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6 **UNITED STATES DISTRICT COURT**
7 **NORTHERN DISTRICT OF CALIFORNIA**
8 **SAN JOSE DIVISION**

8 U.S. SECURITIES AND EXCHANGE
9 COMMISSION,

10 Plaintiff,

11 v.

12 CROWD MACHINE, INC., METAVINE, INC, and
13 CRAIG DEREL SPROULE,

14 Defendants,

15 and

16 METAVINE PTY. LTD.,

17 Relief Defendant.

Case No. _____

COMPLAINT

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19 Plaintiff Securities and Exchange Commission (“SEC”), for its Complaint against
20 defendants Crowd Machine, Inc., Metavine, Inc., and Craig Derel Sproule (collectively,
21 “Defendants”), and relief defendant Metavine Pty. Ltd., alleges as follows:

22 **SUMMARY OF THE ALLEGATIONS**

23 1. Between January and April 2018, defendant Craig Derel Sproule and his
24 company, Metavine, Inc., together with its subsidiaries Crowd Machine, Inc. and Crowd
25 Machine SEZC, raised more than \$33 million from hundreds of investors in the United States
26 and abroad through a fraudulent and unregistered “initial coin offering” or “ICO” of digital asset
27 securities, which they called “Crowd Machine Compute Tokens” or “CMCTs.”
28

1 2. Defendants represented that ICO proceeds would be used to fund the development
2 of a new technology—a “global decentralized” peer-to-peer network, or “Crowd Computer”—
3 that Defendants claimed would run their existing “no-code” application-development software
4 from a network of users’ own devices instead of traditional centralized servers. Defendants
5 further represented that, once sold, CMCTs would be used by users to compensate device owners
6 for the use of their surplus processing power, as well as to pay software developers for making
7 available source code that users could compile into custom applications “with unparalleled
8 speed.”

9 3. Defendants also represented that they would market this new technology, grow a
10 “community” of CMCT holders, and work to increase demand for the tokens, thereby increasing
11 the secondary market value of CMCTs on digital asset trading platforms.

12 4. In reality, Defendants never operationalized the Crowd Computer, CMCT
13 purchasers were never able to use the tokens within the Crowd Computer ecosystem, and the
14 secondary market for CMCTs all but disappeared, along with any value that CMCTs might once
15 have held for token holders.

16 5. To make matters worse, Defendants materially misrepresented how it intended to
17 use ICO proceeds. Beginning during the ICO, Defendants sent more than \$5.8 million to gold-
18 mining companies in South Africa, purportedly in the form of loans or in exchange for equity
19 interests in these mining operations.

20 6. To date, Defendants have recovered almost none of the \$5.8 million they
21 misappropriated, and the South African gold mining operations have returned no revenue.

22 7. Despite claiming total ICO proceeds of over \$40 million, at least \$33 million of
23 which Defendants actually collected, Defendants now purport to lack sufficient capital to fund
24 continued operations, in no small part because of these undisclosed payments to gold-mining
25 companies with no connection to the underlying project for which Defendants purportedly
26 conducted the ICO in the first place.

27 8. The CMCTs Defendants offered and sold to investors were “securities” under the
28 federal securities laws, which define “security” to include various investment vehicles, such as

1 stocks, bonds, and “investment contracts.” Like the offer and sale of CMCTs, investment
2 contracts are transactions involving the investment of money in a common enterprise with a
3 reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of
4 others. Numerous courts have found specifically that offers and sales of digital assets like
5 CMCTs are investment contracts, and therefore that such digital assets are “securities” under the
6 federal securities laws.

7 9. Defendants never filed with the SEC a registration statement for their offer and
8 sale of CMCTs, and this offer and sale did not qualify for an exemption from the registration
9 requirements of the federal securities laws.

10 **VIOLATIONS**

11 10. By virtue of the foregoing conduct and as alleged further herein, Defendants have
12 violated Sections 5(a) and (c) and 17(a) of the Securities Act of 1933 (“Securities Act”) [15
13 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], Section 10(b) of the Securities Exchange Act of 1934
14 (“Exchange Act”) [15 U.S.C. §§ 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

15 11. Unless Defendants are restrained and enjoined, they will engage in the acts,
16 practices, transactions, and courses of business set forth in this Complaint or in acts, practices,
17 transactions, and courses of business of similar type and object.

18 **NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT**

19 12. The SEC brings this action pursuant to the authority conferred by Section 20 of
20 the Securities Act [15 U.S.C. § 77t(b)] and Sections 21(d)(1) and (d)(5) of the Exchange Act [15
21 U.S.C. §§ 78u(d)(1) and (d)(5)].

22 13. The SEC seeks final judgments:

23 (a) permanently enjoining Defendants from violating the federal securities laws
24 and rules they are alleged by this Complaint to have violated;

25 (b) permanently enjoining Defendants from participating, directly or indirectly,
26 including, but not limited to, through any entity controlled by them, in any offering of
27 securities, including any digital asset security;

1 (c) imposing upon Defendants civil money penalties pursuant to Section 20(d) of
2 the Securities Act [15 U.S.C § 77t(d)] and Section 21(d)(3) of the Exchange Act [15
3 U.S.C. § 78u(d)(3)];

4 (d) requiring Defendants Crowd Machine, Inc. and Metavine, Inc. and Relief
5 Defendant Metavine Pty. Ltd., jointly and severally, to disgorge ill-gotten gains and to
6 pay prejudgment interest thereon;

7 (e) permanently prohibiting Sproule from serving as an officer or director of any
8 company that has a class of securities registered under Exchange Act Section 12 [15
9 U.S.C. § 78l] or that is required to file reports under Exchange Act Section 15(d) [15
10 U.S.C. § 78o(d)], pursuant to Securities Act Section 20(e) [15 U.S.C. § 77t(e)] and
11 Exchange Act Section 21(d)(2) [15 U.S.C. § 78u(d)(2)];

12 (f) requiring Defendants Crowd Machine, Inc. and Metavine, Inc. to undertake to
13 (i) permanently disable all Crowd Machine Compute Tokens (“CMCTs”) in their
14 possession or control within 10 days of the entry of the judgment, including any CMCTs
15 owned by, beneficially owned by, or held in the name of Sproule; (ii) publish notice of
16 the judgments on their websites and social media channels, in a form not unacceptable to
17 Commission staff, within 10 days of the entry of the judgment; and (iii) issue requests to
18 remove CMCTs from any further trading on all digital asset trading platforms where
19 CMCTs are or may be trading, including any that they previously contacted to request
20 trading of CMCTs, and publish notice of such requests on their websites and social media
21 channels, in a form not unacceptable to Commission staff, within 10 days of the entry of
22 the judgment; and

23 (g) requiring Sproule to undertake to cooperate with, and not object to, efforts by
24 Crowd Machine, Inc. and Metavine, Inc. to disable any CMCTs owned by, beneficially
25 owned by, or held in Sproule’s name.
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JURISDICTION AND VENUE

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2 14. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331, Sections
3 20(b), 20(d), and 22 of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v], and Sections
4 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

5 15. Defendants, directly and indirectly, have made use of the means or
6 instrumentalities of interstate commerce or of the mails in connection with the transactions, acts,
7 practices, and courses of business alleged herein.

8 16. Venue in this district is proper pursuant to Section 22(a) of the Securities Act [15
9 U.S.C. § 77v(a)] and Section 27(a) of the Exchange Act [15 U.S.C. §78aa(a)]. At all relevant
10 times, defendants Metavine, Inc. and Crowd Machine, Inc. were headquartered in this District.
11 Many of Defendants’ transactions, acts, practices, and courses of business constituting the
12 violations alleged herein also occurred within this district.

13 **DEFENDANTS**

14 17. **Craig Derel Sproul**, age 55, is a citizen of Australia. Sproule is the founder,
15 principal, and controlling shareholder of Metavine, Inc.

16 18. **Metavine, Inc.** was incorporated in 2013 in Delaware as “Wasp Software Inc.,”
17 which changed its name to Metavine, Inc. in 2014. Its principal place of business is 100
18 Enterprise Way, Suite B104, in Scotts Valley, California. Metavine, Inc. is controlled by Craig
19 Sproule, who holds approximately 30% of the equity in Metavine, Inc. and is its largest
20 shareholder. Metavine, Inc.’s remaining equity appears to be divided primarily among private
21 equity firms and their privately held investment funds.

22 19. **Crowd Machine, Inc.** was incorporated in Delaware in 2018 and is owned
23 entirely by Metavine, Inc. It shares its principal place of business with Metavine, Inc., in Scotts
24 Valley, California.

25 **RELIEF DEFENDANT**

26 20. **Metavine Pty. Ltd.** is an Australian proprietary limited company based in
27 Queensland, Australia, and is owned entirely by Metavine, Inc. Metavine Pty. Ltd. has been
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1 registered to conduct business in Australia under the names Metavine Australia and Crowd
2 Machine.

3 **RELATED ENTITY**

4 21. **Crowd Machine SEZC** is a Cayman Islands special economic zone company
5 that is owned entirely by Metavine, Inc. Crowd Machine SEZC is no longer operational and is
6 currently subject to voluntary liquidation proceedings under Cayman Islands law under the
7 control of independent, third-party liquidators.

8 **FACTUAL ALLEGATIONS**

9 **A. Background on Digital Tokens**

10 22. An “initial coin offering” or “ICO” is a fundraising event in which unique digital
11 “coins” or “tokens” like CMCTs are offered and sold in exchange for consideration (often in the
12 form of virtual currency—most commonly Bitcoin and Ether—or fiat currency, such as U.S.
13 dollars). The tokens are issued and distributed on a “blockchain,”¹ and may entitle its holders to
14 certain rights related to a venture underlying the ICO, such as rights to profits, shares of assets,
15 rights to use certain services provided by the issuer, and/or voting rights.

16 23. ICOs are typically announced and promoted through public online channels and
17 promotional events and conferences. To participate, investors are generally required to transfer
18 funds to the issuer’s address, online wallet, payment processor, or other account.

19 24. At some point after the completion of the ICO, the issuer will distribute the tokens
20 to the participant’s unique “wallet” address on the blockchain. Tokens are sometimes transferred

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25 ¹ A blockchain is a type of distributed ledger or peer-to-peer database that is spread across a
26 computer network and records all transactions in the network in theoretically unchangeable, digitally
27 recorded data packages called “blocks.” Each block contains a batch of records of transactions, including
28 a timestamp and a reference to the previous block, so that the blocks together form a chain. The system
relies on cryptographic techniques for securely recording transactions. A blockchain can be shared and
accessed by anyone with appropriate permissions. Some blockchains can record what are called “smart
contracts,” which are, essentially, computer programs designed to execute the terms of a contract when
certain triggering conditions are met.

1 between users, and may also be “listed” on online digital asset trading platforms, popularly
2 known as virtual currency, cryptocurrency, or “crypto” exchanges, which facilitate secondary
3 market transactions in which the tokens may be traded for other digital assets or bought with and
4 sold for fiat currencies.

5 **B. Defendants’ Offer and Sale of CMCT Tokens**

6 25. Established in 2013 by Sproule, Metavine, Inc. is a technology company that
7 developed and distributed “zero-code” software intended to enable customers without computer
8 coding experience to assemble custom computer applications using preexisting components.

9 26. In late-2017 and early-2018, Sproule established two new companies—Crowd
10 Machine SEZC and Crowd Machine, Inc., respectively—solely for the purpose of conducting an
11 initial coin offer. These new companies were owned entirely by, and operated as divisions of,
12 Metavine, Inc., with no separate offices or employees, and employees of all three entities held
13 themselves out as working for what they themselves referred to as the “Crowd Machine Group”
14 (or “CMG”) without drawing any distinctions between the three legal entities.

15 27. In November 2017, Defendants began marketing the initial coin offering of
16 Crowd Machine Compute Tokens or CMCTs as an effort to fund the creation and development of
17 a new technology—a decentralized “Crowd Computer”—to host Metavine’s zero-code software
18 and promote the development and exchange of software components using blockchain
19 technology.

20 28. At all relevant times, defendants Metavine, Inc., Crowd Machine, Inc., and Crowd
21 Machine SEZC did business under the umbrella name “Crowd Machine,” and Defendants drew
22 no substantive distinction between actions undertaken on behalf of Metavine, Inc., Crowd
23 Machine, Inc., and/or Crowd Machine SEZC in connection with the CMCT ICO.

24 29. Defendants used CMG’s website, hosted within the United States and accessible
25 at <http://www.crowdmachine.com> to internet users worldwide (including user in the United
26 States), to promote the CMCT ICO and distribute information and documentation to prospective
27 investors.

1 30. Every page on CMG’s website and nearly every document made available
2 through this website displayed the same logo, copied below, which consisted of a multicolored
3 circular design adjacent to “Crowd Machine” in stylized text, without reference to any specific
4 legal entity or actual corporate name.



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8 31. The “Terms of Use” and “Privacy Policy” pages on CMG’s website began with
9 the following definition: “Crowd Machine SEZC, Crowd Machine, Inc., and Metavine, Inc.
10 (collectively ‘Crowd Machine’, ‘we’, ‘us’ or ‘our’),” leaving no doubt that all three entities were
11 operated jointly and did business under the general name, “Crowd Machine.”

12 32. The more conversational “Frequently Asked Questions” page on CMG’s website
13 emphasized this point by including the following question, without any reference to the actual
14 legal names of the underlying entities: “Why is the name of the company Crowd Machine?” In
15 response, CMG’s website stated, “The name reflects our commitment to enabling everyone in
16 the world, regardless of their location, to be rewarded for their participation in the decentralized
17 app economy.”

18 33. As such, all relevant conduct of CMG personnel, including Sproule—who
19 directed and controlled all of CMG’s activities—was undertaken on behalf of, and attributable
20 to, Crowd Machine, Inc., Crowd Machine SEZC, and Metavine, Inc., without distinction, doing
21 business as “Crowd Machine.”

22 34. According to “white papers” first posted to CMG’s website in November 2017
23 and authored by Sproule to “outline[] the current and future developments of Metavine. Inc.” and
24 solicit ICO investors, the “Crowd Computer,” as conceived, would solve two problems: “The
25 need for software apps is outpacing their creation, while at the same time, device memory and
26 processor capacity remains largely underutilized.”

27 35. As marketed to investors, CMCTs would be used within the “Crowd Machine
28 Ecosystem” to reward “device owners participating on the Crowd Computer . . . each time their

1 devices’ computing resources are utilized to run app content, as well as software “developers
2 who place Patterns or apps into Crowd Share . . . each time that content is executed on the Crowd
3 Computer.”

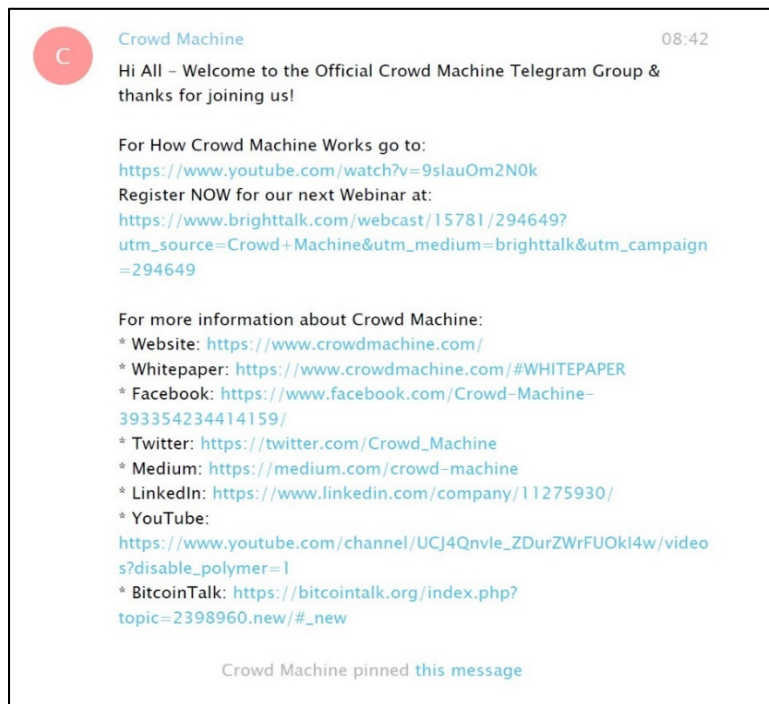
4 36. Although Metavine’s zero-code software was operational and in use at the time of
5 the ICO, it was hosted on centralized servers and users relied on application building blocks
6 developed and made available by Metavine, Inc. The decentralized “Crowd Computer,” which
7 would purportedly incentivize the creation and exchange of new application components by
8 allowing contributors to earn CMCTs, did not exist and, therefore, CMCTs had no use at the time
9 they were offered.

10 37. Defendants also marketed the CMCT ICO through messaging applications, like
11 Telegram, and on social media platforms hosted in and accessible to users in the United States,
12 including Facebook, Twitter, Medium, and YouTube.

13 38. A running list of all social media platforms Defendants used to market the CMCT
14 ICO was compiled by CMG personnel and regularly broadcast to all members of the “Official
15 Crowd Machine Telegram Group.”

16 39. This social media list was also “pinned” within the Telegram channel to keep it
17 readily accessible to interested parties. Copied below is a Telegram post by one of CMG’s
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1 authorized Telegram administrators using the Telegram username “Crowd Machine,” with an
 2 example of this social media list from December 6, 2017.



16 40. CMG personnel, including Sproule, also participated in and hosted live in-person
 17 events in the United States, as well as live-streamed “webinars” to promote the CMCT ICO and
 18 generate interest in the underlying technology.

19 41. As described in the white papers, the CMCT ICO would be held in two phases.
 20 Between January 28 and April 20, 2018, in what Defendants called a “private presale”
 21 (hereinafter, the “First Phase”), CMG and Sproule would offer CMCTs through “Simple
 22 Agreements for Future Tokens” (“SAFTs”). These SAFTs, which Defendants have
 23 acknowledged were investment contracts, entitled investors to an unspecified allotment of
 24 CMCTs, once issued, in exchange for the a payment of Ether, Bitcoin, or U.S. dollars.

25 42. Pursuant to the terms of the SAFTs they executed, First Phase investors would
 26 receive their token allotments once tokens were distributed to the general public, with the
 27 amount of their allotment to be determined based on an “exchange rate” or token valuation to be
 28 determined twenty days after public token distribution.

1 43. Notably, First Phase investors were allocated “bonus” CMCTs, calculated as a
2 percentage of their total purchase, which ranged from 100% to 400% based on the date of their
3 investment. In other words, investors who executed SAFTs early enough to receive a 400%
4 bonus were promised four additional CMCTs for every one CMCT they paid for. These bonuses
5 effectively slashed the per-token price paid by First Phase investors as compared with the price
6 paid by later purchasers.

7 44. At the same time, between April 1 and April 20, 2018, CMG and Sproule also
8 began offering and selling CMCTs on less favorable terms in what they called a “public presale”
9 (hereinafter, the “Second Phase”).

10 45. Purchasers in the Second Phase did not execute SAFTs, and those who purchased
11 tokens within the first ten days received a bonus, which, at 50%, was significantly lower than the
12 bonuses awarded to First Phase purchasers. Thus, Second Phase investors paid up to five times
13 the price for each CMCT as did early First Phase investors.

14 46. In an apparent effort to avoid or circumvent the registration requirements of the
15 federal securities laws, Defendants claimed publicly that the First Phase of the ICO was limited
16 to foreign investors and accredited investors in the United States. Defendants also claimed
17 publicly that participation in the First Phase required a minimum investment of \$100,000. In
18 reality, neither of these claims were true.

19 47. To secure the bonuses offered to First Phase investors, groups of investors—
20 known in the digital asset community as “ICO Pools”—pooled resources to meet the \$100,000
21 threshold and transferred them to accredited investors who then purchased CMCTs on their
22 behalf in the First Phase of the ICO.

23 48. These ICO pools included U.S. investors, who were not required to and did not
24 verify their identities or establish their accredited status before investing in the ICO.

25 49. Defendants were aware that investors representing ICO Pools purchased CMCTs
26 in the First Phase of the ICO on behalf of their underlying investors, but did not require or even
27 request documentation to ascertain or confirm the underlying investors’ identities or their
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1 accredited status. In some instances, CMG employees and agents knowingly solicited and
2 facilitated investments by these ICO pools.

3 50. In fact, Sproule himself served as the representative of at least two ICO Pools, and
4 as such, he collected funds, executed SAFTs, and received CMCTs on behalf of the individual
5 investors, to whom he subsequently distributed them. Neither Sproule nor other CMG
6 employees or agents required or requested from the underlying investors in these ICO Pools
7 documentation to ascertain or confirm their identities or accredited status. Instead, Sproule
8 provided CMG only with an image of his passport to prove his own identity and documents
9 establishing his own accredited status.

10 51. In the Second Phase, neither CMG nor Sproule purported to limit participation to
11 accredited investors, and they made no public statements even suggesting that U.S. investors
12 were to be excluded. In fact, CMG personnel repeatedly wrote in CMG's Telegram channel that
13 U.S. investors could participate in Phase 2 of the ICO, regardless of accredited status.

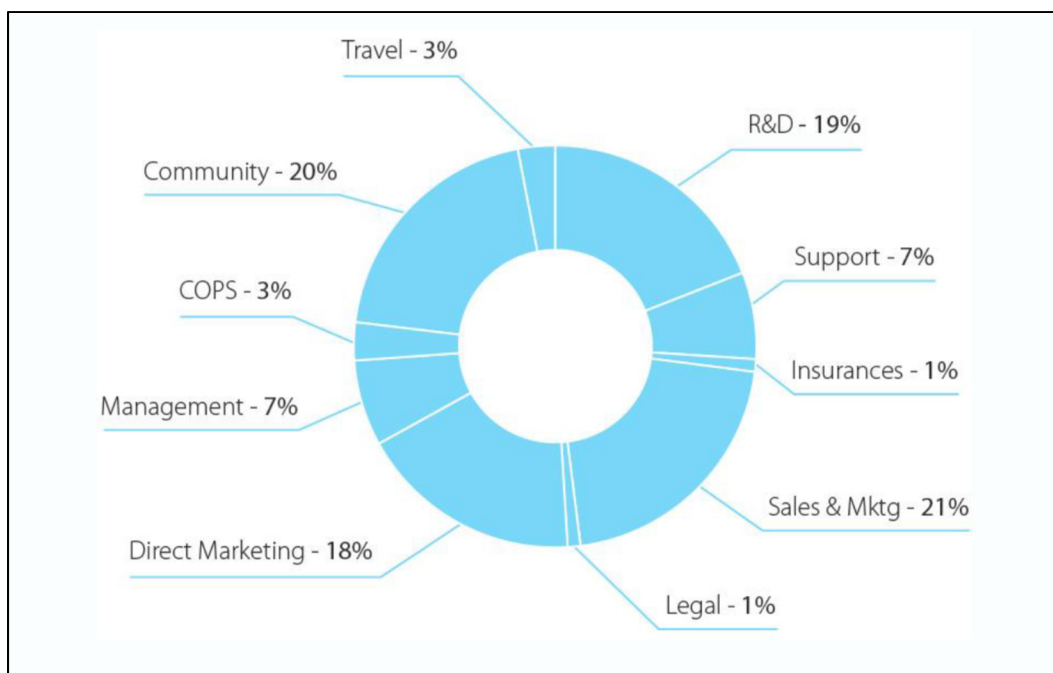
14 52. In total, Defendants claimed to have raised the equivalent of USD \$40.7 million
15 through the sale of CMCTs to over 900 investors ICO, nearly all of which came from First Phase
16 participants.

17 53. In addition, \$7.25 million of the proceeds CMG purportedly raised during the ICO
18 was attributed to a single purchase—by far, the largest single purchase by any ICO investor—by
19 a Malaysian gold mining company, but only \$250,000 was actually collected from this purchaser.
20 The remaining \$7.25 million, which CMG appears to have extended to the purchaser in credit,
21 was never received, and the corresponding CMCTs were never distributed.

22 54. Thus, actual proceeds from CMCT sales appear to have been less than the \$40.7
23 million that CMG and Sproule claimed to have raised. Based on the market values of ETH and
24 BTC at the time of the ICO, CMG actually collected the equivalent of only USD \$33.5 million.

1 **C. Purchasers Had a Reasonable Expectation of Future Profits Derived From the**
 2 **Entrepreneurial Efforts of CMG and Sproule**

3 55. Defendants’ offering materials, including two versions of a document titled
 4 “Crowd Machine Compute Token (‘CMCT’) Sale Structure” aimed at First Phase and Second
 5 Phase investors, represented that ICO proceeds would be used for “[s]ustaining engineering and
 6 feature enhancement of the [Crowd Computer technology], [Development of a global developer
 7 community, [s]ales and marketing, [p]roduct and community support, [and[[o]ther normal
 8 business functions, and was accompanied by the following graphic:



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21 56. In these and other documents, Defendants emphasized that the “success of the
 22 project” was dependent on the “sales and marketing” efforts of CMG’s management and
 23 employees to “establish[] a recognized brand to engender global community participation” and
 24 “promote the project and product consumption,” which would increase demand for CMCTs.

25 57. CMG explicitly compared its project to Amazon Web Services and Microsoft
 26 Azure, and then projected the future value of CMCTs based on Amazon Web Services’ success,
 27 stating the token could be worth anywhere from \$10-\$600 per token “excluding the speculative
 28 pricing of CMCTs on secondary markets” and “\$295/CMCT” was the “target price at full

1 utilization of the network. In contrast, most investors who purchased CMCTs in the ICO paid
2 the equivalent of between \$0.03 and \$0.22 per token (accounting for any bonus tokens awarded),
3 and the trading price of CMCTs on secondary digital asset trading platforms never exceeded
4 \$0.18 per token.

5 58. CMG and Sproule represented throughout the offering that CMG would work to
6 develop and promote its “community” as well as its technology. They made several statements
7 linking the success of the ICO to the development of CMG’s technology and underlying
8 community and touted on its website the qualifications of the management team undertaking
9 these efforts.

10 59. In offering materials, CMG stated that it would create “Crowd Machine centers of
11 excellence” to “promote the Crowd Machine brand,” which, it stated, would lead to “the
12 successful adoption of [the Crowd Machine] technology.”

13 60. In one Facebook post promoting the ICO, CMG wrote, “[i]ts [sic] important to
14 know WHO you are investing in when you invest in a product. Meet Craig Sproule - the man
15 behind the Machine.” CMG included a link to Sproule’s biography, touting his 30 years of
16 technical experience.

17 61. In addition, Defendants deliberately capped the total amount of CMCTs, which
18 they claimed would create a “reservation demand for investment (speculation)” that could cause
19 the token to “appreciate significantly.”

20 62. To enable investors to profit from such appreciation, CMG also promised that it
21 would work to create a secondary market for trading in CMCTs. In an interview posted on
22 YouTube during the offering, Sproule stated that “we expect” the token to be listed on
23 “secondary exchanges.” CMG and Sproule also stated in Offering Documents that it had to be
24 “cautious” due to “regulatory restrictions surrounding solicitation to exchanges,” but confirmed
25 CMG’s “intent is to use listing on regulatory secondary marketplaces” for CMCTs. CMG further
26 acknowledged that First Phase participants expected “the relevant liquidity to exit their position
27 in CMT [sic]” and “SAFT investors provide investment (as a security) for the purpose of
28 obtaining a significant ROI.”

1 63. CMG also enticed investors by misleadingly touting the already-successful
2 development the project’s underlying technology as indicative of future success. In offering
3 materials and on social media, CMG claimed that its technology had been “battle tested” by
4 “Fortune 500 companies” including GE and Anthem. In a newsletter sent to prospective
5 investors, CMG wrote that “ICO’s [sic] for companies who don’t have a product yet are all about
6 financial speculation – investing in an idea.” “In contrast,” Crowd Machine claimed to “have a
7 live, commercial product that we really want our loyal users and community members to be able
8 to invest in.”

9 64. In reality, none of the technology related to the Crowd Computer was functional,
10 and the only technology that had been “battle tested” by any third parties was Metavine, Inc.’s
11 existing application development software

12 65. Based on these statements, it is no surprise that many investors who purchased
13 CMCTs in the ICO did so primarily because they hoped that the tokens would appreciate, and
14 they felt confident that they would profit both because of CMG’s representations regarding the
15 state of its existing technology in use by Fortune 500 companies, as well as promises that
16 experienced management would undertake to build the Crowd Computer community, increase
17 demand for CMCTs, list CMCTs on secondary markets, and work towards realizing investors’
18 expectation of a “significant ROI.”

19 66. The “Crowd Computer” platform was, after all, expected to be the only place that
20 CMCTs could be used. Yet despite raising millions from CMCT purchasers to develop this
21 platform, CMG never ultimately operationalized its “crowd computer,” and thus CMCT holders
22 have never been able to use the tokens for any purpose.

23 **D. Defendants’ Offers and Sales of CMCTs were Illegal Unregistered**
24 **Offers and Sales of Securities**

25 67. The CMCT offering was an offer and sale of “securities” as defined by Section
26 2(a)(1) of the Securities Act because it constituted the offer and sale of investment contracts.

27 68. As detailed above, Defendants offered and sold CMCTs as part of a general
28 solicitation that included investors in the United States, and took no steps to ascertain or verify

1 the accredited status of U.S. persons who invested as part of ICO pools or in the Second Phase of
2 the offering. Investors, including U.S. investors, purchased their CMCTs in exchange for value,
3 by transferring to CMG either U.S. dollars or digital assets like ETH or BTC.

4 69. Also as detailed above, CMCT purchasers bought into a common enterprise—the
5 Crowd Machine “community”—and from their investment in the Crowd Machine ecosystem.
6 CMG and Sproule represented that they would use the proceeds of the CMCT offering to build
7 an ecosystem that would create demand for CMCTs, which CMG and Sproule said would
8 increase their value.

9 70. As shown above, CMG and Sproule made numerous statements that gave rise to
10 token purchasers’ reasonable expectation that they would profit from the success of CMG’s
11 efforts to develop the ecosystem and related rise in the value of CMCTs.

12 71. Investors’ profits were to be derived from the significant entrepreneurial and
13 managerial efforts of others—specifically Sproule, CMG, and their agents—who were to create
14 the ecosystem that would increase the value of CMCTs and facilitate secondary market trading.

15 72. The CMCT offering was structured to encourage speculative purchases, as the
16 tokens had no use at the time of the offering. Indeed, investors’ expectations were validated by
17 CMG’s and Sproule’s statements on social media and Internet forums, where both described how
18 the demand created by the Crowd Machine ecosystem combined with the scarcity of the CMCTs
19 would increase the value of the tokens.

20 73. Each defendant directly and/or indirectly offered and sold CMCTs, engaged in
21 steps necessary to the public distribution of the CMCT, and was a necessary participant in the
22 offering of CMCTs.

23 74. Absent an applicable exemption, the Securities Act prohibited Defendants from
24 offering or selling CMCTs without first registering them with the SEC.

25 75. At the time of ICO, no registration statement had been filed as to the sale of
26 CMCTs tokens, and no registration statement was in effect as to the sale of those tokens.

27 76. Defendants offered and sold CMCTs tokens without any exemption from the
28 registration requirement.

1 **E. Defendants Made Material Misrepresentations about their**
2 **Use of ICO Proceeds**

3 77. During and in connection with the unregistered offer and sale of CMCT tokens,
4 Defendants Sproule, along with Metavine, Inc. and Crowd Machine, Inc., through Sproule and
5 other CMG personnel, made a number of materially false and misleading statements to potential
6 and actual investors.

7 78. Contrary to CMG’s representations, CMG—at Sproule’s direction—allocated a
8 significant portion of the ICO proceeds to endeavors that were entirely unrelated to the
9 development and marketing of the Crowd Computer technology, the creation of an ecosystem in
10 which CMCTs could be used, or even efforts to increase demand for CMCTs to promote trading
11 on secondary markets.

12 79. For example, in April 2018 just as investors were transferring significant sums to
13 CMG’s digital asset wallets, CMG began transferring at least \$5.8 million to foreign gold mining
14 companies, predominantly in South Africa.

15 80. CMG and the receiving parties treated some of these payments as loans, with the
16 principal to be repaid over time, with interest. To date, almost none of the funds have been
17 repaid.

18 81. Other payments were made for the purpose of securing for Metavine, Inc., Crowd
19 Machine, Inc., and Crowd Machine SEZC equity interests in South African gold mining
20 operations. To date, these investments have failed to produce for CMG any revenue, and efforts
21 to sell or otherwise monetize these interests have failed.

22 82. At no point had CMG or Sproule ever disclosed that it intended to pay ICO
23 proceeds to foreign gold mining entities for any reason, and this information would have been
24 material to ICO investors’ decisions about whether to purchase CMCTs.

25 **F. Defendants Obtained Money and Property, and Relief Defendant Received Ill-**
26 **Gotten Gains, as a Result of Defendants’ Violations**

27 83. Defendants obtained money or property as a result of their untrue and misleading
28 statements of material fact in their offer and sale of CMCT tokens.

1 84. Metavine, Inc., Crowd Machine, Inc., and Crowd Machine SEZC, collectively,
2 received Ether, Bitcoin, and U.S. currency totaling more than \$33.5 million from CMTC
3 investors in the ICO.

4 85. These funds were paid by investors to digital asset wallets and bank accounts
5 under the joint control of Metavine, Inc., Crowd Machine, Inc., and Crowd Machine SEZC.

6 86. At all relevant times, Sproule exercised exclusive control over these ICO
7 proceeds.

8 87. All three of these entities routinely commingled assets and jointly utilized the
9 same bank accounts in the course of their regular operations, and no clear delineations were
10 made as to the ownership of the ICO proceeds.

11 88. In addition, funds were routinely transferred among and between bank accounts in
12 the name of these entities, as well as accounts in the name of Relief Defendant Metavine Pty.
13 Ltd. depending on the distribution of funds between these affiliates at any given time.

14 89. During and after the ICO, Relief Defendant Metavine Pty. Ltd. received at least
15 thirty separate funds transfers from Metavine, Inc., Crowd Machine, Inc., and/or Crowd Machine
16 SEZC, totaling at least \$5 million. These funds necessarily included ill-gotten gains from the
17 fraudulent and unregistered ICO, as the total amount received greatly exceeded what could
18 reasonably be attributed to Metavine Pty. Ltd.'s earned revenue. Accordingly, Metavine Pty. Ltd
19 received illegally obtained funds but has no legitimate claim to them.

20 **FIRST CLAIM FOR RELIEF**

21 **Violation of Sections 5(a) and 5(c) of the Securities Act**
22 **(All Defendants)**

23 90. The SEC re-alleges and incorporates by reference each and every allegation in
24 paragraphs 1 through 89, inclusive, as if they were fully set forth herein.

25 91. The U.S. securities laws require that companies disclose certain information
26 through the registration with the SEC of the offer or sale of securities.

27 92. For the reasons detailed above, the CMTCs were securities, no registration
28 statement was in effect as to the CMTCs, and no exemption from registration applied.

1 97. By reason of the foregoing, Defendants, directly or indirectly, singly or in concert,
2 have violated, and unless enjoined, will again violate, Securities Act Section 17(a) [15 U.S.C.
3 §77q(a)].

4 **THIRD CLAIM FOR RELIEF**

5 **Violation of Section 10(b) of the Securities Act and Rule 10b-5 Thereunder**
6 **(All Defendants)**

7 98. The SEC re-alleges and incorporates by reference each and every allegation in
8 paragraphs 1 through 89, inclusive, as if they were fully set forth herein.

9 99. By the conduct described above, Defendants, directly or indirectly, singly or in
10 concert, in connection with the purchase or sale of securities and by the use of means or
11 instrumentalities of interstate commerce, or the mails, or the facilities of a national securities
12 exchange, knowingly or recklessly (i) employed one or more devices, schemes, or artifices to
13 defraud, (ii) made one or more untrue statements of a material fact or omitted to state one or
14 more material facts necessary in order to make the statements made, in light of the circumstances
15 under which they were made, not misleading, and/or (iii) engaged in one or more acts, practices,
16 or courses of business which operated or would operate as a fraud or deceit upon other persons.

17 100. By reason of the foregoing, Defendants, directly or indirectly, singly or in concert,
18 have violated, and unless enjoined, will again violate, Exchange Act Section 10(b) [15 U.S.C. §
19 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

20 **PRAYER FOR RELIEF**

21 WHEREFORE, the SEC respectfully requests that this Court enter a final judgment:

22 **I.**

23 Permanently restraining and enjoining Defendants from violating Sections 5 and 17(a) of
24 the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;

25 **II.**

26 Permanently restraining and enjoining Defendants from participating, directly or
27 indirectly, including, but not limited to, through any entity controlled by them, in any offering of
28 securities, including any digital asset security, provided, however, that such injunction shall not

1 prevent Sproule from purchasing or selling securities, including any digital asset security, for his
2 own personal account;

3 **III.**

4 Ordering Defendants to pay civil penalties pursuant to Section 20(d) of the Securities Act
5 [15 U.S.C. § 77t(d)]; and

6 **IV.**

7 Ordering Defendants Crowd Machine, Inc. and Metavine, Inc, and Relief Defendant
8 Metavine Pty. Ltd., to disgorge all ill-gotten gains or unjust enrichment derived from the
9 activities set forth in this Complaint, together with prejudgment interest thereon;

10 **V.**

11 Prohibiting Sproule from acting as an officer or director of any public company; and
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VI.

Ordering Defendants to permanently disable all CMCTs in their possession or control, publish notice of the judgment on their websites and social media channels, in a form not unacceptable to Commission staff, and issue requests to remove CMCTs from any further trading on all digital asset trading platforms where CMCTs are or may be trading, including any that they previously contacted to request trading of CMCTs, and publish notice of such requests on their websites and social media channels.

Dated: January 6, 2022

Respectfully submitted,

/s/ Adam B. Gottlieb

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