nekkhalapudi and Sony Nekkhalapudi
Transfers of Funds to Sony Nekkhalapudi

67. Upon multiple investors requesting that Respondent SRN return their abovementioned investments, Respondent SRN represented to investors that he transferred to, and Respondent Sony Nekkhalapudi accepted, the investors' funds.
68. From December of 2017 through June of 2018, at least \$77,000.00 was transferred to Respondent Sony Nekkhalapudi through Western Union and Remitly.
69. Respondent SRN represented to the investors that the effect of the abovementioned transfer of funds rendered the funds "untouchable" in the event the investors pursued any legal recourse against him.
70. When soliciting investments from potential investors, Respondent SRN omitted to inform investors of the following:
 - a. That the majority of the investors' funds would not be used toward investments; and,
 - b. That the majority of the investors' funds would be used for his personal expenses and/or redirecting the funds to Respondent Sony Nekkhalapudi for her personal ex.
71. Section 12.F of the Act states that it shall be a violation of the provisions of the Act for any person "To engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof."
72. Section 12.I of the Act states that it shall be a violation of the provisions of this act for any person "To employ any device, scheme, or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly."
73. By virtue of the foregoing, Respondents violated Sections 12.F and 12.I of the Act.

COUNT VII
OFFER AND SALE OF UNREGISTERED SECURITIES

Respondent Siva Ram Nekkhalapudi
Masternode Investment Program

74. At all relevant times herein, Respondent SRN failed to file with the Secretary of State an application for registration of the Masternode Investment Program securities described above.

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75. At all relevant times herein, Respondent SRN failed to file any notice of filings with the Secretary of State claiming that the Masternode Investment Program securities being offered above were exempt from registration.
76. Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 or those offered or sold in transactions exempt under Section 4 "Shall be registered either by coordination or qualification prior . . . to their offer or sale" in the State of Illinois.
77. Section 12.A of the Act provides that it shall be a violation for any person "To offer or sell any security except in accordance with the provisions of this Act."
78. Section 12.D provides, *inter alia*, that it shall be a violation for any person "To fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act..."
79. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.

COUNT VIII
OFFER AND SALE OF UNREGISTERED SECURITIES

Respondent Siva Ram Nekkhalapudi
News Coin

80. At all relevant times herein, Respondent SRN failed to file with the Secretary of State an application for registration of the News Coin securities described above.
81. At all relevant times herein, Respondent SRN failed to file any notice of filings with the Secretary of State claiming that the News Coin securities being offered above were exempt from registration.
82. Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 or those offered or sold in transactions exempt under Section 4 "Shall be registered either by coordination or qualification prior . . . to their offer or sale" in the State of Illinois.
83. Section 12.A of the Act provides that it shall be a violation for any person "To offer or sell any security except in accordance with the provisions of this Act."
84. Section 12.D provides, *inter alia*, that it shall be a violation for any person "To fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act..."
85. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.

COUNT IX
OFFER AND SALE OF UNREGISTERED SECURITIES

Respondent Siva Ram Nekkalapudi
Graft

86. At all relevant times herein, Respondent SRN failed to file with the Secretary of State an application for registration of the Graft securities described above.
87. At all relevant times herein, Respondent SRN failed to file any notice of filings with the Secretary of State claiming that the Graft securities being offered above were exempt from registration.
88. Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 or those offered or sold in transactions exempt under Section 4 "Shall be registered either by coordination or qualification prior . . . to their offer or sale" in the State of Illinois.
89. Section 12.A of the Act provides that it shall be a violation for any person "To offer or sell any security except in accordance with the provisions of this Act."
90. Section 12.D provides, *inter alia*, that it shall be a violation for any person "To fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act..."
91. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.

COUNT X
FAILURE TO REGISTER AS A SALESPERSON OR
INVESTMENT ADVISER REPRESENTATIVE

Respondent Siva Ram Nekkalapudi

92. At the time the above securities were recommended and sold, Respondent SRN was not registered with the State of Illinois to recommend or sell securities.
93. Section 8.A of the Act states, *inter alia*, that every dealer, salesperson, investment adviser, and investment adviser representative shall be registered as such with the Secretary of State.
94. Section 12.A of the Act provides that it shall be a violation for any person "To offer or sell any security except in accordance with the provisions of this Act."


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95. Section 12.C of the Act states that it shall be a violation for any person "To act as a dealer, salesperson, investment adviser, or investment adviser representative, unless registered as such, where such registration is required, under the provisions of this Act."
96. Section 12.D provides, *inter alia*, that it shall be a violation for any person "To fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act..."
97. By virtue of the foregoing, Respondents violated Sections 12.A, 12.C, and 12.D of the Act.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Date of Mailing: This 22nd day of October 2018.


JESSE WHITE
Secretary of State
State of Illinois

You are further notified that you are required pursuant to Section 1104 of the Rules to file an answer to the allegations outlined above, or other responsive pleading within thirty (30) days of receipt of this notice. Your failure to do this within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to appear shall constitute default by you.

A copy of the Rules and Regulations promulgated under the Illinois Securities Law and pertaining to hearings held by the Office of the Secretary of State, Illinois Securities Department, are available at the Department's website.

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