

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:

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Case No. 2018-0312

BROWSERS LAB, LLC

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RESPONDENT.

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**SUMMARY ORDER TO CEASE AND DESIST
AND ORDER TO SHOW CAUSE**

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2014 Repl. Vol. & Supp. 2017) (the “Act” or “Securities Act”), initiated an investigation into the securities-related activities of Browsers Lab, LLC (“Browsers Lab”, “BL” or “Respondent”); and

WHEREAS, on the basis of that investigation, the Maryland Securities Commissioner (the “Commissioner”) has determined that Respondent has engaged and is about to engage in acts or practices constituting violations of the registration and antifraud provisions of the Act; and

WHEREAS, the Commissioner has determined that immediate action against Respondent is in the public interest;

NOW THEREFORE, pursuant to section 11-701.1(a) of the Act, it is hereby:

ORDERED, that Respondent, its officers, directors, employees, agents and anyone else involved in the offer or sale of investments in or through Respondent, immediately cease and desist from soliciting, offering, or selling investments of Respondent in or from Maryland, pending a hearing in this matter or until such time as the Commissioner modifies or rescinds this

Order. Willful violation of this Order is punishable as a criminal offense under section 11-705 of the Act by a fine not exceeding \$50,000 or imprisonment not exceeding three years, or both.

IT IS FURTHER **ORDERED** that Respondent show cause why a final order should not be issued imposing on Respondent the statutory penalty of \$5,000 per violation of the Act, imposing any other remedy lawful under the Act, and permanently barring Respondent from the engaging in the securities and investment advisory business in Maryland.

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to section 11-701.1 of the Act.

II. RESPONDENT

2. Browsers Lab, LLC is a Maryland limited liability company with a principal operating address in Windsor Mill, Maryland. The company was formed on January 26, 2018 and in its articles of organization identifies Kyle Lavender as a Director and Resident Agent and Rafay Khurram as an authorized person.

III. STATEMENT OF FACTS

3. BL presents itself as a “cloud-based test automation platform” for software development projects and it maintains the website <https://browserslab.com>. The website was and continues to be accessible on the internet by residents of Maryland and other states.

4. Respondent uses that website to promote its business and to disseminate information to potential investors regarding investment opportunities offered by Respondent. Principally, the website contains a description of BL’s initial coin offering (“ICO”) and provides visitors with information about its crypto-token, which will launch under the symbol “BAL.” The website also includes instructions on how to participate in the ICO, an explanation of the

intended use of the BAL crypto-tokens (“BAL Tokens”), and information on how the BAL Tokens will be distributed.

5. Specifically, Respondent describes the BAL Token on its website and in a white paper posted on the site as “a standard ERC-20 token [that] can be used by multiple trading platforms and wallets. BAL token will be one of the ways to interact with our platform. Our token will allow users to employ our services, pay/reward their employees, hire freelancers, etc.” Respondent goes on to state that the BAL Token will “help this platform grow and expand to fill the industries [*sic*] test automation needs. Regulated by smart contracts on an Ethereum based blockchain platform. Not only will the token help foster a much-needed platform, but will also create a new market. The Browsers Lab Token will facilitate individuals and companies by exchanging services in a secure manner.”

6. Respondent’s attempts to explain the investment are riddled with unresolved contradictions that are likely to mislead investors about material facts related to the offering. For example, in discussing the investment on its website and in the white paper Respondent continually refers to aspects of the BAL Token and platform that mirror the concepts historically associated with securities products and markets: tokens will *create a new market*; requests for more information about the ICO are directed to an email address of investor@browserslab.com; funds raised in the ICO will be used to cover operating expenses like hiring talent and R&D; an allocation of some tokens are reserved for the founders and other early insiders/contributors whose BAL Tokens are subject to a lock-up period on trading or selling; and, bonuses or discounts are offered to early token investors, which Respondent describes as “an opportunity for loyal contributors to join before the official ICO is launched.”

7. However, despite describing in its white paper and FAQ section of its website BAL Tokens as having the attributes of a security, Respondent states that the BAL Token is not a security.

8. Similarly, in one section of the white paper, the BAL Token is described as an ERC-20 token, but then in the Disclaimer section Respondent states that BAL is not a digital currency¹.

9. Further, Respondent states that the BAL Token “can be used by multiple trading platforms[,]” suggesting that the future value of the BAL Token will fluctuate in accordance with market forces and making it likely that investors are purchasing the token for the purposes of investment and speculation.

10. The BL website and white paper state that an initial pre-ICO will be launched on March 19, 2018 and last for 15 days, and that the main ICO will start April 23, 2018. As of May 18, 2018, the ICO was ongoing in that Maryland investors could contribute by sending their Ethereum tokens to an address specified on Respondent’s website.

11. Respondent’s BAL Tokens are securities in the form of an investment contract.

12. Respondent’s website functions as both an offer to sell an investment contract and a solicitation for an investor’s offer to purchase an investment contract from Respondent.

13. The Division has no record of securities registration for an offering of the name BAL or Browsers Lab. No claim of exemption or status as a federal covered security has been made with the Division for any such offering.

¹ ERC20 refers to a token standard for Ethereum. It is a technical standard that dictates a number of rules and actions that an Ethereum token or smart contract must be able to implement. <https://www.investopedia.com/tech/why-crypto-users-need-know-about-erc20-token-standard> last visited May 18, 2018. Therefore, an ERC20 token is a digital currency by definition.

14. Respondent is not registered with the Division as a broker-dealer, securities agent, investment adviser or investment adviser representative.

15. The BL website, available to potential investors from Maryland and elsewhere, contains inadequate disclosure of the registration requirements of the offering, the identity and history of BL management, the prior company history, and other information required to make disclosure of material information related to the offering.

COUNT I

(Offer and Sale of Unregistered Securities)

WHEREAS, section 11-501 of the Securities Act makes it unlawful for any person to offer or sell a security in Maryland unless the security is registered, is exempt from registration under the Act, or is a federal covered security; and

WHEREAS, the BAL Token investment opportunities offered by Respondent constitute “securities” in the form of an investment contract within the definition at section 11-101 of the Act; and

WHEREAS, there is no record of registration, claim of exemption from registration, or qualification as a federal covered security filed with the Division by or on behalf of Respondent; and

WHEREAS, Respondent has offered and sold securities in Maryland in violation of the registration requirements of section 11-501 of the Securities Act;

NOW, THEREFORE, IT IS HEREBY **ORDERED** that Respondent, its officers, directors, employees, agents and anyone else involved in the offer or sale of Respondent’s securities, cease and desist from offering or selling securities in or from Maryland, pending a hearing in this matter or until such time as the Commissioner modifies or rescinds this Order.

Willful violation of this Order may result in criminal penalties under section 11-705 of the Securities Act.

IT IS FURTHER **ORDERED** that Respondent show cause why a final order should not be issued against it, imposing the statutory penalty of \$5,000 per violation of the Act, imposing any other remedy lawful under the Act, and permanently barring Respondent from engaging in the securities or investment advisory business in Maryland.

COUNT II

(Acting as an Unregistered Broker-Dealer or Agent)

WHEREAS, section 11-401 of the Securities Act makes it unlawful for any person to transact business in the offer and sale of securities in this State as a broker-dealer or agent unless that person is registered as such pursuant to the Act; and

WHEREAS, section 11-101(c) of the Securities Act defines a “broker-dealer” as a person engaged in the business of effecting transactions in securities for the account of other or for his own account; and

WHEREAS, section 11-101(b) of the Securities Act defines “agent” as an individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect the purchase or sale of securities; and

WHEREAS, section 11-101(k) of the Securities Act defines an “issuer” as a person, including a corporation, that issues or proposes to issue a security; and

WHEREAS, Respondent acted as an issuer or broker-dealer, and engaged in effecting transactions in securities in Maryland; and

WHEREAS, Respondent acted as an agent, and engaged in effecting transactions in securities in this State; and

WHEREAS, Respondent is not registered with the Division as a broker-dealer or an agent to transact securities business in Maryland;

NOW, THEREFORE, IT IS HEREBY **ORDERED** that Respondent, its officers, directors, employees, agents and anyone else involved in the offer or sale of Respondent's securities, cease and desist from acting as a broker-dealer or agent in this State pending a hearing in this matter or until such time as the Commissioner modifies or rescinds this Order. Willful violation of this Order may result in criminal penalties under section 11-705 of the Securities Act.

IT IS FURTHER **ORDERED** that Respondent show cause why a final order should not be issued against it, imposing the statutory penalty of \$5,000 per violation of the Act, imposing any other remedy lawful under the Act, and permanently barring Respondent from engaging in the securities or investment advisory business in Maryland.

COUNT III

(Employment of Unregistered Agent for Sale of Securities)

WHEREAS, under section 11-402(a) of the Securities Act, it is unlawful for any broker-dealer or issuer to employ or associate with an agent for the offer or sale of securities in this State unless the agent is registered pursuant to the Securities Act; and

WHEREAS, section 11-101(k) of the Securities Act defines an "issuer" as a person, including a corporation, that issues or proposes to issue a security; and

WHEREAS, section 11-101(c) of the Securities Act defines a "broker-dealer" as a person engaged in the business of effecting transactions in securities for the account of others or for his own account; and

WHEREAS, section 11-101(b) of the Securities Act defines “agent” as an individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect the purchase or sale of securities; and

WHEREAS, Respondent solicited offers to purchase, offered to sell, and sold securities and, under section 11-101(b) of the Securities Act, acted as an agent in the issuance, offer and sale of those securities in this State by representing a broker-dealer or issuer in effecting or attempting to effect the purchase and sale of securities; and

WHEREAS, Respondent acted as an issuer or broker-dealer under the Securities Act; and

WHEREAS, Respondent is not registered with the Division as a broker-dealer or an agent to transact securities business in Maryland; and

WHEREAS, Respondent has not identified its agents employed for the offer or sale of those securities, although BL is not registered with the Division as an agent;

NOW, THEREFORE, IT IS HEREBY **ORDERED** that Respondent, its officers, directors, employees, agents and anyone else involved in the offer or sale of Respondent’s securities, cease and desist from the employment of unregistered agents in or from Maryland in violation of section 11-402(a) of the Securities Act, pending a hearing in this matter or until such time as the Commissioner modifies or rescinds this Order. Willful violation of this Order may result in criminal penalties under section 11-705 of the Securities Act.

IT IS FURTHER **ORDERED** that Respondent show cause why a final order should not be issued against it, imposing the statutory penalty of \$5,000 per violation of the Act, imposing any other remedy lawful under the Act, and permanently barring Respondent from engaging in the securities or investment advisory business in Maryland.

COUNT IV
(Material Misrepresentation or Omission)

WHEREAS, section 11-301 of the Securities Act prohibits any person, in connection with the offer, sale or purchase of any security, directly or indirectly to: (1) employ any device, scheme or artifice to defraud; (2) make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; or (3) to engage in any act, practice, or course of business that operates or would operate as a fraud or deceit on any person; and

WHEREAS, the BAL Tokens offered and sold by Respondent are “securities” within the meaning of section 11-101 of the Act; and

WHEREAS, in connection with the offer and sale of the securities, Respondent employed a device, scheme or artifice to defraud by engaging in the offer and sale of unregistered, non-exempt securities that are not federal-covered securities; and

WHEREAS, in connection with the offer and sale of the securities, Respondent made untrue statements of material fact including, but not limited to, claims regarding the profits or returns on the investments, and the safety and degree of risk carried by the investments; and

WHEREAS, in connection with the offer and sale of the securities, Respondent omitted material facts that were necessary to make statements that Respondents made not misleading, including, but not limited to, facts concerning Respondents’ lack of registration with securities regulators, and the Issuers’ financial condition; and

WHEREAS, in connection with the offer and sale of securities, Respondent engaged in activities that operated as a fraud or deceit on investors by offering and selling unregistered, non-exempt securities that are not federal-covered securities and by making misrepresentations and omissions of material fact with respect to the offer and sale of those investments;

NOW, THEREFORE, IT IS HEREBY **ORDERED** that Respondent, its officers, directors, employees, agents and anyone else involved in the offer or sale of Respondent's securities, cease and desist from engaging in fraud in connection with the offer and sale of securities in violation of section 11-301 of the Securities Act, pending a hearing in this matter or until such time as the Commissioner modifies or rescinds this Order. Willful violation of this Order may result in criminal penalties under section 11-705 of the Securities Act.

IT IS FURTHER **ORDERED** that Respondent show cause why a final order should not be issued against it, imposing the statutory penalty of \$5,000 per violation of the Act, imposing any other remedy lawful under the Act, and permanently barring Respondent from engaging in the securities or investment advisory business in Maryland.

**REQUIREMENT OF ANSWER AND
NOTICE OF OPPORTUNITY FOR HEARING**

IT IS FURTHER **ORDERED**, pursuant to section 11-701.1 of the Securities Act and the Code of Maryland Regulations, COMAR 02.02.06.06, that Respondent file with the Commissioner a written Answer to this Summary Order *within 15 days of service of this Order*. The Answer must admit or deny each factual allegation in the Order and must set forth affirmative defenses, if any. If Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, it must so state.

Respondent's Answer also must indicate whether Respondent requests a hearing. A hearing will be scheduled in this matter if one is requested in writing. Respondent's failure to file a written request for a hearing will be deemed a waiver by Respondent of the right to such a hearing.

Respondent's failure to file an Answer or a request for a hearing will result in entry of a final order granting the relief requested by the Division in this Order.

DATE OF THIS ORDER:

May 21, 2018

SO ORDERED:

**Commissioner's Signature on File
w/Original Document**

Melanie Senter Lubin
Securities Commissioner