STATE OF NORTH CAROLINA
DEPARTMENT OF THE SECRETARY OF STATE
SECURITIES DIVISION

IN THE MATTER OF:	)	
	)	**FINAL ORDER**
USI-TECH LIMITED	)	
	)	File No.: 18 ADM 002
Respondent.	)	

The Secretary of State of the State of North Carolina (the "Administrator"), pursuant to her authority and responsibility to administer and enforce the North Carolina Securities Act, (N.C. Gen. Stat. Chapter 78A, the "Securities Act") has reviewed the evidence of record, and based on that evidence, enters this Final Order.

I. FINDINGS OF FACT

1. On February 16, 2018, the Securities Division filed an Administrative Petition containing allegations against USI-Tech Limited ("USIT") requesting both temporary and permanent relief.

2. On February 16, 2018, the Administrator through her Deputy Securities Administrator, issued a Temporary Cease and Desist Order against USIT.

3. On February 16, 2018, the Administrative Petition, the Temporary Cease and Desist Order, the Affidavit on which the Temporary Cease and Desist Order was based, and the Notice of Rights were placed in the mail to the three addresses where USIT conducts its business and to it attorney's address.

4. On February 22, 2018, USIT's attorney accepted service at the Elmhurst, Illinois office address. On March 11, 2018, USIT accepted service at the PO Box 122036, Dubai UAE address.

5. The Notice of Rights notified USIT that, if USIT failed to request a hearing within thirty (30) business days of receipt of service, the Temporary Cease and Desist Order would become final and remain in effect, and the Securities Division could apply for a final order granting the full relief sought in the Administrative Petition.

6. USIT has failed to request a hearing, failed to file a responsive pleading, and failed to make any other submission to the Administrator.

7. Based on the Findings of Facts and Conclusions of Law in the Temporary Cease and Desist Order, which are hereby incorporated by reference, this Final Order is necessary for the protection of public, is in the public interest, and is consistent with the purposes of the Securities Act. The Temporary Cease and Desist Order is attached as Exhibit A.

II. CONCLUSIONS OF LAW

1. The Administrator has jurisdiction over USIT and the subject matter of this Final Order.

2. N.C. Gen. Stat. § 78A-47 grants the Administrator the authority to enter this Final Order.

3. USIT has violated N.C. Gen. Stat. §§ 78A-24, 78A-36, and § 78A-8.

4. This Final Order is necessary and appropriate for the protection and preservation of the public interest and for the protection of investors, and is consistent with the purposes fairly intended by the policy and provisions of the Securities Act.

III. ORDER

It is therefore ORDERED that USIT and any person, employee, officer, director, entity, or independent contractor under USIT's direction or control permanently cease and desist from:

1. offering for sale any security in North Carolina unless and until the security is registered with the Administrator or is offered for sale pursuant to an exemption from registration under the North Carolina Securities Act;
2. acting as a securities dealer, salesman or agent in North Carolina unless and until registered with the Administrator or acting pursuant to an exemption from registration under the North Carolina Securities Act;
3. engaging in fraud in connection with the offer or sale of any security in North Carolina; and
4. violating any other provisions of the North Carolina Securities Act and any administrative rules promulgated thereunder.

WITNESS MY HAND AND THE OFFICIAL SEAL of the North Carolina Department of the Secretary of State, this the 6TH day of APRIL 2018.

Time of entry: 9:02 A.M.

ELAINE F. MARSHALL
SECRETARY OF STATE OF NORTH CAROLINA, and
SECURITIES ADMINISTRATOR

REDACTED

KEVIN M. HARRINGTON
Deputy Securities Administrator

STATE OF NORTH CAROLINA
DEPARTMENT OF THE SECRETARY OF STATE
SECURITIES DIVISION

IN THE MATTER OF:	)	
	)	**TEMPORARY CEASE AND DESIST**
USI-TECH LIMITED	)	**ORDER**
	)	
Respondent.	)	File No.: 18 ADM 002

The Secretary of State of the State of North Carolina (the "Administrator"), pursuant to her authority and responsibility to administer and enforce the North Carolina Securities Act, (N.C. Gen. Stat. Chapter 78A, the "Securities Act") has considered the evidence, finds that the public interest will be irreparably harmed by delay, and therefore, enters this Temporary Order to Cease and Desist (this "Order").

The Staff of the Securities Division of the North Carolina Secretary of State's office has presented evidence sufficient for the Administrator to make the following findings and conclusions.

I. SUMMARY

1. The Administrator, through her Securities Division, conducted an investigation of USI-Tech Limited ("USIT") to evaluate whether USIT has been offering securities in compliance with the Securities Act.

2. The Securities Division found that USIT is violating the Securities Act by a) offering unregistered securities, b) offering securities while it is not registered to do so, and c) making material misstatements when offering securities.

3. Through this Order, the Administrator orders USIT to cease and desist from offering unregistered securities, acting as a securities dealer or agent in North Carolina until it is registered, and engaging in fraud in connection with the offer or sale of any security.

II. FINDINGS OF FACT

1. USIT is a foreign technology company that conducts its business on the Internet, principally by means of a website accessible at https://usitech-int.com/.

2. USIT maintains last known addresses at PO Box 65736, Dubai, UAE, PO Box 122036, Dubai, UAE, and at the Fairmont Hotel, Sheikh Zayed Rd., Dubai, UAE.

3. USIT was incorporated as an International Business on June 30, 2016 at the Ras Al Khaimah International Corporate Center in the United Arab Emirates.

4. USIT describes itself as the "first automated trading platform for Bitcoin currency and even the most experienced traders are jealous of our results."

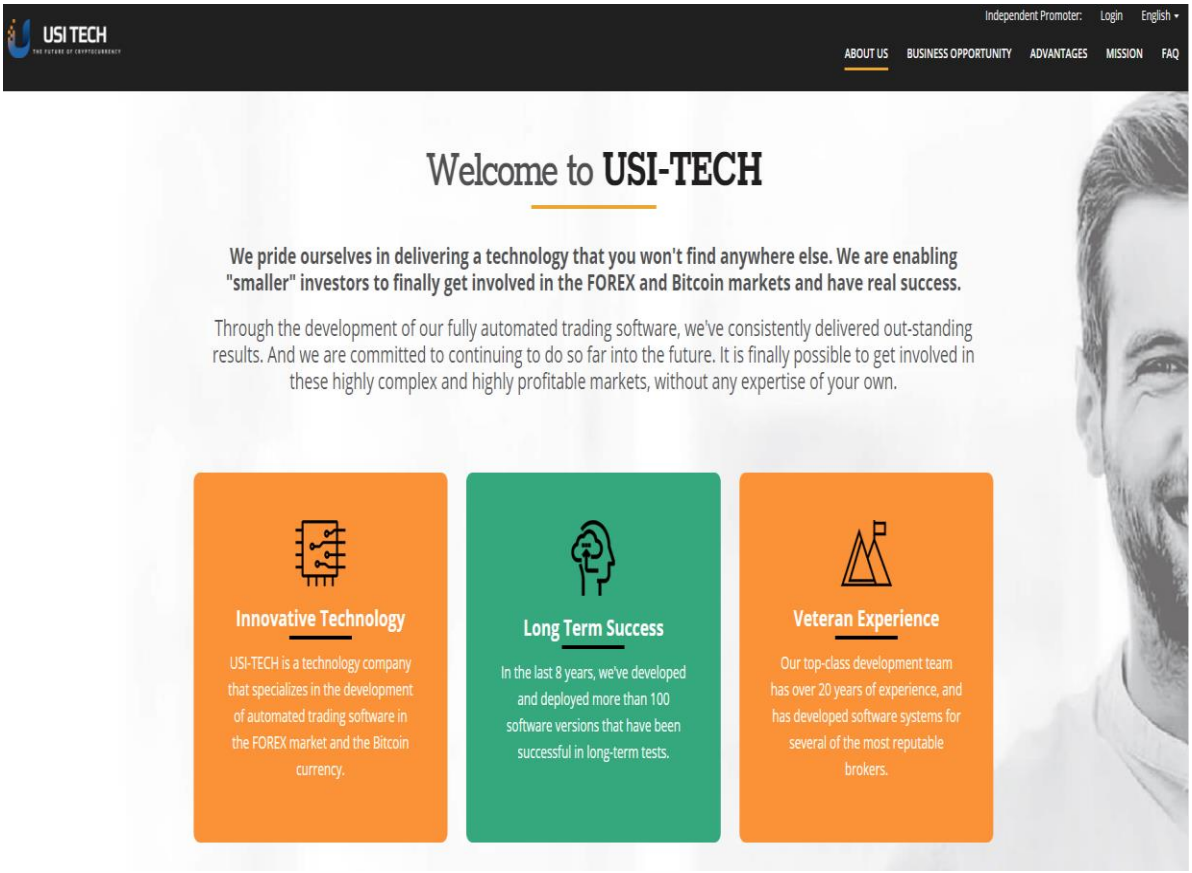
5. USIT claims to have "opened the world of crypto finance (and the excellent profits that come with it) like no other company has before."

6. When USIT refers to "the world of crypto finance" it is referring to the ability to trade cryptocurrencies[1] and to gain access to initial coin offerings ("ICOs").[2]

[1] Cryptocurrencies are digital assets created by companies or individuals that take the form of a virtual coin or token. Bitcoin is an example of one such cryptocurrency, and there are more than one thousand other virtual coins or tokens currently in existence. Companies and individuals create cryptocurrencies and sell them to the public through initial coin offerings (ICOs). Virtual coins and tokens are primarily issued and distributed on a "blockchain" or a cryptographically-secured ledger which exists on the internet. Virtual coins and tokens are traded on online platforms, typically called cryptocurrency exchanges, and they can be traded for other digital assets or fiat currencies, such as the U.S. Dollar or Euro.

[2] An ICO is an offering to the public by a company or individual of its newly created digital asset, virtual coin or token. The company or individual conducting the ICO sells the cryptocurrency to investors using the internet in exchange for something of value, which can be other digital assets or fiat currencies, such as the U.S. Dollar or Euro. Companies and individuals use ICOs to raise capital to fund technology projects without the challenges posed by traditional fundraising restrictions.

7. USIT claims to operate "fully automated trading software" that has "consistently delivered out-standing results."



8. USIT offers investment packages to individuals who, by investing, can purportedly profit from USIT's "fully automated trading software."

a. **USIT Offers Investment Packages To Residents of North Carolina**

9. USIT promotes its investment packages through its website, through social media, and through YouTube. These websites reach individuals worldwide, including residents of North Carolina.

10. On its website and many other webpages, USIT encourages individuals to invest in its investment packages.

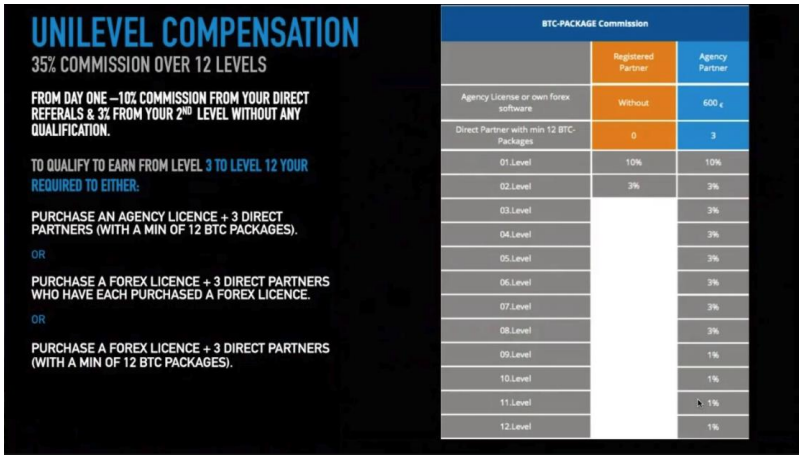
11. USIT is not and has never been registered to offer securities in the State of North Carolina.

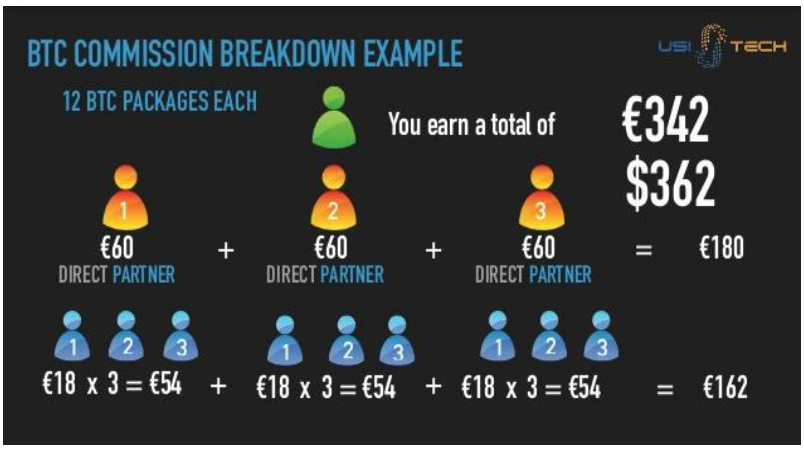
b. <u>USIT Encourages Others to Offer Its Investments To Residents of North Carolina</u>

12. USIT encourages others to offer its investment packages by offering commissions to investors for recruiting new investors. USIT refers to the investors who offer its investment packages as "promoters and/or sales agents."

13. USIT promises that investors who become promoters and/or sales agents can profit by "generating up to 35% commissions on 12 referral levels" through USIT's "unique referral marketing plan" that provides "above-average commissions without any qualification barriers."

14. USIT provides the following graphical representations of its referral program.





15. USIT has created marketing material for use by its promoters and/or sales agents. USIT controls and maintains these marketing materials in a portion of its website called "the backoffice," a web space only accessible to USIT investors.

16. USIT provides directions on how its promoters and/or sales agents can use this marketing material on their personal social media pages to offer and sell the USIT investment packages to new investors, and thereby earn referral fees.

17. USIT encourages all its investors to participate in the referral program. USIT does not inquire as to the registration status of the promoters and/or sales agents, nor does it alert the investors to the legal consequences of those who offer securities without being registered.

18. In fact, many of the USIT's promoters and/or sales agents are not registered to sell securities in the State of North Carolina.

19. On December 20, 2017, the Texas State Securities Board issued an Emergency Cease and Desist Order mandating that USIT and two of its promoters/sales agents cease and desist offering securities in Texas until the securities are registered and until the offerors are registered (the "Texas Order").

20. On January 5, 2018, USIT sent an "Extraordinary Termination of Distributor Agreement" letter to its promoters and/or sales agents, directing them to "immediately discontinue our business activities as well as our sales in the US and Canada."

21. On January 22, 2018, the CEO of USIT withdrew the January 5, 2018 directive in a YouTube video, which has been viewed over 56,000 times. In this video, the CEO explained that promoters and/or sales agents could resume marketing the USIT investment packages in the United States and Canada. The CEO claimed that USIT "never did anything in terms of illegal things in USA." The CEO claimed that "all the departments confirmed that once you market the

product and you communicate it in the right way, there is nothing within your company, your product, your activities, we would see anything as illegal."

22. The CEO's statements directly contradict the Texas Order that found that USIT violated the Texas securities laws by offering unregistered securities and that two of USIT's promoters/sales agents violated the Texas securities laws by selling securities while they were not registered to do so. Additionally, the CEO failed to address the complete ban on offering USIT investment products in Texas and/or to Texas residents. Instead, the CEO concluded that that USIT's promoters and/or sales agents simply needed to employ better marketing techniques like not "over-hyping" the investments.

23. By incentivizing unregistered persons to offer securities via its referral program, USIT is encouraging those persons to violate the Securities Act.

24. The Securities Division has confirmed that USIT's promoters and/or sales agents, at least one of whom is a resident of North Carolina and who is not registered to sell securities in this State, have resumed offering the USIT investment packages.

c. <u>The Investment Packages Offered By USIT Are Securities</u>.

25. USIT offers an investment package it calls the Bitcoin Package ("BTC Package"). The BTC Package purports to allow investors to share in the profits created by USIT's "fully automated trading software."

26. In its marketing materials, USIT advertises that:

a. "We offer the opportunity for you to get a piece of the pie- regardless of your skillset or the size of your bank account;"

b. "Our automated trading system provides access to the most liquid markets in the world with excellent profits for ANYONE [sic];"

c. "[C]ustomers have enjoyed profits of up to 150%;"

d. "By maximizing risk reduction in a highly volatile, fast-paced market environment, our software consistently provides returns of up to 150% per year;" and

e. You can "transform your life with our innovative and automated Bitcoin trading platform."

27. USIT represents that investors who purchase the BTC Package will receive an average daily interest rate of 1%, Monday through Friday, for a term of 140 days.

28. USIT produced the following graphical representation describing the features of the BTC Package.

29. A promoter/sales agent who is a resident of North Carolina published the following image in a YouTube advertisement.

30. The Securities Division calculated that an average daily interest rate of around 1% compounds to an annual return of over 3,000%.

31. Annual compounded investment returns of over 3,000% are extremely unusual in financial markets.

32. Guaranteed annual compounded investment returns of over 3,000% are a known "red-flag" for fraud, specifically for the risk that the investment may be a "Ponzi scheme."

33. In order to purchase the BTC Package, investors are directed to buy Bitcoin and then use their Bitcoin to purchase the BTC Package. Each BTC Package is priced at an amount of Bitcoin equivalent to EUR 50.00 (around $62.00) at the prevailing market price of Bitcoin at the time of each sale. USIT charges a commission of 3% of the subscription amount for each BTC Package it sells to investors. USIT calls this commission a "mining fee".

34. Based on the above representations and many others by USIT and its promoters and/or sales agents, investors purchase the BTC Package because they believe that they can profit by merely investing their Bitcoin into it, and that they can enjoy the guaranteed returns that average 1% per day purportedly provided by USIT's automated trading software.

35. Further, based on the representations of USIT and its promoters and/or sales agents, investors believe USIT will expend significant efforts to continue to develop the automated trading software, and that such development will increase the value of their BTC Packages.

36. In its marketing materials, USIT described the passive nature of the BTC Package investment by stating that investors can earn this profit with "No Recruiting", "No Daily Tasks," and "No Selling."

37. USIT provides a "BTC Package Calculator" on its website that purports to project each investor's profits into the future based on how many packages each investor purchases. The

BTC Package Calculator demonstrates the daily profit generated by USIT and the rate of return if the investor re-invested some percentage of his or her profits back into the scheme. There is no variable in this calculator that requires effort from the investor.

38. Investors would have expected that they would profit solely from the essential managerial efforts of USIT if they purchased the BTC Package.

39. All the facts about the BTC Package described above are the hallmarks of a security.

40. USIT has not registered the BTC Package as a security with the State of North Carolina's Secretary of State's Office or with any other state registry.

d. <u>USIT's Fraudulent Conduct In The Course of Making Its Offering And In Encouraging Violations of the Securities Act By Its Promoters And/Or Sales Agents</u>

41. When offering the BTC Packages, USIT and its promoters and/or sales agents failed to disclose material facts, including, but not limited to, the following:

a. Information about the assets and liabilities of USIT and any other information that indicates the means USIT will provide investors with a guaranteed daily return, regardless of the value of Bitcoin;

b. Information about the automated trading software developed by USIT, details of its trading records and historical performance, proof of its existence and the risk factors associate with its use;

c. That the BTC Package is a security and that it is not registered with the Administrator or any other governing regulator;

d. That only registered dealers or agents can be paid commissions for referrals or sales of securities; and

e. That affiliates who receive commissions for their sale of the BTC Package without being properly registered are in violation of the Securities Act.

42. USIT's conduct related to the offers and sales of the BTC Package to the general public is willful.

e. <u>Protection of the Public</u>

43. USIT has the present ability to engage or attempt to engage in the sale of unregistered securities as an unregistered dealer in violation of N.C. Gen. Stat. §§ 78A-24 and 78A-36.

44. The solicitation of the investing public to invest in the BTC Package poses an immediate and significant danger to the public welfare because:

a. the securities offered have not been registered with the Division. Proper registration of securities is an essential safeguard serving to provide accurate information material to enable persons to make reasoned investment decisions and to protect the public from securities fraud;

b. USIT is not and has never been registered as dealer in, or salesman of, securities. The registration of dealers and salesmen, as required by the Securities Act, ensures that persons transacting business as securities dealers and salesmen in North Carolina are competent and properly regulated and authorized to do so;

c. USIT is encouraging members of the investing public to act as unregistered dealers and/salesmen in violation of the Securities Act;

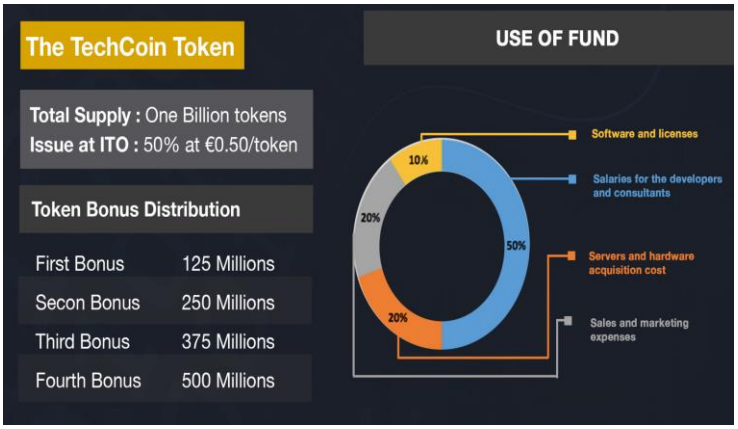
d. USIT has omitted material facts in the offering and has made misrepresentations which make the sale of these securities particularly dangerous for the investing public;

e. Months after many had purchased the BTC Package the CEO of USIT informed investors that USIT would "continue to let people withdraw their return of BTC Packages …, but out of the effect that we have closed USA and Canada until today, we gonna do that in a controlled form because I am a bit afraid that that's gonna be, once we switch it on again, it's gonna be like a bank robbery, you know, with everybody think he has to take out or pull out as much as possible because maybe it's just for a short time frame or whatever, so it has to be in a controlled way in order to make sure that we protect the company." Based on the representations on USIT's website and in marketing materials created and distributed by USIT and its promoters and/or sales agents, USIT should not have to "control" investor

withdrawals or wait for more people to invest in order to pay back the old investors. Such a repayment plan is a known "red-flag" for fraud, specifically for the risk that the investment may be a "Ponzi scheme;"

f. USIT's marketing materials are disproportionally targeted towards children, young adults, persons of limited financial means, and unsophisticated investors who may not be able to sustain a complete loss of their investment without enduring significant financial hardship; and

g. USIT states that it is about to solicit investment in a newly created token, known as TechCoin, in an ICO. USIT has indicated that it intends to raise EUR 500,000,000 (five hundred million euros) from the public via the website www.tech-coin.io. USIT has commenced token presales for the TechCoin ICO, which will begin on or around March 1, 2018. Marketing materials produced by USIT indicate that 50% of the ICO offering proceeds- up to EUR 250,000,000- will be paid as "salaries for the developers and consultants".



45. Prohibiting USIT from offering unregistered securities, transacting business as an

unregistered dealer, and misrepresenting the securities is in the interest of the public of North Carolina. Such a prohibition is necessary for the protection of the investing public, and consistent with the purposes fairly intended by the policy and provisions of the Securities Act.

46. An immediate Temporary Order to Cease and Desist is necessary and appropriate to address the violations of the Securities Act. Delay in issuing an order under N.C. Gen. Stat. § 78A-47(b)(2) will result in irreparable harm to the public.

III. CONCLUSIONS OF LAW

1. The Administrator has jurisdiction over USIT and the subject matter of this Order.

2. The BTC Package is a "security" as that term is defined by N.C. Gen. Stat. § 78A-2(11).

3. USIT is violating N.C. Gen. Stat. § 78A-24 by offering securities for sale in North Carolina that are not registered with the Administrator, not exempted from registration, and not notice filed as would be the case with securities covered under federal law.

4. USIT is violating N.C. Gen. Stat. § 78A-36 by offering securities while it is not registered with the Administrator.

5. USIT is violating N.C. Gen. Stat. § 78A-8 by making misrepresentations of material fact and 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 North Carolina.

6. USIT's conduct, acts, and practices threaten immediate and irreparable public harm.

7. It is necessary and appropriate for the protection and preservation of the public interest and for the protection of investors, and consistent with the purposes fairly intended by the

policy and provisions of the Securities Act, that USIT is temporarily ordered to cease and desist from making offers and sales of securities in violation of the Securities Act, and to cease and desist from continuing to act as unregistered dealers and/or salesmen of securities.

8. The foregoing violations constitute bases for the issuance of a Temporary Cease and Desist Order pursuant to N.C. Gen. Stat. § 78A-47(b)(2).

IV. ORDER

It is therefore ORDERED that USIT and any person, employee, officer, director, entity, or independent contractor under USIT's direction or control immediately CEASE AND DESIST from:

1. offering for sale any security in North Carolina until the security is registered with the Administrator or is offered for sale pursuant to an exemption from registration under the North Carolina Securities Act;
2. acting as securities dealers or agents in North Carolina until it is registered with the Administrator or are acting pursuant to an exemption from registration under the North Carolina Securities Act;
3. engaging in fraud in connection with the offer or sale of any security in North Carolina; and
4. violating any other provisions of the North Carolina Securities Act and any administrative rules promulgated thereunder.

V. NOTICE

USIT may request a hearing upon this matter by transmitting such request, in writing, to Kevin M. Harrington, Deputy Securities Administrator, Securities Division, Department of the Secretary of State, Post Office Box 29622, Raleigh, North Carolina 27626-0622. If such a request

is made, this matter shall be scheduled for hearing in accordance with Chapter 150B of the North Carolina General Statutes within twenty (20) days after receipt by the Deputy Securities Administrator of the written request. If no request for hearing, other responsive pleading or submission is received by the Deputy Securities Administrator within thirty (30) business days of the receipt of service, this Temporary Cease and Desist Order shall become final and remain in effect unless it is modified or vacated by the Secretary of State in her capacity as Securities Administrator of the Securities Act.

WITNESS MY HAND AND THE OFFICIAL SEAL of the North Carolina Department of the Secretary of State, this the 16TH day of FEBRUARY 2018.

Time of entry: 3:14 P.M.

ELAINE F. MARSHALL
SECRETARY OF STATE OF NORTH CAROLINA, and
SECURITIES ADMINISTRATOR

REDACTED

KEVIN M. HARRINGTON
Deputy Securities Administrator