

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 90938 / January 15, 2021

ADMINISTRATIVE PROCEEDING
File No. 3-20206

In the Matter of	:	
	:	ORDER DIRECTING PAYMENT OF
	:	CERTAIN FUNDS RECEIVED BY THE
Wireline, Inc.	:	COMMISSION AND DIRECTING
	:	TRANSFER OF REMAINING FUNDS
Respondent.	:	TO THE U.S. TREASURY
	:	

On January 15, 2021, the Commission simultaneously instituted and settled a cease-and-desist proceeding (the “Order”)¹ against Wireline, Inc. (the “Respondent”). In the Order, the Commission found that between January and September 2018, Wireline, an early-stage project focused on the development of a decentralized, blockchain based platform for “microservices” applications, conducted a multi-phase securities offering through which it raised over \$16.3 million (the “Offering”). Wireline offered and sold securities in the form of investment contracts when it offered and sold digital assets through simple agreements for future tokens (“SAFTs”). The SAFTs provided that upon the public release of Wireline’s marketplace, Wireline would distribute those digital tokens to investors, who were counterparties to the SAFTs. Wireline represented to investors that the funds would be used to develop the Wireline microservices platform and that the tokens would be used as the means of exchange between software developers and end-users on Wireline’s marketplace. The Offering was not registered pursuant to the federal securities laws, and their offer and sale did not qualify for an exemption from the registration requirements. Wireline never distributed the digital tokens to investors.

Wireline also violated the antifraud provisions of the federal securities laws with respect to the offering by making materially false and misleading statements about the viability of its platform and the timetable for the issuance of its tokens. In connection with its securities offering, Wireline falsely asserted that more than 100 developers were publishing applications to its marketplace, that its platform had been functioning in “private beta” for more than nine months, and that the token distribution was imminent. These statements materially misrepresented Wireline’s functionality and progress, and more than two years since it made these statements, Wireline’s platform has not launched.

¹ See Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings and Imposing Penalties and a Cease-and-Desist Order, Securities Act Rel. No. 10920 (Jan. 15, 2021).

As a result, the Commission ordered the Respondent to pay a \$650,000 civil money penalty to the Commission. The Commission also created a Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the monies collected could be distributed to those harmed by the Respondent's conduct described in the Order (the "Fair Fund").

The payment of a civil penalty constitutes a qualified settlement fund ("QSF") under section of 468B(g) of the Internal Revenue Code (IRC), 26 U.S.C. Section 468B(g), and related regulations, 26 C.F.R Sections 1.468B-1 through 1.468B-5.

After receipt of the civil money penalty referenced above, the Commission staff will seek the appointment of a tax administrator to establish a reserve for taxes and related administrative expenses (the "Reserve"). Upon establishing and withholding the Reserve, the Commission staff will distribute the remaining funds in the Fair Fund to the 28 investors harmed by the Respondent's conduct described in the Order. After the distribution payments and all taxes and administrative expenses are paid, the Commission staff will transfer the remaining funds, if any, that are infeasible to return to investors, to the general fund of the United States Treasury subject to Section 21F(g)(3) of the Securities Exchange Act of 1934 ("Exchange Act").

Accordingly, it is ORDERED that:

- A. After receipt of funds, the Commission staff shall seek the appointment of a tax administrator to, among other things, comply with the tax-related obligations of the QSF and establish the Reserve.
- B. After withholding the Reserve, the Commission staff shall disburse the remaining funds in the Fair Fund to the 28 harmed investors.
- C. Any amounts remaining in the Fair Fund after completion of A and B above, that are infeasible to return to investors, and any amounts returned to the Fair Fund in the future that are infeasible to return to investors, shall be transferred to the general fund of the United States Treasury subject to Section 21F(g)(3) of the Exchange Act.

By the Commission.

Vanessa A. Countryman
Secretary