

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

IN THE MATTER OF:)	
)	ORDER TO CEASE AND DESIST
Trevon James Brown,)	
)	File No. 2018480
<u>Respondent.</u>)	

I. PRELIMINARY STATEMENT

Pursuant to the authority granted to the Securities Commissioner of South Carolina (the “Securities Commissioner”) under the South Carolina Uniform Securities Act of 2005 (the “Act”) and delegated to the Securities Division of the Office of the Attorney General (the “Division”) by the Securities Commissioner, the Division conducted an investigation into the securities-related activities of Trevon James Brown (the “Respondent”) and in connection with its investigation has determined that evidence exists to support the following findings of fact and conclusions of law:

II. JURISDICTION

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

III. RESPONDENT

2. The Respondent is a resident of the State of South Carolina with a last known address of 1599 Parish Way, Myrtle Beach, South Carolina 29577.

IV. FINDINGS OF FACT

BitConnect

3. BitConnect, BitConnect LTD, BitConnect International PLC, and BitConnect Trading LTD (collectively “BitConnect”) are all parts of the same foreign technology organization

that conducted its business on the internet, principally by means of a website accessible at www.bitconnect.co.

4. The BitConnect website describes BitConnect as “an open source, all-in-one Bitcoin and crypto community platform designed to provide multiple investment opportunities.”

5. The BitConnect website describes BitConnect “Coins” as “an open source, peer to peer, community-driven, decentralized cryptocurrency that allows owners to store and invest their wealth.”

6. BitConnect used sales agents (“Affiliates”) to direct investors to the BitConnect website for the purpose of investing in the BitConnect Lending Program (the “Lending Program”).

7. BitConnect represented that investors could earn as much as forty percent (40%) interest per month by investing in the Lending Program.

8. BitConnect provided Affiliates with marketing materials in order to sell the Lending Program to investors.

9. Affiliates also used unique internet hyperlinks (the “Referral Links”) to offer the BitConnect investments on their personal social media pages.

10. Investors used the Referral Links to access the BitConnect website and purchase BitConnect investments. The Referral Links ensured that Affiliates were credited with the appropriate commission according to the BitConnect Referral Program.

BitConnect Offered and Sold Unregistered, Non-exempt Securities

11. BitConnect’s advertising indicated that its investors would be participating in investment contracts.

12. Those contracts required the investors to invest money with BitConnect for a fixed period of time.

13. BitConnect represented that it would use the invested money as working capital to fund its own investment activity. Specifically, it claimed that it had developed a proprietary trading algorithm, which could capture substantial and sustainable profits from day trading activities on cryptocurrency markets. BitConnect promised profits averaging 1% per day to its investors as a result of its proprietary trading algorithm.

14. BitConnect's investors had no involvement in the supposed development of the proprietary algorithm, or BitConnect ordinary day trading activities. Those claimed activities, if they indeed took place, were performed solely by BitConnect and its employees.

15. On January 4, 2018, the Texas State Securities Board issued an Emergency Cease and Desist Order¹ against BitConnect (the "Texas Order").

16. The Texas Order found that BitConnect was offering unregistered, non-exempt securities and that it was employing unregistered agents to sell BitConnect investments such as the BitConnect Lending Program.

17. On January 9, 2018, the North Carolina Securities Division issued a Temporary Cease and Desist Order² against BitConnect (the "North Carolina Order").

18. The North Carolina Order found that BitConnect was offering unregistered non-exempt securities through its Affiliates.

19. On January 17, 2018, BitConnect ceased operations and suspended all of its investment programs.

¹ Emergency Order to Cease and Desist In the Matter of BitConnect, Texas State Securities Board, Order No. ENF-18-CDO-1754 (July 4, 2018) (https://www.ssb.texas.gov/sites/default/files/BitConnect_ENF-18-CDO-1754.pdf).

² Temporary Order to Cease and Desist In the Matter of to Bitconnect, BitConnect LTD, BitConnect International PLC and BitConnect Trading LTD, North Carolina Secretary of State Securities Division, File No. 17 SEC 091 (Jan. 9, 2018) (https://www.sosnc.gov/divisions/securities/admin_action)

20. On January 31, 2018, the United States District Court, District of Western Kentucky, issued a temporary restraining order freezing BitConnect's assets.

21. On February 5, 2018, the Texas Order became a final order by operation of law.

22. On July 12, 2018, the North Carolina Securities Division issued an Order stating that the findings in the North Carolina Order had become final.³

The Respondent was a BitConnect Affiliate

23. The Respondent, identifying himself online as "Trevon James," has posted over 400 videos to over 120,000 subscribers on his YouTube video channel. Many of these videos relate to cryptocurrency, and a large number of them advised potential investors to invest in BitConnect through the Respondent's Referral Link.

24. Prior to and after January 17, 2018, the Respondent advocated investments in BitConnect on his YouTube video channel.

25. In an interview with the Division, the Respondent stated that he had in fact sold investments in BitConnect and received sales commissions for those sales as an Affiliate.

V. CONCLUSIONS OF LAW

26. The Respondent acted as an agent as defined by S.C. Code Ann. § 35-1-102(2).

27. The Respondent was not registered with the Division as an agent as required by S.C. Code Ann. § 35-1-402(a), or exempt from such registration.

28. The Respondent sold securities as defined by S.C. Code Ann. § 35-1-102(29).

29. The securities sold by the Respondent were not registered with the Division as required by S.C. Code Ann. § 35-1-301, or exempt from such registration.

³ See, <https://www.sosnc.gov/imaging/dime/webportal/54341639.pdf>

30. The Respondent's violations of the Act set forth above provide the basis for this Order, pursuant to S.C. Code Ann. §35-1-604(a)(1).

31. This Order is in the public interest.

VI. CEASE AND DESIST ORDER

NOW THEREFORE, pursuant to the Act, it is hereby **ORDERED** that:

- a. The Respondent and every entity owned, operated, or indirectly or directly controlled by or on behalf of the Respondent **CEASE AND DESIST** from transacting business in this State in violation of the Act; and
- b. The Respondent pay a civil penalty in the amount of fifty thousand dollars (\$50,000.00) if this Order becomes effective by operation of law, or, if the Respondent seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed \$10,000.00 for each violation of the Act by the Respondent and the actual cost of the investigation or proceeding.

IT IS FURTHER ORDERED that, pursuant to S.C. Code Ann. § 35-1-604(a)(2) and (3), any exemption from registration with the Division that the Respondent may claim to rely upon under the Act has been and is **PERMANENTLY REVOKED**.

VII. REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING

The Respondent is hereby notified that he has the right to a formal hearing on the matters contained herein. To schedule a hearing, the Respondent must file with the Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina, 29211-1549, attention: Securities Division, within thirty (30) days after the date of service of this Order, a written Answer

specifically requesting a hearing. If the Respondent requests a hearing, the Division, within fifteen (15) days after receipt of a written request, will schedule the hearing for the Respondent.

In the written Answer, the Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. If the Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, he shall so state.

Failure by the Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by the Respondent of the right to such a hearing. Failure by the Respondent to file an Answer, including a request for a hearing, shall result in this Order becoming final by operation of law. A copy of the regulations governing the hearing process will be mailed with this Order to the Respondent.

This Order does not prevent the Division or any law enforcement agency from seeking additional civil or criminal remedies as are available under the Act, including remedies related to the offers and sales of securities by the Respondent set forth above.

ENTERED, this the 17 day of July, 2020.

ALAN WILSON
SECURITIES COMMISSIONER

By: 
JONATHAN B. WILLIAMS
Assistant Deputy Attorney General