

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

5 VRV LLC;
6 Qinglun Zeng;
Xiaobing Wang,

Respondents.

Order No. S-22-3445-23-SC01

STATEMENT OF CHARGES AND NOTICE OF
INTENT TO ENTER ORDER TO CEASE AND
DESIST, TO IMPOSE A FINE, AND TO CHARGE
COSTS

7 **THE STATE OF WASHINGTON TO:**

VRV LLC
Qinglun Zeng
Xiaobing Wang

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10 **STATEMENT OF CHARGES**

11 Please take notice that the Securities Administrator of the State of Washington has reason to believe
12 that Respondents VRV LLC, Qinglun Zeng, and Xiaobing Wang have violated the Securities Act of
13 Washington. The Securities Administrator believes these violations justify the entry of an order against
14 Respondents VRV LLC, Qinglun Zeng, and Xiaobing Wang to cease and desist from such violations, to
15 impose a fine, and to charge costs pursuant to RCW 21.20.390 and RCW 21.20.395. The Securities
16 Administrator finds as follows:

17 **TENTATIVE FINDINGS OF FACT**

18 **Respondents**

19 1. Respondent VRV LLC (“VRV”) was a Washington limited liability company formed on July
20 9, 2020, with its principal place of business in Seattle, Washington. The Washington Secretary of State
21 administratively dissolved VRV on December 3, 2023 for failure to file a required annual report. VRV’s
22 remaining assets are currently under the management of a receiver, who was appointed by a King County
23 Superior Court judge in connection with a lawsuit against VRV by several former shareholders.

1 2. Respondent Qinglun Zeng (“Zeng”) is a resident of Bellevue, Washington. Zeng served as the
2 manager of VRV from its founding until its dissolution.

3 3. Respondent Xiaobing Wang (“Wang”) is a resident of Bellevue, Washington. Zeng and Wang
4 are a married couple and co-managed VRV.

5 **Related Persons**

6 4. Seanova Inc. (“Seanova”) was a Washington corporation and subsidiary of VRV, originally
7 formed on January 30, 2020. Seanova’s purpose was operating a food distribution facility in the Bellevue
8 area. On June 3, 2023, the Washington Secretary of State administratively dissolved Seanova for failure to
9 file a required annual report.

10 5. Virtual Restaurant LLC was a Washington limited liability company and subsidiary of VRV,
11 originally formed on January 1, 2021. Virtual Restaurant LLC’s purpose was operating a food production
12 facility in south Seattle. Zeng voluntarily dissolved Virtual Restaurant LLC on February 1, 2023.

13 6. University Place WA LLC (“U Place”) is a Washington limited liability company, originally
14 formed on March 30, 2015. U Place’s primary business is operating an apartment complex near the University
15 of Washington’s campus in Seattle. In addition to his VRV duties, Zeng also served as the owner/manager of
16 U Place.

17 **Nature of the Conduct**

18 **Overview**

19 7. From October 2020 to December 2021, VRV raised approximately \$1.58 million from 23
20 investors, primarily through Zeng and Wang. Zeng and Wang generally pitched VRV to investors by telling
21 them that VRV would be a transformational food-service company which would make its investors wealthy.
22 Zeng, Wang, and VRV provided investors with no written risk disclosures of any kind, and provided, at best,
23

1 minimal verbal risk disclosures.¹ In particular, Zeng, Wang and VRV failed to disclose any financial details
2 of VRV’s business, including its current cash position, its current and expected financial needs and scaling
3 plans, or their goals for when VRV would become profitable. Zeng, Wang, and VRV further failed to disclose
4 numerous major risks of investing in VRV, such as (a) how the coronavirus pandemic would affect VRV’s
5 near-term operations and growth prospects, (b) competitive pressure from other similar delivery restaurant
6 businesses, and (c) that the amount of shares that investors received would be partly dependent on unpaid
7 labor they performed for VRV.

8 8. In addition to the lack of financial and risk disclosures described above, Zeng and Wang failed
9 to even tell VRV investors how many shares of the business they would receive, or how their shares would
10 eventually be calculated. While raising money from investors, Zeng and Wang decided that they would not
11 calculate how many shares of VRV each investor would receive, or what percentage of VRV each investor
12 owned. According to Zeng’s testimony before the Securities Division, VRV’s principals determined that after
13 about a year of operating the business, VRV would hold a meeting to determine how many shares its investors
14 would receive, based on the amount invested and the time they contributed to the business. Zeng, Wang, and
15 VRV failed to disclose any facts relating to this calculation to investors, most notably including the details of
16 any formula to make this determination—or even whether such a formula existed. VRV ultimately did not
17 hold any such meeting or perform any such calculation.

18 9. The only document which most VRV investors received was a one-page “VRV Shareholder
19 Agreement.” Although this agreement includes several representations by the shareholder, including that they
20 “will hold a certain position in [VRV] as business development requires,” and that they are “willing to work
21 with the team and help solve problems,” VRV never provided any specific standards relating to these
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23 ¹ Zeng testified before the Securities Division that he verbally disclosed some risks to investors, but the only specific risks he recalled disclosing were (a) that VRV is a new business; (b) that they did not want people to invest an amount that they could not afford to lose; (c) “conflicts between shareholders,” and (d) “a break of the cash flow.”

1 representations, such as what positions would be appropriate for shareholders to take or what sorts of problems
2 they would be expected to solve. VRV did not consistently enforce these provisions, and some early VRV
3 investors did not even receive the shareholder agreement.

4 10. In March 2021, VRV entered into a loan transaction of approximately \$800,000 with U Place,
5 which—as described above—was also managed by Zeng. At the time of the loan transaction, neither VRV
6 nor U Place documented the terms of the loan, including the amount to be loaned, the schedule for repaying
7 the loan, the interest rate of the loan, the intended uses of the loan, the security for the loan (if any), or the
8 circumstances under which the loan would be considered in default. VRV ultimately only documented the
9 loan in response to the above-mentioned lawsuit by VRV shareholders. For investors who invested after the
10 U Place transaction, VRV and Zeng also failed to disclose the use of investor funds to make an undocumented,
11 low-interest loan to an affiliated company of one of VRV’s owners.

12 11. In early 2022, several VRV investors sued the company for Securities Act violations and
13 unpaid wages for labor they had performed on behalf of the company. VRV shut down operations shortly
14 thereafter. VRV is currently under the management of a receiver, appointed by the King County Superior
15 Court in connection with the investor lawsuit, to wind down the company’s operations. According to VRV’s
16 receiver, Zeng and Wang have generally been unresponsive to document requests.

17 “Co-Founder” Registration Claims

18 12. During the Securities Division’s investigation, VRV asserted that its securities did not need to
19 be registered or exempt from securities registration because every investor in the business was a co-founder
20 who played an important role in VRV’s success. However, there is no “co-founder” exemption in securities
21 law, and in actuality, most or all of VRV’s investors were primarily dependent on Zeng and Wang’s
22 management efforts for the success of their investment. First, Zeng and Wang were the only persons with
23 access to or control over VRV’s bank accounts, and all written documentation related to VRV’s ownership

1 indicates that either Zeng or Wang owns the company. The shareholder agreements signed by most of VRV's
2 investors indicate that Zeng is the "Owner" of VRV, and an LLC operating agreement for VRV provided in
3 response to the Securities Division's initial investigative subpoena describes Wang as the "Owner" of the
4 company and Zeng as the "Manager," and provides that the "day-to-day business and affairs of the Company
5 shall be managed by the Manager, which initially shall be Qinglun Zeng." Second, in connection with a
6 lawsuit by VRV shareholders, VRV prepared a summary spreadsheet of the company's investors, the type of
7 work they performed for the company, and the number of hours they worked. According to the spreadsheet,
8 10 of the 23 investors worked fewer than 100 hours, including one who performed two hours of "Market
9 Research" and one who performed no work at all. Zeng and Wang also asserted during the Securities
10 Division's investigation that one of VRV's investors was actually the CEO of the company and responsible
11 for its strategic decisions, but were unable to provide any written evidence supporting their claim.

12 **Registration Status**

13 13. VRV LLC is not and has never been registered to sell its securities in the state of Washington
14 nor has it filed a claim of exemption from registration.

15 14. Respondents Qinglun Zeng and Xiaobing Wang are not and have never been registered as
16 securities salespersons or broker-dealers in the state of Washington.

17 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

18 **CONCLUSIONS OF LAW**

19 1. The offer and/or sale of the VRV LLC interests described above constitutes the offer and/or
20 sale of a security as defined in RCW 21.20.005(14) and (17).

21 2. Respondents VRV LLC, Qinglun Zeng, and Xiaobing Wang violated RCW 21.20.140, the
22 securities registration section of the Securities Act of Washington, by offering and/or selling securities for
23 which no registration is on file with the Securities Administrator.

1 3. Respondents Qinglun Zeng and Xiaobing Wang violated RCW 21.20.040, the licensee
2 registration section of the Securities Act of Washington, by offering and/or selling said securities while not
3 being registered as a securities salesperson or broker-dealer in the state of Washington.

4 4. Respondents VRV LLC, Qinglun Zeng, and Xiaobing Wang violated RCW 21.20.010, the
5 anti-fraud section of the Securities Act of Washington, by making untrue statements of material fact or
6 omitting to state material facts necessary to make the statements made, in light of the circumstances in which
7 they were made, not misleading.

8 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

9 Pursuant to RCW 21.20.390(1), and based upon the Tentative Findings of Fact and Conclusions of
10 Law, the Securities Administrator intends to order Respondents VRV LLC, Qinglun Zeng, and Xiaobing
11 Wang, and their agents and employees, to each permanently cease and desist from violating RCW 21.20.010
12 and RCW 21.20.140, and Respondents Qinglun Zeng and Xiaobing Wang, and their agents and employees,
13 to each permanently cease and desist from violating RCW 21.20.010 and RCW 21.20.040.

14 **NOTICE OF INTENT TO IMPOSE FINES**

15 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law,
16 the Securities Administrator intends to order that Respondents Qinglun Zeng and Xiaobing Wang shall be
17 jointly and severally liable for and shall pay a fine of \$50,000.

18 **NOTICE OF INTENT TO CHARGE COSTS**

19 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law,
20 the Securities Administrator intends to order that Respondents Qinglun Zeng and Xiaobing Wang shall be
21 jointly and severally liable for and for and shall pay the costs, fees, and other expenses incurred in the
22 administrative investigation and hearing of this matter, in an amount not less than \$15,000.

23 **AUTHORITY AND PROCEDURE**

1 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject
2 to the provisions of Chapter 34.05 RCW. Respondents VRV LLC, Qinglun Zeng, and Xiaobing Wang may
3 each make a written request for a hearing as set forth in the Notice of Opportunity for Hearing accompanying
4 this Order. If a respondent does not make a hearing request in the time allowed, the Securities Administrator
5 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent
6 order to cease and desist as to that respondent, to impose any fines sought against that respondent, and to
7 charge any costs sought against that respondent.

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9 SIGNED and ENTERED this 14th day of June, 2024.



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15 /s/
16 _____
17 William M. Beatty
18 Securities Administrator

19 Approved by:
20 /s/
21 _____
22 Brian Guerard
23 Chief of Enforcement

Presented by:
24 /s/
25 _____
26 Adam N. Yeaton
27 Financial Legal Examiner

28 Reviewed by:
29 /s/
30 _____
31 Holly Mack-Kretzler

1 Financial Legal Examiner Supervisor

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STATEMENT OF CHARGES

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Securities Division
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