CEASE AND DESIST ORDER

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, has determined as follows:

RESPONDENTS

1. ZANFAU LTD ("ZANFAU") is an entity that purports to conduct business as a software development and consulting firm and creator of ZAN Coin by means of the domain names “zanfau.com” and “zancoin.tech” and is accessible through the websites: http://zanfau.com and https://zancoin.tech. ZANFAU may be served through its domain name registrar GoDaddy.com, LLC located at 14455 N Hayden Rd Ste 226 Scottsdale, Arizona 85260, via GoDaddy.com.

2. Henrik Madsen ("MADSEN") is represented in ZAN Coin’s website as the “Chief Executive Officer” of ZAN Coin. His business address is listed as 1415 Petar Dinekov str. 23 Sofia, Bulgaria.

3. Rali Ralev ("RALEY") is represented in ZAN Coin’s website as the “Chief Technology Officer” of ZAN Coin. His business address is listed as 1415 Petar Dinekov str. 23 Sofia, Bulgaria.
4. Todor Boyadzhiev ("BOYADZHIEV") is represented in ZAN Coin’s website as the “Chief Operating Officer” of ZAN Coin. His business address is listed as 1415 Petar Dinekov str. 23 Sofia, Bulgaria.

**STATEMENT OF FACTS**

5. On July 2, 2018, Commission staff discovered an advertisement on a local Birmingham television station’s web page titled, “ZAN Coin Announces Launch Of ICO Backed By Groundbreaking Cryptocurrency Payment Processing Solution That Will Streamline Crypto Transactions.” The advertisement appears to have been published on the internet on June 22, 2018 and became accessible to Alabama residents at that time. The web address for the advertisement is [http://www.wbrc.com/story/38488108/zan-coin-announces-launch-of-ico-backed-by-groundbreaking-cryptocurrency-payment-processing-solution-that-will-streamline-crypto-transactions](http://www.wbrc.com/story/38488108/zan-coin-announces-launch-of-ico-backed-by-groundbreaking-cryptocurrency-payment-processing-solution-that-will-streamline-crypto-transactions). The advertisement states, “ZANFAU, the company behind the ZAN coin [] create[s] an ICO that is unlike any other.” The advertisement continues, “The first round of this highly anticipated ICO has already opened and ZAN tokens can be purchased at a cost of 1 Ether for 1,200 ZAN tokens. Potential participants should act quickly because once this round has closed, the cost per token will rise.” The advertisement then recommended, “To learn more about the ZAN Coin ICO or to get involved, visit their official at [https://zancoin.tech](https://zancoin.tech).”

6. The advertisement also provided a phone number for “Media Relations” to contact at +61 2 8011 4394, a phone number based in the Albury-Wodonga region of Australia, for further information.

7. According to the ZAN Coin website, ZANFAU website, and the public white paper, “ZANFAU is a consulting and software development company, specialising [sic] in the enterprise security space.” The ZAN Coin White Paper further states that “ZAN Coin is intended to increase the engagement and motivation of developers in the software development life cycle [()] through the application of blockchain technology.”

8. The ZAN Coin White Paper advertises that ZANFAU “produce[s] software solutions that are then sold separately to a large number of customers” and “the total profits will then be split 50/50 between the company and token holders (developers and investors), generating a passive income for all.”
10. According to the ZAN Coin website, ZANFAU website, and white paper, ZANFAU derives its profits from cash sale of software products. Then, using a “Buy-Back option,” the company will “buy coins from anyone willing to sell them on the open market” and “pay dividends monthly” in the form of ZAN Coin. The white paper further states, “The profits of each sale will be split into 2 parts [] and 50% will be split among ZAN coin holders relative to their proportion of coins.”

11. Offering documents show that ZANFAU is seeking a “target soft cap goal of USD 1,000,000.” The capital raised through the ICO “will be split into 3 main parts.” According to the white paper, the investments will be used to “build up a strong testing and development infrastructure in order to improve [ZANFAU’s] business,” “broaden [ZANFAU’s] customer portfolio by conducting face-to-face meetings with new customers, developing formal partnerships, participating in conferences, and hosting special events,” and “acquire official certification on most of [ZANFAU’s] products” to “greatly increase sales and benefits for [ZANFAU’s] developers and investors.”

12. On July 13, 2018, a review of the registration files of the Alabama Securities Commission revealed no record of registration, nor any perfected exemption from registration for the securities offered and sold by ZANFAU. In addition, the RESPONDENTS were neither registered to offer or sell securities in Alabama, nor exempt from registration.

13. A corporation search of the Alabama Secretary of State’s online website revealed no registration for ZANFAU as a business entity or a foreign corporation to do business in the State of Alabama.

CONCLUSIONS OF LAW

14. Pursuant to Section 8-6-2(10), Code of Alabama 1975, the definition of “security” includes investment contracts and profit sharing agreements. RESPONDENTS’ software development investment plans require investors to invest money into the common investment plan in order to pool their investments with other investors. Investors share and expect a profit, as represented by RESPONDENTS, and the profit is derived from the managerial efforts of RESPONDENTS. Therefore, RESPONDENTS’ software development plans constitute investment contracts and profit sharing agreements and are “securities” as defined by the Act.
15. Pursuant to Section 8-6-4, Code of Alabama 1975, it is unlawful for any person to offer or sell any security in this state unless it is registered or exempt from registration under Section 8-6-10; or the transaction is exempt under Section 8-6-11. The securities, i.e. the investment contracts and/or profit sharing agreements offered and sold by RESPONDENTS were neither registered nor subject to a perfected exception from registration in Alabama at the time of solicitation or sale and were offered and sold in violation of the Act.

16. Pursuant to Section 8-6-2(5), Code of Alabama 1975, the definition of an “issuer” includes every person who proposes to issue, or has issued any security. RESPONDENTS, by issuing securities, to wit: investment contracts and/or profit sharing agreements, is an “issuer” as defined by the Act.

17. Pursuant to Section 8-6-17(a)(2), Code of Alabama 1975, it is unlawful for a person, in connection with the offer, sale, or purchase of a security, to make 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. RESPONDENTS failed to disclose that the investments offered and sold by RESPONDENTS were securities, which required registration in the state of Alabama, a material omission, in violation of the Act.

This Order does not prevent the Commission from seeking such other civil or criminal remedies that are available to it under the Act.

This Order is appropriate in the public interest for the protection of investors and is consistent with the purposes of the Act.

Additionally, if the allegations set forth herein are found to be true, through either administrative adjudication, failure of the RESPONDENTS to make a timely request for hearing, or default of the RESPONDENTS, it is the intention of the Commission to impose sanctions upon the RESPONDENTS. Such sanctions may include, inter alia, an administrative assessment imposed on RESPONDENTS, an additional administrative assessment for investigative costs arising from the investigation of the violation(s) described herein against RESPONDENTS, and a permanent order to bar RESPONDENTS from participation in any securities related industry in the state of Alabama.

**ACCORDINGLY, IT IS HEREBY ORDERED** that RESPONDENTS immediately
CEASE AND DESIST from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, Alabama, this 13th day of July 2018.

ALABAMA SECURITIES COMMISSION
P.O. Box 304700
Montgomery, AL 36130-4700
(334) 242-2984

BY:

[Signature]

Joseph P. Borg
Director