

STATE OF NEW JERSEY  
BUREAU OF SECURITIES  
P.O. Box 47029  
Newark, New Jersey 07101  
(973) 504-3600

**IN THE MATTER OF:**

BITCOIIN a/k/a BITCOIIN B2G

Respondent.

**SUMMARY CEASE AND  
DESIST ORDER**

Pursuant to the authority granted to Christopher W. Gerold, Chief of the New Jersey Bureau of Securities (“Bureau Chief”), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. (“Securities Law”) and certain regulations thereunder, and based upon documents and information obtained during the investigation by the New Jersey Bureau of Securities (“Bureau”), the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter this Summary Cease and Desist Order (“Order”) against Bitcoiin, a/k/a Bitcoiin B2G (collectively, “Bitcoiin”).

The Bureau Chief makes the following findings of fact and conclusions of law:

**FINDINGS OF FACT**

1. Seeking to capitalize on the popularity of the cryptocurrency Bitcoin (with one “i”), Bitcoiin offers its own cryptocurrency and other crypto-related investments through its website ([www.bitcoiin.com](http://www.bitcoiin.com)), social media, and its purported official brand ambassador, actor Steven Seagal. Bitcoiin refers to its cryptocurrency as Bitcoiin 2<sup>nd</sup> Generation, Bitcoiin 2Gen, or B2G

(collectively, "B2G"). Bitcoiin describes B2G as "the next generation of Bitcoin that will provide its own eco-system, its own wallet, its own mining machines and the ability to exchange the coin to popular alt coins or fiat currencies." In actuality, Bitcoiin is fraudulently offering unregistered securities in violation of the Securities Law.

### **The Respondent**

2. Bitcoiin conducts its business on the internet, principally by means of a website accessible at [www.bitcoiin.com](http://www.bitcoiin.com). Bitcoiin's developers, officers, managers, employees, controllers, and/or directors are anonymous. Other than purporting that Bitcoiin's executive offices are located in Asia and providing a contact name of "John Williams" at [john@bitcoiin.com](mailto:john@bitcoiin.com), no additional contact information is available.

3. Bitcoiin has never been registered to sell securities in the State of New Jersey.

### **The Bitcoiin Websites**

4. Bitcoiin maintains a website accessible at [www.bitcoiin.com](http://www.bitcoiin.com) (the "Bitcoiin Website"). Bitcoiin also maintains a social media presence on websites, including Facebook and Twitter, and has issued several press releases via EIN Presswire. The Bitcoiin Website and its social media presence (collectively referred to as the "Bitcoiin Websites") are accessible to the general public, including residents of New Jersey.

5. Bitcoiin announced that it will be conducting an Initial Coin Offering ("ICO") of B2G starting on or about March 26, 2018 with a pre-ICO period of sixty days.

6. The Bitcoiin Website purport that B2G "...will provide a faster, safer and more interactive P2P service while starting at a price at which the original [Bitcoin] was in 2012."

7. Bitcoiin touts its offering as “A fresh chance to catch the wave. A chance for ordinary people to participate in an Initial Coin Offering, with a modest investment, and the possibility of explosive growth.”

8. The Bitcoiin Websites contain a link to a “White Paper,” which represents that Bitcoiin has set a soft cap of \$75 million to trigger the B2G ICO, and that Bitcoiin has already raised \$20 million. Later in the White Paper, it is claimed that as of September 2017, \$50 million of venture capital was raised.

**Official Bitcoiin Brand Ambassador Steven Seagal**

9. According to the Bitcoiin Website, Steven Seagal, the Hollywood actor, director, producer and martial artist, has endorsed B2G and has been named as Bitcoiin’s brand ambassador.

10. A Bitcoiin press release states that Steven Seagal met with the organizers of B2G and after reviewing their new business plan decided to endorse the B2G ICO. A small disclaimer at the bottom of the Bitcoiin website that states that “Celebrity spokesman [Steven Seagal] holds no ownership interest in Bitcoiin B2G.” The Bitcoiin Websites do not disclose what expertise, if any, Steven Seagal has to ensure that the Bitcoiin investments are appropriate and in compliance with federal and state securities laws. Additionally, there are no disclosures as to the nature, scope, and amount of compensation paid by Bitcoiin in exchange for Steven Seagal’s promotion of the Bitcoiin investments.

11. The material set forth on the Bitcoiin Websites constitute offers to purchase or sell securities.

## **The Bitcoiin Investments**

12. Bitcoiin offers investments to the general public, including the residents of New Jersey, in its Bitcoiin ICO and “Bitcoiin Staking Program.” These investments are securities as defined by N.J.S.A. 49:3-49(m).

### **i. The Bitcoiin ICO**

13. According to the Bitcoiin Websites, Bitcoiin is offering B2G to raise capital to build a self-sufficient crypto- “ecosystem,” where users will be able to trade B2G, provide wallet staking, and trade altcoins and fiat currencies, all “on a secure, comprehensive platform.”

14. Bitcoiin claims that to finance its “project,” Bitcoiin is conducting a crowd sale with a \$75m (soft cap), and an ideal financing amount of \$250 million (hardcap). The \$250 million would purportedly allow Bitcoiin “...to implement the project quicker and also include a larger marketing manufacturing, technical development team.”

15. Bitcoiin represents that B2G is based on “... secure algorithms, a massively-parallel array of mining rigs, in a self-sufficient globally-accessible fintech ecosystem.”

16. The Bitcoiin Website’s topic, “Milestones & Our Timeline,” represents that future efforts by Bitcoiin will include:

- a. the launch of a Windows/Mac Wallet;
- b. the purchase and deployments of purpose based mining machines developed by a 3<sup>rd</sup> party;
- c. the start of development for additional features; and
- d. the launch of a world-wide “Mining Pool” program.

17. According to the Bitcoiin Websites, investors may purchase B2G using Bitcoin, Ethereum, Euros, or US dollars. Potential investors may also purchase B2G by wire or credit card.

18. During the pre-ICO purchasing period, Bitcoiin is offering each B2G for a “discounted price” of \$5 which, according to the Bitcoiin Websites, is half of the launch price.

19. On the Bitcoiin Websites, Bitcoiin projects that each B2G will be worth \$388 by December 2018.

20. The Bitcoiin Websites compare cryptocurrency trading to trading stocks and tout that investors will be able to freely buy and sell B2G like an investor, or swap it like a trader. The Bitcoiin Website provides:



The screenshot shows a dark-themed website page with the title "BITCOIIN TRADING" in large, bold, white capital letters at the top. Below the title, there are three paragraphs of white text. The first paragraph explains that Bitcoiin 2Gen allows investors to buy and sell the new coin through various exchanges worldwide, and that investors can freely buy and sell the cryptocurrency from day one, comparing it to trading stocks. The second paragraph states that if you put your own money into buying a cryptocurrency with the hope of its value rising so you can sell it for a profit, you are an investor. The third paragraph states that if you are looking to swap cryptocurrencies, such as Bitcoiin 2Gen for ether or bitcoin, with the hope of maintaining the highest value according to market speculation (similar to working on a stock exchange), you are a trader.

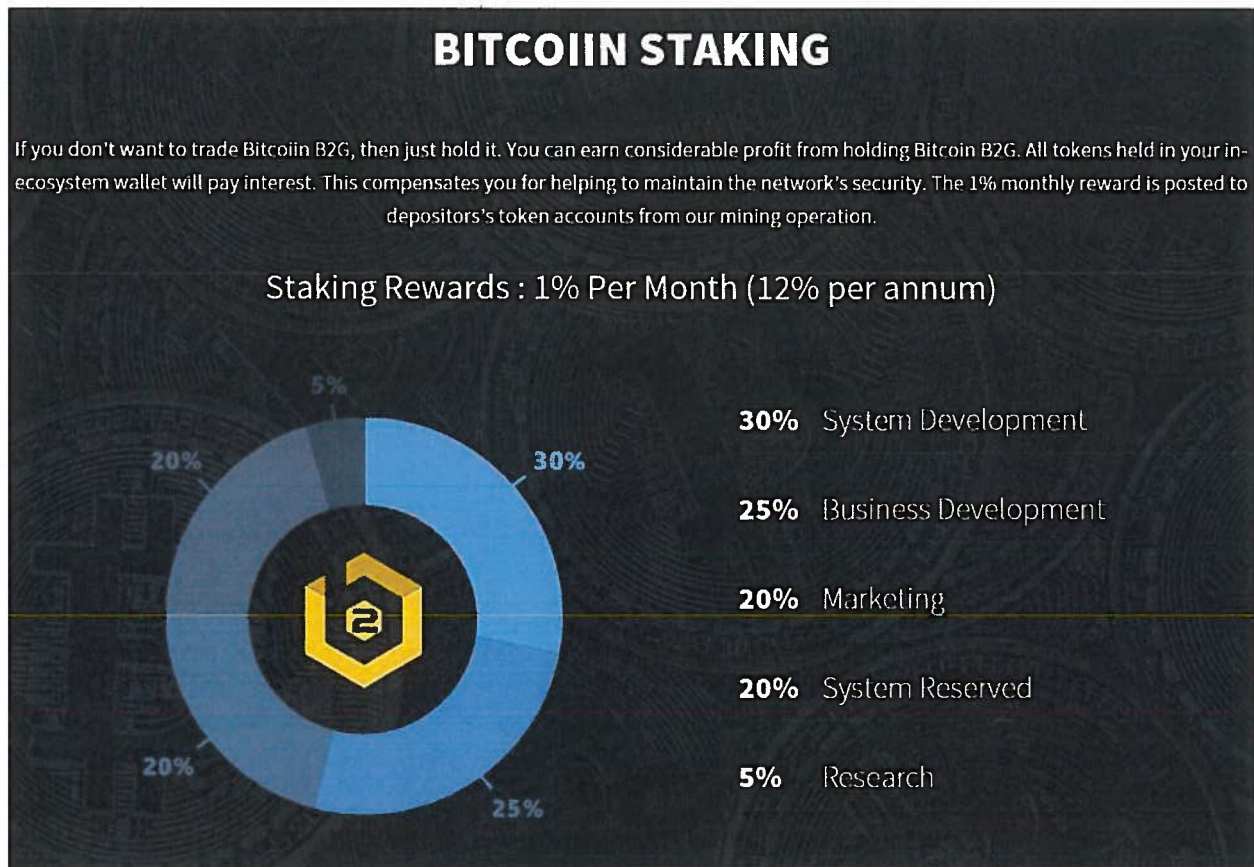
## **ii. The Bitcoiin Staking Program**

21. Bitcoiin offers an investment it calls the “Bitcoiin Staking Program.”

22. The Bitcoiin Websites offer potential investors in New Jersey the opportunity to earn guaranteed interest of 1% per month or 12% per year by investing in the “Bitcoiin Staking Program.” According to the Bitcoiin Websites, to invest in the “Bitcoiin Staking Program,” an

investor need only purchase B2G and hold it in their “in-ecosystem wallet,” which is accessible on the Bitcoiin Website. The interest that is generated for the investor is purportedly derived from Bitcoiin’s mining operation.

23. The Bitcoiin Website uses the following chart to explain how the interest is earned:

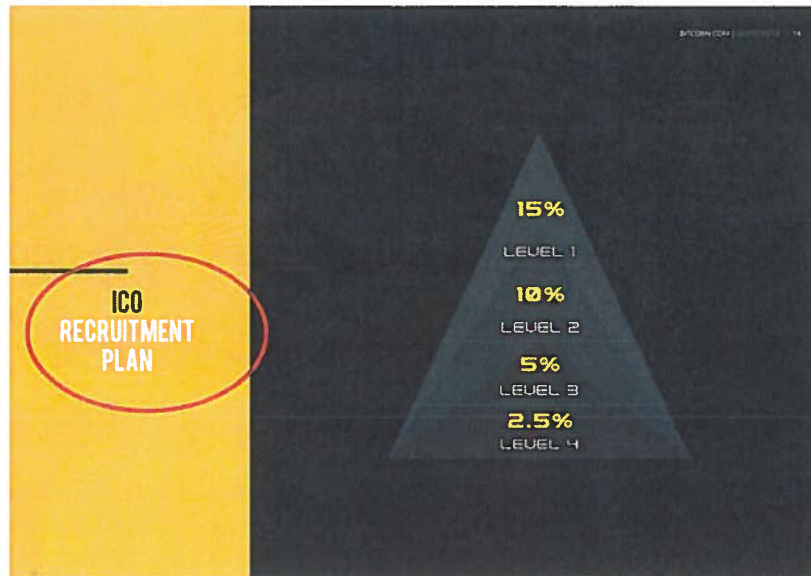


### The Use Of Agents To Offer Securities

24. As part of Bitcoiin’s “recruiting program,” known as the “Referral Commission – Partner Program” (“Partner Program”), Bitcoiin uses agents to direct New Jersey residents to the Bitcoiin Websites for the purpose of purchasing the Bitcoiin investments.

25. Bitcoiin states that the purpose of the Partner Program is to reward “early depositors” (i.e. investors), who bring in new participants into B2G. These “early depositors” can earn a commission based upon their recruits’ revenues, which is based upon a percentage of

earnings. Bitcoiin uses the following pyramid-shaped diagram to describe the commission structure:



26. Bitcoiin further explains that:

- Level 1 : 15% (personally-recruited affiliates)
- Level 2 : 10% (those personally-recruited affiliates' recruits)
- Level 3 : 5% (recruits' recruits' recruits)
- Level 4 : 2.5% (you get the idea)

27. Bitcoiin encourages these “early depositors,” which Bitcoiin also refers to as “affiliates” on the Bitcoiin Websites, to promote Bitcoiin investments through social media, videos, and websites. Bitcoiin also creates marketing material, which can be used by “affiliates,” including online presentations that tout Bitcoiin.

28. When potential investors create new accounts, the first piece of information requested from Bitcoiin is a “Referral Id.” to identify the “affiliate” that referred the investor.

29. The “affiliates” are agents as defined by N.J.S.A. 49:3- 49(b). These “affiliates” are not registered as an agent with the Bureau or exempt from registration.

### **Registration Violations**

30. The Bitcoin ICO and Staking Program securities are neither registered with the Bureau, nor “federally covered”, nor exempt from registration.

31. Bitcoin is not registered with the Bureau as a broker-dealer or in any capacity.

32. Bitcoin is using “affiliates” to offer securities in New Jersey who are not registered with the Bureau as agents.

### **Omissions of Material Facts in Connection With The Offer Of Securities in the Bitcoin ICO and the Staking Program**

33. In connection with the offer of securities in the Bitcoin ICO and Bitcoin Staking Program, Bitcoin is omitting the following materials facts:

- a. the identity of its principals;
- b. the form of the entity;
- c. its physical address and its principal place of business;
- d. its assets and liabilities, or financial information about the business;
- e. the persons or entities that developed B2G, including the number of B2G coins owned by these persons or entities, and the amount of B2G owned by the principals of Bitcoin;
- f. if Steven Seagal has any expertise to ensure that the investment is appropriate and in compliance with federal and state securities laws;
- g. the nature, scope, and amount of compensation received in exchange for Steven Seagal’s promotion of B2G;
- h. whether Steven Seagal owns any B2G;
- i. all of the risks associated with the Bitcoin investments or their ecosystem; and
- j. that the Bitcoin securities are not registered as required.



**Untrue Statements of Material Facts in Connection With the Offer Of Securities in the Bicoiin ICO and the Staking Program**

34. The Bicoiin Website has the following disclaimer:

Buying Bicoiin B2G carries no promise of any return, profit or gain derived from the work of others, including without limitation managerial services, mining, holding or trading any asset. Your deposit of money, in whatever form or currency, is made in exchange for a number of Bicoiin B2G tokens, i.e., personal property, the value of which is determined by market rates of exchange, and no other factors. Tokens so purchased may increase or decrease in value over time. No contract, offer, or promise is made by Bicoiin B2G of any particular result, gain, profit or return. You are buying Bicoiins, NOT investing in a common enterprise. Celebrity spokesman holds no ownership interest in Bicoiin B2G.

35. This disclaimer is materially misleading because it directly contradicts the Bicoiin Websites that promise profits and returns. The disclaimer further provides no basis for the conclusion that the investments in the Bicoiin ICO and Bicoiin Staking Program are not derived from the works of others or are not a common enterprise.

**CONCLUSIONS OF LAW**

36. The investments offered in the Bicoiin ICO and the Bicoiin Staking Program by Bicoiin are "securities" as defined by N.J.S.A. 49:3-49(m).

37. Bicoiin is offering securities in the form of the Bicoiin ICO and Bicoiin Staking Program that are neither registered with the Bureau, nor "federally covered," nor exempt from registration, in violation of N.J.S.A. 49:3-60.

38. Bicoiin is effecting or attempting to effect transaction in securities for the accounts of others or for its own account without registration in violation of N.J.S.A. 49:3-56.

39. Bitcoiin is engaging in fraud in connection with the offer for sale of securities.

40. In connection with the offer and sale of the Bitcoiin securities, Bitcoiin is making materially false and misleading statements and/or omitting to state material facts necessary in order to make the statements made in light of the circumstances under which they were made, not misleading to investors, in violation of N.J.S.A. 49:3-52(b).

41. N.J.S.A. 49:3-67 empowers the Bureau Chief to issue orders that are reasonably necessary to carry out the provisions of the Law.

42. N.J.S.A. 49:3-69(a)(1) empowers the Bureau Chief to issue a cease and desist order against persons engaged in prohibited activities, directing them to cease and desist from further illegal activity or doing acts in furtherance thereof.

43. Bitcoiin's violations are continuous and ongoing, therefore it is in the public interest that this Order be issued.

### **ORDER**


Therefore, based upon all of the foregoing,

It is on this 7<sup>th</sup> day of March, 2018 hereby **ORDERED** that:

1. Bitcoiin and any person, employee, officer, director, entity, or independent contractor under Bicoiin's direction or control immediately **CEASE AND DESIST** from:

- a. offering for sale any security in New Jersey until the security is registered with the Bureau or is offered for sale pursuant to an exemption from registration under the Securities Law;
- b. acting as broker-dealers or agents in New Jersey until each is registered with the Bureau or are acting pursuant to an exemption from registration under the Securities Law;

- c. making material misstatements of fact, or omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading in connection with its offer and/or sale of securities in New Jersey; and
  - d. violating any other provisions of the Securities Law and any rules promulgated thereunder for the sale of any security in New Jersey.
2. All exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraph 9, 10, and 11 and subsection (b) are hereby **DENIED** as to Bitcoin.
3. All exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c) and N.J.S.A. 49:3-56(g) are hereby **REVOKED** as to Bitcoin.



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Christopher W. Gerold  
Chief, New Jersey Bureau of Securities

### **NOTICE OF RIGHT TO HEARING**

Pursuant to N.J.S.A. 49:3-69(a)(1)(i) the Bureau Chief shall entertain on no less than three days' notice a written application to lift the Order to Cease and Desist on written application of the person subject thereto and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the person subject thereto a written statement of the reasons for the Order to Cease and Desist.

Pursuant to N.J.S.A. 49:3-69(a)(1)(ii), upon service of notice of the Order to Cease and Desist issued by the Bureau Chief, the person subject thereto shall have up to 15 days to respond to the Bureau in the form of a written answer and written request for a hearing. The Bureau Chief shall, within five days of receiving the answer and request for a hearing, either transmit the matter to the Office of Administrative Law for a hearing or schedule a hearing at the Bureau of Securities.

Orders issued pursuant to N.J.S.A. 49:3-69 shall be subject to an application to vacate upon 10 days' notice, and a preliminary hearing on the Order shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the Order shall toll the time for filing an answer and written request for a hearing.

Pursuant to N.J.S.A. 49:3-69(a)(1)(iii), if any person subject to the Order fails to respond by filing a written answer and written request for a hearing with the Bureau or moving to vacate the order within the 15 day prescribed period, that person shall have waived the opportunity to be heard. The Order will be a Final Order and shall remain in effect until modified or vacated.

**NOTICE OF OTHER ENFORCEMENT REMEDIES**

You are advised that the Uniform Securities Law provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of the relief requested does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.