

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
)
HASHKON, INC)
)
BRIAN KENDRICK) ADMINISTRATIVE ORDER
BERTRAM GAMINO) NO. CD-2018-0015
SEAN BARRETT)
LAURA BLALOCK)
)
RESPONDENTS)

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. Hashkon, Inc. (“**HASHKON**”) is an entity that purports to conduct business as a cryptocurrency investment company by means of the domain name, “hashkon.com” and is publicly accessible via the website: <https://www.hashkon.com/>. **HASHKON** 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. Brian Kendrick (“**KENDRICK**”) is represented in **HASHKON**’s website as “Chief Executive Officer” of **HASHKON**. His business address is listed as 2967 Dundas St. W., #654 Toronto Ontario, M6P 1Z2, Canada.

3. Bertram Gamino (“**GAMINO**”) is represented in **HASHKON**’s website as “Media Manager” of **HASHKON**. His business address is listed as 2967 Dundas St. W., #654 Toronto Ontario, M6P 1Z2, Canada.

4. Sean Barrett (“**BARRETT**”) is represented in **HASHKON**’s website as “Legal Advisor” of **HASHKON**. His business address is listed as 2967 Dundas St. W., #654 Toronto Ontario, M6P 1Z2, Canada.

5. Laura Blalock (“**BLALOCK**”) is represented in **HASHKON**’s website as “Chief Executive Officer” of **HASHKON**. Her business address is listed as 2967 Dundas St. W., #654 Toronto Ontario, M6P 1Z2, Canada.

STATEMENT OF FACTS

6. On July 2, 2018, Commission staff discovered an advertisement on a local Birmingham television station’s web page titled, “Hashkon Launches World’s First Hosted Staking Platform with ‘Withdrawal Trust.’” The advertisement appears to have been published on the internet on June 16, 2018 and became available to Alabama residents at that time. The web address for the advertisement is <http://www.wbrc.com/story/38439579/hashkon-launches-worlds-first-hosted-staking-platform-with-withdrawal-trust>. The advertisement states, “Hashkon is taking ‘Hosted Staking’ to the next level of trust, with reasonable returns.” The advertisement continues, “Hashkon [] launching its ICO on 9th July 2018 [sic]” that “will provide its investors 6 million coins of the 28 million maximum supply.”

7. The advertisement also provided an email address for **KENDRICK** the “CEO” to contact at admin@hashkon.com for further information.

8. A follow-up advertisement was posted on the same local Birmingham television station’s web page on June 29, 2018 titled, “Hashkon Postponed the Launch of It’s [sic] ICO for Another 10 days” and became available to Alabama residents at that time. The advertisement stated, “The ICO which was scheduled to be launched on 9th of July, has now been postponed for another 10 days and is now being launched on 19th July, 2018.” The advertisement then claimed that **HASHKON** “solve[d] legal regulations issues imposed by governments by adopting a new feature that is compliant/safe and beyond the gambit of annoying, meddling government agencies.”

9. The advertisement further stated that **HASHKON** “has taken on the challenge to come up with a different concept to assure that an ICO investment doesn’t mean that you are

always at the risk of losing something.” The advertisement continued, “Haskon offers daily payments to its members regardless of the size of the deposit.”

10. According to the **HASHKON** website, YouTube videos, and public white paper, **HASHKON** is “a new cryptocurrency [that] allows you to make transactions anonymously” and allows investors to “make passive income by just storing (staking) **HASHKON** coins.” Further, the **HASHKON** promotional materials tout “multiple earning opportunities with hosted and traditional staking, mining, and trading.” The **HASHKON** website and white paper elaborate on the hosted staking model, stating that in exchange for investors “parking or staking your coins on the platform,” they will receive daily or monthly “bonus payouts.” The website also states that **HASHKON** “invest[s] [staked] funds into a mix of high, medium, and low risk cryptocurrency investments.”

11. The **HASHKON** White Paper and website advertise “minimum monthly returns” starting at “10%” and decreasing to “3%” over the first two years of investment under the “Traditional Staking Plan.” The white paper and website also advertise “1-1.5% daily bonus payouts” under the “Hosted Staking with Lock-in Free Plan” with additional returns of “0.07% – 0.5%” under the “Lock-in Plan.”

12. According to the **HASHKON** website, **HASHKON** derives its profits through investing “funds into a mix of high, medium and low risk cryptocurrency investments while keeping 20% with us as reserve in Fiat.” The chosen cryptocurrency investments yield “expected Average [sic] returns range from 5x to 50x” to be paid out as bonuses to investors “while the remaining profits are banked for the long term [sic] sustainability of the program.”

13. The **HASHKON** White Paper states that “6 million coins [will be] offered during the ICO with the immensely low starting price of \$0.15 per coin” under the symbol of “HSKN.” Further, the **HASHKON** website states that **HASHKON** has “set a floor price of each HSKN at \$0.90 per HSKN so it CAN NOT go below this level,” but expects the coins to be valued at “\$1 – \$2” at the opening of the internal exchange. The website also claims that **HASHKON** has “reasons to believe that the price of each Hashkon will increase by 8-10x in the first week after our internal exchange opens to the public” and expects prices to be between “\$15 – \$18” per HSKN within a year of the ICO.

14. 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 **HASHKON**. In addition, the **RESPONDENTS** were neither registered to offer or sell securities in Alabama, nor exempt from registration.

15. A corporation search of the Alabama Secretary of State's online website revealed no registration for **HASHKON** as a business entity or a foreign corporation to do business in the State of Alabama.

CONCLUSIONS OF LAW

16. Pursuant to Section 8-6-2(10), Code of Alabama 1975, the definition of "security" includes investment contracts and profit sharing agreements. **RESPONDENTS'** cryptocurrency investment plans require investors to invest money into the common investment plan in order to pool their investments of money and cryptocurrency 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'** cryptocurrency investment plans constitute investment contracts and profit sharing agreements and are "securities" as defined by the Act.

17. 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 **HASHKON** 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.

18. 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.

19. 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 **HASHKON** were securities which required registration in the state of Alabama, a material omission, in violation of the Act.

20. Pursuant to Section 8-6-17(a)(3), Code of Alabama 1975, it is unlawful for a person, in connection with the offer, sale, or purchase of a security, to engage in an act, practice, or course of business which operates or would operate as a fraud or deceit upon a person.

RESPONDENTS' business model, revealed through the website's marketing materials and YouTube, contains information that is materially misleading or would otherwise deceive the public 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

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BY:

Joseph P. Borg

Director