

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:

Siva Ram Nekkhalapudi

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) **File No. 1800370**
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CONSENT ORDER OF PROHIBITION

TO THE RESPONDENT: Siva Ram Nekkhalapudi
350 N 100W
Pleasant Grove, UT 84062

WHEREAS, Respondent Siva Ram Nekkhalapudi ("Respondent"), on August 12, 2019, executed a certain Stipulation to Entry of Consent Order (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State, service of the Notice of Hearing of the Secretary of State, Securities Department, dated October 22, 2018, in this proceeding (the "Notice"), and has consented to the entry of this Consent Order of Prohibition ("Consent Order").

WHEREAS, by means of the Stipulation, Respondent acknowledges that the following summarized allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. Respondent is a natural person with a last known address of 350 N. 100W, Pleasant Grove, Utah 84062. From November of 2017 through June of 2018, Respondent maintained a part-time residential address of 1025 Sheridan Circle, Naperville, Illinois 60563.
2. Respondent is not and was never registered with the State of Illinois to recommend or sell securities.
3. From approximately March of 2016 to September of 2018, Respondent worked at a location within the State of Illinois.
4. As demonstrated in more detail below, Respondent solicited at least eight (8) individuals to invest over \$150,000.00 (via cash, checks, bank transfers, and cybercurrency) in three different fraudulent investment schemes relating to cybercurrencies.

Fraudulent Investment #1
“Masternode” Investment Program

5. In December of 2017, Respondent began soliciting investors to partake in a “Masternode” cybercurrency investment program. Respondent represented to investors that the investment guaranteed monthly returns on the principal investment. Respondent accepted forms of payment for the investment in cash, bank transfers, and cybercurrency.
6. Respondent sold the Masternode investment to at least four (4) investors.
7. Respondent failed to make the monthly payments to any of the investors in the Masternode investment.
8. Respondent failed to return any of the principal investment to investors.
9. To “effectuate” the investments, Respondent directed select investors to pay specified amounts of money, ranging from \$1,650.00 to \$2,000.00, on at least six (6) separate occasions, through a bank transfer to X.G., a third-party.
10. Respondent represented to investors that X.G. was his partner from China helping with the investment, when in fact X.G. was Respondent’s landlord for a property he was renting in Naperville, Illinois. The property was not investment related and it was occupied by Respondent.
11. When soliciting the Masternode investments from potential investors, Respondent 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 mainly be used for his personal expenses; and,
 - c. That the investors’ funds directed to X.G. were not related to any investment, and were instead used to pay Respondent’s landlord for rent.

Fraudulent Investment #2
Graft Cybercurrency Investment

12. Beginning in February of 2017, Respondent 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 significantly reduced price.
13. Respondent sold the Graft investment to at least three (3) investors.

14. When soliciting investments from potential investors, Respondent 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 mainly be used for his personal expenses.

Fraudulent Investment #3
NEWS COIN Cybercurrency Investment

15. Beginning in May of 2018, Respondent 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 significantly reduced price.
16. Respondent represented to investors that many individuals were a part of his team developing and implementing NEWS COIN. Respondent represented to at least one investor that an individual named Harsha Anegondi was a partner.
17. Respondent sold the NEWS COIN investment to at least two (2) investors.
18. When soliciting investments from potential investors, Respondent 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 mainly be used for his personal expenses; and,
 - c. That his purported 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.¹

Misleading an Auditor in the Preparation of Financial Statements

19. On July 17, 2018, Respondent represented to an investor that Respondent needed to demonstrate a transaction coming from the investor's bank account for accounting purposes.
20. After failed attempts to have the investor transfer \$2,000.00, Respondent then represented that if the investor transferred \$200.00, Respondent would alter a screenshot of the transaction to demonstrate to the auditor that a \$6,200.00 transfer occurred.

¹ USA v. Anegondi (Case No. 17-CR-00479)

21. Respondent represented to the investor that the \$200.00 transaction had to go a third-party because his auditor had access to his accounts. The investor transferred \$200.00 to the third-party via a bank transfer, and text messaged a screenshot of such at the Respondent's request.

Unregistered Practices

22. At all relevant times herein. Respondent failed to file with the Secretary of State an application for registration of the securities described above.
23. At all relevant times herein. Respondent failed to file any notice of filings with the Secretary of State claiming that the securities being offered above were exempt from registration.
24. At the time the above securities were recommended and sold, Respondent was not registered with the State of Illinois to recommend or sell securities, or provide investment advice.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceeding.


WHEREAS, by means of the Stipulation, Respondent has acknowledged that the following shall be adopted as the Secretary of State's Conclusions of Law, and admits to the truth thereof:

1. **Respondent Siva Ram Nekkhalapudi's** 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 Illinois Securities Law of 1953 [815 ILCS 5/1 *et. seq*] (the "Act").
2. **Respondent Siva Ram Nekkhalapudi** violated Sections 12.A, 12.C, 12.D, 12.F, 12.G, 12.H, 12.I, 12.J, and 12.L of the Act.
3. **Respondent Siva Ram Nekkhalapudi** is subject to an Order prohibiting him from offering or selling any securities, or engaging in the business of offering investment advice for compensation, directly or indirectly, regarding the advisability of investing in, purchasing or selling securities, in or from the State of Illinois pursuant to Section 11.E(2) of the Act.
4. **Respondent Siva Ram Nekkhalapudi** is subject to an administrative fine of \$10,000.00

NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. **Respondent Siva Ram Nekkhalapudi** shall be **PROHIBITED** from the offer or sale of private and public securities, or engaging in the business of offering investment advice for compensation, directly or indirectly, regarding the advisability of investing in, purchasing or selling securities, in or from the State of Illinois from the date of entry of this Consent Order.
2. **Respondent Siva Ram Nekkhalapudi** shall pay a total fine of \$10,000.00 made payable to the Office of the Secretary of State, Securities Department Audit and Enforcement Fund, located at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, and referencing Case #1800370. The amount of \$10,000.00 shall be due upon entry of this Consent Order.

Date of Mailing: This 13th day of August 2019.


JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of the Order shall be guilty of a Class 4 Felony.

This is a final order subject to administrative review pursuant to the Administrative Review Law, 735 ILCS 5/3 -101 et seq, and the Rules and Regulations of the Act (14 111. Admin. Code, Ch. I, Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

Attorney for the Secretary of State:
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