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8
9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11
12
13 SECURITIES AND EXCHANGE
COMMISSION,

14 Plaintiff,

15 vs.

16
17 ICOBOX and NIKOLAY
EVDOKIMOV,

18 Defendants.
19

Case No.

COMPLAINT

20
21 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

22 **JURISDICTION AND VENUE**

23 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
24 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
25 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the
26 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
27 78u(d)(3)(A), 78u(e) & 78aa(a).
28

1 over 2,000 investors in the United States and globally through the company’s
2 website, <https://icobox.io>.

3 3. ICOBox and Evdokimov told investors that the offering proceeds would
4 be used to cover the cost of providing ICOBox’s planned services to digital asset
5 startups that could not afford them. Defendants claimed that ICOBox would be
6 successful—and the ICOS tokens valuable—due to the efforts of ICOBox’s
7 management team, who would curate potential digital asset projects and attract
8 “100+” clients per month. As of the date of ICOBox’s offering, ICOBox had yet to
9 support a single token sale to completion.

10 4. According to ICOBox’s promotional materials, the primary benefit to
11 ICOS token holders would be the ability to swap the ICOS tokens through ICOBox’s
12 website for tokens issued by ICOBox’s anticipated clients, at an average 75%
13 discount. ICOBox also emphasized that the ICOS tokens would be immediately
14 transferable and would increase in value when the company placed the tokens on
15 various digital asset trading platforms.

16 5. Defendants’ ICOS offering followed the publication of the SEC’s Report
17 of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934:
18 The DAO (Exch. Act Rel. No. 81207) (July 25, 2017) (the “*DAO Report*”), which put
19 the digital asset industry on notice that many digital assets such as the ICOS tokens
20 are securities under *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946), and subject to the
21 federal securities laws, including registration requirements.

22 6. ICOBox and Evdokimov were well-aware of the *DAO Report* by the
23 time of the ICOS offering, publicly discussing its significance, including in an
24 interview with Reuters and in communications with potential investors.
25 Nevertheless, ICOBox did not register the ICOS offering or qualify for any
26 exemption from registration, instead claiming the ICOS tokens were not securities or
27 had an “exemption” because of an unspecified “utility.”
28

1 7. By not registering the ICOS offering, the company deprived investors of
2 meaningful information that would be found in a registration statement that investors
3 could use to assess the company's prospects.

4 8. ICOBox's results turned out to be less rosy than its promotional
5 materials forecast. ICOBox has facilitated far fewer than 100 clients' token sales
6 *total*—let alone 100 per month. In addition, the company has discontinued the ability
7 to swap ICOS tokens, rendering them useless. ICOS tokens now trade, if at all, at
8 approximately \$2.41, a fraction of the offering purchase price—roughly 1/20th of the
9 average purchase price during the offering (and roughly 1/30th of the highest price
10 paid by investors during the final days of the ICO).

11 9. Defendants also have provided unregistered broker services and continue
12 to act as unregistered brokers in connection with ICOBox's clients' token sales.

13 10. Although nowhere near as successful as predicted, Defendants did
14 launch the ICOBox platform for fostering other companies' creation and sale of
15 digital assets. Since August 2017, ICOBox and Evdokimov have facilitated the token
16 sales of over 30 clients, which have collectively raised over \$650 million from
17 investors.

18 11. These facilitation services have included structuring, promoting, and
19 soliciting investors for the clients' offerings. If a client's token sale successfully
20 raised funds, ICOBox charged the client success fees starting at 1.5% of the amount
21 raised.

22 12. The token sale conducted by at least one of these clients, Paragon Coin,
23 Inc. ("Paragon"), constituted a securities offering under *Howey*.

24 13. By actively soliciting and attracting investors to ICOBox's clients'
25 securities offerings in exchange for transaction-based compensation without
26 registering as or associating with a registered broker-dealer, Defendants engaged in
27 unregistered broker activities that violated the federal securities laws.
28

1 14. Defendants’ conduct is ongoing—they continue to solicit clients for their
2 facilitation services online, and even have broadened the scope of their services to
3 support so-called “security token sales” or “STOs,” reflecting that they will continue
4 to flout the registration requirements absent judicial intervention. STOs are a form of
5 digital asset offering like ICOs, in which the token typically affords investors certain
6 financial rights akin to a company stock, such as dividends.

7 15. Defendants continue to expose investors to risky securities without
8 complying with provisions of the federal securities laws designed to ensure investors
9 have adequate information to evaluate such investments.

10 16. By this conduct, Defendants have violated Sections 5(a) and 5(c) of the
11 Securities Act for the unregistered offering of ICOS tokens, and Section 15(a) of the
12 Exchange Act for the unregistered broker activities related to Defendants’ clients’
13 tokens.

14 17. By this action, the SEC seeks to obtain disgorgement and penalties to
15 redress Defendants’ violations of the securities laws, as well as to enjoin Defendants’
16 unlawful conduct to prevent further harm to investors.

17 **THE DEFENDANTS**

18 18. **ICOBox**, a privately-owned limited liability company formed in the
19 Cayman Islands on June 23, 2017, claims to have offices located throughout the
20 world including in San Francisco, California, and between 50 and 150 employees.
21 ICOBox has never been registered with the SEC in any capacity, or associated with
22 any registered broker-dealers; nor have any ICOBox securities offerings been
23 registered with the SEC.

24 19. **Nikolay Evdokimov**, age 37, resides in Beverly Hills, California.
25 Evdokimov co-founded ICOBox and has served as the company’s CEO since
26 December 27, 2018. Since the company’s inception, he has consistently been the
27 face of the company, frequently appearing on behalf of the company online, on social
28 media, and in interviews to blockchain-centric media sites—and he continues to do so

1 to the present. Evdokimov registered ICOBox’s website domain name. Evdokimov
2 also has founded or been affiliated with several other blockchain-related companies,
3 including currently serving as managing partner of a company that purports to
4 provide OTC bitcoin trades worldwide for institutional investors and others.
5 Evdokimov has never been registered with the SEC in any capacity or associated with
6 any registered broker-dealers.

7 **OTHER RELEVANT ENTITY**

8 20. **Paragon Coin, Inc.**, an online entity formed in Singapore involved in
9 developing blockchain technology for the cannabis industry, raised over \$12 million
10 through the sale of digital tokens to the general public including US-based investors
11 in the form of “ParagonCoins” or “PRGs” between August 2017 and October 2017.

12 **THE ALLEGATIONS**

13 **A. Background on Digital Assets**

14 21. An “initial coin offering” or “ICO” is a fundraising event in which an
15 entity offers participants a unique “coin,” “token,” or “digital asset,” in exchange for
16 consideration, often in the form of virtual currency—most commonly bitcoin and
17 ether—or fiat currency. The tokens are issued and distributed on a “blockchain” or
18 cryptographically secured ledger. ICOBox’s offering of ICOS tokens constituted an
19 ICO, as did the token sales of many of its clients.

20 22. A blockchain is a type of distributed ledger or peer-to-peer database that
21 is spread across a network and records all transactions in the network in theoretically
22 unchangeable, digitally-recorded data packages called “blocks.” Each block contains
23 a batch of records of transactions, including a timestamp and a reference to the
24 previous block, so that the blocks together form a chain. The system relies on
25 cryptographic techniques for secure recording of transactions. A blockchain can be
26 shared and accessed by anyone with appropriate permissions. Some blockchains can
27 record what are called “smart contracts,” which are, essentially, computer programs
28

1 designed to execute the terms of a contract when certain triggering conditions are
2 met.

3 23. As in the context of the ICOS token sale, ICOs are typically announced
4 and promoted online, although other marketing may be employed. Issuers including
5 ICOBox often release a “white paper” describing the project and promoting the ICO,
6 often in highly technical terms. To participate, investors are generally required to
7 transfer consideration to the issuer’s address, bank account, digital “wallet,” or other
8 account. After the completion of the ICO, the issuer will distribute its tokens to the
9 participants’ unique addresses on the blockchain. ICOBox issued its ICOS tokens on
10 the Ethereum blockchain.

11 24. Issuers and individuals increasingly have been using blockchain
12 technology in connection with raising capital for business purposes and projects.
13 And blockchain-enabled offerings are often targeted at retail investors in the United
14 States and globally. The overall size of the ICO market has grown exponentially. It
15 is reported that more than \$20 billion was raised through ICOs from 2017 to 2019.
16 Issuers also have increasingly used “security token offerings” or “STOs,” in which an
17 entity offers participants asset-backed tokens through a mechanism similar to an ICO.

18 25. After the initial sale by an issuer, tokens are sometimes transferred
19 between users or listed on online trading platforms, which are sometimes colloquially
20 referred to as “exchanges,” where the tokens trade for other digital assets or fiat
21 currencies.

22 26. On July 25, 2017, two weeks before ICOBox started the public sale of
23 the ICOS tokens, the SEC issued the *DAO Report*, which “advise[d] those who would
24 use . . . distributed ledger or blockchain-enabled means for capital raising, to take
25 appropriate steps to ensure compliance with the U.S. federal securities laws,” and
26 concluded that the digital assets at issue in that matter were securities.

1 **B. Defendants’ Sale of Unregistered Securities Through ICOBox’s ICOS**
2 **Token Offering**

3 **1. An “ICO for ICOs”**

4 27. On July 27, 2017, ICOBox announced via social media and its website
5 that it would be conducting an “ICO for ICOs,” offering its ICOS tokens to the
6 general public from August 9, 2017 to September 15, 2017.

7 28. ICOBox summarized the ICOS offering in its “White Paper” dated
8 August 2017 and posted on the company’s website and social media channels.

9 29. Before and during the offering, Defendants promoted the offering online,
10 through social media and interviews, as well as by Evdokimov’s appearances at
11 several crypto-enthusiast conferences.

12 30. Social media channels used by Defendants included Facebook, Twitter,
13 and Telegram.

14 31. ICOBox structured the sale of ICOS tokens in five consecutive phases—
15 an Early Bird Presale, Presale, Early Bird ICO, ICO 1st, and ICO 2nd. The cost per
16 ICOS token increased over each of the five phases, starting at 0.008 bitcoin on
17 August 9, 2017 and increasing to 0.012 bitcoin during the final weeks of the token
18 sale ending September 15, 2017 (*i.e.*, from \$27 to \$60 per ICOS token).

19 32. During the two “presale” phases, investors were required to purchase
20 between 1,000 and 10,000 tokens, with the minimum purchase dropping to one ICOS
21 token during the final phases of the offering.

22 33. In ICOBox’s online materials and social media accounts, Defendants
23 advertised the ICOS tokens as being available for purchase by the “public globally”
24 including in the United States. For example, ICOBox’s August 2017 White Paper
25 stated, “The offering will be open to the public globally.” On August 14, 2017, in the
26 midst of the ICOS sale, an ICOBox team member confirmed on the company’s
27 Telegram channel that the sale was open to United States investors “since this is a
28 product token.”

1 34. ICOBox did not impose sophistication or accreditation standards on
2 investors, and did not collect biographical information concerning its investors.

3 35. ICOBox accepted payment from investors for the ICOS tokens in the form
4 of bitcoin, ether, litecoin, dash, zcash, ethereum classic, and US dollars.

5 36. For every 100 ICOS tokens sold to investors, the company announced in
6 its White Paper that it planned to issue 20 additional tokens for “distribution to
7 partners, advisors, bounty participants, and the team members.”

8 37. Throughout the offering, the company provided a 5% “referral” bonus
9 for investors who promoted the offering.

10 38. According to ICOBox’s White Paper, there was no minimum or cap on
11 the number of tokens that could be sold, or the amount that could be raised through
12 the offering.

13 **2. The ICOBox Project**

14 39. ICOBox’s White Paper stated that “[t]he essence of the project is to raise
15 funds by selling ICOS tokens,” and that the primary use of these proceeds would be
16 to fund the provision of ICOBox’s facilitation services to other potential ICO issuers
17 who could not afford ICOBox’s fees.

18 40. According to ICOBox’s website and marketing materials disseminated
19 to potential clients, ICOBox charged potential ICO issuers flat fees starting
20 at \$250,000 depending on the facilitation service package provided; if the issuer’s
21 ICO successfully raised funds, ICOBox charged success fees starting at 1.5% of the
22 amount raised.

23 41. The White Paper explained that potential ICO issuers which had fees
24 paid for with the funds raised by the ICOS token sale agreed to make their future
25 tokens available to ICOS token holders, who could swap their ICOS tokens for an
26 issuer’s tokens at a discount.

27 42. The White Paper further explained that if a prospective issuer could not
28 afford ICOBox’s fees, the potential ICO would be “screened by ICOBox experts” to

1 determine if it met certain criteria sufficient to place the ICO on the ICOS platform;
2 the criteria included “economic viability,” “unique offer” and “team (visionary, team
3 members’ competence and potential).” After ICOBox experts decided which
4 potential ICOs to place on the ICOS platform, ICOS token holders could vote to
5 select the potential ICOs that they believed should receive facilitation services paid
6 for by the funds raised through the ICOS token sale.

7 43. According to the projected timeline in ICOBox’s White Paper, the ICOS
8 platform would be launched on September 1, 2017, and the first voting and selection
9 of new ICO projects would take place on October 2, 2017.

10 44. According to ICOBox’s Twitter account, ICOBox launched the ICOS
11 platform on or about September 27, 2017, and the first voting and selection of new
12 ICO projects took place on or about October 15, 2017.

13 **3. ICOS Token Holders Reasonably Believed They Could Profit from** 14 **Their Investments**

15 45. ICOBox’s White Paper and online promotional statements stated that
16 ICOS token holders could profit in two different ways—from discounts on the ICOS
17 platform and by trading ICOS tokens on digital asset platforms.

18 46. In its White Paper, ICOBox highlighted the ability of ICOS token
19 holders to profit by swapping their ICOS tokens at a roughly one-to-four rate for
20 tokens that would be issued during future ICOs by ICOBox’s clients.

21 47. The White Paper claimed that this equated to, on average, a “75%
22 discount,” and provided several hypothetical calculations to summarize the enhanced
23 “purchasing power” that would be afforded to ICOS token holders.

24 48. On social media and interviews posted online, ICOBox and Evdokimov
25 frequently referred to this aspect of the ICOS tokens, and claimed that token holders
26 were “essentially getting an ICO discount pass.” For example, on August 1, 2017, an
27 ICOBox team member posted on the company’s Telegram channel that “basically it
28 is an opportunity to get 4 tokens of a certain project for only 1 ICOS token, which

1 means you are essentially getting an ICO discount pass.” On August 7, 2017,
2 Evdokimov stated in an interview posted online on the crypto-enthusiast website
3 Urbancrypto.com that ICOBox’s anticipated clients would “give the token holders a
4 fixed number of their future tokens, which will be exchangeable for ICOS tokens
5 with an average of 75% discount if ICOS token holders so choose.” And on
6 August 12, 2017, Evdokimov posted on Medium.com that “we get a ratio of 1:4, and,
7 consequently, a 75% discount. So if you buy \$1,000 worth of ICOS tokens, you
8 could exchange them for tokens of other projects worth \$4,000.”

9 49. Evdokimov claimed online that this facet of the offering provided a
10 “minimization of risks” to the investment. For example, in a July 27, 2017 press
11 release posted on ICOBox’s website, Evdokimov stated, “We are offering cost
12 control and minimization of risks of this type of token offerings [*sic*].” And on
13 August 12, 2017, in a Medium.com post, Evdokimov indicated that the ICOS token’s
14 “function is similar to a discount card: It’s a tool which allows you to minimize both
15 the cost of buying the tokens and the risks associated with it.”

16 50. On August 7, 2017, Evdokimov stated in an interview posted on
17 Urbancrypto.com that “it’s a win-win: startups can do their ICOs at a reasonable
18 price, or even free, while ICOS token holders get to acquire new ICO tokens at a very
19 attractive price and support new market actors.”

20 51. In addition, both prior to and during its offering, ICOBox and
21 Evdokimov made numerous statements online and on social media boasting about the
22 large volume of anticipated ICOBox clients.

23 52. For example, according to the White Paper, ICOBox planned to conduct
24 “about 800 ICOs” in ICOBox’s first year.

25 53. Likewise, in an interview posted on Urbancrypto.com on August 7,
26 2017, (prior to the ICOS offering), Evdokimov stated, “Our goal is to do 800 ICOs in
27 the next year. . . . based on our math, the 800 annual ICOs is quite realistic.”
28

1 54. Similarly, on social media, ICOBox’s management claimed it
2 anticipated facilitating over 100 offerings per month once the platform was
3 operational, and planned to cover almost the entirety of the ICO market—with a goal
4 of allowing “ICOS holders to participate in 80-90% of all token offerings,” for
5 example in statements made on Telegram on July 29 and July 31, 2017.

6 55. During the offering, ICOBox also repeatedly emphasized that ICOS
7 token holders would be able to profit by trading the ICOS tokens on digital asset
8 platforms shortly after issuance.

9 56. For example, on August 13, 2017, in the midst of the ICOS token
10 offering, the company responded to a question on Telegram about whether the tokens
11 would be tradeable, stating that “Company HitBTC [a digital asset trading platform]
12 bought ICOS tokens at the stage of the Pre Sale [sic] and placed them on its stock
13 exchange. . . . As you can see, the token exchange rate on HitBTC is twice as high as
14 on icos.icobox.io. It is a very good sign for buying them!”

15 57. On Telegram on August 17, 2017, ICOBox even pointed to the planned
16 placement on these secondary trading platforms as reducing concern that the
17 company’s clients might not issue sufficiently valuable tokens to make it worth
18 swapping the ICOS tokens—i.e., to make the “discount card” valuable—stating “You
19 don’t have to exchange your ICOS in the first two months after issue. You can wait
20 until tokens will hit [sic] the exchanges.”

21 58. The ICOS tokens were ultimately listed on several digital asset trading
22 platforms including HitBTC, Etherdelta, and Tidex.

23 **4. The ICOS Platform’s Success Depended on ICOBox’s Management**

24 59. According to ICOBox, the success of its platform depended on
25 ICOBox’s management team, and in particular on Evdokimov.

26 60. In a July 27, 2017 press release posted online, the company stated that
27 “ICOBox was founded by . . . blockchain visionaries” including Evdokimov. And
28 Evdokimov described himself in an interview posted on Crypto-economy.net on

1 September 4, 2017, in the midst of the ICOS sale, as having “founded numerous
2 successful companies that conduct ICOs,” and “written several books and articles on
3 digital marketing and blockchain.”

4 61. On August 7, 2017, Evdokimov told the website Urbancrypto.com (prior
5 to the offering), that: “[o]ur team comprises great people with excellent knowledge in
6 their respective fields. They are the cream of cream in ICO technology, marketing
7 and legal support—the latter being extremely important in this industry. Many of
8 them have been part of several ICOs, so they have not just a strictly theoretical, but
9 very practical, hands-on knowledge of how to do it right. The team has extensive
10 experience working together on cutting-edge in IT and automation projects and,
11 specifically, on ICOs.”

12 62. ICOBox claimed that its team had sufficient personnel to support the
13 large volume of anticipated offerings, stating on Telegram on June 29, 2017 (days
14 after the company was formed and prior to the ICOS sale) that “our team currently
15 has enough members to be able to handle 50 ICO’s in a single month[. . .] we are
16 planning to expand.”

17 63. Although the White Paper stated that ICOS token holders would have
18 the ability to “vote” and “comment” on proposed projects on ICOBox’s platform,
19 ICOBox in fact restricted the token holders’ voting rights.

20 64. Token holders could not vote on ICOs by potential clients who had the
21 money to pay for ICOBox’s facilitation services; instead, they could vote only on the
22 subset of nonpaying potential clients’ projects that already had been “screened by
23 ICOBox experts” in what the White Paper referred to as an “initial audit.”

24 65. Token holders would not have been readily able to aggregate their votes,
25 since the identities of ICOS token holders were not available to each other (or to
26 ICOBox), and management allocated itself and partners 20 tokens for every 100
27 issued to investors.

1 66. Token holders' ability to comment, as described in the White Paper, was
2 an informal mechanism for providing feedback to potential ICOBox clients. It was
3 not proportional to the number of tokens held, and no minimum amount of tokens
4 was required to provide comments.

5 **5. ICOBox and Evdokimov Offered and Sold Securities**

6 67. Through its offering, ICOBox raised roughly \$14.6 million from
7 approximately 2,122 investors, including U.S. investors, between August 9, 2017 and
8 September 15, 2017.

9 68. ICOBox was the issuer of the tokens, and directly offered and sold the
10 ICOS tokens to investors through its website.

11 69. Evdokimov directly offered and sold the ICOS tokens. He held himself
12 out as the company's founder and public face, and promoted the offering through
13 ICOBox's website and on social media postings and interviews.

14 70. Through his actions, Evdokimov also was a necessary participant and a
15 substantial factor in the offer and sale of the ICOS tokens.

16 71. The majority of the investors bought during the initial days of the ICO,
17 with all but \$600,000 of the \$14.6 million raised by the end of August 2017.

18 72. The company increased its social media pressure during the final days of
19 the offering, sending messages on social media every few minutes. For example,
20 ICOBox posted on Twitter on September 15, 2017 that: "Time's running out in 1.5
21 hours the #ICOS #tokensale will end. 3898 BTC [bitcoin] collected so far.
22 Excitement is mounting."

23 73. The average price paid per ICOS during the offering was \$40/token.

24 74. After the offering closed, on September 22, 2017, ICOBox
25 issued 591,617 ICOS tokens on the Ethereum blockchain, which included the tokens
26 issued to investors, referral bonus recipients, and the ICOBox team.

1 **6. ICoBox Failed to Register the ICOS Token Offering**

2 75. ICoBox took no steps to register the ICOS offering or qualify for any
3 exemption, even though ICoBox and Evdokimov were well aware of the SEC’s then-
4 recently issued July 2017 *DAO Report* and the potential implications of the federal
5 securities laws on sales of digital assets.

6 76. In the days leading to the ICOS sale’s August 9, 2017 launch,
7 Evdokimov gave interviews (including to Reuters) and made statements online about
8 his interpretation of the *DAO Report*, incorrectly claiming that the ICOS offering was
9 not a security or had an “exemption” from registration because the token had a
10 “utility.” According to an article posted on Reuters.com and other sites on July 27,
11 2017, “ICoBox founder told Reuters their ICOs have utility.” In the following days,
12 ICoBox and Evdokimov commented on the article on the company’s Twitter
13 account, including posting on July 30, 2017 that “Nick Evdokimov said our tokens
14 have a utility, the most likely exemption.” Evdokimov did not say what that
15 purported utility was or how that would constitute an exemption from the securities
16 laws.

17 77. Similarly, on Telegram, the company’s management team received
18 multiple questions from potential investors as to whether the company was able to
19 offer the tokens broadly to all US investors given the apparent application of the
20 federal securities laws.

21 78. Management responded that it could (and did) sell to US investors and
22 the company did not require information from purchasers to assess whether they were
23 accredited investors. For example, on Telegram on August 25, 2017 (in the midst of
24 the ICOS sale), a potential investor asked “Can ICOS tokens be bought in the US? I
25 saw there could be regulations in the US for ICOs, is your team knowledgeable on
26 that? I didn’t see any identity verification to get some of your tokens, whereas other
27 groups . . . had a very strong vetting process to avoid issues with the SEC.” An
28 ICoBox team member responded:

1 “Yes, you can purchase them while in U.S. SEC’s press release is not a new
2 law. It stemmed from the investigation of a specific company, The DAO,
3 which issued its tokens. In fact, The DAO’s tokens were securities, but the
4 company was selling them in violation of the laws regulating securities market.
5 However, not all tokens are securities by default. In addition to laws which
6 define what is and is not a security, there exists a large volume of court
7 decisions on the issue. Court decisions also define the criteria which help
8 determine if a particular transaction is a security. Depending on the situation
9 the term ‘token’ may mean both securities and other financial tools, and this
10 fact was adequately reflected in SEC’s press release. Our tokens are not
11 securities. They are a product which has its purpose and functions. Because
12 ICOS token is not a security, its sale does not require registration.”

13 79. Likewise, on Telegram on September 5, 2017 (during the ICOS sale), an
14 ICOBox co-founder stated “utility ICOs are totally fine now in US, EU, Singapore,
15 Japan, South Korea (yes, they are) and many other countries.”

16 80. As a result of ICOBox’s failure to register the offering, prospective
17 ICOS purchasers had no ability to assess key information that would have been
18 included in a registration statement, including regarding the company’s prospects for
19 supporting the number of offerings forecasted in the promotional materials, which
20 was central to the anticipated success of the platform and the token holders’
21 investments.

22 81. Instead, ICOBox minimized prospective investors’ concerns online. For
23 instance, in response to a potential investor’s question on August 10, 2017 on
24 Telegram whether the project would fail if the company did not bring in a certain
25 number of clients, an ICOBox team member responded, “well, first of all, we’ll
26 probably get like x10 [*sic*] that amount and second, there are about 30 requests a day
27 for the ICOBox [*sic*] with upfront fee”—claims that seem unsupported given the
28 ultimate number of clients the company obtained.

1 82. Likewise, ICOBox’s team members highlighted on social media during
2 the offering that ICOBOX had started to work with certain clients including Paragon
3 (referring to it as ICOBox’s “child”), but did not disclose that no ICOBox clients had
4 yet completed any ICOs using its services.

5 83. In the two years after the ICOS offering, ICOBox has facilitated
6 approximately 35 ICOs, far fewer than the 800 per year forecasted in ICOBox’s
7 White Paper and promotional materials.

8 84. ICOBox recently announced it was discontinuing the platform for
9 swapping ICOS tokens for deferred-payment clients, rendering the supposed discount
10 “purchasing power” of the ICOS tokens obsolete.

11 85. ICOS tokens have experienced a precipitous loss in value since the
12 issuance on September 22, 2017. As of June 24, 2019, the tokens were worth at most
13 approximately \$2.41 per ICOS token—if they are able to be traded at all—
14 roughly 1/20th of the average purchase price during the offering (and roughly 1/30th
15 the price paid by investors who purchased during the final days of the ICO).

16 **C. Defendants Acted as Unregistered Brokers for ICOBox’s Clients’ ICOs**

17 **1. Defendants Provided “Marketing” Services for “Success” Fees**

18 86. Since the ICOS offering in August 2017, ICOBox has facilitated
19 approximately 35 clients launching ICOs, which have raised an estimated \$650 million
20 dollars from investors.

21 87. On its website, ICOBox promoted itself to potential clients as a
22 “Blockchain Growth Promoter and Business Facilitator for companies seeking to sell
23 their products via ICO crowdsales.”

24 88. The company provided various services to its clients to foster their ICOs,
25 such as “technology” (including drafting smart contracts and developing online
26 payment processing applications), “legal” (including company formation and opinion
27 letters through outside consultants), and, of particular import here, “marketing.”
28

1 ICOBox offered these services individually or in packages, such as ICOBox’s “Basic
2 Package,” which included a combination of the three categories.

3 89. ICOBox’s “marketing” services, which it provided to at least 27 of its
4 clients, included advising investors on the merits of the clients’ offerings and actively
5 soliciting investors to purchase the clients’ tokens.

6 90. Specifically, the “marketing” services, as advertised in ICOBox’s
7 brochures and on the company’s website throughout the relevant timeframe,
8 included:

- 9 • “[E]nsur[ing] soundness of the business model” and reviewing the “token
10 concept”;
- 11 • Providing “listing services,” entailing disseminating information about the
12 clients’ ICOs through various websites that review digital tokens including
13 “icobench.com” and “icorating.com”;
- 14 • Using “established contacts with blockchain media” to perform “pitching to
15 blockchain media journalists”;
- 16 • Using “established contacts with video bloggers . . . to quickly broadcast
17 your information”;
- 18 • Developing the content for these online promotional materials, including
19 “[f]eature story development and pitching” and “[w]riting, editing and
20 distribution of press releases and media alerts”;
- 21 • Increasing internet traffic concerning the clients’ tokens on internet search
22 engines;
- 23 • Promoting the clients’ tokens at in-person conferences and on ICOBox’s
24 website and social media channels, including by disseminating the clients’
25 white papers and other promotional materials prepared by the clients;
- 26 • Posting links to information about ICOBox’s clients’ offerings on
27 ICOBox’s website; and
28

- 1 • Providing a platform for investors to acquire ICOBox’s clients’ tokens
2 using ICOS tokens.

3 91. ICOBox charged its clients two types of fees for these “marketing”
4 services: flat fees and success fees.

5 92. The flat fee depended on the category and extent of the services,
6 including, for example, ICOBox’s “Basic Package” costing roughly \$250,000.

7 93. In addition, ICOBox charged self-described “success” fees, related to the
8 amount raised during the clients’ offerings.

9 94. The “success” fees, which were transaction-based compensation, ranged
10 from 1.5% to 6% of the amount raised during the clients’ ICOs.

11 95. At least one of the tokens issued by ICOBox’s clients constituted
12 securities.

13 96. For example, the “PRGs” offered and sold by ICOBox’s client Paragon
14 between August 2017 and October 2017 constituted securities under *Howey*.

15 97. Paragon raised approximately \$12,066,000 worth of cryptocurrencies
16 from approximately 8,323 investors including in the United States through its sales of
17 PRGs to the general public.

18 98. In Paragon’s White Paper and other online promotional materials,
19 Paragon represented that it would use the proceeds to build a cannabis-related
20 “ecosystem,” the development of which would cause the PRGs to rise in value.

21 99. Paragon made representations in their White Paper and online that led
22 potential purchasers to reasonably expect to profit from the efforts of Paragon’s
23 management.

24 100. For example, Paragon’s White Paper stated that the coins are “designed
25 to appreciate in value as our solutions are adopted throughout the cannabis industry
26 and around the world. Our model incentivizes PRG owners to hold their tokens as
27 long term growth assets, in addition to spending PRG on any of our platforms.”
28

1 101. Paragon also promoted its efforts to control and increase the price of the
2 PRGs, and their plans for PRGs to be placed on digital asset trading platforms.

3 102. Paragon claimed in its White Paper and other online materials that its
4 management's expertise would be responsible for the success of the venture and the
5 profitability of the PRGs.

6 103. On July 22, 2017, Paragon retained ICOBox to perform "marketing"
7 services in connection with the PRG offering, through a "Services Agreement" signed
8 by an ICOBox co-founder.

9 104. As part of the agreement, ICOBox agreed to give input on Paragon's
10 white paper for its planned ICO, advising on the promotion of the ICO including in
11 retaining team members, increasing online visibility of the offering, disseminating
12 promotional and offering materials regarding Paragon's tokens, attracting investors
13 through ICOBox's online and social media platforms, and communicating with
14 potential investors about the merits of the offering.

15 105. Paragon agreed to pay ICOBox a 3% success fee based on the amount
16 Paragon raised during its token sale, which was ultimately
17 approximately \$12,066,000.

18 **2. Evdokimov Has Played an Active Role in Providing These Services**

19 106. In his various roles as ICOBox's co-founder, "vision director," and
20 CEO, Evdokimov has managed ICOBox's operations, including overseeing and
21 engaging in the "marketing" services described above.

22 107. Evdokimov personally registered ICOBox's website, which was the
23 primary repository for attracting clients and the portal for interested investors to
24 obtain information about investing in the clients' ICOs.

25 108. Since the company's inception, Evdokimov has been active in soliciting
26 clients for ICOBox's services online, on social media, in interviews with crypto-
27 enthusiast websites, and during appearances at blockchain conferences.

1 109. Evdokimov personally disseminated information about ICOBox’s
2 clients’ offerings to prospective investors through ICOBox’s Twitter account as well
3 as his own Twitter account @neopotus. For example, on July 16, 2018, Evdokimov
4 posted on his Twitter account that “On Tuesday, July 17 our token holders can swap
5 ICOS tokens for tokens of [ICOBox client]. The #blockchain based platform connects
6 companies, buyers, & sellers in any kind of industry and helps them to achieve higher
7 efficiency. Learn more...” and provided a link to the client’s promotional materials.

8 110. With respect to Paragon in particular, Evdokimov discussed the merits of
9 the offering with prospective investors on an ICOBox social media channel.

10 111. For example, on ICOBox’s Telegram channel on September 18, 2017,
11 Evdokimov responded to claims by some posters that Paragon was a “scam,” by
12 arguing that: “No, Paragon is [*sic*] really good project with brilliant idea and perfect
13 team.”

14 **3. Defendants’ Conduct Is Ongoing**

15 112. ICOBox continues to advertise its services for facilitating token sales on
16 its publicly available website (although, as noted above, as of March 2019, the
17 company no longer allows clients to defer payment through the ICOS swap platform).

18 113. The company claims to have shifted to “security token offerings” or
19 “STOs,” stating in a January 2019 press release that “ICOBox Founder Nick
20 Evdokimov Aims to Make His Company the Leader of the Emerging Security Token
21 Market.” The services offered to the clients in connection with these asset-backed
22 offerings—and the success fees charged for those services—are the same as those
23 advertised for token sales.

24 114. Evdokimov continues to actively manage the company and its services.
25 Evdokimov purportedly left the company for some part of 2018, but he continued to
26 be listed as part of the company’s management team on ICOBox’s website in 2018
27 and also continued to promote ICOBox’s services on his personal social media
28 account until at least July 2018.

1 115. Evdokimov also has been acting in the capacity of ICOBox’s CEO since
2 December 2018. As described in a January 2019 company press release, Evdokimov
3 is “in charge of updating the company’s crypto market presence strategy, creating
4 new products, and operational management, including the overhaul of the project’s
5 team to ensure that its combined expertise closely reflects the new market realities.”

6 116. Neither ICOBox nor Evdokimov have ever been registered with the SEC
7 in any capacity, or associated with any registered broker-dealers.

8 **FIRST CLAIM FOR RELIEF**

9 **Unregistered Offer and Sale of Securities**

10 **Violations of Sections 5(a) and 5(c) of the Securities Act**

11 **(against Defendants ICOBox and Evdokimov)**

12 117. The SEC realleges and incorporates by reference paragraphs 1
13 through 116 above.

14 118. As alleged above, Defendants ICOBox and Evdokimov offered and sold
15 securities, in the form of ICOBox’s ICOS tokens, to investors in interstate commerce,
16 without filing a registration statement with the SEC, and without qualifying for any
17 exemption from registration.

18 119. By engaging in the conduct described above, Defendants ICOBox and
19 Evdokimov, and each of them, directly or indirectly, singly and in concert with
20 others, has made use of the means or instruments of transportation or communication
21 in interstate commerce, or of the mails, to offer to sell or to sell securities, or carried
22 or caused to be carried through the mails or in interstate commerce, by means or
23 instruments of transportation, securities for the purpose of sale or for delivery after
24 sale, when no registration statement had been filed or was in effect as to such
25 securities, and when no exemption from registration was applicable.

26 120. By engaging in the conduct described above, Defendants ICOBox and
27 Evdokimov have violated, and unless restrained and enjoined will continue to violate,
28 Sections 5(a) and 5(c), 15 U.S.C. §§ 77e(a) & 77e(c).

1 **SECOND CLAIM FOR RELIEF**

2 **Unregistered Broker-Dealer**

3 **Violation of Section 15(a) of the Exchange Act**

4 **(against Defendants ICOBox and Evdokimov)**

5 121. The SEC realleges and incorporates by reference paragraphs 1
6 through 116 above.

7 122. As alleged above, Defendants ICOBox and Evdokimov, without
8 registering as brokers, actively solicited investors for ICOBox's clients, and received
9 transaction-based compensation for their services, in the form of "success" fees based
10 on the amounts raised from investors during ICOBox's clients' ICOs.

11 123. By engaging in the conduct described above, Defendants ICOBox and
12 Evdokimov, and each of them, made use of the mails and means or instrumentalities
13 of interstate commerce to effect transactions in, and induced and attempted to induce
14 the purchase or sale of, securities (other than exempted securities or commercial
15 paper, bankers' acceptances, or commercial bills) without being registered with the
16 SEC in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b), and
17 without complying with any exemptions promulgated pursuant to Section 15(a)(2),
18 15 U.S.C. § 78o(a)(2).

19 124. By engaging in the conduct described above, Defendants ICOBox and
20 Evdokimov have violated, and unless restrained and enjoined will continue to violate,
21 Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

1 **PRAYER FOR RELIEF**

2 WHEREFORE, the SEC respectfully requests that the Court:

3 **I.**

4 Issue findings of fact and conclusions of law that Defendants committed the
5 alleged violations.

6 **II.**

7 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
8 Civil Procedure, permanently enjoining Defendants ICOBox and Evdokimov, and
9 their officers, agents, servants, employees and attorneys, and those persons in active
10 concert or participation with any of them, who receive actual notice of the judgment
11 by personal service or otherwise, and each of them, from violating Sections 5(a)
12 and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c)].

13 **III.**

14 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
15 Civil Procedure, permanently enjoining Defendants ICOBox and Evdokimov, and
16 their officers, agents, servants, employees and attorneys, and those persons in active
17 concert or participation with any of them, who receive actual notice of the judgment
18 by personal service or otherwise, and each of them, from violating Section 15(a) of
19 the Exchange Act [15 U.S.C. §§ 78o(a)].

20 **IV.**

21 Order Defendants to disgorge all funds received from their illegal conduct,
22 together with prejudgment interest thereon.

23 **V.**

24 Order Defendants to pay civil penalties under Section 20(d) of the Securities
25 Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C.
26 § 78u(d)(3)].
27
28

1 **VI.**

2 Retain jurisdiction of this action in accordance with the principles of equity and
3 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
4 all orders and decrees that may be entered, or to entertain any suitable application or
5 motion for additional relief within the jurisdiction of this Court.

6 **VII.**

7 Grant such other and further relief as this Court may determine to be just and
8 necessary.

9 Dated: September 18, 2019

10 */s/ Amy J. Longo*

11 Amy J. Longo

12 Attorney for Plaintiff

13 Securities and Exchange Commission

Complaints and Other Initiating Documents

[2:19-cv-08066 Securities and Exchange Commission v. ICOBox et al](#)

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Notice of Electronic Filing

The following transaction was entered by Longo, Amy on 9/18/2019 at 11:42 AM PDT and filed on 9/18/2019

Case Name: Securities and Exchange Commission v. ICOBox et al

Case Number: [2:19-cv-08066](#)

Filer: Securities and Exchange Commission

Document Number: [1](#)

Docket Text:

COMPLAINT No Fee Required - US Government, filed by Plaintiff Securities and Exchange Commission. (Attorney Amy J Longo added to party Securities and Exchange Commission(pty:pla))(Longo, Amy)

2:19-cv-08066 Notice has been electronically mailed to:

Amy J Longo longoa@sec.gov, irwinma@sec.gov, kassabguir@sec.gov, LAROFiling@sec.gov

2:19-cv-08066 Notice has been delivered by First Class U. S. Mail or by other means **BY THE FILER** to :

ICOBox
725 Foothill Road
Beverly Hills, CA 90210

Nikolay Evdokimov
725 Foothill Road
Beverly Hills, CA 90210

The following document(s) are associated with this transaction:

Document description:Main Document

Original filename:C:\Users\delgadilloj\Desktop\ICOBox Complaint (LA-4877) [Final].pdf

Electronic document Stamp:

[STAMP cacdStamp_ID=1020290914 [Date=9/18/2019] [FileNumber=28428261-0]
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