

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
Slotie NFT) ADMINISTRATIVE ORDER
)
) NO. CD-2022-0019
RESPONDENT)

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:

RESPONDENT

1. Slotie NFT (“Slotie NFT”) is being served by (1) via mail to 38 Vazha Pshavela Ave., Tbilisi 0177, Georgia and (2) via email to the subscriber email address registered with GoDaddy.com, LLC for Slotie NFT.

STATEMENT OF FACTS

2. In October 2021, Slotie NFT began operating in the country of Georgia. It is now soliciting investors by way of the internet, including residents of Alabama, to participate in an unregistered Defi gambling investment.

3. In this case, **RESPONDENT** developed an NFT, or nonfungible token, which purports to grant holders access to the new world of Defi gambling and provide owners with real world benefits by way of the profit-sharing agreement. The NFTs are referred to as “Sloties.”

4. In furtherance of the scheme, **RESPONDENT** is using an internet website <https://www.slotie.com> and various social media platforms to publicly solicit securitized NFTs tied to Defi gambling.

5. The securitized NFTs are similar to shares of stock and other equities insofar as the securitized NFTs purportedly provide purchasers with shared ownership of the revenue generated by the utilization of NFT-based slot machines in Defi gambling metaverses.

6. **RESPONDENT** is funding the internet and metaverse casinos through the sale of 10,000 Slotie NFTs to the public.

7. The securitized NFTs are created in a way that determines the amount of passive income investors will earn and is based on the NFTs rarity and uniqueness. NFT rarity refers to how limited a certain NFT is depending on its traits such as color, design, costume, etc. The ownership of a Slotie conveys the right to participate in Slotteries. Slotteries is the term **RESPONDENT** uses to refer to various drawings and lotteries, including contests that award cash, NFTs, free spins in a weekly lottery, and the earning of WATTs.

8. WATTs are described on the Slotie website as follows: “WATTs is a token which acts like the energy in the Sloties’ world. WATTs are generated on a daily basis. Every Slotie owner gets 10 WATTs tokens daily. You will have enough WATTs to breed your Sloties in 3 months. For those who can’t wait to get their Junior Sloties, there’s the opportunity to buy tokens from other owners on the secondary market.” Additionally, WATTs can be used to create another series of NFTs called Junior Sloties. An investor that obtains 1800 WATTs and 2 Sloties can then create a Junior Slotie. This is referred to as “breeding.”

SLOTIE JUNIORS

9. According to another website hosted by Slotie NFT, the Slotie Junior website (<https://www.junior.slotie.com/>), “Slotie Juniors are the next generation of NFTs in the most anticipated blockchain gambling network of Sloties. Only 5,000 Juniors will ever be mintable with the remaining 5,000 Juniors reserved for Slotie Holders to breed. Slotie Juniors grant access to the Las Vegas of the metaverse, SlotieVerse. Owning a Junior Slotie literally doubles the profit for the Slotie holder.”

10. According to the Slotie Junior website, “Slotie Juniors grant proof of ownership on the Ethereum blockchain and are based on the ERC-721 standard. With Slotie Juniors, the power is in the hands of the holders who keep 100% of the rewards earned in the Slotie Junior district of SlotieVerse.” The Slotie Junior traits, or type of token, will determine the different types of benefits, from the amount of Earned Holder Reward (EHR), to more rakeback percentages, to more free spins in the SlotieVerse.

11. Slotie Junior holders will receive a plot of land via airdrop in the SlotieVerse’s Slotie Junior District that is controlled by the Slotie Junior holders. This ownership gives the Slotie Junior holder community the authority to decide on how to use the land. The Slotie Junior community, holders of Slotie Juniors, will control 100% of the income of the district.

12. In SlotieVerse, EHR is generated from the marketplace which is where users trade with different assets: 3D objects, new casino games, new artworks, and liquidity generated from Junior Slot machines. According to the Slotie Junior website, “50 Slot machines are placed in the Slotie District. Slotie Juniors earn different amounts of EHR from the slot machines by becoming liquidity providers, or just being holders of the Slotie Junior.”

13. According to the Slotie Junior website, Slotie Junior holders also receive benefits in SlotieVerse by having the ability to, “attend events with discounted prices, have free spins, and rakebacks in the slot machines, and other casino games in SlotieVerse. Slotie Juniors will own land in Sandbox, which will be developed as a casino, and this casino will serve as a bridge to SlotieVerse. The Sandbox land is managed by the Junior’s DAO.” (Decentralized Autonomous Organization). “Part of the funds collected from the Juniors sales and royalties collected from OpenSea will be spent on the Sandbox land development.”

SLOTIEVERSE

14. **RESPONDENT** is using the Slotie Website, Slotie Junior website, and the Slotie Social Media Platforms to promote the use of NFT-based slot machines and the development of a decentralized casino named SlotieVerse on the Ethereum blockchain. According to the Slotie Junior website, “SlotieVerse is a Las Vegas metaverse experience where all the fun takes place. SlotieVerse aims to create unmatched social experiences with the mission to have entertaining events in every corner.”

15. Patrons, acting through digital representations of themselves known as avatars, will be able to experience the SlotieVerse by having access to not only casinos, but also malls, clubs, entertainment centers, and autohouses.

16. **RESPONDENT** has been providing information about the development of the SlotieVerse through various webcasts and AMAs, an acronym of “ask me anything” that refers to an interactive presentation where audiences ask questions and hosts provide answers in real time. The AMAs are conducted during the Slotteries that occur in real time on Discord.

17. **RESPONDENT** first announced its operations in November 2021, claiming that, “Holding a Slotie NFT can be seen as a partnership deal between holders, casinos, and Elia

Software. Casinos pay 12% of their slot machines' revenue as a commission to us for executing and distributing high quality gaming solutions for them. We share 80% of our NFT-based slot machine revenue to the Slotie owners on a monthly basis.”

THE SLOTIE WEBSITE AND SOCIAL MEDIA PLATFORMS

18. After retaining GoDaddy.com, LLC and paying for web hosting on or about October 25, 2021, **RESPONDENT** created and published the Slotie Website.

19. Contemporaneously with the publication of the Slotie Website, **RESPONDENT** began using Twitter, Instagram and Discord (collectively the “Slotie Social Media Platforms”). The Slotie NFT Social Media Platforms are described in greater detail as follows:

A. On or around October 8, 2021, **RESPONDENT** created an account with Twitter with @SlotieNFT as its handle. **RESPONDENT** posted its first tweet on November 1, 2021, seven days after publishing the Slotie Website.

B. On or about November 2, 2021, **RESPONDENT** began posting content through slotie_nft, its handle on Instagram.

C. On or around October 27, 2021, **RESPONDENT** began disseminating information through Discord Server ID 902918779770638366, a server hosted by Discord named Slotie NFT. This server has been and is administered by an unidentified person acting through the alias meadows#0777 and User ID 721649596383887450 (the “Discord Agent”).

THE SLOTIE SECURITIZED NFTS

20. **RESPONDENT** is using the Slotie Website and the Slotie NFT Social Media Platforms to solicit sales of securitized NFTs to raise capital for the development of the SlotieVerse casino.

21. **RESPONDENT** is directing investors to the Slotie NFT Website, at <https://www.slotie.com/>, to purchase and mint the securitized Slotie NFTs. In order to purchase the Slotie NFTs, investors must utilize cryptocurrency.

22. The aggregate number of mintable securitized Slotie NFTs credited was 10,000. The securitized NFTs have been minted and published in the Ethereum Mainnet as Slotie NFT via contract 0x5fdB2B0C56Afa73B8ca2228e6aB92Be90325961d.

23. The contract was created by Slotie NFT using 0x197f307de4a57608aa63a471c943a2fe15268834 as their address.

24. The contract was executed on December 7, 2021, as transaction hash 0xc1eb6ed442b717bea32b56f6655d0b45ac20808ed7b0f1fe7849bc0060887709 in block 13758390.

THE JUNIOR SLOTIE SECURITIZED NFTS

25. **RESPONDENT** is using the Junior Slotie Website along with the Slotie NFT Social Media Platforms to solicit sales of securitized NFTs to raise capital for the development of the SlotieVerse casino.

26. **RESPONDENT** is directing investors to the Junior Slotie NFT Website, at <https://www.junior.slotie.com/>, to purchase and mint the securitized Slotie NFTs.

27. The aggregate number of mintable securitized Slotie NFTs is 10,000. Of these, 5,000 are mintable to the public and 5,000 are available to Slotie Holders for breeding. The securitized NFTs have been minted and published in the Ethereum Mainnet as Slotie NFT via contract 0x5dFf0b226fde7085a850aff06E2ea62D1Ad506f5.

28. The contract was created by Slotie NFT using 0x197f307de4a57608aa63a471c943a2fe15268834 as their address.

29. The contract was executed on February 9, 2022, as transaction hash 0x0e9c7039666826f23b019420c38a1040b7678f3854594541a8d781c158eba067 in block 14174463.

THE TERMS OF THE SECURITIZED NFTS

30. The securitized NFTs provide purchasers with ownership interests of the casinos.

31. The securitized NFTs also provide purchasers with the right to passively share in profits generated by the casinos.

32. **RESPONDENT** originally announced that owners of the securitized NFTs are eligible to participate in lotteries, including lotteries awarding WATTs, cash, NFTs or free spins in a weekly lottery.

THE SALES OF THE SECURITIZED NFTS

33. According to the blockchain, the Slotie NFT contract was launched on December 7, 2021, and **RESPONDENT** claims the NFTs sold out in under 5 minutes. There is no evidence on the blockchain of 10,000 NFTs selling out in under 5 minutes.

34. According to the blockchain, the Junior Slotie NFT contract was launched on February 9, 2022, and **RESPONDENT** claims the NFTs sold out in under 2 minutes. There is no evidence on the blockchain of 5,000 NFTs selling out in under 2 minutes.

35. **RESPONDENT** initially directed purchasers to mint the Slotie NFTs directly through the Slotie NFT website. Once minted, the NFTs could be resold on the secondary marketplace OpenSea. In April 2022, OpenSea delisted the Slotie NFT collection. **RESPONDENT** then began directing NFT purchasers to other secondary marketplaces, namely Rarible and LooksRare for Slotie NFTs.

THE TEAM

36. **RESPONDENT** purportedly consists of a team of game developers with an experience of more than 10 years in gambling industry. They are partnered with over 120 online casinos and the team has produced more than 30 online slot games. Their greater vision is to pioneer in decentralizing the gambling industry by involving large casino chains into the NFT world. According to the website, the team consists of the following:

37. Tas Nicolaou is purportedly the Product Owner for **RESPONDENT**.
38. John Hrzic purportedly serves as the CMO (undefined) for **RESPONDENT**.
39. Brianna Quintero purportedly serves as Head of Communication for **RESPONDENT**.
40. Brett Malinowski purportedly serves as Advisor for **RESPONDENT**.
41. David Tonson purportedly serves as Game Design for **RESPONDENT**.
42. Nick Bunia purportedly serves as Software Engineer for **RESPONDENT**.
43. Marc Gibson purportedly serves as Smart Contract for **RESPONDENT**.
44. Lukas Tiik purportedly serves as Art Director for **RESPONDENT**.
45. **RESPONDENT** provided links on the Slotie NFT website to the LinkedIn profiles for Tas Nicolaou, John Hrzic, Brianna Quintero, David Tonson, Nick Bunia, Marc Gibson, and Lukas Tiik. A link to Twitter was provided for Brett Malinowski.
46. The links for the LinkedIn profiles belonging to David Tonson and Lukas Tiik are not functional on the **RESPONDENT**'s website.
47. **RESPONDENT** represents they are working with various third parties to develop NFT slots and the SlotieVerse. According to the Slotie NFT website, “Slotie NFT is created by Elia Software – a leading gaming software organization serving 150+ digital casinos” and now claim to provide Slotie owners benefits with their partner Ruby Play.

48. **RESPONDENT** purchased eliasoftware.com on or about November 3, 2021, two weeks after slotie.com was purchased. It appears Elia Software came into existence shortly after the creation of Slotie NFT or approximately at the same time.

THE LOCATION OF RESPONDENT SLOTIE NFT AND CONTACT INFORMATION FOR RESPONDENT SLOTIE NFT

49. Although **RESPONDENT** and its team are offering and selling securitized NFTs, they are not providing purchasers with the following information:

- A. **RESPONDENT** is not providing purchasers of securitized NFTs with its physical address or any information relating to its physical location;
- B. **RESPONDENT** is not providing purchasers of securitized NFTs with the physical business addresses for Tas Nicolaou, John Hrzic, Brianna Quintero, Brett Malinowski, David Tonson, Nick Bunia, Marc Gibson, Lukas Tiik or any information relating to their physical location;
- C. **RESPONDENT** is not providing purchasers of securitized NFTs with its telephone number; and
- D. **RESPONDENT** is not providing purchasers of securitized NFTs with its email address.

50. Purchasers of the securitized NFTs are only able to contact **RESPONDENT** or its personnel through the Slotie NFT Social Media Platforms.

51. In connection with the offer of the securitized NFTs, **RESPONDENT** is failing to disclose the physical address and physical location of **RESPONDENT**, and this information is material to investors in deciding whether to invest.

THE SOCIAL MEDIA SALES AGENTS FOR RESPONDENT SLOTIE NFT AND SOCIAL MEDIA PROMOTIONS

52. As described herein, Discord Agent Meadows#0777 began posting on **RESPONDENT'S** Discord server. The Discord Agent is offering the securitized NFTs through **RESPONDENT'S** Discord server.

53. **RESPONDENT** is not providing any information relating to the identity, business repute, qualifications, experience or licensure of the Discord Agent.

54. **RESPONDENT** is advertising and/or soliciting the Slotie NFTs and Junior Slotie NFTs through an internet website accessible at <https://slotie.com> and <https://junior.slotie.com> and social media platforms such as Twitter, Instagram, and Discord.

55. **RESPONDENT** is encouraging users to interact through their social media platforms and they are rewarding the most active users.

56. In connection with the offer of the securitized NFTs, **RESPONDENT** is failing to disclose both identity and licensure of the Discord Agent, and any sales-based or other compensation that has been paid to or can be earned by the Discord Agent, and this information is material to investors in deciding whether to invest.

CLAIMS OF AFFILIATION WITH OTHER CASINOS

57. **RESPONDENT** also represents **RESPONDENT** is partnering with over 150 casinos worldwide.

58. **RESPONDENT** has engaged Ruby Play to develop an online slots game (the “Ruby Slots Game”), which Slotie purports will be distributed to and licensed by Ruby Play’s partner online casinos, and through which Slotie NFT holders will earn a share of revenues. **RESPONDENT** is only providing a link to Ruby Play. According to the Ruby Play website, “Ruby Play is an iGaming development studio that specializes in the design and creation of the most entertaining and engaging slot games, as well as value-add tools for gaming operators.”

REGISTRATION VIOLATIONS

59. The NFTs constitute investment contracts and certificates in, or under profit sharing agreements, and as such the Act regulates their offer and sale in Alabama. The NFTs have not been registered by notification, coordination or qualification in Alabama, and no permit has been issued for their sale in Alabama.

60. On August 30, 2022, a review of the registration files of the Alabama Securities Commission revealed no registration for the **RESPONDENT** in any capacity.

61. **RESPONDENT** is offering securitized NFTs through anonymous agents via Discord. The anonymous agents have not been registered with the Commission as agents of **RESPONDENT** at any time material hereto.

THE CAPITALIZATION OF RESPONDENT SLOTIE NFT

62. In connection with the offer of the securitized NFTs, **RESPONDENT** fails to disclose its assets, liabilities, revenue and other financial information germane to its operations and the development and management of the casinos and SlotieVerse, and this information is material to investors in deciding whether to invest.

THE SOURCE OF FUNDS, THE USE OF FUNDS AND THE PROFITABILITY OF THE CASINO AND SLOTIEVERSE

63. In connection with the offer of the securitized NFTs, **RESPONDENT** fails to disclose its anticipated use of capital raised through the sale of the securitized NFTs, and this information constitutes a material fact.

64. In connection with the offer of the securitized NFTs, **RESPONDENT** fails to disclose the financial impact and consequences of failing to raise sufficient capital through the sale of the securitized NFTs.

THE RISKS ASSOCIATED WITH METAVERSE CASINOS

65. In connection with the offer of the securitized NFTs, **RESPONDENT** fails to disclose the following material facts that are risks associated with the operation of metaverse casinos:

- A. The failure to successfully market the metaverse casino, and the failure to grow or sustain the number of customers, may negatively impact profitability or lead to losses;
- B. A metaverse casino competes with physical, virtual and metaverse casinos and may need to significantly invest in technology, research and development and marketing to maintain or increase competitiveness;
- C. A metaverse casino competes with other forms of gambling, gaming, entertainment and free-to-play platforms;
- D. Delays in the implementation of new games or successfully planning and hosting new events may negatively impact revenue;
- E. Fraud, theft and gambling scams may negatively impact profitability;
- F. The costs of developing and implementing any necessary anti-money laundering and Know Your Customer standards may limit profitability; and
- G. The costs of acquiring and maintaining any necessary licensure, as well as the inability to obtain or retain any necessary licensure, may cause a metaverse casino to close.
- H. Metaverses are new platforms with uncertain viability, and any cessation of operations may negatively impact businesses, including casinos, operating in their metaverses;

- I. Metaverses compete with other metaverses, and this competition may limit the population of the metaverses and the number of clients of metaverse casinos;
- J. Cybersecurity risks from criminals targeting **RESPONDENT** using distributed denial-of-service attacks, malware and phishing campaigns may limit the ability of **RESPONDENT** to market its metaverse casino;
- K. Metaverses may limit the ability of businesses to advertise, increase the costs advertising or restrict the locations of advertisements, and their acts may impair the ability to attract new clients; and
- L. New technologies may replace NFTs and metaverses, thereby limiting the liquidity and profitability of the securitized NFTs and demand for metaverse casinos.

THE RISKS ASSOCIATED WITH THE SECURITIZED NFTS AND THE METAVERSE

66. In connection with the offer of the securitized NFTs, **RESPONDENT** fails to disclose the following material facts that are additional risks associated with the securitized NFTs:

- A. Bad actors may hack or exploit systems and steal NFTs or appropriate digital assets, attempt to impersonate owners of NFTs, counterfeit NFTs, sell replicas of original NFTs, or misuse art tied to NFTs;
- B. Domestic or foreign governments may adopt legislation or regulations that negatively impact the use, transfer, exchange or price of NFTs;
- C. NFTs compete with other digital assets, and this competition may negatively impact the price of a NFT;
- D. The market for NFTs is new and volatile, and the price of an NFT as it relates to fiat currency may greatly decrease over a short period of time, impacting the liquidity of an NFT and the price of a NFT;

E. Businesses or organizations that issue NFTs may go out of business, declare bankruptcy or cease operations, thereby decreasing the use or value of its NFTs.

CONCLUSIONS OF LAW

67. Pursuant to Section 8-6-2(10), *Code of Alabama, 1975*, the definition of a “security” includes investment contracts and profit-sharing agreements. **RESPONDENT** uses the Slotie NFT and Slotie Junior NFT to raise capital for Web 3.0 developments, i.e., development of the SlotieVerse Casino, from the public and in exchange, investors were promised a percent of the revenue generated by gaming and other activity offered through the Casino. The NFTs offered by **RESPONDENT** are securities as defined by the Act.

68. 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 subject to a perfected exemption from registration under the Act. The NFTs offered by **RESPONDENT** are neither registered nor subject to a perfected exemption from registration and are being offered and sold to Alabama investors in violation of the Act.

69. Pursuant to Section 8-6-17(a)(2), *Code of Alabama, 1975*, it is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. **RESPONDENT** is making offers for the sale of securities containing statements that are materially misleading or otherwise likely to deceive the public in violation of the Act.

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

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

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

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

Entered at Montgomery, Alabama, this 20th day of October, 2022.

ALABAMA SECURITIES COMMISSION
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BY:



AMANDA SENN
Chief Deputy Director

