

# Complaint Against State Representative Michael Ramone RD 21

*This document is presented in three sections below. Part I summarizes the key facts regarding Representative Michael Ramone's potential insider trading when he purchased a major block of stock in the Delaware Board of Trade (DBOT).*

*Part II presents possible violations of Delaware law demonstrated by Representative Ramone's actions. Part III outlines in more detail what is known about Mike Ramone's DBOT investment and material nonpublic information which may have prompted him to invest at a time when most observers considered DBOT a failed business.*

## **I. Summary**

My name is Jack Guerin and Michael Ramone is my State Representative. This is a call for an inquiry to determine whether Representative Ramone engaged in insider trading when he made a major investment in the Delaware Board of Trade (DBOT).

This document does not claim to offer definitive proof of insider trading. Since this story initially broke in [Blue Delaware](#) in October, 2018, Mike Ramone has declined to provide information indicating when he purchased the DBOT stock, how much he paid, when he sold the stock or how much he received from the sale.

An official inquiry would be required to determine these facts as well as when Representative Ramone learned of Seven Stars Cloud's potential investment and DBOT's application for "the first and only blockchain based Alternative Trading System fully licensed by the SEC."

This information was not publicly available until announced in the Seven Stars Cloud press release on December 20, 2017. Following the public release of this information, the value of Mike Ramone's investment increased by more than 200% exceeding \$4 million on day of the press release.

Mike Ramone continues to serve on the [Board of the DBOT](#). John Wallace, Chairman, CEO, as well as the other Board members and fellow investors, John Hynanski, and Dennis Toner, could potentially provide additional information regarding the timing and amount of both the investment and sale and when/how Representative Ramone may have obtained material nonpublic information.

## **II. Violations of Delaware Law**

The first citation below is from Title 11 of the Delaware Criminal Code, Chapter 5, Specific Offenses, Subchapter VI, Offenses Against Public Administration. Portions of the statute have been bolded for emphasis.

In this case, the “public servant” referred to is State Representative Michael Ramone. The bolded definitions section explicitly states that legislators are “Public Servants”.

The possible violation of law is that Representative Ramone was potentially “guilty of profiteering” when he purchased DBOT stock as the “blockchain amendments” were moving through the legislative process and were finally passed on June 30, 2017 as [SB 69](#).

Representative Mike Ramone’s actions also violated Article II, Section 20 of the Delaware Constitution which is also copied below when he failed to recuse and voted to pass SB 69 on June 30, 2017.

## **Part B Abuse of Office**

### **§ 1212. Profiteering; class A misdemeanor.**

A public servant is guilty of profiteering when, in contemplation of official action by the public servant or by a governmental entity with which the public servant is associated, or in reliance on information to which the public servant has access in an official capacity and which has not been made public:

(1) The public servant acquires a pecuniary interest in any property, transaction or enterprise which may be affected by the official action or information; or

### **§ 1213. Definitions relating to abuse of office.**

In §§ 1211 and 1212 of this title, **the definitions given in § 1209 of this title apply.**

### **§ 1209. Definitions relating to bribery and improper influence.**

As used in §§ 1201-1208 of this title:

(4) **“Public servant” means any officer or employee of the State or any political subdivision thereof, including legislators** and judges, and any person participating as juror, advisor or consultant in performing a governmental function but the term does not include witnesses. This definition includes persons who are candidates for office or who have been elected to office but who have not yet assumed office.

## **Article II, Section 20 of the Delaware Constitution states:**

**“Any member of the General Assembly who has a personal or private interest in any measure or bill pending in the General Assembly shall disclose the fact to the House of which he or she is a member and shall not vote thereon.”**

## **III. Representative Ramone’s DBOT Investment**

Late in 2016 or early in 2017 Mike Ramone made a major investment in the Delaware Board of Trade (DBOT) [purchasing 11% of the company’s stock](#). This investment is also documented in Representative Ramone’s [Financial Disclosure Form for 2017](#).

On May 5, 2017, Senate Bill 69 was introduced in the Delaware General Assembly providing “specific statutory authority for Delaware corporations” to use blockchain technology. Mike Ramone did not recuse himself as a DBOT investor and joined most of his General Assembly colleagues in passing this bill on June 30, 2017.

On December 18, 2017, the Seven Stars Cloud Group bought a 27% share of the DBOT for an estimated \$7–\$8 million. Here’s a link to the [Stock Purchase Agreement](#). Seven Stars Cloud Group is a Chinese company previously known as “You on Demand Holdings” and then “Wecast Network.” The company also trades under the name ideanomics which [the News Journal](#) characterized as a “cash poor tech company founded by a professional wrestler as a pay-per-view video provider in China.”

Seven Stars acquired this large block of DBOT shares from four different purchasers, and Mike Ramone’s 918,000 shares represented the largest block of stock purchased by Seven Stars. He exchanged his shares of DBOT stock for 587,869 shares of Seven Stars Cloud Group (see pages 26 and 28 of the [Stock Purchase Agreement](#)).

At the end of the 29 page Stock Purchase Agreement are two four page addendums. The earlier addendum dated January 4, 2018 states:

“WHEREAS, the Parties wish to add language explicitly describing the share calculations in Schedule A and Schedule B: the consideration for the Stock Purchase Agreement shall be equal to the number of shares of the Company’s Common Stock issued and outstanding multiplied by the quotient of \$1.92 divided by the price per share of the Investors common stock valued at \$3.00 per share.”

Two days after Mike Ramone acquired his Seven Stars stock for \$3.00 a share, on December 20, 2017, Seven Stars stock hit [a 52 weeks high of \\$7.00 a share](#)—a 210% increase. On that date, the value of Mike Ramone’s 587,869 SSC shares exceeded \$4 million. However, Mike Ramone apparently did not sell the stock until much later when the value had declined substantially.

Below is a quote from a [November 1, 2018 story](#) by Joseph DiStefano in the Philadelphia Inquirer which summarizes Mike Ramone’s role:

“Ramone recorded his investment in DBOT on his annual state financial disclosure form for 2017. In June of that year, he voted for a bill that would recognize blockchain-based corporate records, giving DBOT backers something to point to when promoting their Delaware location as blockchain-friendly. It passed by a wide bipartisan margin.

Ramone, a landlord, fitness-center, and swim-school operator when he’s not making law in Dover, didn’t recuse himself from that vote. In his brief response to

my calls and emails, Ramone did not address questions about why he joined those Democrats investing in DBOT when Wall Street declined to invest, or explain his non-recusal.”

In a [May 2019 News Journal article](#), Mike Ramone stated that his original investment in the DBOT was “between \$1 and \$2 million” which seems bizarrely vague. Continuing this fuzzy recollection, he stated, “I know you think I’m BSing you but I really don’t know how many shares I have”.

Here’s another tantalizing bit of information. [A May 7, 2017 article in the News Journal](#) included the following regarding the DBOT:

“A document filed with federal regulators last year detailed that two investors had committed a total of \$600,000 in return for a share of the company. The document did not disclose their names. The document was filed in September and states the proceeds are to be used for launching the company.”

In all the articles and documents quoted on this webpage, only three individual DBOT investors are mentioned: Mike Ramone, John Hynanski, and Dennis Toner. There’s a good possibility that two of them made the \$600,000 investment in September 2016.

### **What is Insider Trading?**

The Securities and Exchange Commission [\(SEC\) defines insider trading as follows:](#)

“Insider trading” refers generally to buying or selling a security, in breach of a fiduciary duty or other relationship of trust and confidence, while in possession of material, nonpublic information about the security.” The SEC policy also states that, “In general, an insider must not trade for personal gain in the securities of that entity if that person possesses material, nonpublic information about the entity.”

The SEC definition is not limited to publicly traded stocks and the profitability of a trade is also not a factor in defining insider trading. The key element is the possession of “material, nonpublic information”. Most jurisdictions around the world have rules prohibiting or criminalizing insider trading. Not all cases of insider trading are illegal, but most of them are considered unethical.

So, in Mike Ramone’s case, the issue is whether he possessed “material, nonpublic information”. The “relationship of trust and confidence” which may have been breached would be with his constituents in the 21<sup>st</sup> District and with fellow members of the General Assembly.

### **Material Nonpublic Information**

Here’s a [definition from Investopedia](#).

“Material nonpublic information is any information that could substantially impact an investor’s decision to buy or sell the security that has not been made available to the public.”

There are two pieces of “material” information which had a substantial impact on investors when announced in a [Seven Stars press release on December 20, 2017](#).

- Seven Stars Cloud announces 27% purchase of Delaware Board of Trade.
- DBOT is the first and only blockchain based Alternative Trading System fully licensed by the SEC.

The release of this information resulted in the dramatic increase in the Seven Stars Cloud (SSC) stock price on December 20<sup>th</sup>. The News Journal published the story on December 26<sup>th</sup> with the title [“Blockchain Sparks Big Investment in DBOT”](#) quoting Seven Stars CEO Bruno Wu who “compared the blockchain to the human-life altering inventions like the wheel and the printing press.”

The material information announced in the December 20, 2017 press release was unmentioned in public media prior to that date. In fact, what was reported in the press about the DBOT during 2017 was extremely negative. The DBOT was a troubled company which had not found a physical location, employed only a few people, and had never conducted a single trade.

Here’s a quote from a [News Journal article dated May 7, 2017](#):

“The long-planned stock exchange in Wilmington doesn’t appear to be functional... It remains unclear when the exchange, dubbed the Delaware Board of Trade, might open, and officials are currently unwilling to discuss the project, its workforce or future.”

The article quotes Councilwoman Janet Kilpatrick stating:

“I’d be surprised at this point if they do open. I have no idea what is going on there. It will be interesting to see what they have to say. They have missed every soft opening (date) they have mentioned.”

Nevertheless, Representative Mike Ramone saw promise in the fledgling DBOT despite its failures. Only an official inquiry could determine what Mike Ramone knew and when he knew it.