

TRAVIS J. ILES
SECURITIES COMMISSIONER



CRISTI RAMÓN OCHOA
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

ROBERT BELT
MEMBER

MELISSA TYROCH
MEMBER

EJIKE E. OKPA II
MEMBER

DAVID B. MONTGOMERY
MEMBER

SECURITIES COMMISSIONER WARNS INVESTORS ABOUT MLM CRYPTO INVESTMENT SCHEMES

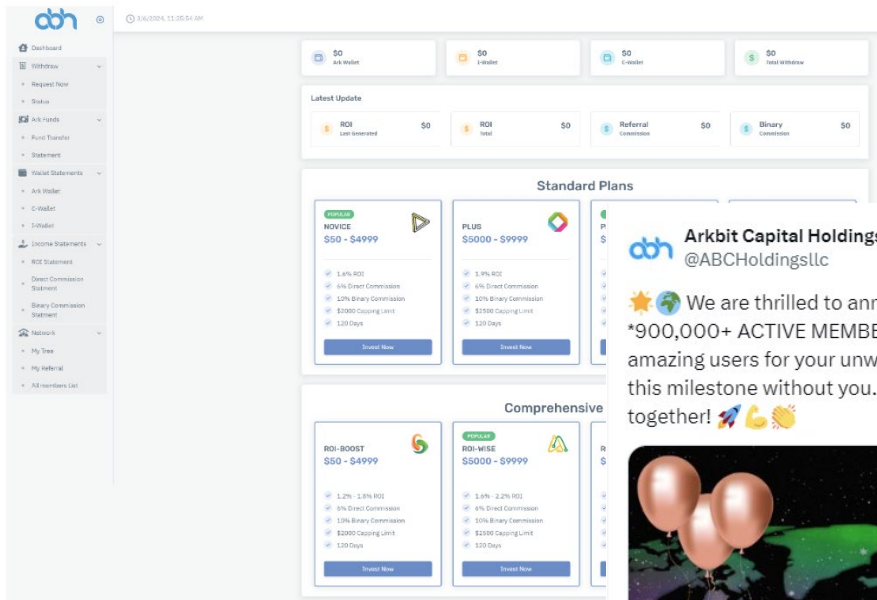
SCAMMERS LEVERAGE SOCIAL MEDIA TO DRIVE TRAFFIC USING IMAGE AND VIDEO MANIPULATION TECHNIQUES

Austin, Texas (May 28, 2024) Securities Commissioner Travis J. Iles issued an Emergency Cease and Desist Order to halt a fraudulent MLM scheme that purportedly offered investments in cloud mining cryptocurrency. The order outlines the use of deceptive image and video manipulation techniques and the employment of actors to bolster their online marketing efforts. This action highlights the need for investors to be cautious when engaging with investment opportunities through social media.

"Investors are well served by healthy skepticism when unfamiliar persons offer lucrative investment opportunities. Savvy fraudsters are evolving, and their methods are becoming more difficult to discern from legitimate enterprises," said Commissioner Iles.

A screenshot of the ARKBIT website. The top navigation bar includes links for "About", "Why", "Roadmap", "Leadership", "Mining Fleet", and "Progression", along with a "PORTAL" button and a language selector. The main content area features a dark blue background with a central graphic of a stack of blue blocks representing a blockchain. Text on the page reads: "Cultivating a Sustainable Blockchain Ecosystem For Transforming and Democratizing Blockchain Infrastructure". Below this, it states: "ARKBIT is driving growth, innovation, and market share, powering Blockchain technologies through digital asset mining and high-performance computing". There are three circular icons for "White Paper", "Career Progression", and "Investors Governance". At the bottom left, a call to action says "Build a crypto portfolio in minutes" with a "SIGN UP TO LEVEL UP" button and social media icons for Telegram, Messenger, Email, and a green arrow.

The order alleges Arkbit Capital, Arkbit Capital Holdings, ABC Holdings LLC, and ABC Mining (collectively "Arkbit") purport to own and operate data centers in Arkansas that cloud mine various cryptocurrencies and offer investments in their cloud mining operation through a Multi-level Marketing business hosted on their website abcmining.me.



According to the order the investment plans, referred to on the ArkBit website as



Standard and Comprehensive ROI Plans, offer daily returns of 1.6-2.8% for 120 days when investors deposit digital assets valued between \$50 and \$49,999. Additionally, the order found CoinPayments.Net was being used to facilitate payments for the Arkbit website. The CoinPayments policy restricts users from restricted jurisdictions from using its [services](#) which includes the United States; however, through the Arkbit website, investors from any location can send cryptocurrency for investment. According to the order, the account holder for the Arkbit CoinPayments account is Paras Khivesara, who is located in Hyderabad, India, not Arkansas.



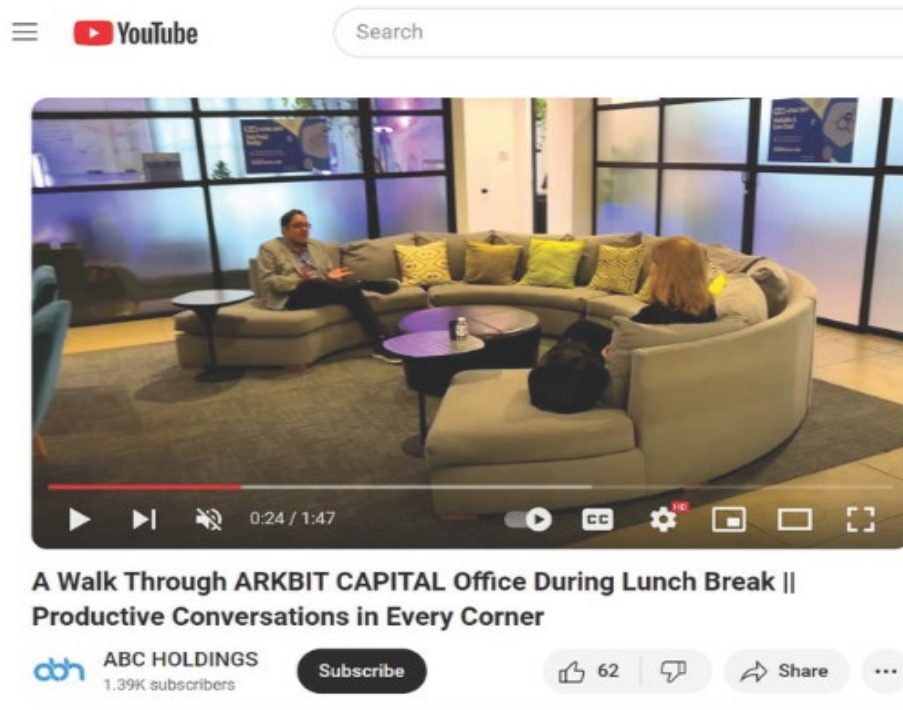
12:00 PM · Feb 26, 2024 · 51 Views

The order emphasizes the finding that Arkbit drives visitors to its website and investment plans by actively promoting its alleged mining operations on social media platforms such as Facebook, Instagram, LinkedIn, and X/Twitter. The order further alleges Arkbit publishes videos to its social media pages, including an Arkbit Capital YouTube account, where it posts videos depicting its data centers in Arkansas, its principal location, and its CEO and Founder.

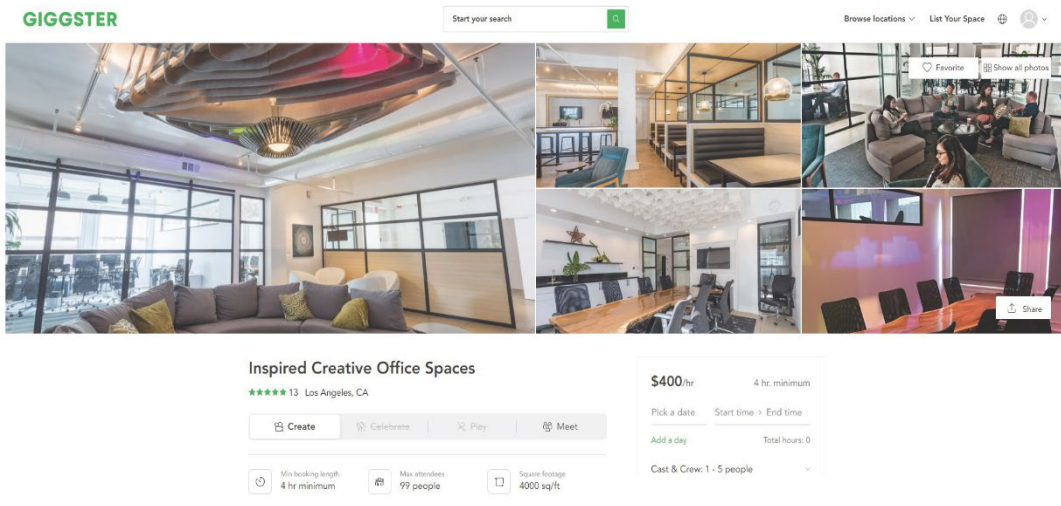
The order exposes the deceptive use of social media to reach a wider audience and provide the appearance of being legitimate contributors to the cryptocurrency industry. By using stolen and edited photos and videos, companies such as Arkbit try to establish credibility in their internet presence.

“This is a common tactic we see in online crypto investment scams” says Joe Rotunda, Director of the Enforcement Division of the Texas State Securities Board, “By appearing to be part of the cryptocurrency industry, bad actors attempt to seem like legitimate contributors to the space. Don’t be fooled.”

An example of such attempts includes videos published to the Arkbit social media pages that purportedly show Delmar Estabrook, the Arkbit Chief Executive Officer and Senior Vice President speaking on a panel at the 2023 Consensus by CoinDesk cryptocurrency conference held in Austin, Texas on April 26-28, 2023, according to the order. Other videos purportedly show ArkBit representatives attending the 2023 Green-Crypto Summit. The order found there are no mentions of Delmar Estabrook or Arkbit on the agendas of either event.



In another video supposedly depicting the Arkansas Arkbit principal office, located at 124 W. Capitol Avenue, Little Rock, Arkansas, the true location shown in the video can be traced to an [office space in Los Angeles](#) available to rent as a workspace according to the order.



The order

alleges, Arkbit went even as far as registering as a business entity with the Arkansas Secretary of State office to further appear as a legitimate business entity online. In a digital age where creating an online business only takes minutes and is readily accessible for most, investors are faced with the unfortunate reality that not everything is always as it seems. With video editing and image manipulation tools becoming more affordable and easier to use, and AI editing becoming commonplace, an image that looks real can still be faked.



The order asserts videos posted to the Arkbit YouTube page representing the Arkbit Capital Arkansas data center are in fact edited stock videos of a [server plant for cryptocurrency mining](#) found on the popular stock footage website Pond5.

The Texas State Securities Board urges the public to remain vigilant when dealing with investment opportunities through social media.

Commissioner Iles recognizes the exceptional work of Financial Examiner Alexis Cantrell, the lead investigator on this matter. Please, investigate before you invest, and contact the Enforcement Division if you suspect you have been a victim of an investment scam.

Contact: Enforcement Director Joe Rotunda at jrotunda@ssb.texas.gov, Alexis Cantrell at acantrell@ssb.texas.gov, or the Enforcement Division at 512-305-8392.