

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:)	
)	
U.S. DATA MINING GROUP INC.)	Docket No. E-2022-0011
)	
RESPONDENT.)	
)	

CONSENT ORDER

I. PRELIMINARY STATEMENT

This Consent Order (the “Order”) is entered into by the Securities Division of the Office of the Secretary of the Commonwealth of Massachusetts (the “Division”) and U.S. Data Mining Group, Inc. (“DMG” or “Respondent”) with respect to the investigation by the Enforcement Section of the Division into whether Respondent engaged in acts or practices that violated the Massachusetts Uniform Securities Act, Mass. Gen. Laws c. 110A (the “Act”), and the regulations promulgated thereunder at 950 Code Mass. Regs. 10.01-14.413 (the “Regulations”). This Order is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provision of the Act.

On March 21, 2022, Respondent submitted an Offer of Settlement (the “Offer”) to the Division. Respondent neither admits nor denies the facts set forth in Sections III through VI or the violations of law set forth in Section VII below, and consents to the entry of this Order by the Division, consistent with the Offer, thereby settling Investigation No. E-2022-0011 with prejudice.

II. JURISDICTION

1. The Division has jurisdiction over matters relating to securities pursuant to the Act.
2. This Order is entered in accordance with the Act and with Section 10.10 of the Regulations.
3. The acts and practices that were the subject of the Enforcement Section's above-captioned investigation occurred in Massachusetts within the meaning of Section 414 of the Act.

III. RELEVANT TIME PERIOD

4. Except as otherwise expressly stated, the acts and practices described herein occurred during the period of November 2020 to present.

IV. RESPONDENT

5. U.S. Data Mining Group, Inc. ("DMG" or "Respondent") is a corporation organized under the laws of Nevada. DMG has a principal place of business located at 1221 Brickell Avenue, Suite 900, Miami, FL 33131.

V. RELATED PARTIES

6. Mark Groussman ("Groussman") is a resident of Florida who occasionally works at an office in Boca Raton with Honig and Stetson.
7. Melechdavid, Inc. is a Florida corporation owned and operated by Groussman with a principal place of business in Florida. Melechdavid was incorporated in or around 2006.
8. Erica Groussman is a Florida resident and Groussman's wife.
9. John Stetson ("Stetson") is a resident of Florida and works at an office in Boca Raton with Honig and, at times, Groussman.
10. Stetson Capital Investment, Inc. ("SCI") is a Florida corporation owned and operated by Stetson.
11. Tarra Stetson is a Florida resident and Stetson's wife.

12. Jonathan Honig (“Honig”) is a natural person and is a resident of Florida.
13. Titan Multi-Strategy Fund I, LTD. (“Titan”) is a Florida corporation owned and operated by Jonathan Honig.
14. Barry Honig is a Florida resident and Jonathan Honig’s brother. Prior to DMG’s founding, Barry Honig conspired with Groussman, Stetson, Melechdavid, SCI, and others to commit securities fraud.

VI. STATEMENT OF FACTS

15. Around December 2020, Michael Ho, DMG’s Chief Executive Officer (the “CEO”), DMG’s Chief Operating Officer (the “COO”) with material assistance from Stetson, Groussman, and Honig, formed DMG. Initially, DMG was a company known as U.S. Data Group, Inc., which was renamed and then incorporated under the laws of Nevada on December 4, 2020.
16. DMG was initially financed through two debt rounds in December 2020 which caused it to issue a total of \$5.87 million in debt.
17. Stetson and Groussman, through affiliated persons and entities, and Honig, through Titan, were the largest investors in, and debt financiers of, DMG.
18. As of December 4, 2020, the CEO, COO, Stetson, Groussman, and Honig directly or indirectly held 100% of DMG’s debt, with the majority of the funds being supplied by Stetson, Groussman, and Honig.
19. After issuing 62,431 shares of common stock on December 5, 2020, the CEO, COO, Stetson, Groussman, Honig, and their affiliates together held at least 80% of DMG’s stock.
20. On December 18, 2020, DMG issued an additional 37,510 shares of common stock.
21. As of December 18, 2020, the CEO, COO, Stetson, Groussman, Honig, and their affiliates together held 53,099 shares or 53% of DMG stock.

22. As of December 28, 2020, the CEO, COO, Stetson, Groussman, and Honig held, directly or indirectly, 70% of DMG's debt, with relatives of the CEO and the COO holding an additional 17% of the debt.

A. DMG Failed to Register the Stock in the Offering or Comply with the Law Regarding Qualification for any Available Exemption

23. The March 17, 2021 Offering was a sale of securities under Massachusetts law. Sales of securities in Massachusetts must either be registered or qualify for an exemption under Act.

24. DMG did not register the Offering pursuant to the Act, nor did it take the necessary steps to qualify for an exemption from registration.

25. DMG failed to register the stock sold in the Offering or make the appropriate filings with the Massachusetts Securities Division to qualify for an exemption in advance of the Offering.

B. DMG was Precluded from Relying on the Registration Exemption Under Rule 506 in Conjunction with the Offering

26. DMG was affirmatively on notice no later than December 4, 2020, that DMG was precluded from raising capital through an offering under Rule 506 of Regulation D because its promoters, Groussman and Stetson, previously violated federal securities laws.

27. In addition to holding significant debt and equity in DMG:

- i. Stetson hired and paid for legal services from the law firm of Nason and Yeager, which assisted in incorporating DMG; and
- ii. Stetson and Groussman introduced investors to DMG.

28. In a promissory note evidencing debt owed to the CEO dated December 4, 2020, DMG stated that "in 2020, John Stetson and Mark Groussman, promoters of the Company, were permanently enjoined from violating a certain anti-fraud provision of the Securities Act of 1933, future violations of Section 13(d) of the Exchange Act and Rule 13d-1(a) thereunder, and

participating in penny stock offerings with certain exceptions. So long as they are involved, the Company will be unable to rely on certain exemptions from registration including the exemptions under Rule 504 and Rule 506 promulgated under the Securities Act absent a waiver issued by the Securities Exchange Commission (the “SEC.”).”

29. Stetson, SCI, Groussman, and Melechdavid are considered “bad actors” under the securities laws given their prior business dealings with each other and Honig’s brother, Barry Honig, in a series of schemes to defraud innocent investors.

30. The SEC charged Barry Honig (brother of investor Jonathan Honig), Stetson, Groussman, Melechdavid, (together, the “Honig Group”) and others in a “pump-and-dump” scheme. SEC v. Honig, et al., 1:18-cv-08175, *Complaint and Jury Demand*, 9/07/2018 (the “SEC Complaint”).

31. The SEC alleged that both Stetson and Groussman used personal entities they controlled, SCI and Melechdavid, respectively, as part of the fraud. Id.

32. In the pump-and-dump scheme, the Honig Group formed three shell companies which then purchased stock in target companies. The group coordinated to hide their control of the shell company as it took over a target. The group then directed management to act for their benefit by participating in financing on terms highly-unfavorable to the target company and misdirecting funds for the group members’ benefit. Id. at ¶ 2.

33. During one phase of the alleged scheme, the Honig Group “took numerous steps to conceal their involvement, and to perpetuate the false appearance that the company was actually being controlled by its CEO.” Id. at ¶ 88.

34. To accomplish their alleged scheme, the Honig Group violated the federal securities laws by, without limitation:

- i. failing to disclose beneficial ownership of shares. Id. at ¶ 4.

- ii. purchasing shares through an entity in an effort to disguise their role in the scheme. Id. at ¶ 58.
- iii. paying stock promoters to misrepresent the value of the target companies. Id. at 75, 93, 112.
- iv. coordinating to trade shares among each other to give the false impression that the company's share price was on an upward trajectory. Id. at 78, 113.

35. Stetson, for his part, also allegedly submitted a false attorney opinion to a target company which misrepresented Barry Honig's role in a company Barry Honig controlled. ¶¶ 72-73.

C. The Honig Group is Enjoined from Securities Law Violations

36. As a result of the SEC Complaint, several people and entities in the Honig Group reached a settlement with the government and consent orders were filed.

37. On February 6, 2019, Melechdavid entered into a consent order whereby it was permanently enjoined from violating certain sections of the Securities Act of 1933 and agreed to refrain from certain business activities for a period of five years. SEC v. Honig, et al., 1:18-cv-08175, Document 95. Groussman executed the consent document as "President" of Melechdavid on January 18, 2019. Id.

38. On February 6, 2019, a final judgment was entered against Groussman enjoining him from certain activities related to the sale of securities ordering him to disgorge over one million dollars of profits and prejudgment interest and pay a \$160,000 civil penalty. SEC v. Honig, et al., 1:18-cv-08175, Document 99.

39. On March 6, 2020, SCI entered into a consent order whereby it was permanently enjoined from violating certain sections of the Securities Act of 1933 and agreed to refrain from certain

business activities for a period of ten years. SEC v. Honig, et al., 1:18-cv-08175, Document 226. Stetson executed the consent document as “President” of SCI on October 29, 2019. Id.

40. On March 6, 2020, a final judgment was entered against Stetson enjoining him from certain activities related to the sale of securities and ordering him to disgorge nearly one million dollars of profits and prejudgment interest and pay a \$160,000 civil penalty. SEC v. Honig, et al., 1:18-cv-08175, Document 227.

41. These orders against Groussman, Stetson, Melechdavid, and SCI resulted in each being disqualified as “bad actors” pursuant to Rule 506 of Regulation D under the Securities Act of 1933.

D. The Series A Offering

42. DMG elected to raise capital via a Series A stock offering (the “Offering”) without providing new investors the same disclosures related to Stetson and Groussman as set forth in the December 4, 2020 promissory note.

43. In connection with the Offering, DMG sold shares for \$795.59 each in exchange for nearly \$25 million on March 17, 2021.

44. DMG failed to make the appropriate filings with the Massachusetts Securities Division in advance of the Offering.

45. DMG did not provide the clear and unambiguous language contained in the December 4, 2020 promissory note. Instead, DMG included a vague disclosure schedule naming Stetson and Groussman and providing hyperlinks to the SEC’s action against the Honig Group.

46. Contemporaneous with the Offering, DMG executed a material agreement with Erica Groussman.

47. With respect to Erica Groussman, DMG executed a purported “Consulting Agreement” which offered her \$273,810 in DMG stock in exchange for services over a one year period related

to her upbringing in the Buffalo, NY area—despite never receiving a resume from Ms. Groussman or otherwise vetting her credentials.

E. Massachusetts Investors Purchase DMG Shares

48. DMG was not able to rely on the Rule 506 safe-harbor exemption from registration in conducting its Offering.

49. Furthermore, DMG had no other available exemption from registration it could have relied upon in not registering the stocks in the Offering and/or did not take the steps necessary to actually qualify for an exemption.

50. On March 17, 2021, five Massachusetts investors purchased shares of DMG Series A Preferred Stock as part of a Series A offering (the “Offering”)

51. The transactions involving Massachusetts investors were:

- i. 1,257 Series A shares to Massachusetts Investor One at \$795.59 per share;
- ii. 1,571 Series A shares to Massachusetts Investor Two at \$795.59 per share;
- iii. 628 Series A shares to Massachusetts Investor Three at \$795.59 per share;
- iv. 628 Series A shares to Massachusetts Investor Four at \$795.59 per share; and
- v. 251 Series A shares to Massachusetts Investor Five at \$795.59 per share.

52. The total economic activity resulting in DMG’s sale of Series A shares to Massachusetts investors is \$3,448,882.65.

53. In subsequent secondary sales, Erica Groussman also sold shares directly to Massachusetts investors:

- i. Massachusetts Investor One purchased 209 shares at \$597.40 per share for a total of \$124,856.60;

- ii. Massachusetts Investor Two purchased 418 shares at \$597.40 per share for a total of \$249,713.20;
 - iii. Massachusetts Investor Three purchased 209 shares at \$597.40 per share for a total of \$124,856.60.
54. The economic activity in Massachusetts resulting from the secondary sale of Erica Groussman's shares is \$499,426.40.

F. DMG Attempts to Correct Prior Disclosure Failures

55. After raising nearly \$25 million in the Series A, DMG began preparing for a Series B offering.
56. An investment bank retained to assist with the Series B offering raised the "bad actor" issue with DMG.
- a. Investors are Offered Rescission.
57. DMG canceled the Consulting Agreement described above with Ms. Groussman.
58. On June 28, 2021, DMG offered rescission to the investors in the Offering. Pursuant to the rescission offer, shareholders were given the opportunity to receive a return of their principal investment plus interest.
59. The Massachusetts investors chose not to exercise their rights under the rescission offer.
60. In its rescission offer to Massachusetts investors, DMG stated that "management . . . has become aware" that it failed to comply with state securities laws because Stetson and Groussman "may be deemed 'promoters.'"
61. DMG entered into an agreement to pay Erica Groussman \$5.75 million to repurchase 8,625 shares. DMG entered into an agreement to pay Tarra Stetson \$3.55 million to repurchase 8,625

shares. These agreements never came to fruition as Ms. Groussman and Ms. Stetson were able to find other buyers, including a Massachusetts investor, to purchase their shares at such prices.

62. In total, DMG’s management authorized DMG to pay \$9.3 million—over 37% of the capital raised in the Series A round—to be given to Stetson and Groussman’s wives in an effort to remove them from the capitalization table.

VII. VIOLATIONS OF LAW

Count I – M.G.L. c. 110A, § 101(2)

63. Section 101(2) of the Act provides, in relevant part:

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 light of the circumstances under which they are made, not misleading . . .”

M.G.L. c. 110A, § 101.

64. The Enforcement Section herein re-alleges and restates the allegations of fact set forth in paragraphs 1 through 62 above.

65. Respondent’s acts and practices, as described above, constitute multiple violations of Section 101(2) of the Act.

Count II – M.G.L c 110A, § 301

66. Section 301 of the Act provides:

It is unlawful for any person to offer or sell any security in the commonwealth unless:—
(1) the security is registered under [the Act];
(2) the security or transaction is exempted under [S]ection 402 [of the Act]; or
(3) the security is a federal covered security.

M.G.L. c. 110A, § 301.

67. The Enforcement Section herein re-alleges and restates the allegations of fact set forth in paragraphs 1 through 62 above.

68. Respondent's acts and practices, as described above, constitute multiple violations of Section 301 of the Act. *See id.*

Count III – M.G.L. c. 110A, § 414(g)

69. Section 414 of the Act provides, in relevant part:

[E]very issuer which proposes to offer a security in the [C]ommonwealth through any person acting on an agency basis in the common-law sense shall file with the [S]ecretary, in such form as he by rule prescribes, an irrevocable consent appointing the [S]ecretary or his successor in office to be his attorney to receive service of any lawful process in any non-criminal suit, action, or proceeding against him or his successor, executor, or administrator which arises under [the Act] or any rule or order hereunder after the consent has been filed, with the same force and validity as if served personally on the person filing the consent.

M.G.L. c. 110A, § 414(g).

70. The Enforcement Section herein re-alleges and restates the allegations of fact set forth in paragraphs 1 through 62 above.

71. Respondent's acts and practices, as described above, constitute a violation of Section 414(g) of the Act.

VIII. ORDER

IT IS HEREBY ORDERED:

- A. Respondent shall permanently cease and desist from committing further violations of the Act;
- B. Respondent is to be censured by the Division;
- C. Within fifteen (15) days of the entry of this Order, Respondent shall furnish a written offer of rescission to the Division, and a finalized version, not unacceptable to the Division, shall be distributed to each of the five (5) Massachusetts investors known to the Division and referenced in Section VI above within thirty (30) days. It is further ordered that:

- i. The written offer of rescission shall consist of a cover letter, an investor response form, a copy of the Offer of Settlement and a copy of this Order;
 - ii. Respondent shall send each written offer of rescission on company letterhead in a form not unacceptable to the Division;
 - iii. Respondent shall send the written offer of rescission to each investor via e-mail and USPS Certified Mail;
 - iv. Respondent shall provide the Enforcement Section with an electronic copy of each written offer of rescission on the same day that Respondent sends it to the investor;
 - v. Respondent shall provide the Enforcement Section with an electronic copy of each completed investor response form within five (5) days of Respondent's receipt of the form; and
 - vi. If an investor accepts the offer of rescission, Respondent shall refund the total amount of the investor's stock purchase plus statutory interest, and provide evidence thereof to the Enforcement Section's satisfaction, within thirty (30) days of receiving the investor's response form;
- D. Within ten (10) days of this Order, Respondent shall submit the necessary paperwork and pay the necessary fees in order to register the Offering with the Division pursuant to Sections 301 and 414(g) of Act or qualify for an appropriate exemption under the Act;
- E. Within fifteen (15) days of this Order, Respondent shall pay an administrative fine in the amount of one million one dollars (\$1,000,000.00). The payment of the fine shall be:
- i. Made by United States Postal Service postal money order, certified check, bank cashier's check, bank money order, or wire transfer;
 - ii. Made payable to the Commonwealth of Massachusetts;

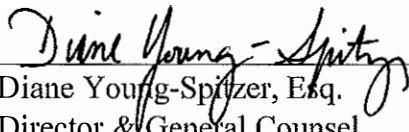
- iii. Hand-delivered or mailed to One Ashburton Place, Room 1701, Boston, Massachusetts 02108, or wired per the Division's instructions;
 - iv. Submitted under a cover letter or other documentation that identifies Respondent as the entity making the payment and that bears the docket number of this matter (Docket No. E-2022-0011); and
 - v. Respondent shall provide the Enforcement Section with notice at least twenty-four (24) hours prior to making the payment;
- F. Respondent shall not claim, assert, or apply for a tax deduction or tax credit with regard to any local, state, or federal tax for any amount that it shall pay in accordance with this Order;
- G. Respondent shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, any payments made pursuant to any insurance policy, with regard to any amount that it shall pay in accordance with this Order; and
- H. Upon issuance of an this Order, if Respondent should fail to comply with any of said terms, the Enforcement Section may institute an action to have the settlement agreement and Order declared null and void.

IX. NO DISQUALIFICATION

This Order waives any disqualification in the Massachusetts laws, or rules or regulations thereunder, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which DMG may be subject. This Order is not intended to be a final order based upon violations of the Act that prohibit fraudulent, manipulative, or deceptive conduct. This Order is not intended to form the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A and Rule 503(a) of Regulation CF under the Securities Act of 1933. This Order

is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership absent the filing of a MC-400A application or disqualification under SRO rules prohibiting continuance in membership. This Order is not intended to form a basis of a disqualification under Section 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002. Except in an action by the Division to enforce the obligations of this Order, any acts performed or documents executed in settlement of this matter: (a) may not be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of, or evidence of, any such alleged fault or omission of DMG in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH



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Dated: March 22, 2022