

## ALABAMA SECURITIES COMMISSION

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### **Sand Vegas Casino Club Located in the Metaverse is Soliciting Investors to Invest Real Money in Un-Registered Investments**

**Montgomery, Alabama (April 13, 2022)** – Alabama Securities Commission (ASC) and Texas State Securities Board entered Cease and Desist Orders to stop a fraudulent investment scheme tied to the metaverse. The orders name Sand Vegas Casino Club, Martin Schwarzberger and Finn Ruben Warnke and accuses them of illegally offering securities in the form of non-fungible tokens (NFTs) to fund the development of a virtual casino in the metaverse.

Sand Vegas Casino Club, not to be confused with Las Vegas Sands Corporation, is currently under construction (in the metaverse). According to Sand Vegas Casino Club's YouTube channel, the casino will have bright lights, slot machines, card games, fancy drinks and will offer patrons a chance to win a fortune. Sand Vegas Casino Club is seeking early investors who will share in future profits. We expect that this type of offering to investors is just the beginning because other developers are purchasing land to develop other business ventures. This venture, and others just like it, is different because the land, construction, and gaming **is happening in the Metaverse**.

The term metaverse generally refers to a single or series of interconnected virtual worlds that can promote interactivity, entertainment, and commerce. Users access these virtual worlds through digital representations of themselves, often referred to as avatars, and socialize, play, shop or even work in digital environments. Metaverses have been generating considerable interest as large corporations continue to invest in augmented realities and new technologies increasingly intersect with popular culture such as television shows, movies, and video games.

The metaverse casinos reportedly act as real casinos except they operate in virtual worlds. Gamblers, acting through avatars, can enter the metaverse casinos and play poker and other games using cryptocurrencies. Purchasers of the NFTs are told they will profit from these operations. Not only do they become owners of the metaverse casino, but they also purportedly share in **half of the profits** generated from the metaverse casino – including profits from gambling and profits from the sale of digital assets representing drinks and cigarettes.

"The metaverse provides brands with new commercial opportunities, and investors are now being exposed to the latest high-tech products," said ASC Director Joseph Borg. "However, bad actors are now leveraging interest in these opportunities and products. Virtual reality can leave you virtually broke."

Owners acquire NFTs through 'minting', a term that refers to the publication of a digital asset on a blockchain or purchase them from listings on an online marketplace. The NFTs are purchased via the cryptocurrency Ether. The crypto market is volatile, and the NFT price could fluctuate dramatically. On April 9, 2022, the listing price for a Sand Vegas Casino Club NFT ranged from 0.23 Ether (valued approximately \$744.38) to 777.77 Ether (valued approximately \$2.5 million). Respondents are representing that that Sand Vegas Casino Club NFT owners will earn between \$102 and \$6,750 per NFT per month or \$1,224 and \$81,000 per NFT per year.

“Gambling is always risky and investing bears some risk as well, but a successful long-term investment plan requires some work” said Chief Deputy Director Amanda Senn. “Sure, some people get lucky when gambling or playing the lottery, but the odds of winning are not in your favor.”

Cybersecurity is typically a key threat to online investment programs, and this case proves no different. For example, respondents claimed their social media was hacked in January 2022. The hacker allegedly used a bot to spoof a platform for minting NFTs and misappropriated 50 Ether, valued at around \$154,000 on the incident date, from the social media followers.

According to the order, the respondents are also advising followers the NFTs are not regulated as securities, falsely claiming the securities laws do not regulate any NFTs. The respondents are also devising a scheme to obstruct any attempt to regulate the NFTs. They are falsely telling purchasers they can avoid securities regulation by implementing illusory features or use different terminology. The respondents are not registered to sell securities in Alabama, and the NFTs are not registered or permitted for sale in Alabama. You can view the order by clicking [here](#).

The ASC cautions investors to thoroughly research any investment opportunity. Call the ASC at 1-800-222-1253 and ask for the registration department to check out persons offering investment opportunities, investment advice for a fee and any products they offer. Contact the ASC to report suspected fraud, inappropriate securities business practices, or to obtain consumer information. Free investor education and fraud prevention materials are available at [www.asc.alabama.gov](http://www.asc.alabama.gov).

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For further information contact 1-800-222-1253 and ask for Public Affairs.

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