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SECURITIES COMMISSIONER



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MEMBER

IN THE MATTER OF
DAVORCOIN

§
§

Order No. ENF-18-CDO-1757

TO: DavorCoin
c/o Domains By Proxy, LLC
14747 N. Northsight Boulevard Suite 111, PMB 309, Scottsdale, Arizona 85260

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas (hereinafter referred to as the "Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. arts. 581-1 to 581-45 (West 2010 & Supp. 2017) (hereinafter referred to as the "Securities Act").

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

FINDINGS OF FACT

1. DavorCoin (hereinafter referred to as "Respondent DAVORCOIN") may be served through Domains By Proxy, LLC, 14747 N. Northsight Boulevard Suite 111, PMB 309, Scottsdale, Arizona 85260.

BACKGROUND

2. As recently as January 2018, BitConnect was illegally and fraudulently offering investments in a cryptocurrency lending program in Texas, and the investments in this cryptocurrency lending program were securities subject to regulation by the Securities Act.
3. On January 4, 2018, the Securities Commissioner entered an Emergency Cease and Desist Order to stop BitConnect's illegal and fraudulent offer of investments in its cryptocurrency lending program in Texas.
4. Shortly thereafter, BitConnect announced it was closing the cryptocurrency lending program and its cryptocurrency exchange program, in part because the Emergency Cease and Desist Order "bec[a]me a hindrance for the legal continuation of the platform."

5. On January 16, 2018, Respondent DAVORCOIN responded by announcing that that “[t]his does not change anything for us” and that Respondent DAVORCOIN is now “the number one lending platform in the world !!”
6. Respondent DAVORCOIN also responded by announcing that Respondent DAVORCOIN is “now the new standard... Many people are going to join us, the price will increase and all of you already in the game with us will benefit from it.”
7. Respondent DAVORCOIN is now offering investments in its cryptocurrency lending program in Texas.

RESPONDENT DAVORCOIN
AND ITS CRYPTOCURRENCY LENDING PROGRAM

8. Respondent DAVORCOIN is offering investments in a cryptocurrency lending program (hereinafter referred to as the “DAVORCOIN Lending Program”).
9. The investments in the cryptocurrency lending program are based on a cryptocurrency also known as DavorCoin (hereinafter referred to as “davorcoin”).
10. Although Respondent DAVORCOIN is offering investments in the DAVORCOIN Lending Program, Respondent DAVORCOIN is concealing its principal place of business, claiming that “due to tax and regulation risks” it “cannot officialize its domiciliation.”
11. Respondent DAVORCOIN is also concealing the identity of its principals, claiming only that davorcoin was “created by bankers and traders from major financial institutions (based in London, Paris and other EU cities)” and that “core team members are mostly bankers and engineers from EU countries.”

THE CRYPTOCURRENCY

12. Respondent DAVORCOIN represents that davorcoin is “a new cryptocurrency which aims to become the best alternative to current popular coins such as Bitcoin and Ethereum.” It further represents as follows:
 - a. Respondent DAVORCOIN claims davorcoin “is a form of digital public money” that uses blockchain technology,
 - b. Respondent DAVORCOIN claims davorcoin “behave[s] like physical gold coins,”
 - c. Respondent DAVORCOIN explains davorcoin “possess[es] value and can be traded like stocks in popular exchanges,”
 - d. Respondent DAVORCOIN represents, “[i]n the future,” owners of davorcoin will “be able to use [davorcoin] to purchase goods and services.”

13. As of January 29, 2018, approximately 10,000,000 davorcoins out of a maximum of 40,000,000 davorcoins were introduced into the market.
14. The price of davorcoin has proven volatile since Respondent Davorcoin introduced davorcoin into the market.
15. As of approximately 2:50PM CST on January 29, 2018, the price of davorcoin was around \$21.38 per coin and its market capitalization was approximately \$213.8 million. As of approximately 11:20AM CST on February 1, 2018, the price of davorcoin was down to around \$6.76 per coin and its market capitalization had fallen to \$67.6 million.

THE DAVORCOIN LENDING PROGRAM

16. Respondent DAVORCOIN is offering investors the opportunity to invest in a cryptocurrency lending program (hereinafter referred to as the "DAVORCOIN Lending Program").
17. Investors must register an account on a website maintained by Respondent DAVORCOIN that is accessible at <https://davor.io/> (hereinafter referred to as the "DAVORCOIN Website") before investing in the DAVORCOIN Lending Program.
18. Investors must use Bitcoin to purchase davorcoin from the internal exchange maintained through the DAVORCOIN Website, or acquire davorcoin through some other means, such as the purchase of davorcoin from a cryptocurrency exchange.
19. After registering an account and acquiring davorcoin, investors access the DAVORCOIN Website and "start lending" davorcoin to Respondent DAVORCOIN.
20. Respondent DAVORCOIN claims investors will earn a monthly interest rate up to 48% by lending davorcoin to Respondent DAVORCOIN. It specifically represents as follows:
 - a. Investors lending between \$100 and \$1000 will receive "Daily variation rate" interest that is accrued daily with "Capital Back" after 299 days,
 - b. Investors lending between \$1,001 and \$5,000 will receive will receive "Daily variation rate" interest with a bonus of "+0.10%" that is accrued daily with "Capital Back" after 239 days,
 - c. Investors lending between \$5,001 and \$10,000 will receive will receive "Daily variation rate" interest that is accrued daily with a bonus of "+0.20%" that is accrued daily with "Capital Back" after 179 days,
 - d. Investors lending between \$10,001 and \$25,000 will receive will receive "Daily variation rate" interest with a bonus of "+0.25%" that is accrued daily with "Capital Back" after 119 days, and

- e. Investors lending more than \$25,000 will receive will receive “Daily variation rate” interest with a bonus of “+0.35%” that is accrued daily with “Capital Back” after 89 days.
21. Investors may also elect to participate in an “[o]ptional capital lock boost.” Respondent DAVORCOIN is describing the “[o]ptional capital lock boost” as follows:
 - a. A “Locking period” of “+30 Days” correlates with a “Daily Interest Boost” of “+0.02%,”
 - b. A “Locking period” of “+60 Days” correlates with a “Daily Interest Boost” of “+0.05%,” and
 - c. A “Locking period” of “+120 Days” correlates with a “Daily Interest Boost” of “+0.10%.”
 22. The DAVORCOIN Website contains a “Lending profit calculator” that allows investors to determine the amount of profit they may receive from investing in the DAVORCOIN Lending Program. At approximately 5:30PM CST on January 26, 2018, it represented that an investor lending \$30,000.00 in davorcoin who elects a “Locking period” of 120 days may earn \$513.00 per day, \$3,591.00 per seven days, \$15,390.00 per thirty days and \$107,217.00 as of the “capital release day” of August 23, 2018, based on the average rate of interest from the previous seven days.
 23. Although Respondent DAVORCOIN is claiming investors can receive lucrative profits by investing in the DAVORCOIN Lending Program, it is not disclosing material information about how it will use davorcoin acquired from investors to generate these profits.

THE OFFER OF THE DAVORCOIN LENDING PROGRAM IN TEXAS

24. Respondent DAVORCOIN is recruiting investors to offer investments in the DAVORCOIN Lending Program in Texas. Respondent DAVORCOIN refers to these investors as “affiliates.”
25. Respondent DAVORCOIN pays commissions to affiliates in accordance with their position in a multi-level marketing matrix.
26. Affiliates are now offering investments in the DAVORCOIN Lending Program through the use of public solicitations that target Texas residents.

REGISTRATION VIOLATIONS

27. The investments in the DAVORCOIN Lending Program have not been registered by qualification, notification or coordination, and no permit has been granted for their sale in Texas.

28. Respondent DAVORCOIN has not been registered with the Securities Commissioner as a dealer or agent at any time material hereto.
29. Respondent DAVORCOIN is recruiting individuals who are not registered as dealers or agents to act as its affiliates and offer investments in the DAVORCOIN Lending Program in Texas.

**FRAUD IN CONNECTION WITH
THE OFFER OF INVESTMENTS IN THE DAVORCOIN LENDING PROGRAM**

30. In connection with the offer of investments in the DAVORCOIN Lending Program, Respondent DAVORCOIN is intentionally failing to disclose the identity of its principals, and the failure to disclose this information constitutes the intentional failure to disclose a material fact.
31. In connection with the offer of investments in the DAVORCOIN Lending Program, Respondent DAVORCOIN is intentionally failing to disclose its principal place of business, and the failure to disclose this information constitutes the intentional failure to disclose a material fact.
32. In connection with the offer of investments in the DAVORCOIN Lending Program, Respondent DAVORCOIN is intentionally failing to disclose its assets, liabilities and other financial information about its business, and the failure to disclose this information constitutes the intentional failure to disclose material facts.
33. In connection with the offer of investments in the DAVORCOIN Lending Program, Respondent DAVORCOIN is intentionally failing to disclose the identity of the persons or entities that developed davorcoin, including the amount of davorcoin owned by these persons or entities and the amount of davorcoin owned by the principals of DAVORCOIN, and the failure to disclose this information constitutes the intentional failure to disclose material facts.
34. In connection with the offer of investments in the DAVORCOIN Lending Program, Respondent DAVORCOIN is intentionally failing to disclose the manner in which it uses davorcoin tendered by investors to generate a profit, and the failure to disclose this information constitutes the intentional failure to disclose a material fact.

MISLEADING AND DECEPTIVE STATEMENTS

35. Respondent DAVORCOIN claims that davorcoin is “a new cryptocurrency which aims to become the best alternative to current popular coins such as... Ethereum.” This statement is materially misleading or otherwise likely to deceive the public because a key feature of Ethereum is its incorporation of “smart contracts,” and Respondent DAVORCOIN is not disclosing any features that are the equivalent of such “smart contracts.”
36. Respondent DAVORCOIN claims that davorcoin “is a form of digital public money” and, “in the future,” owners will “be able to use [davorcoin] to purchase goods and

services.” This statement is materially misleading or otherwise likely to deceive the public because Respondent DAVORCOIN is not providing any indication of the success of its efforts to recruit new merchants to accept davorcoin, the identity or number of merchants that now accept davorcoin or its plans for recruiting new merchants to accept davorcoin.

37. Respondent DAVORCOIN claims that davorcoin “can be traded like stocks in popular exchanges.” This statement is materially misleading or otherwise likely to deceive the public because state and federal laws regulate the offer and sale of stocks so as to protect the investing public, while cryptocurrencies are typically traded on exchanges subject to little or no regulation.
38. Respondent DAVORCOIN is claiming that “Bitconnect is stopping both his [sic] lending program and his [sic] exchange program,” that “[t]his does not change anything for us except that now Davor is the number one lending platform in the world !!” This statement is materially misleading or otherwise likely to deceive the public because:
 - a. BitConnect announced that it ceased offering investments in its lending program after the Texas State Securities Board entered an Emergency Cease and Desist Order that found the investments constituted securities and that ordered BitConnect to cease the illegal and fraudulent dealings in the securities in, and
 - b. Investments in the DAVORCOIN Lending Program also constitute securities, and as described herein DAVORCOIN is also engaging in illegal and fraudulent offers of securities in Texas.
39. Respondent DAVORCOIN is representing that existing investors will be paid commissions for referring new investors, which is materially misleading or otherwise likely to deceive the public because:
 - a. All persons who offer and sell securities in Texas, including investments in the DAVORCOIN Lending Program, who are not registered as dealers or agents, or otherwise exempt from such registration, are violating Section 12 of the Securities Act, and
 - b. All persons who offer investments in the DAVORCOIN Lending Program in Texas are offering unregistered securities in violation of Section 7 of the Securities Act.

CONCLUSIONS OF LAW

1. Investments in the DAVORCOIN Lending Program are “securities” as that term is defined by Section 4.A of the Texas Securities Act.

2. Respondent DAVORCOIN is violating Section 7 of the Texas Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondent DAVORCOIN is violating Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Texas Securities Act.
4. Respondent DAVORCOIN is engaging in fraud in connection with the offer for sale of securities.
5. Respondent DAVORCOIN is making offers containing statements that are materially misleading or otherwise likely to deceive the public.
6. Respondent DAVORCOIN's 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 Texas Securities Act.

ORDER

1. It is therefore ORDERED that Respondent DAVORCOIN immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.
2. It is further ORDERED that Respondent DAVORCOIN immediately CEASE AND DESIST from acting as a securities dealer in Texas until Respondent DAVORCOIN is registered with the Securities Commissioner or is acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED that Respondent DAVORCOIN 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 that Respondent DAVORCOIN 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 \$5,000, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 2nd day of February, 2018.



TRAVIS J. ILES
Securities Commissioner