

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:

7 VRV LLC;  
8 Qinglun Zeng;  
9 Xiaobing Wang,

10 Respondents.

Order No. S-22-3445-24-FO01

ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND FINAL ORDER TO  
CEASE AND DESIST, TO IMPOSE FINES, AND TO  
CHARGE COSTS AS TO VRV LLC

11 **THE STATE OF WASHINGTON TO:**

VRV LLC

12 On June 14, 2024, the Securities Administrator of the state of Washington issued Statement of Charges  
13 and Notice of Intent to Enter Order to Cease and Desist, To Impose Fines, and to Charge Costs, Order No. S-  
14 22-3445-23-SC01 (“Statement of Charges”). The Statement of Charges, together with a Notice of Opportunity  
15 for Hearing (“Notice”) and an Application for Adjudicative Hearing (“Application”), were served on  
16 Respondent VRV LLC, on July 2, 2024. The Notice advised Respondent VRV LLC that the Application must  
17 be received within twenty days from the date of service. Respondent VRV LLC failed to request an  
18 administrative hearing within twenty days of service.

19 The Securities Administrator therefore adopts as final the following Findings of Fact and Conclusions  
20 of Law as set forth in the Statement of Charges and enters a final order against Respondent VRV LLC to cease  
21 and desist from violations of the Securities Act.

22 **FINDINGS OF FACT**

23 **Respondents**

1. Respondent VRV LLC (“VRV”) was a Washington limited liability company formed on July  
9, 2020, with its principal place of business in Seattle, Washington. The Washington Secretary of State  
administratively dissolved VRV on December 3, 2023 for failure to file a required annual report. VRV’s

1 remaining assets are currently under the management of a receiver, who was appointed by a King County  
2 Superior Court judge in connection with a lawsuit against VRV by several former shareholders.

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

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

### 7 **Related Persons**

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

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

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

### 19 **Nature of the Conduct**

#### 20 **Overview**

21 7. From October 2020 to December 2021, VRV raised approximately \$1.58 million from 23  
22 investors, primarily through Zeng and Wang. Zeng and Wang generally pitched VRV to investors by telling  
23 them that VRV would be a transformational food-service company which would make its investors wealthy.

1 Zeng, Wang, and VRV provided investors with no written risk disclosures of any kind, and provided, at best,  
2 minimal verbal risk disclosures.<sup>1</sup> In particular, Zeng, Wang and VRV failed to disclose any financial details  
3 of VRV’s business, including its current cash position, its current and expected financial needs and scaling  
4 plans, or their goals for when VRV would become profitable. Zeng, Wang, and VRV further failed to disclose  
5 numerous major risks of investing in VRV, such as (a) how the coronavirus pandemic would affect VRV’s  
6 near-term operations and growth prospects, (b) competitive pressure from other similar delivery restaurant  
7 businesses, and (c) that the amount of shares that investors received would be partly dependent on unpaid  
8 labor they performed for VRV.

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

19       9.       The only document which most VRV investors received was a one-page “VRV Shareholder  
20 Agreement.” Although this agreement includes several representations by the shareholder, including that they  
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22 <sup>1</sup> Zeng testified before the Securities Division that he verbally disclosed some risks to investors, but the only specific risks he  
23 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 “will hold a certain position in [VRV] as business development requires,” and that they are “willing to work  
2 with the team and help solve problems,” VRV never provided any specific standards relating to these  
3 representations, such as what positions would be appropriate for shareholders to take or what sorts of problems  
4 they would be expected to solve. VRV did not consistently enforce these provisions, and some early VRV  
5 investors did not even receive the shareholder agreement.

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

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

19 “Co-Founder” Registration Claims

20 12. During the Securities Division’s investigation, VRV asserted that its securities did not need to  
21 be registered or exempt from securities registration because every investor in the business was a co-founder  
22 who played an important role in VRV’s success. However, there is no “co-founder” exemption in securities  
23 law, and in actuality, most or all of VRV’s investors were primarily dependent on Zeng and Wang’s

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

14 **Registration Status**

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

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

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

20 **CONCLUSIONS OF LAW**

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

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1           2.       Respondents VRV LLC violated RCW 21.20.140, the securities registration section of the  
2 Securities Act of Washington, by offering and/or selling securities for which no registration is on file with the  
3 Securities Administrator.

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

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

8                                 **FINAL ORDER**

9           IT IS HEREBY ORDERED that Respondent VRV LLC, and its agents and employees, shall each  
10 cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the  
11 securities registration section of the Securities Act of Washington.

12           IT IS FURTHER ORDERED that Respondent VRV LLC, and its agents and employees, shall each  
13 cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

14                                 **AUTHORITY AND PROCEDURE**

15           This FINAL ORDER is entered pursuant to RCW 21.20.390 and is subject to Chapter 34.05 RCW.  
16 Respondents have the right to petition the superior court for judicial review of this agency action under Part  
17 V of Chapter 34.05 RCW. Pursuant to RCW 21.20.395(4), a certified copy of this Final Order may be filed in  
18 superior court. If so filed, the clerk shall treat the Final Order in the same manner as a superior court judgment  
19 as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

20                                 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

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SIGNED and ENTERED this 29th day of July, 2024.



/s/

\_\_\_\_\_  
William M. Beatty  
Securities Administrator

Approved by:

Presented by:

/s/

/s/

\_\_\_\_\_  
Brian J. Guerard  
Chief of Enforcement

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Adam N. Yeaton  
Financial Legal Examiner