

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

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

Order No.: S-18-2423-20-C001

CONSENT ORDER

7 Viet-An Hoan Ly,  
8 TangleTrade Management, LLC, and  
9 Inception Capital Management, LLC,

Respondents.

10 THE STATE OF WASHINGTON TO: Viet-An Hoan Ly (CRD #2798912)  
11 TangleTrade Management, LLC (CRD #152028)  
12 Inception Capital Management, LLC (CRD #282514)

13 **INTRODUCTION**

14 On October 20, 2020, the Securities Administrator of the State of Washington issued Statement of  
15 Charges and Notice of Intent to Enter Order to Cease and Desist, to Deny Future Registrations, to Impose  
16 Fines, and to Charge Costs (Statement of Charges), order number S-18-2423-20-SC01, against Viet-An Hoan  
17 Ly, TangleTrade Management, LLC, and Inception Capital Management, LLC.

18 Pursuant to the Securities Act of Washington, the Securities Division and Respondents Viet-An Hoan  
19 Ly, TangleTrade Management, LLC, and Inception Capital Management, LLC enter into this Consent Order  
20 to settle the allegations described in the Statement of Charges.

21 Respondents Viet-An Hoan Ly, TangleTrade Management, LLC, and Inception Capital Management,  
22 LLC neither admit nor deny the following Findings of Fact and Conclusions of Law.

23 **FINDINGS OF FACT**

Respondents

1. Viet-An Hoan Ly is a Washington resident, who acts as the principal of TangleTrade  
Management and Inception Capital Management, two investment adviser companies that he operates. Viet-

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 An Hoan Ly also acted as the principal of Inception Beast Genprex, LLC, a Washington limited liability  
2 company that he formed to invest in stock of Genprex, Inc.

3 2. TangleTrade Management was formed as a Texas limited liability company in 2009. Viet-An  
4 Hoan Ly incorporated the company in Washington in 2014 and has acted as the principal and sole member of  
5 the company since at least that date. TangleTrade Management acts as an investment adviser and general  
6 partner to TangleTrade Fund, LP and Inception Fund, LP. TangleTrade Management has a principal place of  
7 business in Washington.

8 3. Inception Capital Management is a Washington limited liability that Viet-An Hoan Ly formed  
9 in 2015. Viet-An Hoan Ly is the principal and managing member of the company. Inception Capital  
10 Management acts as an investment adviser and General Partner to Inception Tech Fund 7, LP and The Mars  
11 X Fund, LP. Inception Capital Management has a principal place of business in Washington.

12 Other Parties

13 4. TangleTrade Fund, LP is a Texas limited partnership formed in approximately 2009 as an  
14 investment fund.

15 5. Inception Fund, LP is a Texas limited partnership formed in approximately 2011 as an  
16 investment fund.

17 6. Inception Tech Fund 7, LP is a Delaware limited partnership formed in approximately 2015  
18 by Viet Ly as an investment fund.

19 7. The Mars X Fund, LP is a Delaware limited partnership formed in approximately 2015 by Viet  
20 Ly as an investment fund.

21 8. Inception Beast Genprex is a Washington limited liability company that Viet-An Hoan Ly  
22 formed in 2016 for the purpose of investing in Genprex, Inc. The company dissolved in 2018 and had a  
23 principal place of business in Washington.

1 Background

2 9. Since 2011, through TangleTrade Management and Inception Capital Management, Viet-An  
3 Hoan Ly has raised approximately \$13,000,000 for four private investment funds that he manages.<sup>1</sup> In the  
4 course of operating these four funds, Viet-An Hoan Ly violated several provisions of the Securities Act of  
5 Washington, as identified and described later in this document.

6 10. For two of these funds, TangleTrade Fund and Inception Fund, Viet-An Hoan Ly helped raise  
7 approximately \$3,000,000 and \$2,000,000, respectively. Viet-An Hoan Ly raised much of these funds early  
8 on, with an initial pitch to investors that the two funds had the ability to purchase privately-held shares of  
9 Facebook, Inc. These investors were enticed by the possibility of what Viet-An Hoan Ly represented would  
10 be large gains from Facebook’s initial public offering in 2012. However, when Facebook’s initial public  
11 offering disappointed in early months, Viet-An Hoan Ly transitioned TrangleTrade Fund and Inception Fund  
12 investments into privately-held shares of Twitter. After realizing gains from Twitter’s initial public offering  
13 in 2013, Viet-An Hoan Ly then invested TangleTrade Fund and Inception Fund funds in Genprex, Inc., an  
14 early-stage pharmaceutical company. Viet-An Hoan Ly represented to investors that Genprex, which was as  
15 private company at the time, would soon have its initial public offering, providing a large return on investment  
16 to investors. The security was custodied with a third party custodian (“the Custodian”). As the years passed,  
17 though, Viet-An Hoan Ly provided investors with excuses for why Genprex’s initial public offering had not  
18 happened yet, as well as rosy projections of the company’s future value. Genprex finally went public in April  
19 2018, and although the price exceeded \$14.00 per share, it declined substantially by August 2018. The value  
20 of Genprex stock has almost never allowed investors to recover the full value of their investment.

21  
22 <sup>1</sup> Viet-An Hoan Ly also formed Inception Capital Group, LLC, a Washington limited liability company. Inception Capital Group is  
23 the investment adviser to and general partner of Inception Incubator Limited, a private fund that Viet-An Hoan Ly formed. Inception Incubator Limited is composed solely of approximately twenty international investors and primarily invested in privately-held stock of Genprex and AirBnb, Inc.

1 11. For two other funds, Inception Tech Fund 7 and The Mars X Fund, Viet-An Hoan Ly raised  
2 approximately \$4,000,000 for each fund since 2015. Viet-An Hoan Ly again raised funds from friends and  
3 from his professional network. Inception Tech Fund 7 invested in privately-held shares of Genprex, Airbnb,  
4 and Hyperloop Technologies. And the Mars X Fund invested in privately-held shares of SpaceX.

5 12. As of this writing, Viet-An Hoan Ly is in the process of winding down TangleTrade Fund and  
6 Inception Fund to losses. Inception Tech Fund 7 still has a privately-held investment, which has been put up  
7 for sale, after which it will be wound up.

8 13. Through the operation of these funds, Viet-An Hoan Ly, TangleTrade Management, and  
9 Inception Capital management have engaged in the following misconduct.

10 Respondents Acted as Unregistered Investment Advisers

11 *Respondents' Registration History*

12 14. TangleTrade Management advises, at times for a fee, TangleTrade Fund and Inception Fund  
13 on the purchase and sale of each fund's respective securities holdings. Similarly, Inception Capital  
14 Management advises, for a fee, Inception Tech Fund 7 and The Mars X Fund on the purchase and sale of each  
15 fund's respective securities holdings.

16 15. In January 2010, TangleTrade Management registered in Texas as an investment adviser to  
17 TangleTrade Fund.

18 16. In January 2013, TangleTrade Management, assisted by a CPA firm, attempted to also register  
19 in Washington as an investment adviser. Over the next eighteen months, the Securities Division worked with  
20 TangleTrade Management to properly register in the state.

21 17. Before TangleTrade Management could properly register as an investment adviser in  
22 Washington, in July 2014, Viet-An Hoan Ly withdrew the company's registration application with the  
23

1 Securities Division. That same month, Viet-An Hoan Ly withdrew TangleTrade Management’s registration  
2 with the state of Texas.

3 18. In a subsequent filing with the Securities Division in July 2014, Viet-An Hoan Ly claimed that  
4 TangleTrade Management was exempt from registration as an investment adviser in Washington. In a separate  
5 email to the Securities Division, TangleTrade Management represented that it qualified for the venture capital  
6 exemption from registration.

7 19. Although TangleTrade Management asserted that it was exempt from registration as an  
8 investment adviser in Washington, the company was still obligated to file yearly notices with the Securities  
9 Division.<sup>2</sup>

10 20. In these yearly filings with the Securities Division, for 2015, 2016, 2017, and 2018,  
11 TangleTrade Management and its CPA asserted that TangleTrade Management was exempt from registration  
12 with the state, but did not identify upon what basis it was exempt.

13 21. In 2019 and 2020 annual filings with the Securities Division, TangleTrade Management cited  
14 to the venture capital exemption as its basis from exemption from registration. In a 2019 filing with the  
15 Securities Division, TangleTrade Management also cited to the private fund exemption from registration,  
16 although it has not since asserted that exemption.

17 22. Inception Capital Management also never registered as an investment adviser with the  
18 Securities Division. In its yearly filings with the Securities Division, since 2015, Inception Capital  
19 Management has cited to the venture capital exemption from registration. In 2018 and 2019 annual filings,  
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21

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22 <sup>2</sup> These yearly notices require general information about an investment adviser, such as the adviser’s identifying information,  
23 control persons, outside business activities, legal judgments, and private fund management. The yearly notices also require an  
adviser to identify its claim for exemption from registration, if any.

1 Inception Capital Management also cited to the private fund exemption, but the company has not further cited  
2 to that exemption.

3 23. Viet-An Hoan Ly has never been registered as an investment adviser representative with the  
4 Securities Division, citing to an exemption from registration for investment adviser representatives who are  
5 employed by investment advisers who qualify for the venture capital or private fund exemptions from  
6 registration.

7 *Respondents Failed to Qualify for Claimed Exemptions from Registration*

8 24. Neither TangleTrade Management, nor Inception Capital Management qualified for the  
9 venture capital exemption from registration. To qualify for the venture capital exemption, for each fund that  
10 the investment adviser manages, the fund, among other requirements, must represent to investors that it  
11 pursues a venture capital strategy; must restrict a limited partner's ability to withdraw or redeem his or her  
12 limited partner interests, except in extraordinary circumstances; must acquire at least 80% of the fund's assets  
13 directly from the portfolio company; and must acquire at least 80% of the fund's assets from a portfolio  
14 company that is not a reporting company.<sup>3</sup>

15 25. TangleTrade Management and Inception Capital Management failed to meet these  
16 requirements: in the offering material provided to investors, at least one of the funds that TangleTrade  
17 Management and Inception Capital Management advised did not identify itself as a venture capital fund; in at  
18 least one of the funds that TangleTrade Management advised and in both funds that Inception Capital  
19 Management advised, the funds did not acquire 80% of their investments directly from the portfolio company;

20  
21  
22 <sup>3</sup> A reporting company is a company that is subject to ongoing disclosure filings with the Securities and Exchange Commission.  
23 Generally, a company is subject to these disclosure filings if it elects to list a class of securities on a national exchange, if its equity securities are held by a large number of investors or unaccredited investors and the company has a certain amount of assets, or if it elects to pursue certain public securities offering. Reporting companies can be generally contrasted with privately-held companies.

1 and in both funds that TangleTrade Management advised, the funds acquired nearly all of their investments  
2 from a company that has been a reporting company since 2017.

3 26. TangleTrade Management and Inception Capital Management also failed to qualify for the  
4 private fund exemption from registration. To qualify for the private fund exemption, each fund that the  
5 investment adviser manages must be comprised solely of qualified purchasers, that is investors who, among  
6 other requirements, own at least \$5,000,000 in investments. None of the funds that TangleTrade Management  
7 and Inception Capital Management advised were comprised solely of qualified purchasers.

8 27. Since TangleTrade Management and Inception Capital Management do not qualify for either  
9 the venture capital or private fund exemptions, Viet-An Hoan Ly cannot claim any exemption from  
10 registration as an investment adviser representative of both companies.

11 28. Viet-An Hoan Ly and TangleTrade Management have operated in Washington since  
12 approximately 2012, and Inception Capital Management has operated in Washington since 2015. These three  
13 have never been registered with the Securities Division, do not qualify for the exemptions that they have  
14 identified, and have not asserted any other exemptions from registration.

15 29. Had Viet-An Hoan Ly, TangleTrade Management, and Inception Capital Management been  
16 properly registered with the Securities Division, the Securities Division would have routinely examined the  
17 companies, possibly helping prevent the conduct described below.

18 TangleTrade Management Improperly Assessed Performance Fees

19 *TangleTrade Management Collected Over \$1,000,000 in Performance Fees*

20 30. TangleTrade Management assessed TangleTrade Fund and Inception Fund investors  
21 performance fees from approximately 2011 to 2015, without adequate legal basis for doing so.  
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1           31.     TangleTrade Management assessed TangleTrade Fund investors a performance fee of 20% and  
2 Inception Fund investors a performance fee of 10% of each fund’s limited partner’s allocable share of net  
3 profits for the fiscal quarter.

4           32.     Between 2011 and 2013, TangleTrade Management assessed approximately \$70,000 in  
5 performance fees to TangleTrade Fund and approximately \$240,000 in performance fees to Inception Fund.  
6 Viet-An Hoan Ly represented that these performance fees were assessed for the funds’ performance from  
7 their investments in Facebook and Twitter.

8           33.     Then, in 2014, TangleTrade Fund assessed TangleTrade Fund investors approximately  
9 \$377,000 in performance fees and Inception Fund investors approximately \$616,000 performance fees. Viet-  
10 An Hoan Ly represented to the Securities Division that TangleTrade Management assessed these performance  
11 fees as a result of a higher valuation of the funds’ Genprex stock, based on a report which TangleTrade  
12 commissioned from an independent valuation company.

13                   *Most TangleTrade Management and Inception Fund Investors were not Qualified Clients*

14           34.     In Washington, investment advisers can generally only collect performance fees from qualified  
15 clients, with qualified clients generally defined as investors who either have at least \$1,000,000 under the  
16 management of the investment adviser or a net worth of at least \$2,000,000. Most TangleTrade Fund and  
17 Inception Fund never met the qualified client definition, however, TangleTrade Management assessed all of  
18 these investors performance fees anyway.

19                   *TangleTrade Management Assessed Performance Fees on Client Funds that did not Appreciate in Value*

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1 35. Investment advisers may only assess performance fees on the capital gains or the capital  
2 appreciation of an investor's share in the fund; yet in 2014, TangleTrade Management assessed TangleTrade  
3 Fund and Inception Fund performance fees on Genprex stock that had no realized capital appreciation.<sup>4</sup>

4 36. TangleTrade Fund and Inception Fund began purchasing Genprex stock in December 2013.  
5 Genprex was a private company with no ready market for its securities at the time. Viet-An Hoan Ly had  
6 represented to investors that each fund's Genprex stock would be held until Genprex's stock had an initial  
7 public stock offering.

8 37. Within a year, however, TangleTrade Management charged TangleTrade Fund and Inception  
9 Fund approximately \$1,000,000 in performance fees for the year ending 2014, without documenting any  
10 realized capital appreciation in the Genprex stock that the funds had recently purchased and still held.<sup>5</sup>

11 Respondents Failed to Disclose Viet-An Hoan Ly's Conflict of Interest in Writing

12 38. Viet-An Hoan Ly began working as a consultant for Genprex, in October 2016, yet, in an  
13 undisclosed conflict of interest, he continued to solicit investments in Genprex through TangleTrade  
14 Management and Inception Capital Management.

15 39. In October 2016, Viet-An Hoan Ly signed a contract with Genprex to provide consulting  
16 services to the company. As part of the contract, Genprex agreed to make an initial \$10,000 payment to Viet-  
17 An Hoan Ly, then pay him \$7,500 per month.

18 40. In August 2018, Viet-An Hoan Ly signed a new contract with Genprex, in which the company  
19 agreed to pay Viet-An Hoan Ly \$175,000 per year for his consulting services.<sup>6</sup>

20 \_\_\_\_\_  
21 <sup>4</sup> Viet-An Hoan Ly did not cite to an increase in an investor's realized capital gains as a basis for charging these performance fees.

22 <sup>5</sup> For these 2014 performance fees to be accurate, within twelve months the value of TangleTrade Fund's Genprex stock would  
have had to have appreciated by \$1,885,000, and the value of Inception Fund's Genprex stock would have had to have appreciated  
by \$6,160,000. TangleTrade Management cannot document such capital appreciation.

23 <sup>6</sup> In order to save the company money, around approximately March 2019, Viet-An Hoan Ly instead agreed to accept a \$6,000 per  
month payment for his consulting services.

1 41. These consulting services broadly included assisting Genprex with its marketing materials,  
2 providing general advice to the principals of Genprex, and, notably, helping Genprex raise additional funds.

3 42. To date, Genprex has paid Viet-An Hoan Ly over \$300,000 for his work for the company.

4 43. While Viet-An Hoan Ly worked as a consultant for Genprex, Viet-An Hoan Ly, through  
5 TangleTrade Management, raised approximately \$215,000 from at least five investors for TangleTrade Fund  
6 and Inception Fund for the purpose of investing in Genprex.

7 44. Similarly, while Viet-An Hoan Ly worked as a consultant for Genprex, and through Inception  
8 Capital Management, he raised approximately \$290,000 for Inception Tech Fund 7 from approximately  
9 thirteen investors for the purpose of investing in Genprex.

10 45. Neither Viet-An Hoan Ly, TangleTrade Management, nor Inception Capital Management  
11 adequately disclosed this conflict of interest in writing to all investors, that Viet-An Hoan Ly received  
12 compensation from Genprex, while at the same time representing that he would direct fund investments to  
13 Genprex.

14 Viet-An Hoan Ly and TangleTrade Management Falsely Represented Their Use of Investor Funds

15 46. From 2015 onwards, Viet-An Hoan Ly solicited investments in TangleTrade Fund and  
16 Inception Fund, falsely telling some investors that their investments would be used for the respective fund to  
17 purchase additional Genprex stock.

18 47. Between 2015 and 2018, Viet-An Hoan Ly raised approximately \$320,000 for TangleTrade  
19 Fund from at least 7 investors and approximately \$700,000 for Inception Fund from at least 12 investors.

20 48. Viet-An Hoan Ly represented to some of these investors that the respective fund would take  
21 their investment and use it to purchase additional Genprex stock.

22 49. TangleTrade Fund and Inception Fund, though, both had depleted capital accounts from  
23 approximately 2015 through 2017. Consequently, TangleTrade Management used new investor funds in

1 TangleTrade Fund and Inception Fund to pay for documented, invoiced recurring expenses like third-party  
2 administrator fees, accounting fees, and TangleTrade Management’s management fees. Prior to April 1, 2018,  
3 TangleTrade Management also used new investor funds to pay for redemptions for existing limited partners  
4 who requested redemptions, citing hardships. Commencing in 2018, Viet Ly independently paid the third-  
5 party administrator fees and independent accountant’s fees, totaling approximately \$8,300.

6 50. Viet-An Hoan Ly failed to disclose to these newer TangleTrade Fund and Inception Fund  
7 investors that their investment funds would not be used to purchase additional Genprex stock and would  
8 instead be used to make recurring fund payments and to redeem limited partner interests, and disclosed only  
9 that each investor owned an indirect interest in the respective fund’s assets.

10 Viet-An Hoan Ly Made a Number of Misleading Projections About the Value of Fund Investments

11 51. Throughout his management of Inception Fund, Viet-An Hoan Ly made a number of  
12 representations without limited basis in fact, to one or more investors about the fund’s assets:

- 13 a. In November 2012, Viet-An Hoan Ly sought to invest Inception Fund funds into Ostendo  
14 Technologies, Inc., a display technology company that was founded in 2005. In emails to  
15 Inception Fund investors, Viet-An Hoan Ly characterized Ostendo Technologies as a “high-  
16 growth” company with “large potential” that could be “bought out or go public” with a five to  
17 ten billion market capitalization. In December 2012, Inception Fund purchased \$300,000 worth  
18 of shares in Ostendo; within the last few years, Inception Fund recorded the value of its  
19 Ostendo shares as zero.
- 20 b. In July 2013, Viet-An Hoan Ly discussed with Inception Fund investors the fund’s recent  
21 investment in Twitter, Inc. and claimed that Inception Fund’s investment in Twitter would  
22 produce between a 100% to 200% return on investment for fund investors. Twitter was  
23 purchased for \$1,604,568 and sold for \$3,100,938.

- 1 c. In December 2013, Viet-An Hoan Ly wrote to Inception Fund investors about the fund  
2 investing in Genprex. Viet Ly represented that Genprex could provide the fund with a 200%  
3 to 500% return on investment, if the company had an initial public offering of its stock, and  
4 that the investment had an upside of a 1,000% to 5,000% return on investment.
- 5 d. In March 2016, Viet-An Hoan Ly represented to Inception Fund investors that there were two  
6 likely outcomes for the fund's investment in Genprex: Genprex would either soon be bought  
7 out by a large pharmaceutical company within two to three years or the company would  
8 independently grow into a multi-billion dollar company.
- 9 e. In January 2015, Viet-An Hoan Ly told Inception Fund investors that he expected Genprex to  
10 have a multi-billion dollar valuation. In August 2016, in communications with Inception Fund  
11 investors, Viet-An Hoan Ly stated that Genprex would be worth between \$500 million to \$1  
12 billion by the end of the year and between \$2 billion and \$3 billion in 2017. In October 2016,  
13 Viet-An Hoan Ly told Inception Fund investors that he expected Genprex's long-term value to  
14 be between \$10 billion and \$50 billion. In June 2017, Viet-An Hoan Ly represented that he  
15 expected Genprex to be worth between \$500 million and \$1 billion by the end of the year. And  
16 in August 2017, Viet-An Hoan Ly wrote to Inception Fund investors that he expected Genprex  
17 to be valued at approximately \$2 billion. As of this writing, Genprex has a market capitalization  
18 of approximately \$140 million.
- 19 f. In December 2017, Viet-An Hoan Ly represented to an Inception Fund investor that Genprex  
20 stock will trade at between \$20 and \$40 per share by July 2018. Genprex stock has never traded  
21 higher than \$15 per share.  
22  
23

1 52. Viet-An Hoan Ly failed to provide Inception Fund investors with any of the bases or  
2 assumptions underlying these speculative representations, other than materials supplied by others, such as  
3 Genprex presentations.

4 53. Further, these speculative representations created a false sense of security for Inception Fund  
5 investors. Viet-An Hoan Ly's claims about the profitability of Inception Fund investments lead at least two  
6 investors to be encouraged by their investment in the fund and to think that their investments were subject to  
7 little risk. Consequently, these two investors invested additional funds in Inception Fund, at a loss.

8 Viet-An Hoan Ly Misrepresented the Type of Investment Provided to Certain Fund Investors

9 54. Viet-An Hoan Ly initially told investors that TangleTrade Fund and Inception Fund would  
10 provide investors with pro rata gains and losses from each fund; instead, contrary to Viet-An Hoan Ly's initial  
11 claims, each fund has since distributed stock to investors.

12 55. Viet-An Hoan Ly first represented to investors that TangleTrade Fund and Inception Fund  
13 would invest in privately-held companies that would soon have a public stock offering.<sup>7</sup> Viet-An Hoan Ly  
14 and TangleTrade Management represented that these funds would then distribute any gains or losses from  
15 these public offerings to investors on a pro rata basis. Specifically, as discussed above, Viet-An Hoan Ly's  
16 pitch to some early TangleTrade Fund and Inception Fund investors was that TangleTrade Management would  
17 be able to invest in privately-held shares of Facebook, and after Facebook's initial public offering, the funds  
18 would distribute any gains or losses to investors on a pro rata basis.

19 56. In approximately 2015, when TangleTrade Fund and Inception Fund were almost fully  
20 invested in Genprex, Viet-An Hoan Ly began telling investors that instead of receiving pro rata shares of a

21 \_\_\_\_\_  
22 <sup>7</sup> While the offering documents for Inception Fund confirmed this same investment strategy, the offering documents for  
23 TangleTrade Fund represented that the fund would pursue a long-short arbitrage strategy in publicly-traded securities and options  
contracts, a strategy that TangleTrade Fund did not pursue, and a strategy that Viet Ly did not advertise to investors.

1 fund's gains or losses, the funds would distribute their shares of Genprex stock to investors on a pro rata basis,  
2 once Genprex had an initial public offering of its stock.

3 57. Viet-An Hoan Ly represented to the Securities Division that he changed TangleTrade Fund's  
4 and Inception Fund's investment distributions in order to comply with the venture capital exemption from  
5 registration that TangleTrade Management sought to claim. Around the time that Viet-An Hoan Ly withdrew  
6 TangleTrade Management's registration application from the Securities Division in July 2014, through  
7 TangleTrade Management, he unilaterally changed the terms of the limited partnership agreements for  
8 TangleTrade Fund and Inception Fund.<sup>8</sup> Viet-An Hoan Ly claimed that he made these changes in order to  
9 bring the funds into compliance with the venture capital exemption. To qualify for the venture capital  
10 exemption, however, a fund does not have to distribute its stock to investors; it can also choose to distribute  
11 its profits and losses.<sup>9</sup> Moreover, the new limited partnership agreements and attendant fund documents that  
12 Viet-An Hoan Ly provided to investors did not specifically document that limited partners would receive  
13 shares in the funds' assets as opposed to the profits or losses from with the funds' assets.

14 58. Viet-An Hoan Ly did not clearly explain to some investors why they would be receiving shares  
15 of Genprex stock, as opposed to gains or losses from TangleTrade Fund's or Inception Fund's sale of Genprex  
16 stock. In an email to one investor, though, Viet-An Hoan Ly stated that one of the reasons he wanted to  
17 distribute Genprex stock to investors was to avoid causing a massive decline in the price of Genprex stock.  
18 He reasoned that if TangleTrade Fund and Inception Fund were to sell all of their Genprex stock once it

19 \_\_\_\_\_  
20 <sup>8</sup> Amending the limited partnership agreement for each fund generally requires the written consent of at least 50% of a fund's  
21 outstanding limited partnership interests. When it changed the TangleTrade Fund and Inception Fund limited partnership  
22 agreements, TangleTrade Management did not secure the written consent of any of either of the funds limited partners. One of the  
23 changes that TangleTrade Management made to both limited partnership agreements was to restrict a limited partner's ability to  
liquidate his or her interest in the fund.

<sup>9</sup> Further, as discussed above, TangleTrade Fund and Inception Fund do not qualify for the venture capital exemption from  
registration.

1 became publicly traded, these sales would put downward pressure on the price of Genprex stock, whereas, if  
2 the funds instead distributed Genprex stock to investors, investors would sell their shares at different times,  
3 thus providing greater stability to the price of Genprex stock.

4 59. After Genprex's initial public offering in April 2018, TangleTrade Fund and Inception Fund  
5 distributed Genprex shares to investors through its third-party custodian except for shares still subject to a  
6 lock up or other distribution restriction. As of this writing, some TangleTrade Fund and Inception Fund  
7 investors still have not received shares of Genprex stock still subject to a lockup or other transfer restriction.  
8 The Securities Division is unable to determine whether any of the distributions of Genprex stock that  
9 TangleTrade Fund and Inception Fund have made through the third party custodian have been made on a pro  
10 rata basis.

11 60. Viet-An Hoan Ly's unilateral switch from distributions of a pro rata gains and losses from  
12 TangleTrade Fund and Inception Fund, to actual ownership of Genprex stock has left fund investors confused  
13 and uncertain about how or when to sell their stock.

14 61. By representing to investors that they would receive the gains or losses from the performance  
15 of either TangleTrade Fund or Inception Fund, but instead distributing stock to fund investors, Viet-An Hoan  
16 Ly misrepresented the type of investment that TangleTrade Fund and Inception Fund would provide fund  
17 investors.

18 Viet-An Hoan Ly Misrepresented Material Information as he Raised Funds for a Separate, Unregistered  
19 Investment Vehicle

20 62. In addition to his management of the funds described above, Viet-An Hoan Ly formed a  
21 Washington limited liability company named Inception Beast Genprex, LLC, in 2016, for the purpose of  
22 soliciting and facilitating additional investments in Genprex.  
23

1           63.     Inception Beast Genprex acted as a holding company, purchasing Genprex stock for the limited  
2 liability corporation, for the benefit of the limited liability company’s members.

3           64.     Viet-An Hoan Ly represented to investors that that Inception Beast Genprex would use their  
4 funds to purchase shares of Genprex stock. Once Genprex completed its initial public offering, Inception  
5 Beast Genprex would then distribute Genprex stock to the LLC members on a pro rata basis.

6           65.     In 2016 and 2017, Viet-An Hoan Ly raised approximately \$640,000 from at least fifty  
7 investors. These investors received a LLC membership interest in the company. Viet-An Hoan Ly used  
8 approximately \$615,000 of funds raised to purchase Genprex stock, with the remainder going toward (a) CPA  
9 fees and (b) travel expenses for both Viet-An Hoan Ly and several investors in Inception Beast Genprex.

10          66.     Viet-An Hoan Ly provided investors with a copy of the Inception Beast Genprex operating  
11 agreement and some PowerPoint slides explaining Genprex’s efforts to develop a drug to combat cancer. Viet-  
12 An Hoan Ly and Inception Beast Genprex, however, failed to disclose to investors any risks associated with  
13 investing in Genprex through Inception Beast Genprex, namely that investors could lose all of their investment  
14 in what was a speculative, privately-held stock, whose liquidity and profitability were uncertain.

15          67.     Viet-An Hoan Ly and Inception Beast Genprex further failed to disclose Viet-An Hoan Ly’s  
16 conflict of interest, as discussed above, that Viet-An Hoan Ly began working as a paid consultant to Genprex  
17 in October 2016. Viet-An Hoan Ly and Inception Beast Genprex also failed to disclose Viet-An Hoan Ly’s  
18 self-dealing: Viet-An Hoan Ly arranged for Inception Beast Genprex to purchase Viet-An Hoan Ly’s personal  
19 Genprex stock. Specifically, Viet-An Hoan Ly, on behalf of Inception Beast Genprex, purchased 1,699 shares  
20 of Genprex stock from Viet-An Hoan Ly, at \$35.33 per share, for a total of \$60,025.67.<sup>10</sup>

21  
22 <sup>10</sup> Viet Ly’s purchase of his own Genprex stock on behalf of Inception Beast Genprex amounted to approximately 10% of  
23 Inception Beast Genprex’s purchase of Genprex stock. Inception Best Genprex’s purchase of additional Genprex stock came from  
other sources.



1 68. Viet-An Hoan Ly represented to the Securities Division that shortly after Genprex's initial  
2 public offering, Inception Beast Genprex distributed the Genprex stock that Inception Beast Genprex had  
3 purchased to Inception Beast Genprex investors on a pro rata basis.<sup>11</sup> Viet Ly then dissolved Inception Beast  
4 Genprex in December 2018.

5 69. Viet-An Hoan Ly falsely represented to at least one Inception Beast Genprex investor prior to  
6 his investment that the value of the investor's investment would double upon Genprex's initial public offering.  
7 Viet-An Hoan Ly failed to provide this investor with any reasonable basis underlying this representation. This  
8 investor's investment never doubled, and as of this writing, the Genprex stock that Inception Beast Genprex  
9 purchased is worth approximately only two-thirds of its original value.

10 70. Viet-An Hoan Ly and Inception Beast Genprex failed to register their offering and sale of  
11 Inception Beast Genprex LLC membership interests with Securities Division, and the Securities Division has  
12 no record of their claim of any exemption from registration.

### 13 CONCLUSIONS OF LAW

14 Based on the above Findings of Fact, the following Conclusions of Law are made:

15 1. As described above, Viet-An Hoan Ly, TangleTrade Management, and Inception Capital  
16 Management each acted as investment advisers, as defined by RCW 21.20.005(8).

17 2. Viet-An Hoan Ly, TangleTrade Management, and Inception Capital Management each  
18 violated RCW 21.20.040(3), by providing unregistered investment advice to their respective funds.

19 3. Viet-An Hoan Ly and TangleTrade Management, in violation of WAC 460-24A-150 and RCW  
20 21.20.030, entered into an investment agreement that provided for and under which they collected  
21

22  
23 <sup>11</sup> The Securities Division was unable to verify whether Inception Beast Genprex, in fact, distributed the Genprex stock that it  
purchased to Inception Beast Genprex investors on a pro rata basis.

1 performance fees in 2014-2017, despite the lack of any realized capital appreciation in the funds and from  
2 some fund investors who were not qualified clients.

3 4. Viet-An Hoan Ly, TangleTrade Management, and Inception Capital Management each  
4 violated WAC 460-24A-220(11) by failing to fully disclose in 2016-2018 to all fund investors Viet-An Hoan  
5 Ly's conflict of interest of being a paid consultant of Genprex, while at the same time soliciting investor funds  
6 to invest in Genprex.

7 5. Through statements about the value of fund investments, through representations to certain  
8 TangleTrade Fund and Inception Fund investors that their investments would go toward purchasing Genprex  
9 stock, when, in fact, their investments were used to pay various third parties, and through claims about the  
10 type of investment that TangleTrade Fund and Inception Fund would provide to investors, Viet-An Hoan Ly  
11 and TangleTrade Management violated RCW 21.20.020, by making untrue statements of material fact or  
12 omitting to state material facts necessary to make the statements made, in light of the circumstances under  
13 which they were made, not misleading.

14 6. The offer and sale of membership interests in Inception Beast Genprex, LLC as described  
15 above constitutes the offer and sale of securities as defined in RCW 21.20.005(14) and (17).

16 7. The offer and sale of these membership interests in Inception Beast Genprex, LLC is in  
17 violation of RCW 21.20.140 because no registration for such an offer and sale is on file with the Securities  
18 Division.

19 8. Viet-An Hoan Ly violated RCW 21.20.040 by offering and selling securities while not  
20 registered as a securities salesperson in Washington.

21 9. Viet-An Hoan Ly violated RCW 21.20.010 through his offer and sale of membership interests  
22 in Inception Beast Genprex, LLC, by making untrue statements of material fact or omitting to state material  
23

1 facts necessary to make the statements made, in light of the circumstances under which they were made, not  
2 misleading.

### 3 **CONSENT ORDER**

4 Based upon the foregoing and finding it in the public interest:

5 IT IS AGREED AND ORDERED that Respondents Viet-An Hoan Ly, TangleTrade Management,  
6 and Inception Capital Management shall cease and desist from violating RCW 21.20.040(3), the section of  
7 the Securities Act of Washington that prohibits the unregistered provision of investment advice.

8 IT IS FURTHER AGREED AND ORDERED that Respondents Viet-An Hoan Ly and TangleTrade  
9 Management shall cease and desist from violating WAC-24A-150 and RCW 21.20.030(1), the sections of the  
10 Securities Act of Washington that prohibits the collection of performance fees absent any capital appreciation  
11 in a fund and from investors who are not qualified clients.

12 IT IS FURTHER AGREED AND ORDERED that Respondents Viet-An Hoan Ly, TangleTrade  
13 Management, and Inception Capital Management shall cease and desist from violating WAC 460-24A-  
14 220(11)(c), the section of the Securities Act of Washington that prohibits the failure to disclose in writing an  
15 investment adviser's material conflicts of interest.

16 IT IS FURTHER AGREED AND ORDERED that Respondents Viet-An Hoan Ly and TangleTrade  
17 Management shall cease and desist from violating RCW 21.20.020(1)(c), the section of the Securities Act of  
18 Washington that prohibits dishonest and unethical practices as defined by WAC 460-24A-220(11) and (23).

19 IT IS FURTHER AGREED AND ORDERED that Respondent Viet-An Hoan Ly shall cease and  
20 desist from violating RCW 21.20.140, the section of the Securities Act of Washington that prohibits the  
21 unregistered offer and sale of non-exempt or federally covered securities.

22  
23  
**CONSENT ORDER**

**DEPARTMENT OF FINANCIAL INSTITUTIONS**  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 IT IS FURTHER AGREED AND ORDERED that Respondent Viet-An Hoan Ly shall cease and  
2 desist from violating RCW 21.20.040, the section of the Securities Act of Washington that prohibits an  
3 unregistered securities salesperson from offering or selling securities.

4 IT IS FURTHER AGREED AND ORDERED that Respondent Viet-An Hoan Ly shall cease and  
5 desist from violating RCW 21.20.010, the section of the Securities Act of Washington that prohibits, in  
6 connection with the purchase or sale of a security, making untrue statements of material fact or omitting to  
7 state material facts necessary to make the statements made, in light of the circumstances under which they  
8 were made, not misleading.

9 IT IS FURTHER AGREED AND ORDERED that the Securities Division will deny, for a period of  
10 two years from the date of this order, any future securities broker-dealer, securities salesperson, investment  
11 adviser, or investment adviser representative applications for registration that Viet-An Hoan Ly, TangleTrade  
12 Management, and Inception Capital Management may file with the Securities Division.

13 IT IS FURTHER AGREED AND ORDERED that Respondents Viet-An Hoan Ly, TangleTrade  
14 Management, and Inception Capital Management shall be jointly and severally liable for and shall pay  
15 \$40,000 in investigative costs on or before the entry of this Consent Order.

16 IT IS FURTHER AGREED AND ORDERED that Respondents Viet-An Hoan Ly, TangleTrade  
17 Management, and Inception Capital Management shall be jointly and severally liable for and shall pay  
18 \$10,000 in fines on or before the entry of this Consent Order.

19 NOTWITHSTANDING ANYTHING IN THIS CONSENT ORDER, the Department will not assert  
20 a violation of the preceding cease and desist provisions of this Consent Order arising out of Respondents'  
21 distributing cash or remaining securities from Tangletrade Fund, L.P., Inception Fund, L.P., and/or Inception  
22 Tech Fund 7, L.P. or acts necessary to dissolve, wind up, and/or terminate entities identified in this Consent  
23 Order.

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

2 IT IS FURTHER AGREED that Respondents Viet-An Hoan Ly, TangleTrade Management, and  
3 Inception Capital Management each entered into this Consent Order freely and voluntarily and with a full  
4 understanding of its terms and significance.

5 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents Viet-An Hoan Ly,  
6 TangleTrade Management, and Inception Capital Management each waives its right to a hearing and to  
7 judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

8  
9 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

10 Signed this 28th day of October, 2022.

11  
12  
13 /s  
14 Viet-An Hoan Ly

15  
16 TangleTrade Management, LLC

17  
18 By /s  
19 Viet-An Hoan Ly  
Principal

20  
21 Inception Capital Management, LLC

1 By \_\_\_\_\_/s/  
2 Viet-An Hoan Ly  
3 Principal

4 Signed and Entered this 1st day of November, 2022.

7 \_\_\_\_\_/s/

8 William M. Beatty  
9 Securities Administrator



14 Approved by:

14 Presented by:

16 \_\_\_\_\_s/s  
17 Brian J. Guerard  
18 Chief of Enforcement

16 \_\_\_\_\_/s/  
17 Adam N. Yeaton  
18 Financial Legal Examiner

19 Reviewed by:

21 \_\_\_\_\_/s/  
22 Holly Mack-Kretzler  
23 Financial Legal Examiner Supervisor

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
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