

TRAVIS J. ILES
SECURITIES COMMISSIONER



CLINTON EDGAR
DEPUTY SECURITIES COMMISSIONER

Mail: P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

Phone: (512) 305-8300
Facsimile: (512) 305-8310

Texas State Securities Board

208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.texas.gov

E. WALLY KINNEY
CHAIR

KENNY KONCABA
MEMBER

ROBERT BELT
MEMBER

MELISSA TYROCH
MEMBER

EJIKE E OKPA II
MEMBER

IN THE MATTER OF	§	
SAND VEGAS CASINO CLUB; FINN RUBEN	§	Order No. ENF-22-CDO-1860
WARNKE; AND MARTIN SCHWARZBERGER	§	

Sand Vegas Casino Club

Service by (1) registered mail addressed to Sand Vegas Casino Club at Georgiou Seferis, 11, Majestic Gardens P1 B2, Apartment/Office 105, Tersefanou, 7562, Larnaca, Cyprus, (2) registered mail addressed to Sand Vegas Casino Club at Riga Fereou Street 47, 6013 Larnaca, Cyprus, (3) certified mail addressed to Sand Vegas Casino Club c/o Namecheap, Inc., the registrar of the website for Sand Vegas Casino Club, at 4600 East Washington Street, Suite 305, Phoenix, Arizona 85034, and (4) registered mail addressed to Sand Vegas Casino Club c/o Withheld for Privacy ehf, the registrant, administrative contact and technical contact for the website for Respondent Sand Vegas Casino Club, at Kalkofnsvegur 2, Reykjavik, Iceland.

Finn Ruben Warnke

Service by (1) registered mail addressed to Finn Ruben Warnke at Georgiou Seferis, 11, Majestic Gardens P1 B2, Apartment/Office 105, Tersefanou, 7562, Larnaca, Cyprus, (2) registered mail addressed to Finn Ruben Warnke at Riga Fereou Street 47, 6013 Larnaca, Cyprus, (3) certified mail addressed to Finn Ruben Warnke c/o Namecheap, Inc., the registrar of the website for Sand Vegas Casino Club, at 4600 East Washington Street, Suite 305, Phoenix, Arizona 85034, and (4) registered mail addressed to Finn Ruben Warnke c/o Withheld for Privacy ehf, the registrant, administrative contact and technical contact for the website for Respondent Sand Vegas Casino Club, at Kalkofnsvegur 2, Reykjavik, Iceland.

Martin Schwarzberger

Service by (1) registered mail addressed to Martin Schwarzberger at Georgiou Seferis, 11, Majestic Gardens P1 B2, Apartment/Office 105, Tersefanou, 7562, Larnaca, Cyprus, (2) registered mail addressed to Martin Schwarzberger at Riga Fereou Street 47, 6013 Larnaca, Cyprus, (3) certified mail addressed to Martin Schwarzberger c/o Namecheap, Inc., the registrar of the website for Sand Vegas Casino Club, at 4600 East Washington Street, Suite 305, Phoenix, Arizona 85034, and (4) registered mail addressed to Martin Schwarzberger c/o Withheld for Privacy ehf, the registrant, administrative contact and technical contact for the website for Respondent Sand Vegas Casino Club, at Kalkofnsvegur 2, Reykjavik, Iceland.

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas (“**Securities Commissioner**”) of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 4007.104 of The Securities Act, Tex. Gov’t Code §§ 4001.001-4008.105 (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 that:

FINDINGS OF FACT

1. This Emergency Cease and Desist Order is being entered to stop an illegal and fraudulent securities scheme tied to virtual casinos – including virtual casinos in metaverses.
2. Metaverses are virtual worlds focused on social connections, interactivity, commerce, entertainment and business. Various concepts of a singular metaverse or many different metaverses incorporate blockchain and web 3.0 technologies, access points such as computers and AR or VR headsets, the interoperability of digital assets and the use of non-fungible tokens or NFTs.
3. In this case, the parties are representing they are developing an internet casino and virtual casinos in various metaverses. Customers, acting virtually through avatars, will purportedly visit the metaverse casinos, participate in weekly tournaments, gamble on virtual horse racing and play virtual games such as blackjack, poker and baccarat.
4. The parties are funding the internet and metaverse casinos through the sale of more than 12,000 NFTs to the public.
5. The NFTs entitle owners to various benefits, including a pro rata share of profits generated by the internet and metaverse casinos. Respondents are estimating these profits may be worth as much as \$6,750 per month or \$81,000 per year.
6. Although the NFTs constitute securities, Respondents are advising purchasers that securities laws do not currently regulate NFTs and are considering further steps to obstruct the regulation of their NFTs.
7. The advice regarding regulation is simply not true and the offering of NFTs is a high-tech scam. The parties are concealing their locations, hiding the identities of managers, misleading potential purchasers about their experience and obscuring the significant risks associated with investing in their NFTs.
8. The Securities Commissioner is entering this Emergency Cease and Desist Order to stop the scheme and prevent immediate and irreparable harm to the public.

THE PARTIES

9. Sand Vegas Casino Club ("**Respondent Sand Vegas Casino Club**") is being served by (1) registered mail addressed to Respondent Sand Vegas Casino Club at Georgiou Seferis, 11, Majestic Gardens P1 B2, Apartment/Office 105, Tersefanou, 7562, Larnaca, Cyprus, (2) registered mail addressed to Respondent Sand Vegas Casino Club at Riga Fereou Street 47, 6013 Larnaca, Cyprus, (3) certified mail addressed to Sand Vegas Casino Club c/o Namecheap, Inc., the registrar of the website for Sand Vegas Casino Club, at 4600 East Washington Street, Suite 305, Phoenix, Arizona 85034, and (4) registered mail addressed to Respondent Sand Vegas Casino Club c/o Withheld for Privacy ehf, the registrant, administrative contact and technical contact for the website for Respondent Sand Vegas Casino Club, at Kalkofnsvegur 2, Reykjavik, Iceland.
10. Finn Ruben Warnke ("**Respondent Warnke**") is being served by (1) registered mail addressed to Respondent Warnke at Georgiou Seferis, 11, Majestic Gardens P1 B2, Apartment/Office 105, Tersefanou, 7562, Larnaca, Cyprus, (2) registered mail addressed to Respondent Warnke at Riga Fereou Street 47, 6013 Larnaca, Cyprus, (3) certified mail addressed to Respondent Warnke c/o Namecheap, Inc., the registrar of the website for Respondent Sand Vegas Casino Club, at 4600 East Washington Street, Suite 305, Phoenix, Arizona 85034, and (4) registered mail addressed to Respondent Warnke c/o Withheld for Privacy ehf, the registrant, administrative contact and technical contact for the website for Respondent Sand Vegas Casino Club, at Kalkofnsvegur 2, Reykjavik, Iceland.
11. Martin Schwarzberger ("**Respondent Schwarzberger**") is being served by (1) registered mail addressed to Respondent Schwarzberger at Georgiou Seferis, 11, Majestic Gardens P1 B2, Apartment/Office 105, Tersefanou, 7562, Larnaca, Cyprus, (2) registered mail addressed to Respondent Schwarzberger at Riga Fereou Street 47, 6013 Larnaca, Cyprus, (3) certified mail addressed to Sand Vegas Casino Club c/o Namecheap, Inc., the registrar of the website for Respondent Sand Vegas Casino Club, at 4600 East Washington Street, Suite 305, Phoenix, Arizona 85034, and (4) registered mail addressed to Respondent Schwarzberger c/o Withheld for Privacy ehf, the registrant, administrative contact and technical contact for the website for Respondent Sand Vegas Casino Club, at Kalkofnsvegur 2, Reykjavik, Iceland.
12. OpenSea is owned and operated by Ozone Networks, Inc. dba OpenSea, and it acts as an online marketplace for discovering, buying and selling NFTs. As described herein, OpenSea is listing NFTs issued by Respondents that are regulated as securities. This Emergency Cease and Desist Order does not name OpenSea as a respondent. The Enforcement Division of the State Securities Board, however, will send this Emergency Cease and Desist Order to OpenSea to notify OpenSea that it is listing securities available for sale in Texas.

RESPONDENT SAND VEGAS CASINO CLUB IS NOT
AFFILIATED WITH LAS VEGAS SANDS CORPORATION

13. Las Vegas Sands Corporation is a developer and operator of resorts and casinos, including resorts and casinos that operate in Las Vegas, Nevada.
14. Respondents are using a similar name for their organization. They are referring to it as Sand Vegas Casino Club, describing their brand as the “Sand Vegas Casino Brand” and using a logo with colors and styles similar to a logo for Las Vegas Sands Corporation.
15. Although Respondents are using a name and logo that are similar to the name and logo for Las Vegas Sands Corporation, Respondents are not associated or affiliated in any way with Las Vegas Sands Corporation.

THE TEAM DEVELOPING THE ONLINE AND METAVERSE CASINOS

16. Respondent Sand Vegas Casino Club consists of a team that includes Respondent Warnke, Respondent Schwarzberger, an unidentified Community Manager and an unidentified Social Media Manager. They are described as follows:
 - A. Respondent Warnke, also known as SandLord.eth and @NFT_DUUDE, is a co-founder of Respondent Sand Vegas Casino Club and its Head of Operations. Respondents are representing he “has over 8 years of experience in the online casino sector, coming from a marketing background,” and that he co-founded a previous project tied to NFTs.
 - B. Respondent Schwarzberger, also known as DoubleDown and DoubleDown.eth, is a co-founder of Respondent Sand Vegas Casino Club and responsible for its marketing and relationships. Respondents are representing he previously “worked as an affiliate manager for a well-established online casino based in Malta & Cyprus, with a range of contacts in the [c]asino & [c]rypto [i]ndustry, especially when it comes to marketing.”
 - C. An unidentified person referred to as Blacky Jefferson, BlackyJefferson, BlackyJefferson21, BlackyJefferson21 and BlackyJefferson.eth purports to be the Community Manager for Respondent Sand Vegas Casino Club. Respondents are representing the Community Manager “is an experienced community manager and helps us to moderate the Discord and pulls the strings behind the [s]cenes.”
 - D. An unidentified person referred to as Queen of Sand and Queenofsand.eth purports to be the Social Media Manager for Respondent Sand Vegas Casino Club. Respondents are representing the Social Media Manager “is responsible for outreach and partnerships, working together with Influencers, Streamers and is responsible for getting the word out.”
17. Respondents are also representing they are working with various third parties to develop NFTs and metaverse casinos. These third parties include an unidentified

artist responsible for designing NFTs and various developers and software engineers responsible for developing casinos. They are described as follows:

- A. Respondents are claiming an “Italian Designer” generated art for the NFTs. They are not, however, identifying the artist.
- B. Respondents are representing various developers and software engineers are responsible for creating their casinos and they are naming NFTDrafter7110 as the “head of our builder team.” Respondents are not, however, identifying the developers or software engineers and they are not identifying NFTDrafter7110.

THE METAVERSE CASINO IN THE SANDBOX METAVERSE

18. Respondents are developing one or more metaverse casinos in the Sandbox. The Sandbox is a metaverse governed by a decentralized autonomous organization, often referred to as a DAO. It incorporates \$SAND, a cryptocurrency and governance token that permits participation in governing decisions through the DAO.
19. On or around January 4, 2022, Respondents purchased virtual land in the Sandbox for the metaverse casino. The virtual land is 27 virtual parcels of three 3x3 virtual plots.
20. Respondents have been providing information about the development of the metaverse casino in the Sandbox through various webcasts and AMAs, an acronym of “ask me anything” that refers to an interactive presentation where audiences ask questions and hosts provide answers in real time.
21. The webcasts and AMAs incorporate videos showing the development of the exterior and interior of the virtual building that will operate as a metaverse casino. Respondents are referring to this building as the Bellagio, a real luxury resort, hotel and casino located on the Las Vegas Strip in Paradise, Nevada.
22. The webcasts and AMAs also incorporate videos that show virtual slot machines, a virtual gaming table, building décor, a horse racing track, a statue of a horse that can eventually be mounted by avatars and a colorful revolving game resembling Wheel of Fortune titled Wheel of Sand.

OTHER METAVERSE CASINOS AND THE MULTIVERSE

23. Respondents are planning to expand their metaverse casinos to the “multiverse” – meaning they plan to open metaverse casinos in “all of the relevant metaverses.”
24. Respondents are elaborating on their plans to operate in the multiverse by explaining they already purchased 12 plots of virtual land in Decentraland and will open one or more metaverse casinos in Decentraland. Decentraland is also a virtual world governed by a DAO. It incorporates \$MANA, a cryptocurrency

governance token that permits participation in governing decisions through the DAO.

25. Respondents are also representing they purchased 10,122 square meters of virtual land in Infinity Void and plan to develop one or more metaverse casinos in Infinity Void. Infinity Void is a decentralized virtual world that provides a technology-driven real estate experience and focuses on graphics and immersion.
26. Respondents are further representing they plan to purchase land in NFT Worlds and will develop one or more metaverse casinos in NFT Worlds. NFT Worlds is a decentralized community-driven play-to-earn virtual world that incorporates various aspects of Minecraft, a sandbox video game that sold more than 238 million copies since its release in November 2011.

THE WEB 2.0 CASINO

27. In addition to the metaverse and multiverse casinos, Respondents are developing an online casino accessible through internet. They are referring to this online casino as the web 2.0 casino.
28. Respondents purchased a domain for the web 2.0 casino, but they are not disclosing the domain name or the cost of acquiring the domain.
29. Respondents are representing various third-party gaming providers will provide games for the web 2.0 casino. These gaming providers include Play'n GO Malta Limited and/or its affiliate Play'n GO AB, Big Time Studios Ltd., GAMOMAT Distribution GmbH, Evolution Gaming Limited and/or its affiliates Evolution Malta Holdings Limited and Evolution Gaming Malta Limited, Pragmatic Play Ltd and/or its affiliate Pragmatic Play (Gibraltar) Limited, N1 Games LTD dba BGaming, Old Charlie Technologies LTD dba Spinomenal and Playtech PLC.
30. Respondents are taking steps to make the web 2.0 casino a "crypto casino." They plan to permit gamblers to connect cryptocurrency wallets to the web 2.0 casino, presumably to use cryptocurrencies such as Bitcoin and Ether to gamble in the web 2.0 casino.
31. Respondents are now testing the web 2.0 casino and plan to launch the web 2.0 casino in late April 2022.
32. Respondents plan to embark on a "huge" marketing campaign contemporaneously with the launch of the web 2.0 casino. They claim the marketing campaign will drive traffic and gamblers to the web 2.0 casino and increase interest in Respondent Sand Vegas Casino Club. They are also representing the increasing interest will "definitely" cause the price of NFTs to increase.
33. Around two to four weeks after launching the web 2.0 casino and starting the marketing campaign, Respondents plan to permit gamblers to bet on sports in the web 2.0 casino and the metaverse casinos.

FUNDING THE WEB 2.0 CASINO AND
METAVERSE CASINOS THROUGH SALES OF NFTS

34. Respondents have been issuing and selling 12,222 NFTs consisting of Gambler NFTs and Golden Gambler NFTs. Respondents are using the proceeds of these sales to fund the web 2.0 casino and metaverse casinos.
35. The Gambler NFTs consist of 11,111 NFTs, with 10,777 Gambler NFTs available to the public and the remaining 334 Gambler NFTs reserved for ownership by the team, the marketing of the casinos and the awarding of prizes to virtual gamblers. The proceeds of sales of Gambler NFTs fund the metaverse casinos.
36. The Golden Gambler NFTs consist of 1,111 NFTs available to the public, and the proceeds of sales of Golden Gambler NFTs fund the Web 2.0 casino.

THE GAMBLER NFTS CONVEY OWNERSHIP OF
ALL CASINOS AND OWNERS SHARES IN THE PROFITS OF ALL CASINOS

37. Owners of the 11,111 Gambler NFTs become owners of all metaverse casinos in the multiverse and the web 2.0 casino.
38. Owners of the Gambler NFTs share in 50 percent of the profits generated from all services inside the metaverse casinos, including profits from games, tournament fees and the sale of virtual drinks and cigarettes. They also share in 20 percent of the profits generated from the web 2.0 casino.
39. Respondents are representing the metaverse casinos in the Sandbox, the metaverse casinos in Decentraland and the web 2.0 casino will each generate between \$1,000,000 and \$20,000,000 in profits per month for a total ranging from \$3,000,000 to \$60,000,000 in aggregate profits per month. Accordingly, purchasers of the Gambler NFTs expect to receive between \$102 per NFT per month and \$2040 per NFT per month.

THE GOLDEN GAMBLER NFTS CONVEY OWNERSHIP OF THE WEB 2.0
CASINO AND OWNERS SHARES IN THE PROFITS OF THE WEB 2.0 CASINO

40. Owners of the 1,111 Golden Gambler NFTs become owners of the web 2.0 casino.
41. Owners of the Golden Gambler NFTs also share in the 30 percent of the web 2.0 casino.
42. Respondents are using different data to describe the profitability of the Golden Gambler NFTs. They are representing the web 2.0 casino will generate between \$2,000,000 and \$25,000,000 in profits per month. Accordingly, purchasers of Golden Gambler NFTs expect to receive between \$540 and \$6750 per NFT per month.

OTHER BENEFITS ASSOCIATED WITH
THE GAMBLER NFTS AND GOLDEN GAMBLER NFTS

43. Respondents are promising to provide other benefits to owners of the Gambler NFTs and Golden Gambler NFTs.
44. For example, the Gambler NFTs provide free entry to weekly tournaments and premium rates for advertising and linking portals to the metaverse casinos.
45. The Gambler NFTs also provide owners with guaranteed entry in a monthly lottery. Respondents are describing their implementation of the monthly lottery as follows:
 - A. Respondents are promising to airdrop lottery tickets to owners of Gambler NFTS, providing one ticket per NFT per month.
 - B. In addition to receiving lottery tickets via airdrop, owners of Gambler NFTs can purchase additional lottery tickets - or even sell their lottery tickets - through OpenSea.
 - C. Respondents are representing they partnered with MintMoneyNFT.io aka MintMoneyNFT aka MintMoney.eth aka MintMoney to administer the lottery.
 - D. MintMoneyNFT.io permits minting randomly generated NFTs that are lottery tickets and permits owners to participate in MATIC. MATIC is similar to Tick-Tack-Toe but displays a three-by-three grid containing a total of nine gems. Players engage with MATIC by aligning similar gems in vertical, horizontal or diagonal rows.
 - E. The lottery prizes are lucrative and include monetary awards up to \$250,000 and other prizes including iPhones, MacBooks, and automobiles.
 - F. Although Respondents are promising to reward winners with lucrative prizes, they also expect to generate revenue through the lotteries. They are representing they will transfer most of the revenue to the "prizes pool." Respondents will use the additional revenue to fund prizes pool to award even more lucrative prizes in future lotteries.
46. Additionally, on March 29, 2022, Respondents reportedly airdropped 777 voxel assets representing voxel characters to owners of Gambler NFTs. Voxel assets are assets consisting of 3D pixels that exist as cubes instead of squares, and they can be equipped by avatars and bought and sold in metaverse marketplaces. Voxel assets are airdropped when they are freely distributed from one party to another party on a blockchain platform.
47. The voxel assets, as well as other custom voxel assets available for purchase, provide rakeback and other benefits in the metaverse casinos.
48. Respondents are representing owners of Golden Gambler NFTs receive other benefits. For example, Respondents are representing owners of Golden Gambler NFTs are afforded the exclusive opportunity to gamble in "Golden Rooms" in the

metaverse casinos, participate in a “Golden Lottery,” receive additional referral bonuses and attend exclusive events.

THE OPENSEA MARKETPLACE

49. Respondents have been directing purchasers to mint the Gambler NFTs and Golden Gambler NFTs through OpenSea, and they are now directing purchasers to buy the Gambler NFTs and Golden Gambler NFTs through OpenSea.
50. As of April 9, 2022, OpenSea is listing 11,111 Gambler NFTs and 1,111 Golden Gambler NFTs.
51. As of approximately 4:20PM Central Time on April 9, 2022, OpenSea is listing the Gambler NFTs for between 0.23 ETH or \$744.38 and 777.77 ETH or \$2,517,190.39.
52. As of approximately 4:20PM Central Time on April 9, 2022, OpenSea is listing the Golden Gambler NFTs for between 2.13 ETH or \$6,893.57 and 169 ETH or \$546,954.98.
53. OpenSea permits the payment of royalties, referred to as “creator earnings” to Respondent Sand Vegas Casino Club for sales of the Gambler NFTs and Golden Gambler NFTs.

INTERNET AND SOCIAL MEDIA PROMOTIONS

54. Respondents are advertising the Gambler NFTs and the Golden Gambler NFTs through an internet website accessible at <https://sandvegascasino.club/> and social media platforms such as YouTube, Twitter and Instagram.
55. Respondents are encouraging also users to interact through their social media platforms and they are rewarding the most active users.
56. Respondents are conducting online lotteries to reward these active users. They have already completed three lotteries, and these three lotteries are described in more detail as follows:
 - A. On or about February 21, 2022, Respondents conducted an online lottery for “silver” members of their Discord, announced the winner and promised to reward the winner with an iPhone 12 Pro. They also represented future prizes will include a MacBook Pro, an iMac and a Tesla.
 - B. On or about March 22, 2022, Respondents conducted an online lottery for “diamond” members of their Discord, announced the winner and promised to reward the winner with a MacBook Pro;
 - C. On or about April 2, 2022, Respondents conducted a virtual lottery for “obsidian” members of their Discord, announced the winner and promised to reward the winner with an iMac. They also promised to reward a

“platinum” member of Discord with a Tesla during or around the week beginning April 17, 2022.

STREAMERS AND MARKETERS

57. Respondents are planning to promote Respondent Sand Vegas Casino Club, the metaverse casinos and the web 2.0 casino through casino streamers, influencers, marketers and affiliates.
58. Respondents are already dealing with casino streamers and describing their dealings in part as follows:
 - A. Respondents are claiming they are working with “casino streamers all over the world” and have “agreed on the first partnerships” with these casino streamers; and
 - B. Respondents are representing they cannot disclose the identity of the casino streamers because they are bound by non-disclosure agreements.
59. Respondents are further representing they have engaged online marketers to run paid advisements for the metaverse casino and they will be “attractively rewarded” if they bring customers to the metaverse casino.
60. The advertisements will broadcast, at a minimum, through TikTok, Instagram, Facebook, Reddit and Quora, and advertisements broadcast through these platforms will raise brand awareness.
61. They will purportedly implement a referral program to attract streamers and affiliate marketers, although implementation is contingent upon issues associated with programming and the regulations and logics inside the metaverse.
62. Respondents are representing their marketing campaigns will cause the floor price of NFTs to “go to the moon” and it will “at least triple or quadruple.”

DONATIONS TO CHARITY

63. Respondents are representing they will donate one percent of profits generated in the metaverse casino to different charities.
64. Owners of Gambler NFTs collectively vote to determine the charity that receives the donations.

THE HACK

65. On or around January 8, 2022, Respondents announced a hack of their Discord social media platform in a tweet published in Twitter.

66. Respondents later explained the hack occurred when an unidentified assailant used an automated software application commonly known as a “bot” to hack their Discord.
67. The hacker purportedly spoofed a page for minting NFTs and misappropriated around 50 ETH from users of their Discord.
68. On the date of the hack, ETH closed at \$3,091.97 per token, meaning the hacker allegedly appropriated ETH valued at around \$154,598.50 on the date of the hack.
69. Respondents represented they placed a bounty on the hacker. They also represented they are reimbursing victims.
70. Respondents did not, however, describe any attempt to report the hack to a law enforcement agency or a regulatory agency, and they did not indicate they reported the hack to Discord.

PLANS TO OBSTRUCT REGULATION AS SECURITIES

71. Respondents are advising purchasers they are taking steps to satisfy all regulatory and legal requirements associated with the operation of metaverse casinos. They are also advising clients they will obtain necessary licensure, will comply with KYC requirements and will ensure minors do not gamble in the metaverse casinos.
72. Respondents are also representing they comply with laws regulating the sale of securities because securities laws do not currently regulate NFTs as an asset class.
73. Respondents are further advising purchasers they will take steps to ensure the NFTs are not regulated by securities laws. They are claiming they can remove the NFTs from regulation by adding illusory terms to the NFTs and using different terminology when describing the payment of profits to owners of NFTs.

REGISTRATION VIOLATIONS

74. The representations regarding the applicability of the securities laws are false. The Gambler NFTs and Golden Gambler NFTs constitute investment contracts and certificates in or under profit sharing agreements and as such the Securities Act regulates their offer and sale in Texas.
75. Respondents have not been registered with the Securities Commissioner as dealers or agents at any time material hereto.
76. The Gambler NFTs and Golden Gambler NFTs have not been registered by notification, coordination or qualification in Texas, and no permit has been issued for their sale in Texas.

DECEIT AND THE LIKENESS OF LAS VEGAS SANDS CORPORATION

77. As described herein, Respondents are using a name and logo that are similar to the name and logo for Las Vegas Sands Corporation, and Respondents are planning to recreate Vegas as a Metaverse Las Vegas.
78. These statements are materially misleading or otherwise likely to deceive the public because Respondents are not associated or affiliated in any way with Las Vegas Sands Corporation.

FRAUD AND CONCEALMENT OF THE LOCATION OF RESPONDENTS

79. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents are intentionally failing to disclose their physical location and the physical address for the offices of Respondent Sand Vegas Casino Club, and this information constitutes a material fact.

FRAUD AND CONCEALMENT OF THE QUALIFICATIONS OF PRINCIPALS

80. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents Sand Vegas Casino Club and Schwarzberger are intentionally failing to disclose the business repute, qualifications and experience of Respondent Schwarzberger that relate to casinos, business management and metaverses, and this information constitutes a material fact.
81. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents Sand Vegas Casino Club and Warnke are intentionally failing to disclose the business repute, qualifications and experience of Respondent Warnke that relate to casinos, business management and metaverses, and this information constitutes a material fact.
82. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents are intentionally failing to disclose the identity of the Community Manager referred to as BlackyJefferson and BlackyJefferson21, and this information constitutes a material fact.
83. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents are intentionally failing to disclose the business repute, qualifications and experience of the Community Manager referred to as BlackyJefferson and BlackyJefferson21 that relate to casinos, business management and metaverses, and this information constitutes a material fact.
84. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents are intentionally failing to disclose the business repute, qualifications and experience of the Social Media Manager referred to as Queen of Sand and Queenofsand.eth, and this information constitutes a material fact.
85. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents are intentionally failing to disclose the identity of the Social Media

Manager referred to as Queen of Sand and Queenofsand.eth that relate to casinos, business management and metaverses, and this information constitutes a material fact.

FRAUD AND THE ROYALTIES

86. As described herein, OpenSea permits the payment of royalties, referred to as “creator earnings,” of up to 10 percent to Respondent Sand Vegas Casino Club whenever a Gambler NFT or Golden Gambler NFT is sold through OpenSea.
87. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents are not disclosing the value of the royalties, and this information constitutes a material fact.

DECEPTION AND PRIOR EXPERIENCE WITH ONLINE CASINOS

88. As described herein, Respondents are claiming Respondents Schwarzberger and Warnke previously worked with or for online casinos as follows:
 - A. Respondent Schwarzberger is representing Respondents Schwarzberger and Warnke “worked before in the online casino sector, helped them to basically do their marketing helped them to get new players, to get new customers;” and
 - B. Respondent Warnke is representing he “worked with several online casinos and was developing marketing strategies for them and bringing them new customers.”
89. These statements are materially misleading or otherwise likely to deceive the public because Respondents are not disclosing the names of the online casinos, their positions with the online casinos, the duration of their employment by or affiliation with the online casinos or their duties in marketing for online casinos.

FRAUD AND THE DEVELOPERS, SOFTWARE ENGINEERS AND ARTIST

90. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents are representing their developers and software engineers are responsible for creating the metaverse casino in the Sandbox but they are intentionally failing to disclose the following material facts relating to the developers and software engineers:
 - A. Respondents are intentionally failing to disclose the identity of the developers and software engineers, and this information constitutes a material fact;
 - B. Respondents are intentionally failing to disclose the business reputes, qualifications and experience the developers and software engineers, and this information constitutes a material fact; and

- C. Respondents are intentionally failing to disclose the compensation that has or will be paid to the developers and software engineers and this information constitutes a material fact.
91. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents are representing an “Italian Designer” generated art for the Gambler and Golden Gambler NFTs that contains more than 200 algorithmically generated traits but they are intentionally failing to disclose the following material facts relating to the artist:
- A. Respondents are intentionally failing to disclose the identity of the artist, and this information constitutes a material fact; and
 - B. Respondents are intentionally failing to disclose the compensation that has or will be paid to the artist, and this information constitutes a material fact.

DECEIT AND THE HACK

92. As described herein, on or around January 8, 2022, Respondents announced a hack of their Discord social media platform in a tweet published in Twitter. As also described herein:
- A. Respondents later explained the hack occurred when an unidentified assailant used an automated software application commonly known as a “bot” to hack their Discord.
 - B. The hacker purportedly spoofed a page for minting NFTs and misappropriated around 50 ETH from users of their Discord.
 - C. On the date of the hack, ETH closed at \$3,091.97 per token, meaning the hacker allegedly appropriated ETH valued at around \$154,598.50 on the date of the hack.
 - D. Respondents represented they placed a bounty on the hacker. They also represented they are reimbursing victims.
93. These statements are materially misleading or otherwise likely to deceive the public because:
- A. Respondents are not describing the steps they are taking to identify bots in Discord or improve cybersecurity;
 - B. Respondents are not describing any attempt to report the hack to a law enforcement agency or a regulatory agency, and they did not indicate they reported the hack to Discord; and
 - C. Respondents are not identifying the source of funds that will be used to pay for the bounty on the hacker or reimburse victims.

DECEIT AND REPRESENTATIONS RELATING TO SECURITIES REGULATION

94. As described herein, Respondents are advising purchasers that securities laws do not currently regulate NFTs as an asset class.
95. As also described herein, Respondents are advising purchasers they plan to add illusory terms to the NFTs or use different words when dealing with purchasers of their NFTs to remove their NFTs from any potential regulation by securities laws.
96. These statements are materially misleading or otherwise likely to deceive the public because:
 - A. The Gambler NFTs and Golden Gambler NFTs are regulated as securities by the Securities Act;
 - B. The Gambler NFTs and Golden Gambler NFTs are not registered with or permitted by the Securities Commissioner for sale in Texas;
 - C. Respondents are not registered as dealers or agents with the Securities Commissioner and as such are not authorized to offer the Gambler NFTs and Golden Gambler NFTs in Texas; and
 - D. Respondents cannot avoid regulation by adding illusory terms to their NFTs or using different words when dealing with purchasers of their NFTs.

FRAUD AND THE RISKS ASSOCIATED WITH ONLINE AND METAVERSE CASINOS

97. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents are intentionally failing to disclose the following risks associated with operating casinos, and these risks constitute material facts:
 - A. The failure to successfully market the virtual casino, and the failure to grow or sustain the number of customers, may negatively impact profitability or lead to losses;
 - B. A virtual casino competes with physical and virtual casinos and may need to significantly invest in technology, research and development and marketing to maintain or increase competitiveness;
 - C. A virtual casino competes with other forms of gambling, entertainment and free-to-play platforms;
 - D. Delays in the implementation of new games or holding new events may negatively impact revenue;
 - E. Fraud, theft and gambling scams may negatively impact profitability;

- F. The costs of developing and implementing any necessary anti-money laundering and Know Your Customer standards may limit profitability; and
- G. The costs of acquiring and maintaining any necessary licensure, as well as the inability to obtain or retain any necessary licensure, may cause a web 2.0 casino or metaverse casino to close.

FRAUD AND THE RISKS ASSOCIATED WITH NFTS

98. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents are intentionally failing to disclose the following risks associated with NFTs, and these risks constitute material facts:
- A. Bad actors may hack or exploit systems and steal NFTs or appropriate digital assets;
 - B. Domestic or foreign governments may adopt legislation or regulations that negatively impact the use, transfer, exchange or price of NFTs;
 - C. NFTs compete with other digital assets, and this competition may negatively impact the price of an NFT;
 - D. The market for NFTs is new and volatile, and the price of an NFT as it relates to fiat currency may greatly decrease over a short period of time, impacting the liquidity of an NFT and the price of an NFT;
 - E. Bad actors may attempt to impersonate owners of NFTs, counterfeit NFTs, sell replicas of original NFTs, or misuse art tied to NFTs; and
 - F. Businesses or organizations that issue NFTs may go out of business, declare bankruptcy or cease operations, thereby decreasing the use or value of its NFTs.

FRAUD AND OTHER RISKS ASSOCIATED WITH THE GAMBLER NFTS AND GOLDEN GAMBLER NFTS

99. In connection with the offer of Gambler NFTs and Golden Gambler NFTs, Respondents are intentionally failing to disclose the following additional risks associated with Gambler NFTs and Golden Gambler NFTs, and these additional risks constitute material facts:
- A. Domestic or foreign governments may adopt legislation or regulations that negatively impact some or all metaverses, gambling in some or all metaverses or gambling in web 2.0 casinos;
 - B. Metaverses are new platforms with uncertain viability, and any cessation of operations may negatively impact businesses, including casinos, operating in their metaverses;

- C. Metaverses compete with other metaverses, and this competition may limit the population of the metaverses and the number of clients of metaverse casinos;
- D. Users must invest in hardware and internet service to access the metaverses, and increases in the actual or relative costs of hardware and internet service may limit the population of metaverses and the number of clients of metaverse casinos;
- E. Cybersecurity risks from criminals targeting Respondents using distributed denial-of-service attacks, malware and phishing campaigns may limit the ability of Respondents to market their web 2.0 casino and metaverse casinos;
- F. Changes to economies in the real world, as well as changes to economies in the Sandbox and Decentraland Metaverses, may negatively impact the amount of currency spent in metaverse casinos;
- G. The Sandbox and Decentraland Metaverses are tied, respectively, to \$SAND cryptocurrency and \$MANA cryptocurrency, and as such they incorporate risks associated with \$SAND, \$MANA and other cryptocurrencies; and
- H. Metaverses may limit the ability of businesses to advertise, increase the costs advertising or restrict the locations of advertisements, and they acts may impair the ability to attract new clients; and
- I. New technologies may replace NFTs and metaverses, thereby limiting the liquidity and profitability of the Gambler NFTs and Golden Gambler NFTs and demand for metaverse casinos.

CONCLUSIONS OF LAW

1. The Gambler NFTs and Golden Gambler NFTs are “securities” as the term is defined in Section 4001.068 of the Securities Act.
2. Respondents are violating Section 4003.001 of the Securities Act by offering securities for sale in Texas at a time when the securities are not registered with or permitted by the Securities Commissioner.
3. Respondents are violating Section 4004.051 of the Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 4004.051 of the Securities Act.
4. Respondents are engaging in fraud in connection with the offer for the 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 4007.104 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, agents, investment advisers, or investment adviser representatives 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 4007.104 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 4007.206 of the Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 4007.104 of the Securities Act is a criminal offense punishable by a fine of not more than \$10,000.00, 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 13th day of April 2022.



TRAVIS J. ILES
Securities Commissioner