

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11231 / September 8, 2023

SECURITIES EXCHANGE ACT OF 1934
Release No. 98323 / September 8, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21630

In the Matter of

JACOB R. ORVIDAS

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Jacob R. Orvidas (“Respondent” or “Orvidas”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) that the Commission has determined to accept. Respondent admits the facts set forth in Section III below, acknowledges that his conduct violated the federal securities laws, admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and consents to the entry of this Order Instituting Cease-and-Desist Proceedings, Pursuant to 8A of the Securities Act of 1933 and Section 21C of the Securities and Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

Summary

These proceedings arise out of Orvidas's offer and sale of securities in the form of investment contracts. From October 2017 through at least July 2020 (the "relevant period"), Orvidas raised the net equivalent of \$2,033,501.10 in Bitcoin from four investors, claiming that he managed a successful private fund trading solely in Bitcoin. Orvidas collected funds from investors and pooled them together into one account, in which he traded in an effort to make profits for both the investors and himself. Orvidas misrepresented to investors that the purported fund was registered with the Commission and that he had engaged in highly profitable Bitcoin trading for others in the past. In reality, the purported fund was not registered and Orvidas's claims concerning his track record of past returns were false. Orvidas's trading resulted in substantial losses, and he was unable to return investor funds when requested. Rather than admitting the losses, Orvidas continued to make misrepresentations to investors, claiming that their funds were inaccessible due to an investigation by the Commission. Ultimately, Orvidas lost all the investor funds he raised.

Respondent

1. Jacob R. Orvidas, age 28, is a resident of Sandy, Utah. Orvidas has never been registered with the Commission in any capacity nor associated with any Commission registrant.

Facts

2. Orvidas began acquiring and trading crypto assets in high school in the early 2010s. He continued to trade Bitcoin and other crypto assets throughout college. During college, he assisted friends with their purchases of Bitcoin. He taught them how to buy, hold, and sell Bitcoin in amounts equivalent to approximately \$200 to \$1000, but did not manage their funds or charge them fees. After graduating from college in 2017, Orvidas's Bitcoin trading was his primary source of income.

3. Starting in or around 2017, Orvidas began to interact extensively with other Bitcoin users on an online chat forum focused on crypto assets called Whalepool,¹ claiming he was a highly profitable Bitcoin trader. Numerous individuals located both domestically and internationally participated in group chats with Orvidas on the Whalepool forum in which Orvidas held himself out as a successful trader.

¹ Whalepool is a group-chat TeamSpeak server on the Internet on which individuals across the globe can participate in online discussions concerning Bitcoin and other crypto assets. Whalepool is a public forum that anyone can join, and the media thereon consists of voice chats, posts, and texts.

4. In mid-2017, Orvidas orchestrated a scheme to convince individuals on the Whalepool forum to invest Bitcoin with him in a purported exclusive “friends and family” fund that he said he managed. Orvidas represented to prospective investors that he would pool their funds (in the form of Bitcoin) into his own account, and then transact Bitcoin trades for profit generated solely through his own trading. Orvidas represented to prospective investors that he would charge a 20% commission on the profits from his transactions and investors in the fund would retain the remaining 80% profit. Orvidas also stated that he would charge an additional 2% fee on amounts invested. Orvidas’s promise to pool investor funds and generate profits for investors through his own trading efforts constituted the offer of an investment contract.

5. Orvidas also represented to prospective investors on the Whalepool forum that his Bitcoin fund was registered with the Commission. In reality, Orvidas did nothing to register a fund with any federal or state regulator (including the Commission) or any other association, including as a Money Services Business, or otherwise. Likewise, Orvidas had never been registered with the Commission to effect transactions in securities for the account of others.

6. Ultimately, as a result of Orvidas’s discussions on Whalepool with prospective investors, four separate individuals invested a total of 182.83 Bitcoin, valued at a total of \$2,257,503.42.² During the relevant period, a total of approximately 14.01 Bitcoin, valued at \$224,002.32, was returned to one investor. Therefore, the net investments in Orvidas’s purported fund were equal to \$2,033,501.10.

7. Orvidas did not provide these four investors (or any other prospective investors) with any written materials, such as a prospectus, risk disclosure, private placement memorandum, or any other documents detailing the purported fund. Rather, to induce these four individuals to invest with him, Orvidas—primarily through voice and text chats on Whalepool—made the following material misrepresentations, including:

- a. That Orvidas had previously managed a prior fund with eighteen investors;
- b. That one of Orvidas’s earliest investors had invested \$100,000 in the prior fund and had ultimately made approximately \$2.7 million;
- c. That Orvidas had closed his prior fund and rebranded it to require a minimum threshold investment of \$400,000 in order to “weed out” small investors;
- d. That Orvidas had started a new fund (the purported fund at issue in this matter) totaling \$9 million in investments, including the \$2.7 million from the early investor referenced in paragraph b. above; and

² All U.S. dollar equivalents of Bitcoin amounts quoted herein were calculated according to the Bitcoin to U.S. dollar conversion rate as of the date of each relevant Bitcoin transaction.

- e. That Orvidas's new fund was registered as a Money Services Business and with the Commission, and that the fund was "legal" and "proper."

Orvidas did not disclose that, contrary to the foregoing representations, he had never managed a private fund before, no registered fund existed, and that he had not raised \$9 million for his present fund.

8. In addition to soliciting investors, Orvidas told actual and prospective investors that his purported fund was a good investment and handled investor funds personally.

9. From approximately mid-2017 through July 2018, Orvidas traded investors' Bitcoin regularly in an attempt to earn profits, but by mid-2018, Orvidas had lost a significant portion of investor funds through his trading and the loss in value of Bitcoin more generally and had margined his account. Rather than so state, Orvidas hid the losses by producing and providing falsified spreadsheets to investors by way of online communications that falsely indicated that investors were earning profits from his trading.

10. In or around July 2018, one investor needed funds and requested a withdrawal. Due to the losses from his trading, Orvidas was unable to pay him, and falsely told the investor that he was unable to access his accounts due to an audit by the Commission. There was no such audit. By November 2018, Orvidas had lost the entirety of the investors' funds. Until at least July 2020, Orvidas continued to make these and other misrepresentations about why he could not repay investor funds.

11. As a result of the conduct described above, Respondent violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

Disgorgement and Civil Penalties

12. The disgorgement ordered in paragraph IV.B is consistent with equitable principles and does not exceed Respondent's net profits from his violations, and will be distributed to harmed investors pursuant to *In the Matter of Jacob R. Orvidas*, promulgated by the Commodity Futures Trading Commission ("CFTC") to the extent feasible.

IV.

In view of the foregoing, the Commission deems it appropriate, and in the public interest to impose the sanctions agreed to in Respondent Orvidas' Offer.

Accordingly, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent Orvidas cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent shall, within thirty (30) days of the entry of this Order, pay disgorgement of \$2,033,501.10 to the Securities and Exchange Commission. Said disgorgement shall be deemed satisfied by the issuance of an order of restitution in the amount of \$2,033,501.10 imposed in *In the Matter of Jacob R. Orvidas* to be filed by the CFTC. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

C. Respondent shall, within thirty (30) days of entry of this Order, pay a civil money penalty in the amount of \$500,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). The penalty will be offset, up to \$250,000, by the amount of any penalty order issued in *In the Matter of Jacob R. Orvidas* promulgated by the CFTC. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Jacob R. Orvidas as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Tracy S. Combs, Regional Director, Salt Lake Regional Office, Securities and Exchange Commission, 351 S. West Temple, Suite 6.100, Salt Lake City, Utah 84101.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any

award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary