

1 AMY J. LONGO (Cal. Bar No. 198304)
Email: longoa@sec.gov
2 DAVID S. BROWN (Cal. Bar No. 134569)
Email: browndav@sec.gov
3 BRENT W. WILNER (Cal. Bar No. 230093)
Email: wilnerb@sec.gov

4 Attorneys for Plaintiff
Securities and Exchange Commission

5 Robert A. Cohen, Unit Chief (Cyber Unit)
6 Headquarters
7 100 "F" Street, N.E.
Washington, District of Columbia 20549

8 Michele Wein Layne, Regional Director
9 John W. Berry, Associate Regional Director
Amy J. Longo, Regional Trial Counsel
10 444 S. Flower Street, Suite 900
Los Angeles, California 90071
11 Telephone: (323) 965-3998
Facsimile: (213) 443-1904

ORIGINAL

FILED
OCT - 3 2018
CLERK US DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA
BY DEPUTY

12 **UNITED STATES DISTRICT COURT**
13 **SOUTHERN DISTRICT OF CALIFORNIA**

15 **SECURITIES AND EXCHANGE**
16 **COMMISSION,**

17 Plaintiff,

18 vs.

19 **BLOCKVEST, LLC and REGINALD**
20 **BUDDY RINGGOLD, III a/k/a RASOOL**
21 **ABDUL RAHIM EL,**

22 Defendants.

Case No. '18 CV 2287 GPC BLM

COMPLAINT

(FILED UNDER SEAL)

23
24
25
26 Plaintiff Securities and Exchange Commission ("SEC") alleges:
27
28

SUMMARY

1
2 1. Plaintiff Securities and Exchange Commission (“SEC”) brings this
3 emergency action to halt an ongoing investment fraud involving an upcoming initial
4 coin offering (“ICO”) by defendant Blockvest LLC (“Blockvest”) and its founder and
5 principal, Reginald Buddy Ringgold, III, aka Rasool Abdul Rahim El (“Ringgold”).
6 Blockvest, which purports to be the “first [U.S.] *licensed and regulated* tokenized
7 crypto currency exchange and index fund” (emphasis added), claims that it has
8 already raised more than \$2.5 million in pre-ICO sales of its BLV digital tokens
9 (“BLVs”), and that it will raise \$100 million during its ICO, purportedly to fund
10 Blockvest’s digital asset-related financial products and services.

11 2. Blockvest and Ringgold claim their ICO has been “registered” and
12 “approved” by the SEC and other regulators, even going so far as to use the SEC’s
13 seal to promote their offering. None of that is true: the SEC has in no way approved,
14 authorized or otherwise endorsed defendants, their entities, nor their ICO.
15 Defendants also claim they are “partnered” with and “audited by” Deloitte Touche
16 Tohmatsu Limited (“Deloitte”)—which they are not.

17 3. To carry out this scheme, Ringgold created a fictitious regulatory
18 agency, the “Blockchain Exchange Commission,” or “BEC,” which he claims
19 “regulates” the “Blockchain Digital Asset Space,” supposedly to “protect” digital
20 asset investors. But the BEC is not a regulator at all. It falsely conjures similarities
21 to the SEC: its logo is similar to the SEC’s; its mission statement is cribbed from the
22 SEC’s own; and its offices share the same address as SEC headquarters. The
23 Blockvest website links directly from the BEC seal to the SEC’s website. Ringgold
24 promotes the Blockvest offering and the BEC side-by-side, further conveying a false
25 veneer of legitimacy to the Blockvest ICO.

26 4. In reality, defendants have neither the regulatory “approvals,” nor the
27 established business relationships they claim. The BLV offering is not “U.S. SEC
28

1 approved,” nor approved by any other U.S. financial regulator. The BEC has no
2 affiliation with the SEC, and Blockvest is not affiliated with the name-brand
3 companies whose logos appear in its marketing materials. Investors’ assets therefore
4 lack the safety or protections that defendants are falsely portraying in their ongoing
5 scheme to raise money through Blockvest’s planned ICO and ongoing pre-sales.

6 5. Unless restrained and enjoined, Ringgold is scheduled to appear at
7 two “VCs, Angels, Crypto and ICOs” events in Los Angeles on October 9, 2018
8 and in Orange County on October 11, 2018, where he will likely continue
9 promoting Blockvest and the BEC in order to raise additional monies from
10 investors through his fraudulent misrepresentations and scheme to defraud—
11 including for Blockvest’s intended December 2018 ICO.

12 6. By lying to investors and perpetrating a fraudulent scheme through the
13 Blockvest ICO, each of the defendants is violating the antifraud provisions of
14 Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Section 10(b) of
15 the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder,
16 as well as the securities offering registration provisions of Section 5 of the
17 Securities Act.

18 7. The SEC seeks orders temporarily, preliminarily and permanently
19 enjoining defendants from violating the securities laws; an order temporarily,
20 preliminarily and permanently enjoining Ringgold from participating in an offering
21 of digital or other securities or making misrepresentations regarding regulatory
22 approval in connection with such offerings; orders freezing defendants’ assets;
23 requiring accountings from defendants; and prohibiting the destruction of
24 documents; as well as disgorgement of defendants’ ill-gotten gains and civil
25 monetary penalties against defendants.

26 **JURISDICTION AND VENUE**

27 8. The Court has jurisdiction over this action pursuant to Sections 20(b),
28

1 20(d)(1), and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d)(1), and
2 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27(a) of the Exchange Act,
3 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e), and 78aa(a).

4 9. Defendants have, directly or indirectly, made use of the means or
5 instrumentalities of interstate commerce, of the mails, or of the facilities of a
6 national securities exchange in connection with the transactions, acts, practices,
7 and courses of business alleged in this complaint.

8 10. Venue is proper in this district pursuant to Section 22(a) of the
9 Securities Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15
10 U.S.C. § 78aa(a), because certain of the transactions, acts, practices, and courses of
11 conduct constituting violations of the federal securities laws occurred within this
12 district. In addition, venue is proper in this district because defendant Ringgold
13 resides in this district and defendant Blockvest has its principal place of business in
14 this district.

15 **THE DEFENDANTS**

16 11. **Blockvest LLC** was formed in Wyoming in April 2018 and is based
17 in San Diego. It is a private company that purports to provide various digital asset-
18 related financial products and services, for which it is raising funds through the
19 sale of BLVs. Blockvest uses the website www.blockvestico.io. Blockvest is not
20 and has never been registered with the SEC in any capacity. Blockvest registered
21 as a Commodity Trading Advisor (“CTA”) with the Commodity Futures Trading
22 Commission (“CFTC”) on July 24, 2018.

23 12. **Reginald Buddy Ringgold, III, aka Rasool Abdul Rahim El**, age
24 34, is a resident of San Diego. Ringgold is a self-described “Financial Markets
25 Investment Coach” and “professor,” who claims to have over 17 years of
26 experience in the financial industry as an investment adviser, trader, and
27 investment banker. Ringgold claims to be the founder of Blockvest. He is listed as
28

1 the executive officer and sole related person of Blockvest in a Form D filed with
2 the SEC for the BLV offering (claiming exemption from SEC securities offering
3 registration requirements), which he signed. He also holds himself out, in his
4 online biographies and in his LinkedIn profile, as the principal of various affiliated
5 entities including the BEC, Blockchain Investment Group LLC (“BIG”), Rosegold
6 Investments LLP (“Rosegold”), and Master Investment Group, Inc. (“MIG”),
7 which are referenced as providing services for Blockvest or otherwise featured as
8 partners on Blockvest’s website and whitepaper. Since at least 2010, Ringgold has
9 used the alias Rasool Abdul Rahim El in connection with, among other things,
10 opening accounts at several financial institutions. Ringgold uses the website
11 www.reginaldringgold.com. Ringgold has never been registered with the SEC or
12 the CFTC in any capacity under either his name or his alias, nor has he been
13 associated with any registered firms in the securities industry.

14 RELATED ENTITIES

15 13. The **Blockchain Exchange Commission, LLC** was formed in
16 Wyoming and is based in San Diego. Ringgold claims to be the founding member
17 of the BEC. The BEC is a private company that purports to be a regulatory
18 organization which, among other things, oversees digital asset trading platforms
19 and ICOs. The company was originally formed as Fartlife LLC in January 2015,
20 changed its name to Smartlife in 2017, then changed its name to the BEC in May
21 2018. The BEC uses the website www.blockchainexchange.commission.org. The
22 BEC is not registered with the SEC or the CFTC in any capacity.

23 14. **Blockchain Investment Group LLC** was formed in Wyoming in
24 March 2018 and is based in San Diego. A limited liability partnership with a
25 similar name (“Blockchain Investment Group LLP”) was formed at or around the
26 same time. Ringgold claims to be the founding partner of BIG (and the related
27 LLP). BIG is a private company that purports to provide investment banking

1 services to blockchain-related companies. It also purports to manage Blockvest's
2 planned digital asset fund and is listed as a principal of Blockvest with the CFTC.
3 BIG uses the website www.blockchaininvestmentgrp.com. BIG is registered with
4 the Financial Crimes Enforcement Network as a money service business. Neither
5 BIG nor the related LLP is registered with the SEC or the CFTC in any capacity.

6 15. **Rosegold Investments LLP**, aka Rosegold Investments Trust, was
7 formed in Delaware in April 2017 and is based in San Diego. Ringgold claims to
8 be Rosegold's founder, managing partner, and chief investment officer. At times,
9 Ringgold also describes Rosegold as a California trust. Rosegold purports to
10 provide investment banking and advisory services. Rosegold uses the website
11 www.rosegoldinvestments.com. Neither Rosegold nor the related trust is
12 registered with the SEC or CFTC in any capacity.

13 16. **Master Investment Group, Inc.** was formed in California in
14 March 2017 and is based in San Diego. Ringgold claims to be MIG's founder and
15 managing partner. MIG purports to provide portfolio management services. MIG
16 uses the website www.masterinvestmentllp.com. MIG is not registered with the
17 SEC or the CFTC in any capacity.

18 17. Ringgold is not listed on the company formation or incorporation
19 documents for the BEC, BIG, Rosegold, or MIG, but these entities share common
20 personnel and common addresses connecting the entities to Ringgold. Blockvest's
21 CFO is listed on company documents as the CEO of MIG and the CFO of BIG,
22 and another one of Ringgold's associates is listed as both the Assistant Secretary of
23 the BEC and as the CFO of MIG. The BEC, MIG, BIG, and Rosegold all use a
24 San Diego address that Blockvest and Ringgold also use: 5694 Mission Center
25 Road, Suite 489, San Diego, CA—which is a UPS store.

FACTUAL ALLEGATIONS

A. Background on Initial Coin Offerings

18. An initial coin offering or “ICO” is a fundraising event in which an entity offers participants a unique “coin” or “token” or “digital asset,” in exchange for consideration, often in the form of virtual currency—most commonly Bitcoin and Ether—or fiat currency.

19. The digital assets are issued on a “blockchain” or cryptographically secured ledger.

20. A blockchain is a type of distributed ledger, or peer-to-peer database spread across a network, that records all transactions in the network in theoretically unchangeable, digitally-recorded data packages called blocks. Each block contains a batch of records of transactions, including a timestamp and a reference to the previous block, linking the blocks together in a chain. The system relies on cryptographic techniques for secure recording of transactions. A blockchain can be shared and accessed by anyone with appropriate permissions. The Bitcoin blockchain is an example of a “non-permissioned,” or public and open access blockchain. Anyone can download the Bitcoin open-source software and join. All participants share a single view of the Bitcoin blockchain, which is updated when Bitcoin network participants reach a consensus on the validity of transactions under review. “Permissioned” or private blockchains are modifications to that model and require permissioned servers to be approved to participate on the network or to access particular information on the blockchain. Blockchains or distributed ledgers can also record what are called smart contracts, which essentially are computer programs designed to execute the terms of a contract when certain triggering conditions are met.

21. Generally, digital assets issued in an ICO entitle holders to certain rights related to a venture underlying the ICO, such as rights to profits, shares of

1 assets, rights to use certain services provided by the issuer, and/or voting
2 rights. These digital assets may also be listed on online platforms, often called
3 virtual currency exchanges, and tradeable for virtual or fiat currencies. Often, the
4 digital assets are immediately tradeable.

5 22. ICOs are typically announced and promoted through public online
6 channels. Issuers usually release a “whitepaper” describing the offering and the
7 terms of the ICO. To participate, investors are generally required to transfer funds
8 (often virtual currency) to the issuer’s address, online wallet, or other
9 account. After the completion of the ICO, the issuer distributes its unique digital
10 assets, commonly known as “tokens,” to the participants’ unique addresses on the
11 blockchain.

12 23. On July 25, 2017, the SEC issued a Report of Investigation pursuant
13 to Section 21(a) of the Exchange Act that put the digital-asset industry on notice
14 that many digital assets are securities and subject to the federal securities laws and
15 the registration requirements, regardless of whether the issuing entity is a
16 traditional company or a distributed ledger or blockchain-enabled means of capital
17 raising, regardless of whether the securities are purchased with U.S. dollars or
18 virtual currencies, and regardless of whether the securities are distributed in
19 certificated form or through distributed ledger technology.

20 **B. The Blockvest Pre-Sales and ICO**

21 **1. Blockvest’s purported business**

22 24. Blockvest purports to be a financial services company that, using
23 blockchain technology, “aims to solve one of the biggest problems in the
24 cryptocurrency industry—volatility” as well as the “problems of trust and
25 custodianship.”

26 25. In or around February 2018, Blockvest issued a whitepaper, available
27 on its webpage, for the sale of BLVs, which purport to be digital assets issued

1 pursuant to a smart contract developed using the Ethereum Blockchain.

2 26. According to the whitepaper and the Blockvest website, Blockvest is
3 developing four products, which will be funded by its planned ICO:

- 4 a. "Blockvest30": purportedly a cryptocurrency index fund managed
5 by BIG, using a "proprietary trading strategy for trading all asset
6 classes;"
- 7 b. "Yields": purportedly a digital currency described as a
8 "stablecoin," supposedly linked to the U.S. dollar, and also
9 described as a "digidend;"
- 10 c. The "Blockvest Interface": purportedly an automated "investment
11 portfolio structuring and management" tool; and
- 12 d. The "Blockvest Decentralized Exchange" or "DEX": purportedly
13 "a Bloomberg for crypto economics" on which BLV holders will
14 have the ability to track digital asset prices, follow market news,
15 and acquire and sell digital assets through other "major
16 cryptocurrency exchanges."

17 27. Based on Blockvest's website, none of the foregoing products are yet
18 operational; Blockvest showed a demo version of the DEX at an August 2018
19 digital assets conference.

20 28. Blockvest's website and whitepaper reflect that it will receive certain
21 services from BIG, Rosegold, and MIG.

22 **2. Defendants' promotions and sales of the BLVs**

23 29. Blockvest first issued BLVs, priced at \$1 per token, in a transfer dated
24 March 30, 2018.

25 30. Since March 30, 2018, Blockvest has been conducting BLV sales in
26 two tranches: (1) a "private sale" with a 50% bonus that ran through April 30,
27 2018; and (2) an ongoing "pre-ICO" or "Testing the Waters Phase" with a 20%

1 bonus from July 1, 2018 through October 6, 2018. These sales lead up to a “global
2 ICO” that is planned for December 1, 2018.

3 31. Between early 2018 and the present, Blockvest also has conducted
4 several “bounty programs,” giving BLVs in exchange for favorable social media
5 posts concerning the company, which have been advertised on Blockvest’s social
6 media accounts.

7 32. According to Blockvest’s website and whitepaper, Blockvest has
8 capped the supply of BLVs at 100 million, with plans to issue 50 million of the
9 tokens during the pre-ICO and ICO.

10 33. Also according to the website and whitepaper, the company will issue
11 32.5 million of the tokens to investors, setting aside 10 million for management, 5
12 million for “Core Activities Reserves,” and 2.5 million for promotional incentives.

13 34. The company also claims on its website and whitepaper that it is
14 planning an initial *public* offering, or IPO, (separate from the ICO) of unspecified
15 securities in 2019.

16 35. Since early 2018, Blockvest has been promoting its pre-ICO and ICO
17 through Blockvest’s whitepaper, the websites for Blockvest, BIG, and Ringgold,
18 and social media accounts held by Blockvest and Ringgold.

19 36. Also since early 2018, Ringgold has been appearing at various
20 blockchain conferences to tout Blockvest, and posting videos of these appearances
21 online.

22 37. On or about May 8, 2018, Blockvest claimed on social media
23 channels to have raised \$2.5 million through the sale of BLVs, within seven days
24 of the commencement of the pre-ICO sales.

25 38. By on or about September 17, 2018, Blockvest represented on its
26 website that it had sold 18% of the BLVs being offered, or roughly 9 million
27 tokens.

1 39. Ethereum Blockchain data reflects that between March 30 and
2 September 26, 2018, Blockvest issued over 10 million tokens in 266 transfers.

3 **3. Blockvest’s and Ringgold’s concessions that BLVs are**
4 **securities**

5 40. Blockvest’s Form D filing with the SEC, its promotional materials,
6 and Ringgold’s public statements reflect defendants’ understanding that BLVs are
7 securities.

8 41. Under Section 5 of the Securities Act, any offer or sale of a security
9 must either be registered with the SEC or meet an exemption. Securities Act
10 Regulation D [17 C.F.R. §§ 230.500 *et seq.*] provides a number of exemptions
11 from the registration requirements, allowing some companies to offer and sell their
12 securities without having to register the offering with the SEC.

13 42. When relying on such an exemption, companies must file what is
14 known as a “Form D” after they first sell their securities. Form D is a brief notice
15 that includes basic information about the company and the offering.

16 43. One of the exemptions provided for in Regulation D, Rule 506(c),
17 provides that a company can broadly solicit and generally advertise the offering
18 and still be deemed to be in compliance with the exemption’s requirements if: (1)
19 the investors in the offering are all accredited investors; and (2) the company takes
20 reasonable steps to verify that the investors are accredited investors.

21 44. On April 16, 2018, Blockvest filed a Form D for a \$100 million dollar
22 securities offering of BLVs, claiming an exemption from registration under
23 Securities Act Regulation D, Rule 506(c).

24 45. On information and belief, Blockvest does not take reasonable steps to
25 ensure that BLV investors are accredited.

26 46. Although Blockvest filed a Form D with the SEC for a Regulation D
27 registration exemption, its website instead invokes Securities Act Regulation A.
28

1 47. SEC Regulation A [17 C.F.R. §§ 230.251 *et seq.*] constitutes an
2 exemption from Section 5 registration and is limited to eligible issuers as defined
3 in the regulation. On March 25, 2015, the SEC amended Regulation A pursuant to
4 Section 401 of the Jumpstart Our Business Startups (JOBS) Act of 2012 [15 U.S.C.
5 § 77c(b)(2)-(5)]. Section 401 directed the SEC to adopt rules expanding the
6 previous Regulation A by, among other things, exempting public offerings of up to
7 \$50 million annually (Regulation A, as amended, is commonly known as
8 “Regulation A+”).

9 48. Under Regulation A, issuers must comply with different regulatory
10 requirements depending on whether the offering is a Tier 1 offering for up to \$20
11 million in proceeds or a Tier 2 offering for up to \$50 million. In either case, no sale
12 of a security may occur under Regulation A until (1) the issuer has filed an offering
13 statement on Form 1-A with the Commission and (2) the Commission has issued a
14 notice of qualification.

15 49. Blockvest’s website states (falsely) that “[t]he company is now SEC
16 Reg A+ compliant and can *offer their securities offering to Unaccredited*
17 *Investors* all over the globe.” (Emphasis added.)

18 50. Likewise, on or about June 23, 2018, Ringgold claimed during a
19 presentation at the “Blockchain Economic Forum” (“BE Forum”), a video of
20 which he posted online, “Since we got our Reg A, we are able to take on investors
21 from pretty much everywhere for any amount. *They don’t have to be accredited.*”
22 (Emphasis added.)

23 51. Blockvest has not filed a Form 1-A offering statement for a
24 Regulation A securities offering, nor has any offering been qualified by SEC staff
25 as required by Regulation A.

26 52. On or about July 29, 2018, Ringgold stated during a presentation at
27 the “Digital Currency Con” (“DC Con”), a video of which he posted online: “The
28

1 SEC says it's a security so we registered with the SEC."

2 **4. Representations regarding expected profits and income**
3 **from the efforts of Blockvest, BIG, and their management**

4 53. Blockvest's whitepaper and online materials represent that the
5 Blockvest30 and other Blockvest products and services will provide returns based
6 on the purported skill of Blockvest's and BIG's management.

7 54. For example, Blockvest's website and other online materials highlight
8 the supposed decades of financial industry experience of a 21-person management
9 team.

10 55. In particular, the posted biography for "Prof. Ringgold" claims he
11 "[o]verses all aspects of operations and important strategic decisions for [BIG]."

12 56. Blockvest's Facebook page claims Ringgold has "over 17+ years of
13 experience in the financial markets and has been a full-time financial trader for
14 several years trading the European, US and Asian markets." (The post does not
15 allude to Ringgold's age, which is 34).

16 57. Blockvest's whitepaper emphasizes BIG's "proprietary trading
17 strategy" as the driver of steady profits for the Blockvest30, and states that
18 "Blockchain Investments targets returns between 12% to 25% per annum."

19 58. Blockvest's online materials also promise that BLV holders will share
20 in the profits of the Blockvest30 and other ventures.

21 59. For example, Blockvest's whitepaper states, "As a Blockvest token
22 holder, your Blockvest will generate a pro-rated share of 50% of the profit
23 generated quarterly as well as fees for processing transactions."

24 60. The whitepaper also states that, "The BLV token is a novel
25 decentralized asset, whose intrinsic value is derived from the fees generated in the
26 network it collateralizes as well as the right to receive quarterly earnings from the
27 performance of the Blockchain Investments Fund."

1 61. Blockvest’s website states that “[s]imilar to a mutual fund, BlockVest
2 [*sic*] is a closed-end hybrid fund with a profit-sharing smart contract that pays
3 quarterly digital dividends.”

4 62. Next to the logo for Vanguard Investments (“Vanguard”), which was
5 used without the knowledge or permission of Vanguard, Blockvest’s website states
6 that, “Similar to a mutual fund[,] Blockvest is a closed-end hybrid fund with a
7 profit-sharing smart contract that pays quarterly digital dividends.”

8 63. Further, Blockvest’s promotional materials state that BLV investors
9 will earn “passive” income simply by holding their BLVs in Blockvest’s digital
10 wallets, referred to as “Investornodes” or “Nvestnodes.”

11 64. For example, Blockvest’s website states: “Blockvest Nvestnodes
12 generate passive income through asset backed profit sharing smart contracts. . . .
13 The company is proud to introduce the Token-As-Fund business model, which
14 allows investors to subscribe to the fund’s income stream.”

15 65. According to the Blockvest website, “Simply holding 1000 BLV in an
16 Nvestnode generates passive income thru [*sic*] fees.”

17 **C. Defendants’ Material Misrepresentations and Omissions**

18 **1. False claims regarding regulatory approvals**

19 66. Blockvest and Ringgold are falsely representing to investors that
20 Blockvest, the ICO, the Blockvest30, and/or the Blockvest DEX, have obtained
21 regulatory “approval,” most notably misleading potential investors that Blockvest
22 and its ICO are “approved” by the SEC.

23 67. A reasonable investor in the Blockvest offering would consider
24 important the truth about the regulatory and registration status of Blockvest, its
25 affiliates, and its ICO.

26 **a. False claims regarding SEC “approval”**

27 68. Since the Blockvest whitepaper was issued in February 2018 and
28

1 continuing through the present, Blockvest and Ringgold have falsely stated on
2 numerous instances that Blockvest, its planned products, or the ICO are
3 “approved” by the SEC.

4 69. Blockvest’s whitepaper describes its ICO as an “**SEC Reg A+**
5 **Securities Offering Approved.**” (Emphasis added.)

6 70. Blockvest’s website falsely states that: “Blockvest is a **U.S. SEC**
7 **approved platform** that doubles as a decentralized cryptocurrency exchange as
8 well as a hedge fund.” (Emphasis added.)

9 71. Blockvest’s public Facebook page likewise falsely states that:
10 “Blockvest is a **U.S. SEC approved platform. . .**” (Emphasis added.)

11 72. Blockvest’s website additionally reflects as a milestone in its
12 development the following: “Blockvest DEX GETS **SEC REG A+ APPROVAL**
13 **& PLANS TO ‘TEST THE WATERS’ WITH IPO.**” (Emphasis added.)

14 73. In or about June 2018, Ringgold falsely stated at a blockchain
15 conference, the BE Forum: “Good news, we just got our **Reg A approval from the**
16 **SEC.**” (Emphasis added.)

17 74. In or about July 2018, Ringgold falsely stated at another blockchain
18 conference, the DC Con: “The SEC says it’s a security so **we registered with the**
19 **SEC**” (emphasis added) and that:

20 “Now, we have the ‘JCO’ – JOBS Crypto Offering - ... a
21 combination of Reg A, Reg A+, a little sprinkle of Reg S.
22 It keeps you out [of] ‘Reg Jail.’”

23 75. Blockvest, BIG, and Ringgold are not registered with the SEC in any
24 capacity.

25 76. The BLV offering, the Blockvest30, and the Blockvest DEX are not
26 registered with or “approved” by the SEC.

1 84. According to NFA and SEC records, Freeman has not been registered
2 with the CFTC since October 2014 and has never been registered with the SEC or
3 FINRA in any capacity.

4 85. On June 26, 2018, the NFA sent Blockvest a cease-and-desist letter
5 directing the company to stop to stop falsely claiming or implying membership
6 with or regulation by the NFA.

7 86. In particular, the letter demanded that Blockvest remove the language
8 on its website about being “under the helpful eye of the CFTC and NFA” and stop
9 its unauthorized and misleading use of the NFA logo.

10 87. The same date, Blockvest’s chief financial officer emailed a response
11 to the NFA, stating that “we intend to take every step to be fully compliant to NFA
12 membership requirements.”

13 88. As of this filing, however, Blockvest had not removed the NFA’s
14 logo, the offending language about the regulators’ “helpful eye,” nor the other
15 misleading representations about regulatory status on Blockvest’s or Ringgold’s
16 websites.

17 2. Fake affiliation with Deloitte

18 89. Blockvest and Ringgold also are falsely representing to investors that
19 Blockvest is associated with public accounting firm, Deloitte.

20 90. Blockvest’s website falsely states that, “Blockchain Investment Funds
21 will be *Audited [sic] by Deloitte*, as we plan to use Stratumn’s Indigo Trace
22 platform this allows BLV Funds [sic] to become truly transparent.” (Emphasis
23 added.)

24 91. Blockvest and Ringgold also have disseminated online a video titled
25 “ICO Overview,” which falsely states that: “. . . we have *partnered with Deloitte*
26 and have built an innovative cryptographic audit technology.” (Emphasis added.)

27 92. Deloitte has no current or past business relationship with Blockvest or
28

1 any related entities or individuals, including Ringgold, nor any knowledge of a
2 relationship between Deloitte and Blockvest or any related entities or individuals,
3 including Ringgold.

4 93. That Blockvest, BIG, and Ringgold do not have any relationship with
5 Deloitte would have been important to a reasonable investor in the offering.

6 **3. Defendants' roles in the misstatements**

7 94. As alleged above, Ringgold personally made the false and misleading
8 statements alleged above about fictitious regulatory approvals and affiliation with
9 Deloitte.

10 95. These false and misleading claims are also found in Blockvest's
11 online materials.

12 96. As Blockvest's principal, Ringgold has control and ultimate authority
13 over the content of Blockvest's online materials.

14 97. Ringgold knew, or was reckless in not knowing, that neither
15 Blockvest, its affiliated entities, its ICO, nor any of its planned products are in any
16 way registered with nor approved by the SEC.

17 98. Ringgold knew, or was reckless in not knowing, that neither the
18 Blockvest ICO nor the Blockchain Investment Group LLP are in any way
19 registered with nor approved by the CFTC nor the NFA.

20 99. Ringgold knew, or was reckless in not knowing that neither he,
21 Blockvest, nor its affiliated entities have any relationship with Deloitte, and he also
22 knew, or was reckless in not knowing that neither Blockvest nor BIG have any
23 agreement for Deloitte's auditing services.

24 100. Ringgold also acted without reasonable care in claiming to have
25 nonexistent regulatory approvals.

26 101. Ringgold also acted without reasonable care in claiming that
27 Blockvest or BIG are partnered with Deloitte or have any agreement for Deloitte's
28

1 auditing services, when they do not.

2 102. Ringgold's scienter and his negligence are imputed to Blockvest since
3 he is its founder and principal.

4 **D. Defendants' Scheme to Defraud**

5 103. In addition to the misrepresentations above, Blockvest and Ringgold
6 perpetuate an illusion that that the BLV investment is safe and legitimate by
7 misusing the SEC's and others' seals and logos, and through the pretense that is the
8 BEC.

9 104. That neither defendants nor the BEC are in any way affiliated with the
10 SEC (including, not being located at SEC headquarters and not having the SEC's
11 website address), nor with the CFTC, the NFA, or Deloitte, would have been
12 important to a reasonable investor in the offering.

13 **1. The improper use of seals and logos of the SEC and others**

14 105. Blockvest and BIG display the SEC's seal and NFA's logo on their
15 webpages, amongst other purported partners or affiliates.

16 106. At the DC Con conference in July 2018, Ringgold's slide show that
17 accompanied his remarks displayed the SEC's seal, the NFA's logo, and the
18 CFTC's seal.

19 107. Blockvest's website also displays the logo of audit firm Deloitte under
20 its list of supposed partners, and the logo of Vanguard in connection with a
21 description of the Blockvest30.

22 108. Neither Blockvest nor BIG are authorized to use the SEC's or the
23 CFTC's seal.

24 109. Defendants are also not authorized to use the NFA's, Deloitte's or
25 Vanguard's logos.

26 110. Blockvest's website also does not clarify that the use of the SEC seal
27 does not—and cannot—convey registration with the SEC or “approval” of their
28

1 companies or the BLV offering.

2 111. The SEC does not “approve” securities or otherwise endorse products,
3 nor does the SEC authorize use of its seal. For example, on April 3, 2015, the SEC
4 issued an Investor Alert stating, “*The SEC does not ‘approve’ or ‘endorse’ any*
5 *particular securities, issuers, products, loans, services, professional credentials,*
6 *firms or individuals, and does not allow private entities to use its government*
7 *seal.*” (Emphasis in original.)

8 **2. The use of the fictitious BEC**

9 112. At around the same time as he founded Blockvest, Ringgold launched
10 the BEC as a purported regulatory agency that mimics the SEC in numerous ways.

11 113. In May 2018, roughly one month after filing the Form D for the BLV
12 offering with the SEC, Ringgold created the BEC, renaming a company that had
13 been previously incorporated under various names including “Fartlife.”

14 114. BEC claims to charge members fees for joining (between \$5,000 to
15 \$50,000 depending on membership level).

16 115. The BEC has attributes that are confusingly similar to the SEC.

17 116. The BEC’s publicly available LinkedIn webpage states that: “The
18 mission of the BEC is to protect investors; maintain fair, orderly, and efficient
19 markets within the Blockchain Digital Asset Space; and facilitate capital
20 formation.”

21 117. The SEC’s webpage, www.SEC.gov, under the tab “About/What We
22 Do,” states that: “The mission of the SEC is to protect investors; maintain fair,
23 orderly, and efficient markets; and facilitate capital formation.”

24 118. The BEC’s logo, displayed on Blockvest’s website and by Ringgold at
25 various conferences, is a picture of an eagle, its head turned to the left, with the
26 words “Blockchain Exchange Commission” across the top of the eagle’s
27 upstretched wings and the roman numerals MMXV below the eagle:



1
2
3
4
5
6
7 119. The SEC's seal is a picture of an eagle, its head turned to the left, with
8 the words "U.S. Securities and Exchange Commission" across the top of the
9 eagle's upstretched wings and the roman numerals MCMXXXIV below the eagle:



10
11
12
13
14
15
16 120. The BEC's LinkedIn webpage lists the BEC's address as at 100 F
17 Street Northeast, Washington, D.C. 20549.

18 121. The SEC's headquarters address is 100 F Street Northeast,
19 Washington, D.C. 20549.

20 122. Blockvest's website displays the BEC logo; however, the hyperlink
21 contained in the BEC logo on the Blockvest website does not link to the BEC's
22 website, but, as of September 17, 2018, to the SEC's website.

23 123. In addition to displaying the BEC's logo on the Blockvest website,
24 from early 2018 to the present, Ringgold has touted the BEC where he promotes
25 Blockvest, online and at conferences.

26 124. Since the BEC's inception, Ringgold has touted that he is a BEC
27 founder while also promoting Blockvest.

1 125. In a July 2018 interview on a social media platform, Ringgold
2 discussed both Blockvest and BIG stating, “I would like to announce the official
3 launch of the Blockchain Exchange Commission (BEC), an independent digital
4 securities regulatory compliance firm involved in mitigating regulatory risk
5 including US and Canadian securities/banking compliance.”

6 126. Ringgold has arranged for the BEC to be a co-sponsor of digital asset
7 conferences, alongside Blockvest, furthering the false impression that Blockvest is
8 affiliated with a “self-regulatory organization.”

9 127. Blockvest’s public Facebook page contains a post attributed to
10 Ringgold with a link to Ringgold’s presentation at the July 2018 DC Con, where he
11 discussed Blockvest and the BEC and displayed logos for both the BEC and
12 Blockvest.

13 128. In his DC Con presentation, Ringgold stated, “One thing we’ve done
14 with the Blockchain Exchange Commission is we are introducing the KYI. Write
15 that down. Know your issuer.”

16 3. Defendants’ roles in the scheme

17 129. Ringgold knew, or was reckless in not knowing, that it was
18 misleading to use the SEC and CFTC seals without authorization in order to
19 promote Blockvest, its affiliates and its ICO.

20 130. Ringgold knew, or was reckless in not knowing, that it was
21 misleading to use the logos of the NFA and Deloitte without authorization in order
22 to promote Blockvest, its affiliates and its ICO.

23 131. Ringgold knew, or was reckless in not knowing, that it was
24 misleading to use the fictitious regulatory body, the BEC, in promoting Blockvest,
25 its affiliates and its ICO.

26 132. Ringgold also acted without reasonable care in using the seals of the
27 SEC and CFTC, and the logos of the NFA and Deloitte, all without authorization.

1 133. He further acted without reasonable care in using the BEC to promote
2 his companies and the Blockvest ICO.

3 **E. Blockvest's Offerings of Digital Assets Were Not Registered with**
4 **the SEC**

5 134. Federal securities laws require that companies disclose certain
6 information through the registration of the offer or sale of securities with the SEC.
7 This information allows investors to make informed judgments about whether to
8 purchase a company's securities.

9 135. The Blockvest ICO is an offering of securities, in the form of the BLV
10 digital assets, which must be registered with the SEC unless an exemption applies.

11 136. The Blockvest ICO is not registered with the SEC.

12 137. Defendants' offer and sale of BLVs was not registered with the SEC
13 in any way.

14 138. No registration exemption applies to the Blockvest ICO.

15 139. Although Blockvest has filed a Form D with the SEC, the BLV
16 offering is not exempt from registration under Regulation D. The ICO is not
17 limited by number of investors, or investor accreditation status.

18 140. Blockvest is also offering and selling securities in the form of the
19 BLV digital assets to the general public, including to investors throughout the
20 United States.

21 141. Likewise, while Blockvest claims on its website that its offering is
22 Regulation A "compliant," the ICO has not been qualified as a Regulation A
23 offering, as is required under the regulation.

24 142. Blockvest is the issuer of the BLVs. Blockvest claims to have raised
25 \$2.5 million and to have sold 9 million BLVs in pre-ICO offers and sales.

26 143. Ringgold is an active participant and has a necessary role in the sale
27 of BLVs. He is Blockvest's founder and public face, and actively promotes the
28

1 BLV investment online and in-person.

2 **FIRST CLAIM FOR RELIEF**

3 **Fraud in Connection with the Purchase or Sale of Securities**

4 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder**
5 **(Against All Defendants)**

6 144. The SEC realleges and incorporates by reference paragraphs 1
7 through 143 above.

8 145. Defendants Blockvest and Ringgold made material misrepresentations
9 and omissions to investors and prospective investors regarding Blockvest's ICO.
10 Defendants misrepresented that the ICO was "registered" with or "approved" by
11 the SEC even though defendants were not registered in any capacity with the SEC
12 or in any way "approved." Defendants also misrepresented the regulatory status of
13 the ICO, BIG, and Blockvest's management with respect to the CFTC and NFA,
14 and continued to do so even after the NFA issued Blockvest a cease-and-desist
15 letter. Defendants also misrepresented that Blockvest had an affiliation with
16 Deloitte, which it did not have. Defendants knew or were reckless in not knowing
17 that these statements were false.

18 146. By engaging in the conduct described above, each of the defendants
19 directly or indirectly, in connection with the purchase or sale of a security, and by
20 the use of means or instrumentalities of interstate commerce, of the mails, or of the
21 facilities of a national securities exchange, with scienter, made untrue statements of
22 a material fact or omitted to state a fact necessary in order to make the statements
23 made, in the light of the circumstances under which they were made, not
24 misleading.

25 147. By engaging in the conduct described above, defendants Blockvest
26 and Ringgold violated, and unless enjoined will continue to violate, Section 10(b)
27 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(b) thereunder, 17 C.F.R.

1 § 240.10b-5(b).

2 **SECOND CLAIM FOR RELIEF**

3 **Fraud in Connection with the Purchase or Sale of Securities**

4 **Violations of Section 10b of the Exchange Act**

5 **And Rules 10b-5(a) and 10b-5(c) Thereunder**

6 **(Against All Defendants)**

7 148. The SEC realleges and incorporates by reference paragraphs 1
8 through 143 above.

9 149. Defendants Blockvest and Ringgold participated in activities with the
10 principal purpose and effect of creating a false appearance regarding Blockvest and
11 its ICO. Specifically, they create the false appearance that an investment in the
12 Blockvest ICO is safe and legitimate by perpetuating the illusion that the offering
13 has been registered with and approved by regulators, often using the SEC seal in
14 Blockvest's promotional materials. Ringgold also created the BEC, a purported
15 regulatory agency, to promote Blockvest online and at conferences, giving the false
16 appearance that Blockvest and its ICO have some legitimacy. Defendants
17 knowingly or recklessly employed these devices, schemes, or artifices to defraud;
18 and engaged in these transactions, practices, or courses of business which operated
19 or would operate as a fraud or deceit upon purchasers.

20 150. By engaging in the conduct described above, each of the defendants,
21 directly or indirectly, in connection with the purchase or sale of a security, by the
22 use of means or instrumentalities of interstate commerce, of the mails, or of the
23 facilities of a national securities exchange, with scienter: (a) employed devices,
24 schemes, or artifices to defraud; and (b) engaged in acts, practices, or courses of
25 business which operated or would operate as a fraud or deceit upon other persons.

26 151. By engaging in the conduct described above, defendants Blockvest
27 and Ringgold violated, and unless enjoined will continue to violate, Section 10(b)

1 of the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a) and 10b-5(c)
2 thereunder, 17 C.F.R. §§ 240.10b-5(a) and 240.10b-5(c).

3 **THIRD CLAIM FOR RELIEF**

4 **Fraud in the Offer or Sale of Securities**

5 **Violations of Section 17(a)(2) of the Securities Act**

6 **(Against All Defendants)**

7 152. The SEC realleges and incorporates by reference paragraphs 1
8 through 143 above.

9 153. Defendants Blockvest and Ringgold obtained money or property by
10 means of material misrepresentations and omissions to investors and prospective
11 investors regarding Blockvest's ICO. Defendants misrepresented that the ICO was
12 "registered" with or "approved" by the SEC even though defendants were not
13 registered in any capacity with the SEC or in any way "approved." Defendants
14 also misrepresented the regulatory status of the ICO, BIG, and Blockvest's
15 management with respect to the CFTC and NFA, and continued to do so even after
16 the NFA issued Blockvest a cease-and-desist letter. Defendants also
17 misrepresented that Blockvest had an affiliation with Deloitte, which it did not
18 have. Defendants have obtained at least \$2.5 million of investor funds, and/or the
19 investment in 9 million BLV tokens, through their misstatements and omissions.
20 Defendants made these statements knowingly or recklessly, and without exercising
21 the reasonable duty of care as to whether they were false.

22 154. By engaging in the conduct described above, each of the defendants,
23 directly or indirectly, in the offer or sale of securities, and by the use of means or
24 instruments of transportation or communication in interstate commerce or by use
25 of the mails directly or indirectly, with knowingly, recklessly, or negligently
26 without exercising the reasonable duty of care, obtained money or property by
27 means of untrue statements of a material fact or by omitting to state a material fact

1 necessary in order to make the statements made, in light of the circumstances
2 under which they were made, not misleading.

3 155. By engaging in the conduct described above, defendants Blockvest
4 and Ringgold violated, and unless enjoined will continue to violate, Section
5 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

6 **FOURTH CLAIM FOR RELIEF**

7 **Fraud in the Offer or Sale of Securities**

8 **Violations of Section 17(a)(1) and 17(a)(3) of the Securities Act**

9 **(Against All Defendants)**

10 156. The SEC realleges and incorporates by reference paragraphs 1
11 through 143 above.

12 157. Defendants Blockvest and Ringgold participated in activities with the
13 principal purpose and effect of creating a false appearance regarding Blockvest and
14 its ICO. Specifically, they create the false appearance that an investment in the
15 Blockvest ICO is safe and legitimate by perpetuating the illusion that the offering
16 has been registered with and approved by regulators, often using the SEC seal in
17 Blockvest's promotional materials. Ringgold also created the BEC, a purported
18 regulatory agency, to promote Blockvest online and at conferences using the BEC,
19 giving the false appearance that Blockvest and its ICO have some legitimacy.

20 158. By engaging in the conduct described above, each of the defendants,
21 directly or indirectly, in the offer or sale of securities, and by the use of means or
22 instruments of transportation or communication in interstate commerce or by use
23 of the mails directly or indirectly: knowingly or recklessly employed devices,
24 schemes, or artifices to defraud; and negligently without exercising the reasonable
25 duty of care engaged in transactions, practices, or courses of business which
26 operated or would operate as a fraud or deceit upon the purchaser.

27 159. By engaging in the conduct described above, defendants Blockvest
28

1 and Ringgold violated, and unless enjoined will continue to violate, Sections
2 17(a)(1) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(1) and 77q(a)(3).

3 **FIFTH CLAIM FOR RELIEF**

4 **Unregistered Offer and Sale of Securities**

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

6 **(Against All Defendants)**

7 160. The SEC realleges and incorporates by reference paragraphs 1
8 through 143 above.

9 161. Defendants Blockvest and Ringgold directly or indirectly offered and
10 sold Blockvest's BLV securities in offerings that are not registered with the SEC
11 and that are not subject to a valid exemption to registration.

12 162. By engaging in the conduct described above, defendants Blockvest
13 and Ringgold, directly or indirectly, singly or in concert with others, have made
14 use of the means or instruments of transportation or communication in interstate
15 commerce, or of the mails, to offer to sell or to sell securities, or carried or caused
16 to be carried through the mails or in interstate commerce, by means or instruments
17 of transportation, securities for the purpose of sale or for delivery after sale, when
18 no registration statement had been filed or was in effect as to such securities, and
19 when no exemption from registration was applicable.

20 163. By engaging in the conduct described above, defendants Blockvest
21 and Ringgold violated, and unless enjoined will continue to violate, Sections 5(a)
22 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) & 77e(c)

23 **PRAYER FOR RELIEF**

24 WHEREFORE, the SEC respectfully requests that the Court:

25 **I.**

26 Issue findings of fact and conclusions of law that the defendants committed the
27 alleged violations.

1 **II.**

2 Issue orders, in forms consistent with Rule 65(d) of the Federal Rules of Civil
3 Procedure, temporarily, preliminarily, and permanently enjoining defendants
4 Blockvest and Ringgold and their officers, agents, servants, employees and attorneys,
5 and those persons in active concert or participation with any of them, who receive
6 actual notice of the judgment by personal service or otherwise, and each of them,
7 from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b)
8 of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §
9 240.10b-5], and Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e].

10 **III.**

11 Issue orders, in forms consistent with Rule 65(d) of the Federal Rules of Civil
12 Procedure, temporarily, preliminarily, and permanently enjoining defendant Ringgold
13 and his agents, servants, employees, attorneys, and those persons in active concert or
14 participation with him, who receive actual notice of this Order, by personal service or
15 otherwise, and each of them, from directly or indirectly participating in the offer or
16 sale of any securities, including but not limited to any digital securities, and from
17 making any misrepresentations or omissions about SEC or other regulatory approval
18 in connection with the offer or sale of any securities, including but not limited to any
19 digital securities.

20 **IV.**

21 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining
22 order and a preliminary injunction freezing the assets of defendants Blockvest and
23 Ringgold, requiring accountings from each of the defendants, prohibiting each of the
24 defendants from destroying documents, and granting expedited discovery.

25 **V.**

26 Order defendants Blockvest and Ringgold to disgorge all funds received from
27 their illegal conduct, together with prejudgment interest thereon.

1 **VI.**

2 Order defendants Blockvest and Ringgold to pay civil penalties under Section
3 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange
4 Act [15 U.S.C. § 78u(d)(3)].

5 **VII.**

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

10 **VIII.**

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

13
14
15 Dated: October 2, 2018

Respectfully submitted,

16 /s/ Amy Jane Longo

17 Amy J. Longo

18 David S. Brown

19 Brent W. Wilner

Attorneys for Plaintiff

20 Securities and Exchange Commission
21
22
23
24
25
26
27
28