

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

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|---|---|---|
| IN THE MATTER OF: |) | |
| |) | |
| ShipChain, Inc. (d/b/a/ ShipChain.io), |) | ADMINISTRATIVE ORDER TO CEASE AND DESIST |
| |) | |
| Respondent. |) | File No. 20182574 |
| <hr style="width:40%; margin-left:0;"/> | | |

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the “Division”) has been authorized and directed by the Securities Commissioner of South Carolina (the “Securities Commissioner”) to administer the provisions of S.C. Code Ann. § 35-1-101, *et seq.*, the South Carolina Uniform Securities Act of 2005 (the “Act”); and

WHEREAS, the Division received information regarding alleged activities of ShipChain, Inc. (d/b/a ShipChain.io) (“ShipChain” or the “Respondent”) that, if true, would constitute violations of the Act; and

WHEREAS, based on the information received, the Division determined it was necessary and appropriate to open an investigation pursuant to S.C. Code Ann. § 35-1-602 to ascertain whether the Respondent had violated, was violating, or was about to violate the Act; and

WHEREAS, in connection with the investigation, the Division has determined that evidence exists to support the following findings of fact and conclusions of law:

I. JURISDICTION

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

II. RESPONDENT

2. Respondent ShipChain is a Delaware company with a last known address of 1013 Centre Road Suite 403-B, Wilmington, Delaware 19805.

III. FINDINGS OF FACT

3. Respondent ShipChain offers investments related to cryptocurrency.
4. Specifically, Respondent ShipChain issues and offers units of its cryptocurrency, ShipCoin, as a means of accessing Respondent ShipChain's platform and as the only medium of exchange on the platform.
5. Respondent ShipChain, through its agents, offers investment opportunities in their tokens to South Carolina residents.
6. At all times relevant to this Order, Respondent ShipChain continuously offered investment opportunities in the ShipChain platform and the corresponding tokens to South Carolina residents through its website and in-person events held in South Carolina.
7. At no time relevant to the events stated herein was Respondent ShipChain registered with the Division as a broker-dealer, and no exemption from registration has been claimed by Respondent ShipChain.
8. At no time relevant to the events stated herein were the securities at issue registered with the Division or federal covered securities, and no exemption from registration has been claimed by the Respondent.

IV. CONCLUSIONS OF LAW

9. The South Carolina Uniform Securities Act of 2005, S.C. Code Ann. § 35-1-101, *et seq.*, governs the offer and sale of securities in this State.
10. Pursuant to S.C. Code Ann. § 35-1-102(29), investment contracts constitute securities, and an investment contract includes an investment of money in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor.
11. Pursuant to S.C. Code Ann. § 35-1-301, it is unlawful for a person to offer or sell a security in this State unless that security is a federal covered security, exempt from registration, or registered.
12. The tokens as offered and sold by Respondent ShipChain constitute securities as defined by the Act.
13. The securities offered and sold by Respondent ShipChain were offered and sold in violation of S.C. Code Ann. § 35-1-301.
14. In connection with the events above, Respondent ShipChain transacted business in this

State as an unregistered broker-dealer in violation of S.C. Code Ann. § 35-1-401(a).

15. In connection with the events above, Respondent ShipChain employed or associated with an unregistered agent in violation of S.C. Code Ann. § 35-1-402(d).
16. It is in the public interest, for the protection of investors, and consistent with the purposes of the Act that Respondent be ordered to cease and desist from engaging in the above-enumerated practices, which constitute violations of the Act, and pay an appropriate civil penalty for its wrongdoing.

V. CEASE AND DESIST ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), it is hereby **ORDERED** that:

- a. Respondent ShipChain, Inc. and every successor, affiliate, control person, agent, servant, and employee of ShipChain, Inc. and every entity owned, operated, or indirectly or directly controlled by or on behalf of ShipChain, Inc. **CEASE AND DESIST** from transacting business in this State in violation of the Act; and
- b. Respondent ShipChain, Inc. is permanently barred from participating in any aspect of the securities industry in or from the State of South Carolina.

IT IS FURTHER ORDERED that, pursuant to S.C. Code Ann. §§ 35-1-604(a)(2) and (3), any exemption from registration with the Division upon which the Respondent may claim to rely under S.C. Code Ann. §§ 35-1-201(3)(C), (7), or (8); 35-1-202; 35-1-401(b)(1)(D) or (F); or 35-1-403(b)(1)(C), has been and is **PERMANENTLY REVOKED**.

VI. REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING

The Respondent is hereby notified that it has the right to a hearing on the matters contained herein. To schedule such a hearing, the Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina, 29211-1549, attention: Wanda Ealy, within thirty (30) days after the date of issuance of this Order to Cease and Desist, a written Answer specifically requesting a hearing. If the Respondent requests a hearing, the Division, within fifteen (15) days after receipt of a request in a record from the Respondent, will schedule the hearing for the Respondent.

In the written Answer, the Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order, shall set forth specific facts on which the Respondent

relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. If the Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, it shall so state.

Failure by the Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by the Respondent of the right to such a hearing. Failure by the Respondent to file an Answer, including a request for a hearing, shall result in this Order becoming final as to the Respondent by operation of law.

This Order does not prevent the Division or any law enforcement agency from seeking additional civil or criminal remedies as are available under the Act, including remedies related to the offers and sales of securities by the Respondent set forth above.

ENTERED, this the 21st day of May, 2018.

ALAN WILSON
SECURITIES COMMISSIONER

By: 

TRACY A. MEYERS
Deputy Securities Commissioner

ISSUANCE REQUESTED BY:



TAYLOR FAW
Assistant Attorney General
Securities Division
Rembert C. Dennis Building
1000 Assembly Street
Columbia, South Carolina 29201

STATE OF SOUTH CAROLINA
OFFICE OF THE ATTORNEY GENERAL
SECURITIES DIVISION

CERTIFICATE OF SERVICE AND
AFFIDAVIT OF COMPLIANCE
File Number 20182574

I hereby certify that I served upon the individual/entity listed below a copy of the document indicated below and dated May 22, 2018, by serving a copy of said document upon the Securities Commissioner of the State of South Carolina and by placing a copy of said document in the United States mail, certified mail, return receipt requested, first class postage prepaid and addressed to:

ShipChain, Inc.
c/o Julian Zegelman, Esquire
Velton Zegelman PC
1261 Lincoln Avenue, Suite 208
San Jose, California 95125

Document(s): Administrative Order To Cease And Desist

Mailed May 22, 2018 from Columbia, South Carolina.

I further hereby certify, swear and affirm that, service of the above-listed entity is in compliance with Section 35-1-611, Code of Laws of South Carolina.

By:

Wanda Early
Wanda Early
South Carolina Attorney General's Office
Securities Division
Post Office Box 11549
Columbia, SC 29211-1549
(803) 734-4731

Subscribed and sworn to before me on
this 21 day of May, 2018.

[Signature]
Notary Public for South Carolina

My commission expires: 7/2/18

