

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

IN THE MATTER OF:

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Case No. 2019-0123

LA TANYA DAVIS

*

And

ANDREA KING-CHANG

*

And

ETHER INVESTMENT AND

*

TRADING GROUP, LLC

*

RESPONDENTS.

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FINAL ORDER

WHEREAS, the Securities Division of the Office of the Maryland Attorney General, 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. 2019) (the “Securities Act” or “Act”), initiated an investigation into the securities related activities of Respondents La Tanya Davis, Andrea King-Chang and Ether Investment and Trading Group, LLC, (collectively, “Respondents”); and

WHEREAS, on November 10, 2020, on the basis of that investigation, the Maryland Securities Commissioner (the “Commissioner”) issued an Order to Show Cause (the “Order”) requiring that each Respondent show cause why a final order should not be entered against that Respondent imposing the statutory penalty of \$5,000 per violation of the Act, imposing any other remedy lawful under the Act, and permanently barring that Respondent from engaging in the securities and investment advisory business in Maryland for or on behalf of others and from being or acting as a principal or consultant in any entity engaged in such activities; and

WHEREAS, on November 10, 2020, a copy of the Order was served on the Commissioner pursuant to section 11-802(b) of the Act and sent by certified mail to Respondents; and

WHEREAS, on January 5, 2021, the Order was delivered to Respondent Davis via certified mail, with Respondent Davis signing the signature card for the Order; and

WHEREAS, a copy of the Order was mailed to Respondent King-Chang at her last known address, however, neither the signature card nor the certified mail item itself has been returned to the Division; and

WHEREAS, Respondents failed to file an Answer to the Order or to make a written request for a hearing, as required by COMAR 02.02.06.06A; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Final Order against Respondents;

NOW, THEREFORE, THE COMMISSIONER FINDS AND ORDERS:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to section 11-801 of the Act.

II. RESPONDENTS

2. La Tanya Davis (“Respondent Davis” or “Davis”) is a resident of Silver Spring, Maryland, who at all relevant times held herself out as co-founder and an agent of Respondent Ether Investment and Trading Group LLC.

3. Andrea King-Chang (“Respondent King-Chang” or “King-Chang”) is a resident of Owings Mills, Maryland, who at all relevant times held herself out as a co-founder and agent of Respondent EITG. Since at least November 2014, Respondent King-Chang was licensed by

the Maryland Insurance Administration as an Insurance Producer, license number 2154277 (active), and may have had other licenses or registrations.

4. Ether Investment and Trading Group, LLC (“Respondent EITG” or “EITG”) is a Maryland limited liability company with a principal office address in Owings Mills, Maryland.

III. BACKGROUND ON DIGITAL TOKEN OFFERINGS

5. The term “digital asset” or “digital token” generally refers to an asset that is issued and transferred using distributed ledger or blockchain technology, including so-called “cryptocurrencies,” “coins,” and “tokens.”¹ Entities have offered and sold digital assets in fundraising events, called “initial coin offerings” or “ICOs,” in exchange for consideration often in the form of other digital assets—most commonly the virtual currencies² bitcoin and ether—or fiat currency.

6. Generally, digital assets may entitle holders to certain rights related to the venture underlying the ICO, such as rights to profits, shares of assets, rights to use certain services provided by the issuer, and/or voting rights. These digital tokens may also be listed on online

¹ A blockchain is a type of distributed ledger, or peer-to-peer database spread across a network, that records all transactions in the network in theoretically unchangeable, digitally recorded data packages called blocks. Each block contains a batch of records of transactions, including a timestamp and a reference to the previous block, linking the blocks together in a chain. The system relies on cryptographic techniques for secure recording of transactions. A blockchain can be shared and accessed by anyone with appropriate permissions. The Bitcoin blockchain is an example of a “non-permissioned,” or public and open access blockchain. Anyone can download the Bitcoin open-source software and join. All participants share a single view of the Bitcoin blockchain, which is updated when Bitcoin network participants reach a consensus on the validity of transactions under review. “Permissioned” or private blockchains are modifications to that model and require permissioned servers to be approved to participate on the network or to access particular information on the blockchain. Blockchains or distributed ledgers can also record what are called smart contracts, which essentially are computer programs designed to execute the terms of a contract when certain triggering conditions are met.

² The Financial Action Task Force, an inter-governmental agency that promotes laws combating money laundering and in which the United States is a member, describes virtual currency as “a digital representation of value that can be digitally traded and functions as (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value, but does not have legal tender status . . . in any jurisdiction.” Virtual currency is not issued by any jurisdiction and functions only by agreement within the community of users of that particular currency.

digital asset trading platforms, where they can be traded for other digital assets or fiat currency. The coins or tokens are often tradeable upon delivery to investors.

7. ICOs are typically announced and promoted through public online channels and promotional events and conferences. The prospectus soliciting the public to acquire tokens in the ICO is usually in the form of a “white paper,” which constitutes marketing materials describing the project and the terms of the ICO. To participate, investors are generally required to transfer funds to the issuer’s unique digital address on a distributed ledger or blockchain, online “wallet,” payment processor, or other account. During or after the completion of the ICO, the issuer distributes its unique coins or tokens to the participants’ unique digital address on a distributed ledger or blockchain.

8. In some instances, the coins or tokens may continue to be offered and sold by the issuer after the ICO has been completed. In others, they may only be obtained from third parties after the ICO by purchasing them in secondary markets, where the coins or tokens are often traded.

IV. FINDINGS OF FACT

9. Respondents Davis and King-Chang co-founded Respondent EITG (collectively with the individuals referred to as “Respondents”) in or around December 2017, for the purpose of consulting and making recommendations on investing and trading in cryptocurrencies.

10. In March 2018, EITG announced on social media and on its website www.ethertradecoin.io (“Website”) its plan to launch an initial coin offering (“ICO”) for its own digital asset, Ethercoin (“ETCN”), and it published a white paper on its Website describing the Ethercoin business model and plans for the ICO (the “White Paper”).

11. The White Paper and EITG's other offering and promotional materials were published on its Website and on social media platforms hosted or accessible in the United States. Respondents used these offering materials to solicit investors in the United States and abroad.

12. In the White Paper, Respondents described the Ethercoin digital asset as "an ERC20 token based on an open source, peer to peer, decentralized, public blockchain and utilizes smart contracts." Respondents further claimed that Ethercoin was "the first decentralized token that will connect real asset-backed co-working spaces ("Ether Space") on the Ethereum blockchain to Ethercoin, and can be used by investors to rent co-working space, and make purchases from the snack bar and online."

13. Ethereum is one of the more widely used blockchain networks, and ERC-20 is a standard protocol (or technical specification of the type of digital token) currently used by most ICO issuers on the Ethereum blockchain.

14. In the White Paper, Respondents claimed that Ethercoin was "developed by a group of cryptocurrency enthusiasts who recognized the need for a cryptocurrency that has low volatility and is backed by a tangible asset (real estate). The Ethercoin team is comprised of hedge fund traders and developers with over 30 years of combined investing and trading experience across global financial markets."

15. It appears that the idea was to create an online ecosystem around a cryptocurrency that had low volatility and was backed by a tangible asset (real estate) so as to lower the barriers faced by retail cryptocurrency investors in using algorithmic and high frequency trading strategies that had previously only been accessible to hedge funds and other large, sophisticated trading firms. The Ethercoin ecosystem would facilitate commercial interaction between experienced traders and nonprofessional cryptocurrency investors through an online trading

platform where traders could offer to sell their trading strategies to interested buyers using a low volatility, asset-backed digital token to transact business.

16. Under the heading “The Solution” in the White Paper, Respondents represent that “[o]ur experienced hedge fund traders and developers are developing an artificial intelligence (AI) based trading bot with a decentralized, software-based user application.” (the “Ethercoin AI Trading Bot”).

17. Respondents further state in the White Paper that:

- a. “Our investors will be able to back test all algorithms before trading live. This method is proven to generate more profits. Ethercoin will offer investors a downloadable version in the form of our Ethercoin AI trading bot software application V1.0. Ethercoin software application V1.0 will have a user-friendly geographical user interface (GUI) allowing traders to easily execute trades.”
- b. “Ethercoin is using an AI trading bot that uses a pre-programmed software that analyzes market conditions including time, price, orders and volume.”
- c. “Ethercoin will offer more than 25 trading indicators to analyze the market in order to generate buy/sell signals that can maximize your profits using Ethercoin. The AI trading bot will be used on multiple exchanges and have a variety of currency pairs to choose from.”

18. Respondents’ White Paper, under the heading “Beta Testing”, goes on to state that: “After the ICO, we will choose some investors to beta test Ethercoin AI trading bot. Once testing is complete, we will launch the Ethercoin AI trading bot application V1.0 to investors for

download. Beta testers will be rewarded with a free AI trading bot and six-month free membership.”

19. Other statements and representation by Respondents in their White Paper include that:

- a. “Ethereum is an ERC20 token and will be used as GAS on the platform. The investor will need to purchase the software using Ethereum tokens purchased during the ICO or from the exchange. Ethereum tokens will be burnt and that will further reward Ethereum investors by decreasing the outstanding supply of Ethereum, which will significantly increase scarcity value.”
- b. “Membership is \$50 per month and must be paid in Ethereum tokens which will be burned rewarding the Ethereum token holders.”
- c. “Experienced traders can sell their trading strategies on the platform to interested buyers if their trading strategies are proven to be profitable. This will create a competitive marketplace of AI algorithms for purchase on the platform. In this way, users who are not experienced can copy experienced traders and reap benefits. The Ethereum trading platform is open for all and the entry barrier is low.”
- d. “Investors can withdraw their tokens that are stored in their vault and will be able to release their Ethereum tokens at any time. It is as simple as pressing a cancel button and all tokens will be returned to the investors' ERC20 wallets. Investors are in total control of their tokens.”

20. To drum up interest in the project and attract potential investors, Respondent Davis started presenting the idea to local contacts in her professional network.

21. One such acquaintance Respondent Davis had contacted to advise of her Ethereum project and solicit an investment from was CW, a self-employed handyman Respondent had previously met while attending a business group meeting at the MGM Hotel at the National Harbor in Maryland.

22. Respondent Davis solicited CW to invest in Respondents' Ethereum ICO. CW, rather than invest directly in the ICO, instead agreed to refer potential investors to Respondents. In exchange, Respondent Davis told CW that he would get part ownership/a seat on the board of directors in her company, Respondent EITG, and a promise that he would be compensated if the project took off and was profitable. CW initially referred and Respondent Davis solicited a couple of people, but they too did not invest in Ethereum.

23. Then, in or around February of 2018, CW travelled to Acapulco, Mexico, to attend a cryptocurrency conference where he met ML, a Hawaii resident, who he attempted to recruit to invest in the Ethereum project. At that time, ML did not invest.

24. A month later, in or around March of 2018, CW travelled to another cryptocurrency conference, this time in Los Angeles, California. ML was also at the same conference and the two met up during the event.

25. During the conference, CW told ML about Respondents and introduced ML to Respondents Davis and King-Chang over the phone.

26. Respondents Davis and King-Chang promoted the Ethereum token project to ML over the phone and solicited an investment of \$50,000 promising a 3x return for being a seed capital investor in the project.

27. Respondent Davis continued to discuss her project with ML and continued to solicit an investment from him, which she followed up with written email and text messages.

28. For example, a 2018 text message date stamped March 31 at 9:35 AM from Respondent Davis to ML states:

“Good afternoon. It was a pleasure speaking with you last night. I saw that you registered for Ethereum.

We have 1,000,000 Ethereum tokens available at \$0.20 set aside as seed capital for venture capitalists, Angel investors or friends and family.

You have a few options I would like to speak with you about. We are allocating \$2 million to investors once all tokens are sold after the ICO is over. This is a commission to motivate investors to sell Ethereum.

Anyone who buys 10,000 or more tokens during the presale or ICO will get their total tokens x .006 that is what .60% means.

However those on our whitelist who buy Ethereum at .20 will get their total tokens x .6 if you buy 10,000 tokens or more. When the ICO is over your tokens you purchased at .20 will now be worth \$1.00

Example: You buy 1,000,000 at \$0.20 = \$200,000

1,000,000 tokens x .6 = \$600,000 from the \$2 million allocation to investors that's a profit of \$400,000 because you purchased all 1,000,000 tokens for \$200,000

Each 1,000,000 tokens you purchased was \$0.20 Each. After ICO will be \$1.00 profit of \$0.80 profit \$800,000”

29. Similarly, in an email dated March 31, 2018 at 10:23 AM from “Ethereum support@ethereum.io to an email address associated with ML with the subject line “Whitelist”

Respondent states:

“Hi: M[] L[],

M[], Good afternoon. It was a pleasure speaking with you last night. I sent some figures to your cell phone. Please send me your myetherwallet ERC20 address. Add a custom token for Ethereum so you can see your Ethereum tokens. Seed capital tokens are \$0.20 per token and we have 1,000,000 tokens available. Please send Eth to this address [redacted]and email me the transaction ID for verification. I will send you the Ethereum tokens upon receipt. Remember All [sic] members on our whitelist that purchase tokens at \$0.20 will have their tokens multiplied by .6 not .006 once all

tokens are sold after the ICO is over for the \$2 million allocation. Let your friends know about this whitelist seed capital sell. Thank you. \$50,000 will get you 250,000 Ethercoin at \$0.20 x .6 + \$150,000 after all tokens are sold at the end of the ICO Contract Address: [redacted] Token Symbol: ETCN Token Decimals: 18 Respectfully, Ethercoin Team Co-Founder La Tanya Davis [a 301-area code phone number]"

30. In response to Respondent Davis' solicitation, on or about April 13, 2018, ML transferred \$50,000 in Ether to an Ethereum wallet controlled by Davis. And on or about April 13, 2018 a date-stamped email from ML's email address was sent to Respondent Davis' Gmail address at approximately 8:21 AM containing an alpha-numeric transaction confirmation. In a reply email approximately 90 minutes later, Respondent Davis writes:

"M[],

Add Custom Token to your myetherwallet

Contract Address: [redacted]

Token Symbol: ETCN

Token Decimals: 18

You own 250,000 Ethercoin tokens

La Tanya"

31. Likewise, on or about April 15, 2018, from the same Gmail email address, Respondent Davis wrote to ML:

"M[],

Good afternoon. I just sent you 250,000 Ethercoin tokens ETCN. Let me know when they are in your exodus wallet. I need to add Ether pin to my exodus wallet as well.

La Tanya"

32. Respondents Davis and King-Chang additionally made in-person solicitations to ML at his home in Hawaii.

33. On or about June 1, 2018, Respondents Davis and King-Chang travelled to Honolulu, Hawaii to meet with ML and another individual.

34. During the meeting in ML's apartment, Respondents Davis and King-Chang solicited from ML a second investment of \$50,000 in Ethercoin in exchange for giving ML an advisory seat on the board of directors of Respondent EITG. In response to Respondents' additional solicitation, on or about June 7, 2018, ML invested another \$50,000 in the Ethercoin offering in exchange for an additional 250,000 Ethercoin. Thus, ML invested a total of \$100,000 in exchange for 500,000 Ethercoin.

35. During the same visit, ML began discussing with Respondents his idea for a cryptocurrency project called AlarmX. Respondents solicited \$100,000 from ML to do all the necessary business paperwork and to do a token sale over the summer and fall to raise money for developing a blockchain. Respondents Davis and King-Chang told ML that they could help him get his AlarmX project going after their project was finished. Respondents Davis and King-Chang had adjusted the seed capital bounty payout to be done by the end of July 2018, which would fit with ML's timeline to start doing prep work to promote the AlarmX token sale at conferences in the late summer and fall.

36. On or about June 5, 2018, ML paid \$100,000 via Bitcoin (BTC) to Respondent EITG for the AlarmX project.

37. Respondents Davis and King-Chang and ML also planned to go as attendees to a cryptocurrency conference called Blockchain World in Atlantic City in July of 2018.

38. Respondent Davis continued to communicate on a regular, almost daily basis, with ML to brainstorm about future plans for the projects and other possible ideas.

39. In or around the end of June 2018 Respondents Davis and King-Chang solicited \$15,000 from ML to get him a patent on his idea for the AlarmX project.

40. The following week ML traveled to Washington, DC to visit with friends before the Blockchain World conference. During the trip ML met with Respondents Davis and King-Chang, who lived nearby in Silver Spring, Maryland. Despite the embryonic state of the AlarmX project, which lacked even a basic white paper at this stage, Respondents Davis and King-Chang encouraged ML to start promoting his coin at the Blockchain World conference and convinced him to secure a booth and speaking slot by paying a fee to become a “gold sponsor” at the conference.

41. At the end of the conference Respondent Davis revealed to ML that a blockchain complete with wallets had already been developed and was live, which came as a shock to ML. Respondent Davis then asked ML for an additional \$100,000 to cover the development costs. But due in part to the unexpected expense incurred by ML to become a “gold sponsor” at the Blockchain World conference, ML did not have enough money left to cover the bill. ML could only afford to give \$20,000 to Respondent Davis, which ML did in reliance on his expectation based on the project Website’s timeline that his Ethereum investment payout would be received at the end of the month. On July 15, 2018, ML paid \$20,000 to Respondent EITG via BTC.

42. The following week, in mid-late July, Respondent Davis sent ML an updated service agreement for the token sale and asked for an additional \$200,000 from ML to push ahead with the token project. ML expected to collect his Ethereum money by the time the payment was due based on the Website timeline and previous payout promises Respondents Davis and King-Chang made to ML.

43. Near the end of July 2018, Respondent Davis contacted ML to ask for his payment. ML, in turn, asked Respondent Davis for his money from the Ethereum ICO seed capital investment. Respondent Davis then told ML, for the first time, that his money would not be paid because the original Ethereum project had been dropped.

44. As a result, ML did not have enough money to pay Respondent EITG's invoice, so they agreed ML would make a smaller payment of \$5,000 while they were doing the token sale and they would pay the developers out of the proceeds from the sale. ML made the \$5,000 payment on the first of August via PayPal to the same Gmail email address used by Respondent Davis in her earlier correspondence. Three weeks later, ML made another payment of \$5,000, via an Ethereum transaction to a wallet address controlled by Respondents. They verbally agreed to move forward and scrap the token sale for a direct blockchain sale where they would publicly launch the chain and pay the developers as they go.

45. The project progressed and they publicly launched the blockchain for AlarmX in the beginning of September 2018. They began publicly trading on a newer exchange called Bitexbay that Respondent Davis had identified and contacted.

46. Shortly thereafter, Respondent Davis suddenly stopped talking to ML until early October when she told ML she wasn't going to tell him what was happening because there was some kind of really good news on the way.

47. After more time had passed, ML asked Respondent Davis for an update. Respondent Davis told him that they had been scrambling for money to make a payment to the developers because a \$20,000 investment from an investor had fallen through.

48. Respondent Davis then alluded to ML possibly getting sued for not paying the old service agreement and that Respondents were going to be selling ML's intellectual property to another company.

49. Respondents have not paid any money to ML in connection with his investment in the Ethercoin ICO.

50. The Ethercoin tokens are securities in the form of stock, an interest in a profit-sharing agreement, and/or an investment contract.

51. Respondents' Website and White Paper function as both an offer to sell and an offer to purchase a security from Respondents.

52. No other monies have been paid by Respondents to ML.

53. In connection with the Ethercoin token investments, Respondents did not disclose to investors material information relating to the offering, including, *inter alia*, the repayment of invested funds, profitability, risk, use of invested funds, that the investments were being offered and sold in violation of applicable laws through unregistered agents, and other information required to make disclosure of material information related to the offering.

54. The records of the Division reflect that there is no record of any securities registration or claim of exemption or status claimed as federal-covered securities in connection with the offering of Ethercoin securities.

55. Respondents have never been registered in Maryland as a broker-dealer or broker-dealer agent, nor have Respondents ever been registered with the Securities and Exchange Commission or the Financial Industry Regulatory Authority in any capacity.

V. CONCLUSIONS OF LAW

56. Respondents violated section 11-501 of the Securities Act by offering or selling unregistered securities in the form of the Ethercoin investment contracts.

57. Respondents violated section 11-401 of the Securities Act by transacting business in the offer or sale of securities in Maryland as a broker-dealer or securities agent, without being registered pursuant to the Securities Act.

58. Respondents violated section 11-402 of the Securities Act by employing an unregistered agent for the offer or sale of securities in Maryland.

59. Respondents violated section 11-301 of the Securities Act by making materially false or misleading statements and omissions in connection with the offer or sale of securities in Maryland.

VI. SANCTIONS

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

60. Respondents permanently cease and desist from offering or selling securities in or from Maryland in violation of the Securities Act, from offering and selling any securities, whether registered or exempt from registration, and from engaging in any transaction exempted under the Act; and it is further ORDERED that

61. Respondents are permanently barred from engaging in the securities business in Maryland for or on behalf of others, or from acting as a principal or consultant in any entity so engaged; and it is further ORDERED that

62. Respondents, jointly and severally, are assessed a civil monetary penalty of \$140,000 for violations of the Securities Act pursuant to section 11-701.1(b), payable by certified check to the Office of the Attorney General, which penalty shall be reduced by the

amount of restitution Respondents pay to ML and any other investor who purchased an Ethereum investment contract.

VII. JURISDICTION RETAINED

63. Jurisdiction is retained by the Commissioner for the purpose of enabling any party to this Order to apply for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Order.

VIII. NOTICE OF APPEAL RIGHTS

64. Pursuant to COMAR 02.02.06.24, Respondents have the right to file an appeal of this Order with the appropriate circuit court of the State of Maryland. Any appeal must be filed within 30 days from the date this Order is mailed by the Division.

DATE OF THIS ORDER:

July 26, 2021

SO ORDERED:

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

Melanie Senter Lubin
Securities Commissioner