

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

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IN THE MATTER OF §
KP FINANCIALS, LLC, KEVIN VU PHAM, §
DANIEL AJWANI AND GERALD JOHNSON §

Order No. ENF-20-CDO-1827

KP FINANCIALS, LLC

Service by certified mail, return receipt requested, addressed to (1) 11801 Domain Boulevard, Floor 3, Austin, Texas 78758; (2) 2600 Halite Bend, Pflugerville, Texas 78660; (3) 17350 State Highway 249, Suite 220 #2253, Houston, Texas 77064; and (4) care of Legallnc Corporate Services, its Registered Agent, at 10601 Clarence Drive, Suite 250, Frisco, Texas 75033.

KEVIN VU PHAM

Service by certified mail, return receipt requested, addressed to (1) 11801 Domain Boulevard, Floor 3, Austin, Texas 78758; (2) 2600 Halite Bend, Pflugerville, Texas 78660; (3) 17350 State Highway 249, Suite 220 #2253, Houston, Texas 77064; and (4) care of Legallnc Corporate Services, the Registered Agent for KP Financials, LLC, at 10601 Clarence Drive, Suite 250, Frisco, Texas 75033.

DANIEL AJWANI

Service by certified mail, return receipt requested, addressed to (1) 11801 Domain Boulevard, Floor 3, Austin, Texas 78758; (2) 2600 Halite Bend, Pflugerville, Texas 78660; (3) 17350 State Highway 249, Suite 220 #2253, Houston, Texas 77064; and (4) care of Legallnc Corporate Services, the Registered Agent for KP Financials, LLC, at 10601 Clarence Drive, Suite 250, Frisco, Texas 75033.

GERALD JOHNSON

Service by certified mail, return receipt requested, addressed to (1) 11801 Domain Boulevard, Floor 3, Austin, Texas 78758; (2) 2600 Halite Bend, Pflugerville, Texas 78660; (3) 17350 State Highway 249, Suite 220 #2253, Houston, Texas 77064; and (4) care of Legallnc Corporate Services, the Registered Agent for KP Financials, LLC, at 10601 Clarence Drive, Suite 250, Frisco, Texas 75033.

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 23-2 of The Securities Act, Tex. Rev. Civ. Stats. Ann. arts. 581-1 - 581-45 (the "**Securities Act**").

The Staff of the Enforcement Division of the Texas State Securities Board (the "**State Securities Board**") has presented evidence sufficient for the Securities Commissioner to find that:

FINDINGS OF FACT

1. KP Financials, LLC ("**Respondent KP Financials**"), can be served by certified mail, return receipt requested, addressed to (1) 11801 Domain Boulevard, Floor 3, Austin, Texas 78758; (2) 2600 Halite Bend, Pflugerville, Texas 78660; (3) 17350 State Highway 249, Suite 220 #2253, Houston, Texas 77064; and (4) care of Legallnc Corporate Services, its Registered Agent, at 10601 Clarence Drive, Suite 250, Frisco, Texas 75033.
2. Kevin Vu Pham ("**Respondent Pham**") is the Founder and Managing Member of Respondent KP Financials. He can be served by certified mail, return receipt requested, addressed to (1) 11801 Domain Boulevard, Floor 3, Austin, Texas 78758; (2) 2600 Halite Bend, Pflugerville, Texas 78660; (3) 17350 State Highway 249, Suite 220 #2253, Houston, Texas 77064; and (4) care of Legallnc Corporate Services, the Registered Agent for Respondent KP Financials, at 10601 Clarence Drive, Suite 250, Frisco, Texas 75033.
3. Daniel Ajwani ("**Respondent Ajwani**") is the Co-Founder of and an Account Executive for Respondent KP Financials. He can be served by certified mail, return receipt requested, addressed to (1) 11801 Domain Boulevard, Floor 3, Austin, Texas 78758; (2) 2600 Halite Bend, Pflugerville, Texas 78660; (3) 17350 State Highway 249, Suite 220 #2253, Houston, Texas 77064; and (4) care of Legallnc Corporate Services, the Registered Agent for Respondent KP Financials, at 10601 Clarence Drive, Suite 250, Frisco, Texas 75033.
4. Gerald Johnson ("**Respondent Johnson**") is an Account Specialist for Respondent KP Financials. He can be served by certified mail, return receipt requested, addressed to (1) 11801 Domain Boulevard, Floor 3, Austin, Texas 78758; (2) 2600 Halite Bend, Pflugerville, Texas 78660; (3) 17350 State Highway 249, Suite 220 #2253, Houston, Texas 77064; and (4) care of Legallnc Corporate Services, the Registered Agent for Respondent KP Financials, at 10601 Clarence Drive, Suite 250, Frisco, Texas 75033.

THE PUBLIC ADVERTISEMENT

5. Respondents KP Financials and Johnson published an advertisement in the financial services section of Craigslist targeting residents of Austin, Texas.
6. The advertisement promotes Respondent KP Financials and its managed forex portfolio investments.
7. It claims Respondent KP Financials is earning an average return of three percent per month and boasts a client satisfaction rate of 100%.

8. It also contains a field titled "license info" that reads "Registering with the Texas SEC and Series 34."

RESPONDENT JOHNSON AND THE
PITCH OF THE MANAGED FOREX PORTFOLIO INVESTMENTS

9. Respondent Johnson is responding to Texans who reply to the advertisement, and he is promoting Respondent KP Financials and pitching the investments in managed forex portfolios.
10. Respondents KP Financials and Johnson are telling potential investors Respondent KP Financials trades forex in the managed forex portfolios and averages a return of three percent per month.
11. Respondents KP Financials and Johnson are telling potential investors they will be entirely passive, and they only need to track their progress and watch their money grow.

RESPONDENT JOHNSON AND HIS
DESCRIPTION OF RESPONDENT KP FINANCIALS

12. Respondents KP Financials and Johnson are telling potential investors Respondent KP Financials has been a company for about four years and just completed a major rebranding.
13. Respondents KP Financials and Johnson are telling potential investors Respondent KP Financials is the only investment firm in the Texas area – and perhaps the United States – that invests in the foreign exchange market on behalf of investors.
14. Respondents KP Financials and Johnson are telling potential investors the foreign exchange market is a new market and, because the foreign exchange market is a new market, Respondent KP Financials has generated exponential growth in the past months and all customers are very happy with the results.

RESPONDENT AJWANI AND HIS DESCRIPTION OF RESPONDENT
KP FINANCIALS AND THE MANAGED FOREX INVESTMENT PORTFOLIOS

15. Respondents KP Financials and Ajwani are telling potential investors Respondent KP Financials employs 40 account specialists and around 20 traders, and the company is growing day-by-day.
16. Respondent KP Financials and Ajwani are telling potential investors that around 80 clients have already invested with Respondent KP Financials.
17. Respondents KP Financials and Ajwani are telling potential investors Respondent KP Financials is taking advantage of changes in the markets due to COVID-19,

and they are claiming March 2020 was the most profitable month because Respondent KP Financials was able to “take advantage of that chaos.”

18. Respondents KP Financials and Ajwani are telling potential investors that changes in the markets due to COVID-19 have led many clients to use funds in their 401k accounts to purchase managed forex accounts. They are explaining these clients can recover the 30 percent penalty in less than a year by investing in the managed forex accounts.
19. Respondents KP Financials and Ajwani are comparing the risks of investing in the stock market with the risk of investing in the managed forex accounts, telling investors the risk associated with investments in the managed forex accounts is “very low.”
20. Respondents KP Financials and Ajwani are directing potential investors to the firm’s public website, which is publicly accessible at www.kpfinancials.com (the “KP Financials Website”).

THE PUBLIC WEBSITE

21. The KP Financials Website promotes Respondent KP Financials and its investments in managed forex portfolios.
22. The KP Financials Website promotes these investments using testimonials coupled with stock photographs that represent as follows:
 - A. The testimonial purportedly authored by A.G. represents “[t]heir Forex trading is reliable, consistent and profitable. I highly recommend investing with them to create a passive income stream to grow your wealth.”
 - B. The testimonial purportedly authored by J.M. represents, “[i]f you are looking to multiply your capital with very[,] minimal risk and maximum reward in return, investing with KP Financials would be one of the best decisions you can make.”
 - C. The testimonial purportedly authored by J.G. represents, “[t]hey have made me 3-6% every month since we started working together.”
 - D. The testimonial purportedly authored by L.G. represents, “[s]ince I started investing, all I’ve seen are positive results... With everything that’s happening with COVID-19, while my 401k kept on going down, the money with KP [F]inancials kept going up... The only regret we have is that we didn’t invest sooner.”
 - E. The testimonial purportedly authored by J.W. represents, “[w]ith KP managing my funds, I have made consistent, solid returns while also diversifying my portfolio even more than it previously was.”

23. Respondents KP Financials and Ajwani are telling potential investors the KP Financials Website will soon provide access to “partnerships,” permitting investors to receive discounts on lawncare and other services, and providing investors with access to Respondent KP Financials’ private jets.

THE MANAGED FOREX INVESTMENT PROGRAMS

24. Respondents KP Financials, Pham, Ajwani and Johnson (collectively the “**Respondents**”) are offering two different investments in managed forex accounts issued by Respondent KP Financials:
- A. An investor can purchase an investment in a portfolio for a minimum deposit of \$10,000, and Respondent KP Financials will trade forex in an account on behalf of the investor; or
 - B. An investor can purchase an investment in a pooled account for a minimum deposit of \$3,000, and their funds will be commingled with funds from other clients and traded on behalf of other clients as a pool.
25. The term of each investment is generally one year, but investors can withdraw funds or close their accounts prior to the term if they pay a penalty equal to 25 percent of the value of their account.
26. Investors are responsible for paying the following fees:
- A. A fee of 30% of profits payable to Respondent KP Financials as an investment management fee; and
 - B. A fee of 1% for every deposit or withdrawal, up to \$1000, and any brokerage fees or transaction fees.

THE MANAGEMENT AGREEMENT

27. Respondents are providing investors with a Discretionary Investment Management Agreement (the “**Agreement**”) that sets forth the terms and conditions of the investments in managed forex portfolios, and investors must execute the Agreement to purchase investments in managed forex portfolios.
28. The Agreement designates Respondent KP Financials as the Advisor and conveys it with full discretion and authority to manage all assets and property held in investors’ accounts.
29. The Agreement also authorizes Respondent KP Financials to invest as follows:
- A. It authorizes Respondent KP Financials to invest in cash and cash equivalents, including foreign currency; and

- B. It authorizes Respondent KP Financials to invest or reinvest money and assets in any market and to purchase, sell and otherwise trade in securities.
30. The Agreement also represents Respondent KP Financials is registered as follows:
- A. It represents Respondent KP Financials is registered as a "portfolio manager" and "exempt market dealer;" and
 - B. It represents the principal regulator of Respondent KP Financials is "N/A."
31. The Agreement further reflects Respondent KP Financials is responsible for identifying the investment needs and objectives of clients and the risk tolerance and financial circumstances of clients, as well as ensuring the investment is a suitable investment.

THE ACCOUNT STATEMENTS

32. Respondents KP Financials and Johnson are providing potential investors with records for an account maintained in the name of Respondent Pham at TW Corp. that purport to reflect profitable trades executed on nineteen days from May 7, 2020, through August 17, 2020.

THE REFERRAL PROGRAMS

33. Respondents are representing Respondent KP Financials will pay commissions to existing investors for referring new purchasers of investments in managed forex portfolios, and the commissions will be equal to 2% of the value of each new investor's initial deposit.
34. Respondents are representing Respondent KP Financials will also pay royalties to existing investors for referring new purchasers of investments in managed forex portfolios, and the royalty will be residual income equal to 2% of the value of each new investor's account.

REGISTRATION

35. Respondents have not been registered with the Securities Commissioner as dealers or agents at any time material hereto.
36. Respondents have not been registered or notice-filed with the Securities Commissioner as investment advisers or investment adviser representatives at any time material hereto.
37. The investments in managed forex portfolios have not been registered by qualification, notification, or coordination at any time material hereto, and no permit has been granted for their sale in Texas.

FRAUD AND THE FAILURE TO DISCLOSE FINANCIAL INFORMATION

38. In connection with the offer of the investments in managed forex portfolios, Respondents KP Financials and Pham are intentionally failing to disclose Respondent KP Financials' assets and liabilities, as well as any other financial information relevant to the firm and its operations, and this information constitutes a material fact.

FRAUD AND THE FALSE CLAIMS RELATING TO THE REGULATION OF RESPONDENT KP FINANCIALS

39. In connection with the offer of the investments in managed forex portfolios, Respondents KP Financials and Johnson are publishing an advertisement that contains a field titled "license info" that reads "Registering with the Texas SEC and Series 34." These statements are misrepresentations of relevant facts because the State Securities Board is the securities regulator in Texas, Respondents have not registered and are not registering with the State Securities Board and Respondents Pham, Ajwani and Johnson have not sat for the Series 34 exam in Texas.
40. In connection with the offer of the investments in managed forex portfolios, Respondents are providing investors with the Agreement and the Agreement represents Respondent KP Financials is registered as a "portfolio manager" and "exempt market dealer." These statements constitute misrepresentations of relevant facts because Respondents are not registered with the State Securities Board, the Commodity Futures Trading Commission or the National Futures Association.
41. In connection with the offer of the investments in managed forex portfolios, Respondents are providing investors with the Agreement and the Agreement represents the principal regulator of Respondent KP Financials is "N/A." This statement is materially misleading or otherwise likely to deceive the public because:
- A. The State Securities Board is the principal regulator of Respondents;
 - B. Respondents must be registered with the State Securities Board as dealers or agents; and
 - C. The forex trading investments must be registered with or permitted by the State Securities Board.

FRAUD AND THE AUTHORITY OF RESPONDENT KP FINANCIALS TO RENDER SERVICES AS AN INVESTMENT ADVISER

42. In connection with the offer of the investments in managed forex portfolios, Respondents are representing they will use client monies to trade forex for a profit.

These statements are materially misleading or otherwise likely to deceive the public because:

- A. Respondents are requiring investors to execute the Agreement, and the Agreement actually authorizes Respondent KP Financials to invest or reinvest money and assets in any market and to purchase, sell and otherwise trade in securities;
- B. Respondent KP Financials must be registered or notice-filed as an investment adviser with the State Securities Board to render services as an investment adviser;
- C. Respondent KP Financials is not registered or notice-filed as an investment adviser with the State Securities Board;
- D. Respondents Pham, Ajwani and Johnson must be registered or notice-filed as investment adviser representatives with the State Securities Board to render services as investment adviser representatives; and
- E. Respondents Pham, Ajwani and Johnson are not registered or notice-filed as investment adviser representatives with the State Securities Board.

FRAUD AND THE CLAIMS OF SUITABILITY

- 43. In connection with the offer of the investments in managed forex portfolios, Respondents are representing Respondent KP Financials is responsible for identifying the investment needs and objectives of clients and the risk tolerance and financial circumstances of clients, as well as ensuring the investment is a suitable investment.
- 44. These statements constitute misrepresentations of relevant facts because Respondents are not taking any material steps to identify the investment needs and objectives of clients or the risk tolerance and financial circumstances of clients.
- 45. These statements also constitute misrepresentations of relevant facts because Respondents are not taking any material steps to ensure the investments are suitable investments.

DECEIT AND THE INCOMPLETE TRADING RECORDS

- 46. Respondents KP Financials and Johnson are providing potential investors with records for an account maintained in the name of Respondent Pham at TW Corp. that purport to reflect profitable forex trades executed on nineteen days from May 7, 2020, through August 17, 2020.
- 47. These trading records are statements that are materially misleading or otherwise likely to deceive the public because:

- A. The records reflect forex trades in a personal account held in the name of Respondent Pham and not forex trades in an account held in the name of Respondent KP Financials or clients of Respondent KP Financials; and
- B. They do not reflect forex trades placed or executed on any other date, including on days between May 7, 2020, and August 17, 2020.

DECEIT AND THE RISK OF THE INVESTMENTS IN THE MANAGED FOREX PORTFOLIOS

- 48. Respondents KP Financials and Ajwani are telling investors the risk associated with investments in the managed forex accounts is "very low." The representations are materially misleading or otherwise likely to deceive the public because the Agreement reflects significant risks, including the risk that foreign currencies can lose value when the US dollar rises against foreign currencies and the risk domestic and foreign governments can impose currency exchange restrictions that limit the ability to buy and sell foreign currencies.

FRAUD AND THE OPERATING HISTORY OF RESPONDENT KP FINANCIALS

- 49. In connection with the offer of the investments in the managed forex accounts, Respondents KP Financials and Johnson are claiming Respondent KP Financials has been a company for about 4 years and just completed a major rebranding.
- 50. These statements are misrepresentations of a relevant fact because the records of the Texas Secretary of State reflect that Respondent Pham organized Respondent KP Financials several months ago, having filed the Certificate of Formation on or about June 30, 2020.

THE CLAIMS OF THE EXCLUSIVITY OF THE INVESTMENT

- 51. As described herein, Respondents KP Financials and Johnson are representing Respondent KP Financials is the only investment firm in the Texas area – and perhaps the United States – that invests in the foreign exchange market on behalf of investors.
- 52. These statements are materially misleading or otherwise likely to deceive the public because other firms in Texas and the United States are investing in the foreign exchange market on behalf of investors.

DECEPTION AND THE REFERRAL PROGRAMS

- 53. Respondents are promising to pay commissions and royalties to investors who refer new purchasers of investments in managed forex accounts. These representations are materially misleading or otherwise likely to deceive the public because Respondents are not disclosing the following information:

- A. Persons who offer and sell securities in Texas, including investments in the managed forex portfolios, who are not registered as dealers or agents and who do not qualify for an exemption violate Section 12 of the Securities Act; and
- B. Persons who offer and sell investments in the managed forex portfolios in Texas are offering unregistered securities in violation of Section 7 of the Securities Act.

CONCLUSIONS OF LAW

1. The forex trading investments are securities as the term is defined by Section 4.A of the Securities Act.
2. Respondents are violating Section 7 of the Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondents are violating Section 12 of the Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Securities Act.
4. Respondents are engaging in fraud in connection with the offer for sale of securities.
5. Respondents have made an offer containing statements that are materially misleading or otherwise likely to deceive the public.
6. Respondents' conduct, acts, and practices threaten immediate and irreparable public harm.
7. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Securities Act.

ORDER

1. It is therefore ORDERED 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 pursuant to an exemption from registration under the Securities Act.
2. It is further ORDERED Respondents immediately CEASE AND DESIST from acting as a securities dealer or agent in Texas until Respondents are registered with the Securities Commissioner or is acting pursuant to an exemption from registration under the Securities Act.
3. It is further ORDERED 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 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 23-2 of the Texas 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 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$10,000, 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 19th day of November, 2020.



TRAVIS J. ILES
Securities Commissioner