



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
BALTIC FUND,) Case No.: AP-18-10
)
 Respondent.)
)
Serve:)
)
Baltic Fund)
Savanoriu pr.)
178F)
Vilnius)
Lithuania)
)
and via email: support@baltic.fund)

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY CIVIL
PENALTIES AND COSTS SHOULD NOT BE IMPOSED**

On May 21, 2018, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Petitioner’s Counsel Desiree J. Vitale, submitted a Petition for Order to Cease and Desist and Show Cause Why Civil Penalties and Costs Should not be Imposed. After reviewing the petition, the Commissioner of Securities (“Commissioner”) issues the following order:

The Petition alleges the following facts:

I. ALLEGATIONS OF FACT

A. Respondent

1. Baltic Fund is a Lithuanian-based business with a last known mailing address of Savanoriu pr., 178F, Vilnius, Lithuania.
2. Baltic Fund claims to be in the business of venture capitalism by finding investors to accelerate start-up companies in the Baltic region. In addition, Baltic Fund claims to

invest in hardware, robotics, cybersecurity, enterprise software, artificial intelligence (“AI”), and blockchain-based projects relating to businesses in their infancy stages.

3. Baltic Fund has never been registered in Missouri as an investment adviser, investment adviser representative, broker-dealer, broker-dealer agent, and/or issuer agent.
4. There was never a registration, granted exemption, or notice filing indicating status as a “federal covered security” for the securities offered and/or sold by Baltic Fund.

B. Enforcement Section’s Investigation

5. Baltic Fund is the parent company of Business Hive Vilnius (“BHV”), which hosts and incubates start-up companies throughout the differing elemental stages of their evolution, thereby creating an “ecosystem” for businesses to foster and grow their enterprises.
6. Baltic Fund is developing BALT tokens, which is a cryptocurrency that can be purchased on the company’s website.¹
7. Baltic Fund purportedly uses the funds from the purchase of the BALT tokens to invest in promising CEE and CIS start-up companies.²
8. BHV claims to be building a platform where every investor or “token-holder,” investing by purchasing BALT tokens, can obtain access to the “ecosystem” and all the resources traditionally used to assist a start-up business, including mentorships, expert guidance, media, legal services, marketing, public relations, development, and investments. BALT tokens are designed to provide support to the “ecosystem” and investors will be rewarded with the products, perks, and/or income of the start-up businesses.
9. Baltic Fund’s website claims, among other things, the following:
 - a. “Baltic Fund is managed by the team of highly experienced professionals with a proven track record in business creation, consulting, advisory & software development areas. We have buil [sic] numerous businesses and today we see, that there’s more to be done via the Baltic Fund....”;
 - b. “We are building the platform, where you support the start-ups you like with BALT tokens and get perks or income for doing this. Be the first one to get the unique products and other benefits from the most promising...start-ups!” (Emphasis in the original);
 - c. “All the start-ups, registered at the platform, post a token investors’ proposal:

¹ <https://baltic.fund/>

²CEE, possible abbreviation for Central and Eastern Europe. CIS - abbreviation for Commonwealth of Independent States, which include Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Armenia, Moldova, Russia, Tajikistan, and Uzbekistan. ’

- i. how many tokens do they need;
 - ii. what do they need them for (development, production, marketing, etc.);
 - iii. what would they offer their backers in return”:
 - d. “So what start-ups can offer you for your support:
 - i. their products and services;
 - ii. partnership and collaboration (help with some your tasks);
 - iii. tokenized loan (they take your tokens, and give them back to you with multiplication after a certain period, buying BALT tokens at a public crypto exchange)”;
 - e. “How does Baltic Fund and NHB incubator help start-ups for the tokens you invested:
 - i. incubation program with the experts from EU and the US, and our own mentors;
 - ii. production and engineering facilities, other incubator’s office opportunities;
 - iii. BHV Labs’ developers, designers, marketers, [public relations] pros, analysts, engineers, etc.;
 - iv. venture partners;
 - v. and the growing number of new opportunities”;
 - f. “What happens after the incubation:
 - i. start-ups launch their products (and the contributor gets one);
 - ii. partnership and collaboration (help with some of your tasks);
 - iii. start-ups grow and develop (and the price of your investments grow)”;
 - g. “An investor gets product and income, a start-up develops, we help and manage....Profit!” (Emphasis in the original.)
10. In the company’s white paper (“the White Paper”), Baltic Fund claims to offer investors investment(s) into start-ups via the platform, with additional opportunities to use BHV services and community.

11. The White Paper also explains how BHV earns its profit. BHV expects to make a profit of three (3) to ten (10) times the original investment and will make additional profits from the Incubator on dividends from the start-up companies.
12. The profits are dependent upon the BHV Incubator (“the BHV Incubator”), which focuses primarily on the incubation of technological and innovational industries, with emphasis on hardware, security, blockchain, AI, enterprise software, business automation, and financial technologies.
13. Baltic Fund offered investors the opportunity to invest in BALT tokens during a private pre-sale from January 26, 2018 through February 5, 2018. During the private pre-sale, in which only whitelisted investors could take part in, they would receive a 20% bonus with a minimum purchase of 100 ETH.
14. From February 19, 2018 through March 26, 2018, Baltic Fund offered to investors a 15% bonus in a public pre-sale with a minimum purchase of 0,02 ETH.
15. From April 26, 2018 through April 27, 2018, there was a public sale that offered investors a 10% bonus with a minimum purchase of 0,025 ETH.
16. There are two more public sales for the BALT tokens on May 24 through May 25, 2018 and June 18, 2018 through June 19, 2018.
17. According to the Baltic Fund’s Initial Coin Offering (“ICO”) timeline, on June 1, the tokens will be unlocked for public trading at cryptostocks.
18. The White Paper also provided, among other things, the following:
 - a. “...Our team are vastly experienced in this particular market environment...”;
 - b. “...our [Initial Coin Offering] offers to widen the scale for investors...”;
 - c. “...we raised funds from institutional investors and private equity...”;
 - d. “...all funds being raised in cryptocurrency will be converted to Euro and invested in the traditional manner...”;
 - e. “Token Description:
 - i. Baltic fund tokens: 165,000,000 tokens to be issued; 150,000,000 tokens for sale; [and] 15,000,000 tokens not for sale (advisors, team, bounty);
 - ii. Token price: 1 Baltic Fund token = 0,00020 ETH for public pre-sale, 0,00025 ETH for sale; [and] Minimum amount of purchase – 100 tokens;

- iii. Bonuses: pre-sale – 15% bonus (minimum amount of purchase – 100 tokens, +5% bonuses for payments 100 + ETH; [and] sale – 10% bonus (minimum amount of purchase – 100 tokens, +5% bonus for payments 100+ ETH)”;
 - f. “Each token-holder can easily become a part of our blockchain-based start-up ecosystem, no matter where he or she is located....”;
 - g. “The token allows you to purchase the following services on platform:
 - i. Acceleration (online/offline) for your or your friend’s start-up;
 - ii. Online 1-to-1 consulting sessions with the community mentors/advisors;
 - iii. Tickets and priority entrance to our events;
 - iv. Discounts for the most significant global start-up events;
 - v. Membership (or virtual residency) in our coworking and discounts at partner’s coworkings worldwide; and
 - vi. Or simply sell your token: in the community; at the crypto stock; [or] back to the platform with multiplier.”
19. Baltic Fund is recruiting investors to join their bounty program, which encourages investors to spread the word about the Baltic Fund through social media sites, and get rewarded with BALT tokens.

C. Misstatements or Omissions

20. Baltic Fund claims on its website to have a Design and Development Team. The LinkedIn profile associated with said team links back to Baltic Fund’s website. In addition, the photo purported to be the Design and Development Team is an individual identified as Nadia Romanova, who appears to have no affiliation with Baltic Fund.
21. Baltic Fund’s website claims that, “The price of a token is expected to grow constantly during the next several years while the capitalization of the startups is growing”
22. Baltic Fund’s website further states to professional investors “Next unicorn might be here, just around the corner.”³
23. The White Paper states that the BHV offers a “safe investment” to investors.

³ In the context of investments, a unicorn references a startup company with a value of over \$1 billion dollars.

II. COMMISSIONER'S DETERMINATION AND FINDINGS

Violations of Offering and Selling Unregistered, Non-Exempt Securities

24. **THE COMMISSIONER DETERMINES** that Respondent offered unregistered, non-exempt securities in the state of Missouri, by, among other things:
 - a. soliciting Missouri residents to invest, or providing them access to invest, in Respondent;
 - b. representing that the Missouri residents's investments were to be used by Respondent to finance start-up companies in Eastern Europe;
 - c. representing that the Missouri residents would expect a profit from the efforts of Respondent and not from the Missouri residents own efforts; and
 - d. representing that the Missouri residents expected profits were interwoven with and dependent upon the efforts of Respondent.
25. These activities constitute an offer to sell as that term is defined in Section 409.1-102(26).
26. The investments Respondent offered to sell to Missouri residents constitute securities as that term is defined in Section 409.1-102(28).
27. At all times relevant to this matter, there was no registration, granted exemption, or notice filing indicating status as a "federal covered security" for the securities offered by Respondent.
28. Respondent offered and/or sold securities in Missouri without these securities being (1) a federal covered security, (2) exempt from registration under Sections 409.2-201 or 409.2-203 or (3) registered under the Missouri Securities Act of 2003.
29. Respondent's conduct in violation of Section 409.3-301 constitutes an illegal act, practice, or course of business and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.

Multiple Violations of Making an Untrue Statement, Omitting to State Material Facts or Engaging in an Act, Practice, or Course of Business that Would Operate as a Fraud or Deceit Upon Another Person in Connection with the Offer or Sale of Securities

30. **THE COMMISSIONER FURTHER DETERMINES** that in connection with the offer, sale or purchase of securities, specifically BALT tokens, Respondent through its website and white paper, made untrue statements or omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to:

- a. the photo used on its website for a member of its Design and Development is of a Nadia Romanova, who does not appear to have any affiliation with the Baltic Fund;
 - b. “the price of a token is expected to grow constantly in the next several years...”;
 - c. “The next unicorn might be here, just around the corner”;
 - d. investing in BALT tokens is a safe investment;
 - e. does not disclose Baltic Funds assets, liabilities, or other financial information;
 - f. does not disclose the basis it uses to the set price of the BALT token; and
 - g. does not disclose the risk of cryptocurrency exchanges.
31. **THE COMMISSIONER FURTHER DETERMINES** that in connection with the offer, sale or purchase of a security, Respondent’s material statements or omissions, in light of the circumstances under which they were made, are misleading that would operate as a fraud or deceit upon another person because:
- a. cryptocurrencies are volatile investments;
 - b. the price of cryptocurrencies in relation to fiat currency may decrease over a short period of time, resulting in loss to purchases of the cryptocurrency; and
 - c. international, federal, or state legislation or regulations may affect the use, transfer, or exchanges of cryptocurrencies, thereby adversely affecting the price of cryptocurrencies.
32. Respondent made untrue statements of material fact or omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading or engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person in violation of Section 409.5-501.
33. Respondent’s conduct in violation of Section 409.5-501, constitutes engaging in an illegal act, practice, or course of business, and such conduct is, therefore, subject to the Commissioner’s authority under Section 409.6-604.
34. This order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. *See* Section 409.6-605(b).

III. ORDER

NOW, THEREFORE, it is hereby ordered that Respondent, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order be prohibited from violating or materially aiding in any violation of:

- A. Section 409.3-301, by offering or selling any securities as defined by Section 409.1-102(28), in the state of Missouri unless those securities are registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.3-301; and
- B. Section 409.5-501, by, in connection with the offer or sale of securities, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading or engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

IV. STATEMENT

Pursuant to Section 409.6-604, the Commissioner hereby states that he will determine whether to grant the Enforcement Section's request for:

- A. \$10,000 against Respondent for more than one violation of Section 409.3-301;
- B. \$10,000 against Respondent for more than one violation of Section 409.5-501; and
- C. An order against Respondent to pay the costs of the investigation in this proceeding, awarding an amount to be determined after review of evidence submitted by the Enforcement Section.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS TWENTY FIRST DAY OF MAY, 2018.



JOHN R. ASHCROFT
SECRETARY OF STATE


DAVID M. MINNICK
COMMISSIONER OF SECURITIES



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

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178F)	
Vilnius)	
Lithuania)	
)	
and via email: support@baltic.fund)	

NOTICE

TO: Respondent and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), 409.4-412(f), RSMo. (2016), and 15 CSR 30-55.020. Any request for a hearing before the Commissioner must contain:

- a. a brief statement of the facts;
- b. a summary of the factual and legal issues involved;
- c. a request for relief;
- d. suggestions in support of the relief sought, including the relevant statutes;
- e. the name of the party requesting the hearing; and f. the name of the attorney representing the party, if any.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

**David M. Minnick, Commissioner of Securities
Office of the Secretary of State, Missouri
600 West Main Street, Room 229
Jefferson City, Missouri, 65102**

CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of May, 2018, a copy of the foregoing Final Order to Cease and Desist and Order Awarding Restitution, Civil Penalties, and Costs in the above styled case was **mailed by certified U.S. mail to:**

Baltic Fund
Savanoriu pr.
178F
Vilnius
Lithuania

and via email: support@baltic.fund

and by hand-delivery to:

Desiree J. Vitale
Enforcement Counsel
Missouri Securities Division



Laurie Dawson
Securities Office Manager